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AS Citadele banka

INTERIM REPORT

For the three months
ended 31 March 2022



Key figures and events of the Group

Strong financial performance with net profit (Baltics) reaching EUR 12.7 million in Q1 2022, which translated into 12.8% return on equity, in a quarter marked by the war in Ukraine.

Stable underlying asset quality, with expected credit losses of 90 basis points, mainly driven by macro provisions.

On the back of attractive digital solutions and services the bank's active customers reached an all-time high of 363 thousand active clients as of 31 March 2022, 5% growth y-o-y.

During the first quarter the bank issued EUR 297 million in new financing to support Baltic private, SME and corporate customers.

The deposit base remained stable and Baltic deposits constituted EUR 3,566 million as of 31 March 2022, or 97% from total deposits.

The Bank continues to operate on the back of adequate capital and liquidity ratios. Group's CAR, transitional (including period's result) was 18.7% and LCR of 205% as of 31 March 2022.

<i>EUR millions</i>	3m 2022*	3m 2021*	3m 2020*
Net interest income	27.4	25.6	17.5
Net fee and commission income	10.3	7.5	6.6
Net financial and other income	1.7	1.9	1.4
Operating income	39.4	35.0	25.5
Operating expense	(20.8)	(20.0)	(18.1)
Net credit losses and impairments	(6.1)	(3.1)	(15.4)
Net profit from continuous operations (after tax)	12.7	12.2	(8.0)
Return on average assets (ROA)	1.03%	1.10%	(0.90%)
Return on average equity (ROE)	12.8%	14.0%	(9.5%)
Cost to income ratio (CIR)	52.9%	57.2%	70.8%
Cost of risk ratio (COR)	0.9%	0.6%	3.8%

<i>EUR millions</i>	31 Mar 2022*	31 Dec 2021*	31 Dec 2020*
Total assets	4,913	4,916	4,408
Loans to public	2,772	2,695	1,534
Deposits from customers	3,676	3,674	3,486
Shareholders' equity	400	397	344
Loan-to-deposit ratio	75%	73%	44%
Total capital adequacy ratio (CAR), transitional (including period's result)	18.7%	18.8%	26.0%
Common equity Tier 1 (CET1) capital ratio, transitional (including period's result)	16.2%	16.3%	22.1%
Full time employees	1,363	1,335	1,230

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

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Rounding and Percentages

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

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

The first quarter of the year was dominated by Russia's invasion into Ukraine. Citadele stands with the international community in condemning Russia's actions. Our thoughts go out to everyone affected by the war. We are closely following the developments and taking actions to the best of our abilities to care for our employees and customers and also support refugees arriving in the Baltic states. Despite the uncertainty, we deliver a strong first quarter both financially and operationally.

Johan Åkerblom

CEO and Chairman of the Management Board



Uncertainty in global economy has increased, but economic recovery in the Baltics remains strong

Baltic region continues to recover from Covid-19 pandemic and economic growth maintained strong momentum also in the first months of 2022. Unfortunately, new risks have emerged, and economic outlook has become much more uncertain. Russia's invasion into Ukraine has already pushed commodity prices higher, globally inflation has accelerated to multi-decade highs and lockdowns in China is causing new supply chain disruptions. Rising inflation is also leading to global monetary tightening as central banks begin to raise interest rates. In the Baltics reliance on energy imports from Russia is adding to these global risks and have led to lower economic growth forecasts. In March and April economic sentiment in the Baltics has declined but remains significantly above levels seen at the start of the Covid-19 pandemic in March 2020. Business in the Baltics have a successful history of coping with changing economic circumstances and short-term data has been better than expected. Low debt levels, balanced economic development in previous years and inflows from EU recovery fund should help Baltic region to successfully manage the new challenges.

Recent events in Ukraine and Russian sanctions

Citadele is closely monitoring the situation in Ukraine, business continuity is high on agenda and the bank is holding regular meetings to ensure full coordination. All new laws, policies and sanctions, including sanctions imposed on Russia, are implemented diligently. Citadele's focus is the Baltic region

and there is no direct exposure to Russia, Belarus or Ukraine. As of today, Citadele has not experienced any material impact from the recent events in Ukraine or from Russian sanctions. The indirect impact from these events is monitored, as Citadele's clients and the economy is adjusting to the new situation.

Ukrainian citizens can open account and make payments free of charge

Ukrainian citizens are welcome to Citadele branches in Latvia, Lithuania or Estonia to apply for the opening of a bank account for free of charge. The bank also offers payments to Ukrainian accounts free of commissions.

Citadele customers can support people of Ukraine in the form of X REWARDS points of the Citadele loyalty program. Our clients have donated more than 9 million X REWARDS points and Citadele has doubled the amount. Total donation for Ukrainians support constituted 75 000 euros. Donation to the aid of Ukraine is organised in cooperation with the Latvian Samaritan's Association and used for providing food, medical and other supplies.

Innovations and development

In Q1 2022 Citadele continued its digitalisation strategy. Digital onboarding for SMEs was introduced in Lithuania, having previously been available in Latvia. The bank now offers the possibility for private clients to apply for Mortgage loan or Leasing via Mobile banking application in Latvia and Lithuania. In addition to already existing Buy Now Pay Later option through Klix for e-commerce checkouts, this option was also made available to Citadele merchants in physical stores.

Growing client base

The bank continues to attract new clients and we are proud for the trust we get from a record number of active customers – reaching 363 thousand clients as of 31 March 2022, 5% growth y-o-y. The number of active Mobile App users was 207 thousand, a 28% increase y-o-y.

EUR 297 million issued in new financing to Baltic private, SME and corporate customers

We have continued to support the business community with financing for growth and expansion. New financing to our customers reached EUR 297 million in Q1 2022, remaining flat q-o-q.

The total loan book as of 31 March 2022 was EUR 2,772 million, 3% higher vs. the year end 2021.

Due to uncertainty related to higher energy prices and the war in Ukraine followed by worsening of macro-economic forecasts, net credit losses in amount of EUR 6.1 million were recognised in Q1 2022 to reflect underlying cost of risk.

Overall, the financial standing of our clients is reassuring, and portfolio quality continued to improve and the NPL ratio stood at 3.1% as of 31 March 2022, vs. 3.3% at the end of 2021.

Strong financial results and further focus on core activities in the Baltics

Strong financial performance with Baltic operations net profit reaching EUR 12.7 million in Q1 2022, which translated into 12.8% return on equity.

In January 2022, Citadele has entered into a binding agreement with Trusted Novus Bank Limited regarding the sale of its

Swiss subsidiary - Kaleido Privatbank AG. Trusted Novus Bank Limited will acquire 100% of Kaleido Privatbank AG. The closing of the acquisition is expected by the year end 2022, subject to regulatory approvals. As of 31 March 2022, Kaleido Privatbank AG is presented as discontinued operations.

Continuing operations customer deposits remained flat vs. the year end 2021 and constituted EUR 3,676 million as of 31 March 2022.

Loan-to-deposit ratio was 75% as of 31 March 2022, compared to 71% as of the year end 2021.

Citadele continues to operate with adequate capital and liquidity ratios:

CAR, transitional (including period's result) of 18.7% and LCR of 205% as of 31 March 2022.

Citadele signs the UN principles for responsible banking

Citadele is committed to integrate sustainability throughout all our business operations. Our sustainability strategy is in line with the UN Principles for Responsible Banking - creating a long-term value and contributing to greener and more inclusive future for all our stakeholders. By signing the principles, we have joined the world's largest global banking community focusing on sustainable finance, and

we look forward to work and achieve the Paris Agreement on Climate Change and UN Sustainable Development Goals.

Financial review of the Group

Results and profitability in Q1 2022 – Baltics

Net interest income reached EUR 27.4 million in Q1 2022, a slight 1% increase as compared to Q4 2021.

The Group's **net fee and commission income** in Q1 2022 reached EUR 10.3 million, which translates into a 7% increase q-o-q.

Operating income in Q1 2022 reached EUR 39.4 million, 6% higher than in Q4 2021, supported by favourable net interest income development and strong cards income.

Operating expenses in Q1 2022 was EUR 20.8 million, or 16% decrease q-o-q. Staff costs decreased by 6% to EUR 14.5 million. The number of full-time employees was 1,363 vs. 1,335 as of 31 December 2021. Other costs were EUR 4.3 million (48% decrease q-o-q). Depreciation and amortization expenses stood at EUR 2.1 million (18% decrease q-o-q).

Citadele's **cost to income ratio** in Q1 2022 improved to 53% versus 67% in Q4 2021.

Net credit losses in amount of EUR 6.1 million were recognised in Q1 2022 following the worsening of macro-economic forecasts.

The overall credit quality of the loan book continued to improve and **Stage 3 loans to public**, gross ratio has decreased to 3.1% as of 31 March 2022, compared to 3.3% at the end of 2021, benefiting from recoveries from several legacy cases.

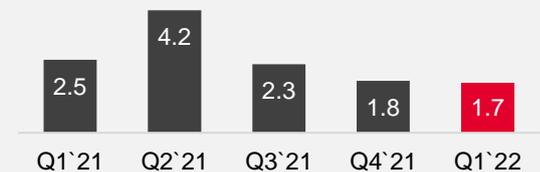
Net interest income, EURm



Net fee and commission income, EURm



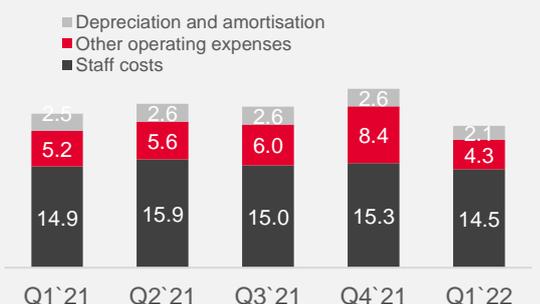
Net Financial & other income, EURm



Operating income, EURm



Operating expense, EURm



Balance sheet overview

The **Group's assets** stood at EUR 5,061 million as of 31 March 2022 remaining flat since the year end 2021 (EUR 5,055 million).

As of 31 March 2021, Kaleido Privatbank AG (currently in the sales process) is presented as discontinued operations.

The **net loan portfolio** of continuing operations was EUR 2,772 million as of 31 March 2022, increasing by EUR 77 million (3%) from the year end 2021.

New financing in Q1 2022 constituted EUR 297.3 million (EUR 293 million in Q4 2021). EUR 86 million were issued to private customers, EUR 81 million to SMEs and EUR 130 million to corporate customers. In terms of products, EUR 160.4 million constituted regular (mortgage) loans, EUR 120.1 leasing and factoring, and EUR 16.8 million consumer and micro loans.

In terms of loan **portfolio's geographical profile**, Latvia accounted for 47% of the portfolio, with EUR 1,310 million (vs. 48% as of the year end 2021), followed by Lithuania at 38% with EUR 1,052 million (vs. 37% as of the year end 2021) and Estonia at 14% with EUR 396 million (vs. 14% as of the year end 2021). EUR 14 million (0.5% of the portfolio) was issued to other EU and other countries.

