AS Citadele banka

ANNUAL REPORT

For the year 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 cost to income ratio (CIR) of 44.7%.

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 31 December 2022.

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.

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.

Citadele continues to operate with more than adequate capital and liquidity ratios. The Group's CAR (including adjusted net result for the period) was 22.0%, CET1 19.6% and LCR of 206% as of 31 December 2023.

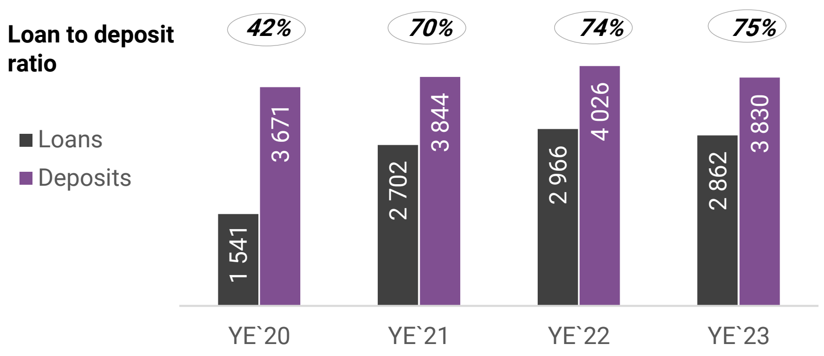
As of 31 December 2023, Citadele had 1,329 full time employees, of which 28 were with discontinued operations.

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.

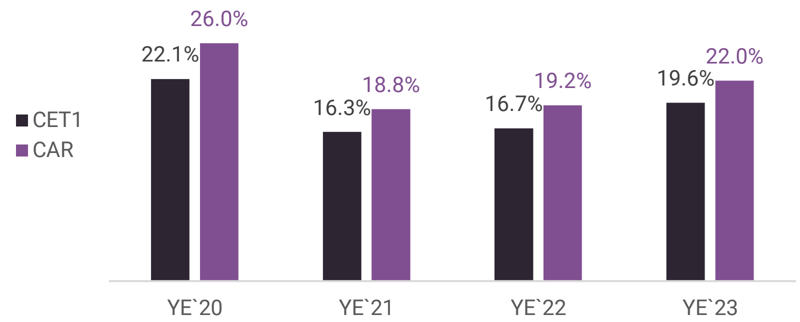
	Continuous operations*			
EUR millions	12m 2023	12m 2022	Q4 2023	Q3 2023
Net interest income	187.9	119.4	49.2	50.8
Net fee and commission income	37.8	37.8	8.8	8.1
Net financial and other income	8.2	5.4	1.6	1.8
Operating income	**233.9**	**162.6**	**59.6**	**60.6**
Operating expense	(104.5)	(91.6)	(31.0)	(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 financial statements.*

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Rounding and Percentages

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

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

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

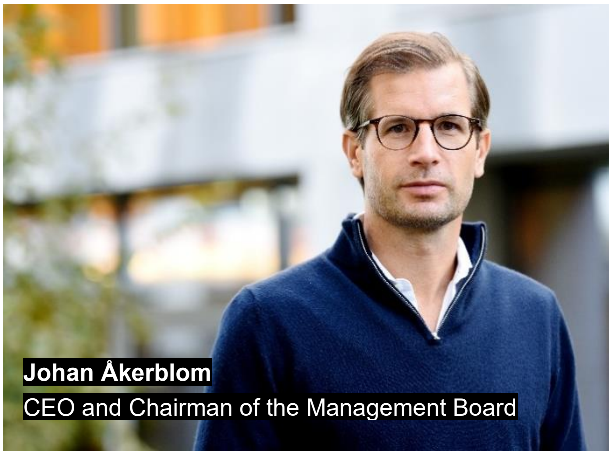

Photo: LETA

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, signalling 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 an annualised 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 22.0%, Tier 1 ratio was 19.6% and LCR was 206% 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. 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.

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Financial review of the Group

Results and profitability in 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.

Performance driven by strong **net interest income,** which reached EUR 187.9 million in the 12 months ended 31 December 2023, a 57% 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 2.9 million for securitization, representing an expense on a multi-year financial guarantee contract issued by the EIB Group to Citadele in December 2022. The 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.

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).

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.

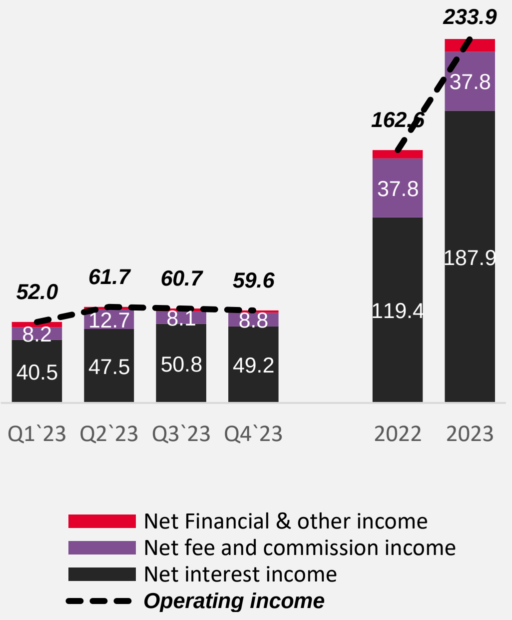
Net credit losses and **impairments reversal** recognized in the amount of EUR 4.6 million in the 12 months ended 31 December 2023. The overall credit quality of the loan book was good. **Stage 3 loans to public** gross ratio decreased to its historically lowest level of 2.1% compared to 2.7% as of 31 December 2022.

Net profit from continuous operations reached EUR 110.4 million in the 12 months ended 31 December 2023. Return on equity reached 23.6% in the 12 months ended 31 December 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%.

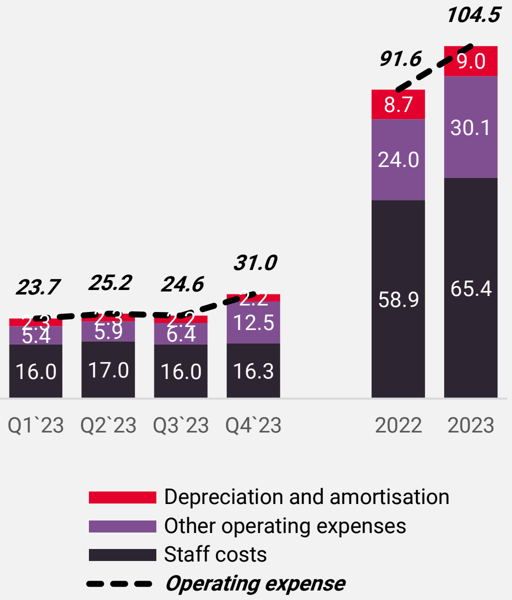
Operating income, EURm

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 TLRTO loan of EUR 441 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 5,239 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.

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. 93% 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 77.5 million and EUR 328.4 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).

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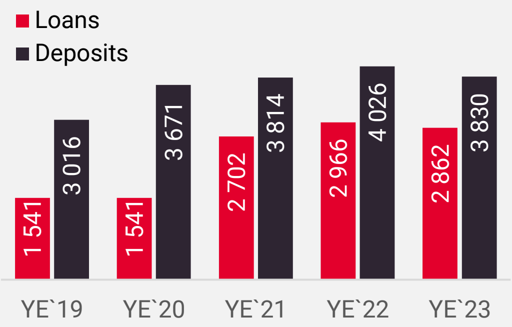
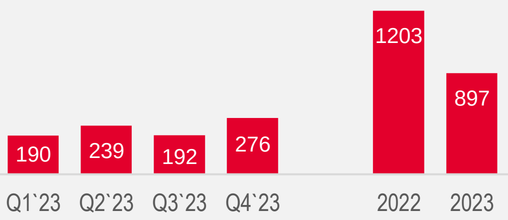
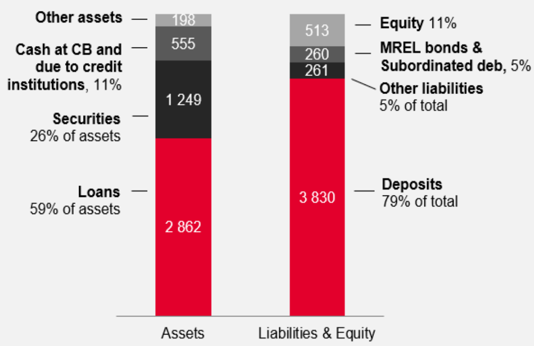
Loans and Deposits, EURm



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.moodys.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).

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.

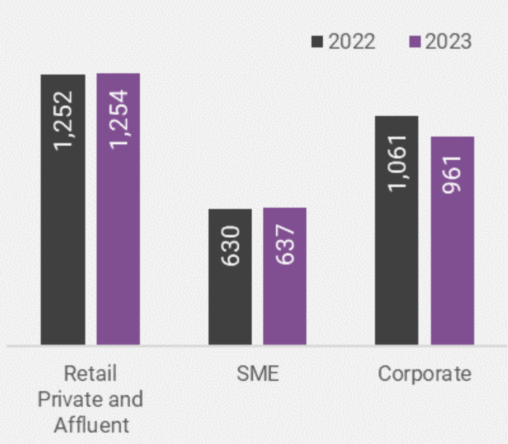
Total loans to Private individuals reached EUR 1,254 million as of 31 December 2023, increasing by EUR 10 million as compared to 30 September 2023 with good loan quality. Deposits from Private individuals constituted EUR 1,912 million, slightly decreasing by EUR 3 million as compared to 30 September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

SME segment

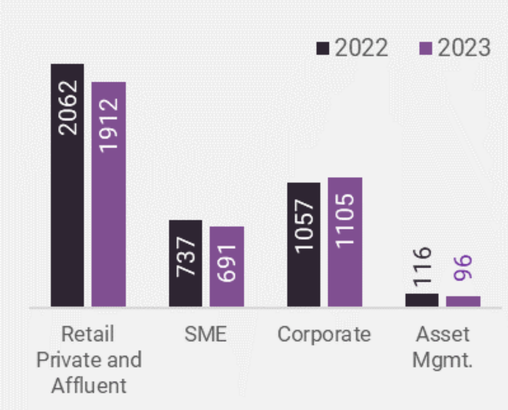
In the 12 months ending on 31 December 2023, the SME segment's operating income reached EUR 58 million, reflecting a 38% year-over-year growth. Performance driven by strong net interest income, which reached EUR 46 million in the 12 months ended 31 December 2023, a 57% increase year-over-year, mainly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

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

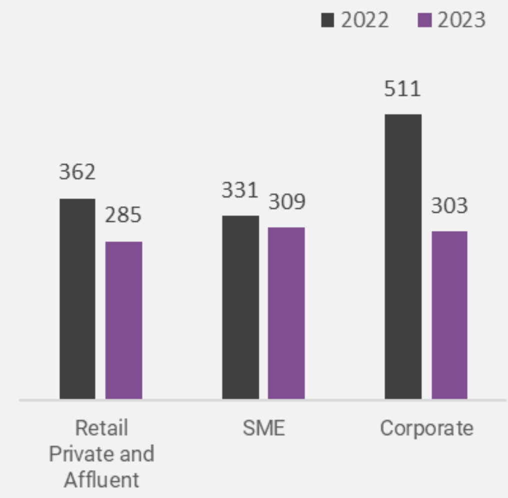
Loans, EURm



Deposits, EURm



New lending, EURm



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.

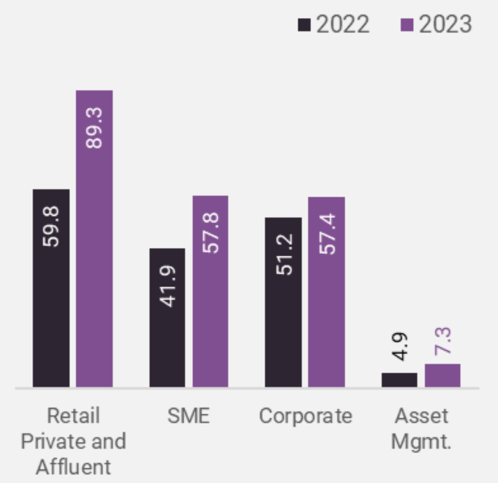
Corporate new financing totaled EUR 303 million in 2023, down from EUR 511 million in 2022. Corporate lending volumes rebounded in Q4 2024, reaching EUR 110 million. Demand for green transition loans remained high, with numerous large renewable energy and energy-efficient projects financed throughout 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 47% year-over-year growth. The total customers' assets under management reached EUR 1,080 million, up from EUR 962 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.

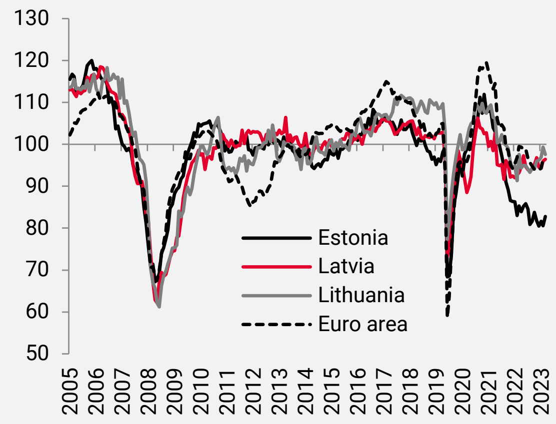
The manufacturing and transport sectors were the hardest hit in 2023, largely due to weak external demand and a cyclical downturn in global manufacturing. Agriculture also suffered due to unfavorable weather conditions, while the retail trade sector struggled with falling real incomes caused by high 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.

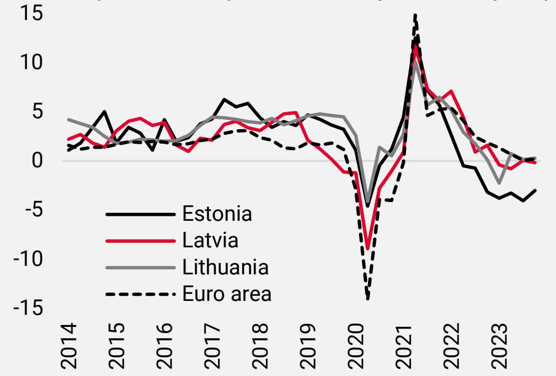
Inflation has declined and interest rates have peaked

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.

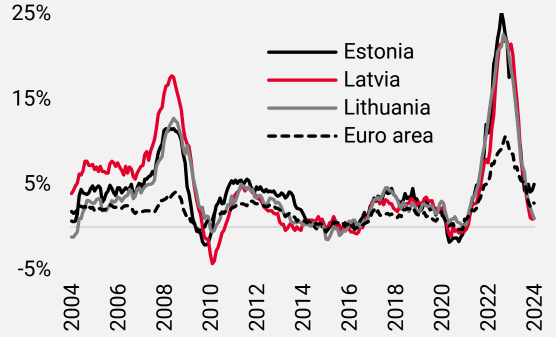
Economic sentiment indicator



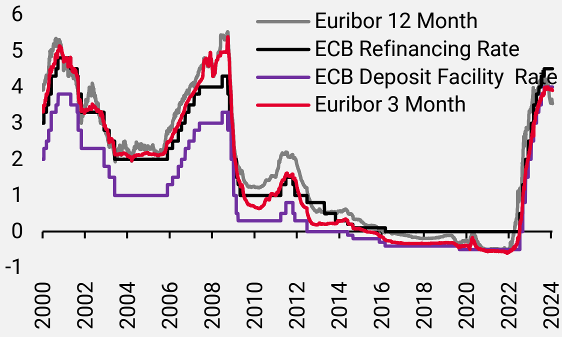
GDP (constant prices, % year-on year)



Inflation (%, year-on-year)



ECB un EURIBOR interest rates, %



OTHER REGULATORY INFORMATION

Name	AS Citadele banka
Address	Republikas laukums 2A, Riga, LV-1010, Latvia
Web page	www.citadele.lv www.cblgroup.com
Phone	(+371) 67010 000
LEI code	2138009Y59EAR7H1UO97
Registration number	40103303559
License number	06.01.05.405/280
License issue date	30/06/2010
Branches	AS Citadele banka has 11 branches and client service units in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. The Lithuanian branch has 6 customer service units in Lithuania. Information about branches, client service units and ATMs of Citadele is available in the Citadele web page's section "Branches and ATMs".
Dividends	Refer to Note 27 (*Share Capital*) of the annual report. As at issuance of the annual report the Bank's Management proposes to distribute EUR 50.6 million in dividends (EUR 0.32 per share) and to transfer the rest to the retained earnings account to strengthen the capital position.
Future development	Citadele aims to become the primary bank of choice for aspiring retail and small business customers across the Baltics and will continue to relentlessly improve products and services. Citadele will continue to provide high quality financial services to clients and their businesses with an objective to foster further growth across the whole Baltic region. A complete portfolio of banking, leasing, financial and wealth management services is to be offered for both private individuals and companies. The core market of Citadele remains unchanged: Latvia, Lithuania and Estonia.
Risk management	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 Group's risk management policies for each of the above-mentioned risks and certain other risks are briefly summarised in the Note 35 (*Risk Management*) of these financial statements.
Domicile of entity	Latvia
Country of incorporation	Latvia
Legal form	Stock company (in Latvian "Akciju sabiedrība")

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 the management, employees, and other investors.

The Statement of Corporate Governance is published on the Bank's website www.cblgroup.com.

Audit and Governance Committee's report to the shareholders

In 2023 Audit and Governance Committee of AS Citadele banka (hereinafter – the Committee) acted in the role of audit committee as required by the Financial Instruments Market Law.

The Committee performed tasks in line with the requirements of the law:

- *Supervised the preparation of the annual report for the year ended 31 December 2023;*
- *Supervised the process of audit of the annual report for the year ended 31 December 2023;*
- *Supervised the effectiveness of internal controls, risk management and internal audit systems as applicable to the process of the preparation of financial statements;*
- *Supervised the approval of the external auditor for audit of the annual report for the year ended 31 December 2023;*
- *Supervised the compliance of the auditor of the annual report for the year ended 31 December 2023 with independence and objectivity requirements set forth in the Law of the Provision of Audit Services;*
- *Communicated to the Supervisory Board the conclusions made by the auditor of the annual report for the year ended 31 December 2023.*

In 2023 the Committee was not hindered in any way, and full access to any information required by the Committee was ensured. The Committee throughout the year kept the Management Board and the Supervisory Board informed about the conclusions and recommendations made by it. In the course of discharging its duties as related to the preparation of the annual report for the year ended 31 December 2023 the Committee did not encounter any evidence that would suggest that these financial statements would not be true and fair.

A detailed report on the activities of the Committee in 2023 has been submitted to the Supervisory Board of the Bank.

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 Dvivedi	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, former 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, former 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 became Member of the Supervisory Board effective from 4 October 2023. Daiga Auzina-Melalksne became Member of the Supervisory Board effective from 1 November 2023.

Timothy Clark Collins, Chairman of the Supervisory Board

Mr. Collins is the Chief Executive Officer of Ripplewood. Mr. Collins has led the Ripplewood team in investing around the globe, including in the U.S., Europe, the Middle East and Asia. Mr. Collins and Ripplewood have delivered outsized returns, deploying over USD 6 billion in equity, representing over USD 40 billion of total enterprise value, and played an instrumental role in transforming and strengthening two prominent institutions, Commercial International Bank of Egypt and Shinsei Bank of Japan. Before founding Ripplewood in 1995, Mr. Collins worked for Cummins Engine Company, Booz, Allen & Hamilton, Lazard Frères & Company and Onex Corporation. Mr. Collins is involved in several not-for-profit and public sector activities, including the Trilateral Commission, the Council on Foreign Relations, Neom Advisory Board and is a member of the Investment Advisory Committee to the New York State Common Retirement Fund. Mr. Collins has served on a number of public company boards, including Asbury Automotive, Shinsei Bank of Japan, Advanced Auto, Rental Services Corp., Commercial International Bank of Egypt, Gogo and Citigroup (after it accepted public funds). Mr. Collins also served as an independent director at Weather Holdings, a large private emerging markets telecom operator. Mr. Collins currently represents Ripplewood on the Boards of Citadele (Latvia) and RA Special Acquisition Corporation. Mr. Collins has a BA in Philosophy from DePauw University and a MBA in Public and Private Management from Yale University's School of Management. Mr. Collins received an honorary Doctorate of Humane Letters from DePauw University in 2004 and has been Visiting Fellow at New York University.

