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AS Citadele banka

SUSTAINABILITY REPORT

For the year ended
31 December 2021



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About Citadele Group

AS "Citadele banka" (Citadele, Bank) is universal bank offering a wide range of banking products to our mass and affluent private, SME and corporate customer base. The bank also provides 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, incl. a modern Mobile App, contactless and instant payments, modern client onboarding practices and technologically enabled best-in-class customer service.

Main market – the Baltic states

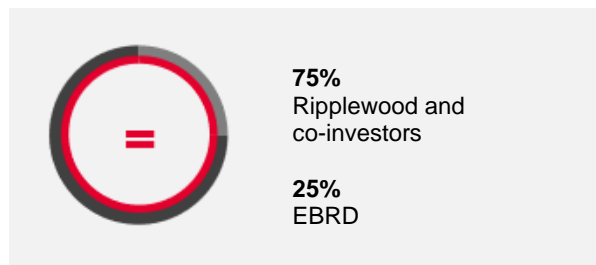
The Group's main market is Baltics - Latvia, Lithuania and Estonia. AS "Citadele banka" is the parent company of the Group, which has several subsidiaries which include financial services companies and subsidiary bank in Switzerland (currently in a sales process).¹

As of 31 December 2021, Latvia accounted for 48% of the total loan portfolio (EUR 1,299 million), followed by Lithuania at 37% (EUR 1,001 million), Estonia at 14% (EUR 380 million) and other countries at 1% (EUR 20 million).



Citadele had a total market share in Latvia of 18% in total loans, 19% in total deposits and 19% in total assets, according to data as of 30 September 2021 published by the Finance Latvia Association.

Shareholders



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.

Distribution network

AS Citadele banka has 19 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 4 client consultation centres in Latvia. The Lithuanian branch has 6 customer service units in Lithuania. The Group has online and mobile banking platform, which is available in Latvia, Lithuania and Estonia.

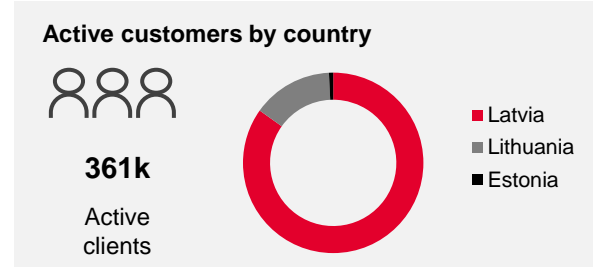
Geographical footprint

	LV	LT	EE	CH ¹
Banking	█	█	█	█
Leasing	█	█	█	
Asset Management	█	█	█	█
Pension Fund mgmt.	█			
Life insurance	█	█		

LV – Latvia, LT – Lithuania, EE – Estonia, CH – Switzerland

Growing client base

We are proud for steadily growing number of active customers – reaching 361 thousand clients as of 31 December 2021, 11% growth year over year. The number of active Mobile App users reached 207 thousand, a 41% increase y-o-y.



Citadele rating – Baa2, stable

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

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

Moody's (13 September 2021)

Long term deposit	Baa2
Counterparty risk rating	Baa1/P-2
Short term deposit	P-2
Baseline Credit Assessment/ adjusted BCA	ba1
Outlook:	Positive

Detailed information about ratings can be found on the web page of the rating agency www.moodys.com

¹ AS Citadele banka has entered into a binding agreement with Trusted Novus Bank Limited regarding the sale of its Swiss subsidiary - Kaleido Privatbank AG. The closing of the acquisition is expected by year end 2022, subject to regulatory approvals.

Group's Vision and core values

Citadele Group's commitment to highest ethical standards is the foundation of the Company's vision and core values. The Group's vision is "To be the Baltic banking champion". It represents the main purpose of Group's existence. The Group's core Values are – **Act, Aspire, Innovate** and **Personalize**.

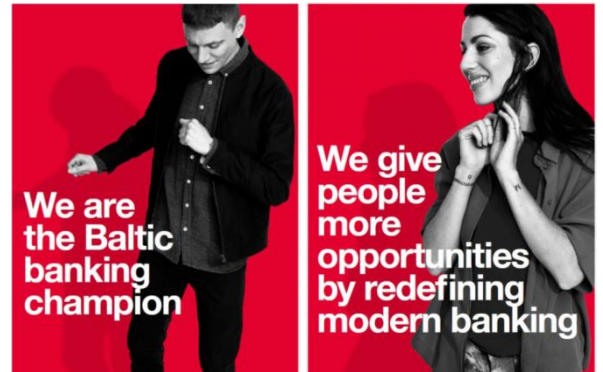
Act - we create our own opportunities and deliver on promises. We lead by example and empower others, trust and be trustworthy. We are accountable for our teamx.

We **aspire** for excellence for every client and the entire Baltic economy. We take care of clients, consistently deliver high quality service and expertise to clients and demonstrate excellence in everything we do.

We set the standard with **innovative** products. We think 'outside the box', take personal actions to innovate, modify practices and support the changing environment. We inspire others and act as a role model for the team in complying with integrity and ethics norms.

Personalize – we see people first and add human touch to banking. We work together, treat all team members in a respectful, courteous and professional manner. We understand the external environment, banking and apply new trends and best practices to daily work.

Demonstrating the Group's core values every day through real actions is how Citadele Group strengthens its culture, delivers a superior customer experience and represents Citadele. The Group aims to facilitate and maintain working environment which supports and ensures an open dialogue and ethical conduct, is free from any discrimination, prejudice, harassment in the workplace, abuse of power and undignified attitude. Employees are expected to perform their obligations to the Group and its customers decently, fairly, professionally and behave with respect to all persons.



Act

We create our own opportunities and deliver on promises.

Aspire

We find solution for every client to support local economy.

Innovate

We set the standard through innovative experience.

Personalize

We see people first and add human touch to banking.

Products and services of Citadele Group

Private customers

Private individuals are serviced in Latvia, Lithuania and Estonia. The segment includes universal banking offer provided through branches, internet bank and mobile banking application.

SME

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

Corporates

Large corporate customers serviced in Latvia, Lithuania and Estonia. Customers are serviced individually across Baltics are offered complex financing solutions as well e-commerce services.

Leasing

Leasing and factoring services provided to private individuals and companies in Latvia, Lithuania and Estonia.

Wealth management

Private banking, advisory, investment and asset management services provided to wealthy individuals serviced in Latvia, Lithuania and Estonia.

Investment management

CBL Asset Management is one of the leading investment management companies in the Baltic area serving state-funded pension plans, corporations, and other institutional clients.

