



AS Citadele banka

INTERIM REPORT

For the three months ended
31 March 2023

C

Key figures and events of the Group

Strong start of the year. Q1 2023 Operating income (Baltics) reached EUR 52 million, 37% growth year over year.

Profit before impairment (Baltics) in Q1 2023 was EUR 28 million, as compared to EUR 17 million in Q1 2022.

In Q1 2023, the bank issued EUR 190 million in new financing to support Baltic private, SME and corporate customers.

The European Central Bank (ECB) has concluded the Asset Quality Review (AQR) of Citadele. The result of ECB's exercise highlights the quality of Citadele's asset base and risk underwriting. CET1 ratio post-AQR is 16.03% (pre-AQR ratio being 16.31%).

On the back of attractive digital solutions and services the bank's active customers reached an all-time high of 374.4 thousand active clients as of 31 March 2023, 3% growth year over year.

The deposit base remained stable and Baltic deposits constituted EUR 3,854 million as of 31 March 2023, or 98% from total deposits.

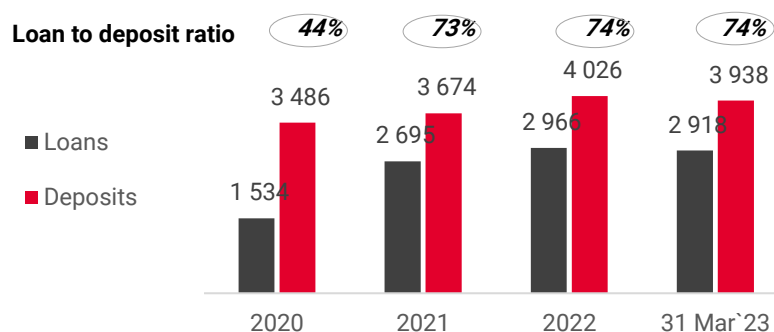
Volatility in global markets has not been felt in the Baltics. The Bank continues to operate on the back of more than adequate capital and liquidity ratios. Group's CAR, (including period's result, excluding EUR 20.0 million proposed dividends) was 20.7% and LCR of 169% as of 31 March 2023.

As of 31 March 2023, Citadele had 1,352 full time employees.

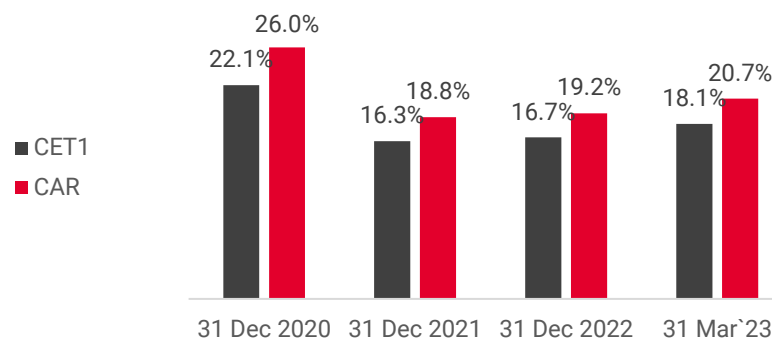
EUR millions	Continuous operations*	
	Q1'23	Q1'22
Net interest income	40.5	27.5
Net fee and commission income	8.2	10.3
Net financial and other income	3.3	0.0
Operating income	52.0	37.9
Operating expense	(23.7)	(20.8)
Net credit losses and impairments	(1.3)	(6.1)
Net profit from continuous operations (after tax)	26.0	10.6
Return on average assets (ROA)	1.76%	0.79%
Return on average equity (ROE)	21.5%	10.1%
Cost to income ratio (CIR)	45.6%	55.1%
Cost of risk ratio (COR)	0.2%	0.9%

Loans to and deposits from the public

EURm



Common equity Tier 1 (CET1) capital ratio and Total capital adequacy ratio (CAR), (including net result for the period, excluding EUR 20.0 million proposed dividends)



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

Comparative figures have been restated due to the adoption of IFRS 17.

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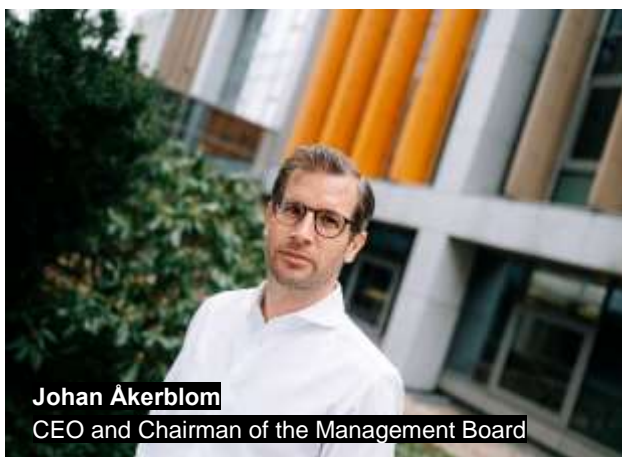
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Rounding and Percentages

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.



Johan Åkerblom
CEO and Chairman of the Management Board

Economic situation in the Baltics remains challenging

Economic situation in the Baltic region remains challenging and outlook is quite uncertain. On the positive side Europe has avoided energy crisis and euro area economy has been surprisingly resilient. At the same time, Baltic consumers have been hit by one of the highest inflation rates in euro area and waning of post pandemic demand for goods has caused noticeable slowdown in export sectors. Global economic growth is forecasted to slow in 2023 as central banks increase interest rates to combat persistent inflation. Despite this, recovery in the service sectors continues, and labour markets in the Baltics have so far remained resilient. The housing market and construction sector in the Baltics are feeling the impact of higher interest rates as mortgage lending has slowed noticeably and activity in real estate markets have decreased. However, the negative impact on construction will be offset by a significant increase in EU fund investments planned for the Baltics in 2023 and 2024.

Recent turmoil in the banking sector is a reminder that global economic risks remain elevated. Financial market stress is not directly affecting the Baltic region. As energy-related risks have eased, business and consumer sentiment has improved slightly. These developments suggest that the overall economy so far remains resilient to interest rate hikes.

Good start of the year

The European Central Bank's (ECB) decision to continue interest rate increase has had a positive backdrop on banking environment in terms of growth of interest income. Consequently, Citadele has also raised interest rates on term deposits several times during the quarter and will continue to monitor situation to adjust rates.

We have continued to support the business community with financing for growth and expansion. New financing to our customers reached EUR 190 million in Q1 2023, vs 297 million in Q1 2022. The total loan book as of 31 March 2023 was EUR 2,918 million, 2% lower vs. the year-end 2022. This is against the backdrop of worsening macro-economic situation as well as increased Euribor which has an impact on financial considerations of our customers.

Overall, the financial standing of our clients is reassuring, and portfolio quality remained good and the NPL ratio stood at 3.0% as of 31 March 2023, vs. 2.7% at the end of 2022.

In Q1 2023 operating income from continuous operations reached EUR 52 million, 37% growth year over year. Net profit from continuous operations reached EUR 26 million in Q1 2023, which translated into 21.5% return on equity.

Customer deposits slightly decreased by 2% vs. the year end 2022 and constituted EUR 3,938 million as of 31 March 2023. Loan-to-deposit ratio was 74% as of 31 March 2023.

Citadele continues to operate with sound capital and liquidity ratios: CAR (including period's result, excluding EUR 20.0 million proposed dividends) was 20.7% and LCR of 169% as of 31 March 2023.

ECB AQR Results confirms Citadele's solid asset quality, capitalisation and risk management

ECB has concluded the Asset Quality Review (AQR) of Citadele. The results of ECB's exercise highlight the quality of Citadele's asset base and risk underwriting.

CET1 ratio post-AQR is 16.03% (pre-AQR ratio being 16.31%). A bank's CET1 ratio is a key measure of its financial soundness.

The direct supervision by the ECB and its assessments means additional stability for Citadele and its customers in this challenging time. A good capital quality assessment shows the health of the bank's loan portfolio, which is especially important during economic turmoil. Thanks to the positive evaluation, we will be able to leverage our strong financial position for the benefit of our customers.

Innovations and development

In Q1 2023, Citadele has introduced Insurance products category in the bank's mobile app. Accident insurance is the first insurance type that the bank offers to purchase in a fully automated way, and it is planned to offer other types of insurance in the future. Insurance services are provided by Citadele Group company CBL Life. By adding this function to the mobile app, Citadele takes the next step in the evolution of banking services by expanding the range of subscription-based services.

Factoring product digitalization is now complete and new digital proposition is now available to customers in Latvia, Lithuania and Estonia.

Klix, the bank's e-commerce checkout solution, exceeded 1000 merchants during Q1 2023 and processed 3.5 million transactions with a total value of EUR 129 million.

Growing client base

The bank continues to attract new clients and we are proud that a record number of active customers trust us with their financial service needs – reaching 374.4 thousand clients as of 31 March 2023, 3% growth year over year. Number of active Mobile App users reached 234 thousand, 11% growth y-o-y.

Sale of Swiss subsidiary

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

Financial review of the Group

Results and profitability in Q1 2023 - Baltics

Strong financial performance with Q1 2023 **operating income** reaching EUR 52.0 million, 37% growth year over year.

Performance driven by strong **net interest income** which reached EUR 40.5 million in Q1 2023, a 47% increase as compared to Q1 2022, mainly impacted by rising interest rates.

The Group's **net fee and commission income** in Q1 2023 reached EUR 8.2 million, which translates into 20% decrease year over year, mainly due lower income from cards on the back of lower turnover (12% decrease year over year) and fee and commission expense (EUR 0.9 million) for securitization, representing an expense on a multi-year financial guarantee contract issued by the EIB Group to Citadele in December 2022. The deal will provide capital relief for the bank and enable it to grant at least EUR 460 million in additional loans and leases to businesses in the Baltics over the next three years, of which at least 20% going to Climate Action projects, helping to reduce overall greenhouse gas emissions.

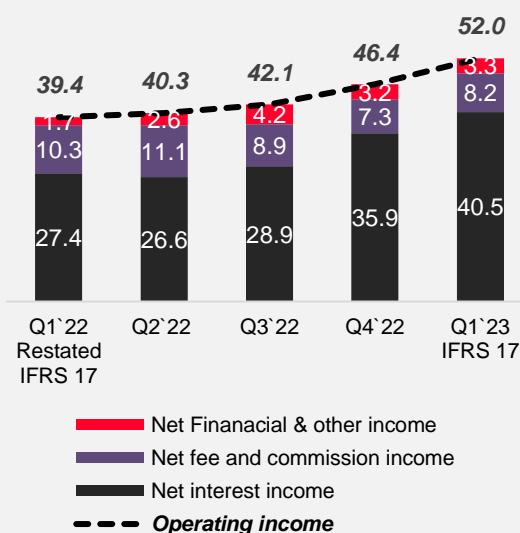
Operating expenses in Q1 2023 were EUR 23.7 million, or 14% increase year over year. Staff costs increased by 11% to EUR 16.0 million. The number of full-time employees was 1,355 vs. 1,352 as of 31 March 2023. Other costs were EUR 5.4 million 26% increase year over year, mainly impacted by investments in IT and communications. Depreciation and amortization expenses stood at EUR 2.3 million (10% increase year over year).