Loans to Households represented 44% of the portfolio (vs. 45% as of the year end 2021). Mortgages have increased by 3% since the year end 2021, and constituted EUR 808 million. Finance leases increased by 3% and reached EUR 315 million. Increase seen also in consumer lending - 8% vs. the year end 2021 (EUR 77 million). Card lending has slightly decreased by 1% in Q1 2022 and was EUR 55 million. Overall, the main industry concentrations were Real estate purchase and management (20% of gross loans), Manufacturing (15%), Transport and Communications (13%) and Trade (14%).

The Group's securities portfolio performance during Q1 2022 was affected by rapid rise of interest rates that had an adverse effect on revaluation reserve in current portfolio. However change of interest rate environment also opens more opportunities, as low EUR interest rate environment had been a drag on portfolio performance during the past years. Rapid shift to positive yields means that it will be possible to reinvest cash from maturing bonds at higher yields, thus increasing interest income for upcoming periods.

The main source of funding, **customer deposits** of continuing operations, **remained flat** vs. the year end 2021 and were EUR 3,676 million. Baltic domestic customer deposits formed 97% of total deposits or EUR 3,566 million (vs. 94% as of the year end 2021).

Loans, EURm

Continuing operations



Deposits, EURm

Continuing operations



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Baa2 rating with stable outlook (13 September 2021).

The main credit strengths are:

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

Moody's

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

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

Segment highlights

Retail segment

Service sectors are recovering from Covid-19 restrictions, and we see that customer activity has returned to services in person, e.g. spendings in restaurants. Credit card and real estate transactions shows positive trend. At the same time, recent events in Ukraine have impacted customer daily activities and payment card data shows that stocks of various commodities, including fuel, have been purchased.

Following increase in electricity prices and growing interest of the population in the use of renewable energy resources, the demand for loans for the purchase of solar panels has almost tripled in Q1 2022 compared to the last six months of 2021.

The number of active Retail customers reached a new all-time high level for Citadele, and primary customers continued to grow reaching 180 thousand clients as of 31 March 2022, a 17% increase y-o-y.

New lending to Retail customers reached EUR 167 million in Q1 2022, of which EUR 85.5 million was issued to Private individuals and EUR 81.5 million to SMEs. Total loans to Private individuals and SME customers reached EUR 1,781 million, a 3% increase since the year end 2021 with good loan quality.

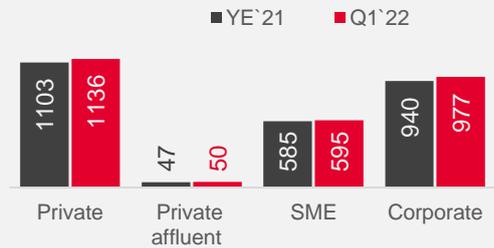
Deposits from Private individuals and SMEs remained flat vs. the year end 2021 and constituted EUR 2,622 million.

Corporate segment

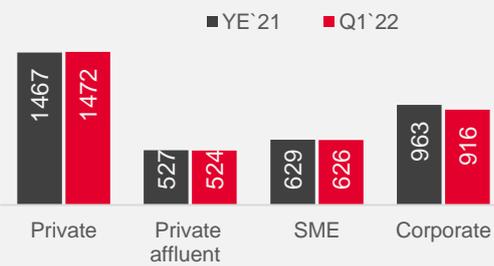
Corporate new financing in Q1 2022 reached EUR 130 million. Most active clients were in the real estate business, trade and transport. The total corporate loan portfolio grew by 4% compared to the year end 2021 and reached EUR 977 million. Credit portfolio quality is stable.

The deposit portfolio decreased by 5% vs. the year end 2021 and was EUR 916 million as of 31 March 2022.

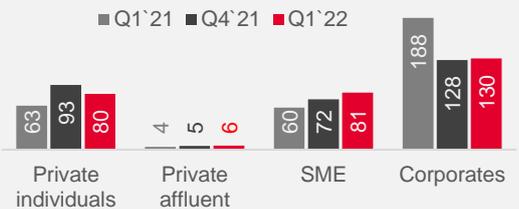
Loans, EURm



Deposits, EURm



New lending, EURm



Operating income, EURm



Business Environment

Uncertainty in global economy has increased

Global economy continues to recover from Covid-19 pandemic and business sentiment indicators remain in expansionary territory, however recovery remains incomplete, inflation is now at multi-decade highs and global economic outlook has worsened in recent months. Russia's invasion into Ukraine has already pushed commodity prices higher, while lockdowns in China are likely to cause new supply disruptions. Rising inflation is leading global monetary tightening as central banks begin to increase interest rates.

These factors are being reflected in the lower economic growth forecasts. In April 2022 International Monetary Fund cut its global economic growth forecast for 2022 from 4.4% to 3.6%.

Economic recovery in the Baltics remains strong

Economic growth in the Baltics in Q1 2022 remained strong, and the consequences of the Russia's invasion into Ukraine are currently mostly felt only in rising inflation. In Q1 2022 GDP in Latvia grew by 5.9% compared to Q1 2021 while GDP in Lithuania increased by 4.1%.

Economic recovery in the Baltics has been stronger than in other euro area countries although strong economic growth numbers in Q1 2022 is partially due to the low economic activity at the beginning of 2021 and stricter Covid-19 restrictions. Since end of 2019 GDP in Latvia has increased by 3.5% and by 6% in Lithuania, while in Estonia GDP in Q4 2021 was 7% above pre Covid-19 levels.

Risks have increased, but growth continues

Risks to the economic outlook in the Baltic region have increased in recent months. In March and April economic sentiment in the Baltics has declined due to war in Ukraine, although economic sentiment remains significantly above levels seen at the start of the Covid-19 pandemic in March 2020. However, short-term data has been better than expected.

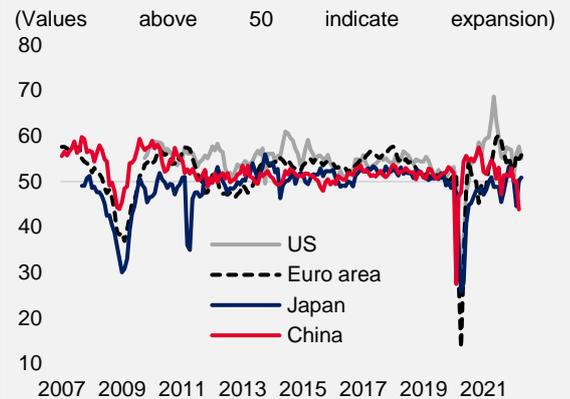
Since February 2022 credit card turnover has increased, unemployment is decreasing, the number of vacancies and job advertisements is growing. Also, despite high prices, electricity consumption is higher than a year ago, indicating stable industrial activity. This points to a continued economic growth in the Baltics.

Inflation is a significant risk to economic growth

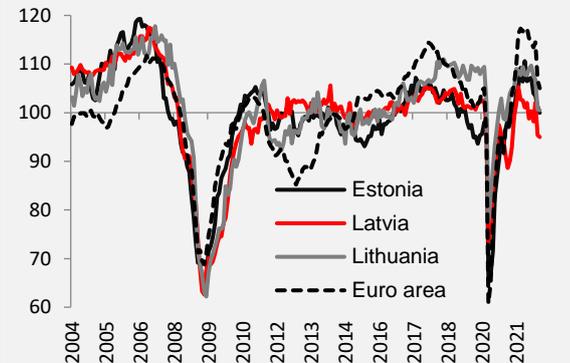
Global prices of food, energy and other raw materials have continued to increase due to Russia's invasion into Ukraine, and inflation in all three Baltic countries has exceeded 10% for the first time since 2008 while in Estonia inflation is nearing 19%.

Inflation in the Baltics will remain high in the near future and could potentially increase further as higher global prices get passed on to consumers. Heating costs are set to increase dramatically in autumn although government support measures are expected to soften this impact. Inflation in the Baltics has now exceeded wage growth and will lead to falling real incomes. High inflation, declining real incomes and potential supply shortages are significant growth risks for the Baltic region.

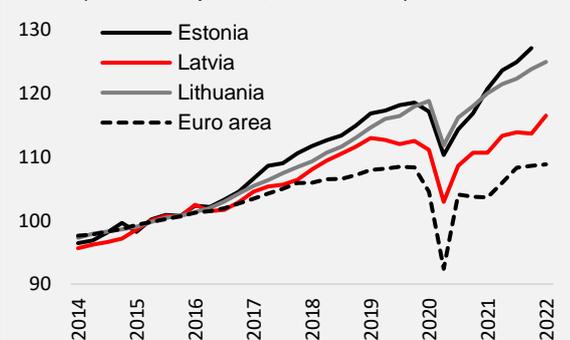
IHS Markit Composite PMI



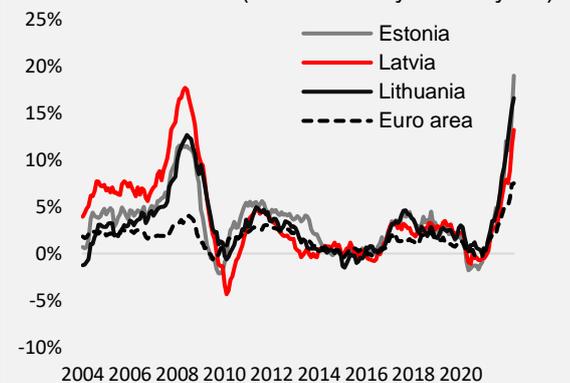
Economic sentiment indicator



GDP (constant prices, 2015=100)



Inflation (% year-on-year)



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.

Supervisory Board of the Bank as of 31/03/2022:

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 Divedi	Member of the Supervisory Board	20 April 2015
Lawrence Neal Lavine	Member of the Supervisory Board	20 April 2015
Klāvs Vasks	Member of the Supervisory Board	30 June 2010
Nicholas Dominic Haag	Member of the Supervisory Board	19 December 2016
Karina Saroukhanian	Member of the Supervisory Board	19 December 2016
Sylvia Yumi Gansser Potts	Member of the Supervisory Board	29 October 2018

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

Management Board of the Bank as of 31/03/2022:

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 financial statements of the Bank and for the preparation of the consolidated financial statements of the Bank and its subsidiaries (hereinafter – the Group).