Financial Highlights

EUR millions	2021	2020	2019	2018
Net interest income	108.1	67.5	84.6	82.6
Net fee and commission income	36.5	30.2	30.9	33.4
Net financial and other income	9.2	(3.1)	8.4	11.2
Operating income	153.7	94.7	123.9	127.2
Operating expense	(95.0)	(80.0)	(82.8)	(85.4)
Net credit losses and impairments	(1.8)	(10.5)	(3.7)	(7.0)
Net profit	55.0	3.6	36.5	34.8
Return on average assets (ROA)	1.14%	0.09%	1.07%	1.10%
Return on average equity (ROE)	14.8%	1.05%	11.5%	12.3%
Cost to income ratio (CIR)	61.8%	84.5%	66.8%	67.1%
Cost of risk ratio (COR)	0.1%	0.6%	0.2%	0.5%
<i>Adjusted for one-time item¹:</i>				
Operating income	155.3	106.0	123.9	127.2
Net profit	55.0	14.9	36.5	34.8
Return on average assets (ROA)	1.14%	0.36%	1.07%	1.10%
Return on average equity (ROE)	14.8%	4.4%	11.5%	12.3%
Cost to income ratio (CIR)	61.82%	75.5%	66.8%	67.1%
<i>EUR millions (Reclassified)</i>				
	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Total assets	5,055	4,597	3,743	3,052
Loans to public	2,702	1,541	1,568	1,396
Deposits from customers	3,814	3,671	3,290	2,645
Shareholders' equity	397	344	341	297
Loan-to-deposit ratio	71%	42%	48%	53%
Total capital adequacy ratio (CAR), transitional (including period's result)	18.8%	26.0%	22.2%	20.1%
Common equity Tier 1 (CET1) capital ratio, transitional (including period's result)	16.3%	22.1%	18.8%	16.7%
Full time employees	1,335	1,230	1,369	1,492

¹ * 2020 is adjusted for one-time losses related to the tail risk defensive measures in the amount of EUR (28.8) million, included in "Net financial and other income" and one-time gain of EUR 17.5 million from leaseback sale of headquarters buildings in Latvia and sale of building in Lithuania.

Key highlights

Strong financial performance with the net profit reaching EUR 55.0 million in 2021, which translated into 14.8% return on equity.

The **total loan book** as of 31 December 2021 was EUR 2,702 million, 75% higher vs. year end 2020. Portfolio growth was impacted by acquisition of the SIA UniCredit Leasing (rebranded to SIA Citadele Leasing) at the beginning of 2021. Portfolio quality continued to improve and the NPL ratio stood at 3.3% as of 31 December 2021, vs. 3.5% at the end of 2020.

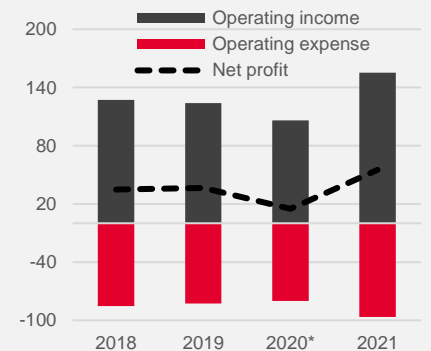
EUR 1.1 billion issued in **new financing** to Baltic private, SME, corporate and leasing customers in 2021, 2.3 times higher than in 2020.

The main source of funding, customer deposits, grew by 4% vs. year-end 2020. Baltic residents' deposits increased by EUR 363 million (+11% y-o-y). As of 31 December 2021 total Group customer deposits were EUR 3,814 million.

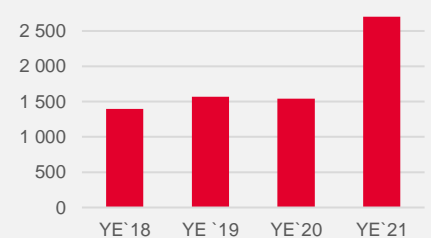
The Bank continues to operate with **adequate capital and liquidity ratios**. Group's CAR reached 18.8% and LCR was 207% as at 31 December 2021.

Detailed information about Citadele financial performance is published on the Group's website <https://www.cblgroup.com/en/investors/financial-reports/>.

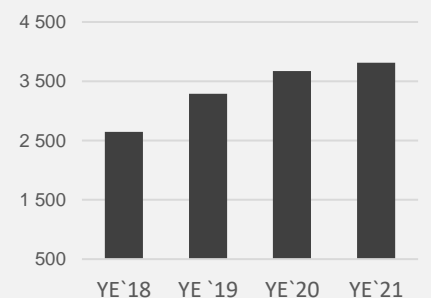
Operating income, EURm



Loans, EURm



Deposits, EURm



Corporate Governance

Citadele Group has a comprehensive corporate governance and risk management structure to operate in a transparent and prudent manner, to balance and protect the interests of its various stakeholders.

Governing bodies

Corporate governing bodies of Citadele are the General Meeting of Shareholders, the Supervisory Board and the Management Board, each having its own responsibilities and authorities in accordance with the Article of Association of Citadele, Latvian law and other regulations.

The Shareholders meeting elects the members of the Supervisory Board, which is responsible for the supervision and appointment of the Management

Board. The Supervisory Board shall consist of 9 members, elected for the term of 5 years. The Management Board shall consist of 8 members. The decisions are made by open voting with a simple majority of votes of the present members of the Management Board. The Management Board, which is an executive body, is responsible for the management of day-to-day operations of Citadele.

The Shareholders meeting is responsible for matters including the approval of the Group's annual accounts, profits distribution decision, amendments of the Group's share capital and/or Article of Association, appointment and dismissal of the Supervisory Board members, auditors and other matters.

Supervisory Board members as a 31/12/2021

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

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

Management Board members as a 31/12/2021

Name	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

On 1 January 2021 Vladislavs Mironovs refocused on Strategy execution, Digital evolution and Business development, Valters Ābele took Chief Financial Officer role and Slavomir Mizak started running the merged IT and Operations organization. Former Chief Operations Officer Kaspars Jansons resigned on 1 January 2021. Effective from 1 February 2021 Rūta Ežerskienė joined the Management Board as Chief Retail Commercial Officer. Effective from 16 June 2021 Jūlija Lebedinska-Ļitvinova joined the Management Board and commenced duties of Chief Risk Officer of Citadele banka.

Sustainability

Sustainability at Citadele

Financial institutions have an important role in society. As financial intermediaries, we have to contribute to a sustainable development of the economies and support the transition to a sustainable society as a key stakeholder in the financial eco-system. Banking is based on society's trust; hence Citadele Group aims to act responsibly and in the long-term interest of society.

Sustainability for Citadele Group means developing our business with a long-term perspective and in line with our social, environmental, and economic goals in the decisions we make, products we offer and services we provide.

The UN Sustainable Development Goals (SDGs), formulated in 2015, form the framework for nations, businesses and societies on how to achieve long-term economic growth, social inclusion and environmental protection. The 17 SDGs define the main objectives which are broken down into 169 targets with the aim to identify concrete actions.

By signing the Principles for Responsible Banking, we commit to aligning our business strategy and contribute to the UN Sustainable Development Goals and Paris Agreement.

Citadele has identified and prioritised five of the UN Sustainable Development Goals that are linked to our business strategy and sustainability work, and where we have the largest opportunity to make an impact. We are also adhering to other SDGs in our daily operations. The goals were identified based on discussions among stakeholders – supervisory board, management board and employees involved in ESG topics. Citadele plans to conduct further ESG materiality and impact assessment to ensure that its ESG strategy is aligned with all stakeholders.

About this report

The Report outlines our principles of sustainability in 2021 and key highlights for 2022. It summarizes how we manage sustainability, both in terms of incorporating aspects of sustainability throughout our business and how our sustainability commitments shape the way we do business. Sustainability report is prepared in line with Financial Instrument Market Law. Citadele plans to enhance the Sustainability reporting and align it with international market standards for the upcoming reporting period (year 2022).