Elizabeth Critchley, Deputy Chairperson of the Supervisory Board

Ms. Critchley is the Managing Partner of Ripplewood Advisors I LLP. Ms. Critchley has been leading Ripplewood's investment efforts, including most recently into Eastern Europe and the Middle East. Ms. Critchley serves as a Director on the Board of Citadele (Latvia) and RA Special Acquisition Corporation. Before joining Ripplewood, Ms. Critchley was a Founding Partner of Resolution Operations, which raised GBP 660 million through a listed vehicle at the end of 2008, and went on to make three acquisitions in financial services (Friends Provident plc for USD 2.7 billion, most of Axa's UK life businesses for USD 4 billion and Bupa for USD 0.3 billion). This consolidation strategy was financed through a combination of debt and equity raisings, as well as structured vendor financing. Until forming Resolution Operations, Ms. Critchley was a Managing Director at Goldman Sachs International where she ran the European FIG Financing business. Ms. Critchley has structured, advised, or invested in transactions with more than fifty global financials and corporates. Ms. Critchley holds a First Class Honours Degree in Mathematics from University College London.

Dhananjaya Dvivedi, Member of the Supervisory Board

Mr. Dhananjaya Dvivedi headed the Banking Infrastructure Group and was the Corporate Executive Officer of Shinsei Bank from 2000 to 2010. Mr. Dvivedi was instrumental in transforming Shinsei's IT platform as part of its strategy to improve customer service with conveniences such as internet banking, 24-hr ATMs, managed and monitored remotely, and real-time data, while maintaining cost control. Mr. Dvivedi has also served as the External Director of SIGMAXYZ Inc. from 2008 until 2011 and has since been involved in various research and advisory capacities for the development of new technologies to benefit society. Mr. Dvivedi holds an engineering degree from the Madhav College of Engineering in India and an MBA from the Indian Institute of Management.

Lawrence Neal Lavine, Member of the Supervisory Board

Mr. Lavine is a Senior Managing Director of Ripplewood Advisors LLC, following a 28 year career in investment banking. At Ripplewood Advisors LLC, Mr. Lavine has focused primarily on companies in the financial services and telecommunications industries. Mr. Lavine was previously a Managing Director of Credit Suisse First Boston in its Mergers and Acquisitions Group. He joined Credit Suisse First Boston in 2000 as part of the acquisition of Donaldson, Lufkin & Jenrette where he had been a Managing Director in Mergers and Acquisitions since 1987. He started his career on Wall Street at Kidder Peabody & Co. in 1976. Mr. Lavine holds a BS from Northeastern University and an MBA from Harvard Business School.

Nicholas Haag, Member of the Supervisory Board

Mr. Haag until June 2021 was senior independent non-executive director (INED) and chairman of the audit committee of TBC Bank Group PLC, the largest Georgian bank and the premium listed FTSE 250 company. He is chairman of the Board, an INED and chairs the audit, risk and compliance committee of Bayport Management Ltd., the holding company for a leading African and Latin American financial solutions provider Prior to that, he was a Member of the Supervisory Board of Credit Bank of Moscow PJSC. Mr. Haag has a 30 year banking career, half at Managing Director level, with various financial institutions including Barclays, Banque Paribas, ABN AMRO and Royal Bank of Scotland, specialising in technology finance and equity capital markets. Mr. Haag holds a First Class Honours Degree from the University of Oxford.

Karina Saroukhanian, Member of the Supervisory Board

Ms. Saroukhanian is a Managing Director of Ripplewood Advisors Limited. Before joining the company, from 2008, she worked as senior banker in the Financial Institutions team of EBRD. At EBRD, she specialized in complex equity transactions, working with financial sponsors in multiple jurisdictions. Prior to joining the EBRD, Karina was an Associate Director in the M&A group at Nomura International in London and a Vice President at Sindicatum, a specialist financial advisory and asset management firm. Karina holds an MSc in Economics from the London School of Economics and a degree in mathematical economics from the Moscow State University.

Sylvia Gansser-Potts, Member of the Supervisory Board

Ms. Sylvia Gansser-Potts is a Director and member of the audit and risk committee of the European Fund for Southeast Europe (EFSE) which provides development finance to micro and small enterprises and private households via selected financial institutions. In 2023, Sylvia was appointed by the Cabinet of Ministers of Ukraine as an independent director of Ukreximbank JSC, the third largest bank in Ukraine, where she chairs the Nomination and Remuneration Committee and is a member of the Risk Committee. Until 2017, Sylvia was a Managing Director at the EBRD with the overall responsibility for EBRD's investments and operations in Central and Southeastern Europe. Over her 25 year career at the EBRD, Sylvia run a succession of banking teams including the financial institutions operations in Central Europe, in MENA/Turkey as well as the property and tourism team. Sylvia started her career at Swiss Bank Corporation (which later merged to become UBS) in Switzerland and Japan. She holds a master's in business from the Université Paris Dauphine -PSL, a bachelor's degree in Japanese language from the University of Paris and an MBA from INSEAD.

Stephen Young, Member of the Supervisory Board

Mr. Stephen Young is the International Chief Executive Officer of Mission Without Borders, a group of “not for profit” organizations working among the poor and marginalized in several countries in Eastern Europe, ranging from Albania to Ukraine. He has been a member of the Audit and Governance Committee of Citadele since 2017, joining the Supervisory Board in 2023. Prior to this Stephen was the senior partner of KPMG in the Baltics and Belarus from 2004 until his retirement in 2015. Stephen worked with KPMG in Central and Eastern Europe from 1992 to 2015 and was a member of the KPMG CEE Board. With KPMG, Stephen served a number of clients in the banking and finance sectors across the Baltics and other CEE countries, providing audit, transaction and forensic services. Stephen holds a BA Honors degree in Economics from the University of Durham in the United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales and also a Fellow of the Chartered Accountants of Australia and New Zealand.

Daiga Auzina-Melalksne, Member of the Supervisory Board

Ms. Daiga Auzina-Melalksne is an experienced board member with 20 years of leadership and management experience in financial services sector. Daiga was Chairperson of the Management Board of Nasdaq Riga (2005-2023), Member of the Management Board of Nasdaq Tallinn (2012-2023). Daiga has been responsible for Nasdaq Baltic Exchanges strategy and operations since 2012. Daiga also serves as an Elected Member of Board of the Baltic Institute of Corporate Governance (2016 – present) and as Head of Latvian Corporate Governance Board under the auspices of the Latvian Ministry of Justice (2020 - present) and is an advisory Board Member of Riga Business School (2021 – present). Daiga holds Master of Business Administration degree in Management from the University of Latvia, an Executive Master of Business Administration degree from the Riga Business School and a Professional Board members Certificate from the Baltic Institute of Corporate Governance.

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.

Johan Åkerblom, Chairman of the Management Board and Chief Executive Officer

Johan Akerblom is Chairman of the Management Board and Chief Executive Officer as of October 2020. Johan joined AS Citadele banka Management Board on February 2018. Before joining Citadele, he worked for SEB group as Chief Financial Officer for its Baltic business division in 2016 and 2017 and, prior to that, Johan was Chief Financial Officer and member of the Management Board of SEB AG, SEB group's German subsidiary. He has more than 20 years of banking experience and started his career as a management consultant with McKinsey & Company, where he spent four years. Johan Akerblom holds a Master's Degree in Industrial Management and engineering from the Lund Institution of Technology and spent one year at McGill University.

Valters Ābele, Member of the Management Board and Chief Financial Officer

Valters Ābele is responsible for the group's Finance and Treasury functions as of January 2021. Until January 2021 Valters Ābele has been responsible for risk analysis functions at AS Citadele banka and ran the Risk Department. Previously Valters managed the Credit Risk Department at Parex banka. In December 2008, when the Latvian State took over Parex banka, Valters Ābele was invited to work in the new Board of the bank, and after the successful split-up, he assumed the same post in the Board of Citadele. Valters Ābele has acquired extensive experience in auditing and financial consulting at companies such as Ernst & Young and Arthur Andersen. He is a member of Latvian Association of Sworn Auditors and previously a member of Association of Chartered Certified Accountants. Valters Ābele has master's degree in business management and international economic relations from the University of Latvia. He was appointed to the management board of Parex in 2008 and joined Citadele's Management Board in 2010.

Vladislavs Mironovs, Member of the Management Board and Chief Strategy Officer

Vladislavs Mironovs is responsible for group's business strategy implementation, development of the Bank's products and services and Bank's digital evolution. He joined AS Citadele banka in July 2015 as Head of Strategic projects and from December 2016 until January 2021 was Chief Commercial Officer, Member of the Management Board. His former experience includes various positions in GE Money Bank. The last two years before joining Citadele, he worked as Strategic Initiatives Leader in GE Capital HQ in USA, leading the projects and assisting in developing global strategy around trade finance and multinational clients. Vladislavs Mironovs held a position of Business Development Manager in GE Capital, UK (2012-2013) and Sales and Marketing Director in GE Money Bank Latvia (2010-2012). Vladislavs Mironovs holds Executive MBA from Riga Business School.

Slavomir Mizak, Member of the Management Board and Chief Technology and Operations Officer

Slavomir Mizak is responsible for group's IT and technology operations and development, as well as administrative services and bank operations at Citadele. In Citadele group he has been working since 1 August 2017. Before joining the bank, Slavomir was a member of the Management Board and held a position of the Chief Information Officer and the Chief Operating Officer in Zuno Bank AG (Austria) since 2014. Prior to that, he held positions of the Head of Information Technology and the Head of Information Technology Development in Zuno Bank. Before that he worked as a consultant and manager in the consulting division for financial services sector in Accenture (2002-2009). Slavomir Mizak holds a master's degree in Business Administration from the University of Economics in Bratislava.

Vaidas Žagūnis, Member of the Management Board and Chief Corporate Commercial Officer

Vaidas Žagūnis is responsible for the development and management of corporate business in Citadele Baltics. Vaidas has been working in the banking sector for almost 18 years. He started in 2001 with client executive assistant position in SEB Bank in Lithuania, and then took different management positions mainly in SME business area. Since September 2016 Vaidas Žagūnis served as a Member of the Management board and Executive Vice President of SEB Bank in Lithuania, as a Head of Retail Banking. Vaidas holds a Master's degree in business administration from the Kaunas University of Technology, and also has educated in Massachusetts Institute of Technology (MIT) in United States.

Rūta Ežerskienė, Member of the Management Board and Chief Retail Commercial Officer

Rūta Ežerskienė is responsible for the development and management of Retail business in Citadele Baltics. She joined AS Citadele banka (hereinafter– Citadele) in January 2021. Before Citadele Rūta was Head of Baltic Retail for AON insurance broker company since 2018. Before that she held different management positions in SEB group, both on Baltic level and in Lithuania, incl. Head of Sales Department and Business transformation, Private client segment, was Management board member in SEB Life Insurance. Rūta Ežerskienė holds Master of Business Management degree from Kaunas University of Technology and licenced in Baltic Institute of Corporate Governance.

Jūlija Lebedinska-Ļitvinova, Member of the Management Board and Chief Risk Officer

Jūlija Lebedinska-Ļitvinova is responsible for the group's risk management area as of June 2021. Jūlija Lebedinska-Ļitvinova has an extensive experience of more than 15 years in risk management area in financial sector. Before joining the Bank, Jūlija was Group Chief Risk Officer for Mogo Finance (2019-2021). Prior to that she held Chief Risk Officer's position in 4Finance Group (2015-2019), Head of Antifraud and Risk processes position in Home Credit and Finance Bank in Russia (2013-2015) and Chief Risk Officer's position in Home Credit Bank in Belarus (2011-2013). Jūlija Lebedinska-Ļitvinova has a PhD degree in natural sciences from the University of Latvia.

Uldis Upenieks, Member of the Management Board and Chief Compliance Officer (resigned as from 2 January 2024)

Until 2 January 2024 Uldis Upenieks in Citadele group was responsible for the Compliance area. Uldis has 20 years' experience in the financial sector, of which last 15 years he has worked in the banking sector. Since November 2012 Uldis was a Chairman of the Board at IPAS CBL Asset Management. Before that Uldis Upenieks worked in PrivatBank – as a Board member and as a head of internal audit. Prior to that Uldis was responsible for client oversight function (2002-2009), and a vice president and the deputy director of the Risk and Compliance Sector (2009-2011) at Citadele. Uldis Upenieks holds a master's degree in business administration and a bachelor's degree in economics from the Riga Technical University and he has studied at Riga Graduate School of Law.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The 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 and cash flows for the twelve months period ended 31 December 2023 in accordance with IFRS Accounting Standards 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 financial statements are prepared on a going concern basis in accordance with IFRS Accounting Standards as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

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

Management Board of AS Citadele banka on 14 March 2024 and Supervisory Board of AS Citadele banka on 20 March 2024 executed a power of attorney appointing Johan Åkerblom empowering him to sign this report on their behalf. This document is signed using a qualified electronic signature by Johan Åkerblom on 20 March 2024.

Johan Åkerblom

Chairman of the Management Board

STATEMENT OF INCOME

	Note	2023 Group	2022 Group[1]	2023 Bank	2022 Bank
		EUR thousands			
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	20	(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	12	(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	13	(895)	-	(895)	-
Result from non-current assets held for sale and discontinued operations, net of tax	21	(6,117)	(4,205)	(5,621)	286
Operating profit		**126,905**	**43,000**	**113,537**	**42,621**
Income tax	13	(23,118)	(2,318)	(21,837)	(438)
Net profit		**103,787**	**40,682**	**91,700**	**42,183**
Basic earnings / (loss) per share in EUR	27	0.66	0.26	0.58	0.27
from continuing operations		*0.70*	*0.29*	*0.58*	*0.27*
from discontinued operations		*(0.04)*	*(0.03)*	-	-
Diluted earnings / (loss) per share in EUR	27	0.65	0.26	0.58	0.27
from continuing operations		*0.69*	*0.29*	*0.58*	*0.27*
from discontinued operations		*(0.04)*	*(0.03)*	-	-

The notes on pages 23 to 91 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 material 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:				
Fair value revaluation from continuing operations				
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)
Fair value revaluation from discontinued operations				
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	-	-
Other reserves				
Foreign exchange retranslation from discontinued operations	1,750	1,134	-	-
Other comprehensive income items that will not be reclassified to profit or loss:				
Fair value revaluation reserve				
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 on pages 23 to 91 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 material accounting policies*).

BALANCE SHEET

		EUR thousands			
		31/12/2023 Group	**31/12/2022 Group[1]**	**31/12/2023 Bank**	**31/12/2022 Bank**
Assets					
Cash and cash balances at central banks	14	520,569	532,030	520,569	532,030
Loans to credit institutions		34,640	48,441	53,019	42,044
Debt securities	15	1,220,032	1,593,922	1,178,936	1,550,301
Loans to public	16	2,861,958	2,966,478	2,768,436	2,880,101
Equity instruments	18	1,239	1,029	1,239	1,029
Other financial instruments	18	26,372	28,473	1,235	1,101
Derivatives	28	1,019	1,285	1,019	1,285
Investments in related entities	19	248	190	47,939	47,770
Tangible assets	20	11,183	15,730	7,309	10,321
Intangible assets	20	8,065	8,162	6,010	6,069
Current income tax assets	13	81	1,822	-	1,116
Bank tax assets	13	1,777	-	1,777	-
Deferred income tax assets	13	714	2,478	579	2,179
Discontinued operations and non-current assets held for sale	21	132,574	166,028	12,788	13,827
Other assets	22	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	23	47,434	469,736	66,994	473,399
Deposits and borrowings from customers	24	3,829,582	4,025,665	3,799,406	3,973,320
Debt securities issued	25	259,560	259,225	259,560	259,225
Derivatives	28	3,331	7,650	3,331	7,650
Provisions	11	4,899	4,920	4,839	4,838
Current income tax liabilities	13	17,696	1,204	17,247	33
Deferred income tax liabilities	13	375	375	-	-
Discontinued operations	21	121,660	158,999	-	-
Other liabilities	26	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	27	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	28	70,409	50,407	78,227	60,936
Financial commitments	28	346,036	306,690	363,952	322,211

The notes on pages 23 to 91 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 material accounting policies*).

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands						
	Issued share capital	Share premium	Securities fair value revaluation reserve *(Note 15)*	Foreign currency retrans-lation	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**
Restated on initial application of IFRS 17	-	-	(61)	-	-	(270)	(331)
Balance as of 31/12/2021 (*restated*)	**156,888**	**239**	**97**	**4,805**	**2,118**	**232,597**	**396,744**
Share repurchase	(94)	(144)	-	-	-	-	(238)
Share based payments to employees (Note 9 and Note 27)	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 21*)	-	-	-	-	-	(20,000)	(20,000)
Share repurchase	(2)	(2)	-	-	-	-	(4)
Share based payments to employees (Note 9 and Note 27)	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 15)	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2021	**156,888**	**239**	**(230)**	**2,118**	**186,548**	**345,563**
Share repurchase	(94)	(144)	-	-	-	(238)
Share based payments to employees (Note 9 and Note 27)	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 27*)	-	-	-	-	(20,000)	(20,000)
Share repurchase	(2)	(2)	-	-	-	(4)
Share based payments to employees (Note 9 and Note 27)	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 on pages 23 to 91 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 material accounting policies*).

STATEMENT OF CASH FLOWS

		EUR thousands			
		2023	2022	2023	2022
	Note	Group	Group[1]	Bank	Bank
Operating activities					
Operating profit before tax (discontinued net of tax and continuing)		126,905	43,000	113,537	42,621
Tax expense from discontinued operations	21	28	3	-	-
Interest income	5	(233,962)	(139,820)	(205,023)	(115,716)
Interest expense	5	41,907	18,630	42,263	18,489
Dividends income		(21)	(29)	(21)	(8,713)
Depreciation and amortisation		9,702	9,411	8,416	8,309
Impairment allowances and provisions		(3,884)	24,110	1,763	25,969
Currency translation and other non-cash items		1,455	2,593	2,989	(26)
Cash flows from the income statement		**(57,870)**	**(42,102)**	**(36,076)**	**(29,067)**
(Increase) / decrease in loans to public		100,453	(325,193)	117,509	(291,139)
Increase / (decrease) in deposits and borrowings from customers		(242,507)	339,467	(182,214)	308,265
(Increase) / decrease in loans to credit institutions		(2,646)	(1,287)	(21,559)	(1,303)
Increase / (decrease) in deposits from central banks and credit institutions		(430,000)	(11,000)	(414,209)	(19,147)
(Increase) / decrease in other items at fair value through profit or loss		(4,053)	9,929	(4,053)	9,929
(Increase) / decrease in other assets		27,450	(1,416)	(11,739)	(672)
Increase / (decrease) in other liabilities		(23,465)	(6,566)	7,068	6,200
Cash flows from operating activities before interest and corporate income tax		**(632,638)**	**(38,168)**	**(545,273)**	**(16,934)**
Interest received		230,836	137,722	202,732	114,169
Interest paid		(20,740)	(13,754)	(20,967)	(13,569)
Corporate income tax paid		(3,925)	(1,014)	(2,656)	(839)
Cash flows from operating activities		**(426,467)**	**84,786**	**(366,164)**	**82,827**
Investing activities					
Acquisition of tangible and intangible assets		(6,898)	(5,795)	(5,699)	(4,510)
Disposal of tangible and intangible assets		2,868	1,468	397	329
Investments in debt securities and other financial instruments		(131,868)	(219,342)	(127,922)	(213,777)
Proceeds from debt securities and other financial instruments		556,514	327,006	505,266	302,587
Dividends received		21	29	21	8,713
Sale or investments in subsidiaries		-	-	-	15,711
Cash flows from investing activities		**420,637**	**103,366**	**372,063**	**109,053**
Financing activities					
Dividends paid		(19,861)	-	(19,861)	-
Proceeds from issue of debt securities		-	-	-	-
Repayment of debt securities issued		-	-	-	-
Interest paid on debt securities issued		(6,687)	(6,821)	(6,687)	(6,821)
Share repurchase		(4)	(238)	(4)	(238)
Repayment of lease liabilities		(3,608)	(3,792)	(3,498)	(3,492)
Cash flows from financing activities		**(30,160)**	**(10,851)**	**(30,050)**	**(10,551)**
Cash flows for the period		**(35,990)**	**177,301**	**(24,151)**	**181,329**
Cash and cash equivalents at the beginning of the period		**581,644**	**404,343**	**544,995**	**363,666**
Cash and cash equivalents at the end of the period	31	**545,654**	**581,644**	**520,844**	**544,995**

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

The notes on pages 23 to 91 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 material 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.

