



AS Citadele banka

INTERIM REPORT

For the twelve months ended
31 December 2023

Key figures and events of the Group

Citadele's Baltic operations net profit for the 12 months ended 31 December 2023 reached EUR 110.4 million, representing a 23.6% return on equity and CIR of 44.7%; Q4 2023 Baltic operations net profit reached EUR 10.2 million, representing a return on equity of 8% and CIR of 52.0%.

In the 12 months ended 31 December 2023, Citadele issued EUR 897 million in new financing to support Baltic private, SME and corporate customers, compared to EUR 1.2 billion in the 12 months ended 30 December 2022. EUR 276 million in new financing was issued in Q4 2023.

Citadele's deposit base totalled EUR 3,830 million as of 31 December 2023, reflecting a slight increase of EUR 5 million quarter-over-quarter.

Citadele's active customers remained steady year-over-year and constituted 378 thousand active clients as of 31 December 2023. The number of active mobile app users reached all time high of 257 thousand, growing by 9% year-over-year. Active digital channel users reached 96% of total customers.

Asset quality continued to improve with NPL of 2.1% as of 31 December 2023, on the back of recoveries and impairment reversals.

Citadele continues to operate with more than adequate capital and liquidity ratios. The Group's CAR (including adjusted net result for the period) was 21.9%, CET1 19.5% and LCR of 174% as of 31 December 2023.

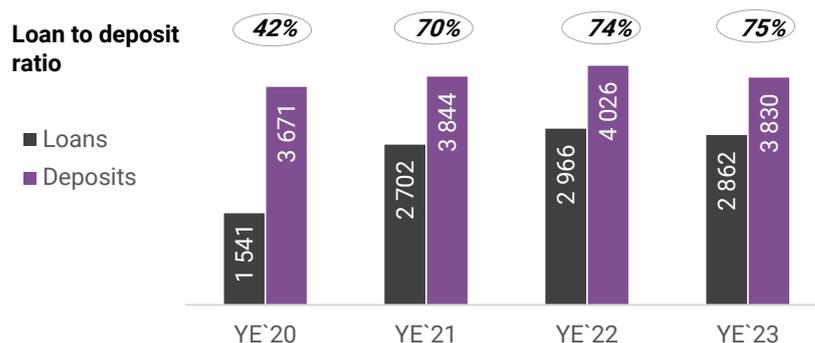
As of 31 December 2023, Citadele had 1,329 full time employees, of which 28 were with discontinued operations.

There has been a significant amount of economic and geopolitical uncertainty lately, but despite the volatility, the bank continues the path of evaluating strategic options, including a potential IPO.

EUR millions	Continuous operations*			
	12m 2023	12m 2022	Q4 2023	Q3 2023
Net interest income	187.9	119.4	49.2	50.8
Net fee and commission income	37.8	37.8	8.8	8.1
Net financial and other income	8.2	5.4	1.6	1.8
Operating income	233.9	162.6	59.6	60.6
Operating expense	(104.5)	(73.5)	(31.0)	(24.6)
Net credit losses and impairments	4.5	(23.8)	(1.9)	2.8
Net profit from continuous operations (after tax)	110.4	45.2	10.2	35.7
Return on average assets (ROA)	2.2%	0.9%	0.9%	3.0%
Return on average equity (ROE)	23.6%	11.1%	8.0%	29.6%
Cost to income ratio (CIR)	44.7%	56.3%	52.0%	40.6%
Cost of risk ratio (COR)	(0.2%)	(0.8%)	0.3%	(0.4%)

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, less EUR 50.6 million expected dividends)



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

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

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Rounding and Percentages

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

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

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



Johan Akerblom
CEO and Chairman of the Management Board

Photo: LETA

Economic sentiment is starting to improve in the Baltics

In 2023, global economic growth remained resilient despite the ongoing war in Ukraine, the emergence of new geopolitical shocks, high interest rates, and distress in China's housing market. In the Baltics, high inflation, rising interest rates, and weak external demand have been challenges, and economic growth has been negative for most of the year. Inflation has declined faster than expected, energy prices have normalized, growth in the US remained strong, and the euro area avoided a recession. Growth projections for the global economy in 2024 have been revised up, and although growth prospects for the euro area remain modest, signs of stabilization are evident. Particularly in the manufacturing sector, inventory levels have begun to shrink, signaling demand recovery in manufacturing and transportation industries. In recent months, economic sentiment in the Baltics has stabilized and is showing signs of improvement. Inflation in the Baltics fell rapidly in 2023, and financial markets are now anticipating interest rate reductions in 2024, which, together with low unemployment and rising wages, will support consumption.

Strong financial result

Citadele has continued to support the business community with financing for growth and expansion. New financing to our private, SME and corporate customers reached EUR 897 million in the 12 months ended 31 December 2023, compared to EUR 1.2 billion in the 12 months ended 31 December 2022. Customer activity resumed during the last quarter, with EUR 276 million issued in new financing in Q4 2023, indicating a 44% increase quarter-over-quarter. Citadele's total loan book as of 31 December 2023, stood at EUR 2,862 million, marking a EUR 9 million increase compared to 30 September 2023.

The financial standing of our customers is reassuring, and the quality of our portfolio remains strong. The non-performing loan (NPL) ratio was 2.1% as of 31 December 2023, compared to 2.7% as of year-end 2022.

In the 12 months ended 31 December 2023, Citadele's operating income from continuous operations reached EUR 234 million, representing a 44% year-over-year growth. Net profit from continuous operations reached

EUR 110 million in the same period, with a return on equity of 23.6%. For Q4 2023, operating income from continuous operations was EUR 59.6 million, reflecting a 32% year-over-year growth. Q4 2023 net profit from continuous operations reached EUR 10.2 million, with a return on equity of 8.0% mainly affected by a retrospective full year tax expense due to recently introduced changes in the Latvia tax legislation.

Citadele's deposit base totaled EUR 3,830 million as of 31 December 2023, reflecting a slight increase of EUR 5 million quarter-over-quarter. Loan-to-deposit ratio stood at 75% as of 31 December 2023.

Citadele continues to operate with more than adequate capital and liquidity ratios: CAR (including net result for the period and EUR 50.6 million expected dividends) was 21.9%, Tier 1 ratio was 19.5% and LCR was 174% as of 31 December 2023.

There has been a significant amount of economic and geopolitical uncertainty lately, but despite the volatility, the bank continues the path of evaluating strategic options, including a potential IPO.

Bank with the best customer service in the Baltics

Our commitment of providing the best customer service has enabled Citadele to maintain the top position among banks in the Baltics in 2023, as revealed by the annual mystery shopper survey conducted by international customer service evaluation company DIVE. The banking sector in the Baltics was evaluated across two channels – remote and face-to-face service. Citadele achieved the highest rankings in both categories, for servicing clients remotely and in-person. In Latvia, Citadele has been ranked as the best for the 9th year in a row, and it has consistently been in the top 3 in all the Baltic countries for the past 3 years. Citadele's performance surpassed the industry average in all countries.

Stable client base

Citadele continues to attract new clients, and we are proud of our strong customer base who trust us with their financial service needs. As of 31 December 2023, Citadele's total customers reached 494 thousand clients. Active customer base reached 378 thousand clients, representing an increase of 1% year-over-year. Active digital channel users reached 96% of total customers, representing clients who use Citadele digital channels, majority of which giving preference to mobile app, the rest using i-Bank. The number of active mobile app users as of 31 December 2023 reached 257 thousand, marking a 9% year-over-year growth.

Innovations and development

In 2023, Citadele continued its commitment to providing a seamless digital banking experience by enriching its mobile app with new features. As part of our 'bank in your pocket' offering, customers can now easily access five insurance products with just a few clicks in the mobile app, payable through a monthly subscription.

Klix, Citadele's e-commerce checkout solution, exceeded 1,300 merchants, its registered user base surpassed 280 thousand and active users reached 45 thousand as of 31 December 2023. In the 12 months ended 31 December 2023, 16 million transactions were processed via Klix, with

a total value of EUR 560 million. In Q4 2023 alone, 4.2 million transactions, totaling EUR 159 million, were processed. Klix continues to expand Buy Now, Pay Later solution, launching several strategic partnerships in 2023, such as Varle in Lithuania and RD Electronics in Latvia and Lithuania.

Sustainability

In line with our commitment to support our customers in the transition to a low-carbon economy and seeing that sustainability initiatives are becoming more important for our clients, Citadele continued to develop and launch new offering supporting transition to the green economy.

In Q3 2023, Citadele introduced the first green savings account in the Baltic market. Deposited funds are used to finance projects aimed at reducing carbon emissions. As of 31 December 2023, funds in the green savings account reached EUR 36 million. Additionally, in Q4 2023, we launched green mortgage loan, aimed to finance homes complying with the highest energy efficiency standards. New lending to businesses and private sector facilitating the transition to a green economy amounted to EUR 115 million in 2023, constituting 13% of total new lending.

To promote a positive workplace culture and make a meaningful impact on the community, Citadele has launched volunteer days giving opportunity to its employees contribute three working days each year for social volunteering.

Events after the reporting period

Moody's has affirmed Citadele ratings and changed the outlook to positive

On 25 January 2024, the international credit rating agency Moody's affirmed Citadele's Baa2 credit rating and changed the outlook to positive.

The outlooks on the long-term deposit and senior unsecured debt ratings were changed to positive from stable, reflecting Moody's view that Citadele's capital will continue to strengthen during the next 12 to 18 months, supported by higher sustained profitability and stable credit quality. Upon affirmation of Citadele's long-term Baa2 deposit rating and Baa3 senior unsecured debt rating, Moody's has considered Citadele's strong improvement in earnings during 2023 and forecast of continued strong earnings in coming quarters, increased capitalization and good credit quality

Financial review of the Group

Results and profitability in Q4 and 12M 2023 – Baltics

Strong financial performance with **operating income** for the 12 months ending 31 December 2023 reaching EUR 233.9 million, representing 44% growth year-over-year. Q4 2023 operating income reached EUR 59.6 million, representing 32% growth year-over-year.

Performance driven by strong **net interest income**, which reached EUR 187.9 million in the 12 months ended 31 December 2023 (EUR 49.2 million in Q4 2023), a 57% (37% in Q4 2023) increase year-over-year, mainly impacted by rising interest rates.

The Group's **net fee and commission income** reached EUR 37.8 million in the 12 months ended 31 December 2023, remaining flat year-over-year, mainly due to fee and commission expense increase by EUR 3.1 million for securitization, representing an expense on a multi-year financial guarantee contract issued by the EIB Group to Citadele in December 2022. The EIB Group deal will provide capital relief for Citadele and enable it to grant at least EUR 460 million in additional loans and leases to businesses in the Baltics over the next three years, of which at least 20% will go towards Climate Action projects, helping to reduce overall greenhouse gas emissions. Net fee and commission income in Q4 2023 constituted EUR 8.8 million, representing a 19% increase year-over-year.

Operating expenses in the 12 months ended 31 December 2023 were EUR 104.5 million, representing a 14% increase year-over-year. Staff costs increased by 11% to EUR 65.4 million. The number of full-time employees was 1,329, compared to 1,355 as of year-end 2022, of which 28 (2022: 26) were with discontinued operations. Other costs were EUR 30.1 million, representing a 26% increase year-over-year, mainly impacted by investments in IT and communications (9% increase year-over-year) and consulting expenses (66% increase year-over-year). Increase in consulting expenses were mainly driven by strategic initiative review and implementation of multi-year Internal Ratings Based (IRB) project, that will allow tailored risk assessment to bank's specific portfolios and risk profiles, potentially leading to more efficient allocation of regulatory capital. Depreciation and amortization expenses stood at EUR 9.0 million (a 3% increase year-over-year). Q4 2023 operating expenses were EUR 31.0 million, representing an 29% increase year-over-year.

Citadele's **cost to income ratio** in the 12 months ended 31 December 2023 was 44.7%, compared to 56.3% in the 12 months ended 31 December 2022. Q4 2023 cost to income ratio was 52.0%, impacted by increased expenses related to preparing for strategic initiatives and IRB project implementation.

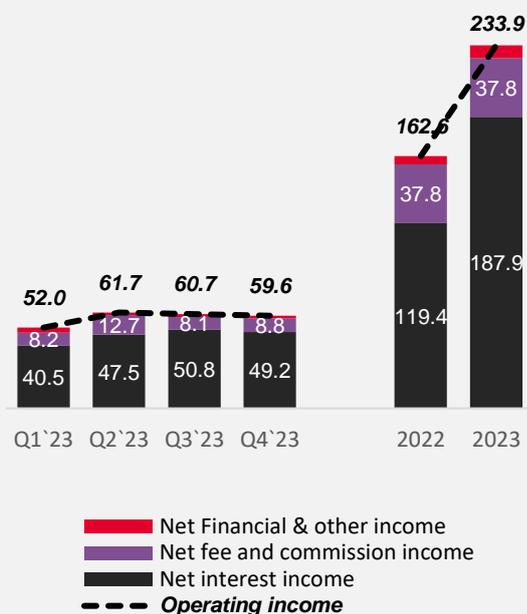
Net credit losses and impairments reversal recognized in the amount of EUR 4.5 million in the 12 months ended 31 December 2023. The overall credit quality of the loan book was good. **Stage 3 loans to public** gross ratio remained at its historically lowest level of 2.1% compared to 2.7% as of 31 December 2022.

Net profit from continuous operations reached EUR 110.4 million in the 12 months ended 31 December 2023, of which EUR 10.2 million was in Q4 2023. Return on equity reached 23.6% in the 12 months ended 31 December 2023 (8% in Q4 2023). Kaleido Privatbank AG (Swiss subsidiary committed for sale) has been presented as discontinued operations since December 31, 2022.

The Group's net profit was EUR 103.8 million in the 12 months ended 31 December 2023 (EUR 8.7 million in Q4 2023, mainly affected by a retrospective full year tax expense due to recently introduced changes in the Latvia tax legislation). Return on equity reached 22.2%.

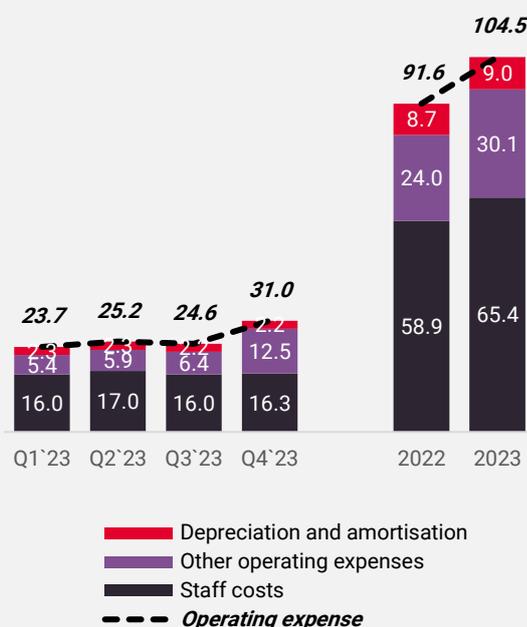
Operating income, EURm

Continuing operations



Operating expense, EURm

Continuing operations



Balance sheet overview

The **Group's assets** stood at EUR 4,863 million as of 31 December 2023, decreasing by 10% since year-end 2022 (EUR 5,405 million). The decrease was mainly driven by repayment of the ECB TLRO loan of EUR 430 million. As of 31 December 2023, Kaleido Privatbank AG (Swiss subsidiary committed for sale) is presented as discontinued operations. Continuing operations assets were EUR 4,731 million as of 31 December 2023 (compared to EUR 5,238 million as of 31 December 2022).

The **net loan portfolio** of continuing operations was EUR 2,862 million as of 31 December 2023, decreasing by EUR 105 million (4%) from year-end 2022.

New financing in the 12 months ended 31 December 2023 constituted EUR 897.1 million, representing a 25% decrease year-over-year. EUR 285.3 million was issued to private customers, EUR 308.9 million to SMEs and EUR 302.9 million to corporate customers. EUR 276.4 million were disbursed in Q4 2023.

In terms of products, EUR 326.4 million was disbursed in regular or mortgage loans (38% decrease year-over-year), EUR 499.2 million leasing and factoring (18% decrease year-over-year), and EUR 73.2 million consumer and micro loans (2% decrease year-over-year).

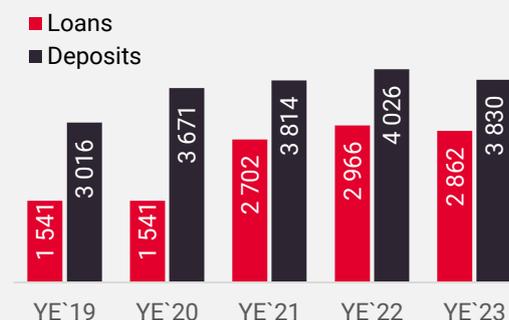
In terms of the **loan portfolio's geographical profile**, as of 31 December 2023, Latvia accounted for 44.9% of the portfolio, with EUR 1,285 million (45.6% as of year-end 2022), followed by Lithuania at 36.3% with EUR 1,039 million (vs. 37.8% as of year-end 2022), Estonia at 18.3% with EUR 524 million (vs. 16.1% as of the year-end 2022) and EU and other countries at 0.5% with EUR 13 million.

As of 31 December 2023, loans to Households represented 46% of the loan portfolio (44% as of year-end 2022). Mortgages have slightly decreased compared to year-end 2022 (2% decrease), and constituted EUR 815 million. Finance leases remained flat at EUR 348 million (vs. 350 million as of year-end 2022). Consumer lending increased by 18% vs. year-end 2022 (EUR 92 million) and reached EUR 109 million. Card lending has slightly increased by 4% and was EUR 60.0 million. Overall, the main industry concentrations were Real estate purchase and management (12% of total gross loans), Transport and communications (7%), Manufacturing (7%) and Trade (6%).

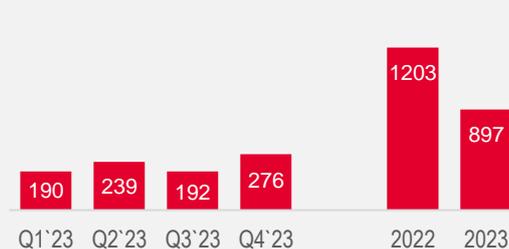
The Group's **securities portfolio** forms a part of its liquidity resources and in the 12 months ended 31 December 2023 decreased by 23% vs. year-end 2022 in line with portfolio maturity profile. 97% of the securities portfolio consist of securities with a rating of A and higher. The largest decreases for the securities portfolio occurred in AAA/Aaa and A rated bonds, which decreased by EUR 77.3 million and EUR 327.6 million, respectively, for the period.

