

AS Citadele banka

# AUDITED INTERIM REPORT

For the six months ended  
30 June 2023



## Key figures and events of the Group

In H1 2023, Citadele issued EUR 429 million in new financing to support Baltic private, SME and corporate customers, compared to 646 million in H1 2022.

Citadele's deposit base remained stable at EUR 3 872 million as of 30 June 2023.

On the back of attractive digital solutions and services, Citadele's active customers reached 374 thousand active clients as of 30 June 2023, a 2% growth year-over-year.

Citadele's Baltic operations net profit for H1 2023 reached EUR 64.5 million, representing a 29.2% return on equity and C/I of 43.0%; Q2 2023 Baltic operations net profit reached EUR 38.5 million, representing a return on equity of 33.8% and C/I of 40.8%.

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

The bank continues to operate with more than adequate capital and liquidity ratios. The Group's CAR (including net result for the period) was 22.5%, CET1 20.0% and LCR of 185% as of 30 June 2023.

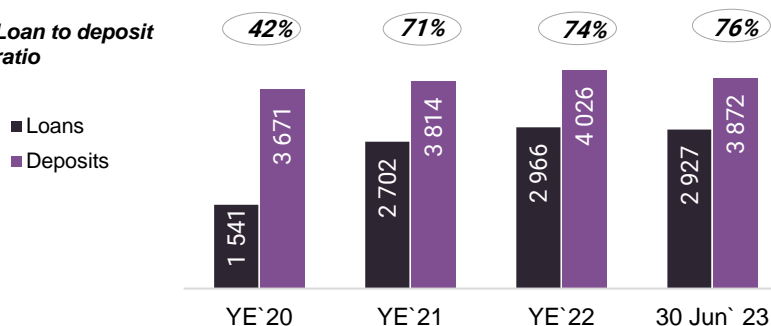
The focus on customer services and digital solutions resulted in continued strong Retail NPS results of 43% in Latvia and 41% in Lithuania. As of 30 June 2023, Citadele had 1,329 full time employees.

EUR millions	Continuous operations*	
	6m 2023	6m 2022
Net interest income	88.0	54.2
Net fee and commission income	21.0	21.5
Net financial and other income	4.7	1.1
<b>Operating income</b>	<b>113.7</b>	<b>76.8</b>
Operating expense	(48.9)	(44.9)
Net credit losses and impairments	3.7	(12.8)
<b>Net profit from continuous operations (after tax)</b>	<b>64.5</b>	<b>18.9</b>
Return on average assets (ROA)	2.51%	0.75%
Return on average equity (ROE)	29.2%	9.5%
Cost to income ratio (CIR)	43.0%	58.4%
Cost of risk ratio (COR)	(0.2%)	0.9%

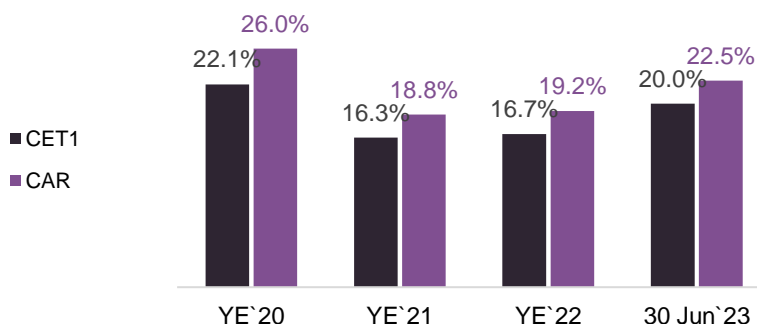
### Loans to and deposits from the public

EURm

#### Loan to deposit ratio



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



\*Only continuous operations shown. Comparatives are restated for discontinued operations of Kaleido Privatbank AG (Swiss subsidiary bank of the Group) which is committed for sale and thus excluded from the presented key figures. Comparative figures for 2022 have been restated due to the adoption of IFRS 17, earlier comparative figures are not restated for IFRS 17.

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

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### **Rounding and Percentages**

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

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

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





**Johan Akerblom**  
CEO and Chairman of the Management Board

### Economic situation in the Baltics remains challenging

Inflation and high energy prices have hit economic growth in the Baltics and 2023 started with moderate economic downturn. At the same time Europe has avoided energy crisis, energy prices have fallen significantly since the autumn of 2022 and economic forecasts for 2023 have improved. Weak demand in manufacturing has been offset by the ongoing recovery in service sectors, and labour markets in the Baltic remain strong despite slight decline in GDP. Unemployment is low and wages in the Baltic region are growing by more than 10 percent per annum. And yet, significant risks remain to the economic outlook. The war in Ukraine continues, inflation remains too high and rapidly rising interest rates have cooled the housing markets. In Europe despite rapidly falling inflation and energy prices business sentiment has worsened since April, downturn in manufacturing is deepening and economic recovery in China is also slower than expected. These factors will continue to weigh on economic prospects in the Baltic region in the short term. However, inflation is falling, and household real income is set to grow again in the second half of 2023. Significant EU-funded investments will continue to flow in the economies of the Baltic countries and in 2024 the Baltic region is forecast to return to positive growth.

### Strong financial result

Halfway through 2023, a year characterised by an uncertain macroeconomic environment, our diversified business model and universal offering serves us and our customers well. Citadele stands stronger than ever in terms of asset quality and liquidity buffers. Stability and profitability are prerequisites for us to continue to fulfil the critical role in society that we are providing, and we will continue to provide support with the necessary financial infrastructure and assist companies and households in developing further.

Citadele has continued to support the business community with financing for growth and expansion. New financing to our private, SME and corporate customers reached EUR 429 million in H1 2023, compared to 646 million in H1 2022. Citadele's total loan book as of 30 June 2023 was EUR 2,927 million, compared to EUR 2,966 million as of year-end 2022. This is against the backdrop of worsening macro-economic conditions as well as the increased Euribor, both of which have an impact on our customer's financial considerations.

Overall, the financial standing of our customers is reassuring, and portfolio quality continued to improve. NPL ratio reached 2.4% as of 30 June 2023, compared to 2.7% at the end of 2022.

In H1 2023, Citadele's operating income from continuous operations reached EUR 113.7 million, representing 48% growth year-over-year. Net profit from continuous operations reached EUR 64.5 million in H1 2023 and return on equity was 29.2%.

Customer deposits slightly decreased by 4% compared to year-end 2022 and constituted EUR 3,872 million as of 30 June 2023. Loan-to-deposit ratio was 76% as of 30 June 2023.

Citadele continues to operate with more than adequate capital and liquidity ratios: CAR (including net result for the period) was 22.5%, tier 1 ratio 20.0% and LCR of 185% as of 30 June 2023.

### Innovations and development

To ensure a truly digital banking experience, Citadele continued its efforts to enrich its mobile app with new features. In H1 2023, Citadele launched Accident Insurance via the Citadele mobile app (provided by CBL Life), allowing Citadele clients in Latvia and Lithuania to acquire insurance policies 24/7, quickly and conveniently. Citadele's insurance product range was extended by the launch of two new products for clients in Latvia and Lithuania - City Combo Insurance (providing insurance for different means of transportation, e.g., scooters, segways, bicycles, etc) and Purchase Insurance (providing price protection insurance and insurance in the case that a purchased item is damaged or stolen).

Citadele launched an automated scoring system for mortgage loans in Estonia, allowing Citadele to increase the competitiveness of our mortgage loan products and ensuring a faster and more convenient clients service and a better user experience.

Klix, the bank's e-commerce checkout solution, exceeded 1,000 merchants. In H1 2023, 7.6 million transactions were processed via Klix, with a total value of EUR 260 million, of which 4.1 million transactions with a total value of EUR 131 million were processed in Q2 2023.

### Growing client base

Citadele continues to attract new clients and we are proud of our strong customer base who trust us with their financial service needs. Citadele's active customers reached 374.3 thousand clients as of 30 June 2023, growing by 2% year-over-year. The number of active mobile app users reached 240 thousand, growing by 10% year-over-year.

### Post-reporting period events

#### Citadele initiates a review of strategic alternatives

Over recent years Citadele has successfully developed into a modern Baltic banking platform by pursuing a strategy focused on leading digital solutions and best-in-class customer service. Citadele believes that now is the right time to explore strategic alternatives to maximize value for its shareholders and customers. As part of this strategic process, Citadele will consider all potential alternatives that can deliver value for its shareholders and customers. Such alternatives could include an initial public offering of its shares or other possible strategic

transactions, including mergers and acquisitions. Citadele has hired financial advisors to assist in its review of the strategic alternatives.

Citadele has not set a timetable for the completion of its review. There can be no assurance regarding the results or outcome of Citadele's review of strategic alternatives. Citadele undertakes no obligation to make any further announcements regarding the exploration of strategic alternatives.

### **Sale of Swiss subsidiary**

On 8 August 2023, Citadele announced the termination of the Sale and Purchase Agreement (SPA) previously entered into with Trusted Novus Bank (TNB) in January 2022 for the contemplated sale of all shares in Kaleido Privatbank AG ("Kaleido"), a wholly-owned subsidiary of Citadele. Since the signing of the SPA in January 2022, TNB and Citadele have been working on completing all conditions to closing, including regulatory approval of the transaction. Due to unforeseen circumstances beyond the control of Citadele, both parties have agreed that the satisfaction of the conditions for closing cannot be achieved and that the SPA shall be terminated in accordance with the terms thereof. The termination of the SPA will have no implication on the business of Kaleido including its clients, partners and employees. Kaleido continues to operate under its current strategy.

### **Changes in Supervisory Board**

James L. Balsillie, member of Citadele Supervisory Board, has resigned from his duties and is leaving the Citadele Supervisory Board and respective supervisory board committee in August 2023. Mr. Balsillie joined the Supervisory Board on 20 April 2015 and was a member of the Audit and Governance Committee.

Daiga Auzina-Melalksne has been nominated to join Citadele Supervisory Board, subject to receiving respective regulatory approvals.

Daiga Auzina-Melalksne is an experienced Board member with 20 years of leadership and management experience in financial services sector. Daiga is Chairperson of the Management Board of Nasdaq Riga (2005- present), Member of the Management Board of Nasdaq Tallinn (2012-present). Daiga has been responsible for Nasdaq Baltic Exchanges strategy and operations since 2012. Daiga also serves as an Elected Member of Board of the Baltic Institute of Corporate Governance (2016 – present) and as Head of Latvian Corporate Governance Board under the auspices of the Latvian Ministry of Justice (2020 - present) and is an advisory Board Member of Riga Business School (2021 – present). Daiga holds Master of Business Administration degree in Management from the University of Latvia, an Executive Master of Business Administration degree from the Riga Business School and a Professional Board members Certificate from the Baltic Institute of Corporate Governance.

In March 2023 Stephen Young, currently taking position of the Member of the Audit and Governance committee, was nominated to join AS Citadele banka Supervisory Board, subject to receiving regulatory approval.

## Financial review of the Group

### Results and profitability in H1 2023 - Baltics

Strong financial performance with H1 2023 **operating income** reaching EUR 113.7 million, 48% growth year-over-year.

Performance driven by strong **net interest income** which reached EUR 88.0 million in H1 2023, a 62% increase year-over-year, mainly impacted by rising interest rates.

The Group's **net fee and commission income** in H1 2023 reached EUR 21.0 million, which translates into 2% decrease year over year, mainly due to lower income from cards on the back of lower turnover (20% decrease year-over-year) and fee and commission expense (EUR 1.8 million) for securitization, representing an expense on a multi-year financial guarantee contract issued by the EIB Group to Citadele in December 2022. The deal will provide capital relief for the bank and enable it to grant at least EUR 460 million in additional loans and leases to businesses in the Baltics over the next three years, of which at least 20% will go towards Climate Action projects, helping to reduce overall greenhouse gas emissions.

**Operating expenses** in H1 2023 were EUR 48.9 million, or a 9% increase year-over-year. Staff costs increased by 8% to EUR 33.0 million. The number of full-time employees was 1,329 vs. 1,355 as of year end 2022. Other costs were EUR 11.3million, an 11% increase year-over-year, mainly impacted by investments in IT and communications. Depreciation and amortization expenses stood at EUR 4.6 million (8% increase year-over-year).

**Net credit losses and impairments reversal** booked in the amount of EUR 3.7 million in H1 2023.

**Net profit** from continuous operations reached EUR 64.5 million, of which EUR 38.5 million in Q2 2023. Return on equity reached 29.2%. As of 30 June 2023, Kaleido Privatbank AG (Swiss subsidiary committed for sale) is presented as discontinued operations.

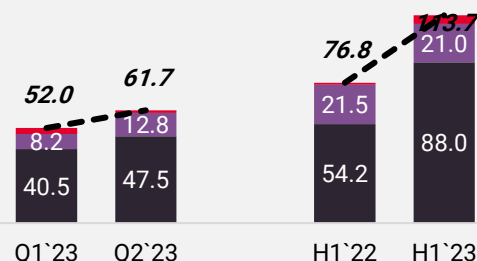
The Group's net profit was EUR 60.7 million in H1 2023, which translated into a 27.5% return on equity.

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

Citadele's **cost to income ratio** in H1 2023 was 43.0% vs 58.4% a year ago.

### Operating income, EURm

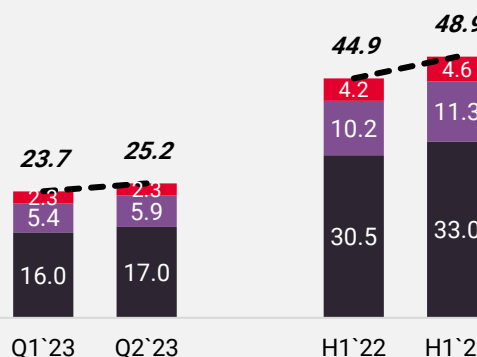
Continuing operations



■ Net financial & other income  
■ Net fee and commission income  
■ Net interest income  
--- Operating income

### Operating expense, EURm

Continuing operations



■ Depreciation and amortisation  
■ Other operating expenses  
■ Staff costs  
--- Operating expense

## Balance sheet overview

The **Group's assets** stood at EUR 4,884 million as of 30 June 2023, decreasing by 10% since year end 2022 (EUR 5,405 million). The decrease was mainly driven by repayment of the ECB TLTRO III loan of EUR 430 million. As of 30 June 2023, Kaleido Privatbank AG (Swiss subsidiary committed for sale) is presented as discontinued operations. Continuing operations assets were EUR 4,720 million as of 30 June 2022 (vs. EUR 5,238 million as of 31 December 2022).

The **net loan portfolio** of continuing operations was EUR 2,927 million as of 30 June 2023, slightly decreasing by EUR 39 million (1%) from year-end 2022.

**New financing** in H1 2023 constituted EUR 429.2 million, 34% decrease year over year. EUR 131.0 million was issued to private customers, EUR 153.2 million to SMEs and EUR 145.0 million to corporate customers.

In terms of products, EUR 151.9 million was disbursed in regular or mortgage loans (54% decrease year-over-year), EUR 247.0 million leasing and factoring (11% decrease year-over-year), and EUR 30.0 million consumer and micro loans (26% decrease year-over-year).

In terms of the loan **portfolio's geographical profile**, Latvia accounted for 45.1% of the portfolio, with EUR 1,319 million as of 30 June 2023 (45.6% as of year end 2022), followed by Lithuania at 37.0% with EUR 1,082 million (vs. 37.8% as of year-end 2022), Estonia at 17.5% with EUR 513 million (vs. 16.1% as of the year end 2022) and EU and other countries at 0.5% with EUR 14 million.

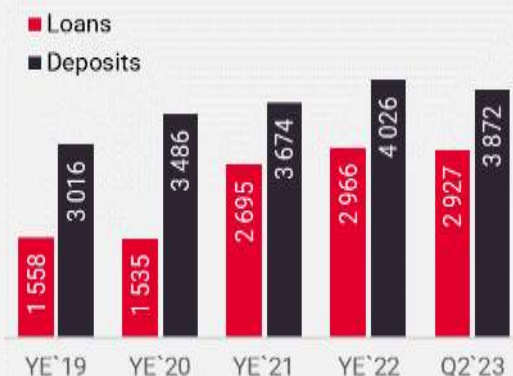
Loans to Households represented 44% of the portfolio (44% as of year-end 2022). Mortgages have remained flat vs year-end 2022 (1% decrease), and constituted EUR 822 million. Finance leases reached EUR 350 million (vs. 350 million as of year-end 2022). Consumer lending decreased by 2% vs year-end 2022 (EUR 92 million). Card lending has slightly increased by 2% as of 30 June 2023 and was EUR 59.3 million. Overall, the main industry concentrations were Real estate purchase and management (13% of total gross loans), Transport and communications (8%), Manufacturing (7%) and Trade (6%).

The Group's **securities portfolio** forms a part of its liquidity resources and in H1 2023 decreased by 15% vs. year end 2022 in line with portfolio maturity profile.

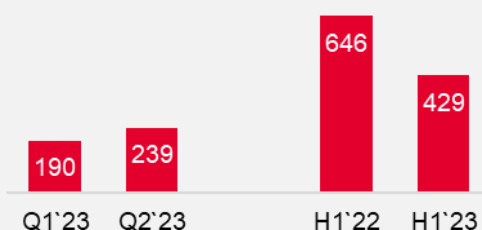
In H1 2023 the Group repaid EUR 430 million of TLTRO III programme loans that led to a decrease in liabilities from central banks. TLTRO III is a programme that the ECB utilized to stimulate lending during COVID-19 but in the current inflationary environment, early repayment helps ECB to tighten its monetary policy and thus combat inflationary pressures.

The main source of funding, **customer deposits** of continuing operations, decreased by 4% vs year-end 2022 and was EUR 3,872 million. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,798 million (vs 98% as of year-end 2022). This is largely in line with developments in the Baltic deposit market.

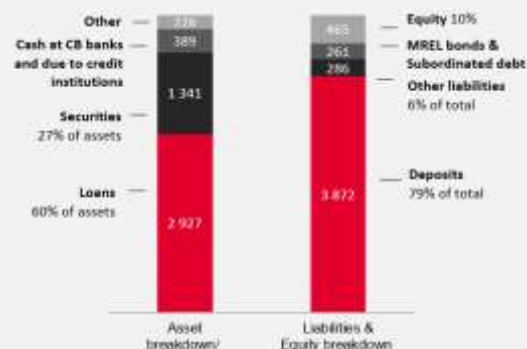
## Loans and Deposits, EURm



## New financing, EURm



## Balance sheet structure, EURm



## Ratings

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

The main credit strengths are:

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

### Moody's

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

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



## Segment highlights

### Retail segment – private and affluent

The number of active Retail customers reached a new all-time high level for Citadele, and primary customers continued to grow reaching 201 thousand clients as of 30 June 2023, an 6% increase year-over-year. The focus on customer services and digital solutions resulted in continued strong Retail NPS results of 43% in Latvia and 41% in Lithuania.

The continuous increase in interest rate has impacted the customer fund allocation from current account to savings account, fixed-term deposit, and government fixed income securities. Increased borrowing costs has also influenced mortgage customers' decision time in borrowing new funds. The new interest rate environment has also encouraged customers to seek expert financial advice that would help to navigate the changing economic landscape.

New lending to private individuals in H1 2023 reached EUR 131 million, compared to EUR 197.6 million in H1 2022. The total private individuals loan portfolio reached EUR 1,242 million, a 1% decrease since year-end 2022 with good loan quality.

Deposits from private individuals constituted EUR 1,949 million as of 30 June 2023, vs. EUR 2,062 million as of 31 December 2022.

### SME and Corporate segment

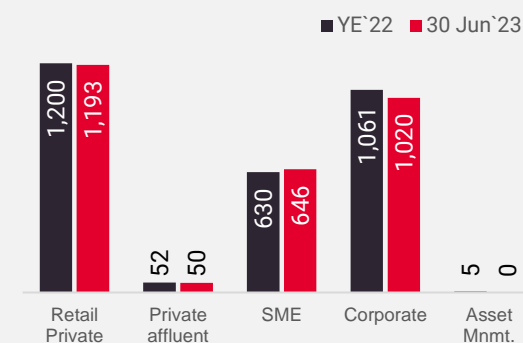
As a result of global uncertainties Citadele sees a decrease in demand from certain sector companies, such as the real estate sector. Large investment projects are set aside. However, Q2 marked an increase from the energy sector, where there is an interest in the development of solar and wind parks.