Ensuring healthy lives and emphasizing well-being at all ages is essential to sustainable development. Citadele supports an active lifestyle and work-life balance by offering a number of benefits to its employees and works towards promoting supported values within healthy and balanced lifestyle which has an impact on overall society's well-being level and helps to overcome health issues.



Access to an affordable, reliable and sustainable energy is crucial for social well-being and transitioning to green economy. Citadele contributes to increasing the share of renewable energy in the global energy mix by providing financing to our corporate customers for green sector technology project development, incl. solar panel acquisition, development of wind farms and modernisation of production facilities.



Citadele contributes to sustainable growth of the Baltic economy through promoting development of our private, SME and corporate customers by providing access to financing, investment products, innovative banking solutions and job creation. We work towards ensuring equal opportunities for everyone, and youth development to transition to a decent job opportunities by investing in education events and training that match labour market demands and increase financial literacy.



Citadele's mission is to modernise the banking sector and offer more opportunities to clients and businesses throughout the Baltics. We work towards promoting the resilient infrastructure and innovations. Through maintaining long-term relationships with our corporate clients, we contribute to strengthened infrastructure and technological development. Digitalization of our services, functional and reliable online and e-commerce solutions, continuous new remote product offering allow us to support the development of innovative environment, meet our private and SME customers' expectations across multiple channels and help them in reaching their goals.



Financial sector can redirect capital flows to achieve more sustainable economy. Citadele encourages the use of environmentally friendly and sustainable business practices and plans to continue developing new offers supporting the green economy transition. To limit direct impact on climate from Citadele's own operations, Citadele adheres to green office initiatives and plans to start reducing our CO2 footprint and disclosing our financed customers' GHG emissions.

UN Principles for Responsible Banking initiative

The UN Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

Citadele has become an official signatory of the UN Principles for Responsible Banking to show our

commitment of aligning our business strategy and contributing to the UN Sustainable Development Goals and Paris Agreement.

In 2022 Citadele will conduct a comprehensive impact analysis process based on UNEP FI Portfolio Impact Analysis Tool and disclose the results in the next reporting cycle published in Q1 2023.

Principle 1

Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Principle 2

Impact & target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Principle 3

Clients & customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Principle 4

Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Principle 5

Governance & culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Principle 6

Transparency

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

CBL Asset Management - signatory to Principles for Responsible Investment

CBL Asset Management (CBL AM), the Bank's subsidiary, and pension manager in 2019 has joined the UN-supported declaration on Principles for Responsible Investment. By signing this declaration, CBL AM has committed to the principles of responsible investment - the company gives additional weight to its analysis of environmental, social and governance (ESG) considerations when evaluating and selecting which companies to invest in, as well as promoting this practice within the industry.

CBL AM supports the Paris Agreement - UN Framework Convention on Climate Change, as it recognizes a

critical need to rush the transition towards global net zero emissions.

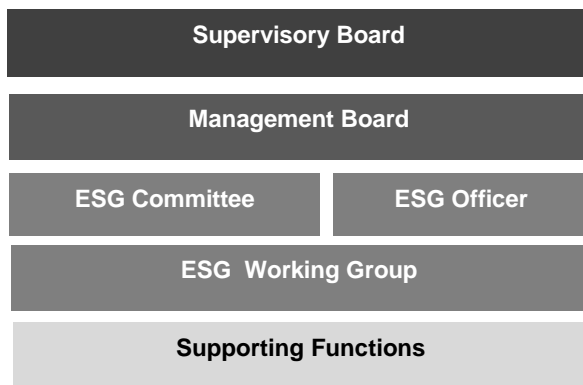
The Company supports the Task Force on Climate-Related Financial Disclosures and are evaluating the opportunities to include the forward-looking information on the material financial impacts of climate-related risks and opportunities in our decision-making process.

For more details, please refer to:

<https://www.cblam.lv/en/sustainability/>

Sustainability governance

In 2021 Citadele has developed its first ESG Policy which determines the framework and the main principles for managing ESG related topics in Citadele Group, as well as ESG governance structure.



Supervisory Board is responsible for overseeing the establishment and implementation of ESG strategy.

Management Board is responsible for the establishment of ESG strategy and execution of the strategy by organisation. The Management Board is regularly updated on corporate sustainability matters.

ESG Committee is decision-making body that is composed from the Management Board Members and ESG Officer. ESG Committee is chaired by the Bank's Chief Executive Officer who is governing body member responsible for the execution of the ESG strategy and implementation of the governance structure set by the Management Board. ESG Committee is established to manage the execution of the ESG strategy in Citadele

Group and acts as a steering committee for ESG projects.

ESG Officer develops a roadmap for achieving the ESG strategy and objectives and ensures its implementation within the Bank, incl. day-to-day management of ESG topics, tracking progress and control over deliverables and resources. ESG officer is a central point of contact for overall sustainability projects coordination and is responsible for increasing awareness of ESG matters by ensuring respective external and internal communication.

ESG Working Group is created to ensure the transparent and efficient driving of the overall ESG agenda and is composed from the key stakeholders – dedicated representatives per function. ESG Working Group has the responsibility to ensure that procedures and controls are in place in order to implement and adhere to the ESG objectives, strategy and policies set by the Management Board/ ESG Committee and CEO. ESG Working Group is led by ESG officer.

Supporting Functions ensure analysis and implementation support to all streams due to cross-stream coverage.

Further enhancement of ESG organisational structure

Citadele continues to work on further enhancement of ESG organisational structure so that responsibility for the management of climate-related and environmental risks are assigned within the organisational structure in accordance with the three lines of defence model, clearly defining the tasks and responsibilities of each line of defence.

Citadele's view on Climate risk management

Citadele Group believes that environment protection is fundamental for sustainable development, life quality improvement and Earth conservation for future generations. Following EU's ambition to reduce GHG greenhouse gas emissions to at least 55% below 1990 levels by 2030, Group transposes this target to its own objectives on increasing sustainability and further strengthening Group's support to clients in green transition.

The Group is mindful of its exposure to environmental, social and governance related risks as well as, conscious of its impact in terms of social responsibility and environment response. Citadele continues incorporation of ESG factors assessment into existing risk management framework (credit, market, liquidity, operational).

Primarily in mid-term the Group focuses on the following ESG risks:

- physical risks
- transition risk represented by transitional changes based on policy changes related mainly to greenhouse gas emissions
- social and governance risks.

The Group acknowledges that potential impact on its strategy in the short and long term may arise from the new regulations and policies and changes in consumers behavior and the market practices.

Climate and Environmental risk

Climate and Environmental risk is currently our key focus in ESG risk management. The Bank is working on new approaches and model development to assess and quantify associated risks, their implementation in stress testing and reporting.

Material exposure monitoring

To understand Citadele's exposure and potential vulnerability to physical and transition risk and further control, materiality assessment has been performed for our corporate lending and investment books. Further monitoring is based on sectors with possible increased climate and environmental risk and the exposure to these sectors. The sectors in scope of the monitoring are identified based on relevant transitional risks. A separate analysis is focused on physical risk.