The main source of Citadele's funding, **customer deposits** of continuing operations, decreased by 5% to EUR 3,830 million in the 12 months ended 31 December 2023, compared to year-end 2022. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,767 million (compared to 98% as of year-end 2022). This is consistent with developments in the Baltic deposit market.

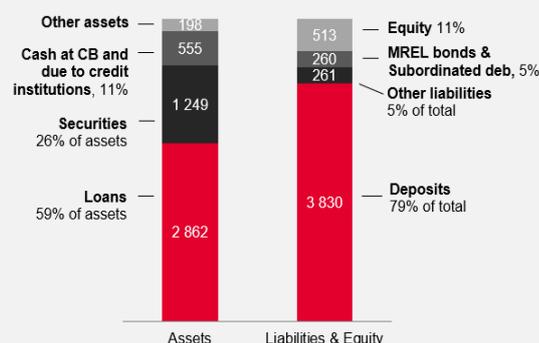
Loans and Deposits, EURm



New financing, EURm



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has affirmed Baa2 rating changing outlook to positive (*January 2024*).

The main credit strengths are:

- Sound funding and liquidity, underpinned by a domestic-based deposit funding model
- Strong capital generation, underpinned by organic and non-organic growth
- Improving asset quality with unwinding of problem loans.

Moody's

Long term deposit	Baa2
Short term deposit	P-2
Counterparty risk rating	Baa1/P-2
Baseline Credit Assessment/ adj. BCA	ba1/ba1
Counterparty Risk Assessment	Baa1(cr)/P-2(cr)
Senior Unsecured -Dom Curr	Baa3
Outlook:	Positive

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

Segment Highlights

Retail Private and Affluent segment

We are pleased to see that our continued strong customer focus and quality of service are recognized by our customers and allowed us to maintain the top position among banks in 2023 in the Baltics, as revealed by the annual mystery shopper survey conducted by international customer service evaluation company DIVE. The banking sector in the Baltics was evaluated across two channels – remote and face-to-face service. Citadele achieved the highest rankings in both categories – for servicing clients remotely (1st place in Latvia and Lithuania, 2nd place in Estonia) and in-person (1st place in Latvia and 2nd place in Lithuania and Estonia).

The number of active Retail customers reached a new all-time high level for Citadele, and primary customers continued to grow reaching 205 thousand clients as of 31 December 2023, a 3% increase year-over-year.

In 2023, the Retail private segment's operating income reached EUR 89 million, reflecting a 49% year-over-year growth.

High inflation and interest rates in 2023 have increased overall customer interest in savings and investment products, while decreasing demand for new financing, especially in housing market and leasing sectors. New lending to private individuals reached EUR 285 million (compared to 362 million in 2022). In Q4 2023 alone, EUR 84 million was issued, representing an 18% increase quarter-on-quarter.

Recognizing the importance of sustainability initiatives to our clients, Citadele expanded its sustainability-related product offering in 2023 by launching the Green Savings Account, where deposited funds are used to finance projects aimed at reducing carbon emissions, and Green Mortgage Loan, tailored to finance homes complying with the highest energy efficiency standards. Insurance products available in mobile app, comprising five offerings, have commenced initial sales, educating society about the importance of protecting oneself across various life stages.

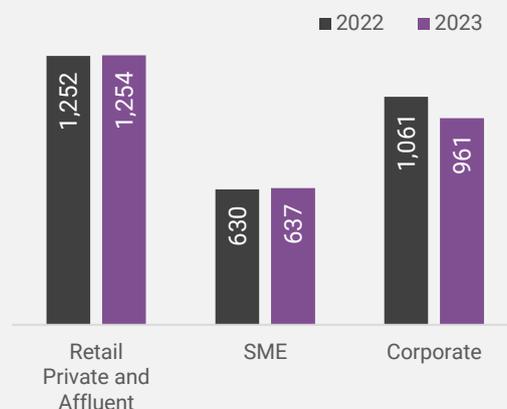
Total loans to Private individuals reached EUR 1,254 million as of 31 December 2023, increasing by EUR 10 million as compared to 30 September 2023 with good loan quality. Deposits from Private individuals constituted EUR 1,912 million, slightly decreasing by EUR 3 million as compared to 30 September 2023.

SME segment

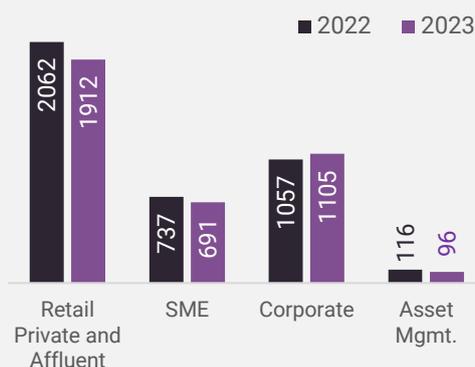
In the 12 months ending on 31 December 2023, the SME segment's operating income reached EUR 58 million, reflecting a 38% year-over-year growth. Performance driven by strong net interest income, which reached EUR 46 million in the 12 months ended 31 December 2023, a 57% increase year-over-year, mainly impacted by rising interest rates.

SME new financing totaled EUR 309 million in 2023, as compared to EUR 331 million in 2022. SME lending volumes rebounded in Q4 2024, reaching EUR 83 million. The total SME loan portfolio was EUR 637 million, representing a slight increase by 1% compared to the year-end 2022. Credit portfolio quality remained strong. The

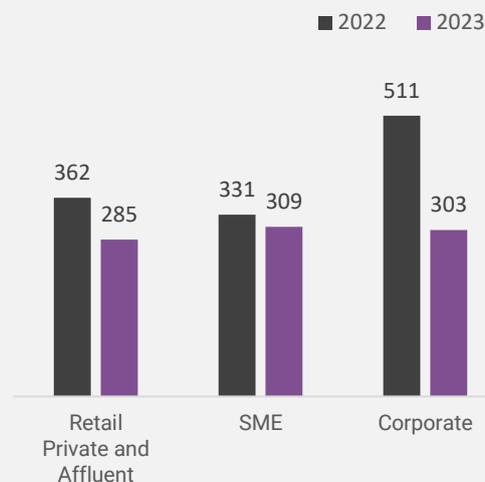
Loans, EURm



Deposits, EURm



New lending, EURm



deposit portfolio decreased by 6% vs. the year end 2022 and was EUR 691 million as of 31 December 2023

Corporate segment

In the 12 months ending on 31 December 2023, the corporate segment's operating income reached EUR 57 million, reflecting a 12% year-over-year growth. Performance driven by strong net interest income, which reached EUR 51 million in the 12 months ended 31 December 2023, a 19% increase year-over-year, mainly impacted by rising interest rates.

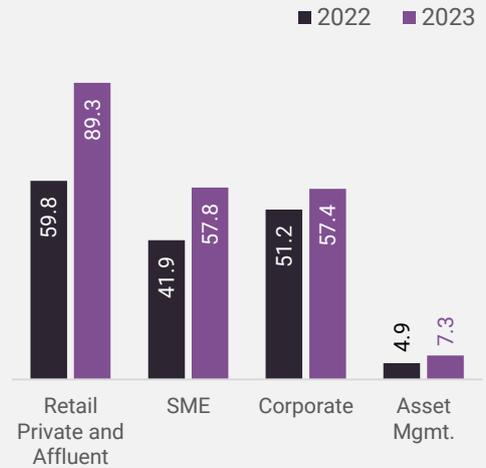
Corporate new financing totaled EUR 303 million in 2023, down from EUR 511 million in 2022. Corporate lending volumes rebounded in Q4 2024, reaching EUR 110 million. Demand for green transition loans remained high, with numerous large renewable energy and energy-efficient projects financed throughout 2023.

The total corporate loan portfolio was EUR 961 million, representing a decreased by 9% compared to the year-end 2022. Credit portfolio quality remained strong. The deposit portfolio increased by 5% vs. the year end 2022 and was EUR 1,105 million as of 31 December 2023

Asset Management

In the 12 months ending on 31 December 2023, the Asset Management segment's operating income reached EUR 7.3 million, reflecting a 49% year-over-year growth. The total customers' assets under management reached EUR 1,080 million, up from EUR 957 million in 2022.

Operating income, EURm



Business Environment

Global economic growth remains resilient

In 2023, global economic growth remained resilient despite the ongoing war in Ukraine, the emergence of new geopolitical shocks, high interest rates, and distress in China's housing market. However, inflation declined faster than expected, energy prices normalized, growth in the US remained strong, and the euro area avoided recession. According to the International Monetary Fund's January 2024 forecast, the global economy in 2024 is expected to grow by 3.1%, which is 0.2% higher than forecasted in October 2023. However, growth in the euro area remains weak and is forecasted to grow by only 0.9% in 2024, up from 0.5% in 2023.

Signs of stabilization are visible in the euro area. Business surveys show that inventory levels in euro area manufacturing have started to shrink, which is a positive sign for the manufacturing and transportation sectors. At the same time, low unemployment, rising wages, and falling inflation are set to benefit consumption. However, demand in the construction sector remains weak due to high interest rates.

Economic sentiment is starting to improve in the Baltics

In 2023, growth in the Baltic region was negatively affected by high inflation, rising interest rates, and weak external demand in manufacturing, resulting in moderate recessions across all three Baltic countries. According to preliminary estimates, in 2023 GDP in Lithuania declined by 0.3%, in Latvia by 0.6%, and in Estonia by 3.5%. At the same time, economic sentiment in the Baltics has stabilized and is starting to improve.

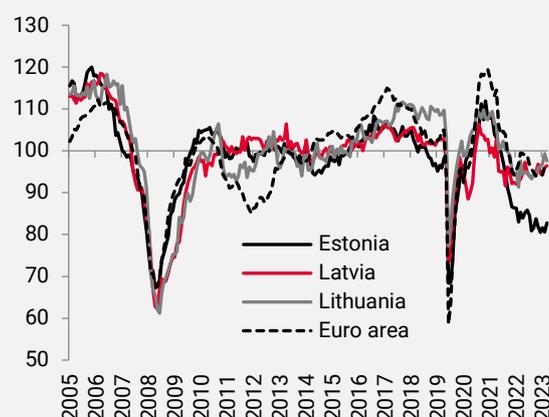
The manufacturing and transport sectors were the hardest hit in 2023, largely due to weak external demand and a cyclical downturn in global manufacturing. Agriculture also suffered due to unfavorable weather conditions, while the retail trade sector struggled with falling real incomes caused by high inflation and a high share of variable rate loans. However, service sectors such as IT, professional services, and tourism continued to experience growth.

In 2023, GDP growth in Estonia was lagging Latvia and Lithuania, primarily due to Estonia's higher trade exposure to Sweden and Finland. Additionally, rising interest rates had a significant impact on consumption and investment, particularly due to the larger private sector debt and a substantial IT startup sector where higher interest rates led to reduced availability of funding.

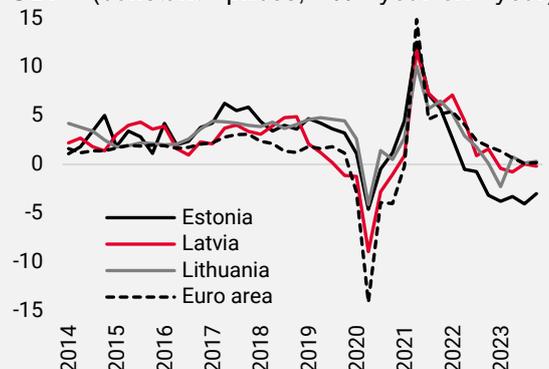
Inflation has declined and interest rates have peaked

Inflation in the Baltics fell rapidly in 2023, and by the end of the year, inflation in Latvia and Lithuania had fallen below 2%, while remaining above 4% in Estonia and close to 3% in the euro area. As a result of lower inflation, interest rates in the euro area appear to have peaked, and financial markets have begun to anticipate rapid interest rate decreases in 2024. At the same time wage growth in the Baltics exceeded 10% in Q3 2023 and new geopolitical shocks could lead to new price pressures.

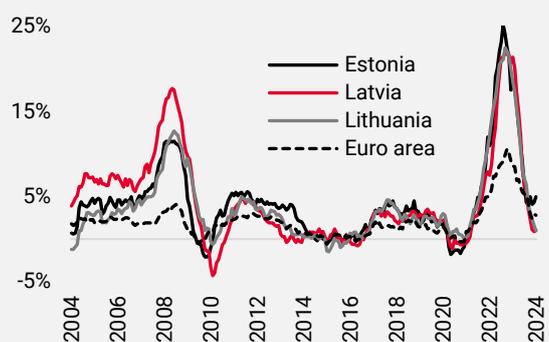
Economic sentiment indicator



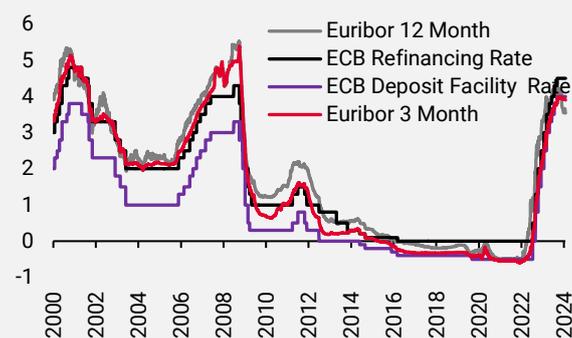
GDP (constant prices, % year-on-year)



Inflation (% year-on-year)



ECB un EURIBOR interest rates, %



CORPORATE GOVERNANCE

AS Citadele banka is the parent company of Citadele Group. AS Citadele banka is a joint stock company. Citadele's shareholders are an international group of investors with global experience in the banking sector. As of period end 74.2% shares in AS Citadele banka are owned by a consortium of international investors represented by Ripplewood Advisors LLC, 24.7% shares are owned by the European Bank for Reconstruction and Development (EBRD), and 1.1% shares are owned by to the management, employees, and other investors.

Supervisory Board of the Bank as of 31/12/2023:

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
Dhananjaya Divedi	Member of the Supervisory Board	20 April 2015
Lawrence Neal Lavine	Member of the Supervisory Board	20 April 2015
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
Stephen Young	Member of the Supervisory Board	4 October 2023
Daiga Auzina-Melalksne	Member of the Supervisory Board	1 November 2023

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

Stephen Young become Member of the Supervisory Board effective from 4 October 2023. Daiga Auzina-Melalksne become Member of the Supervisory Board effective from 1 November 2023.

Management Board of the Bank as of 31/12/2023:

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. Subsequent to the period end, effective from 2 January 2024, Uldis Upenieks, member of the Management Board of AS Citadele banka resigned from his duties and left Management Board of the Bank.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The interim condensed financial statements are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 31 December 2023 and the results of their operations for the twelve months period ended 31 December 2023, changes in shareholders' equity for the twelve months period ended 31 December 2023 in accordance with IAS 34 Interim Reporting as adopted by the European Union. The management report presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

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

Management Board of AS Citadele banka approved these financial statements on 27 February 2024.

STATEMENT OF INCOME

		EUR thousands			
	Note	2023 Group	2022 Group ¹	2023 Bank	2022 Bank
Interest income calculated using the effective interest method	5	152,526	91,856	205,023	115,716
Other interest income	5	77,088	46,088	-	-
Interest expense	5	(41,678)	(18,582)	(42,263)	(18,489)
Net interest income		187,936	119,362	162,760	97,227
Fee and commission income	6	71,584	66,034	66,320	60,381
Fee and commission expense	6	(33,787)	(28,251)	(31,164)	(27,918)
Net fee and commission income		37,797	37,783	35,156	32,463
Net financial income	7	10,668	8,573	10,070	10,123
Net other income / (expense)	8	(2,507)	(3,166)	(522)	7,265
Operating income		233,894	162,552	207,464	147,078
Staff costs	9	(65,381)	(58,871)	(55,469)	(49,370)
Other operating expenses	10	(30,139)	(23,975)	(27,865)	(21,095)
Depreciation and amortisation		(9,003)	(8,729)	(8,416)	(8,309)
Operating expense		(104,523)	(91,575)	(91,750)	(78,774)
Profit from continuous operations before impairment, bank tax and non-current assets held for sale		129,371	70,977	115,714	68,304
Net credit losses	11	4,617	(23,704)	4,291	(26,179)
Other impairment losses and other provisions		(71)	(68)	48	210
Operating profit from continuous operations before bank tax and non-current assets held for sale		133,917	47,205	120,053	42,335
Bank tax	12	(895)	-	(895)	-
Result from non-current assets held for sale and discontinued operations, net of tax	18	(6,117)	(4,205)	(5,621)	286
Operating profit		126,905	43,000	113,537	42,621
Income tax	12	(23,118)	(2,318)	(21,837)	(438)
Net profit		103,787	40,682	91,700	42,183
Basic earnings per share in EUR	24	0.66	0.26	0.58	0.27
<i>from continuing operations</i>		<i>0.70</i>	<i>0.29</i>	<i>0.58</i>	<i>0.27</i>
<i>from discontinued operations</i>		<i>(0.04)</i>	<i>(0.03)</i>	-	-
Diluted earnings per share in EUR	24	0.65	0.26	0.58	0.27
<i>from continuing operations</i>		<i>0.69</i>	<i>0.29</i>	<i>0.58</i>	<i>0.27</i>
<i>from discontinued operations</i>		<i>(0.04)</i>	<i>(0.03)</i>	-	-

The notes 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			
	2023 Group	2022 Group ¹	2023 Bank	2022 Bank
Net profit	103,787	40,682	91,700	42,183
Other comprehensive income items that are or may be reclassified to profit or loss:				
<i>Fair value revaluation from continuing operations</i>				
Fair value revaluation charged to statement of income (Note 7)	-	1,519	-	1,519
Change in fair value of debt securities and similar	6,866	(20,597)	5,626	(17,610)
<i>Fair value revaluation from discontinued operations</i>				
Fair value revaluation charged to statement of income	388	(46)	-	-
Change in fair value of debt securities and similar	831	(1,764)	-	-
Deferred income tax charged / (credited) directly to equity	(295)	424	-	-
<i>Other reserves</i>				
Foreign exchange retranslation from discontinued operations	1,750	1,134	-	-
Other comprehensive income items that will not be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Change in fair value of equity and similar instruments	22	24	22	24
Transfer to retained earnings at disposal	-	-	-	-
Other comprehensive income / (loss)	9,562	(19,306)	5,648	(16,067)
Total comprehensive income	113,349	21,376	97,348	26,116