New financing to SMEs was EUR 153.2 million in H1 2023, vs. EUR 163.4 million in H1 2022. Corporate new financing in H1 2023 reached EUR 145.0 million vs EUR 285.3 million in H1 2022

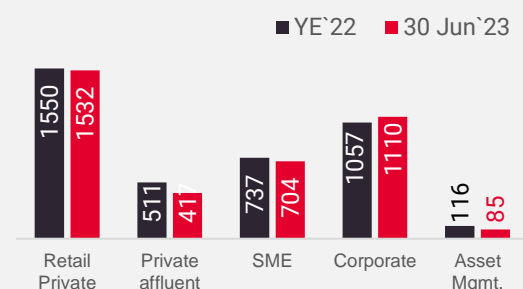
The total SME loan book stood at EUR 646 million, a 3% increase vs year-end 2022. The total corporate loan portfolio was EUR 1,020 million, vs. EUR 1,061 million as of year-end 2022. Credit portfolio quality is stable.

SME deposit portfolio was EUR 704 million, v.s. EUR 737 million as of year-end 2022. Corporate deposit portfolio increased by 5% vs year-end 2022 and was EUR 1,110 million as of 30 June 2023.

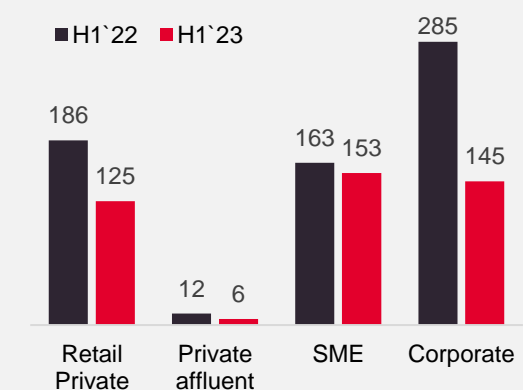
### Loans, EURm



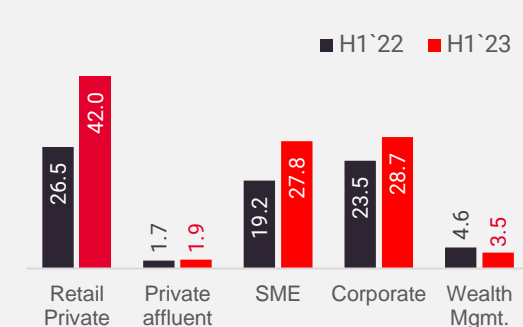
### Deposits, EURm



### New lending, EURm



### Operating income, EURm





## Business Environment

### Global economy continues to grow despite challenges

The global economy continues to grow despite many challenges. Although GDP growth in the euro area has slowed, manufacturing demand is weak and rising interest rates have dampened lending, Europe has avoided the energy crisis and since the end of summer 2022 energy prices have fallen significantly. As a result, economic forecasts for 2023 are gradually revised upwards and in July 2023 the International Monetary Fund increased the forecast global GDP growth in 2023 by 0.2% to 3.0%. The euro area is projected to grow by 0.9% in 2023.

At the same time significant risks remain to the economic outlook and financial markets continue to signal an elevated risk of recession. The war in Ukraine continues, inflation remains high and rapidly rising interest rates have cooled the housing markets. In Europe, despite the large drop in energy prices, business sentiment has worsened since April, the downturn in manufacturing is deepening and economic recovery in China is also slower than expected.

### High inflation weighs on growth in the Baltic region

2023 in the Baltics has started with a slight economic downturn. According to the first estimates, compared to the same period in the previous year, in Q2 of 2023, GDP in Latvia decreased by 0.6%, while in Lithuania GDP increased by 0.9% after a 2.6% decline in Q1 of 2023. In Estonia in Q2, GDP decreased by 3.0%.

Since autumn of 2022 energy prices have declined significantly and inflation is falling rapidly, however business sentiment worsened again and demand in manufacturing remains weak. The strong global demand for goods of the pandemic era has ended, manufacturing and supply chains have returned to normal functioning, and inventory levels have returned to normal levels. As a result, export demand has decreased and manufacturing output in the Baltics in the first five months of 2023 has decreased by approximately 11% in Estonia in comparison to the previous year, and by 6-7% in Latvia and Lithuania. At the same time, rapid growth and recovery continues in the service sectors and in Q1 of 2023, the service exports of the Baltic countries increased by approximately 15% compared to the previous year.

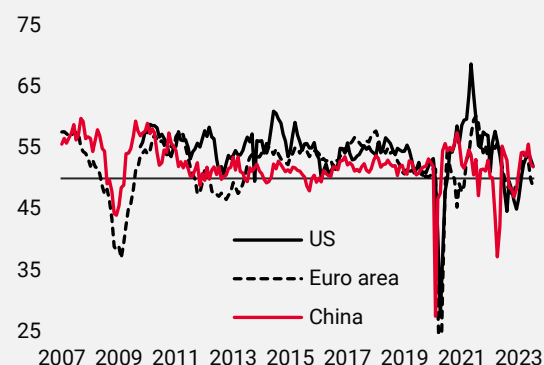
### Labour market in the Baltics remains strong

The labour market in the Baltics remains strong despite weaker growth. The average wage in the Baltic countries in Q1 of 2023 has grown by 12-13% compared to the previous year. Despite the slowdown in economic growth rates, unemployment in the Baltics remains very low, although it has increased slightly in Lithuania and Estonia in recent months. The number of people of working age in the Baltics is decreasing and the lack of labor remains a significant obstacle to economic growth.

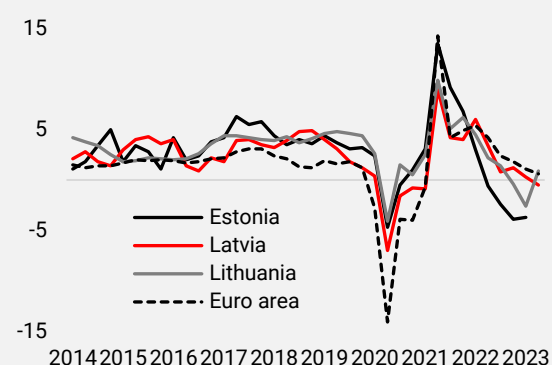
### Changes in taxation legislation in the Baltics

Lithuania has introduced a new solidarity (or "windfall" tax) in respect of credit institutions operating in Lithuania, effective as of 16 May 2023, which is applied on the surplus of net interest income received in 2023 and 2024 from activities of the credit institutions operating in Lithuania. Further, public debate ongoing in Latvia regarding the possible introduction of windfall tax on Latvian banking operations. Any changes in the terms of the windfall tax or its applicability, including any extension of the applicable taxable periods, may have an adverse impact on the banking sector's profitability.

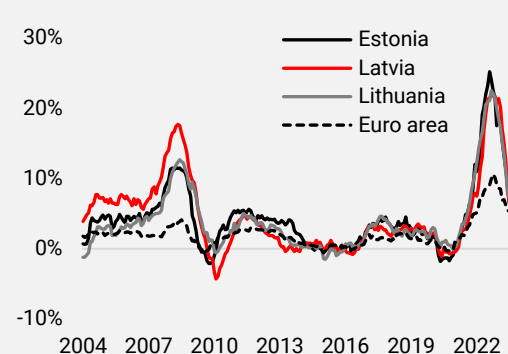
**IHS Markit Composite PMI**  
(Values above 50 indicate expansion)



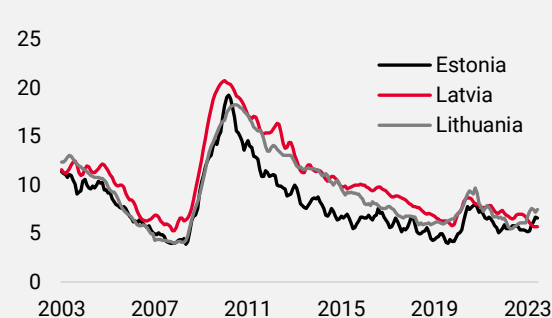
**GDP (constant prices, % year-on year)**



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



**Unemployment (%)**



## 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 30/06/2023:**

Name	Current Position	Date of first appointment
Timothy Clark Collins	Chairman of the Supervisory Board	20 April 2015
Elizabeth Critchley	Deputy Chairperson of the Supervisory Board	20 April 2015
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

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

Stephen Young, currently taking position of the Member of the Audit and Governance committee, and Daiga Auzina-Melalksne, an experienced Board member with 20 years of leadership and management experience in financial services sector, have been nominated to join Supervisory Board of AS Citadele banka, subject to receiving respective approvals.

### **Management Board of the Bank as of 30/06/2023:**

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**

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

The interim condensed financial statements set out on pages 12 to 50 are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 30 June 2023 and the results of their operations, changes in shareholders' equity and cash flows for the six months period then ended 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 interim condensed financial statements are prepared on a going concern basis in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the interim condensed financial statements.

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

*Management Board of AS Citadele banka on 25 August 2023 and Supervisory Board of AS Citadele banka on 30 August 2023 executed a power of attorney appointing Johan Åkerblom empowering him to sign this report on their behalf. This document is signed using a qualified electronic signature by Johan Åkerblom on 8 September 2023.*

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Johan Åkerblom  
Chairman of the Management Board

## CONDENSED STATEMENT OF INCOME

		EUR thousands			
	Note	6m 2023 Group	6m 2022 Group <sup>1</sup> Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
Interest income calculated using the effective interest method	5	71,188	42,346	95,113	51,351
Other interest income	5	35,002	21,135	-	-
Interest expense	5	(18,226)	(9,237)	(18,388)	(9,179)
<b>Net interest income</b>		<b>87,964</b>	<b>54,244</b>	<b>76,725</b>	<b>42,172</b>
Fee and commission income	6	37,363	33,731	34,931	30,749
Fee and commission expense	6	(16,407)	(12,279)	(15,014)	(12,188)
<b>Net fee and commission income</b>		<b>20,956</b>	<b>21,452</b>	<b>19,917</b>	<b>18,561</b>
Net financial income	7	6,182	1,963	5,964	3,411
Net other income / (expense)	8	(1,439)	(897)	(727)	(218)
<b>Operating income</b>		<b>113,663</b>	<b>76,762</b>	<b>101,879</b>	<b>63,926</b>
Staff costs	9	(33,039)	(30,465)	(28,008)	(26,215)
Other operating expenses	10	(11,287)	(10,152)	(10,124)	(9,399)
Depreciation and amortisation		(4,580)	(4,242)	(4,299)	(4,058)
<b>Operating expense</b>		<b>(48,906)</b>	<b>(44,859)</b>	<b>(42,431)</b>	<b>(39,672)</b>
<b>Profit from continuous operations before impairment, bank tax and non-current assets held for sale</b>		<b>64,757</b>	<b>31,903</b>	<b>59,448</b>	<b>24,254</b>
Net credit losses	11	3,762	(12,687)	1,590	(10,700)
Other impairment losses and other provisions		(24)	(67)	96	(72)
<b>Operating profit from continuous operations before bank tax and non-current assets held for sale</b>		<b>68,495</b>	<b>19,149</b>	<b>61,134</b>	<b>13,482</b>
Bank tax	12	(991)	-	(991)	-
Result from non-current assets held for sale and discontinued operations, net of tax	17	(3,354)	(1,824)	(3,517)	379
<b>Operating profit</b>		<b>64,150</b>	<b>17,325</b>	<b>56,626</b>	<b>13,861</b>
Income tax	12	(3,415)	(620)	(3,001)	(151)
<b>Net profit</b>		<b>60,735</b>	<b>16,705</b>	<b>53,625</b>	<b>13,710</b>
Basic earnings per share in EUR	21	0.39	0.11	0.34	0.09
from continuing operations		0.41	0.12	0.34	0.09
from discontinued operations		(0.02)	(0.01)	-	-
Diluted earnings per share in EUR	21	0.38	0.11	0.34	0.09
from Continuing operations		0.41	0.12	0.34	0.09
from discontinued operations		(0.02)	(0.01)	-	-

The notes on pages 17 to 50 are an integral part of these interim condensed financial statements.

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



## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	6m 2023 Group	6m 2022 Group <sup>1</sup> Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
<b>Net profit</b>	<b>60,735</b>	<b>16,705</b>	<b>53,625</b>	<b>13,710</b>
Other comprehensive income items that are or may be reclassified to profit or loss:				
<i>Fair value revaluation from continuing operations</i>				
Fair value revaluation charged to statement of income (Note 7)	-	1,521	-	1,521
Change in fair value of debt securities and similar	2,004	(16,025)	1,651	(13,384)
<i>Fair value revaluation from discontinued operations</i>				
Fair value revaluation charged to statement of income	336	(33)	-	-
Change in fair value of debt securities and similar	414	(1,121)	-	-
Deferred income tax charged / (credited) directly to equity	(182)	291	-	-
<i>Other reserves</i>				
Foreign exchange retranslation from discontinued operations	408	970	-	-
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	22	24	22	24
<b>Other comprehensive income / (loss)</b>	<b>3,002</b>	<b>(14,373)</b>	<b>1,673</b>	<b>(11,839)</b>
<b>Total comprehensive income</b>	<b>63,737</b>	<b>2,332</b>	<b>55,298</b>	<b>1,871</b>

The notes on pages 17 to 50 are an integral part of these interim condensed financial statements.

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

## CONDENSED BALANCE SHEET

		EUR thousands			
	Note	30/06/2023 Group	31/12/2022 Group <sup>1</sup>	30/06/2023 Bank	31/12/2022 Bank
<b>Assets</b>					
Cash and cash balances at central banks		353,473	532,030	353,473	532,030
Loans to credit institutions		35,976	48,441	34,470	42,044
Debt securities	13	1,310,755	1,593,922	1,270,770	1,550,301
Loans to public	14	2,927,203	2,966,478	2,832,079	2,880,101
Equity instruments	15	1,148	1,029	1,148	1,029
Other financial instruments	15	27,335	28,473	1,157	1,101
Derivatives		1,495	1,285	1,495	1,285
Investments in related entities	16	203	190	47,913	47,770
Tangible assets		13,129	15,730	8,565	10,321
Intangible assets		8,193	8,162	6,103	6,069
Current income tax assets	12	2,416	1,822	1,641	1,116
Deferred income tax assets	12	1,096	2,478	923	2,179
Discontinued operations and non-current assets held for sale	17	163,476	166,028	14,989	13,827
Other assets		37,664	38,853	30,063	30,680
<b>Total assets</b>		<b>4,883,562</b>	<b>5,404,921</b>	<b>4,604,789</b>	<b>5,119,853</b>
<b>Liabilities</b>					
Deposits from credit institutions and central banks	18	48,559	469,736	48,838	473,399
Deposits and borrowings from customers	19	3,871,788	4,025,665	3,832,591	3,973,320
Debt securities issued	20	260,995	259,225	260,995	259,225
Derivatives		693	7,650	693	7,650
Provisions	11	4,559	4,920	4,250	4,838
Current income tax liabilities	12	814	1,204	798	33
Deferred income tax liabilities	12	1,000	375	625	-
Bank tax liability	12	991	-	991	-
Discontinued operations	17	151,057	158,999	-	-
Other liabilities		78,595	57,501	45,377	28,183
<b>Total liabilities</b>		<b>4,419,051</b>	<b>4,985,275</b>	<b>4,195,158</b>	<b>4,746,648</b>
<b>Equity</b>					
Share capital	21	157,256	157,258	157,256	157,258
Reserves and other capital components		(6,941)	(11,058)	(10,163)	(12,951)
Retained earnings		314,196	273,446	262,538	228,898
<b>Total equity</b>		<b>464,511</b>	<b>419,646</b>	<b>409,631</b>	<b>373,205</b>
<b>Total liabilities and equity</b>		<b>4,883,562</b>	<b>5,404,921</b>	<b>4,604,789</b>	<b>5,119,853</b>
<b>Off-balance sheet items</b>					
Guarantees and letters of credit	22	58,313	50,407	65,258	60,936
Financial commitments	22	324,430	306,690	340,594	322,211

The notes on pages 17 to 50 are an integral part of these interim condensed financial statements.

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

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands <sup>1</sup>						
	Issued and paid share capital	Share premium	Securities fair value revaluation reserve (Note 13)	Foreign currency retranslation	Share based payments	Retained earnings	Total equity
<b>Balance as of 31/12/2021 (as reported)</b>	<b>156,888</b>	<b>239</b>	<b>158</b>	<b>4,805</b>	<b>2,118</b>	<b>232,867</b>	<b>397,075</b>
<i>Restated on initial application of IFRS 17</i>	-	-	(61)	-	-	(270)	(331)
<b>Balance as of 31/12/2021 (restated)</b>	<b>156,888</b>	<b>239</b>	<b>97</b>	<b>4,805</b>	<b>2,118</b>	<b>232,597</b>	<b>396,744</b>
Share based payments to employees (Note 21)	-	-	-	-	677	166	843
<b>Total comprehensive income</b>	-	-	<b>(15,343)</b>	<b>970</b>	-	<b>16,705</b>	<b>2,332</b>
Net result for the period	-	-	-	-	-	16,705	16,705
Other comprehensive income / (loss) for the period	-	-	(15,343)	970	-	-	(14,373)
<b>Balance as of 30/06/2022 (unaudited and restated for IFRS 17)</b>	<b>156,888</b>	<b>239</b>	<b>(15,246)</b>	<b>5,775</b>	<b>2,795</b>	<b>249,468</b>	<b>399,919</b>
<b>Balance as of 31/12/2022 (as reported)</b>	<b>157,258</b>	<b>444</b>	<b>(21,663)</b>	<b>5,939</b>	<b>2,902</b>	<b>279,338</b>	<b>424,218</b>
<i>Restated on initial application of IFRS 17</i>	-	-	1,320	-	-	(5,892)	(4,572)
<b>Balance as of 31/12/2022 (restated)</b>	<b>157,258</b>	<b>444</b>	<b>(20,343)</b>	<b>5,939</b>	<b>2,902</b>	<b>273,446</b>	<b>419,646</b>
Dividends to shareholders (Note 21)	-	-	-	-	-	(20,000)	(20,000)
Share repurchase	(2)	(2)	-	-	-	-	(4)
Share based payments to employees (Note 21)	-	-	-	-	1,117	15	1,132
<b>Total comprehensive income</b>	-	-	<b>2,594</b>	<b>408</b>	-	<b>60,735</b>	<b>63,737</b>
Net profit for the period	-	-	-	-	-	60,735	60,735
Other comprehensive income / (loss) for the period	-	-	2,594	408	-	-	3,002
<b>Balance as of 30/06/2023</b>	<b>157,256</b>	<b>442</b>	<b>(17,749)</b>	<b>6,347</b>	<b>4,019</b>	<b>314,196</b>	<b>464,511</b>

	Bank, EUR thousands					
	Issued and paid share capital	Share premium	Securities fair value revaluation reserve (Note 13)	Share based payments	Retained earnings	Total equity
<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 based payments to employees (Note 21)	-	-	-	677	167	844
<b>Total comprehensive income</b>	-	-	<b>(11,839)</b>	-	<b>13,710</b>	<b>1,871</b>
Net result for the period	-	-	-	-	13,710	13,710
Other comprehensive income / (loss) for the period	-	-	(11,839)	-	-	(11,839)
<b>Balance as of 30/06/2022 (unaudited)</b>	<b>156,888</b>	<b>239</b>	<b>(12,069)</b>	<b>2,795</b>	<b>200,425</b>	<b>348,278</b>
<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>
Dividends to shareholders (Note 21)	-	-	-	-	(20,000)	(20,000)
Share repurchase	(2)	(2)	-	-	-	(4)
Share based payments to employees (Note 21)	-	-	-	1,117	15	1,132
<b>Total comprehensive income</b>	-	-	<b>1,673</b>	-	<b>53,625</b>	<b>55,298</b>
Net profit for the period	-	-	-	-	53,625	53,625
Other comprehensive income / (loss) for the period	-	-	1,673	-	-	1,673
<b>Balance as of 30/06/2023</b>	<b>157,256</b>	<b>442</b>	<b>(14,624)</b>	<b>4,019</b>	<b>262,538</b>	<b>409,631</b>

The notes on pages 17 to 50 are an integral part of these interim condensed financial statements.

