

AS Citadele banka

# INTERIM REPORT

For the twelve months  
ended 31 December 2022



## Key figures and events of the Group

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

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

Given the increased uncertainty in macroeconomics the bank continued to take conservative approach and has prudentially provisioned in the total amount of EUR 23.8 million in 2022 (EUR 8.8 million in Q4). Baltic operations net profit reached EUR 50.8 million in 2022, which translated into 12.4% return on equity. Q4 net profit from continuous operations was EUR 13.3 million, translating into 12.9% return on equity.

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

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

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

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

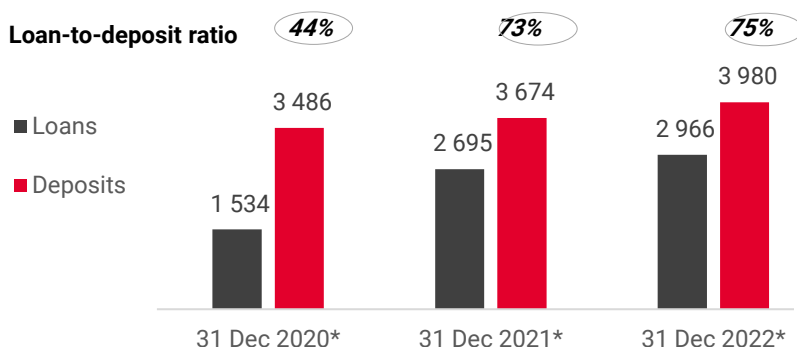
### EUR millions

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

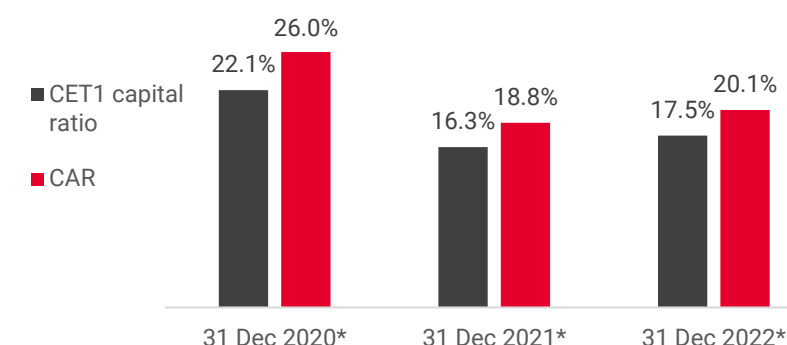
### Loans to and deposits from the public

EURm

#### Loan-to-deposit ratio



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



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

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### ***Rounding and Percentages***

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

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



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

**Johan Åkerblom**

CEO and Chairman of the Management Board



### Baltic region is strong

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

### Innovations and development

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

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

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

### Bank with one of the best customer service in the Baltics

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

### Growing client base

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

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

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

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

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

### Strong financial results

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

Taking a prudent approach towards more uncertain macroeconomic outlook, the bank has recognized net credit losses in amount of EUR 23.8

million in 2022 (EUR 8.8 million in Q4).

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

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

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

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

### Sustainability

Citadele is committed to developing our business with long term perspective and in line with our environmental, social, and economic goals. This includes respect for the

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

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

### Recent events in Ukraine and Russian sanctions

Citadele is closely monitoring the situation in Ukraine. All new laws, policies and sanctions, including sanctions imposed on Russia, are implemented diligently. Citadele's focus is the Baltic region and there is

no direct exposure to Russia, Belarus or Ukraine. Citadele has not experienced any material impact from the recent events in Ukraine or from Russian sanctions. The indirect impact from these events is closely monitored.

### Sale of Swiss subsidiary

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

## Financial review of the Group

### Results and profitability in 2022 – Baltics

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

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

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

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

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

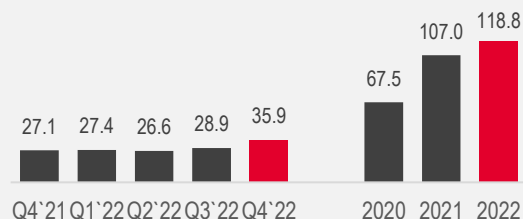
Taking a prudent approach towards more uncertain macro-economic outlook, the bank has recognized net credit losses in amount of EUR 23.8 million in 2022 (EUR 1.6 million in 2021).

Baltic operations net profit reached EUR 50.8 million in 2022, which translated into 12.4% return on equity. In Q4 net profit from continuous operations reached EUR 13.3 million. The overall credit quality of the loan book continued to improve and

**Stage 3 loans to public**, gross ratio has decreased to 2.7% as of 31 December 2022, compared to 3.3% at the end of 2021, benefiting from a stringent work with non-performing loans.

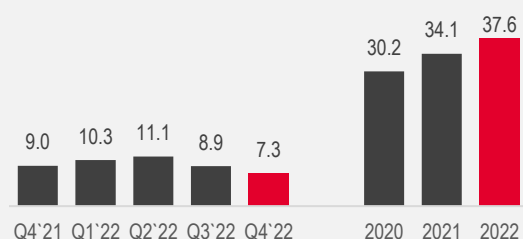
#### Net interest income, EURm

Continuing operations



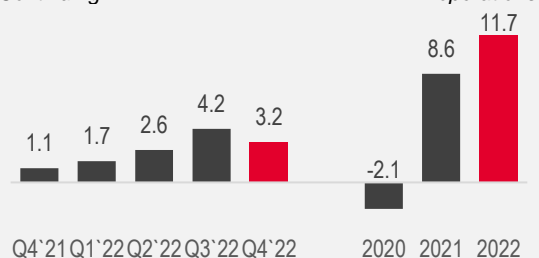
#### Net fee and commission income, EURm

Continuing operations



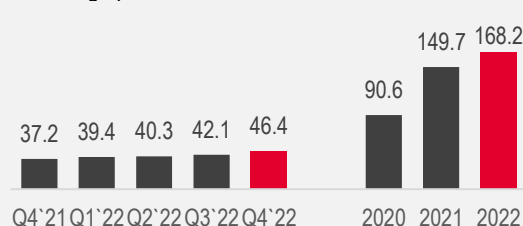
#### Net Financial & other income, EURm

Continuing



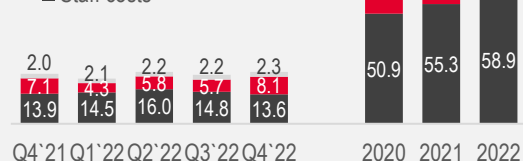
#### Operating income, EURm

Continuing operations



#### Operating expense, EURm

■ Depreciation and amortisation  
 ■ Other operating expenses  
 ■ Staff costs



## Balance sheet overview

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

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

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

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

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

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

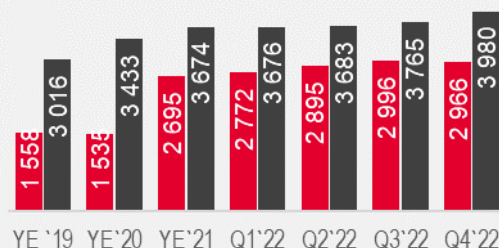
In Q4 2022 Group's **securities portfolio** declined by 1.7% quarter over quarter as planned maturities exceeded amount of new investments. In 2022 Group's securities portfolio declined year over year by 11.6% (6.2% year over year decrease for bank) as loan portfolio and cash balance increased. In Q4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