The condensed interim financial statements set out on pages 12 to 35 are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 31 March 2022 and 31 December 2021 and the results of their operations, changes in shareholders' equity and cash flows for the three months periods ended 31 March 2022 and 31 March 2021 in accordance with IAS 34 Interim Reporting as adopted by the European Union. The management report set out on pages 4 to 10 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

The condensed interim financial statements are prepared on a going concern basis in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

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

STATEMENT OF INCOME

		EUR thousands			
	Note	3m 2022 Group	3m 2021 Group Represented discontinued operations	3m 2022 Bank	3m 2021 Bank
Interest income	5	31,598	29,500	25,378	21,038
Interest expense	5	(4,208)	(3,891)	(4,168)	(3,788)
Net interest income		27,390	25,609	21,210	17,250
Fee and commission income	6	15,459	12,703	13,898	10,772
Fee and commission expense	6	(5,157)	(5,186)	(5,066)	(5,053)
Net fee and commission income		10,302	7,517	8,832	5,719
Net financial income	7	203	2,183	1,013	2,213
Net other income / (expense)	8	1,484	(300)	(88)	5
Operating income		39,379	35,009	30,967	25,187
Staff costs		(14,458)	(13,529)	(12,420)	(11,200)
Other operating expenses		(4,311)	(4,503)	(3,929)	(4,066)
Depreciation and amortisation		(2,073)	(1,999)	(1,985)	(1,889)
Operating expense		(20,842)	(20,031)	(18,334)	(17,155)
Profit before impairment		18,537	14,978	12,633	8,032
Net credit losses	9	(6,056)	(3,119)	(3,484)	(4,760)
Other impairment losses and other provisions		(51)	(18)	(54)	(20)
Operating profit from continuous operations		12,430	11,841	9,095	3,252
Result from non-current assets held for sale and discontinued operations		(596)	(975)	(38)	(56)
Operating profit		11,834	10,866	9,057	3,196
Income tax		(273)	(393)	(42)	(7)
Net profit		11,561	10,473	9,015	3,189
Basic earnings per share in EUR	18	0.07	0.07	0.06	0.02
Diluted earnings per share in EUR	18	0.07	0.07	0.06	0.02

The notes on pages 16 to 35 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	3m 2022 Group	3m 2021 Group	3m 2022 Bank	3m 2021 Bank
Net profit	11,561	10,473	9,015	3,189
Other comprehensive income items that are or may be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Fair value revaluation reserve charged to statement of income (Note 7)	220	(9)	220	(9)
Fair value revaluation reserve charged to statement of income from discontinued operations	(221)	267	-	-
Change in fair value of debt securities and similar	(8,855)	(1,703)	(6,608)	(856)
Deferred income tax charged / (credited) directly to equity	1	108	-	-
<i>Other reserves</i>				
Foreign exchange retranslation	(253)	(516)	-	-
Other comprehensive income items that may not be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Change in fair value of equity and similar instruments	24	-	24	-
Transfer to retained earnings at disposal	-	-	-	-
Other comprehensive income / (loss)	(9,084)	(1,853)	(6,364)	(865)
Total comprehensive income	2,477	8,620	2,651	2,324

The notes on pages 16 to 35 are an integral part of these financial statements.

BALANCE SHEET

					EUR thousands			
					31/03/2022	31/12/2021	31/03/2022	31/12/2021
					Group	Group	Bank	Bank
Assets								
				Note				
Cash and cash balances at central banks					340,992	371,025	340,992	361,626
Loans to credit institutions					53,341	58,742	51,910	35,693
Debt securities				10	1,639,206	1,801,720	1,592,585	1,652,308
Loans to public				11	2,772,321	2,701,509	2,683,378	2,609,713
Equity instruments				12	1,329	1,279	1,329	1,279
Other financial instruments				12	32,235	42,032	1,157	7,400
Derivatives					4,852	4,303	4,852	4,303
Investments in related entities				13	279	279	77,087	77,087
Tangible assets					20,090	20,444	13,032	11,496
Intangible assets					7,931	8,562	6,120	6,083
Current income tax assets					2,075	1,927	983	871
Deferred income tax assets					2,624	2,676	2,179	2,179
Discontinued operations and non-current assets held for sale				14	149,365	946	946	946
Other assets					34,417	39,117	23,680	28,912
Total assets					5,061,057	5,054,561	4,800,230	4,799,896
Liabilities								
Deposits from credit institutions and central banks				15	476,783	479,235	492,853	499,628
Deposits and borrowings from customers				16	3,676,082	3,813,863	3,663,987	3,665,524
Debt securities issued				17	260,545	258,895	260,545	258,895
Derivatives					1,648	739	1,648	739
Provisions				9	3,893	3,934	3,782	3,882
Current income tax liabilities					200	197	189	189
Deferred income tax liabilities					375	376	-	-
Discontinued operations				14	139,794	-	-	-
Other liabilities					101,804	100,247	28,631	25,476
Total liabilities					4,661,124	4,657,486	4,451,635	4,454,333
Equity								
Share capital				18	156,888	156,888	156,888	156,888
Reserves and other capital components					(1,486)	7,320	(3,959)	2,127
Retained earnings					244,531	232,867	195,666	186,548
Total equity					399,933	397,075	348,595	345,563
Total liabilities and equity					5,061,057	5,054,561	4,800,230	4,799,896
Off-balance sheet items								
Guarantees and letters of credit				19	24,170	34,265	28,871	38,863
Financial commitments				19	382,520	387,943	403,561	431,065

The notes on pages 16 to 35 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands						
	Issued Share capital	Share premium	Securities fair value revaluation reserve <i>(Note 10)</i>	Foreign currency retrans- lation	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2020	156,556	-	4,247	4,138	1,880	177,489	344,310
Share based payments to employees	-	-	-	-	216	-	216
Total comprehensive income	-	-	(1,337)	(516)	-	10,473	8,620
Net result for the period	-	-	-	-	-	10,473	10,473
Other comprehensive income / (loss) for the period	-	-	(1,337)	(516)	-	-	(1,853)
Balance as of 31/03/2021	156,556	-	2,910	3,622	2,096	187,962	353,146
Balance as of 31/12/2021	156,888	239	158	4,805	2,118	232,867	397,075
Share based payments to employees	-	-	-	-	278	103	381
Total comprehensive income	-	-	(8,831)	(253)	-	11,561	2,477
Net profit for the period	-	-	-	-	-	11,561	11,561
Other comprehensive income / (loss) for the period	-	-	(8,831)	(253)	-	-	(9,084)
Balance as of 31/03/2022	156,888	239	(8,673)	4,552	2,396	244,531	399,933

	Bank, EUR thousands					
	Issued Share capital	Share premium	Securities fair value revaluation reserve <i>(Note 10)</i>	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2020	156,556	-	2,589	1,880	156,574	317,599
Share based payments to employees	-	-	-	216	-	216
Total comprehensive income	-	-	(865)	-	3,189	2,324
Net result for the period	-	-	-	-	3,189	3,189
Other comprehensive income / (loss) for the period	-	-	(865)	-	-	(865)
Balance as of 31/03/2021	156,556	-	1,724	2,096	159,763	320,139
Balance as of 31/12/2021	156,888	239	(230)	2,118	186,548	345,563
Share based payments to employees	-	-	-	278	103	381
Total comprehensive income	-	-	(6,364)	-	9,015	2,651
Net profit for the period	-	-	-	-	9,015	9,015
Other comprehensive income / (loss) for the period	-	-	(6,364)	-	-	(6,364)
Balance as of 31/03/2022	156,888	239	(6,594)	2,396	195,666	348,595

The notes on pages 16 to 35 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION

Citadele is a Latvian-based bank offering retail, private banking, asset management, lending, leasing and other commercial banking services. As of period end the Bank operates branches in Latvia, Lithuania and Estonia. AS Citadele banka is the parent company of the Group, which has a subsidiary bank in Switzerland and several financial services subsidiaries. The Group's main market is the Baltics (Latvia, Lithuania and Estonia). Citadele was registered as a joint stock company on 30 June 2010. Citadele commenced its operations on 1 August 2010. As of 31 March 2022, the Group had 1,363 (2021: 1,335) and the Bank had 1,124 (2021: 1,100) full time equivalent active employees.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by European Union (EU) on a going concern basis. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in financial position and performance of the Group and the Bank since the last annual consolidated and Bank financial statements for the year ended 31 December 2020. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. This interim financial information should be read in conjunction with the 2021 annual financial statements for the Group and the Bank.

b) New standards and amendments

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

Upcoming requirements not in force from 1 January 2022

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

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

The Group had set up an internal IFRS 17 implementation working group. Within the scope of the project, the Group reworks models, IT systems, processes and documentation which will be followed by final testing and validation. External expertise is to be attracted where and when deemed necessary. As much as possible the Group leverages existing processes, systems, models and data, although in certain areas new models and revisions to the existing models are needed to be developed. The Group is in the process of quantifying the expected impact, as of now having re-assessed part of the agreements. Total insurance liabilities recognised under the current standards are presented as other liabilities and amount to EUR 42.3 million.

Amendments to IAS 1 – Classification of liabilities as current or non-current

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

Amendments to IAS 8 – Definition of Accounting Estimate

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

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

c) Functional and Presentation Currency

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

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

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

NOTE 4. OPERATING SEGMENTS

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

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

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

Main business segments of the Group are:

Retail Private

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

Private affluent

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

Retail SME

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

Corporate

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

Asset management

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

Other

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

Segments of the Group

	Group 3m 2022, EUR thousands						
	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management		
Interest income	11,622	420	6,828	9,902	71	2,755	31,598
Interest expense	(818)	(336)	(310)	(487)	(47)	(2,210)	(4,208)
Net interest income	10,804	84	6,518	9,415	24	545	27,390
Fee and commission income	5,076	961	3,435	3,567	1,818	602	15,459
Fee and commission expense	(2,296)	(227)	(1,092)	(1,654)	(128)	240	(5,157)
Net fee and commission income	2,780	734	2,343	1,913	1,690	842	10,302
Net financial income	293	357	618	528	(819)	(774)	203
Net other income	(408)	(119)	102	92	1,562	255	1,484
Operating income	13,469	1,056	9,581	11,948	2,457	868	39,379
Net funding allocation	(12)	266	(32)	(353)	1	130	-
FTP adjusted operating income	13,457	1,322	9,549	11,595	2,458	998	39,379
Net credit losses	(1,284)	(90)	(2,052)	(2,703)	1	72	(6,056)
Net result from continuous operations before operating expense	12,173	1,232	7,497	8,892	2,459	1,070	33,323
Not allocated income and expense, net							(21,762)
Net profit / (loss)							11,561

	Group 3m 2021, EUR thousands (Reclassified for comparability)						
	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management		
Interest income	10,736	498	7,086	8,314	75	2,791	29,500
Interest expense	(318)	(246)	(10)	(86)	(84)	(3,147)	(3,891)
Net interest income	10,418	252	7,076	8,228	(9)	(356)	25,609
Fee and commission income	3,749	1,446	2,610	2,392	1,876	630	12,703
Fee and commission expense	(2,342)	(311)	(877)	(1,355)	(142)	(159)	(5,186)
Net fee and commission income	1,407	1,135	1,733	1,037	1,734	471	7,517
Net financial income	146	180	392	362	(42)	1,145	2,183
Net other income	(376)	(96)	(72)	(108)	202	150	(300)
Operating income	11,595	1,471	9,129	9,519	1,885	1,410	35,009
Net funding allocation	(272)	106	(253)	(380)	7	792	-
FTP adjusted operating income	11,323	1,577	8,876	9,139	1,892	2,202	35,009
Net credit losses	668	85	791	(4,199)	-	(464)	(3,119)
Net result from continuous operations before operating expense	11,991	1,662	9,667	4,940	1,892	1,738	31,890
Not allocated income and expense, net							(21,417)
Net profit / (loss)							10,473