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

## CONDENSED STATEMENT OF CASH FLOWS

		EUR thousands			
	Note	6m 2023 Group	6m 2022 Group <sup>1</sup> Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
<b>Operating activities</b>					
Operating profit before tax (discontinued net of tax and continuing, with bank tax)		64,150	17,325	56,626	13,861
Tax expense from discontinued operations	17	28	41	-	-
Interest income	5, 17	(108,111)	(64,278)	(95,113)	(51,351)
Interest expense	5, 17	18,230	9,266	18,388	9,179
Dividends income		(10)	(15)	(10)	(15)
Depreciation and amortisation		4,923	4,574	4,299	4,058
Impairment allowances and provisions		(2,411)	12,994	(1,686)	10,772
Currency translation and other non-cash items		(10,378)	3,878	5,574	(4,983)
<b>Cash flows from the income statement</b>		<b>(33,579)</b>	<b>(16,215)</b>	<b>(11,922)</b>	<b>(18,479)</b>
(Increase) / decrease in loans to public		25,069	(216,842)	49,304	(204,585)
Increase / (decrease) in deposits and borrowings from customers		(163,958)	8,836	(143,224)	19,855
(Increase) / decrease in loans to credit institutions		(721)	21,831	497	21,828
Increase / (decrease) in deposits from central banks and credit institutions		(425,309)	-	(433,187)	298
(Increase) / decrease in other items at fair value through profit or loss		(7,167)	(2,956)	(7,167)	(2,956)
(Increase) / decrease in other assets		4,128	(2,714)	(658)	200
Increase / (decrease) in other liabilities		(6,160)	(15,958)	(1,729)	609
<b>Cash flows from operating activities before interest and corporate income tax</b>		<b>(607,697)</b>	<b>(224,018)</b>	<b>(548,086)</b>	<b>(183,230)</b>
Interest received		107,081	63,980	94,314	51,013
Interest paid		(7,020)	(7,824)	(7,037)	(7,752)
Corporate income tax paid		(3,816)	(1,259)	(880)	(586)
<b>Cash flows from operating activities</b>		<b>(511,452)</b>	<b>(169,121)</b>	<b>(461,689)</b>	<b>(140,555)</b>
<b>Investing activities</b>					
Acquisition of tangible and intangible assets		(2,853)	(2,860)	(2,157)	(2,356)
Disposal of tangible and intangible assets		1,004	993	14	317
Investments in debt securities and other financial instruments		(89,108)	(187,447)	(88,127)	(186,972)
Proceeds from debt securities and other financial instruments		421,048	232,948	365,794	219,753
Dividends received		10	15	10	15
<b>Cash flows from investing activities</b>		<b>330,101</b>	<b>43,649</b>	<b>275,534</b>	<b>30,757</b>
<b>Financing activities</b>					
Dividends paid		(86)	-	(86)	-
Interest paid on debt securities issued		(1,716)	(1,853)	(1,716)	(1,853)
Share repurchase		(4)	-	(4)	-
Repayment of lease liabilities, net		(1,420)	753	(1,211)	978
<b>Cash flows from financing activities</b>		<b>(3,226)</b>	<b>(1,100)</b>	<b>(3,017)</b>	<b>(875)</b>
<b>Cash flows for the period</b>		<b>(184,577)</b>	<b>(126,572)</b>	<b>(189,172)</b>	<b>(110,673)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>581,644</b>	<b>404,343</b>	<b>544,995</b>	<b>363,666</b>
<b>Cash and cash equivalents at the end of the period</b>	24	<b>397,067</b>	<b>277,771</b>	<b>355,823</b>	<b>252,993</b>

The Group has elected to present a statement of cash flows that includes both continuing and discontinued operations within operating, investing and financing activities. For more details on discontinued operations refer to Note 17 (*Discontinued Operations and Non-current assets held for sale*).

The notes on pages 17 to 50 are an integral part of these interim condensed financial statements.

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



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

*If not mentioned otherwise, referral to the Group's policies and procedures should be also considered as referral to the respective Bank's policies and procedures. Figures in parenthesis represent amounts as of 31 December 2022 or for the six months period ended 30 June 2022.*

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

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

**NOTE 2. GENERAL INFORMATION**

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

As of period end the Bank operates branches in Latvia, Lithuania and Estonia. AS Citadele banka is the parent company of the Group. The Group's main market is the Baltics (Latvia, Lithuania and Estonia). Citadele was registered as a joint stock company on 30 June 2010. Citadele commenced its operations on 1 August 2010. As of period end, the Group had 1,329 (2022: 1,355) and the Bank had 1,099 (2022: 1,113) full time equivalent active employees. From total Group's full time equivalent active employees 27 (2022: 26) were with discontinued operations.

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

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

**b) New standards and amendments**

New standards, interpretations and amendments which were not applicable to the previous annual financial statements have been issued. Some of the standards become effective in 2023, others become effective for later reporting periods. In this section those relevant for the Group are summarised. Where the implementation impact was or is expected to be reasonably material it is disclosed.

**New requirements effective for 2023 which did not have a significant effect to the Group**

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

*Amendments to IAS 8 – Definition of Accounting Estimate*

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

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

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

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

At introduction of IFRS 17 the Group revised classification of contracts, differentiating among insurance (annuity, life and non-life insurance products) and reinsurance contracts accounted for under IFRS 17 and investment contracts accounted for under IFRS 9 as financial liabilities. Previously all annuity products were classified as insurance contracts; however, most were reclassified to investment contracts as embedded insurance risk was deemed insignificant under IFRS 17 rules. On initial application on 1 January 2022 to estimate carrying value of liabilities the Group applied modified retrospective approach to annuity and insurance contracts

with no accruals and fair value approach to unit-linked and fixed rate insurance contracts. Modified retrospective approach implies simplifications vs. full retrospective approach. The applied simplifications are discount rate inputs look back to 2016 and not earlier periods, sign-on and claims statistics from 2021 applied to periods before that, cancellations based on statistics starting from 2008, cash flows and mortality statistics as from 2021 etc. Simplifications are applied due to limitations in data granularity for earlier periods. Contractual service margin (CSM) is calculated as the difference between fair value and estimated future cash flows, which feed into fair value approach. Profit, which generally is deferred as CSM and loss from loss making agreements, which generally is recognised immediately, are aggregated and recognised at the identified cohort level. The identified cohorts are groups of agreements with similar risk characteristics and which are managed collectively, and per Group's policy are originated in period no longer than a year. GMM approach is applied for annuity products, insurance contracts with no accruals, reinsurance contracts and fixed rate insurance contracts while VFA approach is applied for unit-linked contracts. Under GMM approach risk corrected future contractual cash flows are discounted with market discount rates, positive present value is amortised as CSM to income statement as services are rendered to the respective client over the lifetime of the contract, while loss is expensed immediately.

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

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

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

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

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

**Statement of income for the six months period ended 30 June 2022 before and after IFRS 17 reclassifications**

<b>6m 2022, EUR thousands (Unaudited)</b>			
	<b>Group Restated for IFRS 17</b>	<b>Group IFRS 4 as in 2022 reported</b>	<b>IFRS 17 implementation impact</b>
Net interest income	54,244	53,969	275
Net fee and commission income	21,452	21,409	43
Net financial income	1,963	1,950	13
Net other income / (expense), including net insurance result	(897)	2,315	(3,212)
Staff costs, other operating expenses, depreciation and amortisation	(44,859)	(44,859)	-
Net credit losses and other impairment losses	(12,754)	(12,754)	-
<b>Operating profit from continuous operations before non-current assets held for sale</b>	<b>19,149</b>	<b>22,030</b>	<b>(2,881)</b>
Result from non-current assets held for sale and discontinued operations, net of tax	(1,824)	(1,824)	-
<b>Operating profit</b>	<b>17,325</b>	<b>20,206</b>	<b>(2,881)</b>
Income tax	(620)	(620)	-
<b>Net profit</b>	<b>16,705</b>	<b>19,586</b>	<b>(2,881)</b>

For the six months period ended 30 June 2022 for the Group as a result of IFRS 17 implementation, net insurance result decreased by EUR 3.2 million due to the new standard's requirement to retrospectively reclassify and revalue previous insurance liabilities to deposits and borrowings from customers. The reclassified EUR 38.2 million annuity investments as a result were revalued to amortised cost thus reversing previously recognised IFRS 4 revaluation gains from increasing market interest rates.

**Upcoming requirements not in force from 1 January 2023**

Certain new standards, amendments to standards and interpretations have been endorsed by EU for the accounting periods beginning after 1 January 2023 or are not yet effective in the EU. These standards have not been applied in preparing these interim condensed financial statements. The Group does not plan to adopt any of these standards early. The Group is in the process of evaluating the potential effect if any of changes arise from these new standards and interpretations.

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

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

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

*c) Functional and Presentation Currency*

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

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

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

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

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

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

Changes in net present value of estimated future cash flows, except for changes in cash flows from collateral, by -5% for loans to public for which expected credit losses are individually assessed would result in no change in impairment allowance for the Bank (2022: EUR 0.0 million) as recovery estimates happen to be based solely on collateral disposal income and EUR -0.07 million for the Group (2022: EUR -0.55 million). Change in estimated value of collateral by -5% for loans to public for which expected credit losses are individually assessed would result in EUR -0.47 million change in impairment allowance for the Bank (2022: EUR -0.63 million) and EUR -0.63 million for the Group (2022: EUR -0.95 million).

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

In the reporting period the management continued to recognize a significant uncertainty regarding economic risks, like Russia's invasion into Ukraine, which resulted in higher volatility in commodity, energy prices and inflation. The adjustment for expected impact from future economic scenarios is revised correspondingly. Thus, the Group and the Bank has recognised an unbiased impairment overlay for Stage 1 and Stage 2 classified loans to public exposures and for certain exposures an individual overlay. The impairment overlay represents an additional loss reserve over the modelled ECL amounts to account for other economic uncertainties and addresses increased uncertainty regarding the forward-looking economic conditions in the unusual environment where duration and severity of future economic uncertainties and associated possible disruptions to the Baltic economies and customers of the Group is uncertain. The impairment overlay accounted for economic risks which point in time ECL models calibrated on historical data, despite being adjusted with forward-looking information, might not be fully capturing in the current unusual environment. As of 30 June 2023, impairment overlay of EUR 14.3 million for the Bank and EUR 17.1 million for the Group has been recognised to address these modelling uncertainties (2022: EUR 13.9 million for the Bank and EUR 17.1 million for the Group).

Changes in all applied LGD rates by 500 basis points would result in change in collectively estimated impairment allowance and provisions by EUR +5.3/-5.1 million for the Bank and EUR +7.7/-7.6 million for the Group (2022: EUR +5.2/-5.2 million for the Bank and EUR +7.6/-7.7 million for the Group). Changes in the 12-month PD rates by 100 basis points would result in change in collectively estimated impairment allowance by EUR +6.3/-5.8 million for the Bank and EUR +8.8/-8.2 million for the Group (2022: EUR +6.3/-6.1 million for the Bank and EUR +8.9/-8.5 million) and provisions for off-balance sheet commitments and guarantees by EUR +0.6/-0.5 million for the Bank and EUR +0.6/-0.6 million for the Group (2022: EUR +0.5/-0.5 million for the Bank and EUR +0.5/-0.5 million for the Group).

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



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

	Base case scenario		Adverse scenario		Positive scenario	
	2023	2024	2023	2024	2023	2024
<b>Latvia</b>						
GDP (annual change)	(0.8%)	2.4%	(3.1%)	2.3%	2.3%	2.9%
Unemployment rate	6.7%	6.7%	7.7%	7.9%	6.3%	6.2%
Average gross wage (annual change)	8.2%	6.0%	6.9%	4.9%	8.4%	6.3%
<b>Lithuania</b>						
GDP (annual change)	(1.3%)	3.1%	(4.1%)	2.5%	1.3%	3.6%
Unemployment rate	7.6%	6.7%	8.2%	7.5%	7.1%	6.1%
Average gross wage (annual change)	8.4%	5.4%	6.3%	4.6%	8.1%	5.7%
<b>Estonia</b>						
GDP (annual change)	(1.0%)	3.1%	(3.9%)	2.0%	1.0%	4.1%
Unemployment rate	5.9%	5.6%	6.9%	6.9%	5.3%	5.0%
Average gross wage (annual change)	7.7%	5.6%	6.2%	5.1%	8.0%	6.4%

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

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

The current implementation, based on an expert judgement, weights base case scenario with 55% likelihood, the adverse scenario at 35% likelihood and positive scenario at 10% likelihood (2022: 55% base case scenario, 35% adverse scenario and 10% positive scenario). The 55% / 35% / 10% weighted augmented scenario is used for forward-looking adjustment. If the weighting of the adverse scenario was to increase to 40%, the expected credit loss allowance of the Bank would increase EUR 0.5 million and for the Group by EUR 0.6 million as of 30 June 2023. If the weighting of the base case scenario was to increase to 100%, the expected credit loss allowance of the Bank would decrease by EUR 2.1 million and for the Group by EUR 2.8 million as of 30 June 2023. If as of 31 December 2022 the weighting of the adverse scenario was to increase to 40%, the expected credit loss allowance of the Bank would increase by EUR 0.5 million and for the Group by EUR 0.7 million. If as of 31 December 2022 the weighting of the base case scenario was to increase to 100%, the expected credit loss allowance of the Bank would decrease by EUR 2.9 million and for the Group by EUR 3.9 million.

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

The Bank and the Group at the end of each reporting period assesses whether there is any indication that a non-financial asset may be impaired other than inventory and deferred tax. If any such indication exists, the recoverable amount of the particular asset or cash generating unit is estimate. Recoverable amount estimates depend on uncertainties in future free cash flow estimates and discount rates applied. For more details on the approach and key assumptions in recoverable amount estimates of the Bank's investments in subsidiaries refer to Note 16 (*Investments in Related Entities*). For assessment of fair value less cost to sell for these items classified as held for sale refer to Note 17 (*Discontinued Operations and Non-current assets held for sale*).

Consolidation group

The Group consolidates all entities where it controls the investee. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. For list of investees included in the consolidation group refer to Note 16 (*Investments in Related Entities*). For investments in securities which are not consolidated refer to Note 15 (*Equity and Other Financial Instruments*).

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

Deferred tax assets and liabilities

The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term financial forecast prepared by management and extrapolated results thereafter. The aforementioned forecasts indicate that the Bank will have sufficient taxable profits in the future periods to realise the recognised deferred tax asset. Recognised corporate income tax liability represent tax advances paid, that are expected to be utilised in the future. Deferred tax liability is recognised for all foreseeable tax liabilities as of the period end. For more details refer to Note 12 (*Taxation*).

Presentation of Kaleido Privatbank AG as discontinued operations held for sale

AS Citadele banka is selling its Swiss subsidiary Kaleido Privatbank AG under market standard terms and conditions. Subsequent to

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

## NOTE 4. OPERATING SEGMENTS

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

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

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

*Main business segments of the Group are:*

### *Retail Private*

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

### *Private affluent*

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

### *Retail SME*

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

### *Corporate*

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

### *Asset management*

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

### *Other*

Group's treasury functions and other business support functions, including results of the subsidiary of the Group operating in non-financial sector. This comprises discontinued operations, namely operations of Kaleido Privatbank AG (a Swiss registered banking subsidiary) which is for sale. Refer to Note 17 (*Discontinued Operations*).

### Segments of the Group

	Group 6m 2023, EUR thousands						
	Reportable segments						
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	Total
Interest income	37,951	1,448	23,272	32,856	441	10,222	106,190
Interest expense	(3,875)	(997)	(1,613)	(6,903)	(77)	(4,761)	(18,226)
<b>Net interest income</b>	<b>34,076</b>	<b>451</b>	<b>21,659</b>	<b>25,953</b>	<b>364</b>	<b>5,461</b>	<b>87,964</b>
Fee and commission income	15,981	1,857	8,674	6,831	3,068	952	37,363
Fee and commission expense	(7,648)	(652)	(3,687)	(4,393)	(127)	100	(16,407)
<b>Net fee and commission income</b>	<b>8,333</b>	<b>1,205</b>	<b>4,987</b>	<b>2,438</b>	<b>2,941</b>	<b>1,052</b>	<b>20,956</b>
Net financial income	494	383	1,329	609	209	3,158	6,182
Net other income	(909)	(132)	(218)	(325)	(28)	173	(1,439)
<b>Operating income</b>	<b>41,994</b>	<b>1,907</b>	<b>27,757</b>	<b>28,675</b>	<b>3,486</b>	<b>9,844</b>	<b>113,663</b>
Net funding allocation	804	4,296	(1,217)	(2,324)	289	(1,848)	-
<b>FTP adjusted operating income</b>	<b>42,798</b>	<b>6,203</b>	<b>26,540</b>	<b>26,351</b>	<b>3,775</b>	<b>7,996</b>	<b>113,663</b>
Operating expense adjusted for indirect costs	(19,829)	(2,045)	(9,063)	(13,887)	(2,532)	(1,550)	(48,906)
Net credit losses	(1,733)	(31)	406	4,652	(4)	472	3,762
Other impairment losses and other provisions	15	-	(13)	(30)	-	4	(24)
Bank tax	-	-	-	-	-	(991)	(991)
Result from non-current assets held for sale	-	-	-	(1)	-	411	410
<b>Operating profit from continuous operations, before tax</b>	<b>21,251</b>	<b>4,127</b>	<b>17,870</b>	<b>17,085</b>	<b>1,239</b>	<b>6,342</b>	<b>67,914</b>

## Group 6m 2022, EUR thousands (Restated for IFRS 17 comparability, unaudited)

	Reportable segments						Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	
Interest income	23,433	845	13,697	19,890	137	5,479	63,481
Interest expense	(1,880)	(895)	(804)	(1,430)	(83)	(4,145)	(9,237)
<b>Net interest income</b>	<b>21,553</b>	<b>(50)</b>	<b>12,893</b>	<b>18,460</b>	<b>54</b>	<b>1,334</b>	<b>54,244</b>
Fee and commission income	10,585	1,873	7,382	7,216	3,417	3,258	33,731
Fee and commission expense	(5,456)	(489)	(2,494)	(3,690)	(200)	50	(12,279)
<b>Net fee and commission income</b>	<b>5,129</b>	<b>1,384</b>	<b>4,888</b>	<b>3,526</b>	<b>3,217</b>	<b>3,308</b>	<b>21,452</b>
Net financial income	618	630	1,286	1,187	(1,421)	(337)	1,963
Net other income	(802)	(221)	129	312	2,729	(3,044)	(897)
<b>Operating income</b>	<b>26,498</b>	<b>1,743</b>	<b>19,196</b>	<b>23,485</b>	<b>4,579</b>	<b>1,261</b>	<b>76,762</b>
Net funding allocation	1,001	918	354	(572)	8	(1,709)	-
<b>FTP adjusted operating income</b>	<b>27,499</b>	<b>2,661</b>	<b>19,550</b>	<b>22,913</b>	<b>4,587</b>	<b>(448)</b>	<b>76,762</b>
Operating expense adjusted for indirect costs	(19,341)	(1,905)	(8,851)	(13,094)	(2,256)	588	(44,859)
Net credit losses	(6,718)	(366)	(1,152)	(4,623)	4	168	(12,687)
Other impairment losses and other provisions	7	-	(4)	-	-	(70)	(67)
Bank tax	-	-	-	-	-	-	-
Result from non-current assets held for sale	-	-	(88)	(61)	-	528	379
<b>Operating profit from continuous operations, before tax</b>	<b>1,447</b>	<b>390</b>	<b>9,455</b>	<b>5,135</b>	<b>2,335</b>	<b>766</b>	<b>19,528</b>

## Group as of 30/06/2023, EUR thousands

	Reportable segments					Other	Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	(including discontinued operations)	
<b>Assets</b>							
Cash, balances at central banks	-	-	-	-	-	353,473	353,473
Loans to credit institutions	-	-	-	92	1,414	34,470	35,976
Debt securities	-	-	-	44,200	39,985	1,226,570	1,310,755
Loans to public	1,192,579	49,627	645,735	1,019,824	-	19,438	2,927,203
Equity instruments	-	-	-	-	-	1,148	1,148
Other financial instruments	-	-	-	-	26,202	1,133	27,335
All other assets	-	-	-	27	4,293	223,352	227,672
<b>Total segmented assets</b>	<b>1,192,579</b>	<b>49,627</b>	<b>645,735</b>	<b>1,064,143</b>	<b>71,894</b>	<b>1,859,584</b>	<b>4,883,562</b>
<b>Liabilities</b>							
Deposits from banks	-	-	-	-	-	48,559	48,559
Deposits from customers	1,531,614	417,016	703,937	1,109,854	85,226	24,141	3,871,788
Debt securities issued	-	-	-	-	-	260,995	260,995
All other liabilities	-	-	9	36	11,511	226,153	237,709
<b>Total segmented liabilities</b>	<b>1,531,614</b>	<b>417,016</b>	<b>703,946</b>	<b>1,109,890</b>	<b>96,737</b>	<b>559,848</b>	<b>4,419,051</b>

## Group as of 31/12/2022, EUR thousands (Restated for IFRS 17 comparability)

	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management		
<b>Assets</b>							
Cash, balances at central banks	-	-	-	-	-	532,030	532,030
Loans to credit institutions	-	-	-	-	6,397	42,044	48,441
Debt securities	-	-	-	44,552	43,621	1,505,749	1,593,922
Loans to public	1,199,979	51,895	629,682	1,060,588	4,550	19,784	2,966,478
Equity instruments	-	-	-	-	-	1,029	1,029
Other financial instruments	-	-	-	-	27,372	1,101	28,473
All other assets	-	-	-	5	4,262	230,281	234,548
<b>Total segmented assets</b>	<b>1,199,979</b>	<b>51,895</b>	<b>629,682</b>	<b>1,105,145</b>	<b>86,202</b>	<b>2,332,018</b>	<b>5,404,921</b>
<b>Liabilities</b>							
Deposits from banks	-	-	-	-	-	469,736	469,736
Deposits from customers	1,550,387	511,406	736,882	1,056,760	115,829	54,401	4,025,665
Debt securities issued	-	-	-	-	-	259,225	259,225
All other liabilities	-	-	49	125	16,699	213,776	230,649
<b>Total segmented liabilities</b>	<b>1,550,387</b>	<b>511,406</b>	<b>736,931</b>	<b>1,056,885</b>	<b>132,528</b>	<b>997,138</b>	<b>4,985,275</b>