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

## Loans and Deposits, EURm

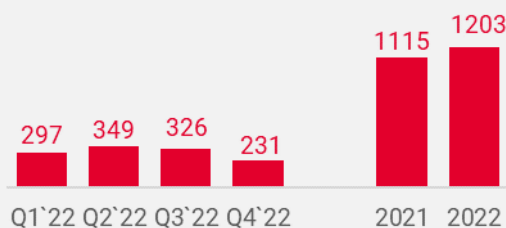
Continuing operations

■ Loans ■ Deposits

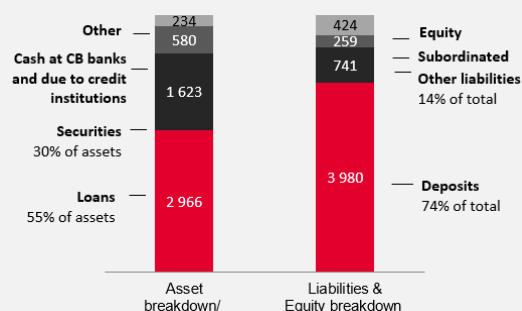


## New financing, EURm

Continuing operations



## Balance sheet structure, EURm



## Ratings

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

The main credit strengths are:

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

### Moody's

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

Detailed information about ratings can be found on the web page of the rating agency [www.moodys.com](http://www.moodys.com)



## Segment highlights

### Retail segment

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

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

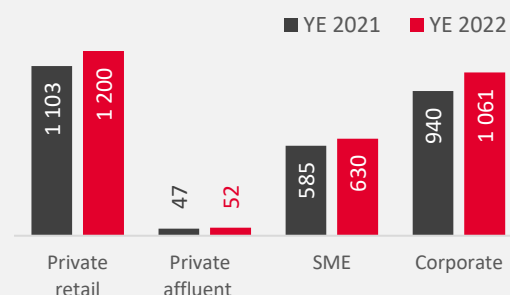
Total loans to private individuals and SME customers reached EUR 1,882 million, 11% increase since the year end 2021 with good loan quality. Deposits from private individuals and SMEs increased by 7% vs. the year end 2021 and constituted EUR 2,799 million.

### Corporate segment

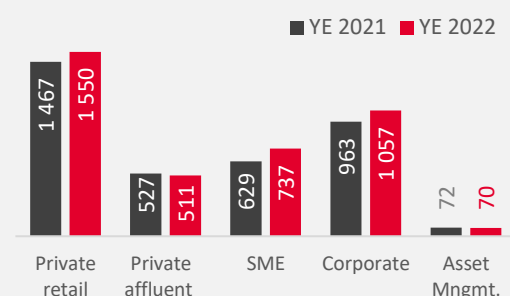
Corporate new financing in Q4 2022 reached EUR 93.0 million. New financing in 12 months 2022 was EUR 510.8 million. Most active clients were in the real estate business, manufacturing, trade and transportation sectors.

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

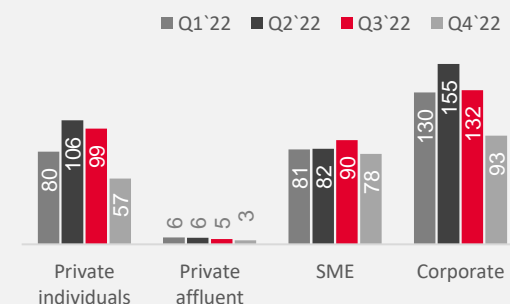
### Loans, EURm



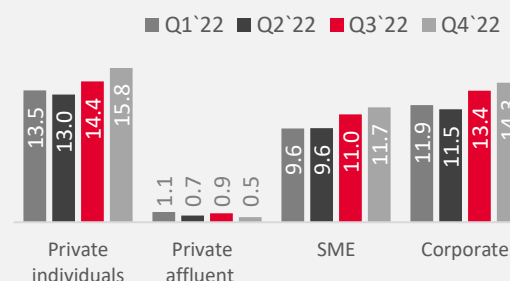
### Deposits, EURm



### New lending, EURm



### Operating income, EURm





## Business Environment

### Global economic outlook is stabilizing

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

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

### In the Baltics growth has stalled

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

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

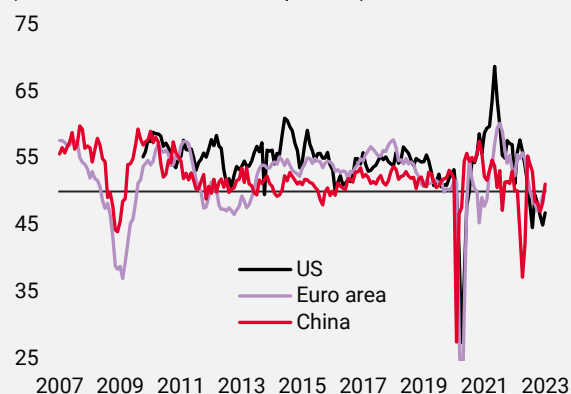
### Economic slowdown is affecting most sectors

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

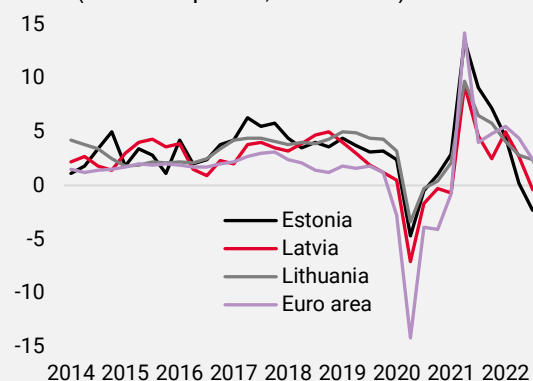
Meanwhile retail sales and consumption has been hit by inflation which has significantly exceeded income growth although government support measures have eased burden from high energy prices. Labour market remains strong in the Baltics with unemployment in December 2022 falling to 7.1% in Latvia, 5.8%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

### IHS Markit Composite PMI

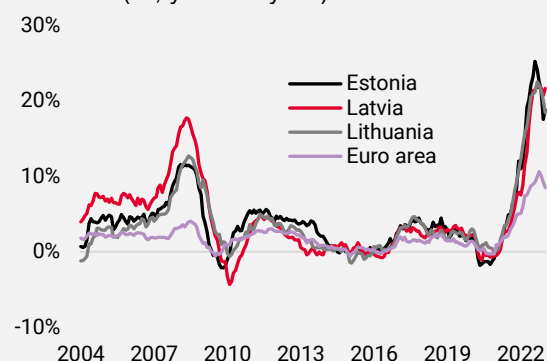
(Values above 50 indicate expansion)



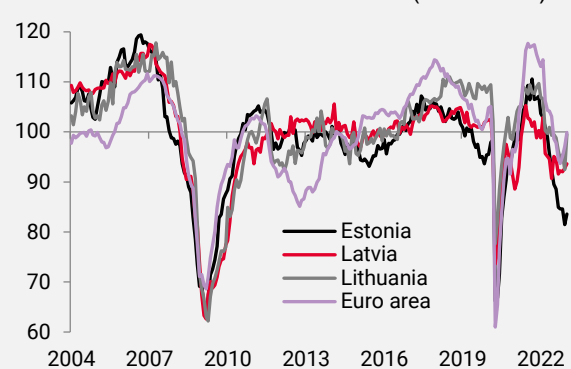
### GDP (constant prices, 2015=100)



### Inflation (% , year-on-year)



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



## 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](http://www.cblgroup.com).

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

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

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

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

<b>Name</b>	<b>Current position</b>	<b>Responsibility</b>
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-Litvinova	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 financial statements of the Bank and for the preparation of the consolidated financial statements of the Bank and its subsidiaries (hereinafter – the Group).

The condensed interim financial statements set out on pages 12 to 36 are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 31 December 2022 and 31 December 2021 and the results of their operations, changes in shareholders' equity and cash flows for the twelve months periods ended 31 December 2022 and 31 December 2021 in accordance with IAS 34 Interim Reporting as adopted by the European Union. The management report set out on pages 4 to 10 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

The condensed interim 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 financial statements.