The notes 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			
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
		Group	Group ¹	Bank	Bank
Assets					
Cash and cash balances at central banks	13	520,569	532,030	520,569	532,030
Loans to credit institutions		34,640	48,441	53,019	42,044
Debt securities	14	1,220,032	1,593,922	1,178,936	1,550,301
Loans to public	15	2,861,958	2,966,478	2,768,436	2,880,101
Equity instruments	16	1,239	1,029	1,239	1,029
Other financial instruments	16	26,372	28,473	1,235	1,101
Derivatives		1,019	1,285	1,019	1,285
Investments in related entities	17	248	190	47,939	47,770
Tangible assets		11,183	15,730	7,309	10,321
Intangible assets		8,065	8,162	6,010	6,069
Current income tax assets	12	81	1,822	-	1,116
Deferred income tax assets	12	714	2,478	579	2,179
Bank tax assets	12	1,777	-	1,777	-
Discontinued operations and non-current assets held for sale	18	132,574	166,028	12,788	13,827
Other assets	19	42,865	38,853	35,369	30,680
Total assets		4,863,336	5,404,921	4,636,224	5,119,853
Liabilities					
Deposits from credit institutions and central banks	20	47,434	469,736	66,994	473,399
Deposits and borrowings from customers	21	3,829,582	4,025,665	3,799,406	3,973,320
Debt securities issued	22	259,560	259,225	259,560	259,225
Derivatives		3,331	7,650	3,331	7,650
Provisions	11	4,899	4,920	4,839	4,838
Current income tax liabilities	12	17,696	1,204	17,247	33
Deferred income tax liabilities	12	375	375	-	-
Discontinued operations	18	121,660	158,999	-	-
Other liabilities	23	63,404	57,501	31,894	28,183
Total liabilities		4,347,941	4,985,275	4,183,271	4,746,648
Equity					
Share capital	24	158,145	157,258	158,145	157,258
Reserves and other capital components		(92)	(11,058)	(5,899)	(12,951)
Retained earnings		357,342	273,446	300,707	228,898
Total equity		515,395	419,646	452,953	373,205
Total liabilities and equity		4,863,336	5,404,921	4,636,224	5,119,853
Off-balance sheet items					
Guarantees and letters of credit	25	70,409	50,407	78,227	60,936
Financial commitments	25	346,036	306,690	363,952	322,211

The notes 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						
	Issued share capital	Share premium	Securities fair value revaluation reserve (Note 14)	Foreign currency retranslation	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2021 (as reported)	156,888	239	158	4,805	2,118	232,867	397,075
<i>Restated on initial application of IFRS 17</i>	-	-	(61)	-	-	(270)	(331)
Balance as of 31/12/2021 (restated)	156,888	239	97	4,805	2,118	232,597	396,744
Share buyback	(94)	(144)	-	-	-	-	(238)
Share based payments to employees	464	349	-	-	784	167	1,764
Total comprehensive income	-	-	(20,440)	1,134	-	40,682	21,376
Net result for the period	-	-	-	-	-	40,682	40,682
Other comprehensive income / (loss) for the period	-	-	(20,440)	1,134	-	-	(19,306)
Balance as of 31/12/2022 (restated for IFRS 17)	157,258	444	(20,343)	5,939	2,902	273,446	419,646
Dividends to shareholders (Note 24)	-	-	-	-	-	(20,000)	(20,000)
Share repurchase	(2)	(2)	-	-	-	-	(4)
Share based payments to employees	889	733	-	-	673	109	2,404
Total comprehensive income	-	-	7,812	1,750	-	103,787	113,349
Net profit for the period	-	-	-	-	-	103,787	103,787
Other comprehensive income / (loss) for the period	-	-	7,812	1,750	-	-	9,562
Balance as of 31/12/2023	158,145	1,175	(12,531)	7,689	3,575	357,342	515,395

	Bank, EUR thousands						
	Issued share capital	Share premium	Securities fair value revaluation reserve (Note 14)	Share based payments	Retained earnings	Total equity	
Balance as of 31/12/2021	156,888	239	(230)	2,118	186,548	345,563	
Share buyback	(94)	(144)	-	-	-	(238)	
Share based payments to employees	464	349	-	784	167	1,764	
Total comprehensive income	-	-	(16,067)	-	42,183	26,116	
Net result for the period	-	-	-	-	42,183	42,183	
Other comprehensive income / (loss) for the period	-	-	(16,067)	-	-	(16,067)	
Balance as of 31/12/2022	157,258	444	(16,297)	2,902	228,898	373,205	
Dividends to shareholders (Note 24)	-	-	-	-	(20,000)	(20,000)	
Share repurchase	(2)	(2)	-	-	-	(4)	
Share based payments to employees	889	733	-	673	109	2,404	
Total comprehensive income	-	-	5,648	-	91,700	97,348	
Net result for the period	-	-	-	-	91,700	91,700	
Other comprehensive income / (loss) for the period	-	-	5,648	-	-	5,648	
Balance as of 31/12/2023	158,145	1,175	(10,649)	3,575	300,707	452,953	

The notes are an integral part of these financial statements. 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 twelve months period ended 31 December 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 31 December 2023, the Group had 1,329 (2022: 1,355) and the Bank had 1,097 (2022: 1,113) full time equivalent active employees. From total Group's full time equivalent active employees 28 (2022: 26) were with discontinued operations.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union and relevant statutory regulations and laws on a going concern basis. The financial statements are prepared under the historical cost convention, except for assets measured at fair value through other comprehensive income, financial assets and financial liabilities measured at fair value through profit or loss and all derivative contracts, which have been measured at fair value.

The Management considers going concern basis of accounting appropriate in preparing these financial statements; there are no material uncertainties in applying going concern basis of accounting. The Group's financial and capital position, business activities, its risk management objectives and policies and the major risks to which the Group is exposed to are disclosed in the Risk Management section of these financial statements. Liquidity risk management is particularly important in respect to the going concern convention, as a failure to have a sufficient funding to meet payment obligations due may result in an extraordinary borrowing at excessive cost, regulatory requirement breach, delays in day-to-day settlements activities or cause the Group to no longer be a going concern; for more details refer to Liquidity risk management section. Regulatory compliance, especially capital adequacy requirements, is also significant to the going concern of the Group. The Group conducts and plans business in accordance with the available capital and in line with other regulatory requirements. For capital adequacy ratios as at period end refer to the Capital management section. The Group has implemented a comprehensive liquidity risk management and capital planning framework and policies and procedures to manage other risks.

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

Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

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

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

For the Group, as a result of implementation of IFRS 17, a large part of the existing insurance contracts ceased to qualify as insurance contracts and were reclassified to deposits and borrowings from customers and are accounted for at amortised cost, thus reversing previous discounting gains. Other contracts continued to qualify as insurance contracts, thus requiring application of Variable fee

approach (VFA) and General measurement model (GMM). Permitted debt instruments were reclassified to Amortised cost (AmC) from Fair value through other comprehensive income (FVTOCI). IFRS 17 was applied retrospectively, thus at the transition date each group of insurance contracts was identified, recognised and measured as if IFRS 17 had always applied, except for certain simplifications discussed later. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application and is 1 January 2022. For the Bank no material impact from IFRS 17 implementation was observed.

At introduction of IFRS 17 the Group revised classification of contracts, differentiating among insurance (annuity, life and non-life insurance products) and reinsurance contracts accounted for under IFRS 17 and investment contracts accounted for under IFRS 9 as financial liabilities. Previously all annuity products were classified as insurance contracts; however, most were reclassified to investment contracts as embedded insurance risk was deemed insignificant under IFRS 17 rules. On initial application on 1 January 2022 to estimate carrying value of liabilities the Group applied modified retrospective approach to annuity and insurance contracts with no accruals and fair value approach to unit-linked and fixed rate insurance contracts. Modified retrospective approach implies simplifications vs. full retrospective approach. The applied simplifications are discount rate inputs look back to 2016 and not earlier periods, sign-on and claims statistics from 2021 applied to periods before that, cancellations based on statistics starting from 2008, cash flows and mortality statistics as from 2021 etc. Simplifications are applied due to limitations in data granularity for earlier periods. Contractual service margin (CSM) is calculated as the difference between fair value and estimated future cash flows, which feed into fair value approach. Profit, which generally is deferred as CSM and loss from loss making agreements, which generally is recognised immediately, are aggregated and recognised at the identified cohort level. The identified cohorts are groups of agreements with similar risk characteristics and which are managed collectively, and per Group's policy are originated in period no longer than a year. GMM approach is applied for annuity products, insurance contracts with no accruals, reinsurance contracts and fixed rate insurance contracts while VFA approach is applied for unit-linked contracts. Under GMM approach risk corrected future contractual cash flows are discounted with market discount rates, positive present value is amortised as CSM to income statement as services are rendered to the respective client over the lifetime of the contract, while loss is expensed immediately.

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

Group, EUR thousands							
Total 31/12/2021 as reported (IFRS 4)	Securities reclassi- fication	Annuity Insurance (GMM), Modified retrospective	Annuity Investment IFRS9 (AmC) Full retrospective	Unit linked agreement with risk insurance IFRS17 (VFA) Modified retrospective	Fixed rate agreement with risk insurance IFRS17 (GMM) Modified retrospective	Agreements with no insurance component and other items	Total 01/01/2022 adjusted (IFRS 17)
Assets							
Cash and cash balances at central banks	371,025	-	-	-	-	-	371,025
Loans to credit institutions	58,742	-	-	-	-	-	58,742
Debt securities	-	-	-	-	-	-	-
<i>At fair value through other comprehensive income</i>	340,701	(10,625)	-	-	-	-	330,076
<i>At amortised cost</i>	1,461,019	10,564	-	-	-	-	1,471,583
Loans to public	2,701,509	-	-	-	-	-	2,701,509
Equity instruments	1,279	-	-	-	-	-	1,279
Other financial instruments	42,032	-	-	-	-	-	42,032
Derivatives	4,303	-	-	-	-	-	4,303
All other assets	73,951	-	(22)	(259)	(35)	(123)	73,479
Total assets	5,054,561	(61)	(22)	(259)	(35)	(123)	5,054,028
Liabilities							
Deposits from credit institutions and central banks	479,235	-	-	-	-	-	479,235
Deposits and borrowings from customers	3,813,863	-	-	38,209	(1,386)	(7,108)	3,843,578
Debt securities issued	258,895	-	-	-	-	-	258,895
Derivatives	739	-	-	-	-	-	739
All other liabilities, including insurance liabilities	104,754	-	(342)	(37,811)	1,341	6,939	74,837
Total liabilities	4,657,486	-	(342)	398	(45)	(169)	4,657,284
Equity							
Share capital	156,888	-	-	-	-	-	156,888
Reserves and other capital components	7,320	(61)	-	-	-	-	7,259
Retained earnings	232,867	-	320	(657)	10	46	232,597
Total equity	397,075	(61)	320	(657)	10	46	396,744
Total liabilities and equity	5,054,561	(61)	(22)	(259)	(35)	(123)	5,054,028

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

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

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

Upcoming requirements not in force for current reporting period

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

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

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

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

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

Amendments to IAS 21 – Lack of Exchangeability

IFRS S1 (Sustainability Disclosure Standards) General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures

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 the evaluation of impairment losses for financial and non-financial assets. Critical judgements made in the preparation of the accompanying financial statements relate to the determination of whether the group has control over certain investees for consolidation purposes, and the determination of whether Kaleido Privatbank AG constitutes a discontinued operation held for sale.

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.

SME

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

Corporate

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

Asset management

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

Other

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

Segments of the Group

	Group 2023, EUR thousands						
	Reportable segments					Other	Total
Retail Private	Private affluent	SME	Corporate	Asset Management			
Interest income	82,945	3,142	49,555	70,524	891	22,557	229,614
Interest expense	(9,874)	(2,425)	(3,743)	(19,573)	(232)	(5,831)	(41,678)
Net interest income	73,071	717	45,812	50,951	659	16,726	187,936
Fee and commission income	28,387	3,714	17,276	14,001	6,362	1,844	71,584
Fee and commission expense	(14,845)	(1,118)	(7,528)	(8,980)	(274)	(1,042)	(33,787)
Net fee and commission income	13,542	2,596	9,748	5,021	6,088	802	37,797
Net financial income	638	674	2,503	1,910	758	4,185	10,668
Net other income	(1,722)	(190)	(298)	(505)	(242)	450	(2,507)
Operating income	85,529	3,797	57,765	57,377	7,263	22,163	233,894
Net funding allocation	(1,587)	9,203	(4,896)	(4,332)	610	1,002	-
FTP adjusted operating income	83,942	13,000	52,869	53,045	7,873	23,165	233,894
Operating expense adjusted for indirect costs	(42,234)	(3,031)	(19,684)	(30,604)	(6,050)	(2,920)	(104,523)
Net credit losses	(3,420)	(57)	(1,042)	8,599	(3)	540	4,617
Other impairment losses and other provisions	(1)	(1)	(47)	(49)	-	27	(71)
Bank tax	-	-	-	-	-	(895)	(895)
Result from non-current assets held for sale	-	-	-	(2)	-	483	481
Operating profit from continuous operations, before tax	38,287	9,911	32,096	30,989	1,820	20,400	133,503
Discontinued operations (<i>Note 18</i>)							(6,598)
Operating profit, before tax							126,905

Group 2022, EUR thousands (Restated for IFRS 17 comparability)

	Reportable segments					Other	Total
	Retail Private	Private affluent	SME	Corporate	Asset Management		
Interest income	51,656	1,849	30,750	45,786	751	7,152	137,944
Interest expense	(3,795)	(1,575)	(1,548)	(2,809)	(124)	(8,731)	(18,582)
Net interest income	47,861	274	29,202	42,977	627	(1,579)	119,362
Fee and commission income	22,276	3,438	15,815	14,110	6,549	3,846	66,034
Fee and commission expense	(12,779)	(1,114)	(5,671)	(8,001)	(316)	(370)	(28,251)
Net fee and commission income	9,497	2,324	10,144	6,109	6,233	3,476	37,783
Net financial income	1,294	1,029	2,760	2,352	(1,399)	2,537	8,573
Net other income	(2,017)	(446)	(165)	(264)	(522)	248	(3,166)
Operating income	56,635	3,181	41,941	51,174	4,939	4,682	162,552
Net funding allocation	1,213	2,521	87	(3,007)	45	(859)	-
FTP adjusted operating income	57,848	5,702	42,028	48,167	4,984	3,823	162,552
Operating expense adjusted for indirect costs	(36,930)	(3,680)	(17,272)	(24,363)	(4,641)	(4,689)	(91,575)
Net credit losses	(14,327)	(627)	(983)	(9,721)	7	1,947	(23,704)
Other impairment losses and other provisions	10	-	(1)	-	-	(77)	(68)
Bank tax	-	-	-	-	-	-	-
Result from non-current assets held for sale (Note 18)	-	-	(88)	(61)	-	435	286
Operating profit from continuous operations, before tax	6,601	1,395	23,684	14,022	350	1,439	47,491
Discontinued operations (Note 18)							(4,491)
Operating profit, before tax							43,000

Group as of 31/12/2023, EUR thousands

	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	SME	Corporate	Asset Management		
Assets							
Cash, balances at central banks	-	-	-	-	-	520,569	520,569
Loans to credit institutions	-	-	-	88	623	33,929	34,640
Debt securities	-	-	-	35,501	41,096	1,143,435	1,220,032
Loans to public	1,203,749	50,391	636,623	961,306	720	9,169	2,861,958
Equity instruments	-	-	-	-	-	1,239	1,239
Other financial instruments	-	-	-	-	25,137	1,235	26,372
All other assets	-	-	7	56	3,962	194,501	198,526
Total segmented assets	1,203,749	50,391	636,630	996,951	71,538	1,904,077	4,863,336
Liabilities							
Deposits from banks	-	-	-	-	-	47,434	47,434
Deposits from customers	1,536,846	374,726	690,671	1,105,023	95,706	26,610	3,829,582
Debt securities issued	-	-	-	-	-	259,560	259,560
All other liabilities	-	-	4	13	16,769	194,579	211,365
Total segmented liabilities	1,536,846	374,726	690,675	1,105,036	112,475	528,183	4,347,941

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

	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	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			
	2023 Group	2022 Group Restated for IFRS 17	2023 Bank	2022 Bank
Interest income calculated using the effective interest method:				
Financial instruments at amortised cost:				
<i>Loans to public</i>	127,733	81,472	180,932	105,993
<i>Debt securities</i>	8,562	4,646	8,504	4,616
<i>Balances to/from central banks and credit institutions (incl. TLTRO-III)</i>	14,418	3,413	14,606	3,419
<i>Deposits from public at negative interest rates</i>	693	1,322	75	912
Debt securities at fair value through other comprehensive income	164	1,003	164	776
Debt securities at fair value through profit or loss	956	-	742	-
Interest income on finance leases (part of loans to public)	77,088	46,088	-	-
Total interest income	229,614	137,944	205,023	115,716
Interest expense on:				
Financial instruments at amortised cost:				
<i>Deposits and borrowing from public</i>	(27,445)	(7,843)	(27,918)	(7,823)
<i>Debt securities issued</i>	(6,685)	(6,821)	(6,685)	(6,821)
<i>Deposits from credit institutions and central banks (including TLTRO-III)</i>	(5,073)	(951)	(5,277)	(1,003)
<i>Deposits to central banks and other assets at negative interest rates</i>	(505)	(676)	(431)	(616)
Financial liabilities at fair value through profit or loss				
<i>Deposits and borrowing from public</i>	(16)	(64)	-	-
Lease liabilities	(102)	(43)	(99)	(38)
Other interest expense	(1,852)	(2,184)	(1,853)	(2,188)
Total interest expense	(41,678)	(18,582)	(42,263)	(18,489)
Net interest income	187,936	119,362	162,760	97,227

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.

EUR thousands

	2023 Group	2022 Group	2023 Bank	2022 Bank
Interest income recognised on credit impaired assets	3,764	3,114	2,205	1,677

Credit impaired financial assets are defined as all stage 3 classified assets and POCI classified assets with existing default triggers. These besides overdue or specifically impaired assets also include non-overdue, non-restructured assets under monitoring period where previously default indications were observed.