Net credit losses and impairments were EUR 1.3 million in Q1 2023. Net profit reached EUR 26.0 million in Q1 2023, which translated into 21.5% return on equity. The overall credit quality of the loan book was good. **Stage 3 loans to public**, gross ratio was 3.0% compared to 2.7% as of 31 December 2022.

Citadele's **cost to income ratio** in Q1 2023 was 45.6% vs. 51.8% in Q4 2022.

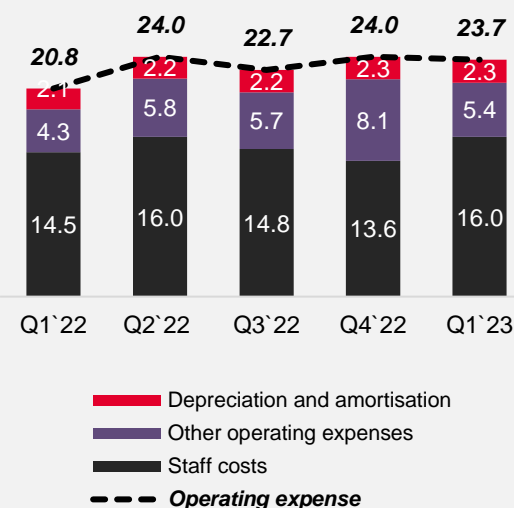
Operating income, EURm

Continuing operations



Operating expense, EURm

Continuing operations



Balance sheet overview

The **Group's assets** stood at EUR 5,169 million as of 31 March 2023, decreasing by 4% since year end 2022 (EUR 5,169 million). As of 31 December 2022, Kaleido Privatbank AG (currently in the sales process) is presented as discontinued operations. Continuing operations assets were EUR 5,002 million as of 31 March 2022 (vs. EUR 5,238 million as of 31 December 2022).

The **net loan portfolio** of continuing operations was EUR 2,918 million as of 31 March 2023, slightly decreasing by EUR 49 million (1.6%) from the year end 2022.

New financing in Q1 2023 constituted EUR 190 million, 36% decrease as compared to the respective period in 2022. EUR 59 million were issued to private customers, EUR 67 million to SMEs and EUR 65 million to corporate customers.

In terms of products, EUR 53 million were disbursed in regular (mortgage) loans (38% decrease quarter over quarter), EUR 126 million leasing and factoring (8% decrease quarter over quarter), and EUR 12 million consumer and micro loans (19% increase quarter over quarter).

In terms of loan **portfolio's geographical profile**, Latvia accounted for 45.7% of the portfolio, with EUR 1,333 million end of Q1 2023 (45.6% as of year end 2022), followed by Lithuania at 37.5% with EUR 1,093 million (vs. 37.8% as of the year end 2022) and Estonia at 16.4% with EUR 478 million (vs. 16.1% as of the year end 2022). EUR 14 million (0.5% of the portfolio) was issued to EU and other countries.

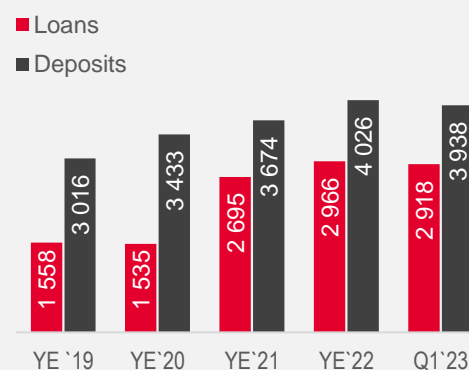
Loans to Households represented 44% of the portfolio (44% as of the year end 2022). Mortgages have remained flat vs. year end 2022 (1% decrease) and constituted EUR 825 million. Finance leases reached EUR 348 million (vs. 350 million as of year end 2022). Consumer lending decreased by 3% vs. the year end 2022 (EUR 92 million). Card lending has slightly increased by 1% as of 31 March 2023 and was EUR 58 million. Overall, the main industry concentrations were Real estate purchase and management (13% of total gross loans), Transport and Communications (8%), Manufacturing (7%) and Trade (6%).

In Q1 2023 Group's **securities portfolio** increased by 2% vs. year end 2022 as relatively stable EUR interest rate dynamic and outlook allowed to add high quality sovereign and municipal issuer securities to the portfolio. Securities portfolio in the Group forms a part of its liquidity resources that can be easily accessed in case that would be needed.

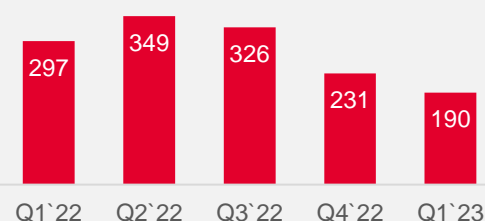
In Q1 2023 Group repaid EUR 180 million of TLTRO III program loans early that lead to decrease of liabilities from central banks. TLTRO III is a program that ECB utilized to stimulate lending during COVID-19 but in the current inflationary environment, early repayment helps ECB to tighten its monetary policy and thus combat inflationary pressures.

The main source of funding, **customer deposits** of continuing operations, decreased by 2% vs. the year end 2022 and were EUR 3,938 million. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,854 million (vs. 98% as of the year end 2021). This is largely in line with developments in the Baltic deposit market.

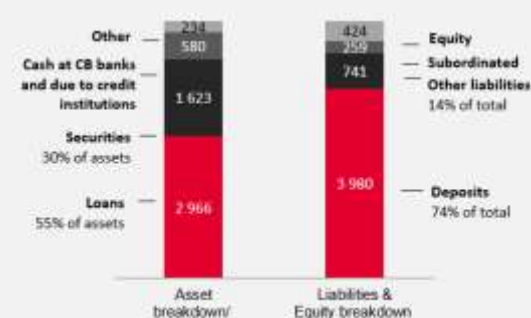
Loans and Deposits, EURm



New financing, EURm



Balance sheet structure, EURm



Ratings

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

The main credit strengths are:

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

Moody's

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

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

Segment highlights

Retail segment

The number of active Retail customers reached a new all-time high level for Citadele, and primary customers continued to grow reaching 200 thousand clients as of 31 March 2023, an 11% increase year over year.

Q1 2023 increasing interest rates have made savings account and fixed-term deposit more attractive, and customers choose to save their money and consider shifting their investments towards fixed-income securities. Rising interest rates have also affected borrowing costs, particularly for mortgages and we see that customers have become more cautious taking on new loans. Also demand for financial advice has increased in Q1 2023, as environment of rising interest rates has encouraged the customers to seek expert financial advice that would help to navigate the changing economic landscape.

New lending to Private individuals reached EUR 59 million in Q3 2023, compared to EUR 86 million in Q1 2022. Total loans to private individuals reached EUR 1,189 million, 2% decrease since the year end 2022 with good loan quality.

Deposits from private individuals constituted EUR 1,990 million as of 31 March 2023, vs. EUR 2,062 million as of 31 December 2022.

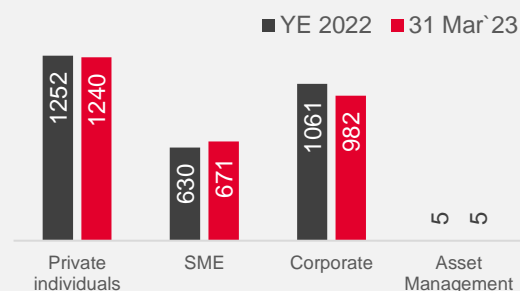
SME and Corporate segment

As a result of global uncertainties Citadele sees a decrease in demand from certain sector companies, such as the real estate sector. Large investment projects are set aside. However, Q1 marked increase from the energy sector, where there is an interest in the development of solar and wind parks. New financing to SMEs was EUR 67 million in Q1 2023, vs. EUR 78 million in Q4 2022. Corporate new financing in Q1 2023 reached EUR 63 million vs. EUR 83 million in Q4 2022.

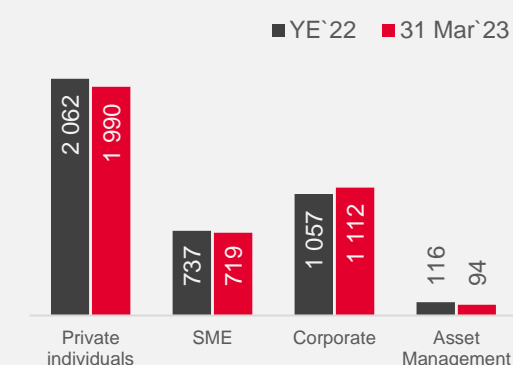
The total SME loan book stood at EUR 671 million, 7% increase vs. year end 2022. The total corporate loan portfolio was EUR 982 million, vs. EUR 1061 million as of year end 2022. Credit portfolio quality is stable.

SME deposit portfolio was EUR 719 million, vs. EUR 737 million as of year end 2022. Corporate deposit portfolio increased by 5% vs. the year end 2022 and was EUR 1,112 million as of 31 March 2023.

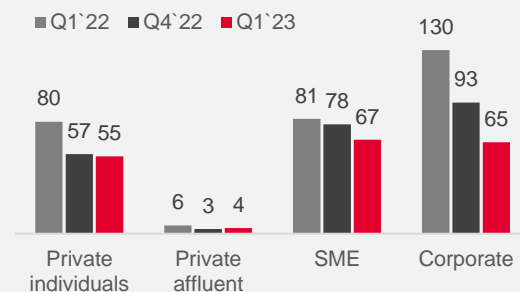
Loans, EURm



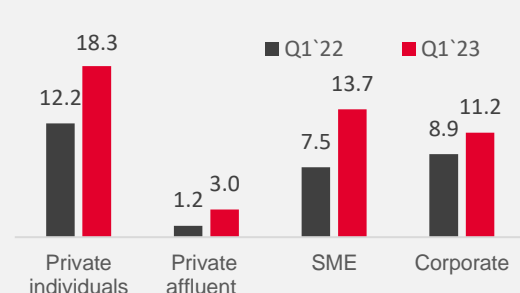
Deposits, EURm



New lending, EURm



Operating income, EURm



Business Environment

Inflation weighs on global economic growth

Global economic growth is expected to slow in 2023 as central banks continue to increase interest rates in response to high inflation. However, since autumn 2022 growth outlook in euro area and US has improved slightly as Europe has avoided energy crisis, falling demand in manufacturing is offset by recovery in service sectors.

So far the global economy has proved resilient to interest rate hikes, recent bank failures in the US and financial market tensions have highlighted challenges posed by rising interest rates. Lending standards have tightened, and demand for loans is decreasing. The persistent inflation and heightened geopolitical tensions suggest the recession risks in the global economy remains elevated.

Baltic region hit by high energy prices

Growth in the Baltic region has stalled and as inflation has soared to over 20% on the back of high energy and food prices. Falling real wages have reduced consumption, and weak external demand is leading to a decline in industrial output. As a result in Q1 2023 GDP in Latvia grew by 0.7% compared to same quarter a year ago while in Lithuania GDP fell by 3.7%. Estonia's GDP declined by 4.1% in Q4 of 2022.

In Latvia annual Q1 GDP was supported by stronger base effect and recovery in service sectors which were still affected by COVID-19 restrictions in Q1 2022. Despite the decline in economic output, the labour market has remained resilient while energy-related risks have eased, leading to a slight improvement in both business and consumer sentiment.