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

## STATEMENT OF INCOME

		EUR thousands			
	Note	12m 2022 Group	12m 2021 Group Represented discontinued operations	12m 2022 Bank	12m 2021 Bank
Interest income	5	137,456	122,638	115,716	93,458
Interest expense	5	(18,607)	(15,659)	(18,489)	(14,994)
<b>Net interest income</b>		<b>118,849</b>	<b>106,979</b>	<b>97,227</b>	<b>78,464</b>
Fee and commission income	6	66,028	57,984	60,381	49,720
Fee and commission expense	6	(28,382)	(23,846)	(27,918)	(23,397)
<b>Net fee and commission income</b>		<b>37,646</b>	<b>34,138</b>	<b>32,463</b>	<b>26,323</b>
Net financial income	7	8,603	6,787	10,123	6,682
Net other income / (expense)		3,077	1,827	7,265	1,782
<b>Operating income</b>		<b>168,175</b>	<b>149,731</b>	<b>147,078</b>	<b>113,251</b>
Staff costs		(58,871)	(55,309)	(49,370)	(45,900)
Other operating expenses	8	(23,975)	(20,711)	(21,095)	(18,760)
Depreciation and amortisation		(8,729)	(8,120)	(8,309)	(7,616)
<b>Operating expense</b>		<b>(91,575)</b>	<b>(84,140)</b>	<b>(78,774)</b>	<b>(72,276)</b>
<b>Profit before impairment</b>		<b>76,600</b>	<b>65,591</b>	<b>68,304</b>	<b>40,975</b>
Net credit losses	9	(23,704)	(1,418)	(26,179)	(11,742)
Other impairment losses and other provisions		(68)	(198)	210	941
<b>Operating profit from continuous operations</b>		<b>52,828</b>	<b>63,975</b>	<b>42,335</b>	<b>30,174</b>
Result from non-current assets held for sale and discontinued operations		(4,205)	(7,365)	286	(213)
<b>Operating profit</b>		<b>48,623</b>	<b>56,610</b>	<b>42,621</b>	<b>29,961</b>
Income tax		(2,318)	(1,565)	(438)	(318)
<b>Net profit</b>		<b>46,305</b>	<b>55,045</b>	<b>42,183</b>	<b>29,643</b>
Basic earnings per share in EUR	18	0.29	0.35	0.27	0.19
Diluted earnings per share in EUR	18	0.29	0.35	0.27	0.19

The notes on pages 16 to 36 are an integral part of these financial statements.



## STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	12m 2022 Group	12m 2021 Group	12m 2022 Bank	12m 2021 Bank
<b>Net profit</b>	<b>46,305</b>	<b>55,045</b>	<b>42,183</b>	<b>29,643</b>
Other comprehensive income items that are or may be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Fair value revaluation reserve charged to statement of income (Note 7)	1,519	(428)	1,519	(428)
Fair value revaluation reserve charged to statement of income from discontinued operations	96	(114)	-	-
Change in fair value of debt securities and similar	(23,884)	(3,717)	(17,610)	(2,349)
Deferred income tax charged / (credited) directly to equity	424	212	-	-
<i>Other reserves</i>				
Foreign exchange retranslation from discontinued operations	1,134	667	-	-
Other comprehensive income items that may not be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Change in fair value of equity and similar instruments	24	(42)	24	(42)
Transfer to retained earnings at disposal	-	50	-	49
<b>Other comprehensive income / (loss)</b>	<b>(20,687)</b>	<b>(3,372)</b>	<b>(16,067)</b>	<b>(2,770)</b>
<b>Total comprehensive income</b>	<b>25,618</b>	<b>51,673</b>	<b>26,116</b>	<b>26,873</b>

The notes on pages 16 to 36 are an integral part of these financial statements.

## BALANCE SHEET

		EUR thousands			
	Note	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
<b>Assets</b>					
Cash and cash balances at central banks		532,030	371,025	532,030	361,626
Loans to credit institutions		48,441	58,742	42,044	35,693
Debt securities	10	1,592,603	1,801,720	1,550,301	1,652,308
Loans to public	11	2,966,478	2,701,509	2,880,101	2,609,713
Equity instruments	12	1,029	1,279	1,029	1,279
Other financial instruments	12	28,473	42,032	1,101	7,400
Derivatives		1,285	4,303	1,285	4,303
Investments in related entities	13	190	279	47,770	77,087
Tangible assets		15,730	20,444	10,321	11,496
Intangible assets		8,162	8,562	6,069	6,083
Current income tax assets		1,822	1,927	1,116	871
Deferred income tax assets		2,478	2,676	2,179	2,179
Discontinued operations and non-current assets held for sale	14	166,028	946	13,827	946
Other assets		39,530	39,117	30,680	28,912
<b>Total assets</b>		<b>5,404,279</b>	<b>5,054,561</b>	<b>5,119,853</b>	<b>4,799,896</b>
<b>Liabilities</b>					
Deposits from credit institutions and central banks	15	469,736	479,235	473,399	499,628
Deposits and borrowings from customers	16	3,980,261	3,813,863	3,973,320	3,665,524
Debt securities issued	17	259,225	258,895	259,225	258,895
Derivatives		7,650	739	7,650	739
Provisions	9	4,920	3,934	4,838	3,882
Current income tax liabilities		1,204	197	33	189
Deferred income tax liabilities		375	376	-	-
Discontinued operations	14	158,999	-	-	-
Other liabilities		97,691	100,247	28,183	25,476
<b>Total liabilities</b>		<b>4,980,061</b>	<b>4,657,486</b>	<b>4,746,648</b>	<b>4,454,333</b>
<b>Equity</b>					
Share capital	18	157,258	156,888	157,258	156,888
Reserves and other capital components		(12,378)	7,320	(12,951)	2,127
Retained earnings		279,338	232,867	228,898	186,548
<b>Total equity</b>		<b>424,218</b>	<b>397,075</b>	<b>373,205</b>	<b>345,563</b>
<b>Total liabilities and equity</b>		<b>5,404,279</b>	<b>5,054,561</b>	<b>5,119,853</b>	<b>4,799,896</b>
<b>Off-balance sheet items</b>					
Guarantees and letters of credit	19	50,407	34,265	60,936	38,863
Financial commitments	19	306,690	387,943	322,211	431,065

The notes on pages 16 to 36 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands						
	Issued Share capital	Share premium	Securities fair value revaluation reserve (Note 10)	Foreign currency retrans- lation	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2020	156,556	-	4,247	4,138	1,880	177,489	344,310
Share based payments to employees	332	239	-	-	238	283	1,092
Total comprehensive income	-	-	(4,089)	667	-	55,095	51,673
Net result for the period	-	-	-	-	-	55,045	55,045
Other comprehensive income / (loss) for the period	-	-	(4,089)	667	-	50	(3,372)
Balance as of 31/12/2021	156,888	239	158	4,805	2,118	232,867	397,075
Share buyback	(94)	(144)	-	-	-	-	(238)
Share based payments to employees	464	349	-	-	784	166	1,763
Total comprehensive income	-	-	(21,821)	1,134	-	46,305	25,618
Net profit for the period	-	-	-	-	-	46,305	46,305
Other comprehensive income / (loss) for the period	-	-	(21,821)	1,134	-	-	(20,687)
Balance as of 31/12/2022	157,258	444	(21,663)	5,939	2,902	279,338	424,218

Bank, EUR thousands						
	Issued Share capital	Share premium	Securities fair value revaluation reserve (Note 10)	Share based payments	Retained earnings	Total equity
<b>Balance as of 31/12/2020</b>	<b>156,556</b>	<b>-</b>	<b>2,589</b>	<b>1,880</b>	<b>156,574</b>	<b>317,599</b>
Share based payments to employees	332	239	-	238	282	1,091
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2,819)</b>	<b>-</b>	<b>29,692</b>	<b>26,873</b>
Net result for the period	-	-	-	-	29,643	29,643
Other comprehensive income / (loss) for the period	-	-	(2,819)	-	49	(2,770)
<b>Balance as of 31/12/2021</b>	<b>156,888</b>	<b>239</b>	<b>(230)</b>	<b>2,118</b>	<b>186,548</b>	<b>345,563</b>
Share buyback	(94)	(144)	-	-	-	(238)
Share based payments to employees	464	349	-	784	167	1,764
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(16,067)</b>	<b>-</b>	<b>42,183</b>	<b>26,116</b>
Net profit for the period	-	-	-	-	42,183	42,183
Other comprehensive income / (loss) for the period	-	-	(16,067)	-	-	(16,067)
<b>Balance as of 31/12/2022</b>	<b>157,258</b>	<b>444</b>	<b>(16,297)</b>	<b>2,902</b>	<b>228,898</b>	<b>373,205</b>

The notes on pages 16 to 36 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS**

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

**NOTE 2. GENERAL INFORMATION**

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

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

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

These interim 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 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 2021 annual financial statements for the Group and the Bank.