**NOTE 5. INTEREST INCOME AND EXPENSE**

	EUR thousands			
	6m 2023 Group	6m 2022 Group Restated for IFRS 17 Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
Interest income calculated using the effective interest method:				
Financial instruments at amortised cost:				
Loans to public	59,838	37,298	84,204	46,626
Debt securities	4,018	2,146	3,994	2,131
Cash balances at and lending to/from central banks and credit institutions (including TLTRO-III)	6,479	1,457	6,479	1,461
Deposits from public at negative interest rates	353	960	42	765
Debt securities at fair value through other comprehensive income	500	485	394	368
Interest income on finance leases (part of loans to public)	35,002	21,135	-	-
<b>Total interest income</b>	<b>106,190</b>	<b>63,481</b>	<b>95,113</b>	<b>51,351</b>
Interest expense on:				
Financial instruments at amortised cost:				
Deposits and borrowing from public	(9,077)	(3,874)	(9,228)	(3,842)
Debt securities issued	(3,320)	(3,457)	(3,320)	(3,457)
Deposits from credit institutions and central banks (including TLTRO-III)	(4,296)	(18)	(4,349)	(63)
Deposits to central banks and other assets at negative interest rates	(322)	(448)	(286)	(417)
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(5)	(39)	-	-
Lease liabilities	(46)	(24)	(45)	(21)
Other interest expense	(1,160)	(1,377)	(1,160)	(1,379)
<b>Total interest expense</b>	<b>(18,226)</b>	<b>(9,237)</b>	<b>(18,388)</b>	<b>(9,179)</b>
<b>Net interest income</b>	<b>87,964</b>	<b>54,244</b>	<b>76,725</b>	<b>42,172</b>

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			
	6m 2023 Group	6m 2022 Group Restated for IFRS 17 Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
Fee and commission income:				
Cards	26,044	21,790	26,044	21,791
Payments and transactions	5,724	5,341	5,736	5,351
Asset management and custody	3,262	3,536	832	864
Securities brokerage	290	250	292	252
Other fees	1,028	1,060	1,035	1,022
<b>Total fee and commission income from contracts with customers</b>	<b>36,348</b>	<b>31,977</b>	<b>33,939</b>	<b>29,280</b>
Guarantees, letters of credit and loans	1,015	1,754	992	1,469
<b>Total fee and commission income</b>	<b>37,363</b>	<b>33,731</b>	<b>34,931</b>	<b>30,749</b>
Fee and commission expense on:				
Cards	(12,326)	(9,968)	(12,325)	(9,967)
Securitisation	(1,826)	-	(550)	-
Payments and transactions	(1,612)	(1,698)	(1,612)	(1,698)
Asset management, custody and securities brokerage	(370)	(411)	(368)	(401)
Other fees	(273)	(202)	(159)	(122)
<b>Total fee and commission expense</b>	<b>(16,407)</b>	<b>(12,279)</b>	<b>(15,014)</b>	<b>(12,188)</b>
<b>Net fee and commission income</b>	<b>20,956</b>	<b>21,452</b>	<b>19,917</b>	<b>18,561</b>

Fee and commission expense for securitisation represents an expense on a multi-year financial guarantee contract issued by the EIB Group, consisting of the European Investment Bank (EIB) and the European Investment Fund (EIF), to Citadele in December 2022. The guarantee contract secures probable Citadele's future losses allocated to the relevant tranche of the reference loan portfolio for a pre-agreed fee to the EIB Group. The guarantee contract provides capital relief for Citadele by mitigating specific credit risks and enables Citadele to grant at least EUR 460 million in additional loans and leases to businesses in the Baltics over the next three years.



**NOTE 7. NET FINANCIAL INCOME**

	EUR thousands			
	6m 2023 Group	6m 2022 Group Restated for IFRS 17 Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
Foreign exchange trading, revaluation and related derivatives	6,087	4,116	6,192	4,029
Non-trading assets and liabilities at fair value through profit or loss	491	(2,007)	168	(472)
Assets at fair value through other comprehensive income	-	(1,521)	-	(1,521)
Assets at amortised cost	-	(3)	-	(3)
Modifications in cash flows which do not result in derecognition	(396)	1,378	(396)	1,378
<b>Total net financial income</b>	<b>6,182</b>	<b>1,963</b>	<b>5,964</b>	<b>3,411</b>

**NOTE 8. NET OTHER INCOME**

	EUR thousands			
	6m 2023 Group	6m 2022 Group Restated for IFRS 17 Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
Operating lease income	806	953	-	-
Compensation for fulfilment of the TLTRO-III required government obligations ( <i>Note 18</i> )	-	993	-	993
Dividend income	10	15	10	15
Other income	566	713	1,132	1,000
<b>Total other income</b>	<b>1,382</b>	<b>2,674</b>	<b>1,142</b>	<b>2,008</b>
<b>Share of the profit or loss of investments accounted for using the equity method</b>	<b>12</b>	<b>(98)</b>	<b>12</b>	<b>(98)</b>
Insurance contracts:				
<i>Insurance revenue</i>	370	183	-	-
<i>Insurance expense</i>	(111)	(21)	-	-
<i>Financing</i>	(52)	(364)	-	-
Reinsurance contracts:				
<i>Net income / (expenses)</i>	(46)	(30)	-	-
<i>Financing</i>	(5)	52	-	-
<b>Net insurance result</b>	<b>156</b>	<b>(180)</b>	<b>-</b>	<b>-</b>
Supervisory fees	(1,156)	(1,473)	(1,132)	(1,407)
Depreciation of assets under operating lease	(615)	(776)	-	-
Other expenses	(1,218)	(1,044)	(749)	(721)
<b>Total other expense</b>	<b>(2,989)</b>	<b>(3,293)</b>	<b>(1,881)</b>	<b>(2,128)</b>
<b>Total net other income</b>	<b>(1,439)</b>	<b>(897)</b>	<b>(727)</b>	<b>(218)</b>

Other income includes net result from disposal of repossessed collaterals and other miscellaneous items which may not be considered interest or fee and commission income. Supervisory fees include annual and quarterly fees payable to Bank of Latvia, European Central Bank, Single Resolution Board and similar. These are directly dependent on the size of the banking business (mostly total assets).

**NOTE 9. STAFF COSTS**

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

EUR thousands			
6m 2023	6m 2022	6m 2023	6m 2022
Group	Unaudited Group	Bank	Unaudited Bank
Remuneration:			
- management	(2,598)	(1,963)	(2,164)
- other personnel	(24,711)	(23,264)	(21,006)
<b>Total remuneration for work</b>	<b>(27,309)</b>	<b>(25,227)</b>	<b>(23,170)</b>
Social security and solidarity tax contributions:			
- management	(413)	(308)	(326)
- other personnel	(4,852)	(4,484)	(4,116)
<b>Total social security and solidarity tax contributions</b>	<b>(5,265)</b>	<b>(4,792)</b>	<b>(4,442)</b>
<b>Other personnel expense</b>	<b>(465)</b>	<b>(446)</b>	<b>(396)</b>
<b>Total personnel expense</b>	<b>(33,039)</b>	<b>(30,465)</b>	<b>(28,008)</b>
Number of full-time equivalent employees at the period end			
- continuous operations	1,302	1,329	1,099
- discontinued operations	27	26	-

**NOTE 10. OTHER OPERATING EXPENSES**

EUR thousands			
6m 2023	6m 2022	6m 2023	6m 2022
Group	Unaudited Group	Bank	Unaudited Bank
Information technologies and communications	(4,046)	(3,287)	(3,547)
Consulting and other services	(2,839)	(2,768)	(2,530)
Rent, premises and real estate	(1,298)	(1,088)	(1,230)
Advertising and marketing	(1,029)	(1,413)	(932)
Non-refundable value added tax	(1,250)	(860)	(1,185)
Other	(825)	(736)	(700)
<b>Total other expenses</b>	<b>(11,287)</b>	<b>(10,152)</b>	<b>(10,124)</b>

**NOTE 11. NET CREDIT LOSSES**

Total net impairment allowance charged to the income statement

EUR thousands			
6m 2023	6m 2022	6m 2023	6m 2022
Group	Unaudited Group	Bank	Unaudited Bank
Loans to credit institutions	379	(159)	379
Debt securities	70	(283)	74
Loans to public	1,668	(12,689)	(691)
<i>Including impairment overlay (Note 3, section d)</i>	16	(11,914)	(381)
Loan commitments, guarantees and letters of credit	361	(832)	587
Recovered written-off assets	1,284	1,276	1,241
<b>Total net losses on financial instruments</b>	<b>3,762</b>	<b>(12,687)</b>	<b>1,590</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 risks, like Russia's invasion into Ukraine, which resulted in higher volatility in commodity, energy prices and global inflation, the adjustment for expected impact from future economic scenarios is revised correspondingly. Due to the forward looking nature of the credit loss estimation, the change in loss allowances does not necessarily represent only an observable change in the days past due of the loan portfolio (for detail refer to Note 14 (*Loans to Public*)), but is also a representation of the forward looking economic scenarios component.

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

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

**Classification of impairment stages**

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

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

Stage 3 – Credit-impaired financial instruments

**Changes in the allowances for credit losses and provisions**

	Group, EUR thousands						
	Opening balance 01/01/2023	Charged to statement of income			Write-offs of allow- ances	Other adjust- ments	Closing balance 30/06/2023
		Origina- tion	Repayment, disposal	Credit risk, net			
<u>Stage 1</u>							
Loans to credit institutions	385	1	-	(380)	-	(3)	3
Debt securities	708	11	(3)	(78)	-	-	638
Loans to public	53,284	4,796	(1,940)	(3,187)	-	(11)	52,942
<i>Including impairment overlay</i>	10,897						9,926
Loan commitments, guarantees and letters of credit	4,528	1,000	(501)	(1,035)	-	-	3,992
<b>Total stage 1 credit losses and provisions</b>	<b>58,905</b>	<b>5,808</b>	<b>(2,444)</b>	<b>(4,680)</b>	<b>-</b>	<b>(14)</b>	<b>57,575</b>
<u>Stage 2</u>							
Loans to public	16,746	162	(275)	(1,176)	-	23	15,480
<i>Including impairment overlay</i>	6,196						7,150
Loan commitments, guarantees and letters of credit	158	46	(54)	(51)	-	1	100
<b>Total stage 2 credit losses and provisions</b>	<b>16,904</b>	<b>208</b>	<b>(329)</b>	<b>(1,227)</b>	<b>-</b>	<b>24</b>	<b>15,580</b>
<u>Stage 3</u>							
Loans to public	36,479	222	(1,775)	1,505	(4,221)	653	32,863
Loan commitments, guarantees and letters of credit	134	12	(55)	277	-	-	368
<b>Total stage 3 credit losses and provisions</b>	<b>36,613</b>	<b>234</b>	<b>(1,830)</b>	<b>1,782</b>	<b>(4,221)</b>	<b>653</b>	<b>33,231</b>
<b>Total allowances for credit losses and provisions</b>	<b>112,422</b>	<b>6,250</b>	<b>(4,603)</b>	<b>(4,125)</b>	<b>(4,221)</b>	<b>663</b>	<b>106,386</b>
<i>Including for debt securities classified at fair value through other comprehensive income</i>	94						90

Total Group's provisions of EUR 4,559 thousand (2022: EUR 4,920 thousand) as of the period end comprise of ECL allowances for loan commitments, guarantees and letters of credit of EUR 4,460 thousand (2022: EUR 4,820 thousand) and other Non-ECL provisions of EUR 99 thousand (2022: EUR 100 thousand). Total Bank's provisions of EUR 4,250 thousand (2022: EUR 4,838 thousand) as of the period end comprise EUR 4,151 thousand (2022: EUR 4,738 thousand) for loan commitments, guarantees and letters of credit and EUR 99 thousand (2022: EUR 100 thousand) for other Non-ECL provisions.

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

	Group, EUR thousands (Unaudited)						
	Opening balance 01/01/2022	Charged to statement of income			Write-offs of allow- ances	Other adjust- ments	Closing balance 30/06/2022
		Origina- tion	Repayment, disposal	Credit risk, net			
<b>Stage 1</b>							
Loans to credit institutions	93	289	(128)	(2)	-	2	254
Debt securities	2,015	404	(117)	(4)	-	(161)	2,137
Loans to public	35,204	31,590	(17,134)	496	-	(334)	49,822
<i>Including impairment overlay</i>	5,180						10,897
Loan commitments, guarantees and letters of credit	3,378	2,447	(1,788)	202	-	37	4,276
<b>Total stage 1 credit losses and provisions</b>	<b>40,690</b>	<b>34,730</b>	<b>(19,167)</b>	<b>692</b>	<b>-</b>	<b>(456)</b>	<b>56,489</b>
<b>Stage 2</b>							
Loans to public	10,702	7,746	(8,226)	(393)	-	229	10,058
<i>Including impairment overlay</i>	-						6,196
Loan commitments, guarantees and letters of credit	358	183	(166)	(105)	-		270
<b>Total stage 2 credit losses and provisions</b>	<b>11,060</b>	<b>7,929</b>	<b>(8,392)</b>	<b>(498)</b>	<b>-</b>	<b>229</b>	<b>10,328</b>
<b>Stage 3</b>							
Loans to public	35,709	3,277	(4,687)	20	(3,246)	3,663	34,736
Loan commitments, guarantees and letters of credit	98	180	(29)	(92)	-	1	158
<b>Total stage 3 credit losses and provisions</b>	<b>35,807</b>	<b>3,457</b>	<b>(4,716)</b>	<b>(72)</b>	<b>(3,246)</b>	<b>3,664</b>	<b>34,894</b>
<b>Total allowances for credit losses and provisions</b>	<b>87,557</b>	<b>46,116</b>	<b>(32,275)</b>	<b>122</b>	<b>(3,246)</b>	<b>3,437</b>	<b>101,711</b>
<i>Including for debt securities classified at fair value through other comprehensive income</i>	136						103

	Bank, EUR thousands (Unaudited)						
	Opening balance 01/01/2022	Charged to statement of income			Write-offs of allow- ances	Other adjust- ments	Closing balance 30/06/2022
		Origina- tion	Repayment, disposal	Credit risk, net			
<b>Stage 1</b>							
Loans to credit institutions	93	289	(128)	(2)	-	2	254
Debt securities	1,927	404	(117)	1	-	(78)	2,137
Loans to public	23,184	27,924	(16,475)	246	-		34,879
<i>Including impairment overlay</i>	1,431						7,705
Loan commitments, guarantees and letters of credit	3,325	2,436	(1,859)	197	-	102	4,201
<b>Total stage 1 credit losses and provisions</b>	<b>28,529</b>	<b>31,053</b>	<b>(18,579)</b>	<b>442</b>	<b>-</b>	<b>26</b>	<b>41,471</b>
<b>Stage 2</b>							
Loans to public	8,873	7,631	(8,077)	(1,022)			7,405
<i>Including impairment overlay</i>	-						6,189
Loan commitments, guarantees and letters of credit	358	183	(166)	(105)			270
<b>Total stage 2 credit losses and provisions</b>	<b>9,231</b>	<b>7,814</b>	<b>(8,243)</b>	<b>(1,127)</b>			<b>7,675</b>
<b>Stage 3</b>							
Loans to public	32,544	3,224	(3,529)	773	(3,244)	2,013	31,781
Loan commitments, guarantees and letters of credit	98	180	(29)	(92)		1	158
<b>Total stage 3 credit losses and provisions</b>	<b>32,642</b>	<b>3,404</b>	<b>(3,558)</b>	<b>681</b>	<b>(3,244)</b>	<b>2,014</b>	<b>31,939</b>
<b>Total allowances for credit losses and provisions</b>	<b>70,402</b>	<b>42,271</b>	<b>(30,380)</b>	<b>(4)</b>	<b>(3,244)</b>	<b>2,040</b>	<b>81,085</b>
<i>Including for debt securities classified at fair value through other comprehensive income</i>	97						103

	Group, EUR thousands					
	Transfers between impairment stages of gross loans (gross transfer basis)					
	from Stage 1 to Stage 2	from Stage 2 to Stage 1	from Stage 2 to Stage 3	from Stage 3 to Stage 2	from Stage 1 to Stage 3	from Stage 3 to Stage 1
Transfer during 6m 2023	75,689	114,806	18,158	2,566	2,746	1,914
Transfer during 6m 2022 ( <i>Unaudited</i> )	90,985	75,876	5,859	3,229	5,435	751

**NOTE 12. TAXATION****Corporate income tax expense**

	EUR thousands			
	6m 2023 Group	6m 2022 Group Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
Current corporate income tax	(1,408)	(809)	(1,120)	(151)
Deferred income tax	(2,007)	189	(1,881)	-
<b>Total corporate income tax expense</b>	<b>(3,415)</b>	<b>(620)</b>	<b>(3,001)</b>	<b>(151)</b>
<b>Bank tax</b>	<b>(991)</b>	<b>-</b>	<b>(991)</b>	<b>-</b>

In Latvia and Estonia corporate income tax (CIT) is payable when the profits are distributed, not when the profits are earned. Correspondingly, the deferred tax is calculated at a tax rate which applies to undistributed earnings, which is 0%.

The effective tax rate in the reporting period for the Group and the Bank in Latvia was close to 0%. In Latvia, incremental CIT expense does not arise on the Bank's dividend distribution from retained earnings generated under the previous tax regime which as of 30 June 2023 amounted to EUR 61.8 million (2022: EUR 81.8 million) and additional EUR 15.2 million profits already taxed when distributed from subsidiaries and branches. Currently there is no expiry date for this distribution right. In Latvia, for dividend distributions from profits earned, a 20% CIT rate applies and is calculated as 0.2/0.8 from net distributed dividend (effectively 25%).

In 2023 the Bank decided to distribute profits in the amount of (net) EUR 2.5 million from Estonian branch thus EUR 0.6 million tax expense and related deferred tax liability was recognised at a full tax rate. In Estonia, if regular and annually increasing dividends are distributed, a lower preferential tax rate applies on amount equal to average of distributions over the last three year.

In other jurisdictions where the Group operates, earnings are taxable when earned. In the reporting period the effective tax rate for the Bank's Lithuanian operations was 18.1% or 16.3% if positive impact from previously un-recognised portion of unutilized tax loss is included.

EUR 0.6 million from the Group total tax expense for the reporting period relates to the Estonian operations, most of the remainder to the Lithuania operations.

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

**Income tax assets and liabilities**

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Current income tax assets	2,416	1,822	1,641	1,116
Deferred income tax assets	1,096	2,478	923	2,179
<b>Tax assets</b>	<b>3,512</b>	<b>4,300</b>	<b>2,564</b>	<b>3,295</b>
Current income tax liabilities	(814)	(1,204)	(798)	(33)
Deferred income tax liabilities	(1,000)	(375)	(625)	-
<b>Tax liabilities</b>	<b>(1,814)</b>	<b>(1,579)</b>	<b>(1,423)</b>	<b>(33)</b>
<b>Bank tax liability</b>	<b>(991)</b>	<b>-</b>	<b>(991)</b>	<b>-</b>

The Group has recognised a deferred tax liability of EUR 1.0 million and the Bank EUR 0.6 million in Estonia as it anticipates dividend distributions to Latvia. These dividends would become taxable at distribution.