	Group as of 31/03/2022, EUR thousands						
	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management		
Assets							
Cash, balances at central banks	-	-	-	-	-	340,992	340,992
Loans to credit institutions	-	-	-	-	1,432	51,909	53,341
Debt securities	-	-	-	49,555	46,621	1,543,030	1,639,206
Loans to public	1,135,748	50,471	594,956	976,682	-	14,464	2,772,321
Equity instruments	-	-	-	-	-	1,329	1,329
Other financial instruments	-	-	-	-	31,078	1,157	32,235
All other assets	-	-	-	478	8,597	212,558	221,633
Total segmented assets	1,135,748	50,471	594,956	1,026,715	87,728	2,165,439	5,061,057
Liabilities							
Deposits from banks	-	-	60	-	-	476,723	476,783
Deposits from customers	1,472,268	523,814	625,628	916,042	62,313	76,017	3,676,082
Debt securities issued	-	-	-	-	-	260,545	260,545
All other liabilities	-	-	-	242	46,612	200,860	247,714
Total segmented liabilities	1,472,268	523,814	625,688	916,284	108,925	1,014,145	4,661,124

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

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	3m 2022 Group	3m 2021 Group Represented discontinued operations	3m 2022 Bank	3m 2021 Bank
Interest income calculated using the effective interest method:				
Financial instruments at amortised cost:				
Loans to public	18,555	16,312	23,207	19,672
Debt securities	949	483	949	483
Cash balances at and lending to/from central banks and credit institutions (including TLTRO-III)	725	567	727	568
Deposits from public at negative interest rates	278	76	312	91
Debt securities at fair value through other comprehensive income	250	269	183	224
Interest income on finance leases (part of loans to public)	10,841	11,793	-	-
Total interest income	31,598	29,500	25,378	21,038
Interest expense on:				
Financial instruments at amortised cost:				
Deposits and borrowing from public	(1,729)	(2,299)	(1,697)	(2,222)
Debt securities issued	(1,791)	(900)	(1,791)	(900)
Deposits from credit institutions and central banks	(54)	(204)	(94)	(231)
Deposits to central banks and other assets at negative interest rates	(193)	(15)	(177)	(9)
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(32)	(44)	-	-
Lease liabilities	(11)	(17)	(11)	(14)
Other interest expense	(398)	(412)	(398)	(412)
Total interest expense	(4,208)	(3,891)	(4,168)	(3,788)
Net interest income	27,390	25,609	21,210	17,250

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

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	3m 2022 Group	3m 2021 Group Represented discontinued operations	3m 2022 Bank	3m 2021 Bank
Fee and commission income:				
Cards	9,055	6,866	9,055	6,866
Payments and transactions	2,751	2,511	2,757	2,514
Asset management and custody	1,904	1,959	457	440
Securities brokerage	128	128	128	130
Other fees	553	457	526	383
Total fee and commission income from contracts with customers	14,391	11,921	12,923	10,333
Guarantees, letters of credit and loans	1,068	782	975	439
Total fee and commission income	15,459	12,703	13,898	10,772
Fee and commission expense on:				
Cards	(4,021)	(4,091)	(4,020)	(4,091)
Asset management, custody and securities brokerage	(245)	(210)	(240)	(210)
Payments, transactions and other fees	(891)	(885)	(806)	(752)
Total fee and commission expense	(5,157)	(5,186)	(5,066)	(5,053)
Net fee and commission income	10,302	7,517	8,832	5,719

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	3m 2022 Group	3m 2021 Group Represented discontinued operations	3m 2022 Bank	3m 2021 Bank
Foreign exchange trading, revaluation and related derivatives	2,183	1,958	2,119	1,921
Non-trading assets and liabilities at fair value through profit or loss	(1,769)	238	(895)	305
Assets at fair value through other comprehensive income	(220)	9	(220)	9
Assets at amortised cost	(6)	-	(6)	-
Modifications in cash flows which do not result in derecognition	15	(22)	15	(22)
Total net financial income	203	2,183	1,013	2,213

NOTE 8. OTHER OPERATING EXPENSES

	EUR thousands			
	3m 2022 Group	3m 2021 Group Represented discontinued operations	3m 2022 Bank	3m 2021 Bank
Information technologies and communications	(1,547)	(1,318)	(1,407)	(1,083)
Consulting and other services	(1,106)	(1,337)	(1,030)	(1,345)
Rent, premises and real estate	(549)	(624)	(492)	(518)
Advertising and marketing	(452)	(361)	(421)	(351)
Non-refundable value added tax	(460)	(578)	(422)	(558)
Other	(197)	(285)	(157)	(211)
Total other expenses	(4,311)	(4,503)	(3,929)	(4,066)

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	3m 2022 Group	3m 2021 Group Represented discontinued operations	3m 2022 Bank	3m 2021 Bank
Loans to credit institutions	82	7	82	(1)
Debt securities	(323)	(801)	(324)	(801)
Loans to public	(6,072)	(3,606)	(3,584)	(4,972)
Loan commitments, guarantees and letters of credit	(22)	(9)	101	(222)
Recovered written-off assets	279	1,290	241	1,236
Total net losses on financial instruments	(6,056)	(3,119)	(3,484)	(4,760)

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

In 2020 the Group and the Bank recognised an impairment overlay for Stage 1 classified loans to public exposures. The impairment overlay addressed increased uncertainty regarding the forward-looking economic conditions in the unusual environment where duration and severity of Covid-19 situation and associated possible disruptions to the Baltic economies and customers of the Group was uncertain. The impairment overlay accounts 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. The impairment overlay concept is maintained as other factors contributing to uncertainty continues to persist.

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

Classification of impairment stages

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

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

Stage 3 – Credit-impaired financial instruments

Allowances for credit losses and provisions

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
<u>Stage 1</u>				
Loans to credit institutions	10	93	10	93
Debt securities	2,280	2,015	2,251	1,927
Loans to public	39,670	35,204	26,003	23,184
Loan commitments, guarantees and letters of credit	3,061	3,378	3,017	3,325
Total stage 1 credit losses and provisions	45,021	40,690	31,281	28,529
<u>Stage 2</u>				
Loans to public	12,985	10,702	9,885	8,873
Loan commitments, guarantees and letters of credit	534	358	534	358
Total stage 2 credit losses and provisions	13,519	11,060	10,419	9,231
<u>Stage 3</u>				
Loans to public	34,215	35,709	30,501	32,544
Loan commitments, guarantees and letters of credit	198	98	130	98
Total stage 3 credit losses and provisions	34,413	35,807	30,631	32,642
Total allowances for credit losses and provisions	92,953	87,557	72,331	70,402
<i>Including for debt securities classified at fair value through other comprehensive income</i>	115	136	86	97

In case of purchased or originated credit impaired (POCI) loans originated before acquisition date by the recently acquired subsidiary, the initial recognition date for these POCI loans in the Group's consolidated accounts is the acquisition date of the subsidiary. For POCI loans only the cumulative changes in lifetime expected credit losses since initial recognition are 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 are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

NOTE 10. DEBT SECURITIES

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

	Group, EUR thousands					
	31/03/2022			31/12/2021		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	36,891	118,957	155,848	60,706	98,933	159,639
AA/Aa	14,548	258,753	273,301	37,904	268,521	306,425
A	184,013	946,708	1,130,721	225,476	1,024,958	1,250,434
BBB/Baa	12,588	16,705	29,293	16,118	19,059	35,177
Lower ratings or unrated	489	49,554	50,043	497	49,548	50,045
Total debt securities	248,529	1,390,677	1,639,206	340,701	1,461,019	1,801,720
<i>Including general government</i>	<i>176,967</i>	<i>1,021,733</i>	<i>1,198,700</i>	<i>217,119</i>	<i>1,096,043</i>	<i>1,313,162</i>
<i>Including credit institutions</i>	<i>12,316</i>	<i>151,034</i>	<i>163,350</i>	<i>35,606</i>	<i>163,270</i>	<i>198,876</i>
<i>Including classified in stage 1</i>	<i>248,529</i>	<i>1,390,677</i>	<i>1,639,206</i>	<i>340,701</i>	<i>1,461,019</i>	<i>1,801,720</i>

	Bank, EUR thousands					
	31/03/2022			31/12/2021		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	31,429	118,957	150,386	32,727	84,967	117,694
AA/Aa	14,548	258,753	273,301	14,703	256,295	270,998
A	154,488	946,708	1,101,196	184,238	1,011,665	1,195,903
BBB/Baa	1,443	16,705	18,148	1,498	16,668	18,166
Lower ratings or unrated	-	49,554	49,554	-	49,547	49,547
Total debt securities	201,908	1,390,677	1,592,585	233,166	1,419,142	1,652,308
<i>Including general government</i>	<i>156,257</i>	<i>1,021,733</i>	<i>1,177,990</i>	<i>185,496</i>	<i>1,083,706</i>	<i>1,269,202</i>
<i>Including credit institutions</i>	<i>4,587</i>	<i>151,034</i>	<i>155,621</i>	<i>5,219</i>	<i>151,193</i>	<i>156,412</i>
<i>Including classified in stage 1</i>	<i>201,908</i>	<i>1,390,677</i>	<i>1,592,585</i>	<i>233,166</i>	<i>1,419,142</i>	<i>1,652,308</i>

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

Debt securities by country of issuer

	Group, EUR thousands					
	31/03/2022			31/12/2021		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	572,697	46,049	618,746	590,023	45,847	635,870
Latvia	399,988	3,470	403,458	478,272	3,500	481,772
Germany	10,000	89,358	99,358	12,710	72,922	85,632
Estonia	76,513	21,255	97,768	75,608	21,374	96,982
Poland	67,013	5,936	72,949	70,246	6,060	76,306
Sweden	-	39,493	39,493	3,083	40,842	43,925
United States	10,477	27,193	37,670	12,718	34,527	47,245
Finland	4,994	30,771	35,765	5,000	30,910	35,910
Netherlands	10,496	22,703	33,199	10,651	33,504	44,155
Canada	-	32,757	32,757	-	41,933	41,933
Multilateral development banks	-	48,869	48,869	-	49,532	49,532
Other countries and funds	46,522	72,652	119,174	54,851	107,607	162,458
Total debt securities	1,198,700	440,506	1,639,206	1,313,162	488,558	1,801,720

Bank, EUR thousands

	31/03/2022			31/12/2021		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	566,550	44,406	610,956	582,026	44,111	626,137
Latvia	392,872	2,056	394,928	468,861	2,185	471,046
Germany	10,000	89,358	99,358	10,000	59,468	69,468
Estonia	76,513	19,192	95,705	75,608	19,230	94,838
Poland	66,211	3,084	69,295	66,246	3,075	69,321
Sweden	-	39,493	39,493	-	39,516	39,516
Finland	4,994	30,771	35,765	5,000	30,910	35,910
Netherlands	10,496	22,703	33,199	10,651	33,504	44,155
Canada	-	32,757	32,757	-	41,933	41,933
United States	10,477	20,703	31,180	12,718	34,527	47,245
Multilateral development banks	-	43,407	43,407	-	49,532	49,532
Other countries and funds	39,877	66,665	106,542	38,092	25,115	63,207
Total debt securities	1,177,990	414,595	1,592,585	1,269,202	383,106	1,652,308

No payments on the debt securities are past due. Total exposure to any single country within "Other countries" group as of period end is smaller than 10% of the regulatory capital.