*b) New standards and amendments*

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

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

*Amendment to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021*  
*Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract*  
*Annual Improvements to IFRS Standards 2018-2020*  
*Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use*  
*Amendments to IFRS 3 – Reference to the Conceptual Framework*

**Upcoming requirements not in force from 1 January 2022**

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

*IFRS 17 - Insurance Contracts.* Effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied. The upcoming standard combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. Groups of insurance contracts have to be measured at a risk-adjusted present value of the future cash flows adjusted for unearned profits or losses. Profit from a group of insurance contracts is recognised over the period the insurance cover is provided, and as the risk is released; loss from a group of contracts is recognised immediately. The standard requires presenting insurance service results separately from insurance finance income or expenses and requires making an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The Group had set up an internal IFRS 17 implementation working group. Within the scope of the project, the Group reworks models, IT systems, processes and documentation which will be followed by final testing and validation. External expertise is attracted where and when deemed necessary. As appropriate the Group leverages existing processes, systems, models and data, although in many areas new models and revisions to the existing models are needed to be developed. The Group is in the process of finalisation of quantifying the expected impact. Total insurance liabilities recognised under the current standards are presented as other liabilities and amount to EUR 45.9 million.

*Amendments to IAS 1 – Classification of liabilities as current or non-current*  
*Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policy*  
*Amendments to IAS 8 – Definition of Accounting Estimate*  
*Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback*  
*Amendments to IAS 1 – Non-current Liabilities with Covenants*



*Amendments to IAS 12 – Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*  
*Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

**c) Functional and Presentation Currency**

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

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

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

## **NOTE 4. OPERATING SEGMENTS**

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

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

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

*Main business segments of the Group are:*

**Retail Private**

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

**Private affluent**

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

**Retail SME**

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

**Corporate**

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

**Asset management**

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

**Other**

Group's treasury functions and other business support functions, including results of the subsidiaries of the Group operating in non-financial sector. This segment comprises discontinued operations, namely operations of Kaleido Privatbank AG (a Swiss registered banking subsidiary) which Citadele has agreed to sell. Refer to Note 14 (*Discontinued Operations*).

## Segments of the Group

Group 12m 2022, EUR thousands							
	Reportable segments						Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	
Interest income	51,656	1,849	30,750	45,786	263	7,152	137,456
Interest expense	(3,795)	(1,575)	(1,548)	(2,809)	(148)	(8,732)	(18,607)
<b>Net interest income</b>	<b>47,861</b>	<b>274</b>	<b>29,202</b>	<b>42,977</b>	<b>115</b>	<b>(1,580)</b>	<b>118,849</b>
Fee and commission income	22,276	3,438	15,815	14,110	6,543	3,846	66,028
Fee and commission expense	(12,779)	(1,114)	(5,671)	(8,001)	(447)	(370)	(28,382)
<b>Net fee and commission income</b>	<b>9,497</b>	<b>2,324</b>	<b>10,144</b>	<b>6,109</b>	<b>6,096</b>	<b>3,476</b>	<b>37,646</b>
Net financial income	1,294	1,029	2,760	2,352	(1,370)	2,538	8,603
Net other income	(2,017)	(446)	(165)	(264)	5,721	248	3,077
<b>Operating income</b>	<b>56,635</b>	<b>3,181</b>	<b>41,941</b>	<b>51,174</b>	<b>10,562</b>	<b>4,682</b>	<b>168,175</b>
Net funding allocation	1,213	2,521	87	(3,007)	45	(859)	-
<b>FTP adjusted operating income</b>	<b>57,848</b>	<b>5,702</b>	<b>42,028</b>	<b>48,167</b>	<b>10,607</b>	<b>3,823</b>	<b>168,175</b>
Net credit losses	(14,327)	(627)	(983)	(9,721)	7	1,947	(23,704)
<b>Net result from continuous operations before operating expense</b>	<b>43,521</b>	<b>5,075</b>	<b>41,045</b>	<b>38,446</b>	<b>10,614</b>	<b>5,770</b>	<b>144,471</b>
Not allocated income and expense, net (including discontinued operations)							(98,166)
<b>Net profit / (loss)</b>							<b>46,305</b>

Group 12m 2021, EUR thousands (Reclassified for comparability)							
	Reportable segments						Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	
Interest income	44,671	1,723	28,185	37,299	239	10,521	122,638
Interest expense	(1,089)	(803)	(19)	(324)	(180)	(13,244)	(15,659)
<b>Net interest income</b>	<b>43,582</b>	<b>920</b>	<b>28,166</b>	<b>36,975</b>	<b>59</b>	<b>(2,723)</b>	<b>106,979</b>
Fee and commission income	18,006	4,559	12,633	12,062	8,755	1,969	57,984
Fee and commission expense	(11,279)	(1,081)	(4,346)	(6,131)	(559)	(450)	(23,846)
<b>Net fee and commission income</b>	<b>6,727</b>	<b>3,478</b>	<b>8,287</b>	<b>5,931</b>	<b>8,196</b>	<b>1,519</b>	<b>34,138</b>
Net financial income	810	896	2,218	1,530	295	1,038	6,787
Net other income	(636)	(196)	753	2,003	1,115	(1,212)	1,827
<b>Operating income</b>	<b>50,483</b>	<b>5,098</b>	<b>39,424</b>	<b>46,439</b>	<b>9,665</b>	<b>(1,378)</b>	<b>149,731</b>
Net funding allocation	(1,318)	494	(990)	(1,647)	11	3,450	-
<b>FTP adjusted operating income</b>	<b>49,165</b>	<b>5,592</b>	<b>38,434</b>	<b>44,792</b>	<b>9,676</b>	<b>2,072</b>	<b>149,731</b>
Net credit losses	(5,894)	336	908	(1,707)	(7)	4,946	(1,418)
<b>Net result from continuous operations before operating expense</b>	<b>43,271</b>	<b>5,928</b>	<b>39,342</b>	<b>43,085</b>	<b>9,669</b>	<b>7,018</b>	<b>148,313</b>
Not allocated income and expense, net (including discontinued operations)							(93,268)
<b>Net profit / (loss)</b>							<b>55,045</b>

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

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

## NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	12m 2022 Group	12m 2021 Group Represented discontinued operations	12m 2022 Bank	12m 2021 Bank
Interest income calculated using the effective interest method:				
Financial instruments at amortised cost:				
<i>Loans to public</i>	81,472	69,212	105,993	86,067
<i>Debt securities</i>	4,616	2,996	4,616	2,996
<i>Cash balances at and lending to/from central banks and credit institutions (including TLTRO-III)</i>	3,413	3,083	3,419	3,088
<i>Deposits from public at negative interest rates</i>	834	383	912	466
Debt securities at fair value through other comprehensive income	1,033	1,012	776	841
Interest income on finance leases (part of loans to public)	46,088	45,952	-	-
<b>Total interest income</b>	<b>137,456</b>	<b>122,638</b>	<b>115,716</b>	<b>93,458</b>
Interest expense on:				
Financial instruments at amortised cost:				
<i>Deposits and borrowing from public</i>	(7,839)	(8,813)	(7,823)	(8,130)
<i>Debt securities issued</i>	(6,821)	(3,952)	(6,821)	(3,952)
<i>Deposits from credit institutions and central banks (including TLTRO-III)</i>	(951)	(104)	(1,003)	(276)
<i>Deposits to central banks and other assets at negative interest rates</i>	(676)	(863)	(616)	(862)
Financial liabilities at fair value through profit or loss				
<i>Deposits and borrowing from public</i>	(89)	(145)	-	-
Lease liabilities	(43)	(58)	(38)	(50)
Other interest expense	(2,188)	(1,724)	(2,188)	(1,724)
<b>Total interest expense</b>	<b>(18,607)</b>	<b>(15,659)</b>	<b>(18,489)</b>	<b>(14,994)</b>
<b>Net interest income</b>	<b>118,849</b>	<b>106,979</b>	<b>97,227</b>	<b>78,464</b>