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

	EUR thousands			
	6m 2023 Group	6m 2022 Group Restated for IFRS 17 Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
Profit before corporate income tax from continuous operations	67,914	19,528	56,626	13,861
<b>Corporate income tax (at 20%)</b>	<b>13,583</b>	<b>3,906</b>	<b>11,325</b>	<b>2,772</b>
Undistributed earnings taxable on distribution	(10,410)	(2,701)	(8,550)	(2,157)
Effect of tax rates in foreign jurisdictions	(252)	(251)	(179)	(105)
Non-taxable income	(862)	(994)	(352)	(287)
Non-deductible expense	649	814	72	166
Expected distribution of retained earnings	625	-	625	-
Other tax differences, net (incl. changes in unrecognised deferred tax asset)	82	(154)	60	(238)
<b>Total effective corporate income tax from continuous operations</b>	<b>3,415</b>	<b>620</b>	<b>3,001</b>	<b>151</b>



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

Group, EUR thousands				
	Opening balance 31/12/2022	Recognised in statement of income	Recognised in statement of OCI	Closing balance 30/06/2023
Deferred income and accrued expense	337	12	-	349
Recognised unutilised tax loss carry-forward	1,921	(1,317)	-	604
Fair value amortisation on the acquired loan portfolio	221	(76)	-	145
Expected distribution of retained earnings	(375)	(625)	-	(1,000)
Other items, net	(1)	(1)	-	(2)
<b>Deferred income tax assets, net</b>	<b>2,103</b>	<b>(2,007)</b>	<b>-</b>	<b>96</b>

Group, EUR thousands (Unaudited)				
	Opening balance 31/12/2021	Recognised in statement of income	Transfer to discontinued operations	Closing balance 30/06/2022
Deferred income and accrued expense	443	(10)	-	433
Recognised unutilised tax loss carry-forward	1,786	23	-	1,809
Fair value amortisation on the acquired loan portfolio	448	(141)	-	307
Expected distribution of retained earnings	(375)	-	-	(375)
Other items, net	(2)	317	(316)	(1)
<b>Deferred income tax assets, net</b>	<b>2,300</b>	<b>189</b>	<b>(316)</b>	<b>2,173</b>

Bank, EUR thousands				
	Opening balance 31/12/2022	Recognised in statement of income	Recognised in statement of OCI	Closing balance 30/06/2023
Deferred income and accrued expense	258	61	-	319
Recognised unutilised tax loss carry-forward	1,921	(1,317)	-	604
Expected distribution of retained earnings	-	(625)	-	(625)
<b>Deferred income tax assets, net</b>	<b>2,179</b>	<b>(1,881)</b>	<b>-</b>	<b>298</b>

Bank, EUR thousands (Unaudited)				
	Opening balance 31/12/2021	Recognised in statement of income	Recognised in statement of OCI	Closing balance 30/06/2022
Deferred income and accrued expense	393	(23)	-	370
Recognised unutilised tax loss carry-forward	1,786	23	-	1,809
<b>Deferred income tax assets, net</b>	<b>2,179</b>	<b>-</b>	<b>-</b>	<b>2,179</b>

## NOTE 13. DEBT SECURITIES

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

Group, EUR thousands						
	30/06/2023			31/12/2022		
	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	22,435	102,074	124,509	30,183	113,216	143,399
AA/Aa	7,965	236,069	244,034	17,929	239,180	257,109
A	149,456	708,104	857,560	155,706	958,390	1,114,096
BBB/Baa	9,401	30,843	40,244	9,275	25,282	34,557
Lower ratings or unrated	208	44,200	44,408	209	44,552	44,761
<b>Total debt securities</b>	<b>189,465</b>	<b>1,121,290</b>	<b>1,310,755</b>	<b>213,302</b>	<b>1,380,620</b>	<b>1,593,922</b>
<i>Including general government</i>	<i>146,277</i>	<i>771,995</i>	<i>918,272</i>	<i>152,197</i>	<i>1,031,002</i>	<i>1,183,199</i>
<i>Including credit institutions</i>	<i>10,053</i>	<i>127,563</i>	<i>137,616</i>	<i>11,628</i>	<i>144,321</i>	<i>155,949</i>
<i>Including classified in stage 1</i>	<i>189,465</i>	<i>1,121,290</i>	<i>1,310,755</i>	<i>213,302</i>	<i>1,380,620</i>	<i>1,593,922</i>

Bank, EUR thousands						
	30/06/2023			31/12/2022		
	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	20,472	99,629	120,101	27,141	110,767	137,908
AA/Aa	7,965	236,069	244,034	17,929	239,181	257,110
A	130,206	701,537	831,743	133,820	951,810	1,085,630
BBB/Baa	1,368	29,324	30,692	1,331	23,770	25,101
Lower ratings or unrated	-	44,200	44,200	-	44,552	44,552
<b>Total debt securities</b>	<b>160,011</b>	<b>1,110,759</b>	<b>1,270,770</b>	<b>180,221</b>	<b>1,370,080</b>	<b>1,550,301</b>
<i>Including general government</i>	<i>134,663</i>	<i>765,935</i>	<i>900,598</i>	<i>138,275</i>	<i>1,024,934</i>	<i>1,163,209</i>
<i>Including credit institutions</i>	<i>2,471</i>	<i>127,563</i>	<i>130,034</i>	<i>4,470</i>	<i>144,321</i>	<i>148,791</i>
<i>Including classified in stage 1</i>	<i>160,011</i>	<i>1,110,759</i>	<i>1,270,770</i>	<i>180,221</i>	<i>1,370,080</i>	<i>1,550,301</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						
	30/06/2023			31/12/2022		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	346,569	52,540	399,109	561,482	48,672	610,154
Latvia	373,692	2,371	376,063	410,254	2,376	412,630
Estonia	76,413	28,049	104,462	76,459	27,023	103,482
Germany	-	102,080	102,080	-	89,213	89,213
Poland	66,119	5,111	71,230	66,179	5,837	72,016
United States	18,197	23,437	41,634	9,983	26,591	36,574
Sweden	-	30,267	30,267	10,012	32,362	42,374
Canada	-	29,167	29,167	-	32,817	32,817
Switzerland	-	25,277	25,277	-	30,387	30,387
Netherlands	6,281	13,117	19,398	10,432	15,241	25,673
Finland	-	14,451	14,451	-	28,657	28,657
Multilateral development banks	-	35,205	35,205	-	35,985	35,985
Other countries	31,001	31,411	62,412	38,398	35,562	73,960
<b>Total debt securities</b>	<b>918,272</b>	<b>392,483</b>	<b>1,310,755</b>	<b>1,183,199</b>	<b>410,723</b>	<b>1,593,922</b>

Bank, EUR thousands						
	30/06/2023			31/12/2022		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	342,062	51,219	393,281	556,007	47,362	603,369
Latvia	367,541	1,308	368,849	403,125	1,310	404,435
Germany	-	102,080	102,080	-	89,213	89,213
Estonia	76,413	25,394	101,807	76,459	24,822	101,281
Poland	65,357	3,025	68,382	65,417	3,059	68,476
United States	18,197	17,403	35,600	9,983	20,555	30,538
Sweden	-	30,268	30,268	10,012	32,362	42,374
Canada	-	29,167	29,167	-	32,817	32,817
Switzerland	-	25,277	25,277	-	25,277	25,277
Netherlands	6,281	13,117	19,398	10,432	15,241	25,673
Finland	-	14,451	14,451	-	28,657	28,657
Multilateral development banks	-	30,798	30,798	-	30,892	30,892
Other countries	24,747	26,665	51,412	31,773	35,526	67,299
<b>Total debt securities</b>	<b>900,598</b>	<b>370,172</b>	<b>1,270,770</b>	<b>1,163,208</b>	<b>387,093</b>	<b>1,550,301</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 14. LOANS TO PUBLIC**

Loans by customer profile, industry profile and product type

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
<b>Financial and non-financial corporations</b>				
Real estate purchase and management	399,439	415,941	384,547	400,290
Transport and communications	244,706	260,005	38,704	40,320
Manufacturing	216,518	219,559	109,415	108,169
Trade	194,096	200,854	77,695	83,825
Agriculture and forestry	178,036	174,752	79,643	79,402
Construction	117,974	122,621	34,939	39,957
Electricity, gas and water supply	90,959	66,227	78,372	53,011
Financial intermediation	31,809	36,892	1,072,129	1,097,429
Hotels, restaurants	27,958	40,259	22,221	34,487
Other industries	155,842	155,613	16,108	19,934
<b>Total financial and non-financial corporations</b>	<b>1,657,337</b>	<b>1,692,723</b>	<b>1,913,773</b>	<b>1,956,824</b>
<b>Households</b>				
Mortgage loans	821,975	833,607	819,614	830,916
Finance leases	349,761	350,499	-	-
Credit for consumption	94,280	92,039	89,877	87,953
Card lending	59,270	57,852	59,270	57,852
Other lending	20,223	18,428	19,104	17,415
<b>Total households</b>	<b>1,345,509</b>	<b>1,352,425</b>	<b>987,865</b>	<b>994,136</b>
<b>General government</b>	<b>25,642</b>	<b>27,839</b>	<b>14,672</b>	<b>17,265</b>
<b>Total gross loans to public</b>	<b>3,028,488</b>	<b>3,072,987</b>	<b>2,916,310</b>	<b>2,968,225</b>
Impairment allowance	(101,285)	(106,509)	(84,231)	(88,124)
<b>Total net loans to public</b>	<b>2,927,203</b>	<b>2,966,478</b>	<b>2,832,079</b>	<b>2,880,101</b>

Loans by overdue days and impairment stage

	Group, EUR thousands									
	30/06/2023					31/12/2022				
	Gross amount					Gross amount				
	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Net carrying amount	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Net carrying amount
<b>Loans to public</b>										
Not past due	2,724,289	176,080	20,812	(63,686)	2,857,495	2,666,915	273,165	36,687	(66,940)	2,909,827
Past due ≤30 days	29,641	18,871	15,596	(7,535)	56,573	27,005	9,856	4,679	(7,641)	33,899
Past due >30 and ≤90 days	-	8,214	1,466	(2,411)	7,269	-	13,376	2,996	(3,118)	13,254
Past due >90 days	-	-	33,519	(27,653)	5,866	-	-	38,308	(28,810)	9,498
<b>Total loans to public</b>	<b>2,753,930</b>	<b>203,165</b>	<b>71,393</b>	<b>(101,285)</b>	<b>2,927,203</b>	<b>2,693,920</b>	<b>296,397</b>	<b>82,670</b>	<b>(106,509)</b>	<b>2,966,478</b>
Guarantees and letters of credit	56,837	1,436	40	(384)	57,929	50,130	-	277	(452)	49,955
Financial commitments	319,957	4,122	351	(4,076)	320,354	291,930	14,319	441	(4,368)	302,322
<b>Total credit exposure to public</b>	<b>3,130,724</b>	<b>208,723</b>	<b>71,784</b>	<b>(105,745)</b>	<b>3,305,486</b>	<b>3,035,980</b>	<b>310,716</b>	<b>83,388</b>	<b>(111,329)</b>	<b>3,318,755</b>

As of the period end, the gross amount of Group's POCI loans to public is EUR 12.7 million (2022: EUR 16.3 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.7 million (2022: EUR 0.7 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 22 (*Off-balance Sheet Items*).

Bank, EUR thousands										
	30/06/2023					31/12/2022				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
<b>Loans to public</b>										
Not past due	2,726,313	95,007	11,521	(50,286)	2,782,555	2,698,503	177,908	20,767	(51,593)	2,845,585
Past due ≤30 days	28,657	6,293	14,719	(6,060)	43,609	18,069	8,771	4,562	(7,029)	24,373
Past due >30 and ≤90 days	-	3,779	769	(1,550)	2,998	-	2,945	1,241	(1,516)	2,670
Past due >90 days	-	-	29,252	(26,335)	2,917	-	-	35,459	(27,986)	7,473
<b>Total loans to public</b>	<b>2,754,970</b>	<b>105,079</b>	<b>56,261</b>	<b>(84,231)</b>	<b>2,832,079</b>	<b>2,716,572</b>	<b>189,624</b>	<b>62,029</b>	<b>(88,124)</b>	<b>2,880,101</b>
Guarantees and letters of credit	63,783	1,435	40	(384)	64,874	60,659	-	277	(452)	60,484
Financial commitments	336,756	3,641	197	(3,767)	336,827	313,682	8,282	247	(4,286)	317,925
<b>Total credit exposure to public</b>	<b>3,155,509</b>	<b>110,155</b>	<b>56,498</b>	<b>(88,382)</b>	<b>3,233,780</b>	<b>3,090,913</b>	<b>197,906</b>	<b>62,553</b>	<b>(92,862)</b>	<b>3,258,510</b>

## Stage 3 loans to public ratio

	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Stage 3 loans to public ratio, gross	2.4%	2.7%	1.9%	2.1%
Stage 3 loans to public ratio, net	1.3%	1.6%	0.9%	1.0%
Stage 3 impairment ratio	46%	44%	53%	54%

The stage 3 loans to public ratio is calculated as stage 3 loans to public divided by total loans to public as of the end of the relevant period. All loans overdue by more than 90 days are classified as stage 3. Non-overdue loans and loans overdue less than 90 days which have been forbore 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.

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

## Expected credit loss allowance by customer profile and impairment stage

Group, EUR thousands						
	30/06/2023			31/12/2022		
	Expected credit loss allowance			Expected credit loss allowance		
	Stage 1	Stage 2	Stage 3 and POCI	Stage 1	Stage 2	Stage 3 and POCI
Financial and non-financial corporations	(23,272)	(11,161)	(14,560)	(24,603)	(12,527)	(18,172)
Households	(29,264)	(4,298)	(18,303)	(28,283)	(4,159)	(18,307)
General government	(406)	(21)	-	(398)	(60)	-
<b>Expected credit loss allowance</b>	<b>(52,942)</b>	<b>(15,480)</b>	<b>(32,863)</b>	<b>(53,284)</b>	<b>(16,746)</b>	<b>(36,479)</b>

Bank, EUR thousands						
	30/06/2023			31/12/2022		
	Expected credit loss allowance			Expected credit loss allowance		
	Stage 1	Stage 2	Stage 3 and POCI	Stage 1	Stage 2	Stage 3 and POCI
Financial and non-financial corporations	(15,948)	(8,822)	(11,850)	(15,824)	(10,226)	(15,603)
Households	(26,673)	(3,103)	(17,809)	(25,297)	(3,146)	(17,970)
General government	(9)	(17)	-	(9)	(49)	-
<b>Expected credit loss allowance</b>	<b>(42,630)</b>	<b>(11,942)</b>	<b>(29,659)</b>	<b>(41,130)</b>	<b>(13,421)</b>	<b>(33,573)</b>

## Loans by customer profile and impairment stage

Group, EUR thousands								
	30/06/2023				31/12/2022			
	Gross amount			Expected credit loss allowance	Gross amount			Expected credit loss allowance
	Stage 1	Stage 2	Stage 3 and POCI		Stage 1	Stage 2	Stage 3 and POCI	
<b>Financial and non-financial corporations</b>								
Real estate purchase and management	357,223	41,693	523	(6,370)	367,621	44,545	3,775	(7,835)
Transport and communications	215,010	12,985	16,711	(10,412)	227,268	12,697	20,040	(11,325)
Manufacturing	151,397	48,369	16,752	(12,931)	144,699	67,031	7,829	(14,004)
Trade	176,865	14,844	2,387	(4,792)	176,007	23,078	1,769	(5,084)
Agriculture and forestry	165,841	9,374	2,821	(5,071)	138,445	32,621	3,686	(5,665)
Construction	100,976	13,015	3,983	(3,544)	92,543	23,112	6,966	(3,981)
Electricity, gas and water supply	88,089	999	1,871	(906)	58,886	5,307	2,034	(1,044)
Financial intermediation	31,455	341	13	(1,124)	36,590	293	9	(1,246)
Hotels, restaurants	25,167	679	2,112	(809)	10,767	19,446	10,046	(1,433)
Other industries	140,589	14,163	1,090	(3,034)	134,539	17,312	3,762	(3,685)
<b>Total financial and non-financial corporations</b>	<b>1,452,612</b>	<b>156,462</b>	<b>48,263</b>	<b>(48,993)</b>	<b>1,387,365</b>	<b>245,442</b>	<b>59,916</b>	<b>(55,302)</b>
<b>Households</b>								
Mortgage loans	788,657	13,121	20,197	(32,322)	794,649	18,990	19,968	(32,187)
Finance leases	324,157	24,496	1,108	(3,906)	327,099	22,533	867	(4,022)
Credit for consumption	91,595	2,125	560	(6,600)	88,401	3,132	506	(6,466)
Card lending	55,529	3,056	685	(7,823)	55,233	1,825	794	(6,941)
Other lending	18,189	1,454	580	(1,214)	16,018	1,791	619	(1,133)
<b>Total households</b>	<b>1,278,127</b>	<b>44,252</b>	<b>23,130</b>	<b>(51,865)</b>	<b>1,281,400</b>	<b>48,271</b>	<b>22,754</b>	<b>(50,749)</b>
<b>General government</b>	<b>23,191</b>	<b>2,451</b>	<b>-</b>	<b>(427)</b>	<b>25,155</b>	<b>2,684</b>	<b>-</b>	<b>(458)</b>
<b>Total loans to public</b>	<b>2,753,930</b>	<b>203,165</b>	<b>71,393</b>	<b>(101,285)</b>	<b>2,693,920</b>	<b>296,397</b>	<b>82,670</b>	<b>(106,509)</b>

Bank, EUR thousands								
	30/06/2023				31/12/2022			
	Gross amount			Expected credit loss allowance	Gross amount			Expected credit loss allowance
	Stage 1	Stage 2	Stage 3 and POCI		Stage 1	Stage 2	Stage 3 and POCI	
<b>Financial and non-financial corporations</b>								
Real estate purchase and management	344,153	40,012	382	(6,023)	354,224	42,455	3,611	(7,499)
Transport and communications	25,579	580	12,545	(7,806)	26,683	523	13,114	(8,306)
Manufacturing	60,942	34,872	13,601	(10,491)	55,542	47,931	4,696	(11,548)
Trade	72,061	4,111	1,523	(2,791)	73,122	9,421	1,282	(2,738)
Agriculture and forestry	76,023	1,180	2,440	(3,116)	53,163	23,676	2,563	(3,723)
Construction	32,135	1,781	1,023	(1,440)	25,012	11,501	3,444	(2,093)
Electricity, gas and water supply	77,411	294	667	(708)	47,440	4,854	717	(850)
Financial intermediation	1,072,116	-	13	(2,842)	1,097,420	-	9	(2,415)
Hotels, restaurants	19,991	190	2,040	(702)	5,832	18,707	9,948	(1,312)
Other industries	15,183	537	388	(701)	15,555	3,204	1,175	(1,169)
<b>Total financial and non-financial corporations</b>	<b>1,795,594</b>	<b>83,557</b>	<b>34,622</b>	<b>(36,620)</b>	<b>1,753,993</b>	<b>162,272</b>	<b>40,559</b>	<b>(41,653)</b>
<b>Households</b>								
Mortgage loans	786,762	12,921	19,931	(32,127)	792,930	18,303	19,683	(32,058)
Finance leases	-	-	-	-	-	-	-	-
Credit for consumption	87,614	1,736	527	(6,487)	84,504	2,979	470	(6,364)
Card lending	55,529	3,056	685	(7,823)	55,233	1,825	794	(6,941)
Other lending	17,185	1,423	496	(1,148)	15,124	1,768	523	(1,050)
<b>Total households</b>	<b>947,090</b>	<b>19,136</b>	<b>21,639</b>	<b>(47,585)</b>	<b>947,791</b>	<b>24,875</b>	<b>21,470</b>	<b>(46,413)</b>
<b>General government</b>	<b>12,286</b>	<b>2,386</b>	<b>-</b>	<b>(26)</b>	<b>14,788</b>	<b>2,477</b>	<b>-</b>	<b>(58)</b>
<b>Total loans to public</b>	<b>2,754,970</b>	<b>105,079</b>	<b>56,261</b>	<b>(84,231)</b>	<b>2,716,572</b>	<b>189,624</b>	<b>62,029</b>	<b>(88,124)</b>



**NOTE 15. EQUITY AND OTHER FINANCIAL INSTRUMENTS**

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

	Group, EUR thousands							
	30/06/2023				31/12/2022			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	27,335	1,026	-	28,361	28,473	929	-	29,402
Financial assets at fair value through other comprehensive income	-	101	21	122	-	79	21	100
<b>Total non-fixed income securities, net</b>	<b>27,335</b>	<b>1,127</b>	<b>21</b>	<b>28,483</b>	<b>28,473</b>	<b>1,008</b>	<b>21</b>	<b>29,502</b>
<i>Including unit-linked insurance plan assets</i>	<i>16,682</i>	<i>-</i>	<i>-</i>	<i>16,682</i>	<i>19,814</i>	<i>-</i>	<i>-</i>	<i>19,814</i>

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

As of 30 June 2023, the Bank and the Group has investments in mutual investment funds with carrying amounts of EUR 1.2 million (2022: EUR 1.1 million) and EUR 15.3 million (2022: EUR 14.8 million) which are managed by IPAS CBL Asset Management. Further, EUR 11.5 million (2022: EUR 11.2 million) of these Group's investments relate to unit-linked contracts, where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	30/06/2023				31/12/2022			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	1,157	1,026	-	2,183	1,101	929	-	2,030
Financial assets at fair value through other comprehensive income	-	101	21	122	-	79	21	100
<b>Total non-fixed income securities, net</b>	<b>1,157</b>	<b>1,127</b>	<b>21</b>	<b>2,305</b>	<b>1,101</b>	<b>1,008</b>	<b>21</b>	<b>2,130</b>

**NOTE 16. INVESTMENTS IN RELATED ENTITIES**

Changes in investments in related entities of the Bank

	EUR thousands	
	6m 2023	6m 2022 Unaudited
<b>Balance at the beginning of the period, net</b>	<b>47,770</b>	<b>63,282</b>
Associates accounted for using the equity method	12	(98)
Change in impairment allowance	131	-
<b>Balance at the end of the period, net</b>	<b>47,913</b>	<b>63,184</b>
<i>Including associates accounted for using the equity method</i>	<i>203</i>	<i>182</i>
<i>Including gross investment in subsidiaries</i>	<i>47,710</i>	<i>85,926</i>

Changes in investments in subsidiaries

In May 2023 the Group sold OOO Mizush Asset Management Ukraina (Registration number: 32984601) to a law office independent from Citadele which has become the new owner of the former subsidiary and will finalise the liquidation on its own. Before the sale, the OOO Mizush Asset Management Ukraina was in liquidation as this Group subsidiary had no ongoing business operations. For OOO Mizush Asset Management Ukraina previously a liquidator had been appointed. The final tax audit was completed. The final report had been submitted as per statutory requirement and a formal liquidation decision from the statutory register was being awaited. Due to long-drawn-out liquidation procedures in Ukraine, the Group decided to sell the former subsidiary where after sale the new owner would finalise the liquidation.