NOTE 11. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Financial and non-financial corporations				
Real estate purchase and management	306,415	261,626	291,497	248,158
Manufacturing	234,371	232,824	122,446	121,038
Transport and communications	211,564	219,457	33,393	33,327
Trade	214,326	191,534	92,332	78,804
Agriculture and forestry	151,951	148,497	75,990	73,439
Construction	134,267	136,358	55,589	58,533
Electricity, gas and water supply	65,830	78,990	49,774	49,744
Hotels, restaurants	44,503	45,003	38,967	39,334
Financial intermediation	42,911	26,266	1,003,972	990,811
Other industries	162,989	178,615	21,768	35,068
Total financial and non-financial corporations	1,569,127	1,519,170	1,785,728	1,728,256
Households				
Mortgage loans	808,273	782,995	808,273	782,995
Credit for consumption	77,142	71,544	77,142	71,544
Card lending	55,489	55,794	55,489	55,794
Finance leases	314,652	307,597	-	-
Other lending	12,400	24,959	6,453	18,983
Total households	1,267,956	1,242,889	947,357	929,316
General government	22,108	21,065	16,683	16,742
Total gross loans to public	2,859,191	2,783,124	2,749,768	2,674,314
Impairment allowance and provisions	(86,870)	(81,615)	(66,390)	(64,601)
Total net loans to public	2,772,321	2,701,509	2,683,378	2,609,713

Loans by overdue days and impairment stage

	Group, EUR thousands									
	31/03/2022					31/12/2021				
	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
Loans to public										
Not past due	2,465,003	226,231	41,149	(49,256)	2,683,127	2,412,494	216,166	44,911	(44,319)	2,629,252
Past due <=30 days	38,861	24,490	4,948	(7,206)	61,093	38,085	10,287	993	(5,983)	43,382
Past due >30 and <=90 days	-	16,097	6,729	(2,921)	19,905	-	15,100	7,635	(2,587)	20,148
Past due >90 days	-	-	35,683	(27,487)	8,196	-	-	37,453	(28,726)	8,727
Total loans to public	2,503,864	266,818	88,509	(86,870)	2,772,321	2,450,579	241,553	90,992	(81,615)	2,701,509
Guarantees and letters of credit	24,024	-	146	(219)	23,951	29,002	100	161	(222)	29,041
Financial commitments	370,787	11,035	352	(3,574)	378,600	378,107	9,217	275	(3,605)	383,994
Total credit exposure to public	2,898,675	277,853	89,007	(90,663)	3,174,872	2,857,688	250,870	91,428	(85,442)	3,114,544

As of 31 March 2022, the gross amount of Group's POCI loans to public is EUR 23.9 million (2021: EUR 26.1 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.4 million (2021: EUR 0.2 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 19 (*Off-balance Sheet Items*).

	Bank, EUR thousands									
	31/03/2022					31/12/2021				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	2,502,802	140,876	21,164	(31,489)	2,633,353	2,435,524	141,440	27,492	(29,803)	2,574,653
Past due <=30 days	20,133	23,015	4,794	(6,935)	41,007	22,051	9,185	826	(5,738)	26,324
Past due >30 and <=90 days	-	3,078	1,546	(1,264)	3,360	-	3,237	1,375	(1,220)	3,392
Past due >90 days	-	-	32,360	(26,702)	5,658	-	-	33,184	(27,840)	5,344
Total loans to public	2,522,935	166,969	59,864	(66,390)	2,683,378	2,457,575	153,862	62,877	(64,601)	2,609,713
Guarantees and letters of credit	28,725	-	146	(219)	28,652	33,601	100	161	(222)	33,640
Financial commitments	392,175	11,035	352	(3,462)	400,100	421,574	9,217	275	(3,552)	427,514
Total credit exposure to public	2,943,835	178,004	60,362	(70,071)	3,112,130	2,912,750	163,179	63,313	(68,375)	3,070,867

Stage 3 loans to public ratio

	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Stage 3 loans to public ratio, gross	3.1%	3.3%	2.2%	2.4%
Stage 3 loans to public ratio, net	2.0%	2.0%	1.1%	1.2%
Stage 3 impairment ratio	39%	39%	51%	52%

The stage 3 loans to public ratio is calculated as stage 3 loans to public divided by total loans to public as of the end of the relevant period. All loans overdue by more than 90 days are classified as stage 3. Non-overdue loans and loans overdue less than 90 days which have been forborne or impairment losses have been identified based on individual assessment or financial condition of the borrower has deteriorated significantly 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 loss rates and future expectations, and where available considering fair value of the loan collateral.

NOTE 12. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	31/03/2022				31/12/2021			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	32,235	1,126	-	33,361	42,032	1,076	-	43,108
Financial assets at fair value through other comprehensive income	-	79	124	203	-	79	124	203
Total non-fixed income securities, net	32,235	1,205	124	33,564	42,032	1,155	124	43,311
<i>Including unit-linked insurance plan assets</i>	<i>22,911</i>	<i>-</i>	<i>-</i>	<i>22,911</i>	<i>25,476</i>	<i>-</i>	<i>-</i>	<i>25,476</i>

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

As of 31 March 2022, the Bank and the Group has investments in mutual investment funds with carrying amounts of EUR 1.2 million (2021: EUR 7.4 million) and EUR 17.2 million (2021: EUR 25.8 million) which are managed by IPAS CBL Asset Management. Further, EUR 13.4 million (2021: EUR 15.2 million) of these Group's investments relate to unit-linked contracts, where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	31/03/2022				31/12/2021			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	1,157	1,126	-	2,283	7,400	1,076	-	8,476
Financial assets at fair value through other comprehensive income	-	79	124	203	-	79	124	203
Total non-fixed income securities, net	1,157	1,205	124	2,486	7,400	1,155	124	8,679

NOTE 13. INVESTMENTS IN RELATED ENTITIES

Changes in investments in related entities of the Bank

	EUR thousands	
	3m 2022	12m 2021
Balance at the beginning of the period, net	77,087	46,756
Equity investments and acquisitions	-	29,203
Investments in associates accounted for using the equity method	-	5
Liquidation of subsidiary	-	(8)
Change in impairment allowance	-	1,131
Balance at the end of the period, net	77,087	77,087
<i>Including associates accounted for using the equity method</i>	<i>279</i>	<i>279</i>
<i>Including gross investment in subsidiaries</i>	<i>99,731</i>	<i>99,731</i>

Acquisition of UniCredit leasing operations in the Baltics in 2021 (comparative period)

In 2019 AS Citadele banka entered into a binding agreement with UniCredit S.p.A. to acquire UniCredit's Baltic leasing operations through the acquisition of 100% of the shares in SIA UniCredit Leasing. Citadele obtained full control from the beginning of January 2021. After completion of the acquisition transaction in 2021, the acquired entity was renamed to SIA Citadele Leasing. The acquisition includes Estonian and Lithuanian branches of the leasing entity and a subsidiary SIA CL Insurance Broker (former legal name SIA UniCredit Insurance Broker). After the acquisition, Citadele refinanced existing borrowings of the acquired entity and committed lending of up to EUR 880 million in total.

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

Other changes in investments in other subsidiaries in 2021 (comparative period)

SIA Hortus Land was liquidated on 27 September 2021 as the entity had no ongoing operations. Similarly, Calenia Investments Limited was liquidated in December 2021. On 1 April 2021 the legal name of the Swiss registered banking subsidiary AP Anlage & Privatbank AG was changed to Kaleido Privatbank AG. Similarly, in 2021 SIA Citadele Līzings un Faktoringas was renamed to SIA Citadele Factoring, UAB Citadele faktoringas ir lizingas was renamed to UAB Citadele Factoring and OU Citadele Leasing & Factoring was renamed to OU Citadele Factoring.

Consolidation Group subsidiaries and associated entities for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							31/03/2022	31/12/2021
AS Citadele banka	40103303559	Latvia, Rīga, Republikas iaukums 2A	BNK	MT	-	-	-	-
SIA Citadele Leasing	40003423085	Latvia, Rīga, Republikas iaukums 2A	LIZ	MS	100	100	29,203	29,203
SIA Citadeles moduļi	40003397543	Latvia, Rīga, Republikas iaukums 2A	PLS	MS	100	100	15,752	15,752
Kaleido Privatbank AG	130.0.007.738-0	Switzerland, Bellerivestrasse 17, 8008, Zürich	BNK	MS	100	100	13,805	13,805
SIA Citadele Factoring	50003760921	Latvia, Rīga, Republikas iaukums 2A	LIZ	MS	100	100	8,043	8,043
IPAS CBL Asset Management	40003577500	Latvia, Rīga, Republikas iaukums 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, Rīga, Republikas iaukums 2A	PLS	MS	100	100	859	859
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Rīga, Republikas iaukums 2A	PFO	MS	100	100	646	646
OU Citadele Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
SIA Mobilly (Investments in associates accounted for using the equity method)	40003654405	Latvia, Dzīnavu iela 91 k-3 - 20, Rīga, LV-1011	ENI	CT	12.5	12.5	279	279
SIA CL Insurance Broker	40003983430	Latvia, Rīga, Republikas iaukums 2A	PLS	MMS	100	100	-	-
AAS CBL Life	40003786859	Latvia, Rīga, Republikas iaukums 2A	APS	MMS	100	100	-	-
Total net investments in subsidiaries and associated entities							77,087	77,087

Consolidation Group subsidiaries in liquidation process in foreign jurisdictions

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							31/03/2022	31/12/2021
OOO Mizush Asset Management Ukraina (in liquidation)	32984601	Ukraine	IBS	MMS	100	100	-	-

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

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

OOO Mizush Asset Management Ukraina is in liquidation as this Group subsidiaries had no ongoing business operations. For OOO Mizush Asset Management Ukraina a liquidator (AA PricewaterhouseCoopers Legal) has been appointed. The final tax audit has been completed. The final report is being prepared and will be submitted as per statutory requirement; in due time a formal liquidation decision from the statutory register is expected.