The legal address of AS Citadele banka is Republikas laukums 2A, Riga, LV-1010, Latvia. Domicile of the entity is Latvia, country of incorporation is Latvia. Legal form is stock company (in Latvian "akciju sabiedrība").

NOTE 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a) Basis of preparation

These financial statements are prepared in accordance with IFRS Accounting Standards 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.

The preparation of financial statements in conformity with IFRS accounting standards as adopted by the EU requires use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from the estimated. For more details refer to the paragraph *Use of estimates and judgements in the preparation of financial statements*.

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, cancelations 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		-	-	-	-	-	-	
At fair value through other comprehensive income	**340,701**	(10,625)	-	-	-	-	-	**330,076**
At amortised cost	**1,461,019**	10,564	-	-	-	-	-	**1,471,583**
Loans to public	**2,701,509**	-	-	-	-	-	-	**2,701,509**
Equity instruments	**1,279**	-	-	-	-	-	-	**1,279**
Other financial instruments	**42,032**	-	-	-	-	-	-	**42,032**
Derivatives	**4,303**	-	-	-	-	-	-	**4,303**
All other assets	**73,951**	-	(22)	(259)	(35)	(123)	(33)	**73,479**
Total assets	**5,054,561**	**(61)**	**(22)**	**(259)**	**(35)**	**(123)**	**(33)**	**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	(44)	**74,837**
Total liabilities	**4,657,486**	-	(342)	398	(45)	(169)	(44)	**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	11	**232,597**
Total equity	**397,075**	**(61)**	**320**	**(657)**	**10**	**46**	**11**	**396,744**
Total liabilities and equity	**5,054,561**	**(61)**	**(22)**	**(259)**	**(35)**	**(123)**	**(33)**	**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								
At fair value through other comprehensive income	**222,522**	(9,220)	-	-	-	-	-	**213,302**
At amortised cost	**1,370,080**	10,540	-	-	-	-	-	**1,380,620**
Loans to public	**2,966,478**	-	-	-	-	-	-	**2,966,478**
Equity instruments	**1,029**	-	-	-	-	-	-	**1,029**
Other financial instruments	**28,473**	-	-	-	-	-	-	**28,473**
Derivatives	**1,285**	-	-	-	-	-	-	**1,285**
All other assets	**233,941**	-	(20)	(256)	(33)	(96)	(273)	**233,263**
Total assets	**5,404,279**	**1,320**	**(20)**	**(256)**	**(33)**	**(96)**	**(273)**	**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	(243)	**222,999**
Total liabilities	**4,980,061**	-	329	5,222	(66)	(28)	(243)	**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)	(30)	**273,446**
Total equity	**424,218**	**1,320**	**(349)**	**(5,478)**	**33**	(68)	(30)	**419,646**
Total liabilities and equity	**5,404,279**	1,320	(20)	(256)	(33)	(96)	(273)	**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.

Statement of income for the twelve months periods ended 31 December 2022 before and after IFRS 17 reclassifications

	EUR thousands		
	2022		
	Group Restated IFRS 17	**Group** IFRS 4 as reported	**IFRS 17 impact**
Net interest income	119,362	118,849	513
Net fee and commission income	37,783	37,646	137
Net financial income	8,573	8,603	(30)
Net other income / (expense), including net insurance result	(3,166)	3,077	(6,243)
Staff costs, other operating expenses, depreciation and amortisation	(91,575)	(91,575)	-
Net credit losses and other impairment losses	(23,772)	(23,772)	-
Operating profit from continuous operations before non-current assets held for sale	**47,205**	**52,828**	**(5,623)**
Result from non-current assets held for sale and discontinued operations, net of tax	(4,205)	**(4,205)**	-
Operating profit	**43,000**	**48,623**	**(5,623)**
Income tax	(2,318)	(2,318)	-
Net profit	**40,682**	**46,305**	**(5,623)**

For the year ended 31 December 2022 for the Group as a result of IFRS 17 implementation, net insurance result decreased by EUR 6.2 million due to the new standard's requirement to retrospectively reclassify and revalue previous insurance liabilities to deposits and borrowings from customers. The reclassified EUR 38.2 million (as of implementation of IFRS 17) annuity investments as a result were revalued to amortised cost thus reversing previously recognised IFRS 4 revaluation gains from increasing market interest rates.

Upcoming requirements not in force 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 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) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financials of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The investments in the subsidiaries are presented in the Bank's financial statements at cost. More detailed information on the Group's subsidiaries is presented in *Investments in Related Entities* note.

The financial statements of AS Citadele banka and its subsidiaries are consolidated in the Group's financial statements on a line by line basis by aggregating like items of assets, liabilities, income and expenses. For the purposes of consolidation, intragroup balances and intragroup transactions, including interest income and expense as well as unrealised profits and loss resulting from intragroup transactions, are eliminated in the Group's financial statements.

e) Income and expense recognition

Income and revenue are only recognised, if the Group is likely to receive economic benefits associated with the transaction. Interest income and expense items are recognised on an accrual basis using the effective interest rate. Commissions in respect of the acquisition of financial assets or the issue of financial liabilities that are not at fair value through profit or loss are deferred and recognised as an adjustment to the effective yield on the respective asset or liability. The Group presents the fee income from financial guarantees as part of fee and commission income. For loan commitments which are not expected to result in draw-down, the reservation fee is credited to the income statement on a straight-line basis over the commitment period. For a contract with a customer containing a financial instrument, the part that relates to financial instrument is measured and separated first and then to the residual part recognised appropriately as revenue from contracts with customers.

Revenue from contracts with customers, including account servicing fees, asset management fees, custody fees and sales commissions are credited to the statement of income as the related services are performed and control over a service is transferred to a customer. Revenue from customers is recognised as fee and commission income or other income. Revenue may be recognised at a point in time or over the time. Over time revenue recognition is proportional to progress towards satisfying a performance obligation by transferring control of promised services to a customer. Revenue which does not qualify for recognition over time is recognised at a point in time when the service is rendered or product is sold. The Group has no material contract assets and contract liabilities from contracts with customers.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies for the major categories of commission income:

Cards, payments and transactions – regular fees for accounts servicing, cards and product packages are charged to the customers on a monthly basis according to the price list; revenue is recognised over time as the services are provided. Transaction-based fees for payments, foreign to the customer's when the transaction takes place and revenue is recognised at the point in time when the currency transactions and similar are charged transaction takes place.

Asset management, custody and securities – fees are calculated based on a fixed percentage of the value of assets managed or held in custody and are deducted from the customer's account on a monthly basis. Upon commencement of the service an insignificant non-refundable initial fee may be charged as a compensation for client's screening, agreement and other services provided. Revenue from management and custody services is recognised over time as the services are provided.

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. Penalty income is recognised on cash-received basis as often there is significant uncertainty about collectability.

f) Foreign currency translation

Transactions denominated in foreign currencies are recorded in Euros at the rates of exchange effective at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency, such as investments in equity instruments, are translated using the exchange rates at the date when the fair value was determined and the impact from changes in foreign exchange rates are treated as foreign exchange gain/loss in the statement of income, with exception of non-monetary financial assets at fair value through other comprehensive income for which any foreign exchange gain or loss is recognised in other comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the official rate of exchange prevailing at the reporting date. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the statement of income as profit or loss from revaluation of foreign currency positions.

g) Staff costs and related contributions

The Group recognises employee financial benefits when an employee has rendered services in exchange for these financial benefits.

The Group's personnel expenses relate mostly to short term benefits and related tax expense. The Group pays social security contributions to state pension insurance and to state-funded pension scheme in accordance with the relevant regulations. In most countries where the Group operates, a part of the social insurance contributions is used to fund the state defined contribution pension system. The state-funded pension scheme is a defined contribution plan under which the Group pay fixed contributions determined by law and will have no legal or constructive obligation to pay further contributions if the state pension insurance system or the state-funded pension scheme is not able to settle their liabilities to employees. The social security contributions are accrued in the period in which the associated services are rendered by the employees of the Group.

Citadele has multi-year long-term incentive plans for its employees. Under the approved long-term incentive plans share options are granted. Settlement is expected in shares of Citadele. Each option grants eligibility to one ordinary share of Citadele and has an exercise price of null euros. Vesting dates are predetermined. For each participant individual performance conditions aligned with business plan and strategic objectives of Citadele apply. The Remuneration and Nomination Committee of the Supervisory Board is responsible for aligning, setting and amending individual performance conditions. Granted options may be forfeited to the extent any of the performance conditions are not satisfied at sole discretion of the committee.

Expense for share-based remuneration is measured at fair value at the grant date. Share-based remuneration may be in a form of Citadele shares or conditional share options. The grant date is the date at which the entity and the participating employee agrees to a share-based payment arrangement, signifying a shared understanding of the terms and conditions of the arrangement. The fair value is the estimated share price reduced by the present value of dividends that participants will not receive and value of other restricting terms of the compensation agreed. Expense for share-based remuneration is re-measured only if the compensation arrangement is modified so that the fair value after modification has increased compared to the fair value before modification. Such increase is recognised as compensation expense at the re-measurement date.

The expense is recognised on a straight-line basis over the period of the remuneration program as intention is to receive services from employees over the whole period. For share options over vesting period a corresponding increase in equity is recognised as other reserves. Estimates of actual or expected forfeitures are re-estimated at each reporting date and if necessary, previously recognised other reserves are reversed directly to the retained earnings. After deferral period, when vesting conditions are met and conditional share option exercised, previously recognised other reserves are transferred to issued share capital and share premium accounts.

h) Customer loyalty programmes

To reward and promote customers to actively use products of the Group, the Group has implemented several customer loyalty programs. Loyalty point and similar incentives represent discounts that a customer can choose to use in the future to acquire additional goods or services of retail nature. A portion of the transaction price is allocated to the material performance obligation not yet fulfilled. All benefits awarded to customers are fully accrued at the moment the benefits are awarded. The amount allocated is based on the stand-alone price of the loyalty incentive. Revenue and related costs in the income statement are recognised when the Group has satisfied its performance obligations relating to the loyalty incentive or when the incentive expire or are cancelled.

i) Corporate income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current corporate income tax assets and liabilities are measured at the amount expected to be obtained from or paid to tax authorities. Certain Group companies pay income tax on profit distribution (e.g. dividends). For these Group companies or branches, income tax on profit distribution is recognised as expenses at full amount only at the moment dividends are declared. In these jurisdictions, any tax advance (generally at lower rate) amount of which is calculated based on profits, despite generally being eligible for offsetting against profit distribution tax, is expensed as profits are generated.

The deferred tax balance is measured at a tax rate which is applicable for undistributed profits until decision of profits distribution is made. Therefore, for jurisdictions where income tax is payable on profit distribution (e.g. dividends) any deferred tax liabilities or benefits are recognised at a tax rate applicable to undistributed profits. When applicable at the Group level the deferred tax is recognised at the expected future taxable dividend rate.

j) Financial instruments classification and measurement

The Group recognises a financial asset on its balance sheet when, and only when, the Group becomes a party to the contract. Financial assets are classified as either subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The basis for classification is both business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At acquisition the applicable classification is evaluated based on the guidelines established by the Group. For financial asset classification to a particular category, the Group at inception determines that the asset meets the relevant business model and contractual cash flow criteria. The business model is observable through the activities of the Group. It refers to how the Group typically manages its financial assets in order to generate cash flows; thus, the assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur. In a stress case, if cash flows are realised in a way that is different from the Group's expectations embedded in the business model, it does not give rise to a prior period error nor does it change the classification of the remaining financial assets held in that business model. However, for future acquisitions past cash flows are considered and may give rise to change in the business model.

At initial recognition, the financial assets or financial liabilities are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable incremental transaction costs. All "regular way" purchases and sales of investments are recognised using settlement date accounting. The settlement date is the date when an asset is delivered to or by the Group. Settlement date accounting refers to the recognition of an asset on the day it is transferred to the Group and to the de-recognition of an asset, on the day that it is transferred by the Group.

Financial assets and liabilities measured at amortised cost

For a financial asset to be measured at amortised cost it should both be held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are carried at amortised cost using the effective interest rate method, less any allowance for impairment. The impairment allowance for financial assets that are not-credit impaired (stage 1 and stage 2 classified) is measured as the present value of all cash shortfalls which is the difference between the cash flows due to the Group in accordance with contract and the cash flows that the Group expects to receive discounted at the effective interest rate of a financial asset. The impairment allowance for financial assets that are credit impaired at the reporting date (stage 3 classified) is measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the effective interest rate of the financial asset. For the purchased or originated credit-impaired financial assets the credit-adjusted effective interest rate is applied from initial recognition.

When the financial asset or part of it cannot be recovered, it or the respective part is written-off and charged against impairment for credit losses. The Group makes the decision regarding any write-off of financial assets based on existence and valuation of collateral available for a foreclosure, and the likelihood and the amount of any other expected future cash flows. Recoveries of previously written-off assets or parts of assets are credited to the statement of income.

The Group classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method, except for derivatives and certain deposit components of the insurance plan liabilities which are measured at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income

For a financial asset to be measured at fair value through other comprehensive income it should both be held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at fair value through other comprehensive income are intended to be held for an undefined period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

For non-equity financial instruments measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the balance sheet. Impairment gains or losses are recognised in profit or loss.

For equity instruments that are neither held for trading nor acquired in a business combination, the Group at initial recognition, has to make an irrevocable election to present subsequent changes in the fair value of each instrument in other comprehensive income or profit or loss. This election is made on an instrument-by-instrument basis. Amounts presented in other comprehensive income subsequently are not transferred to profit or loss, but cumulative gain or loss on disposal is transferred directly to retained earnings.

Financial assets and liabilities measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. For equity instruments that would otherwise be measured at fair value through profit or loss an irrevocable election at initial recognition on instrument-by-instrument basis is made to present subsequent changes in fair value in other comprehensive income. Also a financial asset or liability, at initial recognition, may be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces "accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or when a group of financial liabilities or a group of financial assets and financial liabilities are managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the management.

Excluding interest on interest rate swaps, interest on financial assets measured at fair value through profit or loss is included in net interest income. Revaluation and trading gains or losses arising from changes in fair value of financial assets or financial liabilities that are measured at fair value through profit or loss, as well as interest on interest rate swaps, are recognised directly in the statement of income as *Net financial income*. Such financial assets and liabilities are subsequently re-measured at fair value based on available market prices or quotes of brokers.

Included in this category are (a) unit-linked investment contract liabilities and respective investments, (b) financial asset and interest rate derivatives designated so to eliminates or significantly reduces "accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, and (c) certain assets and liabilities, which are managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. According to unit-linked investment contract terms, the credit risk associated with the investments made by the insurance underwriter is fully attributable to the counterparty entering into the insurance agreement and not the underwriter. As such, by designating both assets acquired and liabilities undertaken at fair value through profit or loss, a potential accounting mismatch is avoided.

Derivative Financial Instruments

In the ordinary course of business, the Group engages as a party to contracts for forward foreign exchange rate, currency and sometimes interest rate swap instruments and other derivative financial instruments. All derivatives are classified as measured at fair value through profit or loss.

k) Sale and repurchase agreements

These agreements are accounted for as financing transactions. Under sale and repurchase agreements, where the Group is the transferor, assets transferred remain on the Group's balance sheet and are subject to the Group's usual accounting policies, with the purchase price received included as a liability owed to the transferee. Assets in the balance sheet are shown separately from other assets when the transferee has the right by contract or custom to sell or re-pledge the collateral.

Where the Group is the transferee, the assets are not included in the Group's balance sheet, but the purchase price paid by it to the transferor is included as an asset. Interest income or expense arising from outstanding sale and repurchase agreements is recognised in the statement of income over the term of the agreement.

l) De-recognition of financial assets and liabilities

Financial assets

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for de-recognition are therefore not met.

Debt securities issued and other borrowed funds

The Group recognises financial liabilities on its balance on drawdown.

After an initial measurement, being a fair value minus directly attributable transaction costs, in the case of a financial liability not at fair value through profit or loss, debt issued, subordinated liabilities and borrowings are measured at amortised cost and any difference between net proceeds and value at redemption is recognised in the statement of income over the period of borrowing using the effective interest rate.

m) Leases

Finance leases – Group as lessor

Finance leases, which transfer substantially all the risks and rewards incidental to ownership of the assets, are recognised as assets at amounts equal at the inception of the lease to the net investment in the lease. The finance income is allocated over time period in-line with the lease term to produce a constant return on the net investments outstanding in respect of the finance leases. Finance lease receivables are presented as loans to public.

Operating leases – Group as lessor

The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognised in statement of income over the lease term as other income.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation is calculated in accordance with accounting policies, used for the Group's tangible assets.

Group as lessee

The right-of-use asset is measured using a cost model. A right-of-use asset is measured at cost less any accumulated depreciation and impairment. The lease liability is initially measured as a discounted value of payments agreed over the lease term. An incremental borrowing rate which discounts future payments to estimated present value is applied. The Group presents right-of-use assets in the same line items in which it presents assets of the same nature that it owns. Lease liabilities are presented within other liabilities. The Group uses the practical expedient of low-value items where any item generating cash outflows of less than EUR 5 thousand during the lease term is expensed as incurred with no right-of-use asset or lease liability recognition.

For lease contracts with eligible extension or early termination clauses a lease term equal to the planning horizon of three years is often applied unless the lease term is shorter already. In case of branches this is based on a plan to move towards a more digital model less dependent on the physical presence. For lease of the headquarters building and certain other lease items a three years lease term assumption is applied linking this to the business planning horizon of the Group. Incremental borrowing rate, derivate from the Bank's deposit rate, but adjusted for additional spread for absence of deposit guarantee for leases, is applied.