Services are growing, but other sectors lag behind

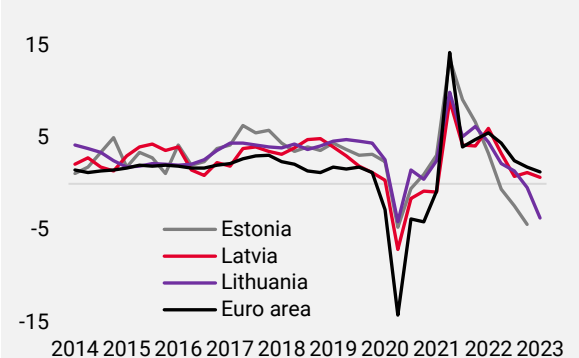
The slowdown in economic growth in the Baltics has affected various sectors of the economy differently. In 2022, the export of services in the Baltics grew by 28-35%, driven by the gradual recovery of the tourism and restaurant industries from the COVID-19 pandemic and rapid growth in business services. At the same time output in construction and goods sectors is declining and significant parts of manufacturing sector have slipped into recession.

In manufacturing pandemic era high demand for goods has abated and level of inventories increased. As result in March manufacturing output in Lithuania fell by 13.1% compared to same month in previous year, while in in Latvia and Estonia manufacturing output declined by respectively 6.2% and 11,9%. In Q2 2023, however weakness in manufacturing is likely to persist until 2H of 2023. In the meantime, the housing markets in the Baltics are feeling the impact of higher interest rates, as new mortgage lending has decreased by 30-40%. However, the negative impact on construction will be partially offset by significant EU fund investments planned in the Baltics in 2023 and 2024.

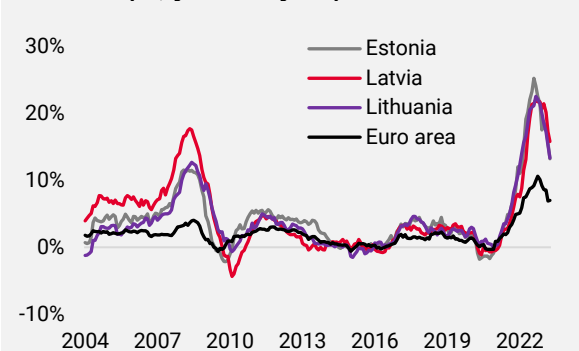
Economic sentiment indicator



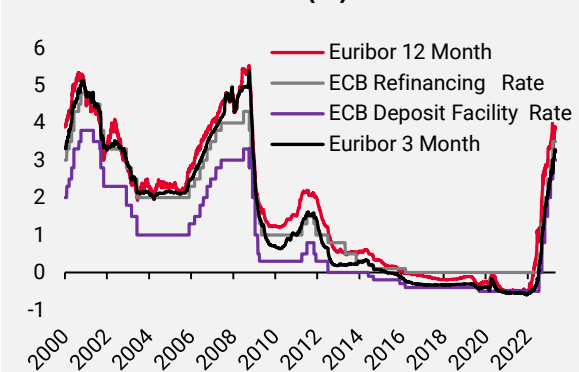
GDP (constant prices, 2015=100)



Inflation (% , year-on-year)



ECB and Euribor rates (%)



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 31/03/2023:

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

Klāvs Vasks, member of AS Citadele banka Supervisory Board, has resigned from his duties and is leaving Citadele Supervisory board and respective supervisory board committees, subject to approval of shareholders and regulators.

Stephen Young, currently taking position of the Member of the Audit and Governance committee, has been nominated to join Supervisory Board of AS Citadele banka, subject to receiving respective approvals.

Management Board of the Bank as of 31/03/2023:

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management of AS Citadele banka (hereinafter – the Bank) is responsible for the preparation of the 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 11 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 2023 and the results of their operations, changes in shareholders' equity and cash flows for the three months period then ended in accordance with IAS 34 Interim Reporting as adopted by the European Union. The management report set out on pages 4 to 9 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 2023 Group	3m 2022 Group ¹	3m 2023 Bank	3m 2022 Bank
Interest income calculated using the effective interest method	5	33,243	20,882	45,032	25,378
Other interest income	5	16,040	10,841	-	-
Interest expense	5	(8,774)	(4,197)	(8,780)	(4,168)
Net interest income		40,509	27,526	36,252	21,210
Fee and commission income	6	16,106	15,460	14,754	13,898
Fee and commission expense	6	(7,861)	(5,138)	(7,176)	(5,066)
Net fee and commission income		8,245	10,322	7,578	8,832
Net financial income	7	3,951	203	3,751	1,013
Net other income / (expense)		(696)	(192)	(338)	(88)
Operating income		52,009	37,859	47,243	30,967
Staff costs		(16,015)	(14,458)	(13,686)	(12,420)
Other operating expenses	8	(5,422)	(4,311)	(4,781)	(3,929)
Depreciation and amortisation		(2,287)	(2,073)	(2,151)	(1,985)
Operating expense		(23,724)	(20,842)	(20,618)	(18,334)
Profit before impairment		28,285	17,017	26,625	12,633
Net credit losses	9	(1,247)	(6,056)	(2,338)	(3,484)
Other impairment losses and other provisions		(28)	(51)	(33)	(54)
Operating profit from continuous operations		27,010	10,910	24,254	9,095
Result from non-current assets held for sale and discontinued operations, net of tax	14	(2,807)	(596)	(1)	(38)
Operating profit		24,203	10,314	24,253	9,057
Income tax		(973)	(273)	(851)	(42)
Net profit		23,230	10,041	23,402	9,015
Basic earnings per share in EUR	18	0.15	0.06	0.15	0.06
<i>from continuing operations</i>		<i>0.17</i>	<i>0.07</i>	<i>0.15</i>	<i>0.06</i>
<i>from discontinued operations</i>		<i>(0.02)</i>	<i>(0.01)</i>	-	-
Diluted earnings per share in EUR	18	0.15	0.06	0.15	0.06
<i>from Continuing operations</i>		<i>0.16</i>	<i>0.07</i>	<i>0.15</i>	<i>0.06</i>
<i>from discontinued operations</i>		<i>(0.02)</i>	<i>(0.01)</i>	-	-

The notes on pages 15 to 35 are an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	3m 2023 Group	3m 2022 Group ¹	3m 2023 Bank	3m 2022 Bank
Net profit	23,230	10,041	23,402	9,015
Other comprehensive income items that are or may be reclassified to profit or loss:				
<i>Fair value revaluation from continuing operations</i>				
Fair value revaluation charged to statement of income (Note 7)	-	220	-	220
Change in fair value of debt securities and similar	1,400	(8,393)	1,155	(6,608)
<i>Fair value revaluation from discontinued operations</i>				
Fair value revaluation charged to statement of income	325	(470)	-	-
Change in fair value of debt securities and similar	415	249	-	-
Deferred income tax charged / (credited) directly to equity	(179)	1	-	-
<i>Other reserves</i>				
Foreign exchange retranslation from discontinued operations	(193)	(253)	-	-
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	16	24	16	24
Other comprehensive income / (loss)	1,784	(8,622)	1,171	(6,364)
Total comprehensive income	25,014	1,419	24,573	2,651

The notes on pages 15 to 35 are an integral part of these financial statements.

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

BALANCE SHEET

					EUR thousands			
					31/03/2023	31/12/2022	31/03/2023	31/12/2022
					Group	Group ¹	Bank	Bank
Assets								
				Note				
Cash and cash balances at central banks					315,416	532,030	315,416	532,030
Loans to credit institutions					54,155	48,441	49,019	42,044
Debt securities	10				1,625,572	1,593,922	1,582,858	1,550,301
Loans to public	11				2,917,624	2,966,478	2,827,605	2,880,101
Equity instruments	12				1,094	1,029	1,094	1,029
Other financial instruments	12				27,556	28,473	1,125	1,101
Derivatives					611	1,285	611	1,285
Investments in related entities	13				190	190	47,770	47,770
Tangible assets					14,608	15,730	9,727	10,321
Intangible assets					8,357	8,162	6,195	6,069
Current income tax assets					2,126	1,822	1,255	1,116
Deferred income tax assets					1,890	2,478	1,681	2,179
Discontinued operations and non-current assets held for sale	14				167,276	166,028	18,916	13,827
Other assets					32,789	38,853	24,363	30,680
Total assets					5,169,264	5,404,921	4,887,635	5,119,853
Liabilities								
Deposits from credit institutions and central banks	15				299,785	469,736	299,976	473,399
Deposits and borrowings from customers	16				3,938,088	4,025,665	3,889,226	3,973,320
Debt securities issued	17				260,877	259,225	260,877	259,225
Derivatives					6,793	7,650	6,793	7,650
Provisions	9				6,055	4,920	5,928	4,838
Current income tax liabilities					330	1,204	245	33
Deferred income tax liabilities					375	375	-	-
Discontinued operations	14				154,221	158,999	-	-
Other liabilities					57,640	57,501	26,356	28,183
Total liabilities					4,724,164	4,985,275	4,489,401	4,746,648
Equity								
Share capital	18				157,258	157,258	157,258	157,258
Reserves and other capital components					(8,834)	(11,058)	(11,340)	(12,951)
Retained earnings					296,676	273,446	252,316	228,898
Total equity					445,100	419,646	398,234	373,205
Total liabilities and equity					5,169,264	5,404,921	4,887,635	5,119,853
Off-balance sheet items								
Guarantees and letters of credit	19				50,482	50,407	57,223	60,936
Financial commitments	19				329,090	306,690	363,111	322,211

The notes on pages 15 to 35 are an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands ¹						
	Issued Share capital	Share premium	Securities fair value revaluation reserve (Note 10)	Foreign currency retrans- lation	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2021	156,888	239	97	4,805	2,118	232,597	396,744
Share based payments to employees (Note 18)	-	-	-	-	278	103	381
Total comprehensive income	-	-	(8,369)	(253)	-	10,041	1,419
Net result for the period	-	-	-	-	-	10,041	10,041
Other comprehensive income / (loss) for the period	-	-	(8,369)	(253)	-	-	(8,622)
Balance as of 31/03/2022	156,888	239	(8,272)	4,552	2,396	242,741	398,544
Balance as of 31/12/2022	157,258	444	(20,343)	5,939	2,902	273,446	419,646
Share based payments to employees (Note 18)	-	-	-	-	440	-	440
Total comprehensive income	-	-	1,977	(193)	-	23,230	25,014
Net profit for the period	-	-	-	-	-	23,230	23,230
Other comprehensive income / (loss) for the period	-	-	1,977	(193)	-	-	1,784
Balance as of 31/03/2023	157,258	444	(18,366)	5,746	3,342	296,676	445,100

	Bank, EUR thousands					
	Issued Share capital	Share premium	Securities fair value revaluation reserve (Note 10)	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2021	156,888	239	(230)	2,118	186,548	345,563
Share based payments to employees (Note 18)	-	-	-	278	103	381
Total comprehensive income	-	-	(6,364)	-	9,015	2,651
Net result 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
Balance as of 31/12/2022	157,258	444	(16,297)	2,902	228,898	373,205
Share based payments to employees (Note 18)	-	-	-	440	16	456
Total comprehensive income	-	-	1,171	-	23,402	24,573
Net profit for the period	-	-	-	-	23,402	23,402
Other comprehensive income / (loss) for the period	-	-	1,171	-	-	1,171
Balance as of 31/03/2023	157,258	444	(15,126)	3,342	252,316	398,234

The notes on pages 15 to 35 are an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION

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

As of period end the Bank operates branches in Latvia, Lithuania and Estonia. AS Citadele banka is the parent company of the Group. The Group's main market is the Baltics (Latvia, Lithuania and Estonia). Citadele was registered as a joint stock company on 30 June 2010. Citadele commenced its operations on 1 August 2010. As of period end, the Group had 1,352 (2022: 1,355) and the Bank had 1,113 (2022: 1,113) full time equivalent active employees. From total Group's full time equivalent active employees 26 (2022: 26) were with discontinued operations.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by European Union (EU) on a going concern basis. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in financial position and performance of the Group and the Bank since the last annual consolidated and Bank financial statements. These interim financial statements do not include all information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. This interim financial information should be read in conjunction with the 2022 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 2023, others become effective for later reporting periods. In this section those relevant for the Group are summarised. Where the implementation impact was or is expected to be reasonably material it is disclosed.