SIA Citadeles moduli 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. In 2022 investment of EUR 13.8 million in Kaleido Privatbank AG was transferred to discontinued operations held for sale as the investment is expected to be recovered principally through a sale transaction rather than through continuing operations.

## Consolidation Group subsidiaries and associated entities for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							30/06/2023	31/12/2022
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MT	-	-	-	-
SIA Citadele Leasing	40003423085	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	29,203	29,203
Kaleido Privatbank AG (Discontinued operations held for sale, Note 17)	130.0.007.738-0	Switzerland, Bellerivestrasse 17, 8008, Zürich	BNK	MS	100	100	-	-
SIA Citadele Factoring	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	8,247	8,247
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
UAB Citadele Factoring	126233315	Lithuania, Upės g. 21, Vilnius, LT-0812	LIZ	MS	100	100	2,149	2,149
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	1,114	984
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
OU Citadele Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
SIA Mobilly (Investments in associates accounted for using the equity method, Note 8)	40003654405	Latvia, Dzīnavu iela 91 k-3 - 20, Rīga, LV-1011	ENI	CT	12.5	12.5	203	190
SIA CL Insurance Broker	40003983430	Latvia, Riga, Republikas laukums 2A	PLS	MMS	100	100	-	-
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
<b>Total net investments in subsidiaries and associated entities</b>							<b>47,913</b>	<b>47,770</b>

\*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.

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

AS Citadele banka is selling its Swiss subsidiary Kaleido Privatbank AG under market standard terms and conditions.

In January 2022, AS Citadele banka entered into a binding agreement with Trusted Novus Bank Limited regarding the sale of its Swiss subsidiary – Kaleido Privatbank AG. It was agreed that Trusted Novus Bank Limited will acquire 100% of Kaleido Privatbank AG. The closing was subject to regulatory approvals and took longer than expected. Subsequent to the period end it was concluded that successful execution of this sales-purchase agreement is no longer feasible and was decided to terminate the contract.

The Group is working with a reputable M&A advisor on an alternative sales transaction. As the conditions indicate that the investment will be recovered principally through a sale transaction in a foreseeable future rather than through continuing operations, Kaleido Privatbank AG is presented as discontinued operations as of period end. Citadele has identified a preliminary list of potential buyers and has taken steps to improve certainty that regulatory approval for potential sale will be obtained. The Management has a strong commitment to sell Kaleido Privatbank AG and this is a further step focusing on Citadele's core activities in the Baltics and is in line with Citadele's long-term ambition to become the leading financial services provider in the Baltics.

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

### Write-down of investment in Kaleido Privatbank AG

In the reporting period the Bank recognised EUR 3.9 million write-down on the investment in Kaleido Privatbank AG equal to the lower of the carrying amount and fair value less cost to sale. The write-down is presented in the statement of income as net result from non-current assets held for sale and discontinued operations. To arrive to the fair value less cost to sale of the investment, a present value of expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance, less cost to sell is estimated. The target capital adequacy ratio is set at 10.5% which is applicable to Swiss Category 5 banks. Other key inputs of the model are 15.7% discount rate and future profitability of the operations of the entity.

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

	EUR thousands			
	6m 2023 Group	6m 2022 Unaudited Group	6m 2023 Bank	6m 2022 Unaudited Bank
Net interest income	1,917	768	-	-
Net fee and commission income	1,403	1,614	-	-
Other operating income and expense	(272)	(337)	-	-
Staff costs, other operating expenses, depreciation and amortisation	(5,457)	(3,967)	-	-
Net credit losses and other impairment losses	(1,327)	(240)	-	-
Income tax	(28)	(41)	-	-
<b>Net result from discontinued operations</b>	<b>(3,764)</b>	<b>(2,203)</b>	<b>-</b>	<b>-</b>
Result from non-current assets held for sale	410	379	(3,517)	379
<b>Net result from non-current assets held for sale and discontinued operations</b>	<b>(3,354)</b>	<b>(1,824)</b>	<b>(3,517)</b>	<b>379</b>

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

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
<b>Assets</b>				
Cash, cash balances at central banks	14,700	6,671	-	-
Loans to credit institutions	22,163	23,671	-	-
Debt securities	63,703	88,989	-	-
Including:				
AAA/Aaa rated	25,982	32,768	-	-
AA/Aa rated	23,221	30,619	-	-
A rated	11,056	17,967	-	-
BBB/Baa rated	3,444	7,635	-	-
General government	23,699	20,928	-	-
Credit institutions	16,296	29,063	-	-
Classified in stage 1	63,703	88,989	-	-
Loans to public	61,334	44,540	-	-
Other assets	1,555	2,136	-	-
<b>Discontinued operations</b>	<b>163,455</b>	<b>166,007</b>	<b>-</b>	<b>-</b>
Net investment in Kaleido Privatbank AG (subsidiary)	-	-	14,968	13,805
Other non-current assets held for sale	21	21	21	22
<b>Discontinued operations and non-current assets held for sale</b>	<b>163,476</b>	<b>166,028</b>	<b>14,989</b>	<b>13,827</b>
<b>Liabilities</b>				
Deposits from credit institutions and central banks	484	170	-	-
Deposits and borrowings from customers	148,746	156,474	-	-
Other liabilities	1,827	2,355	-	-
<b>Discontinued operations</b>	<b>151,057</b>	<b>158,999</b>	<b>-</b>	<b>-</b>

## Cash flows from discontinued operations of the Group

	EUR thousands	
	6m 2023	6m 2022 Unaudited
Cash flows from operating activities	(19,245)	(6,493)
Cash flows from investing activities	24,466	2,721
Cash flows from financing activities	(138)	(365)
<b>Cash flows for the period</b>	<b>5,083</b>	<b>(4,137)</b>
Cash and cash equivalents at the beginning of the period	30,172	28,826
Cash and cash equivalents at the end of the period	35,255	24,689

## NOTE 18. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

## Bank deposits and borrowings by type

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
ECB's targeted longer-term refinancing operations	39,332	463,796	39,332	463,796
Deposits from Citadele Group banks	-	-	279	3,663
Other credit institution deposits and collateral accounts	7,268	5,934	7,268	5,934
Other central bank deposits and accounts	1,959	6	1,959	6
<b>Total deposits from credit institutions and central banks</b>	<b>48,559</b>	<b>469,736</b>	<b>48,838</b>	<b>473,399</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 was 28 June 2023 with an early repayment option starting on 29 September 2021. In June 2021 TLTRO-III borrowing was increased by EUR 40 million, since then till the end of the reporting period in total EUR 441 million of the TLTRO-III borrowing was repaid before maturity.

## NOTE 19. DEPOSITS AND BORROWINGS FROM CUSTOMERS

## Deposits and borrowings by profile of the customer

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Households	1,959,435	2,064,956	1,959,435	2,064,956
Non-financial corporations	1,663,815	1,707,440	1,597,792	1,636,950
Financial corporations	132,150	166,882	158,976	185,027
General government	95,727	67,416	95,727	67,416
Other	20,661	18,971	20,661	18,971
<b>Total deposits from customers</b>	<b>3,871,788</b>	<b>4,025,665</b>	<b>3,832,591</b>	<b>3,973,320</b>

## Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Demand deposits	3,175,253	3,581,365	3,182,856	3,597,467
Term deposits due within:				
less than 1 month	121,865	128,042	136,805	127,604
more than 1 month and less than 3 months	236,916	52,439	234,280	51,071
more than 3 months and less than 6 months	118,747	49,613	114,705	46,341
more than 6 months and less than 12 months	143,117	132,346	127,248	125,986
more than 1 year and less than 5 years	73,049	71,766	35,287	22,650
more than 5 years	2,841	10,094	1,410	2,201
Total term deposits	696,535	444,300	649,735	375,853
<b>Total deposits from customers</b>	<b>3,871,788</b>	<b>4,025,665</b>	<b>3,832,591</b>	<b>3,973,320</b>

## Deposits and borrowings from customers by categories

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
At amortised cost	3,850,664	4,002,469	3,832,591	3,973,320
At fair value through profit or loss	21,124	23,196	-	-
<b>Total deposits from customers</b>	<b>3,871,788</b>	<b>4,025,665</b>	<b>3,832,591</b>	<b>3,973,320</b>
<i>Including unit-linked insurance plan liabilities</i>	<i>18,118</i>	<i>19,911</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 (classified as investment contracts). Unit-linked plan liabilities are covered by financial assets designated at fair value through profit or loss. According to unit-linked investment contract terms, the risk associated with the investments made by the underwriter is fully attributable to the counterparty entering the agreement and not the underwriter.

## NOTE 20. DEBT SECURITIES ISSUED

## Publicly listed debt securities

ISIN code of the issued bond	Eligibility	Currency	Interest rate	Initial maturity date	Principal, EUR thousands	Amortised cost, EUR thousands	
						30/06/2023	31/12/2022
XS2393742122	MREL eligible	EUR	1.625%	22/11/2026	200,000	200,812	199,037
LV0000880102	Subordinated	EUR	5.00%	13/12/2031	40,000	40,098	40,104
LV0000880011	Subordinated	EUR	5.50%	24/11/2027	20,000	20,085	20,084
						<b>260,995</b>	<b>259,225</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 27 (*Risk Management*).

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

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

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

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

ISIN code of the issued bond	Last coupon or origination date	Number of bondholders	Legal and professional investors			Private individuals		
			Number	EUR th.	%	Number	EUR th.	%
LV0000880102	June 2023	259	108	25,960	65%	151	14,040	35%
LV0000880011	May 2023	75	41	16,960	85%	34	3,040	15%

## NOTE 21. SHARE CAPITAL

The Bank has one class ordinary shares. As of the period end from the total Bank's registered capital EUR 157,351,784 (2022: EUR 157,351,784) was issued and EUR 157,256,308 (2022: EUR 157,257,658) was fully paid and EUR 3,796,430 (2022: EUR 2,874,655) was registered as conditional capital. As of period end the Bank owns EUR 95,476 (2022: EUR 94,126) of its own shares. The conditional capital represents the maximum number of shares that may be allocated for awarding to employees as share options. EUR 20.0 million dividends were proposed during the reporting period and after regulatory approval processed for payment. Each ordinary share carries one vote, a share in profits and is eligible for dividends.

Subsequent to the period end, on 13 July 2023 the Bank's registered capital was increased from EUR 157,351,784 to EUR 158,240,718 and the Bank's conditional capital was decreased from EUR 3,796,430 to EUR 2,907,496. Subsequent to the period end as per terms of the employee share-based long-term incentive plan 888,934 options vested and on 17 July 2023 were converted to the shares of the Bank. 779,549 of the shares were awarded to the Members of the Management Board of the Bank. The respective options were awarded to employees of the Group in 2020 or earlier and for accounting purposes at that time were valued and expensed over the performance period at EUR 1.6 million.

#### Shareholders of the Bank

	30/06/2023		31/12/2022	
	Paid-in share capital (EUR)	Total shares with voting rights	Paid-in share capital (EUR)	Total shares with voting rights
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC <sup>1</sup>	35,082,302	35,082,302	35,082,302	35,082,302
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	22,043,916	22,043,916
Amolino Holdings Inc. <sup>4</sup>	16,863,223	16,863,223	16,863,223	16,863,223
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	574,274	574,274
Other shareholders	15,658,788	15,658,788	15,660,138	15,660,138
<b>Total</b>	<b>157,256,308</b>	<b>157,256,308</b>	<b>157,257,658</b>	<b>157,257,658</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. Balsillie

<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 part of the performance-based employee share options, issuance of which is contingent upon satisfying specific conditions, in addition to the passage of time, are treated as contingently issuable shares. For contingently issuable share options where these conditions are not fully satisfied, the number of contingently issuable shares included in diluted earnings per share is based on the number of shares that would be issuable if the reporting date were the end of the contingency period.

	6m 2023	6m 2022 Unaudited	6m 2023	6m 2022 Unaudited
	Group	Group	Bank	Bank
Profit for the period, EUR thousands	60,735	16,705	53,625	13,710
Weighted average number of the ordinary shares outstanding during the period in thousands	157,257	156,888	157,257	156,888
<b>Basic earnings per share in EUR</b>	<b>0.39</b>	<b>0.11</b>	<b>0.34</b>	<b>0.09</b>
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	157,257	156,888	157,257	156,888
Effect of share options in issue in thousands	1,574	1,275	1,574	1,275
<b>Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands</b>	<b>158,831</b>	<b>158,163</b>	<b>158,831</b>	<b>158,163</b>
Profit for the period, EUR thousands	60,735	16,705	53,625	13,710
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,831	158,163	158,831	158,163
<b>Diluted earnings per share in EUR</b>	<b>0.38</b>	<b>0.11</b>	<b>0.34</b>	<b>0.09</b>
Net loss from discontinued operations (Note 17)	(3,764)	(2,203)	-	-
Profit for the period from continuing operations, EUR thousands	64,499	18,908	53,625	13,710
Basic earnings per share in EUR	0.39	0.11	0.34	0.09
from continuing operations	0.41	0.12	0.34	0.09
from discontinued operations	(0.02)	(0.01)	-	-
Diluted earnings per share in EUR	0.38	0.11	0.34	0.09
from continuing operations	0.41	0.12	0.34	0.09
from discontinued operations	(0.02)	(0.01)	-	-



**NOTE 22. OFF-BALANCE SHEET ITEMS**

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

**Contingent liabilities and financial commitments outstanding**

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Contingent liabilities:				
Outstanding guarantees	53,606	45,509	60,365	56,038
Outstanding letters of credit	4,707	4,898	4,893	4,898
<b>Total contingent liabilities</b>	<b>58,313</b>	<b>50,407</b>	<b>65,258</b>	<b>60,936</b>
Provisions for credit risk	(384)	(452)	(384)	(452)
<b>Net credit risk exposure for guarantees and letters of credit</b>	<b>57,929</b>	<b>49,955</b>	<b>64,874</b>	<b>60,484</b>
Financial commitments:				
Card commitments	112,780	117,841	112,802	117,866
Unutilised credit lines and loans granted, not fully drawn down	164,456	154,742	227,792	204,345
Factoring commitments	46,907	33,894	-	-
Other commitments	287	213	-	-
<b>Total financial commitments</b>	<b>324,430</b>	<b>306,690</b>	<b>340,594</b>	<b>322,211</b>
Provisions for financial commitments	(4,076)	(4,368)	(3,767)	(4,286)
<b>Net credit risk exposure for financial commitments</b>	<b>320,354</b>	<b>302,322</b>	<b>336,827</b>	<b>317,925</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 23. ASSETS UNDER MANAGEMENT****Fair value of assets managed on behalf of customers by investment type**

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Fixed income securities:				
Corporate bonds	156,503	150,604	-	-
Government bonds	86,063	56,242	-	-
Credit institution bonds	56,600	55,183	-	-
Loans	595	604	595	604
Other financial institution bonds	22,685	20,545	-	-
<b>Total investments in fixed income securities</b>	<b>322,446</b>	<b>283,178</b>	<b>595</b>	<b>604</b>
Other investments:				
Investment funds	560,978	530,823	-	-
Deposits with credit institutions	2,434	4,984	-	-
Compensations for distribution on behalf of deposit guarantee fund	29,113	31,716	29,113	31,716
Shares	101,724	89,029	-	-
Real estate	5,161	5,119	-	-
Other	19,072	49,034	-	-
<b>Total other investments</b>	<b>718,482</b>	<b>710,705</b>	<b>29,113</b>	<b>31,716</b>
<b>Total assets under management</b>	<b>1,040,928</b>	<b>993,883</b>	<b>29,708</b>	<b>32,320</b>

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

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Pension plans	761,571	706,976	-	-
Insurance companies, investment and pension funds	139,958	134,267	-	-
Other companies and government	35,389	41,280	29,708	32,320
Private individuals	104,010	111,360	-	-
<b>Total liabilities under management</b>	<b>1,040,928</b>	<b>993,883</b>	<b>29,708</b>	<b>32,320</b>

**NOTE 24. CASH AND CASH EQUIVALENTS**

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Cash and cash balances with central banks	353,473	532,030	353,473	532,030
Loans on demand to credit institutions	12,874	25,382	11,460	18,985
Demand deposits from central banks and credit institutions	(4,535)	(5,940)	(9,110)	(6,020)
Cash equivalents in discontinued operations	35,255	30,172	-	-
<b>Total cash and cash equivalents</b>	<b>397,067</b>	<b>581,644</b>	<b>355,823</b>	<b>544,995</b>

**NOTE 25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

Fair value is the price that would be received for an asset sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

For illiquid financial assets and liabilities, including loans and advances to customers, there are no active markets. Accordingly, fair value for these has been estimated using appropriate valuation techniques. The methods used to determine the fair value of balance sheet items are as follows:

**Cash and balances at central banks**

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

**Loans to credit institutions and deposits from credit institutions and central banks**

The fair value of on-demand balances with credit institutions is their carrying amount as these balances may be withdrawn without notice. The fair value of overnight placements is their carrying amount. The fair value of other amounts due from banks is calculated by discounting expected cash flows using current market rates. The carrying value is a close representation of fair value due to short maturity profiles and interest rate profile.

**Loans to public**

The fair value of loans and advances to customers is calculated by discounting expected future cash flows. The discount rate is the sum of money market rate as of the end of the reporting period and credit margin, which is adjusted for current market conditions.

**Debt securities**

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

**Equity instruments and other financial instruments at fair value**

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

Equity instruments include Visa Inc. preferred C shares which have been valued by reference to consideration, which is contingent upon future events. The valuation is dependent on exchange rate, Visa Inc. stock price and preferred stocks' conversion ratio as well as liquidity discount. The instrument is categorised as Level 3. If the applied liquidity discount was decreased by 1000bp, the estimated fair value would increase by EUR 0.3 million as of the period end (2022: EUR 0.2 million).

**Derivatives**

Derivatives are valued using techniques based on observable market data.

**Deposits and borrowings from customers**

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

The fair value of deposits and borrowings from customers repayable on demand is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using average market interest rates close to or at the period-end.

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

**Debt securities issued**

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

**Fair value hierarchy****Quoted market prices (Level 1)**

Financial instruments are valued using unadjusted quoted prices in active markets.

**Valuation technique - observable market inputs (Level 2)**

Financial instruments are valued using techniques based on observable market data. In some instances, valuations received from independent third party are used or quotations from less active market.

**Valuation technique - non-market observable inputs (Level 3)**

Financial instruments are valued using techniques for which significant inputs are not based on observable market data.