When a transfer of an asset by the seller-lessee satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, on the day of sale the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The Group accounts for the deferred sales gain as a reduction of the right of use asset that would be recognised otherwise, in effect presenting the leaseback right of use asset at the before sales carrying value, though applying the most recent expectations when determining lease period. The deferred sales gain is amortised to income statement over the lease period, but not as a gain, but as a reduction in the right of use depreciation charges.

n) Renegotiated loans and debt forbearances

For economic or legal reasons, the Group might enter into a forbearance agreement with borrowers in financial difficulties in order to ease the contractual obligation for a limited period of time. By taking into account exposure specifics, an individual approach is practised. Generally, debt forbearance will take a form of payment deferral to a later time with the amount payable and interest due re-compensated at a later date. Renegotiated loans are considered non-overdue as long as contractual payments are made on contractually due dates. When the terms of a financial asset are renegotiated or modified a de-recognition assessment is made. When modifications result in de-recognition of the existing financial asset, then the estimated fair value of the asset is treated as cash inflow from the existing financial asset and a new contract is recognised at fair value plus any eligible transaction costs. When modification results in de-recognition, a new loan is recognised and allocated to Stage 1, if not credit-impaired at that time. When modification or renegotiation of contractual cash flows of a financial asset does not result in de-recognition of financial asset, the Group recalculate the gross carrying amount of the financial asset and recognise a modification gain or loss in profit or loss. For discounting expected future cash flows the financial asset's original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets is applied.

o) Impairment of loans to public and provisions for loan commitments, guarantees and letters of credit

The economic conditions of the markets the Group operates in may have an impact on the borrowers' ability to repay their debts. The Management of the Group considers both specific exposures and portfolio-level risks in determining the balance of impairment allowance for expected credit losses. The expected credit loss assessment is forward-looking and is based on unbiased and probability-weighted information about past events, current conditions and forecasts of future economic conditions. Impairment allowance for expected credit losses is recognised even if no credit loss event has happened. A loan or portfolio of loans to public is impaired and impairment losses are incurred if, and only if, there is objective evidence that the estimated present value of future cash flows is less than the current carrying value of the loan or portfolio of loans to public, and it can be reliably estimated. Lease receivables are included in loans to public for expected credit loss assessment purposes; the methodology is consistently applied.

Loss allowances for expected credit losses on loan commitments and financial guarantee contracts are recognised as provisions. The provisioning principles for expected losses arising from off-balance sheet financial commitments and contingent liabilities are consistent with the principles and methods applied for on-balance sheet exposures. Additional considerations are applied to adjustments for expected conversion and future use patterns of the committed limits and the Group's performance in timely identification and termination of limits for deteriorating exposures.

Expected credit losses are recognised based on the stage in which the exposure is allocated at the reporting date. 12-month expected credit losses are recognised for Stage 1 exposures, where credit risk has not increased since initial recognition. Lifetime expected credit losses are recognised for Stage 2 exposures whose credit risk has increased significantly since initial recognition and for Stage 3 exposures which are credit impaired. Days past due is one of the main quantitative indicators used to assess the 'significant increase in credit risk' (proxy for transferring exposures from Stage 1 to Stage 2) augmented by other additional risk factors (e.g. internal credit rating grade, forbearance, breach of financial covenants). Significant increase in credit risk in comparison to the initial credit risk is the criteria for transfer to Stage 2. Days past due backstops equal or stricter than regulatory minimum are applied. 'Significant increase in credit risk' for consumer and card loans is triggered when 15 days past due are exceed, for leasing exposures 'significant increase in credit risk' is triggered when 26 days past due are exceed, while for other portfolios a threshold of 30 days past due is used. Days past due more than 89 is a trigger for 'default'. Internal credit rating grade based absolute threshold of 20% minimum 1-year PD and a relative threshold of 200% increase in lifetime PD since origination are other 'significant increase in credit risk' threshold triggers. For lending products where advanced credit scoring models have been validated, a client individual rating, based on multitude of inputs characterising credit standing of the client are monitored. Client individual ratings cover loans to financial and non-financial corporations, finance leases, and partially loan products to households. For these loan products, where individual credit scoring models have not been validated yet, a simpler less client specific model is applied. The simpler model to arrive to the credit rating corelates days past due of the particular exposure to point in time adjusted past credit performance derived statistics of the group segmented by product, geography and other relevant factors. The Group is in the process of transitioning all landing products to advanced credit scoring models. The 'default' is defined in line with the prudential definition of the default: exposure delayed for certain amount of days or more, exposure is individually impaired, significant forbearance and other unlikeliness to pay indicators. The 'default' is the criteria for a transfer to Stage 3. Exposure is no longer considered to have significantly increased credit risk (transfer from Stage 2 to Stage 1) or default (transfer from Stage 3 to Stage 2) when specific time period has passed (in some instances up to 2 years) from the moment when all increased risk of default factors are no longer observed. Significant forbearance measures are within risk factors for which an extended monitoring period applies. The length of the monitoring period is proportionate to the significance of the risk factor observed and forbearance measures undertaken. The models are calibrated for transfer of exposures to lower stage to happen only when a significant reduction in the risk of non-performance has been observed beforehand. Merton-Vasicek framework is used in macroeconomic model to estimates changes in PDs.

The Group first assesses whether objective evidence of impairment exists individually for loans to public that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes that loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. As soon as information is available that specifically identifies losses on individually impaired loans included in a group of loans with similar credit risk characteristics, those loans are removed from the group. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For collective measurement of expected credit losses, the Group has selected to use EAD x PD x LGD approach, where EAD stands for exposure at default, PD – probability of default, and LGD – loss given default. To estimate probability weighted cash flows, the Group uses single scenario expected cash flow method with overlays for alternative scenarios for macroeconomic factors. The major macroeconomic factors considered are unemployment rate, average monthly wage, real gross domestic product and real estate prices. PDs and LGDs are derived from historic performance of the loans to public. LGDs are adjusted for forward looking information. 'Point in time' probabilities (probability of default in the current economic conditions, as opposed to economic cycle-neutral 'through the cycle' probabilities of default as often used for regulatory purposes) are used for PDs. Correspondingly, estimated PDs are expected to change through the economic cycle. For measurement of expected credit loses financial instruments are grouped on the basis of shared credit risk characteristics. The grouping considers distinct characteristics in industry, product type, collateral type and geographical location of the borrower.

A loan is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a loan is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments, persistent and major covenant noncompliance;
- granting to the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, a material concession that the lender would not otherwise consider;
- the borrower entering bankruptcy or other financial reorganisation becomes highly probable;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- a combination of several other events that cause a loan to become credit-impaired.

For a loan that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the expected credit losses are measured as the difference between the loan's gross carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. Any adjustment is recognised as an impairment gain or loss. The assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood (Stage 2) or risk of a default (Stage 3) occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. In most cases, there will be a significant increase in credit risk before a financial asset becomes credit-impaired or an actual default occurs (Stage 3), thus default (Stage 3) and credit-impaired loan classification will be closely aligned and will indicate non-performance of the borrower or significance of forbearance measures undertaken, but classification will not necessarily equal in all cases.

For loans to public, the amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The amount of the loss is recognised in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed. Any subsequent reversal of the impairment loss is recognised in the statement of income, to the extent that the carrying value of the loan does not exceed what its amortised cost would have been absent the impairment at the reversal date.

For purchased or originated credit-impaired financial assets, expected credit losses are discounted using the credit-adjusted effective interest rate determined at initial recognition. For purchased or originated credit-impaired financial assets only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

Fully impaired loans to public, recovery of which may become economically unviable, may be written-off and charged against impairment allowance. They are not written-off until the necessary legal procedures have been completed and the amount of the loss is determined. When a loan or receivable is written-off, the claim against the borrower normally is not forgiven. Subsequent recoveries of amounts previously written-off are reported in the statement of income as recovered written-off assets within net credit losses on financial instruments. For certain products of the retail loan book the write-off decision is automated trigger based. For corporate loan book an individual analysis is the basis for write-off decision of unrecoverable credit impaired exposures.

p) Financial guarantees received

Financial guarantees, which may be considered an integral part of the relevant credit exposures, are treated as credit enhancements in expected credit loss calculation and guarantee fees are included in the effective interest rate calculation of the loans. The estimated expected cash shortfall reflects cash flows expected from collateral and other credit enhancements and are part of the contractual terms and are not recognised separately.

For financial guarantees received, which may not be considered an integral part of the relevant credit exposures, the fees payable for the guarantee are not included in the effective interest rate calculation of the loans and are not presented as a part of the interest income. Instead the cost of the guarantee is presented as fee and commission expense. Any reimbursement rights under the financial guarantee contract is recognised as a separate (from loan book) reimbursement right assets. The reimbursement right asset is not netted in the loan book and does not affect staging, despite having credit loss mitigating effect. The reimbursement gain income is presented within the net credit losses in the income statement. The cost of the guarantee, if any paid in advance, is recognised as a pre-payment asset and is amortised over the shorter of the lifetime guarantee and the expected life of the guaranteed loans.

If the financial guarantee contract includes government support part, where for example the guarantee fees payable are decreased on condition that specific lending targets are met and the government support is not passed through to the ultimate borrowers, the benefit is recognised as other income.

q) Impairment of debt securities and loans to credit institutions and central banks

Similarly, as for loans to public, the Group estimates expected credit losses to reflect changes in credit risk since initial recognition of debt securities, loans to credit institutions and central banks exposures and commitments to extend credit. Impairment provisioning requirements apply to financial assets at amortised cost, but do not apply to financial assets measured at fair value through profit or loss. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the balance sheet.

Impairment allowances are recognised based on forward looking information, even if no credit loss event has happened. The assessment considers broad range of information, but as most of these types of exposures are rated, it relies heavily on external credit ratings and rating agencies' reported default rates derived by calculating multi-period rating transition matrices. If unavailable for evaluation purposes, external credit ratings may be substituted by internally calculated credit quality levels. Credit risk triggers (event of insolvency, any delay of payments, restructuring of debt) and individual credit risk analysis of the issuer are also considered. The Group deems investment grade rated exposures as low credit risk, thus these are assumed no to have experienced a significant increase in credit risk. For non-investment grade exposures decrease in external credit rating by more than 3 notches since acquisition is deemed significant increase in credit risk. Expected credit losses are recognised based on the stage in which the exposure is allocated at the reporting date. 12-month expected credit losses are recognised for Stage 1 exposures, where credit risk since initial recognition has not increased significantly. Lifetime expected credit losses are recognised for Stage 2 exposures whose credit risk has increased significantly since initial recognition and Stage 3 exposures which are credit impaired. Stage 3 exposures, if any were identified, would additionally be subjected to comprehensive evaluation, including comparison to market valuations for similar exposures, analysis of market depth of the respective security, past trading performance and all other available information.

r) Tangible assets

Property and equipment initially is measured at acquisition cost or creation cost. After initial measurement property and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Property and equipment is periodically reviewed for impairment according to principles described in the paragraph *Impairment of non-financial assets*. If the recoverable value of an asset is lower than its carrying amount, the asset is written down to its recoverable amount.

Depreciation is calculated using straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

Category	Estimated useful life
Buildings	10 to 100 years
Transport vehicles	5 to 7 years
Other	3 to 7 years

Leasehold improvements are capitalised and depreciated over the remaining lease contract period on a straight-line basis. Land and assets under construction are not depreciated.

Certain reconstruction and renovation costs of buildings, which improve their quality and performance, are capitalised and amortised over the estimated useful life on a straight-line basis. Maintenance and repair costs are charged to the statement of income as incurred.

s) Intangible assets

Intangible assets comprise software, both purchased and internally generated. Separately acquired intangible assets are measured at cost. The cost of separately acquired intangible assets also comprises directly attributable costs of preparing the asset for its intended use. These include payroll and professional fees arising directly from bringing the asset to its working condition and costs of testing whether the asset is functioning properly. The cost of separately acquired intangible assets doesn't include future payments of variable fees which are dependent on achievement of key performance indicators. Variable fees are capitalised into the cost of intangible asset when relevant key performance indicators are achieved and fees become payable and amortised over the estimated remaining useful life on a straight-line basis.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Subsequent to the initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment loss. Annual amortisation rates applied on a straight-line basis to software and other intangible assets range from 10% to 33%. All intangible assets, except for goodwill, are with definite lives.

t) Inventories

From time to time the Group repossesses from its customers certain assets serving as collateral, when the customer cannot otherwise meet his payment obligations and other loan work-out measures have been unsuccessful. Such repossessed assets which are expected to be sold in the ordinary course of business and are not held for capital appreciation or rental income are classified as inventories. Inventories mainly encompass real estate purchased and held for sale in near future by the Group's real estate workout companies.

Group's inventories are accounted at individual cost. The costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition. Inventories are held at the lower of purchase cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of write-down of inventories to net realisable value is recognised as expense in the period the write-down occurs. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

u) Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amount is to be recovered through a sale transaction rather than continuing use and 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.

Non-current assets classified as held for sale also include assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resell in the near term but are not expected to be sold in the ordinary course of business.

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell of the non-current asset. At least at each reporting date, the Group assesses, whether the value of the non-current assets classified as held for sale is impaired. The impairment loss reduces carrying amount of the asset and is included in the statement of income's line *Other impairment losses*. In the same line of the statement of income a gain from any subsequent increase in fair value less cost to sell of an asset is recognised, but not in excess of the cumulative impairment loss that has been recognised either for non-current asset held for sale or previously for the non-current asset.

v) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group are classified as investment properties. The Group initially measures investment properties at cost, including transaction costs.

For subsequent measurements the Group has opted for a cost model which requires an investment property to be measured at depreciated cost. Depreciation is calculated using the straight-line method based on the estimated useful life of the respective asset. Depreciation method and rates as for Group's property and equipment are applicable. Investment properties are periodically reviewed for impairment.

w) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (e.g. inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cost generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows. Discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

x) Insurance business

The Group's exposure to insurance relates mostly to annuity contracts. Such contracts may contain both financial and insurance risk. These contracts, where insurance risk is not significant, are accounted as investment contracts. The corresponding liability to clients is shown within deposits and borrowings from customers. Contracts where insurance risk is significant are recognised as insurance reserves and presented within other liabilities. The Group monitors the underlying assumptions in the calculations of insurance related risks regularly and seeks risk mitigation measures such as reinsurance if the Group deems this appropriate.

An insurance contract is a contract in which the insurer assumes a significant insurance risk from the policyholder, the insurer agrees to indemnify the policyholder for losses in the event of an insured uncertain event specified in the contract. The Policyholder undertakes to pay insurance premiums in the scope, terms and amount specified in the insurance contract, as well as to fulfil other obligations specified in the insurance contract.

Insurance reserves for annuity pension products are recognized when the premium is received in the amount of estimated future annuity claims and related expense. The estimated contractual future cash flows from for annuity pension products (taking into consideration assumptions about mortality, service costs etc.) are discounted as per regulatory methodology specified. Any re-estimation gain or loss in insurance reserves is recognized in income statement as *Net insurance result* within *Net other income.*

y) Off-balance sheet financial commitments and contingent liabilities

In the ordinary course of business, the Group extends off-balance sheet financial commitments and contingent liabilities comprising commitments to issue loans to public, commitments for unutilised credit lines and credit card limits, as well as financial guarantees and commercial letters of credit.

Off-balance sheet commitments are recognised when the Group commits the limit to the client. Financial guarantees and letters of credit are recognised as contingent off-balance sheet liabilities when the Group is exposed to risk under the contract. Off-balance sheet items are recognised on-balance sheet on drawdown of commitment or for guarantees and letters of credit, when these in rare cases become payable by the Group. Commitments generally have fixed expiration dates, or other termination clauses; in some cases, the Group may terminate these unilaterally. Since commitments may expire without being drawn down, the total committed amounts do not necessarily represent certain future cash outflows.

On initial recognition financial guarantee contracts are measured at fair value. Subsequently, they are carried at the higher of the amount initially recognised less cumulative amortisation over the life of the guarantee and the amount determined in accordance with the accounting policy for provisions when enforcement of the guarantee has become probable.

The methodology for provisioning against possible losses arising from off-balance sheet financial commitments and contingent liabilities is consistent with that described in the paragraph *Provisions*.

z) Provisions

Loss allowance for expected credit losses on loan commitments and financial guarantee contracts is recognised as provisions. For details on methodology of calculation, refer to section *Impairment of loans to public and provisions for loan commitments, guarantees and letters of credit*. In addition to considerations applicable to on-balance exposures, for expected credit loss assessment of off-balance sheet commitments a conversion and expected future use patterns, the Group's reaction time in identifying deteriorating exposures and a realistic past performance on timely termination of these limits is considered.

aa) Asset management

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 separately included in the balance sheet. Funds under management are presented in financial statements only for disclosure purposes. Commission for asset management is recognised on accrual basis and generally is dependent on the volume of assets managed.

bb) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents are defined as the amounts comprising cash and demand balances with central banks and other credit institutions with an insignificant risk of changes in value, less demand deposits due to credit institutions and central banks.

cc) Offsetting of assets and liabilities

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

The preparation of financial statements in conformity with in conformity with IFRS Accounting 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 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.

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

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

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

Changes in net present value of estimated future cash flows, except for changes in cash flows from collateral, by +/-5% for loans to public for which expected credit losses are individually assessed would result in no change in impairment allowance for the Bank (2022: EUR 0.0 million) as recovery estimates happen to be based solely on collateral disposal income and EUR +/-0.1 million for the Group (2022: EUR +/-0.55 million). Change in estimated value of collateral by -5% for loans to public for which expected credit losses are individually assessed would result in EUR +/-0.2 million change in impairment allowance for the Bank (2022: EUR +/-0.6 million) and EUR +/-0.4 million for the Group (2022: EUR +/-0.95 million).

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

In the reporting period the management continued to recognize impairment overlay. 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. However, credit loss estimation may not drop below the historically observed loss levels even if the very positive macro out-look is expected. Thus, the Group and the Bank has recognised an unbiased impairment overlay for Stage 1 classified loans to public exposures, including extra overlay for Stage 1 agriculture sector exposures which have been negatively affected by external factors and an individual overlay for certain other Stage 2 classified exposures. The impairment overlay represents an additional loss reserve over the modelled ECL amounts to account for other economic uncertainties and addresses uncertainty regarding the forward-looking economic conditions and possible disruptions to the Baltic economies and customers of the Group. The impairment overlay accounted for economic risks which point in time ECL models calibrated on historical data, despite being adjusted with forward-looking information, might not be fully capturing in the current unusual environment. As of the period end, impairment overlay of EUR 11.3 million for the Bank (2022: EUR 13.9 million) and EUR 17.5 million for the Group has been recognised to address these modelling uncertainties (2022: EUR 17.1 million).

Changes in all applied LGD rates by 500 basis points would result in change in collectively estimated impairment allowance and provisions by EUR +5.1/-5.2 million for the Bank and EUR +7.5/-7.6 million for the Group (2022: EUR +5.2/-5.2 million for the Bank and EUR +7.6/-7.7 million for the Group). Changes in the 12-month PD rates by 100 basis points would result in change in collectively estimated impairment allowance and provisions for off-balance sheet commitments and guarantees by EUR +6.3/-6.3 million for the Bank and EUR +9.0/-9.0 million for the Group (2022: EUR +6.8/-6.6 million for the Bank and EUR +9.4/-9.0 million).