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

**NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE**

	EUR thousands			
	12m 2022 Group	12m 2021 Group Represented discontinued operations	12m 2022 Bank	12m 2021 Bank
Fee and commission income:				
Cards	43,301	32,637	43,303	32,638
Payments and transactions	11,062	10,741	11,088	10,757
Asset management and custody	6,758	9,078	1,680	1,797
Securities brokerage	521	564	523	577
Other fees	2,038	1,810	2,004	1,610
<b>Total fee and commission income from contracts with customers</b>	<b>63,680</b>	<b>54,830</b>	<b>58,598</b>	<b>47,379</b>
Guarantees, letters of credit and loans	2,348	3,154	1,783	2,341
<b>Total fee and commission income</b>	<b>66,028</b>	<b>57,984</b>	<b>60,381</b>	<b>49,720</b>
Fee and commission expense on:				
Cards	(23,238)	(19,260)	(23,233)	(19,254)
Payments and transactions	(3,625)	(3,201)	(3,625)	(3,161)
Asset management, custody and securities brokerage	(748)	(918)	(738)	(918)
Other fees	(771)	(467)	(322)	(64)
<b>Total fee and commission expense</b>	<b>(28,382)</b>	<b>(23,846)</b>	<b>(27,918)</b>	<b>(23,397)</b>
<b>Net fee and commission income</b>	<b>37,646</b>	<b>34,138</b>	<b>32,463</b>	<b>26,323</b>

**NOTE 7. NET FINANCIAL INCOME**

	EUR thousands			
	12m 2022 Group	12m 2021 Group Represented discontinued operations	12m 2022 Bank	12m 2021 Bank
Foreign exchange trading, revaluation and related derivatives	9,583	6,864	9,496	6,821
Non-trading assets and liabilities at fair value through profit or loss	(824)	443	783	381
Assets at fair value through other comprehensive income	(1,519)	428	(1,519)	428
Assets at amortised cost	27	(16)	27	(16)
Modifications in cash flows which do not result in derecognition	1,336	(932)	1,336	(932)
<b>Total net financial income</b>	<b>8,603</b>	<b>6,787</b>	<b>10,123</b>	<b>6,682</b>

**NOTE 8. OTHER OPERATING EXPENSES**

	EUR thousands			
	12m 2022 Group	12m 2021 Group Represented discontinued operations	12m 2022 Bank	12m 2021 Bank
Information technologies and communications	(7,705)	(5,858)	(7,014)	(5,002)
Consulting and other services	(6,307)	(6,440)	(4,848)	(6,182)
Rent, premises and real estate	(2,514)	(2,594)	(2,364)	(2,313)
Advertising and marketing	(3,834)	(2,594)	(3,641)	(2,468)
Non-refundable value added tax	(2,012)	(1,985)	(1,884)	(1,842)
Other	(1,603)	(1,240)	(1,344)	(953)
<b>Total other expenses</b>	<b>(23,975)</b>	<b>(20,711)</b>	<b>(21,095)</b>	<b>(18,760)</b>



**NOTE 9. NET CREDIT LOSSES**

Total net impairment allowance charged to the income statement

	EUR thousands			
	12m 2022 Group	12m 2021 Group Represented discontinued operations	12m 2022 Bank	12m 2021 Bank
Loans to credit institutions	(303)	21	(303)	12
Debt securities	104	(806)	97	(798)
Loans to public	(24,789)	(2,942)	(27,160)	(12,895)
Loan commitments, guarantees and letters of credit	(1,049)	(1,657)	(954)	(1,747)
Recovered written-off assets	2,333	3,966	2,141	3,686
<b>Total net losses on financial instruments</b>	<b>(23,704)</b>	<b>(1,418)</b>	<b>(26,179)</b>	<b>(11,742)</b>

Allowances for credit losses are recognised based on the future loss expectations. The forward-looking information in the measurement of expected credit losses is implemented through adjustment for future economic development scenarios. As a result of events related to Covid-19 previously and more recent new risks, like Russia's invasion into Ukraine, which has pushed commodity and energy prices higher, accelerating global inflation and supply chain disruptions, the adjustment for expected impact from future economic scenarios is revised correspondingly. Due to the forward looking nature of the credit loss estimation, the increase in loss allowances does not necessarily represent an observable deterioration in the current credit quality of the loan portfolio (for detail refer to Note 11 (*Loans to Public*)), but is more a representation of a deterioration in the forward looking economic scenarios component.

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

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

**Classification of impairment stages**

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

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

*Stage 3* – Credit-impaired financial instruments

**Allowances for credit losses and provisions**

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
<u>Stage 1</u>				
Loans to credit institutions	385	93	385	93
Debt securities	708	2,015	686	1,927
Loans to public	53,284	35,204	41,130	23,184
Loan commitments, guarantees and letters of credit	4,528	3,378	4,498	3,325
<b>Total stage 1 credit losses and provisions</b>	<b>58,905</b>	<b>40,690</b>	<b>46,699</b>	<b>28,529</b>
<u>Stage 2</u>				
Loans to public	16,746	10,702	13,421	8,873
Loan commitments, guarantees and letters of credit	158	358	115	358
<b>Total stage 2 credit losses and provisions</b>	<b>16,904</b>	<b>11,060</b>	<b>13,536</b>	<b>9,231</b>
<u>Stage 3</u>				
Loans to public	36,479	35,709	33,573	32,544
Loan commitments, guarantees and letters of credit	134	98	125	98
<b>Total stage 3 credit losses and provisions</b>	<b>36,613</b>	<b>35,807</b>	<b>33,698</b>	<b>32,642</b>
<b>Total allowances for credit losses and provisions</b>	<b>112,422</b>	<b>87,557</b>	<b>93,933</b>	<b>70,402</b>
<i>Including for debt securities classified at fair value through other comprehensive income</i>	94	136	72	97

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.

**NOTE 10. DEBT SECURITIES**

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

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

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

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

Debt securities by country of issuer

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

## Bank, EUR thousands

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

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 11. LOANS TO PUBLIC**

Loans by customer profile, industry profile and product type

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

## Loans by overdue days and impairment stage

Group, EUR thousands										
	31/12/2022					31/12/2021				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3 and POCI			Stage 1	Stage 2	Stage 3 and POCI		
<b>Loans to public</b>										
Not past due	2,666,915	273,165	36,687	(66,940)	2,909,827	2,412,494	216,166	44,911	(44,319)	2,629,252
Past due ≤30 days	27,005	9,856	4,679	(7,641)	33,899	38,085	10,287	993	(5,983)	43,382
Past due >30 and ≤90 days	-	13,376	2,996	(3,118)	13,254	-	15,100	7,635	(2,587)	20,148
Past due >90 days	-	-	38,308	(28,810)	9,498	-	-	37,453	(28,726)	8,727
<b>Total loans to public</b>	<b>2,693,920</b>	<b>296,397</b>	<b>82,670</b>	<b>(106,509)</b>	<b>2,966,478</b>	<b>2,450,579</b>	<b>241,553</b>	<b>90,992</b>	<b>(81,615)</b>	<b>2,701,509</b>
Guarantees and letters of credit	50,130	-	277	(452)	49,955	29,002	100	161	(222)	29,041
Financial commitments	291,930	14,319	441	(4,368)	302,322	378,107	9,217	275	(3,605)	383,994
<b>Total credit exposure to public</b>	<b>3,035,980</b>	<b>310,716</b>	<b>83,388</b>	<b>(111,329)</b>	<b>3,318,754</b>	<b>2,857,688</b>	<b>250,870</b>	<b>91,428</b>	<b>(85,442)</b>	<b>3,114,544</b>

As of 31 December 2022, the gross amount of Group's POCI loans to public is EUR 16.3 million (2021: EUR 26.1 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.7 million (2021: EUR 0.2 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 19 (*Off-balance Sheet Items*).