## Fair values of financial assets and liabilities of the Group on 30 June 2023

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	189,465	189,465	126,772	62,693	-
Equity instruments	122	122	-	-	122
<i>Non-trading financial assets mandatorily at fair value through profit or loss:</i>					
Equity instruments	1,026	1,026	-	-	1,026
Other financial instruments	27,335	27,335	27,335	-	-
<i>Other financial assets at fair value through profit or loss</i>					
Derivatives	1,495	1,495	-	1,495	-
<i>Financial assets not measured at fair value:</i>					
Cash and balances at central banks	353,473	353,473	-	-	-
Loans to credit institutions	35,976	35,976	-	-	-
Debt securities	1,121,290	999,879	631,399	364,091	4,389
Loans to public	2,927,203	2,928,841	-	-	2,928,841
<b>Total assets</b>	<b>4,657,385</b>	<b>4,537,612</b>	<b>785,506</b>	<b>428,279</b>	<b>2,934,378</b>
<i>Financial liabilities measured at fair value:</i>					
Derivatives	693	693	-	693	-
Deposits and borrowings from customers	21,124	21,124	18,118	-	3,006
<i>Financial liabilities not measured at fair value:</i>					
Deposits from credit institutions and central banks	48,559	48,559	-	-	-
Deposits and borrowings from customers	3,850,664	3,845,445	-	-	3,845,445
Debt securities issued	260,995	236,540	-	236,540	-
<b>Total liabilities</b>	<b>4,182,035</b>	<b>4,152,361</b>	<b>18,118</b>	<b>237,233</b>	<b>3,848,451</b>

In the reporting period debt securities of the Group measured at fair value through other comprehensive income and presented as Level 2 with a fair value of EUR 1.1 million (2022: EUR 21.1 million) have been reclassified from Level 1. Similarly, debt securities of the Group measured at fair value through other comprehensive income and presented as Level 1 with a fair value of EUR 37.9 million (2022: EUR 0.8 million) in the reporting period have been reclassified from Level 2. For the Bank EUR 0.0 million (2022: 13.6 million) and EUR 31.2 million (EUR 0.0 million) respectively. For debt securities measured at fair value through other comprehensive income no other transfers among fair value hierarchy levels have occurred in the reporting period.

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

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

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

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

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	160,011	160,011	102,209	57,802	-
Equity instruments	122	122	-	-	122
<i>Non-trading financial assets mandatorily at fair value through profit or loss:</i>					
Equity instruments	1,026	1,026	-	-	1,026
Other financial instruments	1,157	1,157	1,157	-	-
<i>Other financial assets at fair value through profit or loss</i>					
Derivatives	1,495	1,495	-	1,495	-
<i>Financial assets not measured at fair value:</i>					
Cash and balances at central banks	353,473	353,473	-	-	-
Loans to credit institutions	34,470	34,470	-	-	-
Debt securities	1,110,759	999,880	631,400	364,091	4,389
Loans to public	2,832,079	2,833,717	-	-	2,833,717
<b>Total assets</b>	<b>4,494,592</b>	<b>4,385,351</b>	<b>734,766</b>	<b>423,388</b>	<b>2,839,254</b>
Derivatives measured at fair value	693	693	-	693	-
<i>Financial liabilities not measured at fair value:</i>					
Deposits from credit institutions and central banks	48,838	48,838	-	-	-
Deposits and borrowings from customers	3,832,591	3,831,896	-	-	3,831,896
Debt securities issued	260,995	236,540	-	236,540	-
<b>Total liabilities</b>	<b>4,143,117</b>	<b>4,117,967</b>	<b>-</b>	<b>237,233</b>	<b>3,831,896</b>

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

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

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

	EUR thousands			
	6m 2023 Group	6m 2022 Group Unaudited	6m 2023 Bank	6m 2022 Bank Unaudited
<b>As of the beginning of the period, net</b>	<b>1,029</b>	<b>1,279</b>	<b>1,029</b>	<b>1,279</b>
Total comprehensive income				
Revaluation gain recognised in statement of income	97	589	97	589
Revaluation gain recognised in other comprehensive income	22	24	22	24
<b>As of the end of the period, net</b>	<b>1,148</b>	<b>1,892</b>	<b>1,148</b>	<b>1,892</b>

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

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

	EUR thousands	
	6m 2023 Group	6m 2022 Group Restated for IFRS 17 Unaudited
<b>Balance as at the beginning of the period</b>	<b>3,285</b>	<b>6,854</b>
Premiums received	178	335
Commissions and risk charges	(15)	(56)
Paid to policyholders	(293)	(917)
Other	(146)	39
Currency revaluation result	(3)	10
<b>Balance as at the end of the period</b>	<b>3,006</b>	<b>6,265</b>

In the reporting period from financial liabilities designated at fair value through profit or loss which are not unit-linked the Group has recognised net revaluation result of EUR 162 thousand in the net financial income line of the statement of income (2022: EUR 7 thousand). Most of the insurance business the Group is involved in relates to investment contracts rather than insurance risk; therefore, premiums received are recognised as liabilities of the Group since settlement in due course is expected. The amount of insurance risk generated by the Group currently is not significant and, therefore, not further disclosed in detail in these interim condensed financial statements.

## NOTE 26. GEOGRAPHICAL DISTRIBUTION OF REVENUE

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

	6m 2023				6m 2022 Restated for IFRS 17, Unaudited			
	EUR millions			FTE equivalent employees at the period end	EUR millions			FTE equivalent employees at the period end
	Operating income	Operating profit before bank and income tax	Income and bank tax expense		Operating income	Operating profit before tax	Income tax expense	
Latvia	80.5	46.1	(0.1)	967	53.8	13.9	(0.1)	990
Lithuania	24.2	16.1	(3.7)	246	17.9	5.9	(0.5)	255
Estonia	9.0	6.3	(0.6)	89	5.1	(0.7)	-	87
<b>Total continuing operations before non-current assets held for sale</b>	<b>113.7</b>	<b>68.5</b>	<b>(4.4)</b>	<b>1,302</b>	<b>76.8</b>	<b>19.1</b>	<b>(0.6)</b>	<b>1,332</b>
Latvia (result from non-current assets held for sale)	-	0.4	-	-	-	0.4	-	-
Switzerland (discontinued operations)	3.0	(3.8)	-	27	2.0	(2.2)	-	26
<b>Total operations</b>	<b>116.7</b>	<b>65.1</b>	<b>(4.4)</b>	<b>1,329</b>	<b>78.8</b>	<b>17.3</b>	<b>(0.6)</b>	<b>1,358</b>

## NOTE 27. RISK MANAGEMENT

### Risk management policies

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

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

- The Group aims to ensure that it maintains low overall risk exposure, diversified asset portfolio, limited risks in financial markets and low levels of operational risk;
- The Group aims to ensure an acceptable risk level in all operations. Risks are always assessed in relation to their expected return. Risk exposures that are not acceptable are avoided, limited or hedged;
- The Group does not assume high or uncontrollable risks irrespective of the return they provide and assumes risks only in economic fields and geographical regions in relation to which it believes it has sufficient knowledge and expertise;
- Risk management is based on each Group's employee's responsibility for the transactions carried out by him/her and awareness of the related risks;
- Risk limit system and strict controls are essential risk management elements. Control over risk levels and compliance with the imposed limits is achieved by the existence of structured risk limit systems for all material risks.

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



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

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

#### Events in Ukraine and Russian sanctions

The new laws, policies and sanctions, including sanctions imposed on Russia, are implemented. Consistently with long standing Citadele's objective to become the leading financial services provider in the Baltics, internal risk exposure limits with Russia, other CIS countries and Ukraine have been low. As of the end of the period the carrying amount of the Group's direct credit exposures with parties with Russia, Belarus and Ukraine geographical profile are less than EUR 3.0 million.

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

Group as of 30/06/2023, EUR thousands						
	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
<b>Assets</b>						
Cash and cash balances at central banks	273,386	78,461	1,626	-	-	353,473
Loans to credit institutions	1,414	92	-	8,587	25,883	35,976
Debt securities	376,063	399,109	104,462	328,363	102,758	1,310,755
Loans to public	1,319,362	1,081,776	512,534	9,535	3,996	2,927,203
Equity instruments	21	-	-	101	1,026	1,148
Other financial instruments	15,341	-	-	11,857	137	27,335
Derivatives	1,243	18	-	234	-	1,495
Discontinued operations	1,117	1,718	-	61,562	99,058	163,455
Other assets	49,199	9,231	3,837	380	75	62,722
<b>Total assets</b>	<b>2,037,146</b>	<b>1,570,405</b>	<b>622,459</b>	<b>420,619</b>	<b>232,933</b>	<b>4,883,562</b>
<b>Liabilities</b>						
Deposits from credit institutions and central banks	43,511	1,957	-	1,460	1,631	48,559
Deposits and borrowings from customers	2,988,714	727,925	80,933	16,510	57,706	3,871,788
Debt securities issued	260,995	-	-	-	-	260,995
Derivatives	492	1	-	200	-	693
Discontinued operations	4,200	-	2,253	46,260	98,344	151,057
Other liabilities	40,848	15,644	7,849	6,980	14,638	85,959
<b>Total liabilities</b>	<b>3,338,760</b>	<b>745,527</b>	<b>91,035</b>	<b>71,410</b>	<b>172,319</b>	<b>4,419,051</b>
<b>Off-balance sheet items</b>						
Contingent liabilities	11,148	44,800	746	1,046	573	58,313
Financial commitments	199,029	95,389	7,009	5,718	17,285	324,430

For additional information on geographical distribution of securities exposures please refer to Note 13 (Debt Securities). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments. From the Group's loans to credit institutions presented as "Other countries" EUR 23.0 million is with United States registered credit institutions (2022: EUR 23.5 million). From the Group's discontinued operations presented as "Other countries" EUR 14.7 million is central banks balances with Swiss National Bank (2022: EUR 6.7 million) and EUR 12.1 million are with Swiss credit institutions (2022: EUR 24.7 million).

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

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
<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	412,630	610,154	103,258	346,400	121,480	1,593,922
Loans to public	1,353,896	1,121,611	477,144	9,667	4,160	2,966,478
Equity instruments	21	-	-	79	929	1,029
Other financial instruments	14,778	-	-	13,494	201	28,473
Derivatives	1,255	-	-	30	-	1,285
Discontinued operations	2,034	1,715	-	75,136	87,143	166,028
Other assets	52,912	8,682	5,078	528	35	67,235
<b>Total assets</b>	<b>2,147,404</b>	<b>1,970,016</b>	<b>586,175</b>	<b>458,191</b>	<b>243,135</b>	<b>5,404,921</b>
<b>Liabilities</b>						
Deposits from credit institutions and central banks	466,982	60	-	2,465	229	469,736
Deposits and borrowings from customers	3,077,654	768,933	80,184	19,518	79,376	4,025,665
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	6,657	3	-	990	-	7,650
Discontinued operations	14,892	-	12	37,205	106,890	158,999
Other liabilities	45,029	11,756	7,036	16	163	64,000
<b>Total liabilities</b>	<b>3,870,439</b>	<b>780,752</b>	<b>87,232</b>	<b>60,194</b>	<b>186,658</b>	<b>4,985,275</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

## Bank as of 30/06/2023, EUR thousands

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
<b>Assets</b>						
Cash and cash balances at central banks	273,386	78,461	1,626	-	-	353,473
Loans to credit institutions	-	-	-	8,587	25,883	34,470
Debt securities	368,848	393,282	101,807	311,081	95,752	1,270,770
Loans to public	1,944,449	610,591	263,765	9,431	3,843	2,832,079
Equity instruments	21	-	-	101	1,026	1,148
Other financial instruments	1,157	-	-	-	-	1,157
Derivatives	1,243	18	-	234	-	1,495
Other assets	79,757	8,250	2,819	380	18,991	110,197
<b>Total assets</b>	<b>2,668,861</b>	<b>1,090,602</b>	<b>370,017</b>	<b>329,814</b>	<b>145,495</b>	<b>4,604,789</b>
<b>Liabilities</b>						
Deposits from credit institutions and central banks	43,512	1,957	-	1,460	1,909	48,838
Deposits and borrowings from customers	2,952,555	728,231	81,226	16,228	54,351	3,832,591
Debt securities issued	260,995	-	-	-	-	260,995
Derivatives	492	1	-	200	-	693
Other liabilities	22,912	7,254	1,632	6,980	13,263	52,041
<b>Total liabilities</b>	<b>3,280,466</b>	<b>737,443</b>	<b>82,858</b>	<b>24,868</b>	<b>69,523</b>	<b>4,195,158</b>
<b>Off-balance sheet items</b>						
Contingent liabilities	11,141	44,800	932	1,032	7,353	65,258
Financial commitments	235,434	86,399	18,627	50	84	340,594

For additional information on geographical distribution of securities exposures please refer to Note 13 (*Debt Securities*). From the Bank's loans to credit institutions presented as "Other countries" EUR 23.0 million with United States registered credit institutions (2022: EUR 23.5 million).

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

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
<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

## Liquidity coverage ratio

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

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
1. Liquidity buffer	1,265,847	1,304,068	1,216,244	1,256,246
2. Net liquidity outflow	685,985	742,186	702,505	777,402
3. <b>Liquidity coverage ratio</b>	<b>185%</b>	<b>176%</b>	<b>173%</b>	<b>162%</b>

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

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

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
1. Total available stable funding	3,720,938	3,763,818	3,588,413	3,719,699
2. Total required stable funding	2,608,601	2,844,055	1,755,262	1,925,681
3. <b>Net stable funding ratio</b>	<b>143%</b>	<b>132%</b>	<b>204%</b>	<b>193%</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 these covered by the regulation (EU) 575/2013. TSCR is established in a supervisory review and evaluation process (SREP) carried out by the supervisory authority. The supervisory authority determines TSCR on a risk-by-risk basis, using supervisory judgement, the outcome of supervisory benchmarking, ICAAP calculations and other relevant inputs. The additional pillar 2 capital requirement is re-assessed annually by the supervisory authority. As of the period end based on the assessment of the supervisory authority an additional 2.50% own funds requirement is determined to cover Pillar 2 risks. Thus, as of the period end Citadele shall at all times meet, on a consolidated basis, a total SREP capital requirement (TSCR) of 10.5% (which includes a Pillar 2 additional own funds requirement of 2.5% to be held in the form of 56.25% of Common Equity Tier 1 (CET1) capital and 75% of Tier 1 capital, as a minimum).

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

Citadele, being identified as "other systemically important institution" (O-SII), as of period end must also comply with the O-SII capital buffer requirement set by the supervisory authority at 1.75%.

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

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

#### Regulatory capital requirements of the Group on 30 June 2023

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Pillar 2 additional own funds requirement (individually determined by the supervisory authority in the SREP, P2R)	1.41%	1.88%	2.50%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer (only for the Group)	1.75%	1.75%	1.75%
Systemic risk buffer	0.06%	0.06%	0.06%
Countercyclical capital buffer	0.17%	0.17%	0.17%
<b>Capital requirement</b>	<b>10.39%</b>	<b>12.36%</b>	<b>14.98%</b>
Pillar 2 Guidance (P2G)	1.50%	1.50%	1.50%
<b>Non-legally binding capital requirement with Pillar 2 Guidance</b>	<b>11.89%</b>	<b>13.86%</b>	<b>16.48%</b>

For the Bank as of 30 June 2023 Other systemically important institution buffer requirement is not applicable, Systemic risk buffer applies at 0.09% and institution specific Countercyclical capital buffer requirement is 0.15%. Thus, for the Bank as of 30 June 2023 Common equity Tier 1 capital ratio requirement is 8.65%, Tier 1 capital ratio requirement is 10.62% and Total capital adequacy ratio requirement is 13.24%. On top of the capital ratio requirements a 1.50% Pillar 2 Guidance applies.

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

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Common equity Tier 1 capital				
Paid up capital instruments and share premium	157,698	157,702	157,698	157,702
Retained earnings	313,167	273,080	262,538	228,898
Proposed dividends	-	(20,000)	-	(20,000)
Regulatory deductions	(23,678)	(26,588)	(20,176)	(23,669)
Other capital components and transitional adjustments, net	4,019	4,364	4,019	1,528
Tier 2 capital				
Eligible part of subordinated liabilities	57,612	59,595	57,612	59,595
<b>Total own funds</b>	<b>508,818</b>	<b>448,153</b>	<b>461,691</b>	<b>404,054</b>
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,013,086	2,080,113	1,361,973	1,404,459
Total exposure amounts for position, foreign currency open position and commodities risk	8,571	9,944	8,417	9,494
Total exposure amounts for operational risk	237,799	237,799	191,884	191,884
Total exposure amounts for credit valuation adjustment	1,786	1,570	1,777	1,508
<b>Total risk exposure amount</b>	<b>2,261,242</b>	<b>2,329,426</b>	<b>1,564,051</b>	<b>1,607,345</b>
<b>Common equity Tier 1 capital ratio</b>	<b>20.0%</b>	<b>16.7%</b>	<b>25.8%</b>	<b>21.4%</b>
<b>Total capital adequacy ratio</b>	<b>22.5%</b>	<b>19.2%</b>	<b>29.5%</b>	<b>25.1%</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.

#### Transitional adjustments applied

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

As of 31 December 2022, the transitional provisions that the Group and the Bank applied for the period end capital adequacy calculations were: The regulation (EU) 2017/2395 which permits specific proportion of the IFRS 9 implementation impact to be amortised over a five-year period (starting from 2018) for capital adequacy calculation purposes.

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

	EUR thousands			
	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Common equity Tier 1 capital, fully loaded	451,206	387,095	404,079	342,932
Tier 2 capital	57,612	59,595	57,612	59,595
<b>Total own funds, fully loaded</b>	<b>508,818</b>	<b>446,690</b>	<b>461,691</b>	<b>402,527</b>
<b>Total risk exposure amount, fully loaded</b>	<b>2,261,242</b>	<b>2,328,275</b>	<b>1,564,051</b>	<b>1,606,107</b>
<b>Common equity Tier 1 capital ratio, fully loaded</b>	<b>20.0%</b>	<b>16.6%</b>	<b>25.8%</b>	<b>21.4%</b>
<b>Total capital adequacy ratio, fully loaded</b>	<b>22.5%</b>	<b>19.2%</b>	<b>29.5%</b>	<b>25.1%</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.

	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	9.2%	7.1%	8.6%	6.6%
Leverage Ratio – transitional definition of Tier 1 capital	9.2%	7.1%	8.6%	6.6%

The fully loaded leverage ratio as of period end, if the net result since the latest audited financials is not included, for the Group is 7.9% and for the Bank is 7.4%.

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

The fully loaded capital adequacy ratio as of period end, if the net result since the latest audited financials is not included, for the Group is 19.8% and for the Bank is 26.1%; the fully loaded Tier 1 capital ratio for the Group is 17.3% and for the Bank is 22.4%.

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

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

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

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

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

### Operational risk

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

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

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



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

The Group applies following approaches for operational risk management:

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

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

## NOTE 28. EVENTS AFTER THE REPORTING DATE

### ***Termination of Sale and Purchase Agreement regarding the contemplated sale of Kaleido Privatbank AG***

In August 2023 AS Citadele Banka announced the termination of the sale and purchase agreement previously entered into with Trusted Novus Bank for the contemplated sale of all shares in Kaleido Privatbank AG, a wholly-owned subsidiary of Citadele.

Since the signing of the sale and purchase agreement in January 2022, Trusted Novus Bank and Citadele have been working on completing all conditions to closing, including regulatory approval of the transaction. Subsequent to the period end due to unforeseen circumstances beyond the control of Citadele, both parties have agreed that the satisfaction of the conditions to closing cannot be achieved and that the sale and purchase agreement shall be terminated.

The termination of the sale and purchase agreement will have no implication on the business of Kaleido Privatbank AG including its clients, partners and employees.

AS Citadele banka is selling its Swiss subsidiary Kaleido Privatbank AG under market standard terms and conditions. The Group is working with a reputable M&A advisor on an alternative sales transaction. As the conditions indicate that the investment will be recovered principally through a sale transaction in a foreseeable future rather than through continuing operations, Kaleido Privatbank AG is presented as discontinued operations as of period end. Citadele has identified a preliminary list of potential buyers and has taken steps to improve certainty that regulatory approval for potential sale will be obtained. The Management has a strong commitment to sell Kaleido Privatbank AG and this is a further step focusing on Citadele's core activities in the Baltics and is in line with Citadele's long-term ambition to become the leading financial services provider in the Baltics.

### ***AS Citadele banka share capital increase and vesting of employee options***

Subsequent to the period end, on 13 July 2023 the Bank's registered capital was increased from EUR 157,351,784 to EUR 158,240,718 and the Bank's conditional capital was decreased from EUR 3,796,430 to EUR 2,907,496. Subsequent to the period end as per terms of the employee share-based long-term incentive plan 888,934 options vested and on 17 July 2023 were converted to the shares of the Bank. 779,549 of the shares were awarded to the Members of the Management Board of the Bank. The respective options were awarded to employees of the Group in 2020 or earlier and for accounting purposes at that time were valued and expensed over the performance period at EUR 1.6 million.

### ***Changes in Supervisory Board***

James L. Balsillie, member of Citadele Supervisory Board, has resigned from his duties and is leaving the Citadele Supervisory Board and respective supervisory board committee in August 2023. Mr. Balsillie joined the Supervisory Board on 20 April 2015 and was a member of the Audit and Governance Committee.

Daiga Auzina-Melalksne has been nominated to join Citadele Supervisory Board, subject to receiving respective regulatory approvals.