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

Key forward-looking information variables for measurement of expected credit losses as of 31 December 2023

	Base case scenario			Adverse scenario			Positive scenario		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Latvia									
GDP (annual change)	2.0%	2.8%	2.7%	(0.9%)	2.8%	3.0%	4.1%	2.8%	2.5%
Unemployment rate	6.5%	5.6%	5.1%	8.4%	6.9%	6.2%	5.1%	4.7%	4.4%
Average gross wage (annual change)	7.0%	5.2%	5.2%	4.8%	5.0%	5.2%	8.6%	5.4%	5.2%
Lithuania									
GDP (annual change)	2.0%	3.0%	2.8%	(0.9%)	3.0%	3.0%	4.1%	3.0%	2.6%
Unemployment rate	6.0%	5.2%	4.8%	7.9%	6.6%	5.8%	4.6%	4.3%	4.1%
Average gross wage (annual change)	7.0%	5.4%	5.3%	4.7%	5.2%	5.3%	8.5%	5.6%	5.3%
Estonia									
GDP (annual change)	2.3%	3.0%	2.8%	(0.6%)	3.0%	3.0%	4.4%	3.0%	2.6%
Unemployment rate	6.7%	5.6%	5.0%	8.6%	6.9%	6.1%	5.3%	4.7%	4.3%
Average gross wage (annual change)	6.1%	5.7%	5.4%	3.9%	5.4%	5.4%	7.6%	5.8%	5.3%

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

	Base case scenario			Adverse scenario			Positive scenario		
	2023	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
Latvia									
GDP (annual change)	(1.5%)	3.4%	2.8%	(4.4%)	3.8%	3.9%	2.1%	3.4%	2.9%
Unemployment rate	7.2%	6.3%	5.5%	8.5%	7.7%	6.9%	6.7%	5.9%	5.0%
Average gross wage (annual change)	6.2%	5.5%	4.4%	5.0%	5.0%	4.6%	7.0%	6.3%	5.2%
Lithuania									
GDP (annual change)	(0.9%)	3.3%	3.0%	(4.7%)	3.7%	3.1%	2.0%	3.3%	3.1%
Unemployment rate	6.5%	6.2%	5.4%	8.5%	7.6%	6.7%	6.2%	5.8%	5.0%
Average gross wage (annual change)	6.4%	4.4%	4.9%	4.3%	4.5%	4.8%	6.7%	5.2%	5.5%
Estonia									
GDP (annual change)	(0.9%)	4.0%	3.1%	(4.8%)	3.7%	3.2%	1.7%	4.0%	3.2%
Unemployment rate	6.6%	5.6%	4.9%	8.0%	7.4%	6.5%	5.9%	5.2%	4.4%
Average gross wage (annual change)	4.9%	4.6%	5.0%	3.7%	4.7%	4.0%	5.4%	5.4%	5.5%

The current forward-looking adjustment, based on an expert judgement, weights base case scenario with 50% likelihood, the adverse scenario at 45% likelihood and positive scenario at 5% likelihood (2022: 55% base case scenario, 35% adverse scenario and 10% positive scenario). The 50% / 45% / 5% weighted augmented scenario is used for forward-looking adjustment. Slight increase in weighting of the adverse scenario in the reporting period is justified by uncertainty around recently improving macroeconomic forecasts and still fluid future outlook. If the weighting of the adverse scenario was to increase by 5 percent points, the expected credit loss allowance of the Bank would increase EUR 0.8 million and for the Group by EUR 1.0 million as of the period end. If the weighting of the base case scenario was to increase to 100%, the expected credit loss allowance of the Bank would decrease by EUR 6.5 million and for the Group by EUR 8.6 million as of the period end. If as of 31 December 2022 the weighting of the adverse scenario was to increase to 40%, the expected credit loss allowance of the Bank would increase by EUR 0.5 million and for the Group by EUR 0.7 million. If as of 31 December 2022 the weighting of the base case scenario was to increase to 100%, the expected credit loss allowance of the Bank would decrease by EUR 2.9 million and for the Group by EUR 3.9 million.

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

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

Consolidation group

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

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

Presentation of Kaleido Privatbank AG as discontinued operations held for sale

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

NOTE 4. OPERATING SEGMENTS

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

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

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

Main business segments of the Group are:

Retail Private

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

Private affluent

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

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						
	Retail Private	Private affluent	SME	Corporate	Asset Manage-ment	Other	Total
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 *(Note 21)*	-	-	-	(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 *(Note 21)*							(6,598)
Operating profit, before tax							**126,905**

	Group 2022, EUR thousands (Restated for IFRS 17 comparability)						
	Reportable segments						
	Retail Private	Private affluent	SME	Corporate	Asset Manage-ment	Other	Total
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 21)*	-	-	(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 21)*							(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 Manage-ment		
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 Manage-ment		
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:				
Loans to public	127,733	81,472	180,932	105,993
Debt securities	8,562	4,646	8,504	4,616
Balances to/from central banks and credit institutions (incl. TLTRO-III)	14,418	3,413	14,606	3,419
Deposits from public at negative interest rates	693	1,322	75	912
Debt securities at fair value through profit or loss	164	-	164	-
Debt securities at fair value through other comprehensive income	956	1,003	742	776
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:				
Deposits and borrowing from public	(27,445)	(7,843)	(27,918)	(7,823)
Debt securities issued	(6,685)	(6,821)	(6,685)	(6,821)
Deposits from credit institutions and central banks (including TLTRO-III)	(5,073)	(951)	(5,277)	(1,003)
Deposits to central banks and other assets at negative interest rates	(505)	(676)	(431)	(616)
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(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 Restated for IFRS 17	2023 Bank	2022 Bank
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 Restated for IFRS 17	2023 Bank	2022 Bank
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 (*Note 18*)	-	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:				
Insurance revenue	793	423	-	-
Insurance expense	(193)	(99)	-	-
Financing	(355)	(268)	-	-
Reinsurance contracts:				
Net income / (expenses)	(65)	(136)	-	-
Financing	(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	-	-

Non-share-based remuneration with deferred pay-out

Part of the remuneration for work is deferred up to a one-year period and subsequent pay-outs may be conditional. As at 31 December 2023 the Group and the Bank has a compulsory non-share-based deferred remuneration commitment (including related social security and solidarity tax contributions) to its employees in the amount of EUR 904 thousand and EUR 760 thousand which will become payable in 2024 if certain conditions are met (2022: EUR 745 thousand and EUR 601 thousand payable in 2023, respectively).

Share-based long-term incentive plans

Citadele has opened several share-based long-term incentive plans for its employees starting from 2018. Under the equity-based long-term incentive plans active agreements as of the period end comprise 2,636 thousand of share options (2022: 2,700) with value for accounting purposes of EUR 7.3 million (2022: EUR 6.4 million). From total active agreements EUR 5.1 million are granted to the management (2022: EUR 4.7 million). The expense for share-based incentive plans is recognised on a straight-line basis over the period of the remuneration program as intention is to receive services from employees over the whole period and in the reporting period amounted to EUR 3.58 million (2022: EUR 1.76 million). In the reporting period 0.91 million options were awarded (2022: 0.92 million options) and 0.10 million options (0.14 million options) were forfeited. None of the options outstanding are exercisable as of 31 December 2023. In the reporting period 889 thousand share options (2022: 464 thousand share options), previously awarded to the employees of the Bank, vested. Refer to Note 27 (Share Capital) for additional details. Fair value of the options awarded is estimated by benchmarking price-to-earnings and price-to-book ratios of group of publicly listed comparable reference banks.

To qualify for the share options (vesting requirement), among other conditions the participant in most cases is required to remain employed until the end of the respective deferral period. The personnel options were issued in line with the meaning of the Latvian Commercial Law. Each option has the following parameters: registered share with the nominal value of EUR 1 (one euro); convertible to the ordinary shares of Citadele (all Citadele's ordinary shares have equal voting rights, equal rights to dividend and equal liquidation quota), an exercise price of null euros, vesting dates are predetermined. Clawback and malus provisions apply in the event of a material misstatement, an act of gross misconduct or an error in the assessment of performance targets. For options granted performance is measured over a pre-agreed period ranging from three-years to five-years. The expense is recognised as the service is rendered. At the end of the performance measurement period, the Remuneration Committee of the Supervisory Board has absolute discretion to determine the extent to which the awards will vest, if at all, on account of underlying Group, individual and share price performance. The Remuneration Committee of the Supervisory Board may, in its absolute discretion, adjust upwards or downwards and including to nil the number of options which would otherwise vest. Performance targets relate to both financial and non-financial measures linked to the long-term business strategy of the Group, including but not limited to: Group net income, return on capital, and strategic objectives of the Group.

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)**

Audit and other fees paid to the Group's independent audit companies (excluding VAT, continuing operations)

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
Annual audit fees	299	261	143	124
Other audit (including interim reporting) and similar fees	146	28	111	25
Tax advisory fees	-	-	-	-
Other advisory, training, and similar fees	189	56	189	52

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)
Including impairment overlay (Note 3, section dd)	*(384)*	*(11,913)*	*2,589*	*(12,463)*
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 undefined. The impairment overlay accounted for economic risks which point in time ECL models calibrated on historical data, despite being adjusted with forward-looking information, might not be fully capturing. See also section *Use of estimates and judgements in the preparation of financial statements* of the note *Summary of material accounting policies*.

Classification of impairment stages

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

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

Stage 3 – Credit-impaired financial instruments

Changes in the allowances for credit losses and provisions

	Group, EUR thousands						
	Opening balance 01/01/2023	Charged to statement of income			Write-offs of allowances	Other adjustments	Closing balance 31/12/2023
		Origination	Repayment, disposal	Credit risk, net*			
Stage 1							
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)	-	4	52,173
Including impairment overlay	*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)**	**-**	**(21)**	**57,261**
Stage 2							
Loans to public	16,746	340	(783)	(665)	-	14	15,652
Including impairment overlay	*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)**	**-**	**14**	**15,809**
Stage 3							
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)**	**666**	**104,358**
Including for debt securities classified at fair value through other comprehensive income	*94*						*101*

Total Group's provisions of EUR 4,899 thousand (2022: EUR 4,920 thousand) as of the period end comprise of ECL allowances for loan commitments, guarantees and letters of credit of EUR 4,799 thousand (2022: EUR 4,820 thousand) and other Non-ECL provisions of EUR 100 thousand (2022: EUR 100 thousand). Total Bank's provisions of EUR 4,839 thousand (2022: EUR 4,838 thousand) as of the period end comprise EUR 4,741 thousand (2022: EUR 4,738 thousand) for loan commitments, guarantees and letters of credit and EUR 98 thousand (2022: EUR 100 thousand) for other Non-ECL provisions. For change in other Non-ECL provisions refer to note *Other impairment losses and other provisions*.

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

	Group, EUR thousands						
	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	16,878	(3,738)	5,260	-	(320)	53,284
Including impairment overlay	*5,180*						*10,897*
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**	**21,249**	**(7,147)**	**5,710**	**(1,144)**	**(453)**	**58,905**
Stage 2							
Loans to public	10,702	360	(1,513)	6,912	-	285	16,746
Including impairment overlay	-						*6,196*
Loan commitments, guarantees and letters of credit	358	327	(162)	(366)	-	1	158
Total stage 2 credit losses and provisions	**11,060**	**687**	**(1,675)**	**6,546**	**-**	**286**	**16,904**
Stage 3							
Loans to public	35,709	201	(3,427)	3,856	(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**	**381**	**(3,479)**	**3,765**	**(5,213)**	**5,352**	**36,613**
Total allowances for credit losses and provisions	**87,557**	**22,317**	**(12,301)**	**16,021**	**(6,357)**	**5,185**	**112,422**
Including for debt securities classified at fair value through other comprehensive income	*136*						*94*

	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)	-	(2)	40,719
Including impairment overlay	*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)**	**-**	**(9)**	**45,765**
Stage 2							
Loans to public	13,421	158	(431)	(3,205)	-	(1)	9,942
Including impairment overlay	*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)**	**(795)**	**84,819**
Including for debt securities classified at fair value through other comprehensive income	*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	8,936	(2,183)	11,192	-	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**	**13,275**	**(5,662)**	**11,710**	**(1,144)**	**(9)**	**46,699**
Stage 2							
Loans to public	8,873	123	(1,127)	5,552	-	-	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**	**450**	**(1,289)**	**5,143**	**-**	**1**	**13,536**
Stage 3							
Loans to public	32,544	131	(1,140)	5,676	(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**	**310**	**(1,192)**	**5,575**	**(5,017)**	**1,380**	**33,698**
Total allowances for credit losses and provisions	**70,402**	**14,035**	**(8,143)**	**22,428**	**(6,161)**	**1,372**	**93,933**
Including for debt securities classified at fair value through other comprehensive income	*97*						*72*

* Credit risk, net movement represents the effects on ECLs from exposure movements between the credit risk stages, revision of assumptions of ECL models as well as post model adjustments.

Transfers of gross loans to customers between impairment stages

Group, EUR thousands	Transfers between impairment stages of gross exposures (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						
Loans to public	154,437	73,369	16,980	4,283	8,922	2,274
Financial commitments, guarantees and letters of credit	7,565	1,611	60	26	944	153
Transfers during 2022						
Loans to public	200,373	69,060	5,197	3,141	8,573	1,843
Financial commitments, guarantees and letters of credit	13,582	6,067	46	4	342	229

NOTE 12. OTHER IMPAIRMENT LOSSES AND OTHER PROVISIONS

Changes in impairment allowances for investments in subsidiaries, tangible, intangible and other assets

	Group, EUR thousands			
	Opening balance 01/01/2023	Charged to statement of income	Write-offs and other adjustments	Closing balance 31/12/2023
Other impairment allowances and other provisions				
Tangible and intangible assets (Note 20)	207	-	(207)	-
Other assets	1,619	71	(1,015)	675
Non-ECL provisions	100	-	-	100
Total other impairment allowance and other provisions	**1,926**	**71**	**(1,222)**	**775**

	Group, EUR thousands			
	Opening balance 01/01/2022	Charged to statement of income	Write-offs and other adjustments	Closing balance 31/12/2022
Other impairment allowances and other provisions				
Tangible and intangible assets (Note 20)	353	-	(146)	207
Other assets	1,542	68	9	1,619
Non-ECL provisions	100	-	-	100
Total other impairment allowance and other provisions	**1,995**	**68**	**(137)**	**1,926**

	Bank, EUR thousands			
	Opening balance 01/01/2023	Charged to statement of income	Write-offs and other adjustments	Closing balance 31/12/2023
Other impairment allowances and other provisions				
Tangible and intangible assets (Note 20)	207		(207)	-
Investments in related entities	13,018	(111)	-	12,907
Other assets	1,566	63	(1,015)	614
Non-ECL provisions	100	-	(2)	98
Total other impairment allowance and other provisions	**14,891**	**(48)**	**(1,224)**	**13,619**

	Bank, EUR thousands			
	Opening balance 01/01/2022	Charged to statement of income	Write-offs and other adjustments	Closing balance 31/12/2022
Other impairment allowances and other provisions				
Tangible and intangible assets (Note 20)	342	-	(135)	207
Investments in related entities	22,923	(288)	(9,617)	13,018
Other assets	1,467	78	21	1,566
Non-ECL provisions	100	-	-	100
Total other impairment allowance and other provisions	**24,832**	**(210)**	**(9,731)**	**14,891**

For more details on the investments in subsidiaries refer to Note 19 (*Investments in Related Entities*).

NOTE 13. 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 will not arise on the Bank's dividend distribution from retained earnings generated under the old tax regime (before 2018) 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.

In 2023 bank tax (windfall tax) was introduced in Lithuania. Bank tax is calculated as a tax on certain increases in net interest income vs. reference period and is presented as levy in the line *Bank tax*. Bank tax asset represents overpayment based on the tax payment requirement in previous quarters vs. full year bank tax calculation, where due to different reference period the taxable interest income increase is lower. Corporate income tax in Lithuania is calculated at 15% rate on taxable profits, an extra 5% corporate income tax for Banks is charged on tax profits exceeding EUR 2.0 million.

Income tax assets and liabilities

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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.

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

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
As at the beginning of the period	2,103	2,300	2,179	2,179
Charge to statement of income	(1,764)	119	(1,600)	-
Charge to statement of comprehensive income	-	-	-	-
Transfer to discontinued operations held for sale	-	(316)	-	-
Net deferred income tax asset at the period end	**339**	**2,103**	**579**	**2,179**

	Group, EUR thousands			
	Opening balance 31/12/2022	Recognised in statement of income	Recognised in statement of OCI	Closing balance 31/12/2023
Deferred income and accrued expense	337	294	-	631
Recognised unutilised tax loss carry-forward	1,921	(1,921)	-	-
Fair value amortisation on the acquired loan portfolio	221	(137)	-	84
Expected distribution of retained earnings	(375)	-	-	(375)
Other items, net	(1)	-	-	(1)
Deferred income tax assets, net	**2,103**	**(1,764)**	**-**	**339**

	Group, EUR thousands			
	Opening balance 31/12/2021	Recognised in statement of OCI	Recognised in statement of income	Closing balance 31/12/2022
Deferred income and accrued expense	443	(106)	-	337
Recognised unutilised tax loss carry-forward	1,786	135	-	1,921
Fair value adjustment on the acquired loan portfolio	448	(227)	-	221
Expected distribution of retained earnings	(375)	-	-	(375)
Other items, net	(2)	317	(316)	(1)
Deferred income tax assets, net	**2,300**	**119**	**(316)**	**2,103**

	Bank, EUR thousands			
	Opening balance 31/12/2022	Recognised in statement of income	Recognised in statement of OCI	Closing balance 31/12/2023
Deferred income and accrued expense	258	321	-	579
Recognised unutilised tax loss carry-forward	1,921	(1,921)	-	-
Deferred income tax assets, net	**2,179**	**(1,600)**	**-**	**579**

	Bank, EUR thousands			
	Opening balance 31/12/2021	Recognised in statement of income	Recognised in statement of OCI	Closing balance 31/12/2022
Deferred income and accrued expense	393	(135)	-	258
Recognised unutilised tax loss carry-forward	1,786	135	-	1,921
Deferred income tax assets, net	**2,179**	**-**	**-**	**2,179**

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

	EUR thousands			
	2023 Group	2022 Group Restated for IFRS 17	2023 Bank	2022 Bank
Profit before corporate income tax from continuous operations before non-current assets held for sale	134,812	47,205	120,948	42,335
Corporate income tax (at 20%)	**26,962**	**9,441**	**24,190**	**8,467**
Undistributed earnings taxable on distribution	(1,172)	(6,160)	-	(7,489)
Effect of tax rates in foreign jurisdictions	(1,003)	(475)	(843)	(231)
Non-taxable income and impact from bank tax expense	(310)	(596)	(250)	(440)
Non-deductible expense	472	247	216	243
Other tax differences, net*	(1,831)	(139)	(1,476)	(112)
Total effective corporate income tax from continuous operations	**23,118**	**2,318**	**21,837**	**438**

* Including eligible loss on discontinued operations and non-current assets held for sale of EUR -1,482 thousand in 2023 for the Bank (2022: EUR 57 thousand).

NOTE 14. CASH AND CASH BALANCES AT CENTRAL BANKS

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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 15. 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	Designated at fair value through profit or loss, non-trading	Total	At fair value through other comprehensive income	At amortised cost	Designated at fair value through profit or loss, non-trading	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**
Including general government	*123,603*	*691,645*	*42,815*	*858,063*	*152,197*	*1,031,002*	*-*	*1,183,199*
Including credit institutions	*10,873*	*111,809*	*-*	*122,682*	*11,628*	*144,321*	*-*	*155,949*
Including classified in stage 1	*165,021*	*1,012,196*	*n/a*	*n/a*	*213,302*	*1,380,620*	*n/a*	*n/a*

Bank, EUR thousands

	31/12/2023				31/12/2022			
	At fair value through other comprehensive income	At amortised cost	Designated at fair value through profit or loss, non-trading	Total	At fair value through other comprehensive income	At amortised cost	Designated at fair value through profit or loss, non-trading	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**
Including general government	*112,367*	*685,585*	*42,815*	*840,767*	*138,275*	*1,024,934*	*-*	*1,163,209*
Including credit institutions	*3,741*	*111,809*	*-*	*115,550*	*4,470*	*144,321*	*-*	*148,791*
Including classified in stage 1	*136,903*	*999,218*	*n/a*	*n/a*	*180,221*	*1,370,080*	*n/a*	*n/a*

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 16. 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 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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			Total	Expected credit loss allowance			Total
	Stage 1	Stage 2	Stage 3 and POCI		Stage 1	Stage 2	Stage 3 and POCI	
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			Total	Expected credit loss allowance			Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
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**	**22,754**	**(50,749)**	**1,301,676**
General government	**23,217**	**201**	**-**	**(446)**	**22,972**	**25,155**	**2,684**	**-**	**(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 17. LEASES

Finance leases (a part of loans to public) by type of assets financed

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Transport vehicles	796,162	821,119	-	-
Manufacturing equipment	238,063	233,601	-	-
Industrial, office and other equipment	24,867	23,584	-	-
Total present value of finance lease payments, excluding impairment	**1,059,092**	**1,078,304**	**-**	**-**
Impairment allowance	(18,919)	(17,732)	-	-
Net present value of finance lease payments	**1,040,173**	**1,060,572**	**-**	**-**

Reconciliation of the gross investment in the finance leases and the present value of minimum lease payments receivable

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Gross investment in finance leases receivable:				
within one year	385,759	361,508	-	-
in year two	281,764	297,734	-	-
in year three	231,573	224,184	-	-
in year four	175,662	168,774	-	-
In year five	104,000	114,084	-	-
later than in five years	24,135	23,509	-	
Total gross investment in finance leases	**1,202,893**	**1,189,793**	**-**	**-**
Unearned finance income receivable:				
within one year	(59,388)	(46,671)	-	-
in year two	(40,618)	(31,205)	-	-
in year three	(25,312)	(19,401)	-	-
in year four	(12,973)	(10,008)	-	-
In year five	(4,382)	(3,414)	-	-
later than in five years	(1,128)	(790)	-	-
Total	**(143,801)**	**(111,489)**	**-**	**-**
Present value of minimum lease payments receivable:				
within one year	326,371	314,837	-	-
in year two	241,146	266,529	-	-
in year three	206,261	204,783	-	-
in year four	162,689	158,766	-	-
In year five	99,618	110,670	-	-
later than in five years	23,007	22,719	-	-
Total	**1,059,092**	**1,078,304**	**-**	**-**

NOTE 18. 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**
Including unit-linked insurance plan assets	*17,059*	-	-	*17,059*	*19,814*	-	-	*19,814*

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 19. 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**
Including associates accounted for using the equity method	*248*	*190*
Including gross investment in subsidiaries	*60,598*	*60,598*

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.