Bank, EUR thousands										
	31/12/2022					31/12/2021				
	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		
<b>Loans to public</b>										
Not past due	2,698,503	177,908	20,767	(51,593)	2,845,585	2,435,524	141,440	27,492	(29,803)	2,574,653
Past due ≤30 days	18,069	8,771	4,562	(7,029)	24,373	22,051	9,185	826	(5,738)	26,324
Past due >30 and ≤90 days	-	2,945	1,241	(1,516)	2,670	-	3,237	1,375	(1,220)	3,392
Past due >90 days	-	-	35,459	(27,986)	7,473	-	-	33,184	(27,840)	5,344
<b>Total loans to public</b>	<b>2,716,572</b>	<b>189,624</b>	<b>62,029</b>	<b>(88,124)</b>	<b>2,880,101</b>	<b>2,457,575</b>	<b>153,862</b>	<b>62,877</b>	<b>(64,601)</b>	<b>2,609,713</b>
Guarantees and letters of credit	60,659	-	277	(452)	60,484	33,601	100	161	(222)	33,640
Financial commitments	313,682	8,282	247	(4,286)	317,925	421,574	9,217	275	(3,552)	427,514
<b>Total credit exposure to public</b>	<b>3,090,913</b>	<b>197,906</b>	<b>62,553</b>	<b>(92,862)</b>	<b>3,258,510</b>	<b>2,912,750</b>	<b>163,179</b>	<b>63,313</b>	<b>(68,375)</b>	<b>3,070,867</b>

## Stage 3 loans to public ratio

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

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

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



**NOTE 12. EQUITY AND OTHER FINANCIAL INSTRUMENTS**

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

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

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

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

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

**NOTE 13. INVESTMENTS IN RELATED ENTITIES**

Changes in investments in related entities of the Bank

	EUR thousands	
	12m 2022	12m 2021
<b>Balance at the beginning of the period, net</b>	<b>77,087</b>	<b>46,756</b>
Equity investments and acquisitions	-	29,203
Investments in associates accounted for using the equity method	(89)	5
Liquidation of subsidiary	(15,711)	(8)
Change in impairment allowance	288	1,131
Transfer to discontinued operations held for sale	(13,805)	-
<b>Balance at the end of the period, net</b>	<b>47,770</b>	<b>77,087</b>
<i>Including associates accounted for using the equity method</i>	<i>190</i>	<i>279</i>
<i>Including gross investment in subsidiaries</i>	<i>60,598</i>	<i>99,731</i>

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

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

**Acquisition of UniCredit leasing operations in the Baltics in 2021**

In 2019 AS Citadele banka entered into a binding agreement with UniCredit S.p.A. to acquire UniCredit's Baltic leasing operations through the acquisition of 100% of the shares in SIA UniCredit Leasing. Citadele obtained full control from the beginning of January 2021. After completion of the acquisition transaction in 2021, the acquired entity was renamed to SIA Citadele Leasing. The acquisition

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

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

#### Consolidation Group subsidiaries and associated entities for accounting purposes

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

#### Consolidation Group subsidiaries in liquidation process in foreign jurisdictions

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

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

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

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

## NOTE 14. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

In January 2022, AS Citadele banka entered into a binding agreement with Trusted Novus Bank Limited regarding the sale of its Swiss subsidiary – Kaleido Privatbank AG. Trusted Novus Bank Limited will acquire 100% of Kaleido Privatbank AG. As per agreement the closing is set at the beginning of 2023, subject to regulatory approvals. As the conditions indicate that the investment will be recovered principally through a sale transaction rather than through continuing operations, Kaleido Privatbank AG is presented as discontinued operations as of period end. The Management has a strong commitment to sell Kaleido Privatbank AG. The sale of Kaleido Privatbank AG is a further step focusing on Citadele's core activities in the Baltics and is in line with Citadele's long-term ambition to become the leading financial services provider in the Baltics.

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

	EUR thousands	
	12m 2022 Group	12m 2021 Group
Net interest income	1,828	1,104
Net fee and commission income	2,896	2,319
Other operating income and expense	(334)	549
Staff costs, other operating expenses, depreciation and amortisation	(8,540)	(10,897)
Net credit losses and other impairment losses	(338)	(195)
Income tax	(3)	(32)
<b>Result from discontinued operations</b>	<b>(4,491)</b>	<b>(7,152)</b>
Result from non-current assets held for sale	286	(213)
<b>Result from non-current assets held for sale and discontinued operations</b>	<b>(4,205)</b>	<b>(7,365)</b>

### Assets and liabilities constituting discontinued operations

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

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

As of 31 December 2022, EUR 13,805 thousand from the Bank's assets classified as Discontinued operations and non-current assets held for sale is carrying value of the investment in subsidiary Kaleido Privatbank AG which in 2022 was transferred to discontinued operations held for sale.

## NOTE 15. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

### Bank deposits and borrowings by type

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

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

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

The methodology for calculation of the applicable interest rate and the linked reference rate was changed by ECB several times in 2022 and may be change by ECB in the future.

## NOTE 16. DEPOSITS AND BORROWINGS FROM CUSTOMERS

### Deposits and borrowings by profile of the customer

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

### Deposits and borrowings from customers by contractual maturity

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

### Deposits and borrowings from customers by categories

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

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

## NOTE 17. DEBT SECURITIES ISSUED

### Publicly listed debt securities

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

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 21 (*Risk Management*).

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

EUR 200 million senior unsecured preferred bonds (XS2393742122) have a five years maturity, with issuer's optional redemption

date after four years. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL). The senior unsecured preferred bonds were offered to institutional investors. The bonds are listed on Euronext Dublin and Nasdaq Riga. As of the issuance date, the bonds were rated Baa3 by Moody's.

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

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

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

## NOTE 18. SHARE CAPITAL

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

**Shareholders of the Bank**

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

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

<sup>2</sup> Delan S.à.r.l. is beneficially owned by the Baupost Group LLC

<sup>3</sup> EMS LB LLC is beneficially owned by Mr Edmond M. Safra

<sup>4</sup> Amolino Holdings Inc. is beneficially owned by Mr James L. Balsilie

<sup>5</sup> 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 ordinary shareholders by the weighted average number of the ordinary shares outstanding during the period. Diluted earnings per share are determined by adjusting the net profit that is attributable to the ordinary shareholders and the weighted-average number of the ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees in the long-term incentive programs. The part of the performance-based employee share options for which the services under the approved long-term incentive programs have been received are included in the calculation of diluted earnings per share. The remaining part of the performance-based employee share options, issuance of which is contingent upon satisfying specific conditions, in addition to the passage of time, are treated as contingently issuable shares and are not included in the calculation of diluted earnings per share.