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

EUR thousands

	2023 Group	2022 Group	2023 Bank	2022 Bank
		Restated for IFRS 17		
Fee and commission income:				
Cards	48,599	43,301	48,599	43,303
Payments and transactions	11,381	11,062	11,405	11,088
Asset management and custody	6,768	6,758	1,705	1,680
Securities brokerage	551	521	557	523
Other fees	1,994	2,044	1,851	2,004
Total fee and commission income from contracts with customers	69,293	63,686	64,117	58,598
Guarantees letters of credit and loans	2,291	2,348	2,203	1,783
Total fee and commission income	71,584	66,034	66,320	60,381
Fee and commission expense on:				
Cards	(25,973)	(23,238)	(25,971)	(23,233)
Securitisation	(3,120)	(202)	(733)	(66)
Payments and transactions	(3,431)	(3,625)	(3,428)	(3,625)
Asset management custody and securities brokerage	(813)	(879)	(811)	(867)
Other fees	(450)	(307)	(221)	(127)
Total fee and commission expense	(33,787)	(28,251)	(31,164)	(27,918)
Net fee and commission income	37,797	37,783	35,156	32,463

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 a three year period.

NOTE 7. NET FINANCIAL INCOME

EUR thousands

	2023 Group	2022 Group	2023 Bank	2022 Bank
		Restated for IFRS 17		
Foreign exchange trading, revaluation and related derivatives	10,509	9,583	10,599	9,496
Non-trading assets and liabilities at fair value through profit or loss	608	(854)	(80)	783
Assets at fair value through other comprehensive income	-	(1,519)	-	(1,519)
Assets at amortised cost	106	27	106	27
Modifications in cash flows which do not result in derecognition	(555)	1,336	(555)	1,336
Total net financial income	10,668	8,573	10,070	10,123

NOTE 8. NET OTHER INCOME

	EUR thousands			
	2023 Group	2022 Group Restated for IFRS 17	2023 Bank	2022 Bank
Operating lease income	1,554	1,835	-	-
Compensation for fulfilment of the TLTRO-III required government obligations (<i>Note 20</i>)	-	993	-	993
Dividend income	21	29	21	8,713
Other income	1,184	771	2,735	2,048
Total other income	2,759	3,628	2,756	11,754
Share of the profit or loss of investments accounted for using the equity method	58	(89)	58	(89)
Insurance contracts:				
<i>Insurance revenue</i>	793	423	-	-
<i>Insurance expense</i>	(193)	(99)	-	-
<i>Financing</i>	(355)	(268)	-	-
Reinsurance contracts:				
<i>Net income / (expenses)</i>	(65)	(136)	-	-
<i>Financing</i>	(52)	74	-	-
Net insurance result	128	(6)	-	-
Supervisory fees	(1,707)	(2,988)	(1,660)	(2,898)
Depreciation of assets under operating lease	(1,158)	(1,467)	-	-
Other expenses	(2,587)	(2,244)	(1,676)	(1,502)
Total other expense	(5,452)	(6,699)	(3,336)	(4,400)
Total net other income	(2,507)	(3,166)	(522)	7,265

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

NOTE 9. STAFF COSTS

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

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
Remuneration:				
- management	(5,134)	(4,178)	(4,321)	(3,319)
- other personnel	(49,007)	(44,787)	(41,681)	(37,770)
Total remuneration for work	(54,141)	(48,965)	(46,002)	(41,089)
Social security and solidarity tax contributions:				
- management	(788)	(651)	(623)	(469)
- other personnel	(9,410)	(8,354)	(7,952)	(7,036)
Total social security and solidarity tax contributions	(10,198)	(9,005)	(8,575)	(7,505)
Other personnel expense	(1,042)	(901)	(892)	(776)
Total personnel expense	(65,381)	(58,871)	(55,469)	(49,370)
Number of full-time equivalent employees at the period end				
- continuous operations	1,301	1,329	1,097	1,113
- discontinued operations	28	26	-	-

NOTE 10. OTHER OPERATING EXPENSES

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
Information technologies and communications	(8,410)	(7,705)	(7,413)	(7,014)
Consulting and other services	(10,496)	(6,307)	(9,993)	(4,848)
Rent, premises and real estate	(2,691)	(2,514)	(2,556)	(2,364)
Advertising and marketing	(3,520)	(3,834)	(3,316)	(3,641)
Non-refundable value added tax	(3,023)	(2,012)	(2,859)	(1,884)
Other	(1,999)	(1,603)	(1,728)	(1,344)
Total other expenses	(30,139)	(23,975)	(27,865)	(21,095)

NOTE 11. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
Loans to credit institutions	377	(303)	346	(303)
Debt securities	125	104	128	97
Loans to public	1,833	(24,789)	1,646	(27,160)
<i>Including impairment overlay</i>	<i>(384)</i>	<i>(11,913)</i>	<i>2,589</i>	<i>(12,463)</i>
Loan commitments, guarantees and letters of credit	1	(1,049)	(3)	(954)
Recovered written-off assets	2,281	2,333	2,174	2,141
Total net losses on financial instruments	4,617	(23,704)	4,291	(26,179)

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. Despite widespread geopolitical tensions and tighter monetary conditions, macro-outlook improved in 2023 as compared to 2022 and the adjustment for expected impact from future economic scenarios was revised correspondingly. Due to the forward-looking nature of the credit loss estimation, in general 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 *Loans to Public*), but is more a representation of an expectation of the future trends in the economic out-look. However, credit loss estimation may not drop below the historically observed loss levels even if the very positive macro out-look is expected.

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

Changes in the allowances for credit losses and provisions

	Group, EUR thousands						Closing balance 31/12/2023
	Opening balance 01/01/2023	Charged to statement of income			Write-offs of allowances	Other adjustments	
		Origination	Repayment, disposal	Credit risk, net			
<u>Stage 1</u>							
Loans to credit institutions	385	17	-	(394)	-	(5)	3
Debt securities	708	29	(18)	(136)	-	-	583
Loans to public	53,284	11,336	(4,449)	(8,002)	-	7	52,176
<i>Including impairment overlay</i>	10,897						11,262
Loan commitments, guarantees and letters of credit	4,528	2,270	(1,069)	(1,207)	-	(20)	4,502
Total stage 1 credit losses and provisions	58,905	13,652	(5,536)	(9,739)	-	(18)	57,264
<u>Stage 2</u>							
Loans to public	16,746	340	(783)	(665)	-	25	15,663
<i>Including impairment overlay</i>	6,196						6,215
Loan commitments, guarantees and letters of credit	158	112	(176)	63	-	-	157
Total stage 2 credit losses and provisions	16,904	452	(959)	(602)	-	25	15,820
<u>Stage 3</u>							
Loans to public	36,479	381	(8,248)	8,257	(6,394)	673	31,148
Loan commitments, guarantees and letters of credit	134	13	(59)	52	-	-	140
Total stage 3 credit losses and provisions	36,613	394	(8,307)	8,309	(6,394)	673	31,288
Total allowances for credit losses and provisions	112,422	14,498	(14,802)	(2,032)	(6,394)	680	104,372
<i>Including for debt securities classified at fair value through other comprehensive income</i>	94						101

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

Group, EUR thousands

	Opening balance 01/01/2022	Charged to statement of income			Write-offs of allowances	Other adjustments	Closing balance 31/12/2022
		Origination	Repayment, disposal	Credit risk, net			
Stage 1							
Loans to credit institutions	93	878	(583)	8	-	(11)	385
Debt securities	2,015	645	(742)	(7)	(1,144)	(59)	708
Loans to public	35,204	65,577	(39,382)	(7,795)	-	(320)	53,284
<i>Including impairment overlay</i>	<i>5,180</i>						<i>10,897</i>
Loan commitments, guarantees and letters of credit	3,378	2,848	(2,084)	449	-	(63)	4,528
Total stage 1 credit losses and provisions	40,690	69,948	(42,791)	(7,345)	(1,144)	(453)	58,905
Stage 2							
Loans to public	10,702	23,071	(18,636)	1,324	-	285	16,746
<i>Including impairment overlay</i>	<i>-</i>						<i>6,196</i>
Loan commitments, guarantees and letters of credit	358	327	(162)	(366)	-	1	158
Total stage 2 credit losses and provisions	11,060	23,398	(18,798)	958	-	286	16,904
Stage 3							
Loans to public	35,709	9,040	(8,489)	79	(5,213)	5,353	36,479
Loan commitments, guarantees and letters of credit	98	180	(52)	(91)	-	(1)	134
Total stage 3 credit losses and provisions	35,807	9,220	(8,541)	(12)	(5,213)	5,352	36,613
Total allowances for credit losses and provisions	87,557	102,566	(70,130)	(6,399)	(6,357)	5,185	112,422
<i>Including for debt securities classified at fair value through other comprehensive income</i>	<i>136</i>						<i>94</i>

	Bank, EUR thousands						
	Opening balance 01/01/2023	Charged to statement of income			Write-offs of allowances	Other adjustments	Closing balance 31/12/2023
		Origination	Repayment, disposal	Credit risk, net			
Stage 1							
Loans to credit institutions	385	16	-	(362)	-	(6)	33
Debt securities	686	27	(15)	(140)	-	-	558
Loans to public	41,130	6,879	(2,885)	(4,403)	-	(1)	40,720
<i>Including impairment overlay</i>	7,705						7,002
Loan commitments, guarantees and letters of credit	4,498	2,383	(1,086)	(1,339)	-	(1)	4,455
Total stage 1 credit losses and provisions	46,699	9,305	(3,986)	(6,244)	-	(8)	45,766
Stage 2							
Loans to public	13,421	158	(431)	(3,205)	-	(1)	9,942
<i>Including impairment overlay</i>	6,189						4,303
Loan commitments, guarantees and letters of credit	115	111	(176)	94	-	-	144
Total stage 2 credit losses and provisions	13,536	269	(607)	(3,111)	-	(1)	10,086
Stage 3							
Loans to public	33,573	258	(6,744)	8,727	(6,202)	(785)	28,827
Loan commitments, guarantees and letters of credit	125	6	(59)	69	-	-	141
Total stage 3 credit losses and provisions	33,698	264	(6,803)	8,796	(6,202)	(785)	28,968
Total allowances for credit losses and provisions	93,933	9,838	(11,396)	(559)	(6,202)	(794)	84,820
<i>Including for debt securities classified at fair value through other comprehensive income</i>	72						82

Bank, EUR thousands

	Opening balance 01/01/2022	Charged to statement of income			Write-offs of allowances	Other adjustments	Closing balance 31/12/2022
		Origination	Repayment, disposal	Credit risk, net			
Stage 1							
Loans to credit institutions	93	878	(583)	8	-	(11)	385
Debt securities	1,927	645	(742)	-	(1,144)	-	686
Loans to public	23,184	57,635	(37,827)	(1,863)	-	1	41,130
Including impairment overlay	1,431						7,705
Loan commitments, guarantees and letters of credit	3,325	2,816	(2,154)	510	-	1	4,498
Total stage 1 credit losses and provisions	28,529	61,974	(41,306)	(1,345)	(1,144)	(9)	46,699
Stage 2							
Loans to public	8,873	22,834	(18,250)	(36)	-	-	13,421
Including impairment overlay	-						6,189
Loan commitments, guarantees and letters of credit	358	327	(162)	(409)	-	1	115
Total stage 2 credit losses and provisions	9,231	23,161	(18,412)	(445)	-	1	13,536
Stage 3							
Loans to public	32,544	8,970	(6,202)	1,899	(5,017)	1,379	33,573
Loan commitments, guarantees and letters of credit	98	179	(52)	(101)	-	1	125
Total stage 3 credit losses and provisions	32,642	9,149	(6,254)	1,798	(5,017)	1,380	33,698
Total allowances for credit losses and provisions	70,402	94,284	(65,972)	8	(6,161)	1,372	93,933
Including for debt securities classified at fair value through other comprehensive income	97						72

Transfers of gross loans to customers between impairment stages

Group, EUR thousands

	Transfers between impairment stages of gross loans (gross transfer basis)					
	from Stage 1 to Stage 2	from Stage 2 to Stage 1	from Stage 2 to Stage 3	from Stage 3 to Stage 2	from Stage 1 to Stage 3	from Stage 3 to Stage 1
Transfers during 2023	154,437	73,369	16,980	4,283	8,922	2,274
Transfers during 2022	200,373	69,060	5,197	3,141	8,573	1,843

NOTE 12. TAXATION

Corporate income tax expense

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
Current corporate income tax	(21,354)	(2,437)	(20,237)	(438)
Deferred income tax	(1,764)	119	(1,600)	-
Total corporate income tax expense	(23,118)	(2,318)	(21,837)	(438)
Bank tax	(895)	-	(895)	-

In Q4 2023 a change in corporate income tax (CIT) legislation was introduced in Latvia stipulating an advance CIT payable at 20% rate on unadjusted accounting profits of the Latvian banking and leasing operations, with the advance paid being eligible to fully offset dividend distribution tax with no expiry date. As a result of this change, a higher tax expense was recognised retrospectively for the fully year 2023 for Latvian Banking and leasing operations. From the Group's total corporate income and bank tax expense for the reporting period EUR 14.0 million relate to Latvian operations, EUR 7.1 to Lithuanian operations and EUR 2.9 million to Estonian operations (2022: EUR 1.1 million, EUR 1.1 million and EUR 0.0 million respectively).

Previously in Latvia corporate income tax (CIT) was payable when the profits were distributed, not when the profits were earned. The recent changes in the tax legislation require advance payment of CIT based on profits earned in Latvia in 2023 and future periods. These CIT advance payments may be offset only against future profit distribution tax due. Thus, the amount of the CIT advance paid,

amount of which is calculated based on 2023 profits, despite generally being eligible for offsetting against future profit distribution tax, is expensed in the reporting period as profits are generated.

In Latvia, incremental CIT expense did not arise on the Bank's dividend distribution from retained earnings generated under the old tax regime which as of period end amounted to EUR 61.8 million (2022: EUR 81.8 million) and additional EUR 17.2 million profits already taxed when distributed from subsidiaries and branches. Currently there is no expiry date for this distribution right.

For distributions of 2023 and later period profits from banking and leasing operations a theoretical 20% CIT rate would apply and would be calculated as 0.2/0.8 from net distributed dividend (effectively 25%), but the profit distribution tax payment would be decreased by the CIT advance already paid in 2023 and later period profits. This incremental profit distribution tax expense on 2023 and later period profits would arise only if the profit distribution tax exceeded the CIT advance paid.

In 2023 the Bank decided to distribute profits in the amount of (net) EUR 4.5 million from Estonian branch thus EUR 1.1 million tax expense was recognised at a full tax rate. In Estonia, if regular and annually increasing dividends are distributed, a lower preferential tax rate applies on amount equal to average of distributions over the last three years. Similarly, as for Latvian operations, any CIT advance paid, was expensed in the reporting period as profits are generated.

Income tax assets and liabilities

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Current income tax assets	81	1,822	-	1,116
Deferred income tax assets	714	2,478	579	2,179
Tax assets	795	4,300	579	3,295
Current income tax liabilities	(17,696)	(1,204)	(17,247)	(33)
Deferred income tax liabilities	(375)	(375)	-	-
Tax liabilities	(18,071)	(1,579)	(17,247)	(33)
Bank tax	1,777	-	1,777	-

The Group has recognised a deferred tax liability of EUR 0.4 million as in Estonia it anticipates paying out dividends to Latvia. These dividends would become taxable at distribution.

NOTE 13. CASH AND CASH BALANCES AT CENTRAL BANKS

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Cash	45,558	46,296	45,558	46,296
Balances with the Bank of Latvia	469,196	263,161	469,196	263,161
Balances with other central banks	5,815	222,573	5,815	222,573
Total cash and balances with central banks	520,569	532,030	520,569	532,030

Credit institutions should comply with the compulsory reserve requirement calculated based on attracted funding. The Bank's compulsory minimum reserve must be exceeded by a credit institution's average monthly balance on its correspondent account with the central bank. Similar requirements also apply to the funding attracted by the banking subsidiary in Switzerland (classified as discontinued operations). During the reporting period, the Group's was in compliance with this requirement. Demand deposits with other central banks include balances with central banks of Lithuania and Estonia. In the reporting period no amounts due from central banks were overdue.