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

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

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

	EUR thousands	
	3m 2022 Group	3m 2021 Group
Net interest income	361	445
Net fee and commission income	838	633
Other operating income and expense	314	203
Staff costs, other operating expenses, depreciation and amortisation	(2,204)	(2,173)
Net credit losses and other impairment losses	174	11
Income tax	(41)	(38)
Result from discontinued operations	(558)	(919)
Result from non-current assets held for sale	(38)	(56)
Result from non-current assets held for sale and discontinued operations	(596)	(975)

Assets and liabilities constituting discontinued operations

	EUR thousands	
	31/03/2022 Group	31/12/2021 Group *
Assets		
Cash, cash balances at central banks	9,959	-
Loans to credit institutions	20,510	-
Debt securities	99,843	-
<i>Including:</i>		
AAA/Aaa rated	37,468	-
AA/Aa rated	33,298	-
A rated	21,535	-
BBB/Baa rated	7,542	-
General government	24,042	-
Credit institutions	30,948	-
Classified in stage 1	99,843	-
Loans to public (all classified in stage 1)	15,554	-
Other assets	2,553	-
Discontinued operations	148,419	-
Non-current assets held for sale	946	946
Discontinued operations and non-current assets held for sale	149,365	946
Liabilities		
Deposits from credit institutions and central banks	3,600	-
Deposits and borrowings from customers	132,825	-
Other liabilities	3,369	-
Discontinued operations	139,794	-

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

NOTE 15. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/03/2021 Bank
ECB's targeted longer-term refinancing operations	475,090	475,810	475,090	475,810
Deposits from Citadele Group banks	-	-	16,070	20,393
Other credit institution deposits and collateral accounts	1,680	3,419	1,680	3,419
Other central bank deposits and accounts	13	6	13	6
Total deposits from credit institutions and central banks	476,783	479,235	492,853	499,628

On 24 June 2020, Citadele participated in the ECB's latest targeted longer-term refinancing operations (TLTRO-III) borrowing EUR 440 million. The maturity date of the facility is 28 June 2023 with an early repayment option starting on 29 September 2021. In June 2021 TLTRO-III borrowing was increased by EUR 40 million. From 24 June 2020 a basic interest rate on TLTRO-III borrowing has been -0.5%. The interest rate is linked to a reference rate which may change in the future. For banks meeting the ECB's specified lending criteria, which Citadele has met for the reference periods up to 31 December 2021, the interest rate can be as low as -1.0% and is applicable retrospectively. Based on an internal assessment, part of the inflow of economic benefits from TLTRO-III borrowing with negative effective interest rate, which may be justified as market rate, is recognised within interest income. The remainder is a benefit of the below-market rate of interest and is recognised within other income as a support or compensation for the fulfilment of the required obligations and supporting customer needs. In the reporting period Citadele qualified for -1.0% interest rate, instead of -0.5%, as specified lending criteria was met.

NOTE 16. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Households	2,006,051	2,048,986	1,996,595	2,001,336
Non-financial corporations	1,415,665	1,493,271	1,398,518	1,386,755
Financial corporations	171,694	214,207	186,202	220,034
General government	51,399	44,682	51,399	44,682
Other	31,273	12,717	31,273	12,717
Total deposits from customers	3,676,082	3,813,863	3,663,987	3,665,524

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Demand deposits	3,431,843	3,464,832	3,460,133	3,366,093
Term deposits due within:				
less than 1 month	14,807	61,678	7,768	58,141
more than 1 month and less than 3 months	21,823	60,500	17,025	51,867
more than 3 months and less than 6 months	104,190	37,064	100,044	27,036
more than 6 months and less than 12 months	48,408	128,875	43,526	122,432
more than 1 year and less than 5 years	46,230	51,452	32,302	36,521
more than 5 years	8,781	9,462	3,189	3,434
Total term deposits	244,239	349,031	203,854	299,431
Total deposits from customers	3,676,082	3,813,863	3,663,987	3,665,524

Deposits and borrowings from customers by categories

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
At amortised cost	3,644,256	3,774,118	3,663,987	3,665,524
At fair value through profit or loss	31,826	39,745	-	-
Total deposits from customers	3,676,082	3,813,863	3,663,987	3,665,524
<i>Including unit-linked insurance plan liabilities</i>	23,390	25,772	-	-

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

NOTE 17. DEBT SECURITIES ISSUED

Publicly listed debt securities

ISIN code of the issued bond	Eligibility	Currency	Interest rate	Initial maturity date	Principal, EUR thousands	Amortised cost, EUR thousands	
						31/03/2022	31/12/2021
XS2393742122	MREL eligible	EUR	1.625%	22/11/2026	200,000	199,594	198,714
LV0000880102	Subordinated	EUR	5.00%	13/12/2031	40,000	40,599	40,104
LV0000880011	Subordinated	EUR	5.50%	24/11/2027	20,000	20,352	20,077
						260,545	258,895

Unsecured subordinated securities qualify for inclusion in the Bank's and the Group's Tier 2 capital. For details on capital adequacy refer to *Capital management* section of the Note 21 (*Risk Management*).

Issuance of subordinated bonds and MREL eligible senior unsecured bonds

On 17 November 2021, AS Citadele Banka completed issuance of EUR 200 million of senior unsecured preferred bonds (XS2393742122). The bonds were issued with 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. In total almost 40 investors participated in the offering. Out of total order book 59% was received from Nordic and Baltic investors, 27% from UK and 14% from investors of other European countries. The bonds were issued at a spread of 185 basis points over the mid-swap rate. The new security was priced with a coupon of 1.625%. The bonds are listed on Euronext Dublin and Nasdaq Riga. As of the issuance date, the bonds are rated Baa3 by Moody's.

On 10 December 2021 AS Citadele banka completed an oversubscribed issuance of EUR 40 million bonds (LV0000880102) in the local Baltic market by this contributing to the development of the Baltic capital markets. The bonds were issued with ten years maturity, with issuer's optional redemption date after five years and with fixed interest rate of 5% per annum. The purpose of this issuance was to further improve Citadele's capital adequacy ratio as well as to refinance the previous outstanding subordinated bonds issued in 2016. Citadele aims to strengthen the bank's capital position and to support the bank's ongoing growth strategy providing active lending to small and medium sized enterprises. 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 State of the EEA. Out of total order book 52% was received from investors in Latvia, 20% from Lithuania, 19% from Estonia and 9% from other EU countries.

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	13/12/2021	146	45	27,250	68%	101	12,750	32%
LV0000880011	24/05/2021	76	42	16,780	84%	34	3,220	16%

NOTE 18. SHARE CAPITAL

The Bank has one class ordinary shares. As of the period end, the Bank's registered and authorised share capital was EUR 159,344,468 (2021: EUR 159,344,468). From the total registered capital EUR 156,888,384 (2021: EUR 156,888,384) were issued and fully paid while EUR 2,456,084 (2021: EUR 2,456,084) were registered as conditional capital. Subsequent to the period end, on 25 April 2022, the conditional capital was increased to EUR 3,338,055. The conditional capital represents the maximum number of shares that may be allocated for awarding to employees as share options. No dividends were proposed and paid during the reporting period. Each ordinary share carries one vote, a share in profits and is eligible for dividends.

Shareholders of the Bank

	31/03/2022		31/12/2021	
	Paid-in share capital (EUR)	Total shares with voting rights	Paid-in share capital (EUR)	Total shares with voting rights
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC ¹	42,772,216	42,772,216	42,772,216	42,772,216
Delan S.à.r.l. ²	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC ³	15,577,301	15,577,301	15,577,301	15,577,301
NNS Luxembourg Investments S.à.r.l.	-	-	-	-
Amolino Holdings Inc. ⁴	15,639,924	15,639,924	15,639,924	15,639,924
Shuco LLC ⁵	12,297,697	12,297,697	12,297,697	12,297,697
Members of the Management Board of the Bank	302,732	302,732	302,732	302,732
Other shareholders	15,562,406	15,562,406	15,562,406	15,562,406
Total	156,888,384	156,888,384	156,888,384	156,888,384

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

² Delan S.à.r.l. is beneficially owned by the Baupost Group LLC

³ EMS LB LLC is beneficially owned by Mr Edmond M. Safra

⁴ Amolino Holdings Inc. is beneficially owned by Mr James L. Balsilie

⁵ Shuco LLC is beneficially owned by Mr Stanley S. Shuman

Earnings per share

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

	3m 2022 Group	3m 2021 Group	3m 2022 Bank	3m 2021 Bank
Profit for the period, EUR thousands	11,561	10,473	9,015	3,189
Weighted average number of the ordinary shares outstanding during the period in thousands	156,888	156,556	156,888	156,556
Basic earnings per share in EUR	0.07	0.07	0.06	0.02
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	156,888	156,556	156,888	156,556
Effect of share options in issue in thousands	1,191	947	1,191	947
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,079	157,503	158,079	157,503
Profit for the period, EUR thousands	11,561	10,473	9,015	3,189
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,079	157,503	158,079	157,503
Diluted earnings per share in EUR	0.07	0.07	0.06	0.02

NOTE 19. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Contingent liabilities:				
Outstanding guarantees	24,170	17,333	28,871	21,932
Outstanding letters of credit with public	-	5,002	-	5,001
Contingent liabilities with credit institutions	-	11,930	-	11,930
Total contingent liabilities	24,170	34,265	28,871	38,863
Provisions for credit risk	(219)	(229)	(219)	(229)
Maximum credit risk exposure for guarantees and letters of credit	23,951	34,036	28,652	38,634
Financial commitments:				
Card commitments	120,023	122,102	120,036	122,118
Unutilised credit lines and overdraft facilities	51,369	66,443	136,499	166,571
Loans granted, not fully drawn down	150,235	145,566	147,026	142,376
Factoring commitments	60,547	53,488	-	-
Other commitments	346	344	-	-
Total financial commitments	382,520	387,943	403,561	431,065
Provisions for financial commitments	(3,574)	(3,605)	(3,462)	(3,552)
Maximum credit risk exposure for financial commitments	378,946	384,338	400,099	427,513

Lending commitments are a time limited and binding 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 a borrower's creditworthiness.

NOTE 20. ASSETS UNDER MANAGEMENT

Fair value of assets managed on behalf of customers by investment type

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Fixed income securities:				
Corporate bonds	167,570	193,845	-	-
Government bonds	65,167	71,233	-	-
Credit institution bonds	54,558	54,083	-	-
Other financial institution bonds	20,819	22,477	-	-
Total investments in fixed income securities	308,114	341,638	-	-
Other investments:				
Investment funds	600,602	641,845	-	-
Deposits with credit institutions	2,660	1,005	-	-
Compensations for distribution on behalf of deposit guarantee fund	11,222	12,049	11,222	12,049
Shares	106,649	116,175	-	-
Real estate	4,820	4,820	-	-
Loans	618	631	618	631
Other	29,813	31,777	-	-
Total other investments	756,384	808,302	11,840	12,680
Total assets under management	1,064,498	1,149,940	11,840	12,680

Customer profile on whose behalf the funds are managed

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/03/2021 Bank
Pension plans	761,306	814,908	-	-
Insurance companies, investment and pension funds	158,985	187,750	-	-
Other companies and government	20,998	19,397	11,840	12,680
Private individuals	123,209	127,885	-	-
Total liabilities under management	1,064,498	1,149,940	11,840	12,680

NOTE 21. RISK MANAGEMENT

Risk management policies

The Group considers risk management to be an essential component of its management process. The Group believes that it pursues prudent risk management policies that are aligned with its business and which aim to achieve effective risk mitigation. In order to assess and monitor complex risk exposures, the Group applies a wide range of risk management tools in conjunction with risk committees. Members of risk committees represent key operations of the Group in order to balance business and risk orientation within respective risk committees. The Group's risk management principles are set out in its Risk Management Policy. The Group adheres to the following key risk management principles:

- The Group aims to ensure that it maintains low overall risk exposure, diversified asset portfolio, limited risks in financial markets and low levels of operational risk;
- The Group aims to ensure an acceptable risk level in all operations. Risks are always assessed in relation to their expected return. Risk exposures that are not acceptable are avoided, limited or hedged;
- The Group does not assume high or uncontrollable risks irrespective of the return they provide, and assumes risks only in economic fields and geographical regions in relation to which it believes it has sufficient knowledge and expertise;
- Risk management is based on each Group's employee's responsibility for the transactions carried out by him/her and awareness of the related risks;
- The 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, successful development, long-term financial stability and to protect the Group from unidentified risks. Risk management within the Group is controlled by an independent unit – the Risk Sector.