	12m 2022 Group	12m 2021 Group	12m 2022 Bank	12m 2021 Bank
Profit for the period, EUR thousands	46,305	55,045	42,183	29,643
Weighted average number of the ordinary shares outstanding during the period in thousands	157,073	156,722	157,073	156,722
<b>Basic earnings per share in EUR</b>	<b>0.29</b>	<b>0.35</b>	<b>0.27</b>	<b>0.19</b>
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	157,073	156,722	157,073	156,722
Effect of share options in issue in thousands	1,230	1,095	1,230	1,095
<b>Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands</b>	<b>158,303</b>	<b>157,817</b>	<b>158,303</b>	<b>157,817</b>
Profit for the period, EUR thousands	46,305	55,045	42,183	29,643
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,303	157,817	158,303	157,817
<b>Diluted earnings per share in EUR</b>	<b>0.29</b>	<b>0.35</b>	<b>0.27</b>	<b>0.19</b>



**NOTE 19. OFF-BALANCE SHEET ITEMS**

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

**Contingent liabilities and financial commitments outstanding**

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

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

**NOTE 20. ASSETS UNDER MANAGEMENT****Fair value of assets managed on behalf of customers by investment type**

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

**Customer profile on whose behalf the funds are managed**

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

**NOTE 21. 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 diligently implemented. Consistently with long standing Citadele's objective to become the leading financial services provider in the Baltics, internal risk exposure limits with Russia, other CIS countries and Ukraine have been low. As 31 December 2022 the carrying amount of the Group's direct credit exposures with parties domiciled in Russia, Belarus and Ukraine are less than EUR 2.0 million. Additionally, carrying value of the Bank's investments in collective investment funds with direct exposure to eastern Europe is around EUR 1.1 million. Of these funds, direct exposures to the above countries are only a part of the overall investment funds' holdings. The indirect impact from these events is regularly monitored.

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

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

For additional information on geographical distribution of securities exposures please refer to Note 10 (Debt Securities). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments. From the Group's loans to credit institutions presented as "Other countries" EUR 23.5 million is with United States registered credit institutions (2021: EUR 23.6 million). From the Group's discontinued operations presented as "Other countries" EUR 6.7 million is central banks balances with Swiss National Bank (2021: EUR 9.4 million) and EUR 24.7 million are with Swiss credit institutions (2021: EUR 20.0 million).

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

## Bank as of 31/12/2022, EUR thousands

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
<b>Assets</b>						
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
<b>Total assets</b>	<b>2,781,162</b>	<b>1,484,053</b>	<b>342,480</b>	<b>355,037</b>	<b>157,121</b>	<b>5,119,853</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>3,786,382</b>	<b>775,615</b>	<b>81,496</b>	<b>22,789</b>	<b>80,366</b>	<b>4,746,648</b>
<b>Off-balance sheet items</b>						
Contingent liabilities	10,643	38,662	606	53	10,972	60,936
Financial commitments	228,839	74,292	18,689	306	85	322,211

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). From the Bank's loans to credit institutions presented as "Other countries" EUR 23.5 million with United States registered credit institutions (2021: EUR 23.6 million).

## Bank as of 31/12/2021, EUR thousands

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

## Liquidity coverage ratio

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

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
1. Liquidity buffer	1,304,068	1,255,477	1,256,246	1,190,783
2. Net liquidity outflow	742,186	635,011	777,402	727,528
3. Liquidity coverage ratio	176%	198%	162%	164%

**Net stable funding ratio**

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

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
1. Total available stable funding	3,741,692	3,872,201	3,697,516	3,749,691
2. Total required stable funding	2,844,055	2,849,583	1,925,681	2,138,255
3. <b>Net stable funding ratio</b>	<b>132%</b>	<b>136%</b>	<b>192%</b>	<b>175%</b>

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

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

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

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

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

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

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



## Regulatory capital requirements of the Group on 31 December 2022

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

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

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

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Common equity Tier 1 capital				
Paid up capital instruments and share premium	157,702	157,127	157,702	157,127
Retained earnings	273,080	230,786	228,898	186,548
Regulatory deductions	(26,588)	(8,255)	(23,669)	(6,290)
Other capital components and transitional adjustments, net	4,364	9,634	1,528	5,173
Tier 2 capital				
Eligible part of subordinated liabilities	59,595	60,000	59,595	60,000
<b>Total own funds</b>	<b>468,153</b>	<b>449,292</b>	<b>424,054</b>	<b>402,558</b>
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,080,114	2,164,268	1,404,459	2,174,244
Total exposure amounts for position, foreign currency open position and commodities risk	9,944	10,916	9,494	10,916
Total exposure amounts for operational risk	237,799	206,624	191,884	162,314
Total exposure amounts for credit valuation adjustment	1,571	4,592	1,508	4,592
<b>Total risk exposure amount</b>	<b>2,329,428</b>	<b>2,386,400</b>	<b>1,607,345</b>	<b>2,352,066</b>
<b>Common equity Tier 1 capital ratio</b>	<b>17.5%</b>	<b>16.3%</b>	<b>22.7%</b>	<b>14.6%</b>
<b>Total capital adequacy ratio</b>	<b>20.1%</b>	<b>18.8%</b>	<b>26.4%</b>	<b>17.1%</b>

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

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

## Transitional adjustments applied as of 31 December 2022

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

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

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

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

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

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

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Common equity Tier 1 capital, fully loaded	407,095	386,366	362,932	339,503
Tier 2 capital	59,595	60,000	59,595	60,000
<b>Total own funds, fully loaded</b>	<b>466,690</b>	<b>446,366</b>	<b>422,527</b>	<b>399,503</b>
<b>Total risk exposure amount, fully loaded</b>	<b>2,328,277</b>	<b>2,383,981</b>	<b>1,606,107</b>	<b>2,349,379</b>
<b>Common equity Tier 1 capital ratio, fully loaded</b>	<b>17.5%</b>	<b>16.2%</b>	<b>22.6%</b>	<b>14.5%</b>
<b>Total capital adequacy ratio, fully loaded</b>	<b>20.0%</b>	<b>18.7%</b>	<b>26.3%</b>	<b>17.0%</b>

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

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

	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.5%	7.5%	7.1%	6.9%
Leverage Ratio – transitional definition of Tier 1 capital	7.5%	7.6%	7.1%	6.9%

Fully loaded and transitional capital adequacy ratio excluding net result for the period

The transitional capital adequacy ratio as of period end, if the net result since the latest audited financials as of 31 December 2021 is not included, for the Group is 18.3% and for the Bank is 23.8%; the transitional Tier 1 capital ratio for the Group is 15.7% and for the Bank is 20.1%. The fully loaded capital adequacy ratio, if the net result for the period is not included, for the Group is 18.2% and for the Bank is 23.7%; the fully loaded Tier 1 capital ratio for the Group is 15.7% and for the Bank is 20.0%.

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/SRM2). In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD 2, it requires that all institutions must meet an individual MREL requirement. The MREL requirement for each institution is comprised of several elements, including the required loss absorbing capacity of the institution, and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL include institution's own funds (within the meaning of the capital requirements directive), along with eligible liabilities subject to conditions set in regulation 2019/876.

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

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

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

## OTHER REGULATORY DISCLOSURES

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

**Income Statement, regulatory format**

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

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

**Balance Sheet, regulatory format**

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

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

**ROE and ROA ratios**

	12m 2022 Group	12m 2021 Group	12m 2022 Bank	12m 2021 Bank
Return on equity (ROE) (%)	11.28%	14.85%	11.74%	8.94%
Return on assets (ROA) (%)	0.89%	1.14%	0.85%	0.65%