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

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

Amendments to IAS 8 – Definition of Accounting Estimate

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

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

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

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

The IFRS 17 implementation impact on carrying amount by class of select insurance business related items as of 1 January 2023:

	Group, EUR millions					01/01/2023 adjusted (IFRS 17)
	31/12/2022 as reported (IFRS 4)	Annuity Investment IFRS9 (AmC) Full retrospective approach	Unit linked agreement with risk insurance IFRS17 (VFA) Fair value approach	Fixed rate agreement with risk insurance IFRS17 (GMM) Fair value approach	Other items	
Deposits and borrowings from customers	25.2	47.4	(0.9)	(1.1)	-	70.6
Insurance reserves and other items	45.9	(42.2)	0.9	1.1	0.2	5.9
IFRS 17 implementation impact on equity, including securities reclassification	-	(5.2)	0.1	0.0	0.6	(4.6)

Upcoming requirements not in force from 1 January 2023

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

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

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

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

c) Functional and Presentation Currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank, its Baltic subsidiaries, and the Group's presentation currency, is Euro ("EUR"). The functional currency of majority of the Group's foreign subsidiaries is also Euro. The accompanying 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, evaluation of recognisable amounts of deferred tax assets and liabilities and presentation of Kaleido Privatbank AG as discontinued operations held for sale.

NOTE 4. OPERATING SEGMENTS

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

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

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

Main business segments of the Group are:

Retail Private

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

Private affluent

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

Retail SME

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

Corporate

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

Asset management

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

Other

Group's treasury functions and other business support functions, including results of the subsidiaries of the Group operating in non-financial sector. This 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 2023, EUR thousands						
	Reportable segments						Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	
Interest income	17,900	692	11,088	15,300	223	4,080	49,283
Interest expense	(1,936)	(472)	(823)	(3,132)	(79)	(2,332)	(8,774)
Net interest income	15,964	220	10,265	12,168	144	1,748	40,509
Fee and commission income	5,809	947	4,028	3,332	1,516	474	16,106
Fee and commission expense	(3,797)	(327)	(1,683)	(2,019)	(67)	32	(7,861)
Net fee and commission income	2,012	620	2,345	1,313	1,449	506	8,245
Net financial income	228	176	635	551	119	2,242	3,951
Net other income	(386)	(62)	(67)	(133)	(15)	(33)	(696)
Operating income	17,818	954	13,178	13,899	1,697	4,463	52,009
Net funding allocation	760	1,996	(241)	(855)	158	(1,818)	-
FTP adjusted operating income	18,578	2,950	12,937	13,044	1,855	2,645	52,009
Net credit losses	(257)	1	745	(1,864)	-	128	(1,247)
Net result from continuous operations before operating expense	18,321	2,951	13,682	11,180	1,855	2,773	50,762
Not allocated income and expense, net							(23,752)
Operating profit from continuous operations, before tax							27,010

	Group 3m 2022, EUR thousands						
	Reportable segments						Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	
Interest income	11,622	420	6,828	9,902	196	2,755	31,723
Interest expense	(818)	(336)	(310)	(487)	(36)	(2,210)	(4,197)
Net interest income	10,804	84	6,518	9,415	160	545	27,526
Fee and commission income	5,076	961	3,435	3,567	1,819	602	15,460
Fee and commission expense	(2,296)	(227)	(1,092)	(1,654)	(109)	240	(5,138)
Net fee and commission income	2,780	734	2,343	1,913	1,710	842	10,322
Net financial income	293	357	618	528	(819)	(774)	203
Net other income	(408)	(119)	102	92	(114)	255	(192)
Operating income	13,469	1,056	9,581	11,948	937	868	37,859
Net funding allocation	(12)	266	(32)	(353)	1	130	-
FTP adjusted operating income	13,457	1,322	9,549	11,595	938	998	37,859
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	939	1,070	31,803
Not allocated income and expense, net							(20,893)
Operating profit from continuous operations, before tax							10,910

	Group as of 31/03/2023, EUR thousands						
	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management		
Assets							
Cash, balances at central banks	-	-	-	-	-	315,416	315,416
Loans to credit institutions	-	-	-	-	5,136	49,019	54,155
Debt securities	-	-	-	44,974	42,714	1,537,884	1,625,572
Loans to public	1,189,002	51,316	670,717	981,570	5,190	19,829	2,917,624
Equity instruments	-	-	-	-	-	1,094	1,094
Other financial instruments	-	-	-	-	26,430	1,126	27,556
All other assets	-	-	-	43	3,528	224,276	227,847
Total segmented assets	1,189,002	51,316	670,717	1,026,587	82,998	2,148,644	5,169,264
Liabilities							
Deposits from banks	-	-	-	-	-	299,785	299,785
Deposits from customers	1,538,165	452,019	718,791	1,111,937	93,967	23,209	3,938,088
Debt securities issued	-	-	-	-	-	260,877	260,877
All other liabilities	-	-	44	24	15,721	209,625	225,414
Total segmented liabilities	1,538,165	452,019	718,835	1,111,961	109,688	793,496	4,724,164
	Group as of 31/12/2022, EUR thousands						
	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management		
Assets							
Cash, balances at central banks	-	-	-	-	-	532,030	532,030
Loans to credit institutions	-	-	-	-	6,397	42,044	48,441
Debt securities	-	-	-	44,552	43,621	1,505,749	1,593,922
Loans to public	1,199,979	51,895	629,682	1,060,588	4,550	19,784	2,966,478
Equity instruments	-	-	-	-	-	1,029	1,029
Other financial instruments	-	-	-	-	27,372	1,101	28,473
All other assets	-	-	-	5	4,262	230,281	234,548
Total segmented assets	1,199,979	51,895	629,682	1,105,145	86,202	2,332,018	5,404,921
Liabilities							
Deposits from banks	-	-	-	-	-	469,736	469,736
Deposits from customers	1,550,387	511,406	736,882	1,056,760	115,829	54,401	4,025,665
Debt securities issued	-	-	-	-	-	259,225	259,225
All other liabilities	-	-	49	125	16,699	213,776	230,649
Total segmented liabilities	1,550,387	511,406	736,931	1,056,885	132,528	997,138	4,985,275

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	3m 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
Interest income calculated using the effective interest method:				
Financial instruments at amortised cost:				
<i>Loans to public</i>	28,575	18,555	40,587	23,207
<i>Debt securities</i>	1,815	957	1,815	949
<i>Cash balances at and lending to/from central banks and credit institutions (including TLTRO-III)</i>	2,403	725	2,403	727
<i>Deposits from public at negative interest rates</i>	179	403	22	312
Debt securities at fair value through other comprehensive income	271	242	205	183
Interest income on finance leases (part of loans to public)	16,040	10,841	-	-
Total interest income	49,283	31,723	45,032	25,378
Interest expense on:				
Financial instruments at amortised cost:				
<i>Deposits and borrowing from public</i>	(4,283)	(1,729)	(4,351)	(1,697)
<i>Debt securities issued</i>	(1,652)	(1,791)	(1,652)	(1,791)
<i>Deposits from credit institutions and central banks (including TLTRO-III)</i>	(2,047)	(54)	(2,057)	(94)
<i>Deposits to central banks and other assets at negative interest rates</i>	(205)	(193)	(188)	(177)
Financial liabilities at fair value through profit or loss				
<i>Deposits and borrowing from public</i>	(54)	(32)	-	-
Lease liabilities	(14)	(11)	(13)	(11)
Other interest expense	(519)	(387)	(519)	(398)
Total interest expense	(8,774)	(4,197)	(8,780)	(4,168)
Net interest income	40,509	27,526	36,252	21,210

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 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
Fee and commission income:				
Cards	10,328	9,055	10,328	9,055
Payments and transactions	2,906	2,751	2,912	2,757
Asset management and custody	1,596	1,904	399	457
Securities brokerage	149	128	150	128
Other fees	549	554	542	526
Total fee and commission income from contracts with customers	15,528	14,392	14,331	12,923
Guarantees, letters of credit and loans	578	1,068	423	975
Total fee and commission income	16,106	15,460	14,754	13,898
Fee and commission expense on:				
Cards	(5,914)	(4,021)	(5,913)	(4,020)
Securitisation	(911)	-	(291)	-
Payments and transactions	(710)	(773)	(710)	(773)
Asset management, custody and securities brokerage	(212)	(245)	(210)	(240)
Other fees	(114)	(99)	(52)	(33)
Total fee and commission expense	(7,861)	(5,138)	(7,176)	(5,066)
Net fee and commission income	8,245	10,322	7,578	8,832

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

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	3m 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
Foreign exchange trading, revaluation and related derivatives	3,747	2,183	3,660	2,119
Non-trading assets and liabilities at fair value through profit or loss	204	(1,769)	91	(895)
Assets at fair value through other comprehensive income	-	(220)	-	(220)
Assets at amortised cost	-	(6)	-	(6)
Modifications in cash flows which do not result in derecognition	-	15	-	15
Total net financial income	3,951	203	3,751	1,013

NOTE 8. OTHER OPERATING EXPENSES

	EUR thousands			
	3m 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
Information technologies and communications	(2,010)	(1,547)	(1,759)	(1,407)
Consulting and other services	(1,201)	(1,106)	(981)	(1,030)
Rent, premises and real estate	(697)	(549)	(659)	(492)
Advertising and marketing	(478)	(452)	(420)	(421)
Non-refundable value added tax	(654)	(460)	(624)	(422)
Other	(382)	(197)	(338)	(157)
Total other expenses	(5,422)	(4,311)	(4,781)	(3,929)

NOTE 9. NET CREDIT LOSSES**Total net impairment allowance charged to the income statement**

	EUR thousands			
	3m 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
Loans to credit institutions	49	82	49	82
Debt securities	82	(323)	82	(324)
Loans to public	(384)	(6,072)	(1,501)	(3,584)
Loan commitments, guarantees and letters of credit	(1,135)	(22)	(1,090)	101
Recovered written-off assets	141	279	122	241
Total net losses on financial instruments	(1,247)	(6,056)	(2,338)	(3,484)