The main risks to which the Group is exposed are credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. Since 31 December 2021 the Group's exposure to market risk, interest rate risk, currency risk and operational risk has not changed materially. 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. For more details on the Group's risk management policies refer to the latest annual report of the Group and the interim disclosures below.

Events in Ukraine and Russian sanctions

The new laws, policies and sanctions, including sanctions imposed on Russia, are diligently implemented. Consistently with long standing Citadele's objective to become the leading financial services provider in the Baltics, internal risk exposure limits with Russia, other CIS countries and Ukraine have been low. As 31 March 2022 the carrying amount of the Group's direct credit exposures with parties domiciled in Russia, Belarus and Ukraine are less than EUR 2.0 million, from these less than EUR 0.1 million are classified as stage 2 or stage 3 exposures. Additionally, carrying value of the Bank's investments in collective investment funds with direct exposure to eastern Europe is around EUR 1.2 million. Of these funds, direct exposures to the above countries are only a part of the overall investment funds' holdings. The indirect impact from these events is regularly monitored.

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

	Group as of 31/03/2022, EUR thousands					Total
	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	
Assets						
Cash and cash balances at central banks	260,418	68,553	12,021	-	-	340,992
Loans to credit institutions	1,432	-	-	12,046	39,863	53,341
Debt securities	403,458	618,747	97,768	397,218	122,015	1,639,206
Loans to public	1,310,414	1,052,329	395,507	9,830	4,241	2,772,321
Equity instruments	124	-	-	79	1,126	1,329
Other financial instruments	17,212	-	-	14,708	315	32,235
Derivatives	4,565	22	-	265	-	4,852
Discontinued operations	2,022	1,745	-	71,460	73,192	148,419
Other assets	50,318	10,579	6,717	685	63	68,362
Total assets	2,049,963	1,751,975	512,013	506,291	240,815	5,061,057
Liabilities						
Deposits from credit institutions and central banks	476,403	60	-	320	-	476,783
Deposits and borrowings from customers	2,885,477	637,669	43,257	16,349	93,330	3,676,082
Debt securities issued	260,545	-	-	-	-	260,545
Derivatives	1,011	189	-	448	-	1,648
Discontinued operations	7,837	-	2,245	31,779	97,933	139,794
Other liabilities	80,797	11,256	14,190	22	7	106,272
Total liabilities	3,712,070	649,174	59,692	48,918	191,270	4,661,124
Off-balance sheet items						
Contingent liabilities	7,516	15,887	480	96	191	24,170
Financial commitments	234,693	122,772	20,987	422	3,646	382,520

For additional information on geographical distribution of securities exposures please refer to Note 10 (Debt Securities). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments. From the Group's loans to credit institutions presented as "Other countries" EUR 27.3 million is with United States registered credit institutions (2021: EUR 23.6 million). From the Group's discontinued operations presented as "Other countries" EUR 10.0 million is central banks balances with Swiss National Bank (2021: EUR 9.4 million), EUR 15.9 million are with Swiss credit institutions (2021: EUR 20.0 million) and EUR 34.8 million are investment grade debt securities exposures.

Group as of 31/12/2021, EUR thousands

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

Bank as of 31/03/2022, EUR thousands

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	260,418	68,553	12,021	-	-	340,992
Loans to credit institutions	-	-	-	12,046	39,864	51,910
Debt securities	394,928	610,956	95,706	381,566	109,429	1,592,585
Loans to public	1,844,090	637,706	188,004	9,559	4,019	2,683,378
Equity instruments	124	-	-	79	1,126	1,329
Other financial instruments	1,157	-	-	-	-	1,157
Derivatives	4,565	22	-	265	-	4,852
Other assets	95,656	9,933	3,907	651	13,880	124,027
Total assets	2,600,938	1,327,170	299,638	404,166	168,318	4,800,230
Liabilities						
Deposits from credit institutions and central banks	476,403	60	-	-	16,390	492,853
Deposits and borrowings from customers	2,889,540	637,848	43,602	15,183	77,814	3,663,987
Debt securities issued	260,545	-	-	-	-	260,545
Derivatives	1,011	189	-	448	-	1,648
Other liabilities	24,918	6,539	1,109	22	14	32,602
Total liabilities	3,652,417	644,636	44,711	15,653	94,218	4,451,635
Off-balance sheet items						
Contingent liabilities	7,502	15,887	480	52	4,950	28,871
Financial commitments	282,323	97,607	23,118	422	91	403,561

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). From the Bank's loans to credit institutions presented as "Other countries" EUR 27.3 million with United States registered credit institutions (2021: EUR 23.6 million).

Bank as of 31/12/2021, EUR thousands

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

Liquidity coverage ratio

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

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
1. Liquidity buffer	1,163,576	1,255,477	1,109,307	1,190,783
2. Net liquidity outflow	568,987	635,011	683,773	727,528
3. Liquidity coverage ratio	205%	198%	162%	164%

Net stable funding ratio

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

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
1. Total available stable funding	3,771,886	3,872,201	3,733,524	3,749,691
2. Total required stable funding	2,123,712	2,849,583	2,160,529	2,138,255
3. Net stable funding ratio	178%	136%	173%	175%

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), must also comply with the O-SII capital buffer requirement set by the supervisory authority at 1.50%.

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

The Group and the Bank applies requirements of minimum loss coverage for non-performing exposures in line with FCMC regulations for the exposures originated until 25 April 2019, and in line with a regulation (EU) 2019/630 for exposures originated starting from 26 April 2019. The minimum loss coverage calculation is mathematically simplistic "calendar based" calculation for non-performing exposures, which is constructed on the principle – the longer an exposure has been non-performing, the lower the probability for the recovery of its value. Therefore, the portion of the exposure that should be covered by provisions, impairments, other adjustments or deductions should increase with time, following a pre-defined calendar. Insufficient coverage for non-performing exposures is deductible from the regulatory capital. Due to the Group's provisioning policy and portfolio structure, the regulation of minimum loss coverage for non-performing exposures has had minor impact on the Group's capital adequacy position.

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

Regulatory capital requirements of the Group on 31 March 2022

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Pillar 2 additional own funds requirement (individually determined by the supervisory authority in the SREP)	1.41%	1.88%	2.50%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Countercyclical capital buffer	0.00%	0.00%	0.00%
Capital requirement	9.91%	11.88%	14.50%

As of the period end capital and capital buffer requirements for the Bank and the Group are the same.

Capital adequacy ratio (including net result for the period)

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Common equity Tier 1 capital				
Paid up capital instruments and share premium	157,127	157,127	157,127	157,127
Retained earnings	241,673	230,786	195,666	186,548
Regulatory deductions	(9,687)	(8,255)	(12,025)	(6,290)
Other capital components and transitional adjustments, net	3,859	9,634	3,924	5,173
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	452,972	449,292	404,692	402,558
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,202,851	2,164,268	2,170,799	2,174,244
Total exposure amounts for position, foreign currency open position and commodities risk	8,777	10,916	8,777	10,916
Total exposure amounts for operational risk	206,624	206,624	162,314	162,314
Total exposure amounts for credit valuation adjustment	5,012	4,592	5,012	4,592
Total risk exposure amount	2,423,264	2,386,400	2,346,902	2,352,066
Common equity Tier 1 capital ratio	16.2%	16.3%	14.7%	14.6%
Total capital adequacy ratio	18.7%	18.8%	17.2%	17.1%

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 31 March 2022

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

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

required to develop the systems and the processes to implement each transitional provision.

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

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

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

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

	EUR thousands			
	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Common equity Tier 1 capital, fully loaded	391,509	386,366	343,164	339,503
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	451,509	446,366	403,164	399,503
Total risk exposure amount, fully loaded	2,422,069	2,383,981	2,344,324	2,349,379
Common equity Tier 1 capital ratio, fully loaded	16.2%	16.2%	14.6%	14.5%
Total capital adequacy ratio, fully loaded	18.6%	18.7%	17.2%	17.0%

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

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

	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.6%	7.5%	7.0%	6.9%
Leverage Ratio – transitional definition of Tier 1 capital	7.6%	7.6%	7.0%	6.9%

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

The transitional capital adequacy ratio as of period end, if the net result since the latest audited financials as of 31 December 2021 is not included, for the Group is 18.2% and for the Bank is 16.9%; the transitional Tier 1 capital ratio for the Group is 15.8% and for the Bank is 14.3%. The fully loaded capital adequacy ratio, if the net result for the period is not included, for the Group is 18.2% and for the Bank is 16.8%; the fully loaded Tier 1 capital ratio for the Group is 15.7% and for the Bank is 14.3%.

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.

As a part of the new Banking Package in 2020 the SRB published an updated MREL policy, effective from 2021. It requires MREL to be calculated based on both total risk exposure amount (TREA) and leverage ratio exposure (LRE) amount. Statutory subordination requirements will be set depending on the Group's classification and will be 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 final calibrated MREL target to be met by 1 January 2024 at the level of 20.06% of TREA or 5.18% 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 31 March 2022, 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 2020 and is expected to be updated by the SRB annually based on more recent financial information of the Group.

OTHER REGULATORY DISCLOSURES

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

Income Statement, regulatory format

	3m 2022 Group	3m 2021 Group Represented discontinued operations	3m 2022 Bank	3m 2021 Bank
<i>EUR thousands</i>				
1. Interest income	31,598	29,500	25,378	21,038
2. Interest expense	(4,208)	(3,891)	(4,168)	(3,788)
3. Dividend income	8	18	8	18
4. Commission and fee income	15,459	12,703	13,898	10,772
5. Commission and fee expense	(5,157)	(5,186)	(5,066)	(5,053)
6. Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(226)	9	(226)	9
7. Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	(1,769)	238	(895)	305
8. Fair value change in the hedge accounting	-	-	-	-
9. Gain or loss from foreign exchange trading and revaluation of open positions	2,183	1,958	2,119	1,921
10. Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11. Other income	3,184	1,191	965	767
12. Other expense	(1,708)	(1,509)	(1,061)	(780)
13. Administrative expense	(18,769)	(18,032)	(16,349)	(15,266)
14. Amortisation and depreciation charge *	(2,073)	(1,999)	(1,985)	(1,889)
15. Gain or loss on modifications in financial asset contractual cash flows	15	(22)	15	(22)
16. Provisions, net	(22)	(9)	101	(222)
17. Impairment charge and reversals, net	(6,085)	(3,128)	(3,639)	(4,558)
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	-	-	-	-
20. Profit or loss from non-current assets and disposal groups classified as held for sale	(596)	(975)	(38)	(56)
21. Profit before taxation	11,834	10,866	9,057	3,196
22. Corporate income tax	(273)	(393)	(42)	(7)
23. Net profit / loss for the period	11,561	10,473	9,015	3,189
24. Other comprehensive income for the period	(9,084)	(1,853)	(6,364)	(865)

* Group's amortisation and depreciation charges for the 3m 2022 include EUR 402 thousand of depreciation of assets under operating lease contracts (2021: EUR 396 thousand). Operating lease of assets is core business of the Group, thus these expenses are part of operating income.