NOTE 14. DEBT SECURITIES

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

	Group, EUR thousands							
	31/12/2023				31/12/2022 (Restated for IFRS 17)			
	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	Total	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	Total
Investment grade:								
AAA/Aaa	9,202	56,658	-	65,860	30,183	113,216	-	143,399
AA/Aa	17,920	269,033	-	286,953	17,929	239,180	-	257,109
A	125,281	617,625	42,815	785,721	155,706	958,390	-	1,114,096
BBB/Baa	9,887	31,158	-	41,045	9,275	25,282	-	34,557
Lower ratings or unrated	2,731	37,722	-	40,453	209	44,552	-	44,761
Total debt securities	165,021	1,012,196	42,815	1,220,032	213,302	1,380,620	-	1,593,922
<i>Including general government</i>	<i>123,603</i>	<i>691,645</i>	<i>42,815</i>	<i>858,063</i>	<i>152,197</i>	<i>1,031,002</i>	<i>-</i>	<i>1,183,199</i>
<i>Including credit institutions</i>	<i>10,873</i>	<i>111,809</i>	<i>-</i>	<i>122,682</i>	<i>11,628</i>	<i>144,321</i>	<i>-</i>	<i>155,949</i>
<i>Including classified in stage 1</i>	<i>165,021</i>	<i>1,012,196</i>	<i>n/a</i>	<i>1,220,032</i>	<i>213,302</i>	<i>1,380,620</i>	<i>n/a</i>	<i>n/a</i>

	Bank, EUR thousands							
	31/12/2023				31/12/2022			
	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	Total	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	Total
Investment grade:								
AAA/Aaa	7,202	51,762	-	58,964	27,141	110,767	-	137,908
AA/Aa	17,920	269,033	-	286,953	17,929	239,181	-	257,110
A	107,857	611,054	42,815	761,726	133,820	951,810	-	1,085,630
BBB/Baa	1,422	29,649	-	31,071	1,331	23,770	-	25,101
Lower ratings or unrated	2,502	37,720	-	40,222	-	44,552	-	44,552
Total debt securities	136,903	999,218	42,815	1,178,936	180,221	1,370,080	-	1,550,301
<i>Including general government</i>	<i>112,367</i>	<i>685,585</i>	<i>42,815</i>	<i>840,767</i>	<i>138,275</i>	<i>1,024,934</i>	<i>-</i>	<i>1,163,209</i>
<i>Including credit institutions</i>	<i>3,741</i>	<i>111,809</i>	<i>-</i>	<i>115,550</i>	<i>4,470</i>	<i>144,321</i>	<i>-</i>	<i>148,791</i>
<i>Including classified in stage 1</i>	<i>136,903</i>	<i>999,218</i>	<i>n/a</i>	<i>1,178,936</i>	<i>180,221</i>	<i>1,370,080</i>	<i>n/a</i>	<i>n/a</i>

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

Debt securities by country of issuer

	Group, EUR thousands					
	31/12/2023			31/12/2022 (Restated for IFRS 17)		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	343,709	51,138	394,847	561,482	48,672	610,154
Latvia	360,279	2,392	362,671	410,254	2,376	412,630
Estonia	76,440	23,045	99,485	76,459	27,023	103,482
Germany	-	91,214	91,214	-	89,213	89,213
Poland	22,229	5,164	27,393	66,179	5,837	72,016
United States	18,262	22,650	40,912	9,983	26,591	36,574
Sweden	-	25,485	25,485	10,012	32,362	42,374
Canada	-	28,116	28,116	-	32,817	32,817
Switzerland	-	24,509	24,509	-	30,387	30,387
Netherlands	6,209	11,138	17,347	10,432	15,241	25,673
Finland	-	12,446	12,446	-	28,657	28,657
Other countries	-	35,433	35,433	38,398	35,562	73,960
Multilateral development banks and international organisations	30,936	29,238	60,174	-	35,985	35,985
Total debt securities	858,064	361,968	1,220,032	1,183,199	410,723	1,593,922

Bank, EUR thousands

	31/12/2023			31/12/2022		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	339,632	49,781	389,413	556,007	47,362	603,369
Latvia	354,063	1,310	355,373	403,125	1,310	404,435
Germany	-	91,214	91,214	-	89,213	89,213
Estonia	76,440	21,910	98,350	76,459	24,822	101,281
Poland	21,448	3,043	24,491	65,417	3,059	68,476
United States	18,262	16,395	34,657	9,983	20,555	30,538
Sweden	-	25,485	25,485	10,012	32,362	42,374
Canada	-	28,116	28,116	-	32,817	32,817
Switzerland	-	24,509	24,509	-	25,277	25,277
Netherlands	6,209	11,138	17,347	10,432	15,241	25,673
Finland	-	12,446	12,446	-	28,657	28,657
Other countries	-	28,536	28,536	31,773	35,526	67,299
Multilateral development banks and international organisations	24,713	24,286	48,999	-	30,892	30,892
Total debt securities	840,767	338,169	1,178,936	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 15. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Financial and non-financial corporations				
Real estate purchase and management	357,918	415,941	343,029	400,290
Transport and communications	220,297	260,005	32,745	40,320
Manufacturing	209,755	219,559	100,378	108,169
Trade	185,877	200,854	67,227	83,825
Agriculture and forestry	179,198	174,752	72,183	79,402
Construction	111,574	122,621	30,458	39,957
Electricity, gas and water supply	100,633	66,227	86,246	53,011
Financial intermediation	34,121	36,892	1,064,960	1,097,429
Hotels, restaurants	26,955	40,259	20,985	34,487
Other industries	157,720	155,613	23,370	19,934
Total financial and non-financial corporations	1,584,048	1,692,723	1,841,581	1,956,824
Households				
Mortgage loans	814,963	833,607	812,808	830,916
Finance leases	348,314	350,499	-	-
Credit for consumption	108,855	92,039	104,155	87,953
Card lending	59,973	57,852	59,973	57,852
Other lending	21,375	18,428	19,023	17,415
Total households	1,353,480	1,352,425	995,959	994,136
General government	23,418	27,839	10,384	17,265
Total gross loans to public	2,960,946	3,072,987	2,847,924	2,968,225
Impairment allowance and provisions	(98,988)	(106,509)	(79,488)	(88,124)
Total net loans to public	2,861,958	2,966,478	2,768,436	2,880,101

Loans by overdue days and impairment stage

	Group, EUR thousands									
	31/12/2023					31/12/2022				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
Stage 1	Stage 2	Stage 3 and POCI	Stage 1			Stage 2	Stage 3 and POCI			
Loans to public										
Not past due	2,627,867	206,974	29,715	(62,554)	2,802,002	2,666,915	273,165	36,687	(66,940)	2,909,827
Past due <=30 days	26,175	8,829	1,591	(5,694)	30,901	27,005	9,856	4,679	(7,641)	33,899
Past due >30 and <=90 days	-	23,294	1,960	(4,047)	21,207	-	13,376	2,996	(3,118)	13,254
Past due >90 days	-	-	34,541	(26,693)	7,848	-	-	38,308	(28,810)	9,498
Total loans to public	2,654,042	239,097	67,807	(98,988)	2,861,958	2,693,920	296,397	82,670	(106,509)	2,966,478
Guarantees and letters of credit	67,622	2,748	38	(370)	70,038	50,130	-	277	(452)	49,955
Financial commitments	338,341	6,672	1,022	(4,428)	341,607	291,930	14,319	441	(4,368)	302,322
Total credit exposure to public	3,060,005	248,517	68,867	(103,786)	3,273,603	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 9.7 million (2022: EUR 16.3 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.6 million (2022: EUR 0.7 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to note *Off-balance Sheet Items*.

	Bank, EUR thousands									
	31/12/2023					31/12/2022				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
Stage 1	Stage 2	Stage 3	Stage 1			Stage 2	Stage 3			
Loans to public										
Not past due	2,669,492	88,240	20,268	(46,302)	2,731,698	2,698,503	177,908	20,767	(51,593)	2,845,585
Past due <=30 days	23,201	8,567	1,454	(5,554)	27,668	18,069	8,771	4,562	(7,029)	24,373
Past due >30 and <=90 days	-	6,351	1,224	(2,255)	5,320	-	2,945	1,241	(1,516)	2,670
Past due >90 days	-	-	29,127	(25,377)	3,750	-	-	35,459	(27,986)	7,473
Total loans to public	2,692,693	103,158	52,073	(79,488)	2,768,436	2,716,572	189,624	62,029	(88,124)	2,880,101
Guarantees and letters of credit	75,441	2,748	38	(384)	77,843	60,659	-	277	(452)	60,484
Financial commitments	358,565	4,365	1,022	(4,355)	359,597	313,682	8,282	247	(4,286)	317,925
Total credit exposure to public	3,126,699	110,271	53,133	(84,227)	3,205,876	3,090,913	197,906	62,553	(92,862)	3,258,510

Stage 3 loans to public ratio

	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Stage 3 loans to public ratio, gross	2.10%	2.70%	1.80%	2.10%
Stage 3 loans to public ratio, net	1.10%	1.60%	0.80%	1.00%
Stage 3 impairment ratio	49%	44%	55%	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.

Expected credit loss allowance by customer profile and impairment stage

	Group, EUR thousands							
	31/12/2023				31/12/2022			
	Expected credit loss allowance				Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3 and POCI	Total	Stage 1	Stage 2	Stage 3 and POCI	Total
Financial and non-financial corporations	(22,273)	(10,874)	(12,657)	(45,804)	(24,603)	(12,527)	(18,172)	(55,302)
Households	(29,462)	(4,771)	(18,506)	(52,739)	(28,283)	(4,159)	(18,307)	(50,749)
General government	(438)	(7)	-	(445)	(398)	(60)	-	(458)
Expected credit loss allowance	(52,173)	(15,652)	(31,163)	(98,988)	(53,284)	(16,746)	(36,479)	(106,509)

	Bank, EUR thousands							
	31/12/2023				31/12/2022			
	Expected credit loss allowance				Expected credit loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial and non-financial corporations	(14,318)	(6,429)	(10,765)	(31,512)	(15,824)	(10,226)	(15,603)	(41,653)
Households	(26,391)	(3,513)	(18,062)	(47,966)	(25,297)	(3,146)	(17,970)	(46,413)
General government	(10)	-	-	(10)	(9)	(49)	-	(58)
Expected credit loss allowance	(40,719)	(9,942)	(28,827)	(79,488)	(41,130)	(13,421)	(33,573)	(88,124)

Loans by customer profile and impairment stage

	Group, EUR thousands									
	31/12/2023					31/12/2022				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
Stage 1	Stage 2	Stage 3 and POCI	Stage 1			Stage 2	Stage 3 and POCI			
Financial and non-financial corporations										
Real estate purchase and management	339,949	17,321	649	(5,500)	352,419	367,621	44,545	3,775	(7,835)	408,106
Transport and communications	171,095	40,126	9,075	(11,385)	208,911	227,268	12,697	20,040	(11,325)	248,680
Manufacturing	145,979	46,079	17,699	(9,423)	200,334	144,699	67,031	7,829	(14,004)	205,555
Trade	169,050	13,150	3,676	(4,817)	181,059	176,007	23,078	1,769	(5,084)	195,770
Agriculture and forestry	137,690	39,260	2,249	(6,507)	172,692	138,445	32,621	3,686	(5,665)	169,087
Construction	94,884	13,435	3,256	(3,122)	108,453	92,543	23,112	6,966	(3,981)	118,640
Electricity, gas and water supply	96,898	1,742	1,993	(1,015)	99,618	58,886	5,307	2,034	(1,044)	65,183
Financial intermediation	33,496	605	20	(436)	33,685	36,590	293	9	(1,246)	35,646
Hotels, restaurants	24,546	790	1,618	(605)	26,349	10,767	19,446	10,046	(1,433)	38,826
Other industries	134,161	20,216	3,343	(2,992)	154,728	134,539	17,312	3,762	(3,685)	151,928
Total financial and non-financial corporations	1,347,748	192,724	43,578	(45,802)	1,538,248	1,387,365	245,442	59,916	(55,302)	1,637,421
Households										
Mortgage loans	780,517	12,908	21,539	(31,394)	783,570	794,649	18,990	19,968	(32,187)	801,420
Finance leases	323,242	24,146	926	(4,291)	344,023	327,099	22,533	867	(4,022)	346,477
Credit for consumption	103,497	4,811	546	(7,306)	101,548	88,401	3,132	506	(6,466)	85,573
Card lending	56,867	2,526	579	(8,398)	51,574	55,233	1,825	794	(6,941)	50,911
Other lending	18,955	1,782	637	(1,351)	20,023	16,018	1,791	619	(1,133)	17,295
Total households	1,283,078	46,173	24,227	(52,740)	1,300,738	1,281,400	48,271	22754	(50,749)	1,301,676
General government	23,217	201	-	(446)	22,972	25,155	2684	-	(458)	27,381
Total loans to public	2,654,043	239,098	67,805	(98,988)	2,861,958	2,693,920	296,397	82,670	(106,509)	2,966,478

	Bank, EUR thousands									
	31/12/2023					31/12/2022				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
Stage 1	Stage 2	Stage 3	Stage 1			Stage 2	Stage 3			
Financial and non-financial corporations										
Real estate purchase and management	326,710	15,875	444	(5,189)	337,840	354,224	42,455	3,611	(7,499)	392,791
Transport and communications	22,934	2,752	7,059	(7,501)	25,244	26,683	523	13,114	(8,306)	32,014
Manufacturing	53,266	33,626	13,485	(7,168)	93,209	55,542	47,931	4,696	(11,548)	96,621
Trade	61,424	2,847	2,956	(2,875)	64,352	73,122	9,421	1,282	(2,738)	81,087
Agriculture and forestry	47,185	23,416	1,582	(3,253)	68,930	53,163	23,676	2,563	(3,723)	75,679
Construction	26,846	2,528	1,084	(1,427)	29,031	25,012	11,501	3,444	(2,093)	37,864
Electricity, gas and water supply	85,570	-	676	(807)	85,439	47,440	4,854	717	(850)	52,161
Financial intermediation	1,064,940	-	20	(2,074)	1,062,886	1,097,420	-	9	(2,415)	1,095,014
Hotels, restaurants	18,978	415	1,592	(511)	20,474	5,832	18,707	9,948	(1,312)	33,175
Other industries	22,215	874	281	(708)	22,662	15,555	3,204	1,175	(1,169)	18,765
Total financial and non-financial corporations	1,730,068	82,333	29,179	(31,513)	1,810,067	1,753,993	162,272	40,559	(41,653)	1,915,171
Households										
Mortgage loans	779,284	12,286	21,238	(31,163)	781,645	792,930	18,303	19,683	(32,058)	798,858
Finance leases	-	-	-	-	0	-	-	-	-	0
Credit for consumption	99,396	4,234	524	(7,128)	97,026	84,504	2,979	470	(6,364)	81,589
Card lending	56,867	2,526	579	(8,398)	51,574	55,233	1,825	794	(6,941)	50,911
Other lending	16,695	1,779	553	(1,277)	17,750	15,124	1,768	523	(1,050)	16,365
Total households	952,242	20,825	22,894	(47,966)	947,995	947,791	24,875	21,470	(46,413)	947,723
General government	10,384	-	-	(10)	10,374	14,788	2,477	-	(58)	17,207
Total loans to public	2,692,694	103,158	52,073	(79,489)	2,768,436	2,716,572	189,624	62,029	(88,124)	2,880,101

NOTE 16. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	31/12/2023				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	26,372	1,117	-	27,489	28,473	929	-	29,402
Financial assets at fair value through other comprehensive income	-	101	21	122	-	79	21	100
Total non-fixed income securities, net	26,372	1,218	21	27,611	28,473	1,008	21	29,502
<i>Including unit-linked insurance plan assets</i>	<i>17,059</i>	<i>-</i>	<i>-</i>	<i>17,059</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 mandatorily 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 the period end, the carrying amount of the Bank's and the Group's investments in mutual investment funds, which are managed by IPAS CBL Asset Management, is EUR 1.2 million (2022: EUR 1.1 million) and EUR 15.6 million (2022: EUR 14.8 million). Further, EUR 11.6 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							
	31/12/2023				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	1,235	1,117	-	2,352	1,101	929	-	2,030
Financial assets at fair value through other comprehensive income	-	101	21	122	-	79	21	100
Total non-fixed income securities, net	1,235	1,218	21	2,474	1,101	1,008	21	2,130

NOTE 17. INVESTMENTS IN RELATED ENTITIES

Changes in investments in related entities of the Bank

	EUR thousands	
	2023	2022
Balance at the beginning of the period, net	47,770	77,087
Associates accounted for using the equity method	58	(89)
Liquidation of subsidiary	-	(15,711)
Change in impairment allowance	111	288
Transfer to discontinued operations held for sale	-	(13,805)
Balance at the end of the period, net	47,939	47,770
<i>Including associates accounted for using the equity method</i>	<i>248</i>	<i>190</i>
<i>Including gross investment in subsidiaries</i>	<i>60,598</i>	<i>60,598</i>

Changes in investments in subsidiaries

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, 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	
							31/12/2023	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
SIA Citadele Factoring	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	8,266	8,247
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
UAB Citadele Factoring	126233315	Lithuania, Upės g. 21, Vilnius, LT-0812	LIZ	MS	100	100	2,149	2,149
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	1,076	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, Dzirnāvu iela 91 k-3 - 20, Rīga, LV-1011	ENI	CT	12.5	12.5	248	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							47,939	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.

Kaleido Privatbank AG is a 100% owned subsidiary classified as discontinued operations held for sale (for details refer the note *Discontinued Operations and Non-current Assets Held For Sale*). Registration number of Kaleido Privatbank AG is 130.0.007.738-0, it is registered in Switzerland with legal address in Bellerivestrasse 17, 8008, Zürich.

NOTE 18. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

AS Citadele banka is selling its Swiss subsidiary Kaleido Privatbank AG under market standard terms and conditions. In January 2022, AS Citadele banka entered into a binding agreement regarding the sale of its Swiss subsidiary – Kaleido Privatbank AG. The closing was subject to regulatory approvals and took longer than expected. In 2023 it was concluded that successful execution of this sales-purchase agreement is no longer feasible and was decided to terminate the contract.

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

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

Write-down of investment in Kaleido Privatbank AG

In the reporting period the Bank recognised EUR 6.1 million write-down on the investment in Kaleido Privatbank AG equal to the lower of the carrying amount and fair value less cost to sale. The write-down is presented in the statement of income as net result from non-current assets held for sale and discontinued operations. To arrive to the fair value less cost to sale of the investment, a present value of expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance, less cost to sell is estimated. The target capital adequacy ratio is set at 10.5% which is applicable to Swiss Category 5 banks. Other key inputs of the model are 15.5% discount rate and future profitability of the operations of the entity which was re-adjusted for the most recent financials and forecast.

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

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
Net interest income	4,119	1,828	-	-
Net fee and commission income	3,123	2,896	-	-
Other operating income and expense	(796)	(334)	-	-
Staff costs, other operating expenses, depreciation and amortisation	(12,354)	(8,540)	-	-
Net credit losses and other impairment losses	(662)	(338)	-	-
Income tax	(28)	(3)	-	-
Net result from discontinued operations	(6,598)	(4,491)	-	-
Result from non-current assets held for sale	481	286	-	-
Net result from non-current assets held for sale and discontinued operations	(6,117)	(4,205)	(5,621)	286
Other comprehensive income / (loss)	924	(207)	-	-

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

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Assets				
Cash, cash balances at central banks	11,867	6,671	-	-
Loans to credit institutions	12,607	23,671	-	-
Debt securities (Classified in stage 1)	51,762	88,989	-	-
<i>Including:</i>				
AAA/Aaa rated	21,421	32,768	-	-
AA/Aa rated	18,758	30,619	-	-
A rated	8,926	17,967	-	-
BBB/Baa rated	2,657	7,635	-	-
General government	17,019	20,928	-	-
Credit institutions	15,575	29,063	-	-
Loans to public	55,033	44,540	-	-
Other assets	1,305	2,136	-	-
Discontinued operations	132,574	166,007	-	-
Net investment in Kaleido Privatbank AG (subsidiary)	-	-	12,788	13,805
Other non-current assets held for sale	-	21	-	22
Discontinued operations and non-current assets held for sale	132,574	166,028	12,788	13,827
Liabilities				
Deposits from credit institutions and central banks	460	170	-	-
Deposits and borrowings from customers	118,229	156,474	-	-
Other liabilities	2,971	2,355	-	-
Discontinued operations	121,660	158,999	-	-

NOTE 19. OTHER ASSETS

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Money in transit	26,018	20,190	26,018	20,182
Repossessed assets	874	1,019	-	-
Deferred expenses and accrued income (maturing in less than 12 months from the period end)	5,919	9,909	3,254	7,153
Other assets	10,820	9,503	6,711	4,911
Total gross other assets	43,631	40,621	35,983	32,246
Impairment allowance	(766)	(1,768)	(614)	(1,566)
Total net other assets	42,865	38,853	35,369	30,680

As of 31 December 2023 and 2022 most of the impairment allowance for other assets relate to fully impaired overdue debt collection expenditure compensation receivable. Net carrying amount of these assets is nil. As of 31 December 2023, the Group had no

unimpaired delayed other assets (2022: EUR nil).