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## Independent Auditors' Report

### To the shareholders of AS "Citadele banka"

#### Report on the Audit of the Condensed Interim Separate and Consolidated Financial Information

##### *Our Opinion on the Condensed Separate and Consolidated Financial Information*

We have audited the condensed interim separate financial information of AS "Citadele banka" ("the Bank") and the condensed interim consolidated financial information of the Bank and its subsidiaries ("the Group") set out on pages 12 to 50 of the accompanying Interim Report, which comprise:

- the separate and consolidated condensed balance sheets as at 30 June 2023,
- the separate and consolidated condensed statements of income for the 6 month period then ended,
- the separate and consolidated condensed statements of comprehensive income for the 6 month period then ended,
- the separate and consolidated condensed statements of changes in equity for the 6 month period then ended,
- the separate and consolidated condensed statements of cash flows for the 6 month period then ended, and
- the notes to the separate and consolidated condensed financial information, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying condensed interim separate and consolidated financial information has been prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

##### *Basis for Opinion*

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

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

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





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### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the condensed interim separate and consolidated financial information for the 6 month period ended 30 June 2023. These matters were addressed in the context of our audit of the condensed interim separate and consolidated financial information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Key audit matter		Our response
<u>Group's condensed interim consolidated financial information</u>		<p>Our audit procedures included, among others:</p> <p>With respect to the Impairment of loans to public, and provisions for off-balance sheet items in general:</p> <ul style="list-style-type: none"><li>— inspecting the Group's expected credit losses ("ECL") impairment provisioning methodology and assessing its compliance with the relevant requirements of IFRS 9;</li><li>— assessing and testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of credit exposures, including, but not limited to, those over loan risk monitoring, identification of loss events, and the calculation of the impairment loss allowances;</li><li>— assessing whether the definition of default and the staging criteria were consistently applied and in line with the requirements of IFRS 9;</li><li>— making relevant inquiries of the Bank's risk management and information technology (IT) personnel in order to obtain an understanding of the impairment allowances and provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Assessing and testing the Bank's IT control environment for data security and access, assisted by our own IT specialists.</li></ul> <p>We involved our own financial risk modelling and IT specialists in the following:</p> <ul style="list-style-type: none"><li>— testing the underlying significant impairment models and assessing their reasonableness;</li></ul>
<i>mEUR (Balance sheet)</i>	<i>30/06/2023</i>	
<i>Gross loans to public</i>	<i>3 028.5</i>	
<i>Impairment allowance</i>	<i>(101.3)</i>	
<i>Off-balance sheet items</i>	<i>382.7</i>	
<i>Provisions</i>	<i>(4.4)</i>	
<i>mEUR (Income statement)</i>	<i>6m 2023</i>	
<i>Impairment losses</i>	<i>1.6</i>	
<i>Provisions charge</i>	<i>0.4</i>	
<u>Bank's condensed interim separate financial information</u>		
<i>mEUR (Balance sheet)</i>	<i>30/06/2023</i>	
<i>Gross loans to public</i>	<i>2 916.3</i>	
<i>Impairment allowance</i>	<i>(84.2)</i>	
<i>Off-balance sheet items</i>	<i>405.9</i>	
<i>Provisions</i>	<i>(4.2)</i>	
<i>mEUR (Income statement)</i>	<i>6m 2023</i>	
<i>Impairment losses</i>	<i>(0.7)</i>	
<i>Provisions charge</i>	<i>0.6</i>	





*For accounting policies and other disclosures refer to the Condensed Separate and Consolidated financial information: Note 3 (d), Notes 11, 14, 22.*

*We also refer to the 2022 annual financial statements: : Note 3 (j), (p), (z) and (ff), Notes 11, 16, 28.*

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

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

Individual impairment allowances recognized by the Bank and the Group often relate to large, individually monitored, corporate exposures, where the Bank and the Group is assessing ECLs on an individual basis. The assessment is therefore

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

For loans assessed on an individual basis:

- selecting a sample of individual exposures, with focus on those with the greatest potential impact on the financial information due to their magnitude and risk characteristics like restructurings, as well as lower value items which we independently assessed as high-risk;
- for non-credit impaired exposures, for which the credit risk has not significantly increased since the initial recognition ("stage 1") and non-credit impaired exposures, for which the credit risk has significantly increased since the initial recognition ("stage 2"), within the sample selected, critically assessing the existence of any evidence of credit-impairment as at 30 June 2023, by reference to the underlying documentation and through discussion with the Management Board and credit risk personnel and taking into consideration business operations of the respective customers as well as market conditions and historical repayment pattern;
- for stage 3 (credit impaired) exposures in our sample, challenging key assumptions applied in the Bank's and the Group's estimates of future cash flows. We sought the Management Board's and credit risk personnel's explanations for any material discrepancies identified as a result of the above procedures.

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

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



based on the knowledge about each individual borrower and often on estimation of the fair value of the related collateral.

Accordingly, the most significant areas of estimation uncertainty and judgements associated with recognition of impairment allowances for loans to public and provisions for off-balance sheet items are:

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

information by means of corroborating inquiries of the Management Board and through inspection of publicly available information;

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

In order to assess loss allowances in totality:

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

#### *Other Matter*

The corresponding comparative financial information for the 6 month period ended June 2022, excluding the retrospective adjustments described in Note 3.b) to the condensed





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interim separate and consolidated financial information, is based on unaudited interim separate and consolidated financial information for the 6 month period ended 30 June 2022.

As part of our audit of the interim condensed separate and consolidated financial information as at and for the period ended 30 June 2023, we also audited the retrospective adjustments described in Note 3.b) to the condensed interim separate and consolidated financial information that were applied to restate the comparative information.

We were not engaged to audit, review, or apply any procedures to the comparative information, other than with respect to the retrospective adjustments described in Note 3.b) to the condensed interim separate and consolidated financial information. Accordingly, we do not express an opinion or any other form of assurance on comparative information. However, in our opinion, the retrospective adjustments described in Note 3.b) to the condensed interim separate and consolidated financial information are appropriate and have been properly applied.

#### *Reporting on Other Information*

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

- Key figures and events of the Group as set out on page 2 of the accompanying Interim Report,
- the Management Report consisting of Letter from the Management, Corporate governance, and Statement on Management Responsibility, as set out on pages 4 to 11 of the Interim Report,
- the Other regulatory disclosures, as set out on pages 58 to 60 of the Interim Report.

Our opinion on the condensed interim separate and consolidated financial information does not cover the other information included in the Interim Report, and we do not express any form of assurance conclusion thereon.

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

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

#### *Responsibilities of Management and Those Charged with Governance for the Interim Condensed Separate and Consolidated Financial Information*

Management is responsible for the preparation of the condensed interim separate and consolidated financial information in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of condensed interim separate and consolidated financial information that is free from material misstatement, whether due to fraud or error.

In preparing the condensed interim separate and consolidated financial information, management is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going





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concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

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

*Auditors' Responsibility for the Audit of the Condensed Interim Separate and Consolidated Financial Information*

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

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

- Identify and assess the risks of material misstatement of the condensed interim separate and consolidated financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the condensed interim separate and consolidated financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the condensed interim separate and consolidated financial information, including the disclosures, and whether the condensed interim separate and consolidated financial information represents the underlying transactions and events in a manner that is consistent with requirements of IAS 34 *Interim Financial Reporting* as adopted by the European Union.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

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

KPMG Baltics SIA  
Licence No. 55

Anders Tagde  
Partner  
KPMG Baltics SIA authorised representative  
Rīga, Latvia

Rainers Vilāns  
Latvian Sworn Auditor  
Certificate No. 200

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



## OTHER REGULATORY DISCLOSURES

Besides financial, corporate governance and other disclosures included in this interim report of AS Citadele banka, the Financial and Capital Market Commission's regulation No. 231 "Regulation on Preparation of Public Quarterly Reports of Credit institutions" requires several additional disclosures which are presented in this note. Comparative figures have been restated due to the adoption of IFRS 17. Bank tax expense is presented within "Corporate income tax", Bank tax liability is presented within "Tax liabilities".

*Income Statement, regulatory format*

	6m 2023 Group	6m 2022 Group Restated for IFRS 17	6m 2023 Bank	6m 2022 Bank
<i>EUR thousands</i>				
1. Interest income	106,190	63,481	95,113	51,351
2. Interest expense	(18,226)	(9,237)	(18,388)	(9,179)
3. Dividend income	10	15	10	15
4. Commission and fee income	37,363	33,731	34,931	30,749
5. Commission and fee expense	(16,407)	(12,279)	(15,014)	(12,188)
6. Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	-	(1,524)	-	(1,524)
7. Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	491	(2,007)	168	(472)
8. Fair value change in the hedge accounting	-	-	-	-
9. Gain or loss from foreign exchange trading and revaluation of open positions	6,087	4,116	6,192	4,029
10. Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11. Other income	1,528	2,480	1,132	1,994
12. Other expense	(2,989)	(3,294)	(1,881)	(2,129)
13. Administrative expense	(44,326)	(40,617)	(38,132)	(35,614)
14. Amortisation and depreciation charge *	(4,580)	(4,242)	(4,299)	(4,058)
15. Gain or loss on modifications in financial asset contractual cash flows	(396)	1,378	(396)	1,378
16. Provisions, net	361	(832)	587	(745)
17. Impairment charge and reversals, net	3,377	(11,922)	1,099	(10,027)
18. Negative goodwill recognised in profit or loss	-	-	-	-
19. Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	12	(98)	12	(98)
20. Profit or loss from non-current assets and disposal groups classified as held for sale	(3,354)	(1,824)	(3,517)	379
<b>21. Profit before taxation</b>	<b>65,141</b>	<b>17,325</b>	<b>57,617</b>	<b>13,861</b>
22. Corporate income tax	(4,406)	(620)	(3,992)	(151)
<b>23. Net profit / loss for the period</b>	<b>60,735</b>	<b>16,705</b>	<b>53,625</b>	<b>13,710</b>
<b>24. Other comprehensive income for the period</b>	<b>3,002</b>	<b>(14,373)</b>	<b>1,673</b>	<b>(11,839)</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*

	30/06/2023 Group	31/12/2022 Group Restated for IFRS 17	30/06/2023 Bank	31/12/2022 Bank
<i>EUR thousands</i>				
1. Cash and demand balances with central banks	353,473	532,030	353,473	532,030
2. Demand deposits due from credit institutions	12,874	25,382	11,460	18,985
3. Financial assets designated at fair value through profit or loss	29,856	30,687	3,678	3,315
3.1. Including loans to public and credit institutions	-	-	-	-
4. Financial assets at fair value through other comprehensive income	189,588	213,401	160,134	180,321
5. Financial assets at amortised cost	4,071,594	4,370,158	3,965,847	4,273,240
5.1. Including loans to public and credit institutions	2,950,305	2,989,537	2,855,089	2,903,160
6. Derivatives – hedge accounting	-	-	-	-
7. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
8. Investments in subsidiaries, joint ventures and associates	203	190	47,913	47,770
9. Tangible assets	13,129	15,730	8,565	10,321
10. Intangible assets	8,193	8,162	6,103	6,069
11. Tax assets	3,512	4,300	2,564	3,295
12. Other assets	37,664	38,853	30,063	30,680
13. Non-current assets and disposal groups classified as held for sale	163,476	166,028	14,989	13,827
<b>14. Total assets (1.+.....+13.)</b>	<b>4,883,562</b>	<b>5,404,921</b>	<b>4,604,789</b>	<b>5,119,853</b>
15. Due to central banks	41,292	463,802	41,292	463,803
16. Demand liabilities to credit institutions	6,872	5,934	7,151	6,014
17. Financial liabilities designated at fair value through profit or loss	21,818	30,847	693	7,650
17.1. Including deposits from customers and credit institutions	18,118	19,911	-	-
18. Financial liabilities measured at amortised cost	4,112,053	4,261,693	4,093,981	4,236,127
18.1. Including deposits from customers and credit institutions	3,851,058	4,002,468	3,832,986	3,976,902
19. Derivatives – hedge accounting	-	-	-	-
20. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21. Provisions	4,559	4,920	4,250	4,838

22. Tax liabilities	2,805	1,579	2,414	33
23. Other liabilities	78,595	57,501	45,377	28,183
24. Liabilities included in disposal groups classified as held for sale	151,057	158,999	-	-
<b>25. Total liabilities (15.+...+24.)</b>	<b>4,419,051</b>	<b>4,985,275</b>	<b>4,195,158</b>	<b>4,746,648</b>
26. Shareholders' equity	464,511	419,646	409,631	373,205
<b>27. Total liabilities and shareholders' equity (25.+26.)</b>	<b>4,883,562</b>	<b>5,404,921</b>	<b>4,604,789</b>	<b>5,119,853</b>
<b>28. Memorandum items</b>	<b>382,743</b>	<b>357,097</b>	<b>405,852</b>	<b>383,147</b>
29. Contingent liabilities	58,313	50,407	65,258	60,936
30. Financial commitments	324,430	306,690	340,594	322,211

**ROE and ROA ratios**

	6m 2023 Group	6m 2022 Group Restated for IFRS 17	6m 2023 Bank	6m 2022 Bank
Return on equity (ROE) (%)	27.48%	8.18%	27.40%	7.90%
Return on assets (ROA) (%)	2.36%	0.64%	2.21%	0.57%

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	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
<b>1 Own funds (1.1.+1.2.)</b>	<b>508,818</b>	<b>448,153</b>	<b>461,691</b>	<b>404,054</b>
1.1 Tier 1 capital (1.1.1.+1.1.2.)	451,206	388,558	404,079	344,459
1.1.1 Common equity Tier 1 capital	451,206	388,558	404,079	344,459
1.1.2 Additional Tier 1 capital	-	-	-	-
1.2 Tier 2 capital	57,612	59,595	57,612	59,595
<b>2 Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>2,261,242</b>	<b>2,329,426</b>	<b>1,564,051</b>	<b>1,607,345</b>
2.1 Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2,013,086	2,080,113	1,361,973	1,404,459
2.2 Total risk exposure amount for settlement/delivery	-	-	-	-
2.3 Total risk exposure amount for position, foreign exchange and commodities risks	8,571	9,944	8,417	9,494
2.4 Total risk exposure amount for operational risk	237,799	237,799	191,884	191,884
2.5 Total risk exposure amount for credit valuation adjustment	1,786	1,570	1,777	1,508
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)	20.0%	16.7%	25.8%	21.4%
3.2 Surplus (+)/ Deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	349,449	283,735	333,696	272,129
3.3 Tier 1 capital ratio (1.1./2.*100)	20.0%	16.7%	25.8%	21.4%
3.4 Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	315,531	248,793	310,235	248,019
3.5 Total capital ratio (1./2.*100)	22.5%	19.2%	29.5%	25.1%
3.6 Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	327,918	261,799	336,566	275,467
<b>4 Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>101,353</b>	<b>98,144</b>	<b>42,872</b>	<b>43,747</b>
4.1 Capital conservation buffer	56,530	58,236	39,102	40,184
4.2 Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3 Institution specific countercyclical buffer	3,858	3,494	2,378	2,090
4.4 Systemic risk buffer	1,393	1,473	1,392	1,473
4.5 Other systemically important institution buffer	39,572	34,941	-	-
<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	20.0%	16.7%	25.8%	21.4%
5.3 Tier 1 capital ratio including line 5.1 adjustments	20.0%	16.7%	25.8%	21.4%
5.4 Total capital ratio including line 5.1 adjustments	22.5%	19.2%	29.5%	25.1%

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 other relevant regulations. In the disclosure above, in the Group's and the Bank's regulatory capital, interim audited profits and any losses accumulated up to the reporting date are included.



EUR thousands

	30/06/2023 Group	31/12/2022 Group	30/06/2023 Bank	31/12/2022 Bank
<b>1.A Own funds, IFRS 9 transitional provisions not applied</b>	<b>508,818</b>	<b>446,690</b>	<b>461,691</b>	<b>402,527</b>
1.1.A Tier 1 capital, IFRS 9 transitional provisions not applied	451,206	387,095	404,079	342,932
1.1.1. Common equity Tier 1 capital, IFRS 9 transitional provisions not applied	451,206	387,095	404,079	342,932
<b>2.A Total risk exposure amount, IFRS 9 transitional provisions not applied</b>	<b>2,261,242</b>	<b>2,328,275</b>	<b>1,564,051</b>	<b>1,606,107</b>
3.1.A Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	20.0%	16.6%	25.8%	21.4%
3.3.A Tier 1 capital ratio, IFRS 9 transitional provisions not applied	20.0%	16.6%	25.8%	21.4%
3.5.A Total capital ratio, IFRS 9 transitional provisions not applied	22.5%	19.2%	29.5%	25.1%

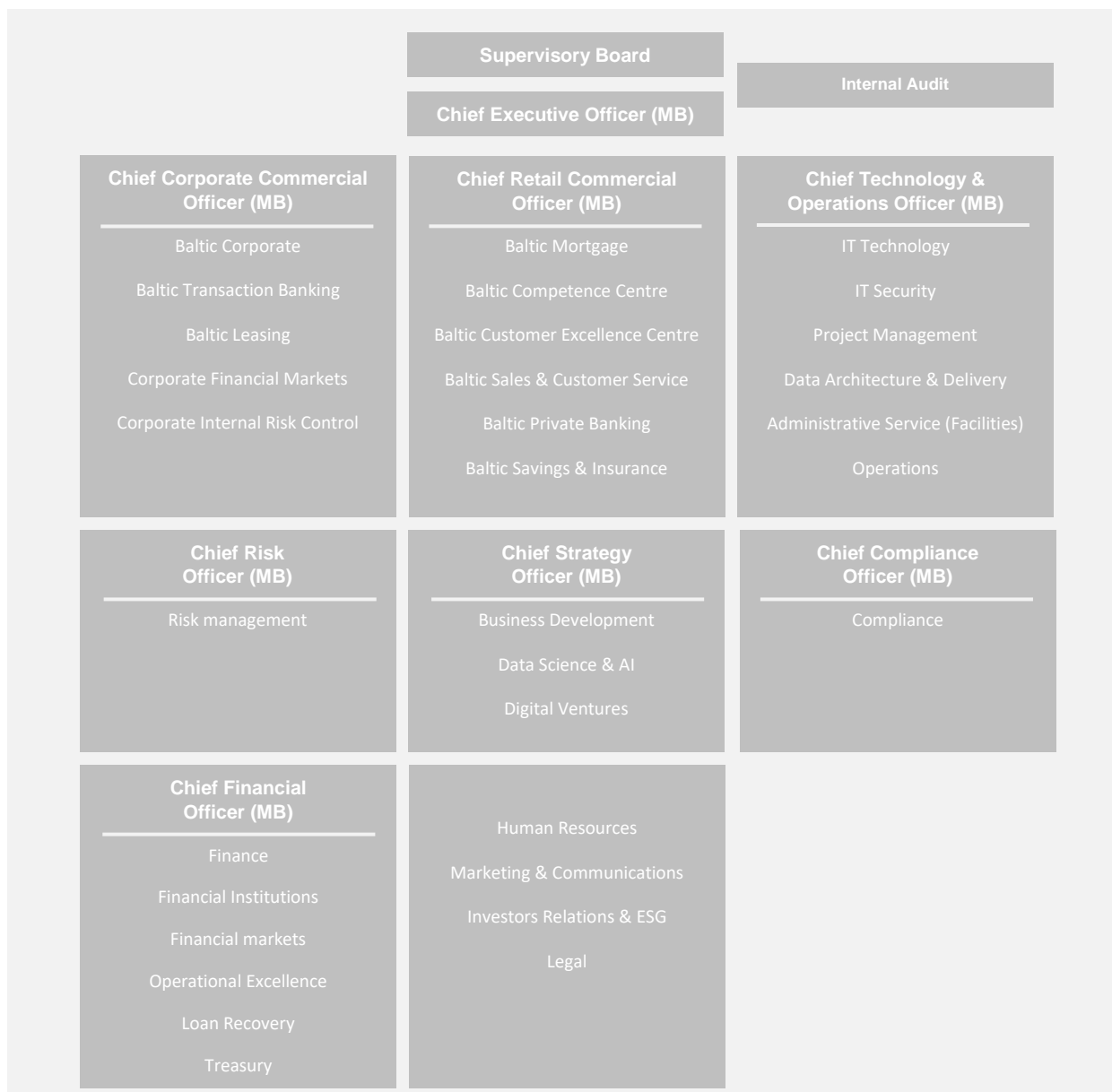
### Business Strategy and Objectives

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

### Branches

AS Citadele banka has 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



**DEFINITIONS AND ABBREVIATIONS**

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

**AML** – anti-money laundering.

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

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

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

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

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

**CTF** – combating terrorist financing.

**ECB** - European Central Bank.

**EU** – the European Union.

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

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

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

**IAS** – International accounting standards.

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

**IFRS** – international financial reporting standards.

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

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

**LRE** – leverage ratio exposure.

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

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

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

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

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

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

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

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

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

**RTS** – regulatory technical standards.

**SRB** – the Single Resolution Board.

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

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

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

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

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

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

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

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

**TREA** – total risk exposure amount.

**TSCR** – SREP capital requirement.