Valuation of investments in subsidiaries

In the reporting period valuation of SIA Citadele Factoring and SIA Hortus Residential was reassessed. In total EUR 0.1 million net release of impairment in the investments in these subsidiaries was recognised because of slight improvement in the expected future operating profitability.

Carrying value of the investment in SIA Citadele Factoring is derived from present value of expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance. The target capital adequacy ratio is set at 13.0% and includes allocated charges for all banking risks inherent in the business model of the leasing (2022: 12.0%). Other key inputs of the model are 15.4% (2022: 12.5%) discount rate and future profitability of the operations of the entity. Sensitivity scenarios: if discount rate was +/-100 basis points than the carrying value would change by EUR -0.2/+0.2 million (2022: EUR -0.2/+0.2 million), if net result was +/-10% than the carrying value would change by EUR +/-0.5 million (2022: EUR +/-0.4 million).

Carrying value of SIA Hortus Residential is estimated by adjusting its net equity by present value of expected future gains and losses on realisation of existing repossessed properties portfolio. If all expected sales prices were to change by +/-10% the carrying value would change by EUR +/-0.1 million (2022: EUR +/-0.1 million).

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	Carrying value EUR thousands 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, Dzirnavu 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 to 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 20. TANGIBLE AND INTANGIBLE ASSETS

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Transport vehicles	3,200	5,143	48	75
Right-of-use assets	4,378	5,794	4,268	6,081
IT and other equipment	2,667	3,470	2,115	2,842
Leasehold improvements	878	1,147	878	1,147
Land and buildings	-	168	-	168
Prepayments for tangible assets	60	8	-	8
Total tangible assets	**11,183**	**15,730**	**7,309**	**10,321**
Software	7,400	7,332	5,425	5,371
Other intangible assets	57	130	25	34
Prepayments for intangible assets	608	700	560	664
Total intangible assets	**8,065**	**8,162**	**6,010**	**6,069**
Total tangible and intangible assets	**19,248**	**23,892**	**13,319**	**16,390**

Changes in tangible and intangible assets of the Group

	Leasehold improve-ments	Land and buildings	Transport vehicles	Right-of-use assets	IT and other equipment	Software	Other intangible assets	Total excluding prepayments
Historical cost								
As at 31 December 2021	**2,278**	**1,029**	**10,322**	**6,774**	**16,475**	**33,294**	**357**	**70,529**
Additions	276	-	199	3,376	921	4,903	100	9,775
Disposals and write-offs	(47)	(364)	(2,287)	(3,386)	(2,047)	(302)	(163)	(8,596)
Discontinued operations	-	-	-	(970)	(339)	(994)	-	(2,303)
As at 31 December 2022	**2,507**	**665**	**8,234**	**5,794**	**15,010**	**36,901**	**294**	**69,405**
Additions	172	-	132	1,635	541	4,530	-	7,010
Disposals and write-offs	(17)	(665)	(1,882)	(3,051)	(922)	(284)	(60)	(6,881)
As at 31 December 2023	**2,662**	**-**	**6,484**	**4,378**	**14,629**	**41,147**	**234**	**69,534**
Accumulated depreciation								
As at 31 December 2021	**960**	**397**	**2,669**	**-**	**12,055**	**26,206**	**194**	**42,481**
Charge for the year	443	17	1,372	2,815	1,565	3,905	79	10,196
Incl. assets under operating lease (Note 8)	-	-	*1,344*	-	*123*	-	-	*1,467*
Disposals	(43)	(124)	(950)	(2,815)	(2,015)	(302)	(109)	(6,358)
Discontinued operations	-	-	-	-	(65)	(240)	-	(305)
As at 31 December 2022	**1,360**	**290**	**3,091**	**-**	**11,540**	**29,569**	**164**	**46,014**
Charge for the year	440	11	1,062	2,811	1,320	4,444	73	10,161
Incl. assets under operating lease (Note 8)	-	-	*1,035*	-	*123*	-	-	*1,158*
Disposals	(16)	(301)	(869)	(2,811)	(898)	(266)	(60)	(5,221)
As at 31 December 2023	**1,784**	**-**	**3,284**	**-**	**11,962**	**33,747**	**177**	**50,954**
Impairment allowance								
As at 31 December 2021	**-**	**(342)**	**-**	**-**	**(11)**	**-**	**-**	**(353)**
Net reversal and write-offs	-	135	-	-	11	-	-	146
As at 31 December 2022	**-**	**(207)**	**-**	**-**	**-**	**-**	**-**	**(207)**
Net reversal and write-offs	-	207	-	-	-	-	-	207
As at 31 December 2023	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount								
As at 31 December 2021	**1,318**	**290**	**7,653**	**6,774**	**4,409**	**7,088**	**163**	**27,695**
As at 31 December 2022	**1,147**	**168**	**5,143**	**5,794**	**3,470**	**7,332**	**130**	**23,184**
As at 31 December 2023	**878**	**-**	**3,200**	**4,378**	**2,667**	**7,400**	**57**	**18,580**

Changes in tangible and intangible assets of the Bank

	Leasehold improve-ments	Land and buildings	Transport vehicles	Right-of-use assets	IT and other equipment	Software	Other intangible assets	Total excluding prepayments
Historical cost								
As at 31 December 2021	**2,278**	**1,029**	**244**	**6,522**	**14,240**	**29,044**	**240**	**53,597**
Additions	276	-	50	2,786	866	3,627	-	7,605
Disposals and write-offs	(47)	(364)	(14)	(3,227)	(1,949)	-	(108)	(5,709)
As at 31 December 2022	**2,507**	**665**	**280**	**6,081**	**13,157**	**32,671**	**132**	**55,493**
Additions	172	-	-	1,597	410	3,632	-	5,811
Disposals and write-offs	(17)	(665)	(7)	(3,410)	(859)	(76)	(5)	(5,039)
As at 31 December 2023	**2,662**	**-**	**273**	**4,268**	**12,708**	**36,227**	**127**	**56,265**
Accumulated depreciation								
As at 31 December 2021	**960**	**397**	**186**	**-**	**10,932**	**24,049**	**133**	**36,657**
Charge for the year	443	17	28	3,229	1,322	3,251	19	8,309
Disposals	(43)	(124)	(9)	(3,229)	(1,939)	-	(54)	(5,398)
As at 31 December 2022	**1,360**	**290**	**205**	**-**	**10,315**	**27,300**	**98**	**39,568**
Charge for the year	440	11	27	3,239	1,112	3,578	9	8,416
Disposals	(16)	(301)	(7)	(3,239)	(834)	(76)	(5)	(4,478)
As at 31 December 2023	**1,784**	**-**	**225**	**-**	**10,593**	**30,802**	**102**	**43,506**
Impairment allowance								
As at 31 December 2021	**-**	**(342)**	**-**	**-**	**-**	**-**	**-**	**(342)**
Net reversal and write-offs	-	135	-	-	-	-	-	135
As at 31 December 2022	**-**	**(207)**	**-**	**-**	**-**	**-**	**-**	**(207)**
Net reversal and write-offs	-	207	-	-	-	-	-	207
As at 31 December 2023	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount								
As at 31 December 2021	**1,318**	**290**	**58**	**6,522**	**3,308**	**4,995**	**107**	**16,598**
As at 31 December 2022	**1,147**	**168**	**75**	**6,081**	**2,842**	**5,371**	**34**	**15,718**
As at 31 December 2023	**878**	**-**	**48**	**4,268**	**2,115**	**5,425**	**25**	**12,759**

Right-of-use assets of the Group and the Bank predominantly constitute one class of assets – lease contracts for premises where branches, headquarters and ATMs are located.

NOTE 21. 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 was 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 relates to the loss of the operations in the respective period. 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	(5,621)	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	-	-
Including:				
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**	**-**	**-**

Cash flows from discontinued operations of the Group

	EUR thousands	
	2023	2022
Cash flows from operating activities	(44,502)	(12,509)
Cash flows from investing activities	38,598	14,082
Cash flows from financing activities	(255)	(227)
Cash flows for the period	**(6,159)**	**1,346**
Cash and cash equivalents at the beginning of the period	**30,172**	**28,826**
Cash and cash equivalents at the end of the period	**24,013**	**30,172**

NOTE 22. 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
Contract assets	2,121	-	2,121	-
Other assets	8,699	9,503	4,590	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 the period end most of the impairment allowance for other assets relate to fully impaired overdue debt collection expenditure compensation receivable (2022: the same). 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 23. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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. In the statement of cash flows the repayment of the TLTRO-III borrowing is presented within operating cash flows as the primary objective for the borrowing was not a need for financing, but the attractive borrowing rate.

NOTE 24. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group Restated for IFRS 17	31/12/2023 Bank	31/12/2022 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 Group	31/12/2022 Group Restated for IFRS 17	31/12/2023 Bank	31/12/2022 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 Group	31/12/2022 Group Restated for IFRS 17	31/12/2023 Bank	31/12/2022 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**
Including unit-linked insurance plan liabilities	*17,153*	*19,911*		-

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 25. 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	Amortised cost, EUR thousands 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 26. OTHER LIABILITIES

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group Restated for IFRS 17	31/12/2023 Bank	31/12/2022 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
Contract liabilities	2,723	2,316	2,723	2,316
Other liabilities	7,661	9,019	2,019	1,958
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 EUR 10.1 million defined payments of the annuity pension products are due within ten years period, with EUR 5.5 million due in five years.

Contract liabilities primarily relate to non-refundable internally allocated part of a received fee from customers. Contract liabilities are recognised as revenue as customers participate in the customer loyalty programs as per terms of the loyalty programs.

NOTE 27. SHARE CAPITAL

The Bank has one class dematerialised shares i.e., recorded in the depositary (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 (c.a. EUR 0.127 per share) 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 21)	(6,598)	(4,491)	-	-
Profit for the period from continuing operations, EUR thousands thousands	110,385	45,173	91,700	42,183
Basic earnings / (loss) per share in EUR	0.66	0.26	0.58	0.27
from continuing operations	*0.70*	*0.29*	*0.58*	*0.27*
from discontinued operations	*(0.04)*	*(0.03)*	-	-
Diluted earnings / (loss) per share in EUR	0.65	0.26	0.58	0.27
from continuing operations	*0.69*	*0.29*	*0.58*	*0.27*
from discontinued operations	*(0.04)*	*(0.03)*	-	-

NOTE 28. 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 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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.

Notional amounts and fair values of derivatives of the Group

	Notional amount EUR thousands		Fair value EUR thousands			
	31/12/2023	31/12/2022	31/12/2023		31/12/2022	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts:						
Swaps	253,084	248,357	975	(2,060)	1,261	(7,550)
Forwards	4,839	5,707	44	(33)	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 EUR thousands		Fair value EUR thousands			
	31/12/2023	31/12/2022	31/12/2023		31/12/2022	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts:						
Swaps	253,084	248,357	975	(2,060)	1,261	(7,550)
Forwards	4,839	5,707	44	(33)	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. Interest rate swaps are used to manage interest rate risk in debt securities portfolio. Before entering into derivative 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 29. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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 30. FINANCIAL ASSETS PLEDGED OR ENCUMBERED

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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 31. CASH AND CASH EQUIVALENTS

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Cash and cash balances with central banks	520,569	532,030	520,569	532,030
Loans on demand to credit institutions (excluding encumbered)	8,407	25,382	7,788	18,985
Demand deposits from central banks and credit institutions	(7,335)	(5,940)	(7,513)	(6,020)
Cash equivalents in discontinued operations	24,013	30,172	-	-
Total cash and cash equivalents	**545,654**	**581,644**	**520,844**	**544,995**

NOTE 32. 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. If all the Bank's assumed discount rates would change by 10%, the fair value of the loan portfolio would change by EUR 20.8 million (2022: EUR 22.1 million).

Debt securities

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

Equity instruments and other financial instruments at fair value

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

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

Derivatives

Derivatives are valued using techniques based on observable market data.

Deposits and borrowings from customers

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

The fair value of deposits and borrowings from customers repayable on demand is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using average market interest rates close to or at the period-end. If all assumed discount rates for term deposits originated by the Bank would increase by 100 bp, the fair value would change by EUR 4.7 million (2022: EUR 1.8 million).

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. If the assumed discount rates would change by +/-50bp, the fair value of the portfolio would decrease by EUR +/-0.03 million (2022: EUR +/-0.03 million)

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
Financial assets measured at fair value through other comprehensive income:					
Debt securities	165,021	165,021	126,926	38,095	-
Equity instruments	122	122	-	-	122
Financial assets measured at fair value through other comprehensive income:					
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	-	-
Other financial assets at fair value through profit or loss					
Derivatives	1,019	1,019	-	1,019	-
Financial assets not measured at fair value:					
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**
Financial liabilities measured at fair value:					
Derivatives	3,331	3,331	-	3,331	-
Deposits and borrowings from customers	19,399	19,399	17,153	-	2,246
Financial liabilities not measured at fair value:					
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**	**17,153**	**243,018**	**3,810,517**

In the reporting period debt securities of the Group measured at fair value through other comprehensive income and presented as Level 2 with a fair value of EUR 1.1 million (2022: EUR 55.5 million) have been reclassified from Level 1. Similarly, debt securities of the Group measured at fair value through other comprehensive income and presented as Level 1 with a fair value of EUR 69.4 million (2022: EUR 3.9 million) in the reporting period have been reclassified from Level 2. For the Bank EUR 0.0 million (2022: 42.7 million) and EUR 61.8 million (2022: EUR 3.2 million) respectively. For debt securities measured at fair value through other comprehensive income no other transfers among fair value hierarchy levels have occurred in the reporting period.

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

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

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Financial assets measured at fair value through other comprehensive income:					
Debt securities	213,302	213,302	106,527	106,775	-
Equity instruments	100	100	-	-	100
Non-trading financial assets mandatorily at fair value through profit or loss:					
Equity instruments	929	929	-	-	929
Other financial instruments	28,473	28,473	28,473	-	-
Other financial assets at fair value through profit or loss					
Derivatives	1,285	1,285	-	1,285	-
Financial assets not measured at fair value:					
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**
Financial liabilities measured at fair value:					
Derivatives	7,650	7,650	-	7,650	-
Deposits and borrowings from customers	23,196	23,196	19,911	-	3,285
Financial liabilities not measured at fair value:					
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
Financial assets measured at fair value through other comprehensive income:					
Debt securities	136,903	136,903	102,416	34,487	-
Equity instruments	122	122	-	-	122
Financial assets measured at fair value through other comprehensive income:					
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	-	-
Other financial assets at fair value through profit or loss					
Derivatives	1,019	1,019	-	1,019	-
Financial assets not measured at fair value:					
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**
Financial liabilities measured at fair value:					
Derivatives	3,331	3,331	-	3,331	-
Financial liabilities not measured at fair value:					
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
Financial assets measured at fair value through other comprehensive income:					
Debt securities	180,221	180,221	84,190	96,031	-
Equity instruments	100	100	-	-	100
Non-trading financial assets mandatorily at fair value through profit or loss:					
Equity instruments	929	929	-	-	929
Other financial instruments	1,101	1,101	1,101	-	-
Other financial assets at fair value through profit or loss					
Derivatives	1,285	1,285	-	1,285	-
Financial assets not measured at fair value:					
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**
Financial liabilities measured at fair value:					
Derivatives	7,650	7,650	-	7,650	-
Financial liabilities not measured at fair value:					
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**

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

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
As of the beginning of the period, net	**1,029**	**1,279**	**1,029**	**1,279**
Total comprehensive income				
Revaluation gain	*188*	*(274)*	*188*	*(274)*
Transfer to income statement on settlement	*22*	*24*	*22*	*24*
As of the end of the period, net	**1,239**	**1,029**	**1,239**	**1,029**

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

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

	EUR thousands	
	2023 Group	2022 Group Restated for IFRS 17
Balance as at the beginning of the period	**3,285**	**6,854**
Premiums received	443	719
Commissions and risk charges	(76)	(74)
Paid to policyholders	(1,278)	(4,236)
Other	(123)	25
Currency revaluation result	(5)	(3)
Balance as at the end of the period	**2,246**	**3,285**

In the year ended 31 December 2023 from financial liabilities designated at fair value through profit or loss which are not unit-linked the Group has recognised net revaluation result of EUR 154 thousand in the net financial income line of the statement of income (2022: EUR 80 thousand). The amount of change in 2023 in the fair value of the financial liabilities that is attributable to changes in the credit risk of the liabilities measured at fair value is EUR -288 thousand (2022: EUR 269 thousand). Most of the insurance business the Group is involved in relates to investment contracts rather than insurance risk; therefore, premiums received are recognised as liabilities of the Group since settlement in due course is expected. The amount of insurance risk generated by the Group currently is not significant and, therefore, not further disclosed in detail in these financial statements.

NOTE 33. RELATED PARTIES

Related parties are defined as shareholders who have significant influence or joint control over the Group, members of the Supervisory Board and Management Board, key Management personnel, their close relatives and companies in which they have a controlling interest as well as the Group's subsidiaries and associated companies. For the purpose of this disclosure, the key management of the Group and the Bank and their related companies are stated in one line. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances and terms of the Group's and the Bank's transactions in this note are shown with related parties which were related parties at that time.

Assets and liabilities from transactions with related parties

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Credit exposures to related parties, net				
Loans to public and credit institutions				
Management	443	392	228	241
Consolidated subsidiaries and associates	21	24	1,053,445	1,063,231
Investments in subsidiaries	-	-	47,690	47,580
Investments in associates	248	190	248	190
Non-current assets and disposal groups held for sale	-	-	12,788	13,805
Other assets	17	12	162	41
Financial commitments and guarantees outstanding	109	100	121,221	66,043
Credit exposures to related parties, net	**838**	**718**	**1,235,782**	**1,191,131**
Including credit impaired assets with consolidated subsidiaries	*n/a*	*n/a*	-	-
Including expected credit losses on non-credit impaired exposures with consolidated subsidiaries	*n/a*	*n/a*	*(1,974)*	*(1,330)*
Liabilities to related parties				
Deposits and borrowings from customers and credit institutions				
Management	874	1,326	874	1,326
Consolidated subsidiaries and associates	1,982	1,854	51,428	23,816
Other liabilities (including lease liabilities) and provisions for expected credit losses	2	2	241	81
Liabilities to related parties	**2,858**	**3,182**	**52,543**	**25,223**

In the reporting period an increase of EUR 0.65 million in allowances for expected credit losses for loans from consolidated subsidiaries was recognised (2022: EUR 0.09 million increase). The ultimate recoverability of the loans issued to subsidiaries depends on the performance of the underlying business of the respective subsidiaries. For information on investments in subsidiaries refer to Note 19 (*Investments in Related Entities*).