From time to time the Group repossesses from its customers certain assets serving as collateral, when the customers cannot otherwise meet their payment obligations and other loan work-out measures have been unsuccessful. Collateral obtained is recognised within other assets and are held for sale in near future.

Repossessed assets where the management has committed to an active plan that is expected to result in a complete sale within one year from the date of classification are classified as non-current assets held for sale.

NOTE 20. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
ECB's targeted longer-term refinancing operations	40,099	463,796	40,099	463,796
Deposits from Citadele Group banks	-	-	19,560	3,663
Other credit institution deposits and collateral accounts	6,121	5,934	6,121	5,934
Other central bank deposits and accounts	1,214	6	1,214	6
Total deposits from credit institutions and central banks	47,434	469,736	66,994	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 this part of the facility was 28 June 2023 with an early repayment option starting on 29 September 2021. In June 2021 TLTRO-III borrowing was increased by EUR 40 million maturing in 2024. Since then, till the end of the reporting period in total EUR 441 million of the TLTRO-III borrowing was repaid.

NOTE 21. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group Restated for IFRS 17	Bank	Bank
Households	1,986,684	2,135,600	1,926,620	2,064,956
Non-financial corporations	1,550,606	1,636,796	1,550,895	1,636,950
Financial corporations	180,144	166,882	209,742	185,027
General government	89,620	67,416	89,620	67,416
Other	22,528	18,971	22,529	18,971
Total deposits from customers	3,829,582	4,025,665	3,799,406	3,973,320

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group Restated for IFRS 17	Bank	Bank
Demand deposits	2,822,542	3,581,365	2,835,084	3,597,467
Term deposits due within:				
less than 1 month	137,931	128,042	147,876	127,604
more than 1 month and less than 3 months	269,128	52,439	269,107	51,071
more than 3 months and less than 6 months	243,074	49,613	241,123	46,341
more than 6 months and less than 12 months	249,100	132,346	243,651	125,986
more than 1 year and less than 5 years	100,698	71,766	61,415	22,650
more than 5 years	7,109	10,094	1,150	2,201
Total term deposits	1,007,040	444,300	964,322	375,853
Total deposits from customers	3,829,582	4,025,665	3,799,406	3,973,320

Deposits and borrowings from customers by categories

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group Restated for IFRS 17	Bank	Bank
At amortised cost	3,810,183	4,002,469	3,799,406	3,973,320
At fair value through profit or loss	19,399	23,196	-	-
Total deposits from customers	3,829,582	4,025,665	3,799,406	3,973,320
<i>Including unit-linked insurance plan liabilities</i>	<i>17,153</i>	<i>19,911</i>		-

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

NOTE 22. DEBT SECURITIES ISSUED

Publicly listed debt securities

ISIN code of the issued bond	Eligibility	Currency	Interest rate	Initial maturity date	Principal, EUR thousands	Amortised cost, EUR thousands	
						31/12/2023	31/12/2022
XS2393742122	MREL eligible	EUR	1.625%	22/11/2026	200,000	199,366	199,037
LV0000880102	Subordinated	EUR	5.00%	13/12/2031	40,000	40,104	40,104
LV0000880011	Subordinated	EUR	5.50%	24/11/2027	20,000	20,090	20,084
						259,560	259,225

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.

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 *Risk Management*.

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 2023	252	108	26,380	66%	144	13,620	34%
LV0000880011	November 2023	75	41	17,040	85%	34	2,960	15%

NOTE 23. OTHER LIABILITIES

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Insurance reserves:				
Annuity pension products	10,059	3,759	-	-
Other life insurance reserves	2,199	2,162	-	-
Payables to lease suppliers	10,446	12,945	-	-
Employee related accruals	12,086	9,730	10,252	8,456
Other accrued expenses	11,107	8,041	9,889	6,143
Lease liabilities	4,224	6,133	4,112	5,914
Regulatory fee and similar accruals	2,899	3,396	2,899	3,396
Other liabilities	10,384	11,335	4,742	4,274
Total other liabilities	63,404	57,501	31,894	28,183

Insurance liabilities mostly comprise estimated present value of future cash outflows from defined benefit annuity pension products sold to customers by Group's subsidiary AAS CBL Life. The annuity products are subject to terms, conditions and limitations. Estimated cash outflows are conditional to life longevity assumptions and defined benefit payment structure. Most of the defined payments are due within ten years period.

NOTE 24. SHARE CAPITAL

The Bank has one class dematerialised shares i.e., recorded in the depository (Nasdaq CSD SE). As of the period end the total paid capital of the Bank was EUR 158,240,718 (2022: EUR 157,351,784) and conditional capital was EUR 2,907,496 (2022: EUR 2,874,655). The conditional capital represents the maximum number of shares that may be allocated for awarding to employees as share options. As of the period end the Bank owns EUR 95,476 (2022: EUR 94,126) of its own shares. Each dematerialised share carries one vote, a share in profits and is eligible for dividends (except for shares owned by the Bank itself). In the reporting period all Bank's shares were dematerialised. In the beginning of 2023 EUR 20.0 million dividends were proposed and after regulatory approval processed for payment.

In the reporting period as per terms of the employee share-based long-term incentive plan 888,934 options vested and on 17 July 2023 were converted to the shares of the Bank (2022: 464 thousand share options). 779,549 of the shares (2022: 353 thousand shares) were awarded to the Members of the Management Board of the Bank. The respective options were awarded to employees of the Group in 2020 or earlier and for accounting purposes at that time were valued and expensed over the performance period at EUR 1.6 million.

Shareholders of the Bank

	31/12/2023		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	51,549,212	51,549,212	35,082,302	35,082,302
Delan S.à.r.l. ²	12,477,728	12,477,728	15,597,160	15,597,160
EMS LB LLC ³	17,635,133	17,635,133	22,043,916	22,043,916
Amolino Holdings Inc. ⁴	13,490,578	13,490,578	16,863,223	16,863,223
Shuco LLC ⁵	9,838,158	9,838,158	12,297,697	12,297,697
Members of the Management Board of the Bank and parties related to them	1,353,823	1,353,823	574,274	574,274
Other shareholders	12,661,662	12,661,662	15,660,138	15,660,138
Total	158,145,242	158,145,242	157,257,658	157,257,658
Own shares	95,476		94,126	
Total paid capital	158,240,718		157,351,784	

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 shareholders by the weighted average number of the shares outstanding during the period. Diluted earnings per share are determined by adjusting the net profit that is attributable to the shareholders and the weighted-average number of the shares outstanding for the effects of all dilutive potential shares, which comprise share options granted to employees in the long-term incentive programs. The part of the performance-based employee share options for which the services under the approved long-term incentive programs have been received are included in the calculation of diluted earnings per share. The part of the performance-based employee share options, issuance of which is contingent upon satisfying specific conditions, in addition to the passage of time, are treated as contingently issuable shares. For

contingently issuable share options where these conditions are not fully satisfied, the number of contingently issuable shares included in diluted earnings per share is based on the number of shares that would be issuable if the reporting date were the end of the contingency period.

	2023	2022	2023	2022
	Group	Group	Bank	Bank
Profit for the period, EUR thousands	103,787	40,682	91,700	42,183
Weighted average number of the shares outstanding in thousands	157,701	157,073	157,701	157,073
Basic earnings per share in EUR	0.66	0.26	0.58	0.27
Weighted average number of the shares (basic) outstanding in thousands	157,701	157,073	157,701	157,073
Effect of share options in issue in thousands	1,341	1,230	1,341	1,230
Weighted average number of the shares (diluted) outstanding during the period in thousands	159,042	158,303	159,042	158,303
Profit for the period, EUR thousands	103,787	40,682	91,700	42,183
Weighted average number of the shares (diluted) outstanding in thousands	159,042	158,303	159,042	158,303
Diluted earnings per share in EUR	0.65	0.26	0.58	0.27
Net loss from discontinued operations (Note 18)	(6,598)	(4,491)	-	-
Profit for the period from continuing operations, EUR thousands	110,385	45,173	91,700	42,183
Basic earnings per share in EUR	0.66	0.26	0.58	0.27
<i>from continuing operations</i>	0.70	0.29	0.58	0.27
<i>from discontinued operations</i>	(0.04)	(0.03)	-	-
Diluted earnings per share in EUR	0.65	0.26	0.58	0.27
<i>from continuing operations</i>	0.69	0.29	0.58	0.27
<i>from discontinued operations</i>	(0.04)	(0.03)	-	-

NOTE 25. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Contingent liabilities:				
Outstanding guarantees	65,759	45,509	73,578	56,038
Outstanding letters of credit	4,650	4,898	4,649	4,898
Total contingent liabilities	70,409	50,407	78,227	60,936
Provisions for credit risk	(370)	(452)	(384)	(452)
Net credit risk exposure for guarantees and letters of credit	70,039	49,955	77,843	60,484
Financial commitments:				
Card commitments	112,136	117,841	112,161	117,866
Unutilised credit lines and loans granted, not fully drawn down	170,663	154,742	251,791	204,345
Factoring commitments	62,968	33,894	-	-
Other commitments	269	213	-	-
Total financial commitments	346,036	306,690	363,952	322,211
Provisions for financial commitments	(4,428)	(4,368)	(4,355)	(4,286)
Net credit risk exposure for financial commitments	341,608	302,322	359,597	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.

Notional amounts and fair values of derivatives of the Group

	Notional amount		Fair value			
	EUR thousands		EUR thousands			
	31/12/2023	31/12/2022	31/12/2023		31/12/2022	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts:						
Swaps	4,839	248,357	44	(33)	1,261	(7,550)
Forwards	253,084	5,707	975	(2,060)	24	(100)
Total foreign exchange contracts	257,923	254,064	1,019	(2,093)	1,285	(7,650)
Interest rate contracts:						
Interest rate swaps	42,200	-	-	(1,238)	-	-
Total interest rate contracts	42,200	-	-	(1,238)	-	-
Derivatives	300,123	254,064	1,019	(3,331)	1,285	(7,650)

Notional amounts and fair values of derivatives of the Bank

	Notional amount		Fair value			
	EUR thousands		EUR thousands			
	31/12/2023	31/12/2022	31/12/2023		31/12/2022	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts:						
Swaps	4,839	248,357	44	(33)	1,261	(7,550)
Forwards	253,084	5,707	975	(2,060)	24	(100)
Total foreign exchange contracts	257,923	254,064	1,019	(2,093)	1,285	(7,650)
Interest rate contracts:						
Interest rate swaps	42,200	-	-	(1,238)	-	-
Total interest rate contracts	42,200	-	-	(1,238)	-	-
Derivatives	300,123	254,064	1,019	(3,331)	1,285	(7,650)

The Group's banks use derivative foreign exchange instruments to manage their currency positions, which arise also due to derivative foreign exchange contracts concluded with the banks' clients. Before entering into derivative foreign currency agreement with a private individual or a company, the Group's entities assess the counterparty's ability to meet the contractual provisions. As at period end, none (2022: nil) of the receivables arising out of derivative transactions were past due.

NOTE 26. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Fixed income securities:				
Corporate bonds	163,802	150,604	-	-
Government bonds	97,129	56,242	-	-
Credit institution bonds	55,588	55,183	-	-
Loans	583	604	583	604
Other financial institution bonds	21,409	20,545	-	-
Total investments in fixed income securities	338,511	283,178	583	604
Other investments:				
Investment funds	586,190	530,823	-	-
Deposits with credit institutions	2,619	4,984	-	-
Compensations for distribution on behalf of deposit guarantee fund	28,274	31,716	28,274	31,716
Shares	111,583	89,029	-	-
Real estate	5,100	5,119	-	-
Other	36,784	49,034	-	-
Total other investments	770,550	710,705	28,274	31,716
Total assets under management	1,109,061	993,883	28,857	32,320

Customer profile on whose behalf the funds are managed

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Pension plans	815,945	706,976	-	-
Insurance companies, investment and pension funds	145,099	134,267	-	-
Other companies and government	64,539	41,280	28,857	32,320
Private individuals	83,478	111,360	-	-
Total liabilities under management	1,109,061	993,883	28,857	32,320

Funds managed by the Group on behalf of individuals, corporate customers, trusts and other institutions are not regarded as assets of the Group and, therefore, are not included in the balance sheet. Funds under management are presented in financial statements only for disclosure purposes and are off-balance sheet items.

NOTE 27. FINANCIAL ASSETS PLEDGED OR ENCUMBERED

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Loans on demand to credit institutions	2,399	6,280	2,399	6,280
Debt securities	54,719	529,059	54,719	529,059
Loans to customers and other assets	501,258	541,923	186,099	237,551
Total financial assets pledged or encumbered	558,376	1,077,262	243,217	772,890
Total liabilities secured by pledged assets	40,099	463,796	40,099	463,796
Financial guarantees received	341,806	344,704	82,634	109,952

Most loans to customers and other assets are encumbered as per terms of a financial guarantee contract issued by the EIB Group, consisting of the European Investment Bank (EIB) and the European Investment Fund (EIF), to Citadele. 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. In accordance with the risk retention requirements of the guarantee contract, Citadele must retain on an unhedged and unguaranteed basis an exposure to the reference loan portfolio over a specific period. 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. Most pledged debt securities are collateral placed with the Bank of Latvia to secure financing received in the ECB's targeted longer-term refinancing operations (TLTRO-III). Standard TLTRO-III terms apply. For details on TLTRO-III financing received refer to note *Deposits from Credit Institutions and Central Banks*. Other pledged amounts consist of placements to secure various Bank's and Group's transactions in the ordinary course of business.

NOTE 28. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

Cash and balances at central banks

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

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

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

Loans to public

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

Debt securities

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

Equity instruments and other financial instruments at fair value

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

Equity instruments include Visa Inc. preferred C shares which have been valued by reference to consideration, which is contingent upon future events. The valuation is dependent on exchange rate, Visa Inc. stock price and preferred stocks' conversion ratio as well as liquidity discount. The instrument is categorised as Level 3.

Derivatives

Derivatives are valued using techniques based on observable market data.

Deposits and borrowings from customers

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

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

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

Debt securities issued

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

Fair value hierarchy

Quoted market prices (Level 1)

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

Valuation technique - observable market inputs (Level 2)

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

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

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

Fair values of financial assets and liabilities of the Group on 31 December 2023

	Fair value hierarchy (where applicable)				
	Carrying value	Total fair value	Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	165,021	165,021	126,926	38,095	-
Equity instruments	122	122	-	-	122
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	42,815	42,815	10,868	31,947	-
Equity instruments	1,117	1,117	-	-	1,117
Other financial instruments	26,372	26,372	26,372	-	-
<i>Other financial assets at fair value through profit or loss</i>					
Derivatives	1,019	1,019	-	1,019	-
<i>Financial assets not measured at fair value:</i>					
Cash and balances at central banks	520,569	520,569	-	-	-
Loans to credit institutions	34,640	34,640	-	-	-
Debt securities	1,012,196	932,027	634,306	297,721	-
Loans to public	2,861,958	2,874,351	-	-	2,874,351
Total assets	4,665,829	4,598,053	798,472	368,782	2,875,590
<i>Financial liabilities measured at fair value:</i>					
Derivatives	3,331	3,331	-	3,331	-
Deposits and borrowings from customers	19,399	19,399	19,399	-	-
<i>Financial liabilities not measured at fair value:</i>					
Deposits from credit institutions and central banks	47,434	47,434	-	-	-
Deposits and borrowings from customers	3,810,183	3,808,271	-	-	3,808,271
Debt securities issued	259,560	239,687	-	239,687	-
Total liabilities	4,139,907	4,118,122	19,399	243,018	3,808,271

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

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

Fair values of financial assets and liabilities of the Bank on 31 December 2023

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	136,903	136,903	102,416	34,487	-
Equity instruments	122	122	-	-	122
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	42,815	42,815	10,868	31,947	-
Equity instruments	1,117	1,117	-	-	1,117
Other financial instruments	1,235	1,235	1,235	-	-
<i>Other financial assets at fair value through profit or loss</i>					
Derivatives	1,019	1,019	-	1,019	-
<i>Financial assets not measured at fair value:</i>					
Cash and balances at central banks	520,569	520,569	-	-	-
Loans to credit institutions	53,019	53,019	-	-	-
Debt securities	999,218	919,797	625,720	294,077	-
Loans to public	2,768,436	2,780,829	-	-	2,780,829
Total assets	4,524,453	4,457,425	740,239	361,530	2,782,068
<i>Financial liabilities measured at fair value:</i>					
Derivatives	3,331	3,331	-	3,331	-
<i>Financial liabilities not measured at fair value:</i>					
Deposits from credit institutions and central banks	66,994	66,994	-	-	-
Deposits and borrowings from customers	3,799,406	3,800,395	-	-	3,800,395
Debt securities issued	259,560	239,687	-	239,687	-
Total liabilities	4,129,291	4,110,407	-	243,018	3,800,395

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

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

NOTE 29. 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.

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

Group as of 31/12/2023, EUR thousands

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	507,175	12,008	1,386	-	-	520,569
Loans to credit institutions	623	88	-	8,188	25,741	34,640
Debt securities	362,671	394,848	99,485	259,972	103,056	1,220,032
Loans to public	1,285,109	1,039,164	524,304	6,447	6,934	2,861,958
Equity instruments	21	-	-	101	1,117	1,239
Other financial instruments	15,622	-	-	10,653	97	26,372
Derivatives	771	1	-	229	18	1,019
Discontinued operations	1,116	1,686	-	54,588	75,184	132,574
Other assets	53,144	7,899	2,884	225	781	64,933
Total assets	2,226,252	1,455,694	628,059	340,403	212,928	4,863,336
Liabilities						
Deposits from credit institutions and central banks	42,582	1,208	-	2,264	1,380	47,434
Deposits and borrowings from customers	2,991,346	726,364	49,254	11,489	51,129	3,829,582
Debt securities issued	259,560	-	-	-	-	259,560
Derivatives	1,628	5	-	1,693	5	3,331
Discontinued operations	2,671	-	569	24,661	93,759	121,660
Other liabilities	65,207	13,141	7,064	368	594	86,374
Total liabilities	3,362,994	740,718	56,887	40,475	146,867	4,347,941
Off-balance sheet items						
Contingent liabilities	10,859	55,970	1,098	1,032	1,450	70,409
Financial commitments	233,595	70,381	9,841	10,372	21,847	346,036

For additional information on geographical distribution of securities exposures please refer to note *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 22.6 million is with United States registered credit institutions (2022: EUR 23.5 million). From the Group's discontinued operations presented as "Other countries" EUR 11.9 million is central banks balances with Swiss National Bank (2022: EUR 6.7 million) and EUR 4.3 million are with Swiss credit institutions (2022: EUR 24.7 million).