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

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

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

Classification of impairment stages

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

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

Stage 3 – Credit-impaired financial instruments

Allowances for credit losses and provisions

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
<u>Stage 1</u>				
Loans to credit institutions	331	385	331	385
Debt securities	626	708	604	686
Loans to public	51,835	53,284	40,567	41,130
Loan commitments, guarantees and letters of credit	5,783	4,528	5,671	4,498
Total stage 1 credit losses and provisions	58,575	58,905	47,173	46,699
<u>Stage 2</u>				
Loans to public	16,124	16,746	12,967	13,421
Loan commitments, guarantees and letters of credit	86	158	85	115
Total stage 2 credit losses and provisions	16,210	16,904	13,052	13,536
<u>Stage 3</u>				
Loans to public	38,083	36,479	34,621	33,573
Loan commitments, guarantees and letters of credit	87	134	73	125
Total stage 3 credit losses and provisions	38,170	36,613	34,694	33,698
Total allowances for credit losses and provisions	112,955	112,422	94,919	93,933
<i>Including for debt securities classified at fair value through other comprehensive income</i>	85	94	69	72

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

NOTE 10. DEBT SECURITIES

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

	Group, EUR thousands					
	31/03/2023			31/12/2022		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	22,607	121,753	144,360	30,183	113,216	143,399
AA/Aa	11,206	238,352	249,558	17,929	239,180	257,109
A	156,350	995,356	1,151,706	155,706	958,390	1,114,096
BBB/Baa	9,336	25,426	34,762	9,275	25,282	34,557
Lower ratings or unrated	213	44,973	45,186	209	44,552	44,761
Total debt securities	199,712	1,425,860	1,625,572	213,302	1,380,620	1,593,922
<i>Including general government</i>	<i>152,510</i>	<i>1,061,016</i>	<i>1,213,526</i>	<i>152,197</i>	<i>1,031,002</i>	<i>1,183,199</i>
<i>Including credit institutions</i>	<i>9,722</i>	<i>133,382</i>	<i>143,104</i>	<i>11,628</i>	<i>144,321</i>	<i>155,949</i>
<i>Including classified in stage 1</i>	<i>199,712</i>	<i>1,425,860</i>	<i>1,625,572</i>	<i>213,302</i>	<i>1,380,620</i>	<i>1,593,922</i>

	Bank, EUR thousands					
	31/03/2023			31/12/2022		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	20,656	119,306	139,962	27,141	110,767	137,908
AA/Aa	11,206	238,352	249,558	17,929	239,181	257,110
A	134,306	988,786	1,123,092	133,820	951,810	1,085,630
BBB/Baa	1,365	23,908	25,273	1,331	23,770	25,101
Lower ratings or unrated	-	44,973	44,973	-	44,552	44,552
Total debt securities	167,533	1,415,325	1,582,858	180,221	1,370,080	1,550,301
<i>Including general government</i>	<i>138,924</i>	<i>1,054,951</i>	<i>1,193,875</i>	<i>138,275</i>	<i>1,024,934</i>	<i>1,163,209</i>
<i>Including credit institutions</i>	<i>2,478</i>	<i>133,382</i>	<i>135,860</i>	<i>4,470</i>	<i>144,321</i>	<i>148,791</i>
<i>Including classified in stage 1</i>	<i>167,532</i>	<i>1,415,326</i>	<i>1,582,858</i>	<i>180,221</i>	<i>1,370,080</i>	<i>1,550,301</i>

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

Debt securities by country of issuer

	Group, EUR thousands					
	31/03/2023			31/12/2022		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	582,237	53,270	635,507	561,482	48,672	610,154
Latvia	422,979	2,361	425,340	410,254	2,376	412,630
Germany	-	103,156	103,156	-	89,213	89,213
Estonia	76,472	27,174	103,646	76,459	27,023	103,482
Poland	66,143	5,872	72,015	66,179	5,837	72,016
Sweden	10,012	30,496	40,508	10,012	32,362	42,374
United States	18,265	23,581	41,846	9,983	26,591	36,574
Canada	-	33,769	33,769	-	32,817	32,817
Finland	-	19,472	19,472	-	28,657	28,657
Netherlands	6,277	13,161	19,438	10,432	15,241	25,673
Multilateral development banks	-	38,554	38,554	-	35,985	35,985
Other countries	31,141	61,180	92,321	38,398	65,949	104,347
Total debt securities	1,213,526	412,046	1,625,572	1,183,199	410,723	1,593,922

Bank, EUR thousands

	31/03/2023			31/12/2022		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	576,745	51,943	628,688	556,007	47,362	603,369
Latvia	415,843	1,303	417,146	403,125	1,310	404,435
Germany		103,156	103,156	-	89,213	89,213
Estonia	76,472	24,949	101,421	76,459	24,822	101,281
Poland	65,388	3,068	68,456	65,417	3,059	68,476
Sweden	10,012	30,496	40,508	10,012	32,362	42,374
Finland		19,472	19,472	-	28,657	28,657
Netherlands	6,277	13,161	19,438	10,432	15,241	25,673
Canada		33,769	33,769	-	32,817	32,817
United States	18,265	17,512	35,777	9,983	20,555	30,538
Multilateral development banks		34,156	34,156	-	30,892	30,892
Other countries	24,873	55,998	80,871	31,773	60,803	92,576
Total debt securities	1,193,875	388,983	1,582,858	1,163,208	387,093	1,550,301

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			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Financial and non-financial corporations				
Real estate purchase and management	407,855	415,941	393,362	400,290
Transport and communications	253,809	260,005	40,148	40,320
Manufacturing	216,820	219,559	105,920	108,169
Trade	191,114	200,854	78,986	83,825
Agriculture and forestry	171,136	174,752	77,849	79,402
Construction	123,798	122,621	40,863	39,957
Electricity, gas and water supply	65,190	66,227	53,123	53,011
Hotels, restaurants	34,548	40,259	28,809	34,487
Financial intermediation	33,138	36,892	1,076,331	1,097,429
Other industries	157,995	155,613	18,121	19,934
Total financial and non-financial corporations	1,655,403	1,692,723	1,913,512	1,956,824
Households				
Mortgage loans	825,018	833,607	822,453	830,916
Finance leases	348,352	350,499	-	-
Credit for consumption	89,712	92,039	86,169	87,953
Card lending	58,321	57,852	58,321	57,852
Other lending	20,507	18,428	19,580	17,415
Total households	1,341,910	1,352,425	986,523	994,136
General government	26,353	27,839	15,725	17,265
Total gross loans to public	3,023,666	3,072,987	2,915,760	2,968,225
Impairment allowance and provisions	(106,042)	(106,509)	(88,155)	(88,124)
Total net loans to public	2,917,624	2,966,478	2,827,605	2,880,101

Loans by overdue days and impairment stage

	Group, EUR thousands									
	31/03/2023					31/12/2022				
	Gross amount					Gross amount				
	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Net carrying amount	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Net carrying amount
Loans to public										
Not past due	2,664,684	210,150	34,483	(64,729)	2,844,588	2,666,915	273,165	36,687	(66,940)	2,909,827
Past due <=30 days	34,496	6,412	13,428	(5,476)	48,860	27,005	9,856	4,679	(7,641)	33,899
Past due >30 and <=90 days	-	17,198	3,531	(3,733)	16,996	-	13,376	2,996	(3,118)	13,254
Past due >90 days	-	-	39,284	(32,104)	7,180	-	-	38,308	(28,810)	9,498
Total loans to public	2,699,180	233,760	90,726	(106,042)	2,917,624	2,693,920	296,397	82,670	(106,509)	2,966,478
Guarantees and letters of credit	50,292	141	49	(348)	50,134	50,130	-	277	(452)	49,955
Financial commitments	317,123	5,987	5,981	(5,608)	323,483	291,930	14,319	441	(4,368)	302,322
Total credit exposure to public	3,066,595	239,888	96,756	(111,998)	3,291,241	3,035,980	310,716	83,388	(111,329)	3,318,755

As of the period end, the gross amount of Group's POCI loans to public is EUR 14.4 million (2022: EUR 16.3 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.7 million (2022: EUR 0.7 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 19 (*Off-balance Sheet Items*).

	Bank, EUR thousands									
	31/03/2023					31/12/2022				
	Gross amount					Gross amount				
	Stage 1	Stage 2	Stage 3	Expected credit loss allowance	Net carrying amount	Stage 1	Stage 2	Stage 3	Expected credit loss allowance	Net carrying amount
Loans to public										
Not past due	2,679,734	131,175	17,973	(50,069)	2,778,813	2,698,503	177,908	20,767	(51,593)	2,845,585
Past due <=30 days	27,234	5,173	13,334	(5,101)	40,640	18,069	8,771	4,562	(7,029)	24,373
Past due >30 and <=90 days	-	3,600	1,299	(1,766)	3,133	-	2,945	1,241	(1,516)	2,670
Past due >90 days	-	-	36,238	(31,219)	5,019	-	-	35,459	(27,986)	7,473
Total loans to public	2,706,968	139,948	68,844	(88,155)	2,827,605	2,716,572	189,624	62,029	(88,124)	2,880,101
Guarantees and letters of credit	57,033	141	49	(348)	56,875	60,659	-	277	(452)	60,484
Financial commitments	357,445	5,460	207	(5,481)	357,631	313,682	8,282	247	(4,286)	317,925
Total credit exposure to public	3,121,446	145,549	69,100	(93,984)	3,242,111	3,090,913	197,906	62,553	(92,862)	3,258,510

Stage 3 loans to public ratio

	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Stage 3 loans to public ratio, gross	3.0%	2.7%	2.4%	2.1%
Stage 3 loans to public ratio, net	1.8%	1.6%	1.2%	1.0%
Stage 3 impairment ratio	42%	44%	50%	54%

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

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

NOTE 12. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	31/03/2023				31/12/2022			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	27,556	978	-	28,534	28,473	929	-	29,402
Financial assets at fair value through other comprehensive income	-	95	21	116	-	79	21	100
Total non-fixed income securities, net	27,556	1,073	21	28,650	28,473	1,008	21	29,502
<i>Including unit-linked insurance plan assets</i>	<i>18,708</i>	<i>-</i>	<i>-</i>	<i>18,708</i>	<i>19,814</i>	<i>-</i>	<i>-</i>	<i>19,814</i>

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

As of 31 March 2023, the Bank and the Group has investments in mutual investment funds with carrying amounts of EUR 1.1 million (2022: EUR 1.1 million) and EUR 15.1 million (2022: EUR 14.8 million) which are managed by IPAS CBL Asset Management. Further, EUR 11.4 million (2022: EUR 11.2 million) of these Group's investments relate to unit-linked contracts, where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	31/03/2023				31/12/2022			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	1,125	978	-	2,103	1,101	929	-	2,030
Financial assets at fair value through other comprehensive income	-	95	21	116	-	79	21	100
Total non-fixed income securities, net	1,125	1,073	21	2,219	1,101	1,008	21	2,130

NOTE 13. INVESTMENTS IN RELATED ENTITIES

Changes in investments in related entities of the Bank

	EUR thousands	
	3m 2023	12m 2022
Balance at the beginning of the period, net	47,770	77,087
Associates accounted for using the equity method	-	(89)
Liquidation of subsidiary	-	(15,711)
Change in impairment allowance	-	288
Transfer to discontinued operations held for sale	-	(13,805)
Balance at the end of the period, net	47,770	47,770
<i>Including associates accounted for using the equity method</i>	<i>190</i>	<i>190</i>
<i>Including gross investment in subsidiaries</i>	<i>60,598</i>	<i>60,598</i>

Changes in investments in subsidiaries

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

SIA Citadeles moduļi was liquidated on 30 November 2022 as the entity had no ongoing operations. Previously the major asset of the entity was the Group's Latvian headquarters building which was sold in 2020. As a result of liquidation, a cash proceeds of EUR 15.7 million were recognised. The proceeds from investment were equal to carrying value of the investment, thus no incremental liquidation gain or loss was recognised. In 2022 investment of EUR 13.8 million in Kaleido Privatbank AG was transferred to discontinued operations held for sale as the investment is expected to be recovered principally through a sale transaction rather than through continuing operations.