Income and expense from transactions with related parties

	EUR thousands			
	2023 Group	2022 Group	2023 Bank	2022 Bank
Interest income				
Management	23	28	13	24
Consolidated subsidiaries and associates	2	1	53,391	24,606
Interest expense				
Management	(5)	-	(5)	-
Consolidated subsidiaries	-	-	(677)	(75)
Fee and commission income	197	142	1,475	1,509
Fee and commission expense	(4)	(4)	-	(4)
Net financial income	(8)	7	(13)	7
Dividends from subsidiaries		-	-	8,684
All other income	-	-	1,883	1,611
Administrative and other expense (excluding management's remuneration Note 9 and ECL)	(2,046)	(2,131)	(2,051)	(2,131)

For information on the management's remuneration refer to Note 9 (*Staff Costs*). The Group's and the Bank's administrative expense mostly relates to Advisory Services Agreement fee. The Bank has entered into the Advisory Services Agreement with Ripplewood Advisors LLC, where Ripplewood is paid EUR 2.0 million per annum for the services provided to the Bank. These advisory services include business plan development, strategic analysis, capital allocation, risk advisory, operating efficiency, human resource management, and other services.

NOTE 34. GEOGRAPHICAL DISTRIBUTION OF REVENUE

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

	2023				2022 (Restated for IFRS 17)			
	EUR thousands				EUR thousands			
	Operating income	**Operating profit before bank and income tax**	**Income and bank tax expense**	FTE equivalent employees at the period end	**Operating income**	**Operating profit before tax**	**Income tax expense**	FTE equivalent employees at the period end
Latvia	163,606	85,366	(13,960)	967	115,398	34,228	(1,132)	978
Lithuania	49,432	34,371	(7,146)	242	36,126	9,491	(1,163)	261
Estonia	20,856	14,180	(2,907)	92	11,028	3,486	(23)	90
Total continuing operations before non-current assets held for sale	**233,894**	**133,917**	**(24,013)**	**1,301**	**162,552**	**47,205**	**(2,318)**	**1,329**
Latvia (result from non-current assets held for sale)	-	481	-	-		286		-
Switzerland (discontinued operations)	6,446	(6,570)	(28)	28	4,390	(4,488)	(3)	26
Total operations	**240,340**	**127,828**	**(24,041)**	**1,329**	**166,942**	**43,003**	**(2,321)**	**1,355**

During the reporting period EUR 0.0 million of direct public subsidies were received from the public sector of the respective countries where the Group operates (2022: EUR 0.0 million). The Bank and the Group has participated in the ECB's targeted longer-term refinancing operations (TLTRO-III) since 24 June 2020. Most of the funding was repaid in the reporting period. For more information refer to Note 23 (*Deposits from Credit Institutions and Central Banks*). In 2023 no income was recognised as support for the fulfilment of the required government obligations under TLTRO-III rules (2022: EUR 1.0 million). The part of the TLTRO-III borrowing rate (negative) which, based on an internal assessment, may not be justified as market rate, is a benefit of the below-market rate of interest and is recognised within other income as a support or compensation for the fulfilment of the required obligations and for supporting customer needs.

Bank's operating profit by the country where the business is carried out, all operations

	EUR thousands			
	2023		2022	
	Operating profit before Bank tax	**Income and bank tax in Latvia and abroad**	**Operating profit before Bank tax**	**Income and bank tax in Latvia and abroad**
Latvia	71,769	(13,511)	36,047	(43)
including dividends from branches	*4,500*		-	
including dividends from subsidiaries	-		*8,684*	
Lithuania	30,274	(6,325)	4,617	(383)
Estonia	12,389	(2,896)	1,957	(12)
Total Bank	**114,432**	**(22,732)**	**42,621**	**(438)**

NOTE 35. 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.

The Group's risk management frameworks for each of the above-mentioned risks are briefly summarised below.

Credit risk

Credit risk is the risk that the Group will incur a loss from debtor's non-performance or default. The Group is exposed to credit risk in its lending, investing and transaction activities, as well as in respect of the guarantees issued to or received from third parties and other off-balance sheet commitments to third parties. Credit risk management is performed pursuant to the Credit Risk Management Policy, Risk strategy and Loan monitoring, Forbearance and NPL management policy. The goal of the credit risk management is to ensure a sound, sustainable and diversified loan and securities portfolios, which generates returns that correspond to the assumed level of risk and are characterized by high resilience against external shocks.

Credit risk management is based on an adequate assessment of credit risk, proper decision-making and monitoring. The lending decision is based on repayment capacity of the borrower and an additional alternative recovery option in case of default or material deterioration of the borrower's risk profile.

In cases when significant risk is to be undertaken, the credit risk analysis is performed by units independent from loan origination. The credit risk analysis consists of risk identification, PD calculation, an assessment of customer's creditworthiness and collateral quality and liquidity. The analysis of a legal entity's creditworthiness includes risk identification and an assessment of the shareholder structure and management, industry and peers, business model and project financed as well as an analysis of its credit history and current and forecasted financial situation and its sensitivity to key risk drivers and analysis of ESG factors. The assessment of a private individual's creditworthiness consists of the credit history and affordability analysis. For significant exposures decision on loan origination is taken by the Credit Committee and approved by the Bank's Management Board.

In relation to the acquisition of corporate bonds, the Group always analyses the business profile and financial performance of the issuer, taking into consideration the credit ratings assigned to it by international rating agencies or performs internal counterparty financial analysis, if external rating is not assigned, as well as market-based indicators. Sovereign bonds are assessed similarly, but with an emphasis on different fundamental factors, including the country's economic strength, institutional strength, financial strength of the government, political risks and other relevant factors.

After a loan is issued, the client's financial position, early warning indicators, payment discipline and client's ability to meet contractual obligations are being regularly evaluated and monitored to timely identify credit quality deterioration and apply appropriate classification.

The Group monitors its loan portfolio and securities portfolio and regularly assesses its structure, quality, concentration levels, portfolio performance trends and overall risk level. The Group takes measures for limiting credit risk concentration by diversifying the portfolio and setting credit risk concentration limits. To limit its credit risk, the Group has set the following concentration limits: individual counterparty and issuer limits, maximum exposure limit linked to a particular risk class of counterparty/issuer, limit for internally risk weighted exposures in a particular country/sector combination, limit for groups of mutually related customers, limit for large risk exposures, limit for transactions with the Group's related parties, industry limit. Credit risk identification, monitoring and reporting is the responsibility of the Risk Division.

In addition to the credit risk, which is inherent in the Group's loan portfolio and fixed income securities portfolio, the Group is also exposed to credit risk as a result of its banking relationships with multiple credit institutions which it maintains in order to process customer transactions in a prompt and efficient manner. The Group manages its exposure to commercial banks and brokerage companies by monitoring on a regular basis the credit ratings of such institutions, conducting due diligence of their credit profiles and monitoring the individual exposure limits applicable to counterparties set by the Financial Market and Counterparty Risk Committee (FMCRC). The Group's exposures to derivative counterparties arise from its activities in managing foreign exchange risk. Risk appetite for the open foreign exchange position is low, and the Group executes counterparty risk assessment and accepts only counterparties which are within its risk appetite limits.

Loan to value of loans to public

Estimated fair value of loan collateral is presented separately for those assets where collateral and other credit enhancements exceed carrying value of the asset (LTV < 100%) and those assets where collateral and other credit enhancements are equal to or less than the carrying value of the asset (LTV ≥ 100%).

Group, EUR thousands

	31/12/2023				31/12/2022			
	LTV < 100%		LTV ≥ 100% and unsecured		LTV < 100%		LTV ≥ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Regular loans and credit lines	1,419,146	3,372,502	269,482	57,177	1,545,586	3,848,663	223,781	57,330
Finance leases	544,534	943,179	495,641	389,730	565,287	948,658	495,302	371,666
Card lending	102	477	61,182	47	74	304	60,353	15
Factoring	28,938	33,281	34,391	-	612	720	63,064	-
Other loans	-	-	8,542	-	-	-	12,419	-
Total net loans to public	**1,992,720**	**4,349,439**	**869,238**	**446,954**	**2,111,559**	**4,798,345**	**854,919**	**429,011**
Including Stage 3 classified exposures	*29,328*	*129,118*	*2,740*	*1,037*	*41,935*	*132,118*	*4,255*	*2,474*

Bank, EUR thousands

	31/12/2023				31/12/2022			
	LTV < 100%		LTV ≥ 100% and unsecured		LTV < 100%		LTV ≥ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Regular loans and credit lines	1,412,724	3,351,783	251,532	48,807	1,538,255	3,830,733	205,769	50,247
Card lending	102	477	61,182	47	74	304	60,353	15
Other loans	-	-	8,541	-	-	-	12,419	-
Loans to subsidiaries	-	-	1,034,355	-	-	-	1,063,231	-
Total net loans to public	**1,412,826**	**3,352,260**	**1,355,610**	**48,854**	**1,538,329**	**3,831,037**	**1,341,772**	**50,262**
Including Stage 3 classified exposures	*22,179*	*98,782*	*1,067*	*81*	*27,773*	*99,525*	*683*	*9*

Collateral value is determined using estimated fair value of the real estate, other pledged assets and qualifying high-quality guarantees issued by state development or similar institutions. The loan guarantee issued by the EIB Group (consisting of the EIB and EIF) to Citadele in the amount exceeding EUR 300 million is included as qualifying high-quality guarantee. Personal guarantees from households or unrated non-financial enterprises are not included. Mostly, loans falling into category "Regular loans and credit lines" are secured by collateral on immovable property or commercial pledges. In general, card loans and consumer lending products, which are presented as regular loans, are unsecured and granted based on client's creditworthiness assessment. For loans to the leasing subsidiaries of the Group, no formal collateral is required. The intragroup financing is provided to originate finance leases to clients. Full compliance with lending guidelines of the Group are obeyed by subsidiaries when originating leases to clients. Finance leases are secured by the respective property leased-out. Most factoring balances are originated under recourse terms, many are insured with reputable third parties. Insurance coverage is not considered an eligible collateral for the purposes of this disclosure.

Events in Ukraine and Russian sanctions

The new laws, policies and sanctions, including sanctions imposed on Russia, are implemented. Consistently with long standing Citadele's objective to become the leading financial services provider in the Baltics, internal risk exposure limits with Russia, other CIS countries and Ukraine have been low. As of the end of 2023 and 2022 the carrying amount of the Group's direct credit exposures with parties with Russia, Belarus and Ukraine geographical profile are less than EUR 1.5 million.

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

Market risk

Market risk is the risk that the Group will incur a loss as a result of the mark-to-market revaluation of balance sheet and off-balance sheet items caused by changes in market values of financial instruments due to changes in foreign exchange rates, interest rates and other factors.

The position risk of financial instruments is managed through diversification by country, sector, industry and elaborate limit control. Issuers are internally risk graded. The exposure level limits, after in depth analysis, are set by the FMCRC, observing concentration risk levels set in the Group's Risk Strategy and other rules set by and specified in the Risk Strategy. The decisions of FMCRC are approved by the Management Board

To assess position risk the Group uses sensitivity and scenario analysis, which identifies and quantifies the negative impact of adverse events on the portfolio of the Group taking into consideration regional, sector profiles of the portfolio and credit rating risk profiles of issuers.

Group Treasury manages market risk applying the measures set by the Group's Risk Strategy, including through interest rate swaps, which are used for risk management purposes only.

If market prices of the Groups investments in equities and mutual investment funds were to change by 5%, the net result of the Group would change by EUR 1.32 million (2022: EUR 1.47 million) and securities fair value revaluation reserve by EUR 0.0 million (2022: EUR 0.0 million) and the net result of the Bank would change by EUR 0.06 million (2022: EUR 0.1 million) and securities fair value revaluation reserve by EUR 0.0 million (2022: EUR 0.0 million).

Interest rate risk

Interest rate risk is related to the possible negative impact of changes in general interest rates on the Group's net interest income and economic value.

Interest rate risk management in the Group is carried out in accordance with Market Risk Management Policy. Interest rate risk is assessed, and decisions are taken by the Assets and Liabilities Management Committee (ALCO). The decisions of the ALCO are approved by the Bank's Management Board. Acceptable interest rate risk level accompanied with the relevant limits is defined in the Group's Risk appetite framework approved by the Bank's Supervisory Board, ALCO monitors the compliance with the limits and use of the instruments for the management of interest rate risk. Interest rate risk measurement, management and reporting are responsibilities of the Treasury Division, while the Risk Management Division ensures proper oversight and prepares analytical reports to the ALCO and the Bank's Supervisory Board.

The Group manages interest rate risk by using repricing gap analysis of the risk sensitive assets and liabilities, duration analysis of assets and liabilities as well as stress testing. Group sets limits for the impact of interest rate shock on economic value, net interest income and market value.

The following table represents the impact of a parallel change in yield curve by 100 basis points on the Group's and the Bank's profit before tax (including the effect on interest income and expense over 12-month period) and changes in market value arising from exposures accounted at fair value. Scenarios incorporate zero floor interest rate if such a condition exists in the loan agreement. Retail customer deposit rates are assumed to be constrained by a zero-lower bound. Additional considerations come from the behavioural studies in relation to customer deposits and loans. Group's figures are calculated for the entities that bear significant interest rate risk: AS Citadele banka, Kaleido Privatbank AG and the Group's leasing and factoring companies.

The methodology is broadly based on the guidelines imposed by the European Banking Authority (except for stability change scenarios in relation to direction of the change in interest rates), effective from 30 June 2023. Comparatives for 2022 are restated to ensure comparability.

	31/12/2023, EUR thousands					
	Total for all currencies		**EUR only**		**USD only**	
	Profit / (loss) before taxation	Change in fair value of securities at fair value	Profit / (loss) before taxation	Change in fair value of securities at fair value	Profit / (loss) before taxation	Change in fair value of securities at fair value
Bank						
+100 basis points scenario	7,088	(2,936)	7,040	(2,296)	48	(640)
-100 basis points scenario	(11,529)	3,041	(11,481)	2,363	(48)	678
Group						
+100 basis points scenario	7,333	(3,025)	7,413	(2,323)	(80)	(702)
-100 basis points scenario	(11,856)	3,131	(11,936)	2,391	80	740

	31/12/2022, EUR thousands					
	Total for all currencies		**EUR only**		**USD only**	
	Profit / (loss) before taxation	Change in fair value of securities at fair value	Profit / (loss) before taxation	Change in fair value of securities at fair value	Profit / (loss) before taxation	Change in fair value of securities at fair value
Bank						
+100 basis points scenario	4,014	(3,923)	3,761	(3,068)	253	(856)
-100 basis points scenario	(7,090)	4,086	(6,837)	3,179	(253)	907
Group						
+100 basis points scenario	3,213	(4,349)	3,279	(3,292)	(66)	(1,056)
-100 basis points scenario	(7,771)	4,521	(7,837)	3,408	66	1,112

Currency risk

Currency risk is a risk of loss arising from fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with Market Risk and Counterparty Credit Risk Management Policy and limits set in the Group's Risk Appetite Framework and Risk Strategy. FMCRC oversees and assess currency risk level within the Group, monitors compliance and the fulfilment of the limits, and sets limits for individual dealing desks within the overall risk limits. The decisions of the FMCRC are approved by the Bank's Management Board.

Day-to-day currency risk management is the responsibility of the Treasury Division, while risk monitoring and reporting is the responsibility of the Risk Management Division.

The Group has a low-risk appetite for foreign exchange risk. The Group aims to keep exposures at levels that would produce a small net impact even in periods of high volatility. Several well-known methodologies are used to measure and manage foreign exchange risk including a conservative limit for a daily value-at-risk exposure. The Group is in full compliance with the currency position requirements of Latvian legislation and sets its internal limits more prudently than the regulatory limits.

In the event of exchange rates for the following currencies in which the Group and the Bank has net open positions adversely change as per scenario below, the potential total decrease in the Group's and Bank's total equity (ignoring any tax effect) would amount approximately to the following:

	Group, EUR thousands					
	31/12/2023			31/12/2022		
Scenario:	USD	CHF	Other currencies	USD	CHF	Other currencies
2% adverse change	(23)	(28)	-	(2)	(73)	(6)
5% adverse change	(56)	(69)	(1)	(5)	(182)	(16)

	Bank, EUR thousands					
	31/12/2023			31/12/2022		
Scenario:	USD	CHF	Other currencies	USD	CHF	Other currencies
2% adverse change	(19)	-	-	(9)	-	(1)
5% adverse change	(48)	(1)	(1)	(24)	-	(3)

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 risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets to cover any possible gaps between cash inflows and outflows as well as to secure sufficient funding for lending and investment activities.

The Group manages its liquidity risk in accordance with Liquidity Risk Management Policy and Liquidity Buffer Management Policy. The management and reporting of liquidity risk is coordinated by the Treasury Division, and the risk is assessed and decisions are taken by the ALCO. The decisions of the ALCO are approved by the Bank's Management Board. The Risk Management Division on a monthly basis provides information to the ALCO and the Bank's Management Board and Supervisory Board about the level of the assumed risk as part of the reporting and supervision process.

Liquidity risk for the Group is assessed in each currency in which the Group has a significant number of transactions. Liquidity risk limits are reviewed at least once a year and also when there are major changes to the Group's operations or external factors affecting its operations. A liquidity crisis management plan has been developed and is updated on a regular basis.

One of the crucial tools used to evaluate liquidity risk is scenario analysis. Several scenarios of different severity and duration are employed by the Group with risk tolerances defined for the outcomes of those scenarios. Furthermore, the Group has developed a system of liquidity risk limits and early warning indicators and systematically prepares cash flow forecasts which incorporate assumptions about the most likely flow of funds over the period of one year. For general assessment of existing gaps between contractual maturities of assets and liabilities without any assumptions on customer behaviour, the Group regularly analyses liquidity term structure and sets corresponding risk tolerances.

The Group's balance sheet structure is planned for at least a one-year period and is aligned with development plans for the current period. The major current and potential funding sources are regularly analysed and controlled across the Group. The Group maintains regular contact with its interbank business partners and creditors with the aim of projecting possible deadlines for repayment or prolongation of funding sources as well as absorption of excess liquidity.