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

**Capital adequacy ratio**

EUR thousands

	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
<b>1 Own funds (1.1.+1.2.)</b>	<b>426,027</b>	<b>449,292</b>	<b>381,872</b>	<b>402,558</b>
1.1 Tier 1 capital (1.1.1.+1.1.2.)	366,432	389,292	322,277	342,558
1.1.1 Common equity Tier 1 capital	366,432	389,292	322,277	342,558
1.1.2 Additional Tier 1 capital	-	-	-	-
1.2 Tier 2 capital	59,595	60,000	59,595	60,000
<b>2 Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>2,329,428</b>	<b>2,386,400</b>	<b>1,607,345</b>	<b>2,352,066</b>
2.1 Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2,080,114	2,164,268	1,404,459	2,174,244
2.2 Total risk exposure amount for settlement/delivery	-	-	-	-
2.3 Total risk exposure amount for position, foreign exchange and commodities risks	9,944	10,916	9,494	10,916
2.4 Total risk exposure amount for operational risk	237,799	206,624	191,884	162,314
2.5 Total risk exposure amount for credit valuation adjustment	1,571	4,592	1,508	4,592
2.6 Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7 Other risk exposure amounts	-	-	-	-
<b>3 Capital adequacy ratios</b>				
3.1 Common equity Tier 1 capital ratio (1.1.1./2.*100)	15.7%	16.3%	20.1%	14.6%
3.2 Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	261,608	281,904	249,946	236,715
3.3 Tier 1 capital ratio (1.1./2.*100)	15.7%	16.3%	20.1%	14.6%
3.4 Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	226,666	246,108	225,836	201,434
3.5 Total capital ratio (1./2.*100)	18.3%	18.8%	23.8%	17.1%
3.6 Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	239,673	258,380	253,284	214,393
<b>4 Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)</b>				
4.1 Capital conservation buffer	98,144	95,456	67,696	94,083
4.2 Conservation buffer for macroprudential or systemic risk at member state's level	58,236	59,660	40,184	58,802
4.3 Institution specific countercyclical buffer	-	-	-	-
4.4 Systemic risk buffer	3,494	-	1,929	-
4.5 Other systemically important institution buffer	1,473	-	1,473	-
	34,941	35,796	24,110	35,281
<b>5 Capital adequacy ratios, including adjustments</b>				
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	15.7%	16.3%	20.1%	14.6%
5.3 Tier 1 capital ratio including line 5.1 adjustments	15.7%	16.3%	20.1%	14.6%
5.4 Total capital ratio including line 5.1 adjustments	18.3%	18.8%	23.8%	17.1%

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

EUR thousands

	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
<b>1.A Own funds, IFRS 9 transitional provisions not applied</b>	<b>424,564</b>	<b>446,366</b>	<b>380,344</b>	<b>399,503</b>
1.1.A Tier 1 capital, IFRS 9 transitional provisions not applied	364,969	386,366	320,749	339,503
1.1.1. Common equity Tier 1 capital, IFRS 9 transitional provisions not applied	364,969	386,366	320,749	339,503
<b>2.A Total risk exposure amount, IFRS 9 transitional provisions not applied</b>	<b>2,328,277</b>	<b>2,383,981</b>	<b>1,606,107</b>	<b>2,349,379</b>
3.1.A Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.7%	16.2%	20.0%	14.5%
3.3.A Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.7%	16.2%	20.0%	14.5%
3.5.A Total capital ratio, IFRS 9 transitional provisions not applied	18.2%	18.7%	23.7%	17.0%

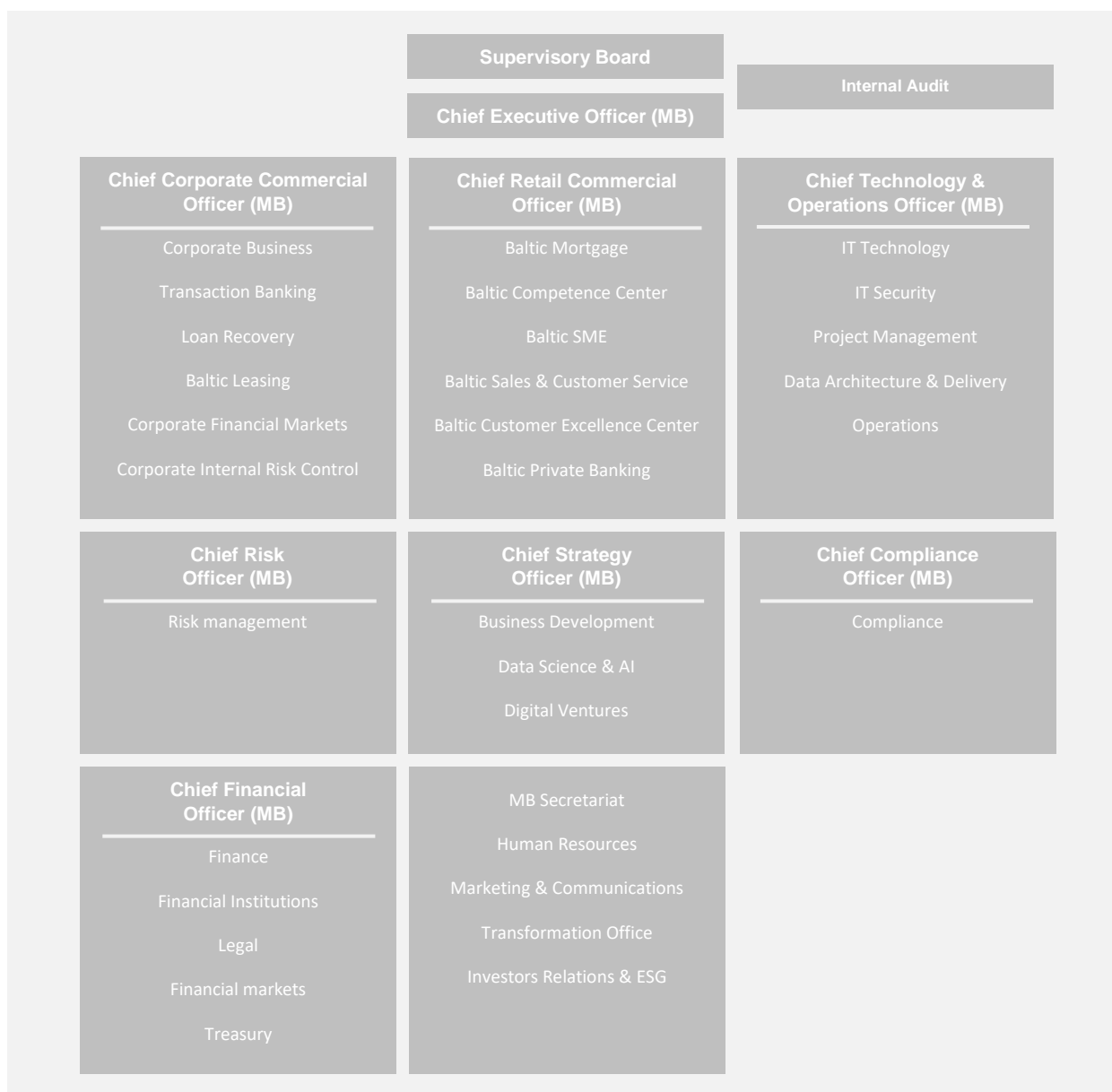
### Business Strategy and Objectives

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

### Branches

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

### Bank's Organizational Structure





## QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

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

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

**DEFINITIONS AND ABBREVIATIONS**

**ALCO** – Assets and Liabilities Management Committee.

**AML** – anti-money laundering.

**BRRD** – the bank recovery and resolution directive.

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

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

**CTF** – combating terrorist financing.

**ECB** - European Central Bank.

**EU** – the European Union.

**FCMC** – Financial and Capital Markets Commission.

**FMCRC** – Financial Market and Counterparty Risk Committee.

**GIC** – Group's Investment Committee.

**IAS** – International accounting standards.

**ICAAP** – internal capital adequacy assessment process.

**IFRS** – International financial reporting standards.

**LCR** – liquidity coverage ratio.

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

**ML/TF** – money laundering and terrorism financing.

**MREL** – minimum requirement for own funds and eligible liabilities.

**NSFR** – net stable funding ratio.

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

**O-SII** – other systemically important institution.

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

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

**RTS** – regulatory technical standards.

**SRB** – the Single Resolution Board.

**SREP** – supervisory review and evaluation process.

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

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

**Stage 3 financial instruments** – Credit-impaired exposures.

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

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

**TLOF** – total liabilities and own funds.

**TLTRO** – ECB's targeted longer-term refinancing operations

**TSCR** – SREP capital requirement.