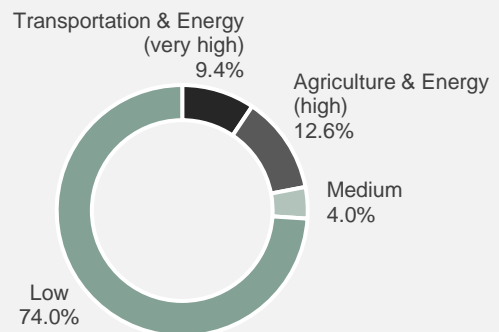
Physical risk

The sectors identified as prone to potential high physical risk is agriculture, and real estate activities. Overall physical risk to companies in the Baltic countries stemming from climate change mainly arise from floods with other acute risks having low or medium risk level. Physical risk assessment and monitoring tool and quantitative risk metrics are being developed. The approach will cover chronic and acute risks in short, medium and long-term and will be incorporated in credit decision making process and other related frameworks.

Transition risk

The sectors which were identified as potential high and very high transitional risk are: agriculture, energy and transportation.

Sectors with **increased transitional risk** represent **22% of corporate lending and investment books**



Sector level heat map has been developed in 2021 and industries in the Baltic countries classified from Low to Very High risk level reflecting their vulnerability to transition risk in short, medium and long-term (i.e. changes in policy, market and technology). Citadele is monitoring exposures towards industries in all risk levels on portfolio and country level. Approach will be improved to increase precision, scoring scale will be developed to compliment Social and Governance risks. Approach to be implemented in lending and investment and associated risk frameworks.

ESG indicators and metrics

Citadele works towards advancing its ESG risk disclosures to ensure that they comprehensively convey its risk profile and disclose information that is material.

Continue with detailed assessment of our impact

In 2022 Citadele plans to conduct a comprehensive impact analysis based on UNEP FI Portfolio Impact Analysis Tool. Citadele will analyse the most significant impacts of banks' products and services on society, the environment and the economy. After impact analyses, we will identify where Citadele can realize the greatest positive impacts and reduce significant negative impact and set targets to address the identified significant impact areas. Citadele will also work on assessment of GHG emissions in Scope 3 according to GHG Protocol.

Further integration of ESG practices into our daily activities

In 2022, the Bank will work on further development and implementation of climate-related and environmental risk management in our daily operations, collection of

necessary data and information from our existing and future clients, as well as establishment of ESG monitoring system and regular reporting.

Target setting

More detailed assessment of the current situation will provide us with necessary information for development of specific smart goals and related KPIs. To make the ESG matters an organization-wide effort, during 2022 Citadele will set ESG KPIs and targets to follow the progress. Work is also continued on ESG risk assessment to ensure incorporation of ESG factors in the Business Strategy. As of today, Citadele has identified some ESG related KPIs (below) that align with the Bank's ESG Strategy.

Increasing communication

Citadele is working on incorporating ESG policy in company's culture and integration of ESG principles into our communication with our clients, employees and suppliers.

ESG indicators and metrics

Area	KPIs	2021	2020	Target
Environmental (E)				
Impact on the environment	CO2 footprint, t CO2-eqv from own operations	1,522.7	n/a	to be set for coming periods
	t CO2-eqv per 1X of profit for total emissions	27.6	n/a	
	t CO2-eqv per 1 employee for emission resulting from our own business operations	1.2	n/a	
	New green financing ¹ , EUR million	55.3	n/a	
Social (S)				
Customers				
Customer excellence & satisfaction	NPS retail, LV/ LT	33 /25	31/n/a	>35%
	NPS MobileApp, LV/ LT	58/ 61	59/ n/a	>50%
	Customer complaints ratio ²	0.02%	0.02%	<0.04%
Employees				
Employee satisfaction and engagement	eNPS	45	34	>30%
	Mood barometer	94%	94%	>90%
Diversity	% of female as of total FTEs	66%	68%	n/a
	% of female managers as of total FTEs	50%	46%	n/a
Trainings/ qualification	% of trained employees p.a. / FTEs	98%	n/a	close to 100%
Governance (G)				
Sound governance	Staff turnover ³	4.9%	4.4%	n/a
	% of female in TOP management ⁴	29%	19%	n/a
	% of trained employees in AML/CTPF, sanctions area p.a.	99%	99%	close to 100%
	I-bank and MobileApp Prime time system availability ⁵	99.96%	99.97%	99.9%

¹EBRD taxonomy and/or EU Taxonomy aligned; ² Customer claims divided by total number of active customers; ³ % of voluntary personnel leaving/year; ⁴ Management Board and Supervisory Board; ⁵ Prime time – 7:00-24:00

Environmental



Citadele aims to contribute to adaptation of the global and Baltic economy to the achievement of the established climate goals. Bank acknowledges its responsibility in contribution to sustainable economy development and is committed to address the environmental aspects in financing and investments as well as in managing our direct impact. Hence, Citadele:

- joins the UN Principles for Responsible Banking and contributes to the fulfilment of the aims of the Paris Agreement,
- supports the aim of the Baltic countries to make economy climate-neutral by year 2050,
- encourages the use of environmentally friendly and sustainable business practices and plans to continue developing new offers supporting the green transition, implementing ESG topics in customer offers and product development,
- observes green office principles and is committed to measure and report its own GHG emissions and environmental footprint in order to transition to climate-neutral office activities.

With development and approval of ESG policy by the Board we at Citadele are starting a new journey toward more sustainable and environmentally conscious banking practices in line with the requirements set out by ECB, EU regulations and with respect to the UN Sustainable Development Goals and other international agreements including climate change mitigation according to the Paris Agreement.

Our impact on the environment

Like any other financial institution Citadele's impact on the environment is associated with its own operations (the building from where the bank operates, energy consumption, suppliers etc.) and impact of economic activities we support by providing our financial products and services. It is a well-established fact that in case of a financial institution, the later has much greater impact on the environment. We at Citadele recognise this fact and are actively working on identifying, assessing and as much as possible managing this type of impact of our products and services. More practically, in 2021 Citadele has started to work on:

- integrating environmental risk management in accordance to the ECB recommendation into our business activities, which will allow to analyse key climate and environmental risk presented in our credit and investment portfolio;
- assessment of our GHG emission in Scope 3, i.e. emissions related to activity of our suppliers and customers.

Assessment of this indirect impact is a challenging task due to the extensive number of involved parties and limited data availability. Both of these actions will

gradually provide us with valuable information and support future decision making, setting specific, measurable goals in line with our ESG policy priorities and objectives.

Scope 1 emissions are direct emissions from owned or controlled sources.

Scope 2 emissions are indirect emissions from the generation of purchased energy.

Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

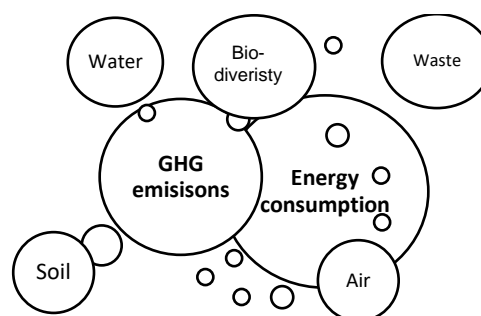
Source: Greenhouse Gas Protocol

Although environmental impact of our own operations might be proportionally smaller than our indirect impact, it is something that we can control reducing the possible negative (mostly) local impact as much as possible.