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 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
1.	Liquidity buffer	1,383,267	1,304,068	1,350,295	1,256,246
2.	Net liquidity outflow	670,744	742,186	694,721	777,402
3.	**Liquidity coverage ratio**	**206%**	**176%**	**194%**	**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 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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%**	**215%**	**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	-	-	-	-	-	532,030
Loans to credit institutions	25,384	23,057	-	-	-	-	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	-	-	-	-	-	1,029	1,029
Other financial instruments	-	-	-	-	-	28,473	28,473
Derivatives	960	325	-	-	-	-	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	-	430,000	-	39,000	-	469,736
Deposits and borrowings from customers	3,709,406	52,439	49,613	132,346	71,766	10,095	4,025,665
Debt securities issued	-	-	188	356	218,681	40,000	259,225
Derivatives	1,958	1,017	4,675	-	-	-	7,650
Lease liabilities	275	540	798	1,570	2,950	-	6,133
Discontinued operations	156,817	45	68	136	315	1,618	158,999
Other liabilities	42,612	2,587	709	1,269	3,340	7,350	57,867
Total liabilities	**3,911,804**	**56,628**	**486,051**	**135,677**	**336,052**	**59,063**	**4,985,275**
Equity	-	-	-	-	-	419,646	419,646
Total liabilities and equity	**3,911,804**	**56,628**	**486,051**	**135,677**	**336,052**	**478,709**	**5,404,921**
Net balance sheet position – long/ (short)	(3,121,186)	112,848	40,303	349,900	1,993,951	624,184	-
Off-balance sheet items							
Contingent liabilities	50,407	-	-	-	-	-	50,407
Financial commitments	306,690	-	-	-	-	-	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*	3,710,248	53,137	480,207	137,537	393,453	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	3,725,072	51,071	46,341	125,986	22,650	2,200	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	**3,754,001**	**52,613**	**481,981**	**127,868**	**283,148**	**47,037**	**4,746,648**
Equity	-	-	-	-	-	373,205	373,205
Total liabilities and equity	**3,754,001**	**52,613**	**481,981**	**127,868**	**283,148**	**420,242**	**5,119,853**
Net balance sheet position – long/ (short)	(3,070,308)	1,097,518	(86,393)	180,793	1,210,382	668,008	-
Off-balance sheet items							
Contingent liabilities	60,936	-	-	-	-	-	60,936
Financial commitments	322,211	-	-	-	-	-	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*	3,729,801	51,785	478,783	132,971	355,536	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.

Change in lease liabilities

	EUR thousands			
	2023 Group	**2022 Group**	**2023 Bank**	**2022 Bank**
Opening balance	**6,133**	**7,614**	**5,914**	**6,529**
New lease liabilities recognised	1,597	2,854	1,597	2,839
Amortisation of existing lease liabilities and derecognition	(3,506)	(3,749)	(3,399)	(3,454)
Transfer to discontinued operations	-	(586)	-	-
Implied interest expense calculated	102	43	99	38
Settlement of implied interest expense	(102)	(43)	(99)	(38)
Closing balance	**4,224**	**6,133**	**4,112**	**5,914**

Derivative liabilities settled on a net basis and contractual undiscounted cash flows arising from derivatives settled on a gross basis

	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	Total
Derivatives settled on a net basis							
Interest rate swaps	-	-	-	-	(659)	(617)	(1,276)
Foreign exchange derivatives	(88)	(131)	-	-	-	-	(219)
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
Outflow	(26,768)	(113,324)	(63)	-	-	-	(140,155)
Inflow	26,578	112,857	65	-	-	-	139,500

	Group 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	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	(517)	(442)	-	-	-	-	(959)
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
Outflow	(40,415)	(52,257)	(74,364)	-	-	-	(167,036)
Inflow	39,679	51,934	70,692	-	-	-	162,305

	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	Total
Derivatives settled on a net basis							
Interest rate swaps	-	-	-	-	(659)	(617)	(1,276)
Foreign exchange derivatives	(88)	(131)	-	-	-	-	(219)
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
Outflow	(26,768)	(113,324)	(63)	-	-	-	(140,155)
Inflow	26,578	112,857	65	-	-	-	139,500

	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	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	(517)	(442)	-	-	-	-	(959)
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
Outflow	(40,415)	(52,257)	(74,364)	-	-	-	(167,036)
Inflow	39,679	51,934	70,692	-	-	-	162,305

Comparison of contractual undiscounted cash flows and carrying amount of derivatives

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 Bank
Contractual undiscounted cash flows of derivatives	(2,150)	(5,690)	(2,150)	(5,690)
Carrying value of derivatives, net	(2,312)	(6,365)	(2,312)	(6,365)

Anti-money laundering, counter terrorism financing, counter proliferation financing and sanctions compliance policy

The Group has adopted Money Laundering, Terrorism and Proliferation Financing (ML/TF/PF) Risk Management Strategy, Anti-Money Laundering and Counter Terrorism and Proliferation Financing (AML/CTF/CPF) Policy and Sanctions Compliance Policy to have an effective and comprehensive AML/CTF/CPF internal control system and to ensure compliance with sanctions imposed by international organizations and national authorities. The Group regularly reviews its AML/CTF/CPF and Sanctions Compliance policies and procedures with an aim to strengthen them and to update in line with changes in regulatory requirements and considering international best practice. Internal control system of AML/CTF/CPF and Sanctions Compliance of the Group is regularly reviewed by independent external and internal experts to ensure that the Group complies with applicable AML/CTF/CPF and Sanctions Compliance requirements. The experts where appropriate provide recommendations on how to strengthen and improve AML/CTF/CPF and Sanctions Compliance internal control system. The recommendations are diligently evaluated and implemented by the Group.

The Group performs enterprise-wide ML/TF/PF and Sanctions Risk Assessment on a regular basis to evaluate ML/TF/PF and Sanctions risks of the Group. The risk assessment includes identification and assessment of inherent ML/TF/PF and Sanctions risks and effectiveness assessment of the existing AML/CTF/CPF and Sanctions compliance controls.

The Group has a dedicated Member of the Management Board responsible for compliance, Money Laundering Reporting Officer, Sanctions Officer and a special team with a duty of overseeing the Group policies, procedures and processes implemented to preventing ML/TF/PF and sanctions violations.

Know Your Customer standards, including customer risk scoring, customer due diligence and enhanced due diligence practices, considering the risk-based approach, on-going customer transactions monitoring, effective international and national sanctions screening is the priority of the Group. A sound risk culture across the Group and risk aware employees, besides implemented industry's best practice processes and systems, is the backbone of ML/TF/PF and Sanctions risk management. Employees of the Group have a good knowledge of customers and their counterparties and have a full understanding of the substance of transactions, thus can timely detect and report suspicious customer activity. Under the Sanctions Compliance policy, it is strictly forbidden to knowingly and intentionally participate in activities whose purpose or effect is to evade the restrictions imposed by the international and national sanctions, thus preventing the Group from been used to circumvent the sanctions. The Group enforces sanctions established by the United Nations Security Council, the European Union , national sanctions of Latvia, Lithuania and Estonia, as well as sanctions adopted by and the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury. The Group complies with OFAC sanctions in USD and all other currencies.

The Group has established AML/CTF/CPF and Sanctions Compliance training program for all its employees. The training program consists of four main parts: initial, regular, extraordinary and advanced (master) employee training and is tailored to the necessary knowledge level of each function. For employees directly responsible for AML/CTF/CPF and Sanctions Compliance, special advanced trainings, workshops and conferences are arranged to enhance their knowledge and skills necessary for execution of their tasks and keep up to date on the latest developments and cases. The Group supports and requires international certification in the AML/CTF/CPF and Sanctions Compliance fields for at least the leading specialists involved in the ML/TF/PF and Sanctions risk management function (e.g., CAMS or ICA-certification).

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 repurchase, 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 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 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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	2,297	1,570	2,166	1,508
Total risk exposure amount	**2,313,612**	**2,329,426**	**1,641,486**	**1,607,345**
Common equity Tier 1 capital ratio	**19.6%**	**16.7%**	**24.3%**	**21.4%**
Total capital adequacy ratio	**22.0%**	**19.2%**	**27.7%**	**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 resent 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. 2023 audited profits will become eligible for inclusion in the regulatory capital after the institution will take a formal decision confirming the final profit or loss for the year.

	EUR thousands			
	31/12/2023 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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	**2,313,612**	**2,329,426**	**1,641,486**	**1,607,345**
Common equity Tier 1 capital ratio	**18.7%**	**16.7%**	**23.1%**	**21.4%**
Total capital adequacy ratio	**21.1%**	**19.2%**	**26.5%**	**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 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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 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 or 5.91% leverage ratio, whichever is higher. The Group must comply with MREL at all times on the basis of evolving amounts of TREA/LRE. As of the period end, the Group is in compliance with TREA and LRE based MREL requirements. As of the period end Group’s MREL is 30.0% based on TREA criteria and 9.2% based on leverage ratio criteria. 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.

NOTE 36. EVENTS AFTER THE REPORTING DATE

Mortgage loan levy for 2024

The Latvian government introduced a mortgage loan levy effective from 2024 with the purpose to reimburse mortgage borrowers for some of the impact of the higher interest rate environment experienced from mid 2023. The mortgage loan levy is calculated as 0.5% on the Latvian gross mortgage loan portfolio as of 31 October 2023. The levy is payable on the first month of each calendar quarter in 2024 in the amount of EUR 2.2 million quarterly.

The Group has concluded that the levy in not an expense for 2023 and should be expensed based on the calculated amounts in the respective quarters in 2024 as the obligation for the Group to pay arises only if it is liable to declare on the respective dates in 2024.

Citadele approves the Fifth Unsecured Subordinated Bond Programme

The Management Board of the Bank has approved the Fifth Unsecured Subordinated Bond Programme. The total size of the program is up to EUR 60 million with a maturity of up to 10 years. The first issuance of subordinated bonds under the programme is expected to take place in 2024 subject to market conditions. The proceeds are intended to be used by Citadele to further strengthen its regulatory capital structure.

Citadele decides to increase capital in Swiss subsidiary classified as held for sale

Subsequent to the year end, on 14 March 2024, the Management Board of the Bank decided to increase the capital of its Swiss subsidiary Kaleido Privatbank AG by CHF 3.0 million. Kaleido Privatbank AG is classified in these financial statements as discontinued operations held for sale. The capital increase is intended to support operations until the sale of the subsidiary.

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Independent Auditors' Report

To the shareholders of AS "Citadele banka"

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of AS "Citadele banka" ("the Bank") and accompanying consolidated financial statements of the Bank and its subsidiaries ("the Group") set out on pages 18 to 91 of the accompanying separate and consolidated Annual Report, which comprise:

— the separate and consolidated balance sheets as at 31 December 2023,

— the separate and consolidated statements of income for the year then ended,

— the separate and consolidated statements of comprehensive income for the year then ended,

— the separate and consolidated statements of changes in equity for the year then ended,

— the separate and consolidated statements of cash flows for the year then ended, and

— the notes to the separate and consolidated financial statements, which include a summary of material accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Bank and the Group, respectively, as at 31 December 2023, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Impairment of loans to public, and provisions for off-balance sheet items (separate and consolidated financial statements)	
Key audit matter	***Our response***
Impairment allowances and provisions represent the Management Board's best estimate of the expected credit losses within the loans to public and off-balance sheet items at the reporting date. We focused on this area as the determination of impairment loss allowances and provisions requires significant judgments from the Management Board over both the timing of recognition and the specific amounts, especially considering the current uncertain economic environment within which the Bank and the Group operates. In accordance with IFRS 9, the Bank and the Group calculates impairment allowances and provisions for off-balance sheet items based on expected credit losses ("ECLs"). ECLs are determined by the modelling techniques and estimated mainly based on the historical pattern of losses and changes in loan risk characteristics based on qualitative and quantitative indicators such as the probability of default ("PD") and loss given default ("LGD"). The Bank and the Group incorporates forward looking information into modelling techniques applied and as well applies post-model adjustments, where it is deemed appropriate. Individual impairment allowances recognized by the Bank and the Group often relate to large, individually	Our audit procedures included, among others: With respect to the Impairment of loans to public, and provisions for off-balance sheet items in general: — inspecting the Group's expected credit losses ("ECL") impairment provisioning methodology and assessing its compliance with the relevant requirements of IFRS 9; — assessing and testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of credit exposures, including, but not limited to, those over loan risk monitoring, identification of loss events, and the calculation of the impairment loss allowances; — assessing whether the definition of default and the staging criteria were consistently applied and in line with the requirements of IFRS 9; — making relevant inquiries of the Group's risk management and information technology (IT) personnel in order to obtain an understanding of the impairment allowances and provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Assessing and testing the Group's IT control environment for data security and access, assisted by our own IT specialists. We involved our own financial risk modelling and IT specialists in the following: — testing the underlying significant impairment models and assessing the reasonableness; — evaluating the appropriateness of the Bank's and the Group's IFRS 9 impairment methodologies; — reperforming and inspecting model code for the calculation of certain components of the ECL model;

monitored, corporate exposures, where the Bank and the Group is assessing ECLs on an individual basis. The assessment is therefore based on the knowledge about each individual borrower and often on estimation of the fair value of the related collateral.

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

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

- evaluating whether the changes were appropriate by assessing the updated model methodology;
- assessing reasonableness of the models' predictions by comparing the outcomes for preceding reporting period against actual results and evaluating significant discrepancies if any.

For loans assessed on an individual basis:

- selecting a sample of individual exposures, with focus on those with the greatest potential impact on the financial information due to their magnitude and risk characteristics like restructurings, as well as lower value items which we independently assessed as high-risk;
- for non-credit impaired exposures, for which the credit risk has not significantly increased since the initial recognition ("stage 1") and non-credit impaired exposures, for which the credit risk has significantly increased since the initial recognition ("stage 2"), within the sample selected, critically assessing the existence of any evidence of credit-impairment as at 31 December 2023, by reference to the underlying documentation and through discussion with the Management Board and credit risk personnel and taking into consideration business operations of the respective customers as well as market conditions and historical repayment pattern;
- for stage 3 (credit impaired) exposures in our sample, challenging key assumptions applied in the Bank's and the Group's estimates of future cash flows. We sought the Management Board's and credit risk personnel's explanations for any material discrepancies identified as a result of the above procedures.

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

- testing the underlying impairment models, assessed as significant, including model approval processes, including the calculation of main risk parameters (probability of default (PD), loss given default (LGD) and exposure at default (EAD)) and macroeconomic factors;
- obtaining the relevant forward looking information and macroeconomic forecasts used in the Bank's and the Group's ECL assessment. Independently assessing the information by means of corroborating inquiries of the Management Board and through inspection of publicly available information;
- challenging LGD and PD parameters, by assessing historical default levels and by reference to historical realized losses on defaults based on collateral realisation

and non-performing loans sales arrangements as well as challenging collateral valuation inputs;

- for a sample of exposures, assessing the appropriateness of the staging;
- for a sample of exposures tested collectively, assessing the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models;
- for post model adjustments, considering the size and complexity of economic uncertainties related overlay, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data.

In order to assess loss allowances in totality:

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

Reporting on Other Information

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

- Key figures and events as set out on page 2 of the accompanying separate and consolidated Annual Report,
- the Management Report consisting of Letter from Management, Corporate governance, and Statement on Management's Responsibility, as set out on pages 4 to 17 of the accompanying separate and consolidated Annual Report,
- the Other regulatory disclosures, as set out on pages 101 to 104 of the accompanying separate and consolidated Annual Report,
- the Quarterly statements of income and balance sheets of the Group, as set out on page 105 of the accompanying separate and consolidated Annual Report,

— the Statement of Corporate Governance, as set out in a separate statement prepared by management available on the Bank's website www.citadele.lv,

— Sustainability Report, as set out in a separate statement prepared by the Management Board, available on the Bank's website www.citadele.lv.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

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

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

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia – "Regulations on the Preparation of Annual Reports and Annual Consolidated Annual Reports for Banks, Investment Brokerage Firms and Investment Management Companies' ("Regulation No. 113").

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

— the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and

— the Management Report has been prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia – "Regulations on the Preparation of Annual Reports and Annual Consolidated Annual Reports for Banks, Investment Brokerage Firms and Investment Management Companies' ("Regulation No. 113").

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.2 third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.2 third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia.

Furthermore, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to Sustainability report our responsibility is to report whether the Bank and the Group have prepared the Sustainability report and whether the Sustainability report is included in the management Report or prepared as a separate element of the separate and consolidated

Annual Report or is included in the consolidated non-financial statement of the Group's ultimate parent company.

We report that the Bank's and Group's Sustainability Report has been prepared and is available on the Bank's website, www.citadele.lv.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements

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

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

— Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 23 November 2022 to audit Bank's separate and Group's consolidated financial statements for the year ended 31 December 2023. Our total uninterrupted period of engagement is 11 years, covering the periods ending 31 December 2013 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank and the Group;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Bank and the Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity and group in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Bank and Group in addition to the audit, which have not been disclosed in the Management Report or in the separate and consolidated financial statements of the Bank and the Group.

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

Report on the Auditors' Examination of the European Single Electronic Format (ESEF) Report

In addition to our audit of the accompanying consolidated financial statements, as included in the consolidated Annual Report, we have also been engaged by the management of the Group to express an opinion on compliance of the consolidated financial statements prepared in a format that enables uniform electronic reporting ("the ESEF Report") with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance for the ESEF Report

Management is responsible for the preparation of the consolidated financial statements in a format that enables uniform electronic reporting that complies with the RTS on ESEF. This responsibility includes:

— the preparation of the consolidated financial statements in the applicable xHTML format;

— the selection and application of appropriate iXBRL tags, using judgment where necessary;

— ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and

— the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the financial reporting process.

Auditors' Responsibility for the Examination of the ESEF Report

Our responsibility is to express an opinion on whether the ESEF report complies, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)* issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

— obtaining an understanding of the tagging process;

— tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;

— evaluating the completeness of the Group's tagging of the consolidated financial statements;

— evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

— evaluating the use of anchoring in relation to the extension elements; and

— evaluating the appropriateness of the format of the consolidated financial statements.

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

Opinion

In our opinion, the ESEF Report of the Group as at and for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

KPMG Baltics SIA
Licence No. 55

Anders Tagde	Rainers Vilāns
Partner	Latvian Sworn Auditor
KPMG Baltics SIA authorised representative	Certificate No. 200
Riga, Latvia	

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

OTHER REGULATORY DISCLOSURES

Besides financial, corporate governance and other disclosures included in these financial statements 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 Group**	**2022 Group** Restated for IFRS 17	**2023 Bank**	**2022 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

	EUR thousands	31/12/2023 Group	31/12/2022 Group Restated for IFRS 17	31/12/2023 Bank	31/12/2022 Bank
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.	*Including loans to public and credit institutions*	-	-	-	-
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.	*Including loans to public and credit institutions*	*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	13,827
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	*Including deposits from customers and credit institutions*	*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	*Including deposits from customers and credit institutions*	*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 Group	2022 Group	2023 Bank	2022 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 before reporting period and any losses accumulated up to the reporting date are included; 2023 audited profits will become eligible for inclusion in the regulatory capital after the institution will take a formal decision confirming the final profit or loss for the year; 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 Group	31/12/2022 Group	31/12/2023 Bank	31/12/2022 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)	**18.7%**	**16.7%**	**23.0%**	**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)	**18.7%**	**16.7%**	**23.0%**	**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)	**21.1%**	**19.2%**	**26.4%**	**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	18.7%	16.7%	23.0%	21.4%
5.3	Tier 1 capital ratio including line 5.1 adjustments	18.7%	16.7%	23.0%	21.4%
5.4	Total capital ratio including line 5.1 adjustments	21.1%	19.2%	26.4%	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

Supervisory Board

Internal Audit

Chief Executive Officer (MB)

Chief Corporate Commercial Officer (MB)
- Baltic Corporate
- Baltic Transaction Banking
- Baltic Leasing
- Corporate Internal Risk Control
- Baltic Financial Markets

Chief Retail Commercial Officer (MB)
- Baltic Mortgage
- Baltic Competence Center
- Baltic Customer Excellence Center
- Baltic Sales & Customer Service
- Baltic Private Banking
- Baltic Savings & Insurance

Chief Technology & Operations Officer (MB)
- IT Technology
- IT Security
- Project Management Office
- Data Architecture & Delivery
- Administrative Service (Facilities)
- Operations

Chief Risk Officer (MB)
- Risk management

Chief Strategy Officer (MB)
- Business Development
- Digital Ventures

Chief Compliance Officer (MB)
- Compliance

Chief Financial Officer (MB)
- Finance
- Financial Institutions
- Operational Excellence Department
- Loan Recovery
- Treasury

- Human Resources
- Marketing & Communications
- Investors Relations & ESG
- Legal

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.