Consolidation Group subsidiaries and associated entities for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							31/03/2023	31/12/2022
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MT	-	-	-	-
SIA Citadele Leasing	40003423085	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	29,203	29,203
Kaleido Privatbank AG (Discontinued operations held for sale)	130.0.007.738-0	Switzerland, Bellerivestrasse 17, 8008, Zürich	BNK	MS	100	100	-	-
SIA Citadele Factoring	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	8,247	8,247
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
UAB Citadele Factoring	126233315	Lithuania, Upės g. 21, Vilnius, LT-0812	LIZ	MS	100	100	2,149	2,149
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	984	984
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
OU Citadele Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
SIA Mobilly (Investments in associates accounted for using the equity method)	40003654405	Latvia, Dzīrmavu iela 91 k-3 - 20, Rīga, LV-1011	ENI	CT	12.5	12.5	190	190
SIA CL Insurance Broker	40003983430	Latvia, Riga, Republikas laukums 2A	PLS	MMS	100	100	-	-
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
Total net investments in subsidiaries and associated entities							47,770	47,770

*BNK – bank, ENI – authorized electronic money institution, IBS – investment brokerage company, IPS – investment management company, PFO – pension fund, CFI – other financial institution, LIZ – leasing company, PLS – company providing various support services, APS – insurance company.
** MS – subsidiary company, MMS – subsidiary of the subsidiary company, MT – parent company, MTM – parent of the parent company, CT – other company.

NOTE 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 is subject to regulatory approvals. As the conditions indicate that the investment will be recovered principally through a sale transaction rather than through continuing operations, Kaleido Privatbank AG is presented as discontinued operations as of the period end. The Management has a strong commitment to sell Kaleido Privatbank AG. The sale of Kaleido Privatbank AG is a further step focusing on Citadele's core activities in the Baltics and is in line with Citadele's long-term ambition to become the leading financial services provider in the Baltics.

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

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

	EUR thousands			
	3m 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
Net interest income	847	361	-	-
Net fee and commission income	701	838	-	-
Other operating income and expense	(160)	314	-	-
Staff costs, other operating expenses, depreciation and amortisation	(2,640)	(2,204)	-	-
Net credit losses and other impairment losses	(1,527)	174	-	-
Income tax	(27)	(41)	-	-
Net result from discontinued operations	(2,806)	(558)	-	-
Result from non-current assets held for sale	(1)	(38)	(1)	(38)
Net result from non-current assets held for sale and discontinued operations	(2,807)	(596)	(1)	(38)

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

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Assets				
Cash, cash balances at central banks	3,707	6,671	-	-
Loans to credit institutions	29,738	23,671	-	-
Debt securities	72,361	88,989	-	-
<i>Including:</i>				
AAA/Aaa rated	27,941	32,768	-	-
AA/Aa rated	27,531	30,619	-	-
A rated	11,939	17,967	-	-
BBB/Baa rated	4,950	7,635	-	-
General government	22,739	20,928	-	-
Credit institutions	19,259	29,063	-	-
Classified in stage 1	72,361	88,989	-	-
Loans to public	59,685	44,540	-	-
Other assets	1,764	2,136	-	-
Discontinued operations	167,255	166,007	-	-
Investment in Kaleido Privatbank AG (subsidiary)	-	-	18,895	13,805
Other non-current assets held for sale	21	21	21	22
Discontinued operations and non-current assets held for sale	167,276	166,028	18,916	13,827
Liabilities				
Deposits from credit institutions and central banks	15	170	-	-
Deposits and borrowings from customers	152,265	156,474	-	-
Other liabilities	1,941	2,355	-	-
Discontinued operations	154,221	158,999	-	-

NOTE 15. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
ECB's targeted longer-term refinancing operations	287,517	463,796	287,517	463,796
Deposits from Citadele Group banks	-	-	191	3,663
Other credit institution deposits and collateral accounts	11,248	5,934	11,248	5,934
Other central bank deposits and accounts	1,020	6	1,020	6
Total deposits from credit institutions and central banks	299,785	469,736	299,976	473,399

On 24 June 2020, Citadele started to participate in the ECB's targeted longer-term refinancing operations (TLTRO-III) borrowing EUR 440 million. The maturity date of the facility is 28 June 2023 with an early repayment option starting on 29 September 2021. In June 2021 TLTRO-III borrowing was increased by EUR 40 million, since then till the end of the reporting period in total EUR 191 million of the TLTRO-III borrowing was repaid before maturity.

The methodology for calculation of the applicable interest rate and the linked reference rate was changed by ECB several times in 2022 and may be changed by ECB in the future. This instrument has been regarded as variable market rate instrument. When ECB revises the applicable reference rate the effective interest rate of the borrowing is also revised.

NOTE 16. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Households	2,000,662	2,064,956	2,000,661	2,064,956
Non-financial corporations	1,691,591	1,707,440	1,622,959	1,636,950
Financial corporations	154,026	166,882	173,797	185,027
General government	74,032	67,416	74,032	67,416
Other	17,777	18,971	17,777	18,971
Total deposits from customers	3,938,088	4,025,665	3,889,226	3,973,320

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Demand deposits	3,430,018	3,581,365	3,435,431	3,597,467
Term deposits due within:				
less than 1 month	86,797	128,042	86,221	127,604
more than 1 month and less than 3 months	98,997	52,439	98,110	51,071
more than 3 months and less than 6 months	119,766	49,613	129,849	46,341
more than 6 months and less than 12 months	109,080	132,346	102,419	125,986
more than 1 year and less than 5 years	79,126	71,766	35,687	22,650
more than 5 years	14,304	10,094	1,509	2,201
Total term deposits	508,070	444,300	453,795	375,853
Total deposits from customers	3,938,088	4,025,665	3,889,226	3,973,320

Deposits and borrowings from customers by categories

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
At amortised cost	3,915,974	4,002,469	3,889,226	3,973,320
At fair value through profit or loss	22,114	23,196	-	-
Total deposits from customers	3,938,088	4,025,665	3,889,226	3,973,320
<i>Including unit-linked insurance plan liabilities</i>	<i>18,732</i>	<i>19,911</i>	<i>-</i>	<i>-</i>

All deposits from customers of the Group which are classified at fair value through profit or loss relate to the Group's life insurance business. These are insurance plan contracts classified as investment contracts. 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	
						31/03/2023	31/12/2022
XS2393742122	MREL eligible	EUR	1.625%	22/11/2026	200,000	199,920	199,037
LV0000880102	Subordinated	EUR	5.00%	13/12/2031	40,000	40,599	40,104
LV0000880011	Subordinated	EUR	5.50%	24/11/2027	20,000	20,358	20,084
						260,877	259,225

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

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

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

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

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

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

NOTE 18. SHARE CAPITAL

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

Shareholders of the Bank

	31/03/2023		31/12/2022	
	Paid-in share capital (EUR)	Total shares with voting rights	Paid-in share capital (EUR)	Total shares with voting rights
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC ¹	35,082,302	35,082,302	35,082,302	35,082,302
Delan S.à.r.l. ²	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC ³	22,043,916	22,043,916	22,043,916	22,043,916
Amolino Holdings Inc. ⁴	16,863,223	16,863,223	16,863,223	16,863,223
Shuco LLC ⁵	12,297,697	12,297,697	12,297,697	12,297,697
Members of the Management Board of the Bank and parties related to them	574,274	574,274	574,274	574,274
Other shareholders	15,660,138	15,660,138	15,660,138	15,660,138
Total	157,257,658	157,257,658	157,257,658	157,257,658

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. Balsillie

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 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
Profit for the period, EUR thousands	23,230	10,041	23,402	9,015
Weighted average number of the ordinary shares outstanding during the period in thousands	157,258	156,888	157,258	156,888
Basic earnings per share in EUR	0.15	0.06	0.15	0.06
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	157,258	156,888	157,258	156,888
Effect of share options in issue in thousands	1,440	1,191	1,440	1,191
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,698	158,079	158,698	158,079
Profit for the period, EUR thousands	23,230	10,041	23,402	9,015
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,698	158,079	158,698	158,079
Diluted earnings per share in EUR	0.15	0.06	0.15	0.06
Net loss from discontinued operations (Note 14)	(2,806)	(558)	-	-
Profit for the period from continuing operations, EUR thousands	26,036	10,599	23,402	9,015
Basic earnings per share in EUR from continuing operations	0.17	0.07	0.15	0.06
Diluted earnings per share in EUR from continuing operations	0.16	0.07	0.15	0.06

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			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Contingent liabilities:				
Outstanding guarantees	45,476	45,509	52,217	56,038
Outstanding letters of credit	5,006	4,898	5,006	4,898
Total contingent liabilities	50,482	50,407	57,223	60,936
Provisions for credit risk	(348)	(452)	(348)	(452)
Net credit risk exposure for guarantees and letters of credit	50,134	49,955	56,875	60,484
Financial commitments:				
Card commitments	114,361	117,841	114,383	117,866
Unutilised credit lines and loans granted, not fully drawn down	177,705	154,742	248,729	204,345
Factoring and leasing commitments	36,742	33,894	-	-
Other commitments	283	213	-	-
Total financial commitments	329,091	306,690	363,112	322,211
Provisions for financial commitments	(5,608)	(4,368)	(5,481)	(4,286)
Net credit risk exposure for financial commitments	323,483	302,322	357,631	317,925

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

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

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Fixed income securities:				
Corporate bonds	154,545	150,604	-	-
Government bonds	80,483	56,242	-	-
Credit institution bonds	55,796	55,183	-	-
Loans	600	604	600	604
Other financial institution bonds	22,695	20,545	-	-
Total investments in fixed income securities	314,119	283,178	600	604
Other investments:				
Investment funds	545,550	530,823	-	-
Deposits with credit institutions	1,447	4,984	-	-
Compensations for distribution on behalf of deposit guarantee fund	29,712	31,716	29,712	31,716
Shares	95,187	89,029	-	-
Real estate	5,147	5,119	-	-
Other	27,371	49,034	-	-
Total other investments	704,414	710,705	29,712	31,716
Total assets under management	1,018,533	993,883	30,312	32,320

Customer profile on whose behalf the funds are managed

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Pension plans	735,919	706,976	-	-
Insurance companies, investment and pension funds	136,939	134,267	-	-
Other companies and government	34,942	41,280	30,312	32,320
Private individuals	110,733	111,360	-	-
Total liabilities under management	1,018,533	993,883	30,312	32,320

NOTE 21. RISK MANAGEMENT**Risk management policies**

The Group considers risk management to be an essential component of its management process. The Group pursues prudent risk management that is aligned with its business ambitions and aims to achieve effective risk mitigation. In order to assess and monitor

complex risk exposures, the Group applies a wide range of risk management tools in conjunction with risk committees. Members of the risk committees represent various operations of the Group in order to balance business and risk within the respective risk committees. Annually Group defines its Risk Appetite Framework which sets acceptable risk-taking limits across all relevant risk types, considering business goals, macroeconomic environment and regulatory setting. Risk appetite limits are cascaded to all risk management strategies and implemented operationally through detailed internal regulations.