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

	Latvia	Lithuania	Estonia	Other EU countries	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 31/12/2023, EUR thousands

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	507,175	12,008	1,386	-	-	520,569
Loans to credit institutions	-	-	-	8,188	44,831	53,019
Debt securities	355,372	389,413	98,351	242,090	93,710	1,178,936
Loans to public	1,909,515	583,022	262,721	6,356	6,822	2,768,436
Equity instruments	21	-	-	101	1,117	1,239
Other financial instruments	1,235	-	-	-	-	1,235
Derivatives	771	1	-	229	18	1,019
Other assets	88,335	8,424	1,207	224	13,581	111,771
Total assets	2,862,424	992,868	363,665	257,188	160,079	4,636,224
Liabilities						
Deposits from credit institutions and central banks	42,582	1,208	-	2,264	20,940	66,994
Deposits and borrowings from customers	2,962,245	726,526	51,318	11,197	48,120	3,799,406
Debt securities issued	259,560	-	-	-	-	259,560
Derivatives	1,628	5	-	1,693	5	3,331
Other liabilities	42,292	9,136	1,700	315	537	53,980
Total liabilities	3,308,307	736,875	53,018	15,469	69,602	4,183,271
Off-balance sheet items						
Contingent liabilities	10,851	55,970	1,098	1,032	9,276	78,227
Financial commitments	267,998	74,391	21,493	10	60	363,952

For additional information on geographical distribution of securities exposures please refer to note *Debt Securities*. From the Bank's loans to credit institutions presented as "Other countries" EUR 22.6 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	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

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

Group as of 31/12/2023, EUR thousands

	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	520,257	312	-	-	-	520,569
Loans to credit institutions	6,690	24,821	12	177	2,940	34,640
Debt securities	1,163,386	46,746	-	8,661	1,239	1,220,032
Loans to public	2,856,113	5,845	-	-	-	2,861,958
Equity instruments	122	1,117	-	-	-	1,239
Other financial instruments	21,997	4,375	-	-	-	26,372
Derivatives	1,019	-	-	-	-	1,019
Discontinued operations	40,030	35,128	53,358	1,481	2,577	132,574
Other assets	62,619	852	-	-	1,462	64,933
Total assets	4,672,233	119,196	53,370	10,319	8,218	4,863,336
Liabilities						
Deposits from credit institutions and central banks	41,313	1,078	80	127	4,836	47,434
Deposits and borrowings from customers	3,560,170	236,204	1,502	19,197	12,509	3,829,582
Debt securities issued	259,560	-	-	-	-	259,560
Derivatives	3,331	-	-	-	-	3,331
Discontinued operations	44,357	41,009	32,267	1,464	2,563	121,660
Other liabilities	85,748	625	-	-	1	86,374
Total liabilities	3,994,479	278,916	33,849	20,788	19,909	4,347,941
Equity	518,423	(2,620)	-	(408)	-	515,395
Total liabilities and equity	4,512,902	276,296	33,849	20,380	19,909	4,863,336
Net balance sheet position	159,331	(157,100)	19,521	(10,061)	(11,691)	-
Net off-balance sheet foreign exchange contracts	(157,880)	155,971	(20,906)	10,087	11,681	(1,047)
Net long/ (short) total position	1,451	(1,129)	(1,385)	26	(10)	(1,047)

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

	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	531,706	324	-	-	-	532,030
Loans to credit institutions	14,074	30,410	33	140	3,784	48,441
Debt securities	1,526,022	54,649	-	10,665	2,586	1,593,922
Loans to public	2,957,494	8,939	-	-	45	2,966,478
Equity instruments	100	929	-	-	-	1,029
Other financial instruments	21,331	6,824	-	318	-	28,473
Derivatives	1,285	-	-	-	-	1,285
Discontinued operations	55,265	66,832	40,188	2,318	1,425	166,028
Other assets	66,303	179	-	-	753	67,235
Total assets	5,173,580	169,086	40,221	13,441	8,593	5,404,921
Liabilities						
Deposits from credit institutions and central banks	463,863	8	211	2,047	3,607	469,736
Deposits and borrowings from customers	3,710,295	277,770	2,895	20,573	14,132	4,025,665
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	7,650	-	-	-	-	7,650
Discontinued operations	54,809	81,673	18,773	2,319	1,425	158,999
Other liabilities	63,826	174	-	-	-	64,000
Total liabilities	4,559,668	359,625	21,879	24,939	19,164	4,985,275
Equity	424,356	(4,066)	(25)	(583)	(36)	419,646
Total liabilities and equity	4,984,024	355,559	21,854	24,356	19,128	5,404,921
Net balance sheet position	189,556	(186,473)	18,367	(10,915)	(10,535)	-
Net off-balance sheet foreign exchange contracts	(191,369)	186,378	(22,007)	11,235	10,528	(5,235)
Net long/ (short) total position	(1,813)	(95)	(3,640)	320	(7)	(5,235)

Bank as of 31/12/2023, EUR thousands

	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	520,257	312	-	-	-	520,569
Loans to credit institutions	5,979	43,911	12	177	2,940	53,019
Debt securities	1,122,290	46,746	-	8,661	1,239	1,178,936
Loans to public	2,762,605	5,831	-	-	-	2,768,436
Equity instruments	122	1,117	-	-	-	1,239
Other financial instruments	1,235	-	-	-	-	1,235
Derivatives	1,019	-	-	-	-	1,019
Other assets	96,701	820	12,788	-	1,462	111,771
Total assets	4,510,208	98,737	12,800	8,838	5,641	4,636,224
Liabilities						
Deposits from credit institutions and central banks	41,451	20,486	94	127	4,836	66,994
Deposits and borrowings from customers	3,534,595	231,603	1,502	19,197	12,509	3,799,406
Debt securities issued	259,560	-	-	-	-	259,560
Derivatives	3,331	-	-	-	-	3,331
Other liabilities	53,542	435	2	-	1	53,980
Total liabilities	3,892,479	252,524	1,598	19,324	17,346	4,183,271
Equity	455,557	(2,196)	-	(408)	-	452,953
Total liabilities and equity	4,348,036	250,328	1,598	18,916	17,346	4,636,224
Net balance sheet position	162,172	(151,591)	11,202	(10,078)	(11,705)	-
Net off-balance sheet foreign exchange contracts	(162,043)	150,628	(11,189)	10,087	11,681	(836)
Net long/ (short) total position	129	(963)	13	9	(24)	(836)

Bank as of 31/12/2022, EUR thousands						
	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	531,706	324	-	-	-	532,030
Loans to credit institutions	7,677	30,410	33	140	3,784	42,044
Debt securities	1,482,401	54,649	-	10,665	2,586	1,550,301
Loans to public	2,871,171	8,930	-	-	-	2,880,101
Equity instruments	100	929	-	-	-	1,029
Other financial instruments	1,101	-	-	-	-	1,101
Derivatives	1,285	-	-	-	-	1,285
Other assets	97,269	136	13,805	-	752	111,962
Total assets	4,992,710	95,378	13,838	10,805	7,122	5,119,853
Liabilities						
Deposits from credit institutions and central banks	463,920	3,610	215	2,047	3,607	473,399
Deposits and borrowings from customers	3,665,415	270,305	2,893	20,574	14,133	3,973,320
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	7,650	-	-	-	-	7,650
Other liabilities	32,870	178	5	-	1	33,054
Total liabilities	4,429,080	274,093	3,113	22,621	17,741	4,746,648
Equity	376,920	(3,095)	-	(584)	(36)	373,205
Total liabilities and equity	4,806,000	270,998	3,113	22,037	17,705	5,119,853
Net balance sheet position	186,710	(175,620)	10,725	(11,232)	(10,583)	-
Net off-balance sheet foreign exchange contracts	(191,369)	175,148	(10,728)	11,235	10,527	(5,187)
Net long/ (short) total position	(4,659)	(472)	(3)	3	(56)	(5,187)

The investment in the Group's Swiss subsidiary Kaleido Privatbank AG, which is carried at cost, is shown as a CHF exposure, as the recoverability of this asset will ultimately depend on the Swiss currency's performance.

Liquidity coverage ratio

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

EUR thousands				
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
1. Liquidity buffer	1,267,381	1,304,068	1,226,086	1,256,246
2. Net liquidity outflow	728,769	742,186	779,323	777,402
3. Liquidity coverage ratio	174%	176%	157%	162%

Net stable funding ratio (including net result for the period, less EUR 50.6 million expected dividends)

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%. The minimum NSFR requirement is 100%. NSFR as of period end, if only the part of interim profits up to the latest regulatory approved amount is included, for the Group is 144% and for the Bank is 214%.

EUR thousands				
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
1. Total available stable funding	3,687,365	3,763,818	3,590,223	3,719,699
2. Total required stable funding	2,507,341	2,844,055	1,662,473	1,925,681
3. Net stable funding ratio	147%	132%	216%	193%

Assets, liabilities and off-balance sheet items by contractual maturity

Group as of 31/12/2023, EUR thousands

	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	520,569	-	-	-	-	-	520,569
Loans to credit institutions	11,928	22,626	2	5	79	-	34,640
Debt securities	13,734	15,606	45,961	73,817	702,244	368,670	1,220,032
Loans to public	111,232	99,233	151,293	319,161	1,500,477	680,562	2,861,958
Equity instruments	-	-	-	-	-	1,239	1,239
Other financial instruments	25,137	-	-	-	-	1,235	26,372
Derivatives	683	334	2	-	-	-	1,019
Discontinued operations	54,162	14,153	3,746	9,784	49,692	1,037	132,574
Other assets	39,599	110	261	201	972	23,790	64,933
Total assets	777,044	152,062	201,265	402,968	2,253,464	1,076,533	4,863,336
Liabilities							
Deposits from credit institutions and central banks	8,434	-	39,000	-	-	-	47,434
Deposits and borrowings from customers	2,960,474	269,128	243,074	249,099	100,698	7,109	3,829,582
Debt securities issued	574	-	-	-	218,987	39,999	259,560
Derivatives	919	1,136	-	-	659	617	3,331
Lease liabilities	269	531	785	1,562	1,077	-	4,224
Discontinued operations	114,629	3,529	72	3,385	45	-	121,660
Other liabilities	58,932	2,279	948	1,022	4,348	14,621	82,150
Total liabilities	3,144,231	276,603	283,879	255,068	325,814	62,346	4,347,941
Equity	-	-	-	-	-	515,395	515,395
Total liabilities and equity	3,144,231	276,603	283,879	255,068	325,814	577,741	4,863,336
Net balance sheet position – long/ (short)	(2,367,187)	(124,541)	(82,614)	147,900	1,927,650	498,792	-
Off-balance sheet items							
Contingent liabilities	70,409	-	-	-	-	-	70,409
Financial commitments	346,036	-	-	-	-	-	346,036

Liabilities and commitments are allocated to the earliest period in which the Group may be contractually required to settle the liabilities or the customer may draw down undrawn loan commitments. Issued financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. Assets are allocated to the earliest period in which the Group may contractually require to settle receivables.

Financial liabilities by contractual undiscounted cash flows

Group as of 31/12/2023, EUR thousands

	Within 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Total	Carrying amount
Financial liabilities designated at fair value through profit or loss	1,859	1,029	494	1,916	14,277	19,575	19,399
Financial liabilities measured at amortised cost*	2,967,665	269,516	285,480	257,794	383,459	4,163,914	4,121,401
Off-balance sheet items							
Contingent liabilities	70,409	-	-	-	-	70,409	70,409
Financial commitments	346,036	-	-	-	-	346,036	346,036

* Includes Deposits from credit institutions and central banks, part of Deposits and borrowings from customers, Debt securities issued and Lease liabilities. Undiscounted contractual cash flows for other liabilities equal their carrying value.

Assets, liabilities and off-balance sheet items by contractual maturity

Group as of 31/12/2022, EUR thousands (Restated for IFRS 17)							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	532,030	0	0	0	0	0	532,030
Loans to credit institutions	25,384	23,057	0	0	0	0	48,441
Debt securities	20,817	14,384	325,632	141,597	695,750	395,742	1,593,922
Loans to public	142,133	109,438	189,547	323,559	1,563,903	637,898	2,966,478
Equity instruments	0	0	0	0	0	1,029	1,029
Other financial instruments	0	0	0	0	0	28,473	28,473
Derivatives	960	325	0	0	0	0	1,285
Discontinued operations	34,268	21,724	11,061	20,249	69,321	9,405	166,028
Other assets	35,026	548	114	172	1,029	30,346	67,235
Total assets	790,618	169,476	526,354	485,577	2,330,003	1,102,893	5,404,921
Liabilities							
Deposits from credit institutions and central banks	736	0	430,000	0	39,000	0	469,736
Deposits and borrowings from customers	2,849,433	207,533	283,187	599,984	73,759	11,769	4,025,665
Debt securities issued	0	0	188	356	218,681	40,000	259,225
Derivatives	1,958	1,017	4,675	0	0	0	7,650
Lease liabilities	275	540	798	1,570	929	0	4,112
Discontinued operations	156,817	45	68	136	315	1,618	158,999
Other liabilities	42,612	2,587	709	1,269	5,361	7,350	59,888
Total liabilities	3,051,831	211,722	719,625	603,315	338,045	60,737	4,985,275
Equity	0	0	0	0	0	419,646	419,646
Total liabilities and equity	3,051,831	211,722	719,625	603,315	338,045	480,383	5,404,921
Net balance sheet position – long/ (short)	(2,261,213)	(42,246)	(193,271)	(117,738)	1,991,958	622,510	-
Off-balance sheet items							
Contingent liabilities	50,407	0	0	0	0	0	50,407
Financial commitments	306,690	0	0	0	0	0	306,690

Financial liabilities by contractual undiscounted cash flows

Group as of 31/12/2022, EUR thousands (Restated for IFRS 17)							
	Within 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Total	Carrying amount
Financial liabilities designated at fair value through profit or loss	231	30	1,870	1,837	19,239	23,207	23,196
Financial liabilities measured at amortised cost*	2,850,275	208,231	713,781	605,175	397,120	4,774,582	4,735,542
Off-balance sheet items							
Contingent liabilities	50,407	-	-	-	-	50,407	50,407
Financial commitments	306,690	-	-	-	-	306,690	306,690

* Includes Deposits from credit institutions and central banks, part of Deposits and borrowings from customers, Debt securities issued and Lease liabilities. Undiscounted contractual cash flows for other liabilities equal their carrying value.

Assets, liabilities and off-balance sheet items by contractual maturity

Bank as of 31/12/2023, EUR thousands

	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	520,569	-	-	-	-	-	520,569
Loans to credit institutions	11,422	41,597	-	-	-	-	53,019
Debt securities	11,732	15,606	44,080	72,449	666,750	368,319	1,178,936
Loans to public	40,665	1,075,116	73,236	158,449	785,257	635,713	2,768,436
Equity instruments	-	-	-	-	-	1,239	1,239
Other financial instruments	-	-	-	-	-	1,235	1,235
Derivatives	683	334	2	-	-	-	1,019
Other assets	35,764	2	4	-	-	76,001	111,771
Total assets	620,835	1,132,655	117,322	230,898	1,452,007	1,082,507	4,636,224
Liabilities							
Deposits from credit institutions and central banks	27,994	-	39,000	-	-	-	66,994
Deposits and borrowings from customers	2,982,960	269,107	241,123	243,651	61,415	1,150	3,799,406
Debt securities issued	573	-	-	-	218,987	40,000	259,560
Derivatives	919	1,136	-	-	659	617	3,331
Lease liabilities	261	519	767	1,525	1,040	-	4,112
Other liabilities	42,483	-	-	-	-	7,385	49,868
Total liabilities	3,055,190	270,762	280,890	245,176	282,101	49,152	4,183,271
Equity	-	-	-	-	-	452,953	452,953
Total liabilities and equity	3,055,190	270,762	280,890	245,176	282,101	502,105	4,636,224
Net balance sheet position – long/ (short)	(2,434,355)	861,893	(163,568)	(14,278)	1,169,906	580,402	-
Off-balance sheet items							
Contingent liabilities	78,227	-	-	-	-	-	78,227
Financial commitments	363,952	-	-	-	-	-	363,952

Liabilities and commitments are allocated to the earliest period in which the Group may be contractually required to settle the liabilities or the customer may draw down undrawn loan commitments. Issued financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. Assets are allocated to the earliest period in which the Group may contractually require to settle receivables.

Financial liabilities by contractual undiscounted cash flows

Bank as of 31/12/2023, EUR thousands

	Within 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Total	Carrying amount
Financial liabilities measured at amortised cost*	3,011,563	270,511	284,004	254,225	352,282	4,172,585	4,130,072
Off-balance sheet items							
Contingent liabilities	78,227	-	-	-	-	78,227	78,227
Financial commitments	363,952	-	-	-	-	363,952	363,952

* Includes Deposits from credit institutions and central banks, Deposits and borrowings from customers, Debt securities issued and Lease liabilities. Undiscounted contractual cash flows for other liabilities equal their carrying value.