To identify the most significant environmental aspects from the business operation perspective, we have used the two main criteria:

- the potential significance of our impact on a certain environmental aspect,
- legal or other binding requirements related to an environment aspect.

Based on this analysis, two environmental aspects we identified, i.e. GHG emissions (taking into consideration requirements of ECB and EU regulation for non-financial reporting) and closely related to it – energy consumption. Other aspects such as waste, water quality and quantity, air quality, biodiversity, soil were not identified as significant at this stage. However, we will continue to monitor our operations and best practice examples trying to identify possibilities of reducing impact of our operations in all environmental aspects.



Keeping in mind the significant assessment described above and fulfilling the requirements of ECB, Citadele has introduced GHG emission estimation practice for emission under Scope 1, 2 and partly Scope 3, and conducted analysis of the energy consumption in 2021.

GHG emissions

For this report we have calculated our GHG emissions for the first time. Emissions for year 2021 were calculated using a calculation tool for estimating GHG emissions based on the GHG Protocol for Scope 1 and 2 as well as for business travel (road, rail, air) in Scope 3. The calculations will be performed and disclosed on the annual basis.

The main source of emissions is purchased electricity with 78% followed by purchased heat with 14%. Other sources have relatively small impact of the total GHG emissions. Citadele will continue to further analyse our climate footprint and plan to introduce the first comprehensive assessment of own GHG emission under Scope 3 in the next reporting period.

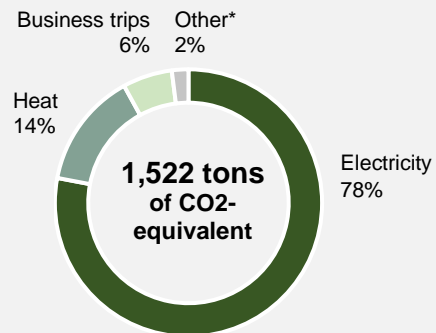
Citadele GHG emissions

Scope	Activity Type	t CO ₂ -eq	Share from total
Scope 1	Stationary combustion (direct burning of fossil fuels)	7.5	0.5%
	Mobile combustion (use of company owned vehicles)	55.8	3.7%
	GHG fugitive emissions from air-conditioning	26.9	1.8%
Scope 2	Purchased electricity	1,189.5	78.2%
	Purchased heat and steam	211.6	13.9%
Scope 3	Business travel (road, rail, air)	30.4	2.0%
Calculated total		1,521.7	

GHG emissions by source

In 2021, Citadele's office activity had a greenhouse gas emission footprint of **1,522 tons** of **CO₂-equivalent**, which is **1.2 tons per employee**.

- 78% came from the use of electricity
- 14% came from the use of heat
- 6% came from business trips
- 2% came from other owned or controlled sources*



*air conditioning & direct burning of fossil fuels

GHG intensity

This indicator present GHG footprint not in absolute, but in relative terms, and is an indication of GHG emission volume per selected activity unit. In order to have a better understanding of our impact we estimate our GHG intensity as

- t CO₂-eq per 1X of profit for total emissions,
- t CO₂-eq per 1 employee for emission resulting from our own business operations.

KPI	Amount
t CO ₂ -eq per 1X of profit for total emissions	27.6
t CO ₂ -eq per 1 employee for emission resulting from our own business operations	1.2

Energy consumption

As outlined above, energy consumption in our facilities is one of the main source of GHG emissions under Scope 1 and 2, therefore we consider it important to monitor those emissions and will continue to investigate options for improving both energy efficiency and minimise the footprint of the energy we consume.

Parameter	Units	2021
Total energy consumption (in buildings)	MWh	6,075.5
Electricity (total)	MWh	3,731.3
Change in total electricity consumption compared to previous year	%	-
Renewable electricity, percentage of total electricity consumption	%	11
Heating	MWh	2,316.2
Total energy consumption / employee	MWh/1 employee	4.6

Green office initiatives

Although Citadele's formal sustainability journey is starting now, we have implemented various sustainability initiatives in the past and are committed to expand them in the future. Our largest environmental impact comes from financing and investing activities, at the same time, we believe that it is no less important to ensure that our own consumption is sustainable, and we aim to reduce environmental impact of our office operations.

Green energy

To reduce our environmental impact as well as indirectly promote the development of renewable energy in the region, Citadele purchases certified green electricity for Citadele branches under our own management (16 locations) and HQ building in Lithuania. In 2021 green energy constituted 11% from the total consumption. Citadele plans to switch to renewable energy in the coming years and increase significantly share of green electricity from total electricity consumption in 2022.

Paper and printing

In response to the recent technological advancements our need for printing and use of paper materials has significantly reduced.

In daily operations the Group is moving towards a completely "paperless" approach, digitalizing both documents in customer service and in internal processes. To decrease environmental impact employees are encouraged to limit printing. Number of

printers have been decreased in 2020 by 80% (42 printers in Latvian headquarters building) and further to 38 printers (of which 2 temporary for one project) in 2021.

Business travel

To reduce environmental impact of our business travel we have initiated several practices, including significantly reducing our vehicle fleet, substituted either by online meetings or travel by taxi and e-scooters. As of end of 2021, Citadele had 10 vehicles in Latvia, of which 1 electric car. Travel by plane is another significant way for business trips. To decrease negative impact of business travel by plane, Citadele plans to start compensating the flights in 2022.

e-Waste

Our increased dependence on electric and electronic devices results in the growing problems associated with depletion of natural resources and e-waste. Our internal practices ensure that we carefully review the necessity for update or purchase of the new devices. Moreover, responding to the challenges and opportunities of circular economy when disposing of unnecessary devices we try to reuse and donate as much as possible. In 2021 we have donated computers to educational institutions and charity organizations. 20 computers with monitors and 2 printers were donated to Bulduri Horticultural Secondary School; 4 computers with monitors were donated to "SOS bērnu ciemati".

Further reduction of environmental impact of our operations

Citadele plans to reduce the footprint of our operations further by:

- Work on development of a climate neutrality achievement plan to reduce our negative environmental impact
- Increasing the number of premises powered by renewable energy
- Introducing straightforward business travel evaluation protocols, aiming at further reduction of impact from mobile sources, including encouragement of the use of sustainable transportation modes by our employees for closer distances (cycling, E-scooters)
- Evaluating possibility to find a partner for offsetting the negative carbon footprint (negative impact of office activities)

Green products and services

Citadele has taken the initial steps in green lending and developed special financing offers that motivate our clients to make environmentally responsible choices. The aim is to contribute to economic growth at the same time decreasing negative environmental impact and stimulate efficient use of natural resources, reduce greenhouse gas emissions and pollution.