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

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

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

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

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

Events in Ukraine and Russian sanctions

The new laws, policies and sanctions, including sanctions imposed on Russia, are implemented. Consistently with long standing Citadele's objective to become the leading financial services provider in the Baltics, internal risk exposure limits with Russia, other CIS countries and Ukraine have been low. As of the end of the period the carrying amount of the Group's direct credit exposures with parties with Russia, Belarus and Ukraine geographical profile are less than EUR 3.1 million.

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

	Group as of 31/03/2023, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	178,028	135,936	1,452	-	-	315,416
Loans to credit institutions	5,136	-	-	22,279	26,740	54,155
Debt securities	425,339	635,507	103,419	350,664	110,643	1,625,572
Loans to public	1,332,997	1,093,086	477,894	9,671	3,976	2,917,624
Equity instruments	21	-	-	95	978	1,094
Other financial instruments	15,130	-	-	12,213	213	27,556
Derivatives	492	-	-	119	-	611
Discontinued operations	2,041	1,716	-	67,399	96,120	167,276
Other assets	45,378	10,934	3,355	246	47	59,960
Total assets	2,004,562	1,877,179	586,120	462,686	238,717	5,169,264
Liabilities						
Deposits from credit institutions and central banks	291,956	1,018	-	647	6,164	299,785
Deposits and borrowings from customers	3,071,849	716,319	65,547	17,727	66,646	3,938,088
Debt securities issued	260,877	-	-	-	-	260,877
Derivatives	6,051	4	-	738	-	6,793
Discontinued operations	4,399	-	1,303	46,868	101,651	154,221
Other liabilities	44,616	11,525	7,617	63	579	64,400
Total liabilities	3,679,748	728,866	74,467	66,043	175,040	4,724,164
Off-balance sheet items						
Contingent liabilities	10,452	38,258	606	113	1,053	50,482
Financial commitments	198,107	93,203	34,739	374	2,667	329,090

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 22.7 million is with United States registered credit institutions (2022: EUR 23.5 million). From the Group's discontinued operations presented as "Other countries" EUR 3.7 million is central banks balances with Swiss National Bank (2022: EUR 6.7 million) and EUR 22.6 million are with Swiss credit institutions (2022: EUR 24.7 million).

Group as of 31/12/2022, EUR thousands						
	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	303,481	227,854	695	-	-	532,030
Loans to credit institutions	6,397	-	-	12,857	29,187	48,441
Debt securities	412,630	610,154	103,258	346,400	121,480	1,593,922
Loans to public	1,353,896	1,121,611	477,144	9,667	4,160	2,966,478
Equity instruments	21	-	-	79	929	1,029
Other financial instruments	14,778	-	-	13,494	201	28,473
Derivatives	1,255	-	-	30	-	1,285
Discontinued operations	2,034	1,715	-	75,136	87,143	166,028
Other assets	52,912	8,682	5,078	528	35	67,235
Total assets	2,147,404	1,970,016	586,175	458,191	243,135	5,404,921
Liabilities						
Deposits from credit institutions and central banks	466,982	60	-	2,465	229	469,736
Deposits and borrowings from customers	3,077,654	768,933	80,184	19,518	79,376	4,025,665
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	6,657	3	-	990	-	7,650
Discontinued operations	14,892	-	12	37,205	106,890	158,999
Other liabilities	45,029	11,756	7,036	16	163	64,000
Total liabilities	3,870,439	780,752	87,232	60,194	186,658	4,985,275
Off-balance sheet items						
Contingent liabilities	10,650	38,662	606	67	422	50,407
Financial commitments	203,664	87,143	9,677	2,181	4,025	306,690
Bank as of 31/03/2023, EUR thousands						
	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	178,028	135,936	1,452	-	-	315,416
Loans to credit institutions	-	-	-	22,279	26,740	49,019
Debt securities	417,146	628,689	101,421	331,995	103,607	1,582,858
Loans to public	1,955,640	622,334	236,256	9,561	3,814	2,827,605
Equity instruments	21	-	-	95	978	1,094
Other financial instruments	1,125	-	-	-	-	1,125
Derivatives	492	-	-	119	-	611
Other assets	79,101	9,186	2,449	209	18,962	109,907
Total assets	2,631,553	1,396,145	341,578	364,258	154,101	4,887,635
Liabilities						
Deposits from credit institutions and central banks	291,956	1,018	-	647	6,355	299,976
Deposits and borrowings from customers	3,027,323	716,340	65,674	17,447	62,442	3,889,226
Debt securities issued	260,877	-	-	-	-	260,877
Derivatives	6,051	4	-	738	-	6,793
Other liabilities	24,494	6,164	1,236	48	587	32,529
Total liabilities	3,610,701	723,526	66,910	18,880	69,384	4,489,401
Off-balance sheet items						
Contingent liabilities	10,445	38,258	606	99	7,815	57,223
Financial commitments	230,586	86,905	45,308	52	260	363,111

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 22.7 million with United States registered credit institutions (2022: EUR 23.5 million).

Bank as of 31/12/2022, EUR thousands

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	303,481	227,854	695	-	-	532,030
Loans to credit institutions	-	-	-	12,857	29,187	42,044
Debt securities	404,436	603,369	101,281	332,055	109,160	1,550,301
Loans to public	1,985,252	644,246	237,097	9,520	3,986	2,880,101
Equity instruments	21	-	-	79	929	1,029
Other financial instruments	1,101	-	-	-	-	1,101
Derivatives	1,255	-	-	30	-	1,285
Other assets	85,616	8,584	3,407	496	13,859	111,962
Total assets	2,781,162	1,484,053	342,480	355,037	157,121	5,119,853
Liabilities						
Deposits from credit institutions and central banks	466,982	60	-	2,465	3,892	473,399
Deposits and borrowings from customers	3,028,446	768,928	80,330	19,318	76,298	3,973,320
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	6,657	3	-	990	-	7,650
Other liabilities	25,072	6,624	1,166	16	176	33,054
Total liabilities	3,786,382	775,615	81,496	22,789	80,366	4,746,648
Off-balance sheet items						
Contingent liabilities	10,643	38,662	606	53	10,972	60,936
Financial commitments	228,839	74,292	18,689	306	85	322,211

Liquidity coverage ratio

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

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
1. Liquidity buffer	1,270,325	1,304,068	1,228,728	1,256,246
2. Net liquidity outflow	750,933	742,186	779,077	777,402
3. Liquidity coverage ratio	169%	176%	158%	162%

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

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

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
1. Total available stable funding	3,790,678	3,763,818	3,655,743	3,719,699
2. Total required stable funding	2,692,252	2,844,055	1,814,903	1,925,681
3. Net stable funding ratio	141%	132%	201%	193%

Capital management

Capital adequacy is calculated in accordance with the current global standards of the bank capital adequacy (the Basel III international regulatory framework) as implemented by the European Union via a regulation (EU) 575/2013 and a directive 2013/36/EU, rules and recommendations issued by supervisory authorities and other relevant regulations.

Capital adequacy is a measure of sufficiency of the Group's eligible capital resources to cover credit risks, market risks, operational risk and other specific risks arising predominantly from asset and off-balance sheet exposures of the Group. The regulations require credit institutions to maintain a Total Capital adequacy ratio of 8.0% of the total risk weighted exposure amounts. The rules also require 4.5% minimum Common Equity Tier 1 capital ratio and 6.0% minimum Tier 1 capital ratio.

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

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

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

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

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

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

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

Regulatory capital requirements of the Group on 31 March 2023

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Pillar 2 additional own funds requirement (individually determined by the supervisory authority in the SREP, P2R)	1.41%	1.88%	2.50%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.75%	1.75%	1.75%
Systemic risk buffer	0.06%	0.06%	0.06%
Countercyclical capital buffer	0.15%	0.15%	0.15%
Capital requirement	10.37%	12.34%	14.96%
Pillar 2 Guidance (P2G)	1.50%	1.50%	1.50%
Non-legally binding capital requirement with Pillar 2 Guidance	11.87%	13.84%	16.46%

As of the period end capital and capital buffer requirements for the Bank, other than Systemic risk buffer at 0.09%, Countercyclical capital buffer at 0.13% and Other systemically important institution buffer not being applicable, are the same as for the Group.

Capital adequacy ratio (including net result for the period, excluding EUR 20.0 million proposed dividends)

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Common equity Tier 1 capital				
Paid up capital instruments and share premium	157,702	157,702	157,702	157,702
Retained earnings	296,024	273,080	252,316	228,898
Proposed dividends	(20,000)	(20,000)	(20,000)	(20,000)
Regulatory deductions	(23,956)	(26,588)	(21,153)	(23,669)
Other capital components and transitional adjustments, net	3,342	4,364	3,342	1,528
Tier 2 capital				
Eligible part of subordinated liabilities	58,609	59,595	58,609	59,595
Total own funds	471,721	448,153	430,816	404,054
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,042,313	2,080,113	1,391,611	1,404,459
Total exposure amounts for position, foreign currency open position and commodities risk	2,278	9,944	2,090	9,494
Total exposure amounts for operational risk	237,799	237,799	191,884	191,884
Total exposure amounts for credit valuation adjustment	1,008	1,570	997	1,508
Total risk exposure amount	2,283,398	2,329,426	1,586,582	1,607,345
Common equity Tier 1 capital ratio	18.1%	16.7%	23.5%	21.4%
Total capital adequacy ratio	20.7%	19.2%	27.2%	25.1%

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

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

Fully loaded capital adequacy ratio (excluding transitional adjustments and EUR 20.0 million proposed dividends, including net result for the period)

	EUR thousands			
	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Common equity Tier 1 capital, fully loaded	413,112	387,095	372,207	342,932
Tier 2 capital	58,609	59,595	58,609	59,595
Total own funds, fully loaded	471,721	446,690	430,816	402,527
Total risk exposure amount, fully loaded	2,283,398	2,328,275	1,586,582	1,606,107
Common equity Tier 1 capital ratio, fully loaded	18.1%	16.6%	23.5%	21.4%
Total capital adequacy ratio, fully loaded	20.7%	19.2%	27.2%	25.1%

Leverage ratio – fully loaded and transitional (including net result for the period, excluding EUR 20.0 million proposed dividends)

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.