Assets, liabilities and off-balance sheet items by contractual maturity

Bank as of 31/12/2022, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	532,030	-	-	-	-	-	532,030
Loans to credit institutions	18,987	23,057	-	-	-	-	42,044
Debt securities	20,818	13,285	322,544	140,263	666,737	386,654	1,550,301
Loans to public	80,218	1,113,464	73,044	168,398	826,793	618,184	2,880,101
Equity instruments	-	-	-	-	-	1,029	1,029
Other financial instruments	-	-	-	-	-	1,101	1,101
Derivatives	960	325	-	-	-	-	1,285
Other assets	30,680	-	-	-	-	81,282	111,962
Total assets	683,693	1,150,131	395,588	308,661	1,493,530	1,088,250	5,119,853
Liabilities							
Deposits from credit institutions and central banks	4,399	-	430,000	-	39,000	-	473,399
Deposits and borrowings from customers	2,865,099	206,165	279,914	593,624	24,644	3,874	3,973,320
Debt securities issued	-	-	188	356	218,681	40,000	259,225
Derivatives	1,958	1,017	4,675	-	-	-	7,650
Lease liabilities	269	525	777	1,526	2,817	-	5,914
Other liabilities	22,303	-	-	-	-	4,837	27,140
Total liabilities	2,894,028	207,707	715,554	595,506	285,142	48,711	4,746,648
Equity	-	-	-	-	-	373,205	373,205
Total liabilities and equity	2,894,028	207,707	715,554	595,506	285,142	421,916	5,119,853
Net balance sheet position – long/ (short)	(2,210,335)	942,424	(319,966)	(286,845)	1,208,388	666,334	-
Off-balance sheet items							
Contingent liabilities	60,936	0	0	0	0	0	60,936
Financial commitments	322,211	0	0	0	0	0	322,211

Financial liabilities by contractual undiscounted cash flows

Bank as of 31/12/2022, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Total	Carrying amount
Financial liabilities measured at amortised cost*	2,869,828	206,879	712,356	600,609	359,204	4,748,876	4,711,858
Off-balance sheet items							
Contingent liabilities	60,936	-	-	-	-	60,936	60,936
Financial commitments	322,211	-	-	-	-	322,211	322,211

* Includes Deposits from credit institutions and central banks, Deposits and borrowings from customers, Debt securities issued and Lease liabilities. Undiscounted contractual cash flows for other liabilities equal their carrying value.

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. Increases in countercyclical capital buffer norms, when announced by the respective country, become effective after prespecified delay. Decreases take effect immediately.

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

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

Regulatory capital requirements of the Group on 31 December 2023

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Pillar 2 additional own funds requirement (individually determined by the supervisory authority in the SREP, P2R)	1.41%	1.88%	2.50%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer (only for the Group)	1.75%	1.75%	1.75%
Systemic risk buffer	0.07%	0.07%	0.07%
Countercyclical capital buffer	0.60%	0.60%	0.60%
Capital requirement	10.83%	12.80%	15.42%
Pillar 2 Guidance (P2G)	1.50%	1.50%	1.50%
Capital requirement with non-legally binding Pillar 2 Guidance	12.33%	14.30%	16.92%

For the Bank as of period end Other systemically important institution buffer requirement is not applicable, Systemic risk buffer applies at 0.10% and institution specific Countercyclical capital buffer requirement is 0.55%. Thus, for the Bank as of period end Common equity Tier 1 capital ratio requirement is 10.81%, Tier 1 capital ratio requirement is 12.78% and Total capital adequacy ratio requirement is 15.40%. On top of the capital ratio requirements a 1.50% Pillar 2 Guidance applies.

Capital adequacy ratio (including net result for the period, less EUR 50.6 million expected dividends)

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Common equity Tier 1 capital				
Paid up capital instruments and share premium	159,321	157,702	159,321	157,702
Retained earnings	355,792	273,080	300,707	228,898
Proposed or estimated dividends	(50,606)	(20,000)	(50,606)	(20,000)
Regulatory deductions	(15,357)	(26,588)	(14,058)	(23,669)
Other capital components, net	3,574	4,364	3,574	1,528
Tier 2 capital				
Eligible part of subordinated liabilities	55,597	59,595	55,597	59,595
Total own funds	508,321	448,153	454,535	404,054
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,980,726	2,080,113	1,349,491	1,404,459
Total exposure amounts for position, foreign currency open position and commodities risk	3,803	9,944	3,518	9,494
Total exposure amounts for operational risk	326,786	237,799	286,311	191,884
Total exposure amounts for credit valuation adjustment	12,004	1,570	11,903	1,508
Total risk exposure amount	2,323,319	2,329,426	1,651,223	1,607,345
Common equity Tier 1 capital ratio	19.5%	16.7%	24.2%	21.4%
Total capital adequacy ratio	21.9%	19.2%	27.5%	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.

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

Capital adequacy ratio (including only the part of interim profits up to the latest regulatory approved amount)

Per regulations, Bank may include interim or year-end profits in capital before taking a formal decision confirming the final audited profit for the year only with a prior permission of the competent authority. Any foreseeable charges or dividends must be deducted from those profits. Submission of documents for permission takes time and such permission is requested only after the publishing of the financial report for the respective period. The most recent permission of the competent authority for inclusion of the interim auditors verified profits, which have been decreased by foreseeable charges and dividends, has been received for nine months period end 30 September 2023. Below is presented a scenario, where interim profits only up to the most recent regulatory approved amount are included.

	EUR thousands			
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Common equity Tier 1 capital	433,480	388,558	379,610	344,459
Tier 2 capital	55,597	59,595	55,597	59,595
Total own funds	489,077	448,153	435,207	404,054
Total risk exposure amount	2,323,319	2,329,426	1,651,223	1,607,345
Common equity Tier 1 capital ratio	18.7%	16.7%	23.0%	21.4%
Total capital adequacy ratio	21.1%	19.2%	26.4%	25.1%

Leverage ratio (including net result for the period, less EUR 50.6 million expected dividends)

Leverage ratio is calculated as Tier 1 capital versus the total exposure measure. As of period end Citadel is not applying transitional provisions. The minimum requirement is 3%. The exposure measure includes both non-risk based on-balance sheet and off-balance sheet items calculated in accordance with the capital requirements regulation. The leverage ratio and the risk-based capital adequacy ratio requirements are complementary, with the leverage ratio defining the minimum capital to total exposure requirement and the risk-based capital adequacy ratios limiting bank risk-taking.

	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	9.2%	7.1%	8.4%	6.6%

The fully loaded leverage ratio as of period end, if only the part of interim profits up to the latest regulatory approved amount is not included, for the Group is 8.8% and for the Bank is 8.0%.

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

The European Commission has adopted the regulatory technical standards (RTS) on the criteria for determining the minimum requirement for own funds and eligible liabilities (MREL) under the Banking Package (CRR2/CRD5/BRRD2/SRMR2). In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD 2, all institutions must meet an individual MREL requirement. The MREL requirement for each institution is comprised of several elements, including calculation of 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 may also be set depending on the Group's regulatory classification and are communicated individually in a MREL decision.

SRB has determined the consolidated MREL target for the Group to be met by 1 January 2024 at the level of 23.70% of TREA 5.91%, whichever is higher. The Group must 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 TREA and LRE based MREL requirements. The MREL targets is determined by the SRB using financial and supervisory information and is re-calibrated by the SRB periodically.

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. Bank tax expense is presented within "Corporate income tax", Bank tax liability is presented within "Tax liabilities".

Income Statement, regulatory format

EUR thousands	2023	2022	2023	2022
	Group	Group Restated for IFRS 17	Bank	Bank
1 Interest income	229,614	137,944	205,023	115,716
2 Interest expense	(41,678)	(18,582)	(42,263)	(18,489)
3 Dividend income	21	29	21	8,713
4 Commission and fee income	71,584	66,034	66,320	60,381
5 Commission and fee expense	(33,787)	(28,251)	(31,164)	(27,918)
6 Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	106	(1,492)	106	(1,492)
7 Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	609	(854)	(79)	783
8 Fair value change in the hedge accounting	-	-	-	-
9 Gain or loss from foreign exchange trading and revaluation of open positions	10,508	9,583	10,598	9,496
10 Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11 Other income	2,864	3,594	2,734	3,043
12 Other expense	(5,450)	(6,700)	(3,335)	(4,402)
13 Administrative expense	(95,520)	(82,846)	(83,334)	(70,465)
14 Amortisation and depreciation charge *	(9,003)	(8,729)	(8,416)	(8,309)
15 Gain or loss on modifications in financial asset contractual cash flows	(555)	1,336	(555)	1,336
16 Provisions, net	1	(1,049)	(3)	(954)
17 Impairment charge and reversals, net	4,545	(22,723)	4,342	(25,015)
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	58	(89)	58	(89)
20 Profit or loss from non-current assets and disposal groups classified as held for sale	(6,117)	(4,205)	(5,621)	286
21 Profit before taxation	127,800	43,000	114,432	42,621
22 Corporate income tax	(24,013)	(2,318)	(22,732)	(438)
23 Net profit / loss for the period	103,787	40,682	91,700	42,183
24 Other comprehensive income for the period	9,562	(19,306)	5,648	(16,067)

* 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

<i>EUR thousands</i>		31/12/2023	31/12/2022	31/12/2023	31/12/2022
		Group	Group	Bank	Bank
			Restated for IFRS 17		
1	Cash and demand balances with central banks	520,569	532,030	520,569	532,030
2	Demand deposits due from credit institutions	11,925	25,382	11,306	18,985
3	Financial assets designated at fair value through profit or loss	71,324	30,687	46,186	3,315
3.1.	<i>Including loans to public and credit institutions</i>	-	-	-	-
4	Financial assets at fair value through other comprehensive income	165,143	213,401	137,025	180,321
5	Financial assets at amortised cost	3,896,868	4,370,158	3,809,367	4,273,240
5.1.	<i>Including loans to public and credit institutions</i>	2,884,673	2,989,537	2,810,149	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	248	190	47,939	47770
9	Tangible assets	11,183	15,730	7,309	10,321
10	Intangible assets	8,065	8,162	6,010	6,069
11	Tax assets	2,572	4,300	2,356	3,295
12	Other assets	42,865	38,853	35,369	30,680
13	Non-current assets and disposal groups classified as held for sale	132,574	166,028	12,788	13827
14	Total assets (1.+...+13.)	4,863,336	5,404,921	4,636,224	5,119,853
15	Due to central banks	41,313	463,802	41,314	463,803
16	Demand liabilities to credit institutions	6,121	5,934	6,298	6,014
17	Financial liabilities designated at fair value through profit or loss	22,731	30,847	3,331	7,650
17.1	<i>Including deposits from customers and credit institutions</i>	19,399	19,911	-	-
18	Financial liabilities measured at amortised cost	4,069,742	4,261,693	4,078,348	4,236,127
18.1	<i>Including deposits from customers and credit institutions</i>	3,810,182	4,002,468	3,818,788	3,976,902
19	Derivatives – hedge accounting	-	-	-	-
20	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21	Provisions	4,899	4,920	4,839	4,838
22	Tax liabilities	18,071	1,579	17,247	33
23	Other liabilities	63,404	57,501	31,894	28,183
24	Liabilities included in disposal groups classified as held for sale	121,660	158,999	-	-
25	Total liabilities (15.+...+24.)	4,347,941	4,985,275	4,183,271	4,746,648
26	Shareholders' equity	515,395	419,646	452,953	373,205
27	Total liabilities and shareholders' equity (25.+26.)	4,863,336	5,404,921	4,636,224	5,119,853
28	Memorandum items	416,445	357,097	442,179	383,147
29	Contingent liabilities	70,409	50,407	78,227	60,936
30	Financial commitments	346,036	306,690	363,952	322,211

ROE and ROA ratios

	2023	2022	2023	2022
	Group	Group	Bank	Bank
Return on equity (ROE) (%)	22.20%	9.97%	22.20%	11.74%
Return on assets (ROA) (%)	2.02%	0.78%	1.88%	0.85%

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

Capital adequacy ratios here are calculated in accordance with the Basel III regulation as implemented via EU regulation 575/2013, directive 2013/36/EU and other relevant regulations. In this disclosure, in the Group's and the Bank's regulatory capital, annual audited profits and any losses accumulated up to the reporting date are included; interim audited and interim reviewed profits for the reporting period are included only after regulatory approval is obtained and, in the amount, approved (i.e. here including only the part of interim profits up to the latest regulatory approved amount).

EUR thousands	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	Group	Group	Bank	Bank
1 Own funds (1.1.+1.2.)	489,077	448,153	435,207	404,054
1.1 Tier 1 capital (1.1.1.+1.1.2.)	433,480	388,558	379,610	344,459
1.1.1 Common equity Tier 1 capital	433,480	388,558	379,610	344,459
1.1.2 Additional Tier 1 capital	-	-	-	-
1.2 Tier 2 capital	55,597	59,595	55,597	59,595
2 Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2,323,319	2,329,426	1,651,223	1,607,345
2.1 Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,980,726	2,080,113	1,349,491	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	3,803	9,944	3,518	9,494
2.4 Total risk exposure amount for operational risk	326,786	237,799	286,311	191,884
2.5 Total risk exposure amount for credit valuation adjustment	12,004	1,570	11,903	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)	18.70%	16.7%	23.00%	21.4%
3.2 Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	328,931	283,735	305,305	272,129
3.3 Tier 1 capital ratio (1.1./2.*100)	18.70%	16.7%	23.00%	21.4%
3.4 Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	294,081	248,793	280,537	248,019
3.5 Total capital ratio (1./2.*100)	21.10%	19.2%	26.40%	25.1%
3.6 Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	303,212	261,799	303,109	275,467
4 Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)	114,229	98,144	51,872	43,747
4.1 Capital conservation buffer	58,083	58,236	41,280	40,184
4.2 Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3 Institution specific countercyclical buffer	13,902	3,494	9,006	2,090
4.4 Systemic risk buffer	1,586	1,473	1,586	1,473
4.5 Other systemically important institution buffer	40,658	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	18.70%	16.7%	23.00%	21.4%
5.3 Tier 1 capital ratio including line 5.1 adjustments	18.70%	16.7%	23.00%	21.4%
5.4 Total capital ratio including line 5.1 adjustments	21.10%	19.2%	26.40%	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 11 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. AS Citadele banka has no client consultation centres in Latvia. The Lithuanian branch has 6 customer service units in Lithuania. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section "[Branches and ATMs](#)".

Bank's Organizational Structure



QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

	Group, EUR thousands (Restated for discontinued operations and IFRS 17)				
	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Interest income	61,873	61,551	56,907	49,283	41,226
Interest expense	(12,687)	(10,765)	(9,452)	(8,774)	(5,205)
Net interest income	49,186	50,786	47,455	40,509	36,021
Fee and commission income	16,905	17,316	21,257	16,106	15,423
Fee and commission expense	(8,142)	(9,238)	(8,546)	(7,861)	(8,062)
Net fee and commission income	8,763	8,078	12,711	8,245	7,361
Net financial income	2,062	2,424	2,231	3,951	3,385
Net other income / (expense)	(429)	(639)	(743)	(696)	(1,480)
Operating income	59,582	60,649	61,654	52,009	45,287
Staff costs	(16,319)	(16,023)	(17,024)	(16,015)	(13,614)
Other operating expenses	(12,475)	(6,377)	(5,865)	(5,422)	(8,148)
Depreciation and amortisation	(2,204)	(2,219)	(2,293)	(2,287)	(2,260)
Operating expense	(30,998)	(24,619)	(25,182)	(23,724)	(24,022)
Profit from continuous operations before impairment, bank tax and non-current assets held for sale	28,584	36,030	36,472	28,285	21,265
Net credit losses	(1,916)	2,771	5,009	(1,247)	(8,775)
Other impairment losses	(32)	(15)	4	(28)	21
Operating profit from continuous operations before bank tax and non-current assets held for sale	26,636	38,786	41,485	27,010	12,511
Bank tax	1,356	(1,260)	(991)	-	-
Result from non-current assets held for sale and discontinued operations, net of tax	(1,367)	(1,396)	(547)	(2,807)	(272)
Operating profit	26,625	36,130	39,947	24,203	12,239
Income tax	(17,883)	(1,820)	(2,442)	(973)	(1,228)
Net profit	8,742	34,310	37,505	23,230	11,011
	Group, EUR thousands (Restated for IFRS 17)				
	31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2022
Assets					
Cash and cash balances at central banks	520,569	483,752	353,473	315,416	532,030
Loans to credit institutions	34,640	34,713	35,976	54,155	48,441
Debt securities	1,220,032	1,227,772	1,310,755	1,625,572	1,593,922
Loans to public	2,861,958	2,852,805	2,927,203	2,917,624	2,966,478
Equity instruments	1,239	1,167	1,148	1,094	1,029
Other financial instruments	26,372	25,690	27,335	27,556	28,473
Derivatives	1,019	5,467	1,495	611	1,285
Investments in related entities	248	203	203	190	190
Tangible assets	11,183	11,718	13,129	14,608	15,730
Intangible assets	8,065	8,082	8,193	8,357	8,162
Current income tax assets	81	1,609	2,416	2,126	1,822
Deferred income tax assets	714	695	1,096	1,890	2,478
Bank tax assets	1,777	-	-	-	-
Discontinued operations and non-current assets held for sale	132,574	139,151	163,476	167,276	166,028
Other assets	42,865	38,383	37,664	32,789	38,853
Total assets	4,863,336	4,831,207	4,883,562	5,169,264	5,404,921
Liabilities					
Deposits from credit institutions and central banks	47,434	47,907	48,559	299,785	469,736
Deposits and borrowings from customers	3,829,582	3,824,107	3,871,788	3,938,088	4,025,665
Debt securities issued	259,560	262,677	260,995	260,877	259,225
Derivatives	3,331	1,057	693	6,793	7,650
Provisions	4,899	4,229	4,559	6,055	4,920
Current income tax liabilities	17,696	1,458	814	330	1,204
Deferred income tax liabilities	375	375	1,000	375	375
Bank tax liability	-	1,112	991	-	-
Discontinued operations	121,660	131,199	151,057	154,221	158,999
Other liabilities	63,404	56,290	78,595	57,640	57,501
Total liabilities	4,347,941	4,330,411	4,419,051	4,724,164	4,985,275
Equity					
Share capital	158,145	158,145	157,256	157,258	157,258
Reserves and other capital components	(92)	(5,855)	(6,941)	(8,834)	(11,058)
Retained earnings	357,342	348,506	314,196	296,676	273,446
Total equity	515,395	500,796	464,511	445,100	419,646
Total liabilities and equity	4,863,336	4,831,207	4,883,562	5,169,264	5,404,921

DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

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

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

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

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

CTF – combating terrorist financing.

ECB - European Central Bank.

EU – the European Union.

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.

IRS – Interest rate swap.

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

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

LRE – leverage ratio exposure.

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

ML/TF – money laundering and terrorism financing.

MREL – minimum requirement for own funds and eligible liabilities.

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

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

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

O-SII – other systemically important institution.

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

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

RTS – regulatory technical standards.

SRB – the Single Resolution Board.

SREP – supervisory review and evaluation process.

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

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

Stage 3 financial instruments – credit-impaired exposures.

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

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

TLOF – total liabilities and own funds.

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

TREA – total risk exposure amount.

TSCR – SREP capital requirement.