Balance Sheet, regulatory format

	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
<i>EUR thousands</i>				
1. Cash and demand balances with central banks	340,992	371,025	340,992	361,626
2. Demand deposits due from credit institutions	30,830	36,743	29,399	13,710
3. Financial assets designated at fair value through profit or loss	38,213	47,410	7,135	12,778
3.1. Including loans to public and credit institutions	-	-	-	-
4. Financial assets at fair value through other comprehensive income	248,732	340,905	202,111	233,370
5. Financial assets at amortised cost	4,185,509	4,184,527	4,096,566	4,050,838
5.1. Including loans to public and credit institutions	2,794,832	2,723,508	2,705,889	2,631,696
6. Derivatives – hedge accounting	-	-	-	-
7. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
8. Investments in subsidiaries, joint ventures and associates	279	279	77,087	77,087
9. Tangible assets	20,090	20,444	13,032	11,496
10. Intangible assets	7,931	8,562	6,120	6,083
11. Tax assets	4,699	4,603	3,162	3,050
12. Other assets	34,417	39,117	23,680	28,912
13. Non-current assets and disposal groups classified as held for sale	149,365	946	946	946
14. Total assets (1.+.....+13.)	5,061,057	5,054,561	4,800,230	4,799,896
15. Due to central banks	475,095	475,816	475,096	475,816
16. Demand liabilities to credit institutions	388	3,419	5,718	11,664
17. Financial liabilities designated at fair value through profit or loss	33,474	40,485	1,648	739
17.1. Including deposits from customers and credit institutions	31,826	39,745	-	-
18. Financial liabilities measured at amortised cost	3,906,101	4,033,012	3,936,571	3,936,567
18.1. Including deposits from customers and credit institutions	3,645,556	3,774,117	3,676,026	3,677,672
19. Derivatives – hedge accounting	-	-	-	-
20. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21. Provisions	3,893	3,934	3,782	3,882
22. Tax liabilities	575	573	189	189

23. Other liabilities	101,804	100,247	28,631	25,476
24. Liabilities included in disposal groups classified as held for sale	139,794	-	-	-
25. Total liabilities (15.+...+24.)	4,661,124	4,657,486	4,451,635	4,454,333
26. Shareholders' equity	399,933	397,075	348,595	345,563
27. Total liabilities and shareholders' equity (25.+26.)	5,061,057	5,054,561	4,800,230	4,799,896
28. Memorandum items	406,690	422,208	432,432	469,928
29. Contingent liabilities	24,170	34,265	28,871	38,863
30. Financial commitments	382,520	387,943	403,561	431,065

ROE and ROA ratios

	3m 2022 Group	3m 2021 Group	3m 2022 Bank	3m 2021 Bank
Return on equity (ROE) (%)	11.60%	12.01%	10.39%	4.00%
Return on assets (ROA) (%)	0.91%	0.90%	0.75%	0.29%

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

Capital adequacy ratio

EUR thousands	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
1 Own funds (1.1.+1.2.)	442,189	449,292	395,677	402,558
1.1 Tier 1 capital (1.1.1.+1.1.2.)	382,189	489,292	335,677	342,558
1.1.1 Common equity Tier 1 capital	382,189	489,292	335,677	342,558
1.1.2 Additional Tier 1 capital	-	-	-	-
1.2 Tier 2 capital	60,000	60,000	60,000	60,000
2 Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2,423,264	2,386,400	2,346,902	2,352,066
2.1 Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2,202,851	2,164,268	2,170,799	2,174,244
2.2 Total risk exposure amount for settlement/delivery	-	-	-	-
2.3 Total risk exposure amount for position, foreign exchange and commodities risks	8,777	10,916	8,777	10,916
2.4 Total risk exposure amount for operational risk	206,624	206,624	162,314	162,314
2.5 Total risk exposure amount for credit valuation adjustment	5,012	4,592	5,012	4,592
2.6 Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7 Other risk exposure amounts	-	-	-	-
3 Capital adequacy ratios				
3.1 Common equity Tier 1 capital ratio (1.1.1./2.*100)	15.8%	16.3%	14.3%	14.6%
3.2 Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	273,142	281,904	230,066	236,715
3.3 Tier 1 capital ratio (1.1./2.*100)	15.8%	16.3%	14.3%	14.6%
3.4 Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	236,793	246,108	194,863	201,434
3.5 Total capital ratio (1./2.*100)	18.2%	18.8%	16.9%	17.1%
3.6 Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	248,328	258,380	207,925	214,393
4 Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)	96,931	95,456	93,876	94,083
4.1 Capital conservation buffer	60,582	59,660	58,672	58,802
4.2 Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3 Institution specific countercyclical buffer	-	-	-	-
4.4 Systemic risk buffer	-	-	-	-
4.5 Other systemically important institution buffer	36,349	35,796	35,204	35,281
5 Capital adequacy ratios, including adjustments				
5.1 Impairment or asset value adjustments for capital adequacy ratio purposes	-	-	-	-
5.2 Common equity tier 1 capital ratio including line 5.1 adjustments	15.8%	16.3%	14.3%	14.6%
5.3 Tier 1 capital ratio including line 5.1 adjustments	15.8%	16.3%	14.3%	14.6%
5.4 Total capital ratio including line 5.1 adjustments	18.2%	18.8%	16.9%	17.1%

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

EUR thousands	31/03/2022 Group	31/12/2021 Group	31/03/2022 Bank	31/12/2021 Bank
1.A Own funds, IFRS 9 transitional provisions not applied	440,726	446,366	394,149	399,503
1.1.A Tier 1 capital, IFRS 9 transitional provisions not applied	380,726	386,366	334,149	339,503
1.1.1. Common equity Tier 1 capital, IFRS 9 transitional provisions not applied	380,726	386,366	334,149	339,503
2.A Total risk exposure amount, IFRS 9 transitional provisions not applied	2,422,069	2,383,981	2,344,324	2,349,379
3.1.A Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.7%	16.2%	14.3%	14.5%
3.3.A Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.7%	16.2%	14.3%	14.5%
3.5.A Total capital ratio, IFRS 9 transitional provisions not applied	18.2%	18.7%	16.8%	17.0%

Business Strategy and Objectives

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

Branches

AS Citadele banka has 18 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. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section ["Branches and ATMs"](#).

Bank's Organizational Structure



QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

	Group, EUR thousands (Represented discontinued operations)				
	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Interest income	31,598	31,506	31,368	30,264	29,500
Interest expense	(4,208)	(4,448)	(3,910)	(3,410)	(3,891)
Net interest income	27,390	27,058	27,458	26,854	25,609
Fee and commission income	15,459	15,950	15,264	14,067	12,703
Fee and commission expense	(5,157)	(6,941)	(5,846)	(5,873)	(5,186)
Net fee and commission income	10,302	9,009	9,418	8,194	7,517
Net financial income	203	268	2,015	2,321	2,183
Net other income / (expense)	1,484	867	(212)	1,472	(300)
Operating income	39,379	37,202	38,679	38,841	35,009
Staff costs	(14,458)	(13,885)	(13,470)	(14,425)	(13,529)
Other operating expenses	(4,311)	(7,116)	(4,568)	(4,524)	(4,503)
Depreciation and amortisation	(2,073)	(2,040)	(2,051)	(2,030)	(1,999)
Operating expense	(20,842)	(23,041)	(20,089)	(20,979)	(20,031)
Profit before impairment	18,537	14,161	18,590	17,862	14,978
Net credit losses	(6,056)	(1,430)	(3,741)	6,872	(3,119)
Other impairment losses	(51)	(56)	(35)	(89)	(18)
Operating profit from continuous operations	12,430	12,675	14,814	24,645	11,841
Result from non-current assets held for sale and discontinued operations	(596)	(2,095)	(2,413)	(1,882)	(975)
Operating profit	11,834	10,580	12,401	22,763	10,866
Income tax	(273)	(274)	(250)	(648)	(393)
Net profit	11,561	10,306	12,151	22,115	10,473

	Group, EUR thousands				
	31/03/2022	31/12/2021	30/09/2021	30/06/2021	31/03/2021
Assets					
Cash and cash balances at central banks	340,992	371,025	370,806	486,072	306,060
Loans to credit institutions	53,341	58,742	78,725	60,020	79,184
Debt securities	1,639,206	1,801,720	1,729,212	1,684,213	1,702,676
Loans to public	2,772,321	2,701,509	2,602,470	2,456,803	2,473,663
Equity instruments	1,329	1,279	1,302	1,311	1,281
Other financial instruments	32,235	42,032	41,653	39,633	43,587
Derivatives	4,852	4,303	4,657	3,889	5,094
Investments in related entities	279	279	274	274	274
Tangible assets	20,090	20,444	22,643	23,770	24,686
Intangible assets	7,931	8,562	8,501	8,212	7,474
Current income tax assets	2,075	1,927	2,727	2,359	1,829
Deferred income tax assets	2,624	2,676	2,810	2,981	2,387
Discontinued operations and non-current assets held for sale	149,365	946	946	946	946
Other assets	34,417	39,117	52,263	35,447	41,324
Total assets	5,061,057	5,054,561	4,918,989	4,805,930	4,690,465
Liabilities					
Deposits from credit institutions and central banks	476,783	479,235	477,492	478,047	440,384
Deposits and borrowings from customers	3,676,082	3,813,863	3,893,309	3,797,982	3,737,707
Debt securities issued	260,545	258,895	61,000	60,088	60,981
Derivatives	1,648	739	1,476	1,120	1,392
Provisions	3,893	3,934	2,763	1,757	2,221
Current income tax liabilities	200	197	217	299	277
Deferred income tax liabilities	375	376	442	507	404
Discontinued operations	139,794	-	-	-	-
Other liabilities	101,804	100,247	94,631	90,860	93,953
Total liabilities	4,661,124	4,657,486	4,531,330	4,430,660	4,337,319
Equity					
Share capital	156,888	156,888	156,888	156,556	156,556
Reserves and other capital components	(1,486)	7,320	8,260	8,354	8,627
Retained earnings	244,531	232,867	222,511	210,360	187,963
Total equity	399,933	397,075	387,659	375,270	353,146
Total liabilities and equity	5,061,057	5,054,561	4,918,989	4,805,930	4,690,465
Off-balance sheet items					
Guarantees and letters of credit	24,170	34,265	44,596	46,144	47,658
Financial commitments	382,520	387,943	297,747	267,409	267,395

DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

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

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

CTF – combating terrorist financing.

ECB - European Central Bank.

EU – the European Union.

FCMC – Financial and Capital Markets Commission.

FMCRC – Financial Market and Counterparty Risk Committee.

GIC – Group's Investment Committee.

IAS – International accounting standards.

ICAAP – internal capital adequacy assessment process.

IFRS – International financial reporting standards.

LCR – liquidity coverage ratio.

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

ML/TF – money laundering and terrorism financing.

MREL – minimum requirement for own funds and eligible liabilities.

NSFR – net stable funding ratio.

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

O-SII – other systemically important institution.

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

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

RTS – regulatory technical standards.

SRB – the Single Resolution Board.

SREP – supervisory review and evaluation process.

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

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

Stage 3 financial instruments – Credit-impaired exposures.

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

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

TLOF – total liabilities and own funds.

TLTRO – ECB's targeted longer-term refinancing operations

TSCR – SREP capital requirement.