Our current portfolio of sustainable products and services include

- Green car leasing
- Loans for corporate customers investing in green energy
- Consumer loans for solar panels
- Loan for home renovation and improvement of energy efficiency

Green lending in 2021 reached EUR 55.3 million. The largest transactions were related to renewable energy projects in Lithuania - EUR 10.5 million issued to 9 Sparnai for wind power park development, EUR 12.8 million to Modus Remote Solar Fund I investing in solar power plants in Lithuania and EUR 8.6 million financing for 14 small wind turbines. Financed renewable project is estimated to generate over 100 GWh of electricity that will reduce CO2 emission. EUR 7.7 million was invested in green bonds. Green car leasing reached almost 14 million in 2021. The Bank will continue to develop and launch new products and services offering supporting transition to the green economy, in the meantime, benefiting from increasing demand in the market for sustainable change and increased transparency provided by the EU taxonomy. Our current aim is to provide not less than EUR 60 million to green economy in years 2022 - 2024.



Sustainable investments

Noting the importance of sustainability considerations in financial system, CBL Asset Management created Sustainable Opportunity Investment Plan in 2019, a pension plan where savings are invested in businesses that are sustainability leaders in their respective industries. The plan's aim is to ensure long-term capital growth, with a special focus on ESG factors in the portfolio composition and securities selection processes. The funds of the investment plan are invested in securities with a higher-than-average ESG rating. Investment strategy is aimed to create a positive contribution to the sustainable development of the world economy, at the same time maintaining return on investment for the plan's participants. Size of Sustainable Opportunity Investment Plan reached EUR 10.8 million as of 31 December 2021.



Loans for corporate customers investing in green energy

Citadele offers financing to green projects on a deal-by-deal basis. New financing for corporate customers investing in green energy reached EUR 39.6 million in 2021.



Green car leasing

<https://www.citadeleleasing.lv/en/electric-car/>

In 2021 Citadele provided green leasing in amount of EUR 13.7 million (387 fully electric cars). To promote Citadele's support towards green thinking Citadele leasing has published a number of articles in social media and Citadele webpage in 2021. Bank plans to continue to promote electrical vehicles with special informative campaigns and by offering special rate for fully electric vehicles.



Consumer loan for solar panels

<https://www.citadele.lv/en/private/solar-panels/>

Consumer loan for solar panels is intended for purchasing and installing solar panels for connecting to the electricity system. Solar panels produce environmentally friendly energy and reduce electricity bills. Citadele launched the offer in July 2021. Potential customers receive personally-calculated offer and interest rate within 10 minutes after filling-in an online application form. Consumer loans for solar panels in 2021 reached EUR 48 thousand.



Loan for home renovation and improvement of energy efficiency

<https://www.citadele.lv/en/business/credit/#renovation>

The loan is intended for promoting energy efficiency improvement, smart energy management and the use of renewable energy resources at apartment buildings. Target audience are the apartment owners of the multi-apartment buildings. ALTUM covers up to 50% of the project costs (grants) and guarantee in the amount of up to 80% of the principal amount of financing for a period of up to 20 years. Citadele launched the program in September 2016. New loans for improving energy efficiency in multi-apartment residential buildings reached c. EUR 8 million in 2021.

Social responsibility



Financial institutions social impact is based on the ability to leverage its' expertise, financial products and services to enable people and communities to prosper and grow. Citadele acts based on high ethical and professional standards towards its clients, partners and employees. Being socially responsible bank, Citadele stands up for

- responsible provision of banking services to promote the Baltics economy,
- promoting financial education and literacy in society,
- promoting tolerance in society and supporting charity projects for people, animals and nature support,
- increasing customer's trust in Citadele Group,
- making banking services accessible for people at any time and place convenient for them through our digital channel offering,
- constantly increase internal ESG competence to promote it in society,
- engaging in partnerships with relevant stakeholders to achieve society's goals.

Responsible provision of banking services

To provide banking services responsibly, we develop purposeful communication with our clients to increase their awareness of banking services and the opportunities, obligations and underlying risks. To lend responsibly we carefully evaluate the ability of each potential customer to repay the loan. In business financing the Bank, in addition to industries prohibited by law, also does not support financing of tobacco and strong alcohol production or export, as well as gambling industries for the care of physical and mental health of the population.

Stakeholders interest regarding banking operations' indirect impact on the environment and society has been increasing during the past years. Social and ecological criteria are expected to be taken into account in business decisions, in addition to the traditional financial risk aspects. Citadele is committed to expand its range of responsible finance products.

Promoting financial education and literacy in society

To increase financial literacy in society, in 2019 Citadele launched an interactive online platform *finoterapija.lv*, which offers a free 10-minute interactive consultation regarding savings and investments. With the help of automated advice, one can create a personalized plan on how to save and invest the funds more efficiently. In 2021 *finoterapija.lv* had 8 thousand users.

Through 2021 Citadele focused on financial education of its clients and society by driving awareness of scams, giving financial advice on investments, savings, safe on-line purchases, etc., for individuals, families and businesses, as well as supporting Finance Latvia and

European Banking Federation "European Money Quiz".

Supporting charity projects

In 2021 Citadele has taken part in several charity activities. In 2021 Citadele together with its clients have donated EUR 25 thousand to charity organisations in Baltics (*Labdaribaslapa.lv*, *MaistoBankas*, *Eesti Toidupank*). These organizations were chosen by the bank as they provide help to people and families with low income - food packages, hot meals and other aid.

Citadele has been a continuous supporter of non-profit organization *Labdaribaslapa.lv* by organizing campaign offering clients to donate through the bank's X-REWARDS loyalty program. Clients can direct the points which they have collected by using their bank card for purchasing a meal for people in need. Citadele donates the collected point amount value in money to the organization. In 2021 Citadele has provided funding for 5900 meals or food packages to *Labdaribaslapa.lv*.

Customers

Citadele treats customers and their needs at the centre of its business activities. Citadele aims to offer its clients products and services that help them to achieve and maintain their business goals and prosperity. The Bank devotes special attention to approach customers proactively and manage their requests quickly and professionally. Citadele tries to offer solutions that meet customers' needs at an appropriate level of risk. This is a key factor in building and maintaining long-term customer relations. Citadele ensures high quality advisory services by continuously training its employees, focusing on the relationship with the customer.

Accessibility – digital channels and branches

Citadele continuously work on expanding and enhancing its digital channel offering to ensure that digital solutions cover customer needs and expectations, and banking services are accessible for people at any time and place convenient for them.

Digital channels

In 2021 Citadele has launched a number of digital solutions to secure our clients access to remote financial services. Citadele launched digital on-boarding for SMEs in Latvia, Citadele Business Portal, convenient and easy to use e-commerc solutions, incl. *Klix Pay* later, *Citadele Phone POS*, *Citadele Robo-Assistant*, broad mobile app functionality and wide range of contactless payment, incl. *Google Pay*, *Fitbit Pay* and *Garmin Pay*. Solutions were welcomed by our customers and helped them to get more proficient financial services remotely and to adjust their businesses to the new Covid-19 environment.

The internet and mobile banking solutions have been developed in-house, and Citadele continuously improves and updates the systems to meet future customer demands. Internet and mobile banking applications are highly stable. Internet-bank and Mobile App Prime time system availability was 99.96% in 2021 (99.97% in 2020).

Citadele upgrades its online banking offering to its customers on a regular basis to enhance functionality, security and usability to ensure that Citadele is in line with market standard and customer needs. The online banking offering provides customers with easier access to Citadele Group's products and services.