	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.9%	7.1%	7.4%	6.6%
Leverage Ratio – transitional definition of Tier 1 capital	7.9%	7.1%	7.4%	6.6%

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

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

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

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

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

Operational risk

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

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

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

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

The Group applies following approaches for operational risk management:

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

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

OTHER REGULATORY DISCLOSURES

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

Income Statement, regulatory format

	3m 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
<i>EUR thousands</i>				
1. Interest income	49,283	31,723	45,032	25,378
2. Interest expense	(8,774)	(4,197)	(8,780)	(4,168)
3. Dividend income	-	8	-	8
4. Commission and fee income	16,106	15,460	14,754	13,898
5. Commission and fee expense	(7,861)	(5,138)	(7,176)	(5,066)
6. Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	-	(226)	-	(226)
7. Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	204	(1,769)	91	(895)
8. Fair value change in the hedge accounting	-	-	-	-
9. Gain or loss from foreign exchange trading and revaluation of open positions	3,747	2,183	3,660	2,119
10. Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11. Other income	750	1,508	518	965
12. Other expense	(1,446)	(1,708)	(856)	(1,061)
13. Administrative expense	(21,437)	(18,769)	(18,467)	(16,349)
14. Amortisation and depreciation charge *	(2,287)	(2,073)	(2,151)	(1,985)
15. Gain or loss on modifications in financial asset contractual cash flows	-	15	-	15
16. Provisions, net	(1,135)	(22)	(1,090)	101
17. Impairment charge and reversals, net	(140)	(6,085)	(1,281)	(3,639)
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	(2,807)	(596)	(1)	(38)
21. Profit before taxation	24,203	10,314	24,253	9,057
22. Corporate income tax	(973)	(273)	(851)	(42)
23. Net profit / loss for the period	23,230	10,041	23,402	9,015
24. Other comprehensive income for the period	1,784	(8,622)	1,171	(6,364)

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

Balance Sheet, regulatory format

	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
<i>EUR thousands</i>				
1. Cash and demand balances with central banks	315,416	532,030	315,416	532,030
2. Demand deposits due from credit institutions	31,493	25,382	26,357	18,985
3. Financial assets designated at fair value through profit or loss	29,146	30,687	2,714	3,315
3.1. Including loans to public and credit institutions	-	-	-	-
4. Financial assets at fair value through other comprehensive income	199,826	213,401	167,648	180,321
5. Financial assets at amortised cost	4,366,147	4,370,158	4,265,593	4,273,240
5.1. Including loans to public and credit institutions	2,940,286	2,989,537	2,850,267	2,903,160
6. Derivatives – hedge accounting	-	-	-	-
7. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
8. Investments in subsidiaries, joint ventures and associates	190	190	47,770	47,770
9. Tangible assets	14,608	15,730	9,727	10,321
10. Intangible assets	8,357	8,162	6,195	6,069
11. Tax assets	4,016	4,300	2,936	3,295
12. Other assets	32,789	38,853	24,363	30,680
13. Non-current assets and disposal groups classified as held for sale	167,276	166,028	18,916	13,827
14. Total assets (1.+.....+13.)	5,169,264	5,404,921	4,887,635	5,119,853
15. Due to central banks	288,537	463,802	288,537	463,803
16. Demand liabilities to credit institutions	10,983	5,934	11,174	6,014
17. Financial liabilities designated at fair value through profit or loss	28,907	30,847	6,793	7,650
17.1. Including deposits from customers and credit institutions	18,732	19,911	-	-
18. Financial liabilities measured at amortised cost	4,177,116	4,261,693	4,150,368	4,236,127
18.1. Including deposits from customers and credit institutions	3,916,239	4,002,468	3,889,491	3,976,902
19. Derivatives – hedge accounting	-	-	-	-
20. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21. Provisions	6,055	4,920	5,928	4,838
22. Tax liabilities	705	1,579	245	33
23. Other liabilities	57,640	57,501	26,356	28,183
24. Liabilities included in disposal groups classified as held for sale	154,221	158,999	-	-

25. Total liabilities (15.+...+24.)	4,724,164	4,985,275	4,489,401	4,746,648
26. Shareholders' equity	445,100	419,646	398,234	373,205
27. Total liabilities and shareholders' equity (25.+26.)	5,169,264	5,404,921	4,887,635	5,119,853
28. Memorandum items	379,572	357,097	420,334	383,147
29. Contingent liabilities	50,482	50,407	57,223	60,936
30. Financial commitments	329,090	306,690	363,111	322,211

ROE and ROA ratios

	3m 2023 Group	3m 2022 Group	3m 2023 Bank	3m 2022 Bank
Return on equity (ROE) (%)	21.49%	10.10%	24.27%	10.39%
Return on assets (ROA) (%)	1.76%	0.79%	1.87%	0.75%

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	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
1 Own funds (1.1.+1.2.)	448,777	448,153	407,413	404,054
1.1 Tier 1 capital (1.1.1.+1.1.2.)	390,168	388,558	348,804	344,459
1.1.1 Common equity Tier 1 capital	390,168	388,558	348,804	344,459
1.1.2 Additional Tier 1 capital	-	-	-	-
1.2 Tier 2 capital	58,609	59,595	58,609	59,595
2 Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2,283,398	2,329,426	1,586,582	1,607,345
2.1 Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2,042,313	2,080,113	1,391,611	1,404,459
2.2 Total risk exposure amount for settlement/delivery	-	-	-	-
2.3 Total risk exposure amount for position, foreign exchange and commodities risks	2,278	9,944	2,090	9,494
2.4 Total risk exposure amount for operational risk	237,799	237,799	191,884	191,884
2.5 Total risk exposure amount for credit valuation adjustment	1,008	1,570	997	1,508
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)	17.1%	16.7%	22.0%	21.4%
3.2 Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	287,415	283,735	277,408	272,129
3.3 Tier 1 capital ratio (1.1./2.*100)	17.1%	16.7%	22.0%	21.4%
3.4 Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	253,164	248,793	253,609	248,019
3.5 Total capital ratio (1./2.*100)	19.7%	19.2%	25.7%	25.1%
3.6 Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	266,105	261,799	280,487	275,467
4 Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)	102,006	98,144	43,183	43,747
4.1 Capital conservation buffer	57,085	58,236	39,665	40,184
4.2 Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3 Institution specific countercyclical buffer	3,507	3,494	2,063	2,090
4.4 Systemic risk buffer	1,455	1,473	1,455	1,473
4.5 Other systemically important institution buffer	39,959	34,941	-	-
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	17.1%	16.7%	22.0%	21.4%
5.3 Tier 1 capital ratio including line 5.1 adjustments	17.1%	16.7%	22.0%	21.4%
5.4 Total capital ratio including line 5.1 adjustments	19.7%	19.2%	25.7%	25.1%

Capital adequacy ratios here are calculated in accordance with the Basel III regulation as implemented via EU regulation 575/2013, directive 2013/36/EU and 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	31/03/2023 Group	31/12/2022 Group	31/03/2023 Bank	31/12/2022 Bank
1.A Own funds, IFRS 9 transitional provisions not applied	448,777	446,690	407,413	402,527
1.1.A Tier 1 capital, IFRS 9 transitional provisions not applied	390,168	387,095	348,804	342,932
1.1.1. Common equity Tier 1 capital, IFRS 9 transitional provisions not applied	390,168	387,095	348,804	342,932
2.A Total risk exposure amount, IFRS 9 transitional provisions not applied	2,283,398	2,328,275	1,586,582	1,606,107
3.1.A Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	17.1%	16.6%	22.0%	21.4%
3.3.A Tier 1 capital ratio, IFRS 9 transitional provisions not applied	17.1%	16.6%	22.0%	21.4%
3.5.A Total capital ratio, IFRS 9 transitional provisions not applied	19.7%	19.2%	25.7%	25.1%

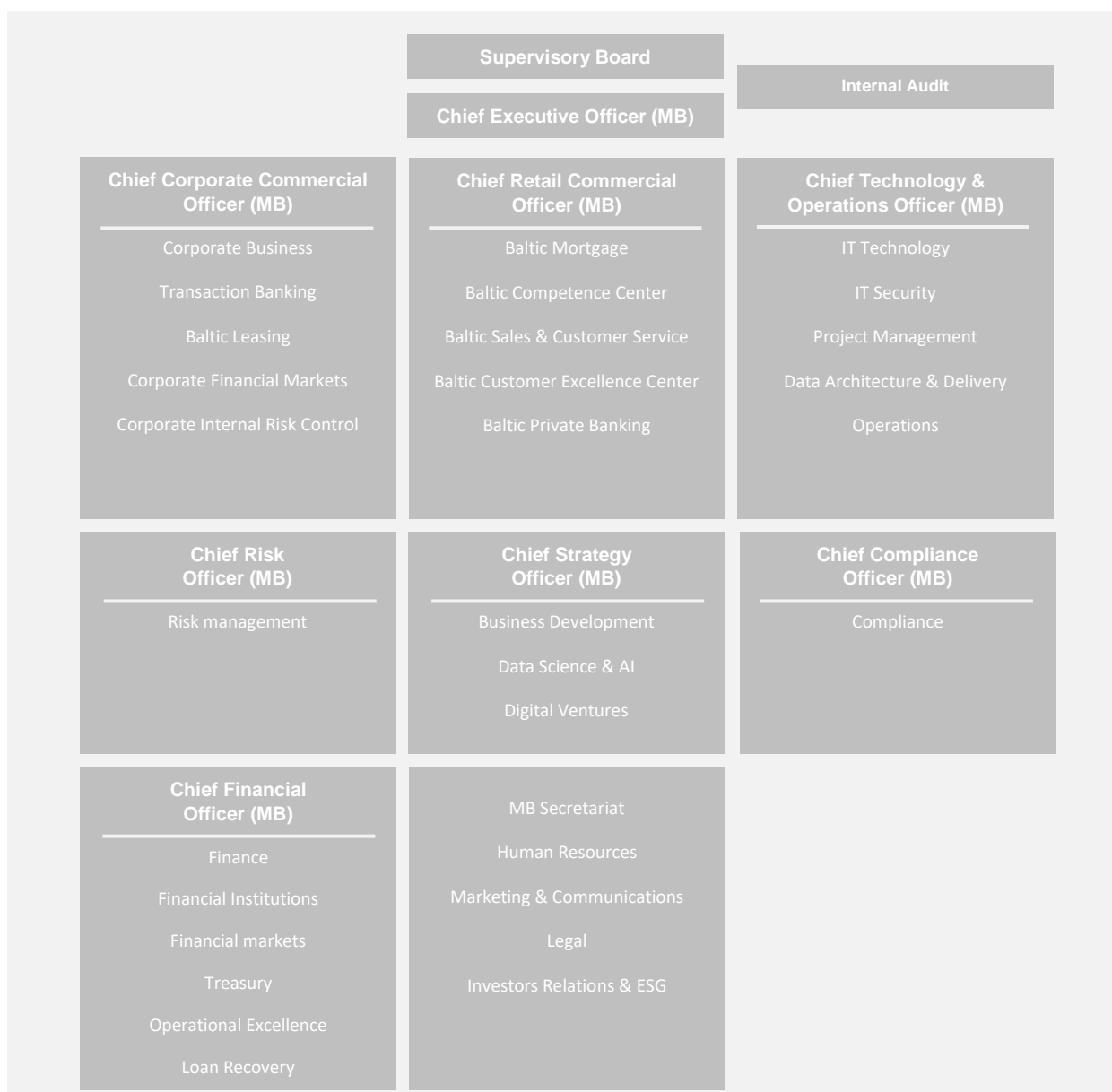
Business Strategy and Objectives

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

Branches

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

Bank's Organizational Structure



DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

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.