SkyBranch

Customers expect easy service interactions when they need assistance with digital banking. Their first point of contact is Citadele's SkyBranch, which is available 24/7. Professional employees answer questions regarding products and services and assist users of self-service terminals, and also help customers navigate the digital product onboarding processes. SkyBranch also takes an active part in consultations and sales processes, supports end-to-end digital banking services such as consumer loans, credit cards and online banking.

Both existing and potential clients can apply for a video consultation with a bank specialist during which information can be provided on how to open an account, learn more about loan opportunities and mortgage loans, service tariffs, pension tiers, remote services, and other possibilities.

Customers may contact the bank by chat in MobileApp, message in I-bank, phone or e-mail. [Customer support](#)

also includes an interactive assistant to help clients to find answers to all possible questions.

Branches

Customers who prefer traditional sales and communication channels or have more complex customer needs are provided direct contact through branches. Citadele aims to ensure that clients are served by qualified advisors in professional and quick way. As of 31 December 2021, Citadele had 19 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch with 6 customer service units in Lithuania. AS Citadele banka has 4 client consultation centres in Latvia. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section "[Branches and ATMs](#)".

Customer satisfaction

Customer satisfaction, positive experience and loyalty is crucial part of the Bank's sustainable growth and long-term success. Citadele continuously works on adapting the banking products and services to be in line with customers' expectations and needs.

To ensure high quality of the offered services and products, Citadele conducts regular customer satisfaction surveys for its banking and MobileApp customers, as well as Brand Personality and Brand Awareness surveys.

To ensure that our clients are treated and feel special, Citadele provides regular offers, sharing financial advice or useful information for respective clients both in direct communication and social media. Private banking clients have regular informative events on financial topicalities and access to our experts.

Customer and Digital excellence KPIs



207k

MobileApp
active users



201k

I-Bank
active customers



LV 33 / LT 25

NPS
Retail



LV 58 / LT 61

Mobile App
NPS

Suppliers and supply chain

The companies are expected to consider the environmental and social impacts both of their own operations and also operations of their entire supply chain.

Procurement process in Citadele is designed to ensure the efficient and effective supplier selection process, choosing reliable suppliers with appropriate competence and quality indicators. Suppliers are

evaluated and select, based on a number of criteria, incl. financial situation, reputation, qualification of labour force, relevant technical capabilities and previous experience.

Environmental, social and governance risk assessment has been included as one of suppliers assessment criteria. Citadele plans to take into account environmental impact of the supplier in procurement decision making process along with other risk factors and commercial aspects.

Employees

Citadele's success is based on its employees and their well-being. From the employer's perspective, we treat all employees in a respectful, courteous and professional manner. Citadele is committed to ensure supportive work environment which is aligned with today's requirements and standards.

As of 31 December 2021, Citadele Group had 1,335 (2020: 1,230) full time equivalent active employees. Increase in the Group's full time equivalent active employees is a result of the acquisition of SIA Citadele Leasing (previously SIA UniCredit Leasing) in the beginning of 2021.

Working towards Employer of Choice

Citadele Group continuously invests resources in its employees' well-being and motivation, as well as implements programs for new talent attraction and its employees' retention. Citadele Group monitors the market trends to offer a competitive employment environment. The Bank aims to be the most desirable employer in Baltics based on a set of values reflecting the performance-based nature of the organisation and the focus on strong profitability. Citadele was ranked as the 3rd most attractive employer in finance sector in Latvia in 2020.

Supportive work environment aligned with market standards

Citadele ensures convenient and secure working conditions, in line with labour-related standards and requirements, national employment, social insurance, occupational health and safety standards. Citadele supports working environment that is free from any discrimination, prejudice, harassment, abuse of powers and undignified attitude. Citadele treats every employee, within their own abilities, qualifications, beliefs, and life experiences, regardless of gender, ethnic background, religion, age, sexual orientation, as an equal part of the team with equal opportunities.

Employee development

Citadele supports professional skill and competence development for all employees. Employees have access to personalized development plans, solid training curriculum (external & internal courses) and advanced leadership skills' development programs.

The Group also provides trainings, seminars and external certification to its employees enabling development and growth opportunities within the company. Employees can use the e-learning system, retrieving the study materials and taking the respective examinations.

In addition to mandatory training agenda in 2021, Citadele offered a variety of soft skills and specific professional skills trainings – e.g. Leadership skills development, Personal efficiency, Online presentation, English classes, MS Excel skills.

Remuneration policy

Citadele's remuneration policy is designed to attract, motivate, retain and develop professional and talented employees so that it can achieve its short-term and long-term goals.

Citadele Group's remuneration policy includes basic compensation (fixed base salary), variable compensation (incentive schemes, performance based annual bonus, long-term incentive plan) and perks (health insurance, Citadele Group's products at a special employee rate).



1,335

Employees

31 December 2021, Group

Working towards Employer of Choice

Talent development

- Personalized development plans
- Solid training curriculum
- Leadership skills development programs

Training and qualification

Citadele Group, excl. Swiss,
as of 31 December 2021



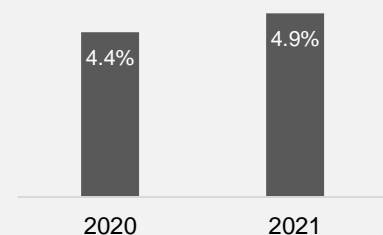
Citadele Employer brand to become an employer of choice

- Competitive remuneration
- Internal activities & initiatives
- Attractive benefits

Staff turnover

% of personnel leaving / year

Citadele bank, as of 31 December 2021



Well-being

Citadele supports an active lifestyle and balance between work and private life by offering a number of benefits, e.g. health insurance, sport-related programs, special offers on bank's products, flexible working hours and team events. We take into account employees' personal needs. Additional holidays can be granted for a wedding, child's first day of school, studies, extraordinary events, additional holiday for kids and others. Monetary grant is given in such life occasions as childbirth and death of a relative.

The well-being of Citadele employees and psychological support is a top priority for the management, who is organising various activities and programmes. In 2021, the Bank launched Wellbeing@Citadele program to inspire everyone to ACT for healthy lifestyle, by providing various tools and activities:

Sport@Citadele: trainings. Number of trainings and active lifestyle related advice were broadcasted via Wellbeing@Citadele YouTube channel and published on the Bank's Intranet.

Wellbeing webinars on healthy lifestyle. 12 webinars were held in 2021, based on topics identified in employee survey. Top themes: diet and/or sports nutrition, training plan preparation and sticking to it, mental and body relaxing, with a focus on spinal/neck health.

Citadele sport set. Sports and active leisure help one recreate, keeping us strong and inspired. Citadele launched a program for employees in the Baltics, to encourage everyone to be energetic, fit and healthy. Every Citadele employee was welcomed to apply for a set of branded sports and active leisure equipment.

Mental Health. Mental wellbeing and stress management are vital to both the worker and the organization. In Citadele we want to create an environment that supports mental health of every employee, by providing set of resources and having an individual approach to every request. Employees are provided with on-line meditation library, webinars and articles.

Inclusive workplace

For Citadele it is important to create a culture of feedback to ensure that every employee in our organisation feels valued, listened to, and understood. Citadele employees are taking part in a regular mood barometer surveys to provide anonymous and honest feedback on life at Citadele. Managers of units and functions receive detailed reports, and they are invited to share and discuss the overview with the teams. Citadele encourages to provide comments regarding factors impacting our wellbeing at workplace – both positive and negative, as this is the way how we can transform and improve the well-being of our employees.

Average eNPS in 2021 was 41% (vs Target >30%) and mood rate (mood %) was very positive - 94%. Special attention is devoted to increase the employee participation rate.

To strengthen employee engagement, Citadele keeps the group's internal communication channels technologically up-to-date and relevant to employees. Regular updates regarding Citadele daily operations are posted on the Bank's Intranet. The Bank conducts regular Live@Citadele sessions held by Management Board representatives where employees are given update on the Bank's strategy, results, development and plans. Sessions include interactive Q&A sessions where everyone is welcome to ask the questions and receive answers from management.

Employee engagement & satisfaction

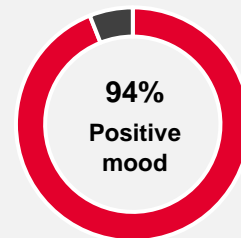
as of 31 December 2021

41% ● eNPS

55% ● Participation rate

Mood barometer

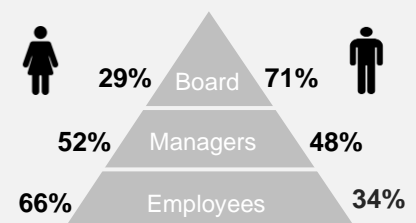
Average per 2021



Diversity

Gender distribution by position and country

Citadele Group, excl. Swiss,
as of 31 December 2021



	Female	Male
Latvia	66%	34%
Lithuania	64%	36%
Estonia	68%	32%
Total	66%	34%

Governance



Citadele's operations are based on high ethical and professional standards. The Bank has developed internal legal framework, including policies, procedures, rules and instructions to set a clear and transparent corporate governance framework. Mechanisms are in place to manage conflicts of interest and avoid transactions and other actions which may pose risk of adversely affecting confidence and trust in Citadele. Citadele is committed to avoid corruption and has no tolerance towards financial crime and non-compliance.

To ensure successful integration of ESG factors into the internal governance of Citadele Group, the Management Board and the Supervisory Board are involved in setting up and communicating ESG related considerations and expectations. Citadele works towards:

- integrating ESG factors and risks into business strategy, business processes and risk management;
- setting and overseeing the progress against the Bank's ESG risk-related objectives and limits, incl. measuring and disclosing key metrics to general public and key stakeholders;
- enhancing awareness, training and expertise, to identify, assess and manage ESG risks at all levels of the bank - business units, internal control functions, management body;
- integrating the ESG factors into company's culture and encouraging staff behaviour that is consistent with Citadele's ESG risk approach.

Internal control

The purpose of the internal control system is to provide justified assurance that the assets of the Bank and the Group are ensured against loss, unauthorised management, the operational risks are identified and managed on an ongoing basis, the amount of capital is adequate to cover the inherent and probable risks of the Bank and the Group, the transactions are performed in line with the procedures prescribed at the Bank and the Group, the Bank and the Group act reasonably, prudently and efficiently in full compliance with the requirements of laws and regulations, and the drawbacks identified in the management of the Bank and the Group are eliminated.

The Bank operates under the 'three lines of defense' structure with an independent risk control and compliance function. The Management Board and the Supervisory Board of the Bank bear responsibility for the creation of the overall internal control system and the efficient functioning thereof. To ensure due responsibility with respect to the preparation of financial statements and the truthfulness, impartiality, explicitness and completeness of the information disclosed therein, adequate accounting methods that are described in the internal regulations are applied at the Group.

The Internal Audit Division is involved in the monitoring and assessment of the internal control system at the Bank and the Group. The reports on the internal audit results prepared by the Internal Audit Division are sent to the Bank's Management Board, Supervisory Board and the Audit Committee thereof, which inter alia oversees the efficiency of the internal control and risk management system. The Internal Audit Division performs its responsibilities in accordance with the applicable laws and regulations, the standards for the professional practice in internal auditing and the internal regulations of the Bank and the Group.

Procedures and policies

In order to implement sustainability throughout the Bank's business activities, Citadele operates in accordance with a number of procedures and policies, for example - the environmental impact of potential projects is assessed based on "Loan origination to legal persons" procedure and "Environmental and social risk inspection" regulation. In social responsibility area Citadele among other internal documents, operates in accordance with Procedure for Donation and Sponsoring Activities, which outlines Citadele goals and principles of donation, Anti-corruption policy, Data protection policy and more.

Anti-corruption framework

The Bank's operation is based on transparent and sustainable actions in the financial markets. The Bank has a zero tolerance for corruption, as well as expects a similar attitude and conduct from its employees, customers and business partners. The Bank follows the principle of not offering bribes or any other unauthorised payments, or incentives, not requesting bribes or any unauthorised payments from the current or prospective clients and business partners. The Bank's employees shall not accept or give bribes, act as intermediaries, or become involved in any other manner in bribery in the interests of the employee itself, the employee's family or other persons.

Internal rules to comply with anti-corruption principles and ensure transparency

For timely identification and understanding of corruption risk, the Bank ensures explicit and unequivocal internal rules for the priority areas enabling to comply with anti-corruption principles and ensure transparency, described in a number of policies and procedures, e.g. Code of Ethics, Policy for the Prevention of Laundering of Proceeds Derived from Criminal Activity and Financing of Terrorism, Policy for a Conflict of Interest in the Rendering of Investment and Ancillary Investment Services, Procedures for Assessment of Reports on Breaches, Monitoring of Employee Transactions, Procurement and more.

Citadele also has an internal whistleblowing process where employees can anonymously report violations of internal or external rules sending the notification via the

link of the Banks internal website, by contacting in person or sending a letter by mail or an e-mail addressed to the respective contact person. Reported violations are reviewed by Ethics and Disciplinary Committee.

All employees are trained in the field of the prevention of corruption risk and fraud risk, as well are attested annually of their compliance with the principles prescribed in Anti-corruption policy.

Data security

The security of customer data is a key prerequisite for long-term success in the banking industry and among

top priorities for Citadele. Citadele applies the highest standards to its IT infrastructure and security, and it has a dedicated, group-wide cyber security team. Incident management process is defined and followed, including process of identification, mitigation, documentation, and analysis of incident root causes.

The Bank provides annual mandatory trainings on information security and quarterly phishing alertness tests for employees aimed at checking and raising employee cyber awareness. Citadele invests resources to maintain and improve data security.

More information about Citadele

More information on the business activities of the Citadele Group, financial performance, geographical markets, risk politics and the development of the Group is available in the "Investor Relations" and "About us" sections of www.cblgroup.com website.

Risk management Information on the elements of the risk management system is available in AS Citadele banka Annual report for the year ended 31 December 2021 and Risk management and capital adequacy report (Pillar 3 disclosures) published on the Bank's website www.cblgroup.com (section "About us", subsection "Corporate governance").

Learn more about Citadele



On our website
www.cblgroup.com



In our financial reports
www.cblgroup.com/en/investors/financial-reports/



In our risk and capital adequacy reports
www.cblgroup.com/en/about/governance/risk-management/