Important Notice

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If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriately authorised independent financial adviser.

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INTENDED ADDRESSEES - THIS BASE PROSPECTUS AND ANY OFFER OF THE SECURITIES PURSUANT TO IT ARE ONLY ADDRESSED TO AND DIRECTED AT, AND MAY ONLY BE DISTRIBUTED TO OR ACTED ON BY, (i) PERSONS IN LATVIA, ESTONIA AND LITHUANIA; AND (ii) PERSONS LOCATED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "**EEA**") (OTHER THAN IN LATVIA, ESTONIA AND LITHUANIA) WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(E) OF THE PROSPECTUS REGULATION (REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 14 JUNE 2017 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET, AND REPEALING DIRECTIVE 2003/71/EC) (INCLUDING ANY RELEVANT DELEGATED REGULATIONS) ("**QUALIFIED INVESTORS**").

ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS ELECTRONIC TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS BASE PROSPECTUS, THIS BASE PROSPECTUS AND ANY FINAL TERMS MAY NOT BE ADDRESSED TO AND THE BONDS SHALL NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, TO ANY RUSSIAN OR BELARUSIAN NATIONAL OR NATURAL PERSON RESIDING IN RUSSIA OR BELARUS, OR ANY LEGAL PERSON, ENTITY OR BODY ESTABLISHED IN RUSSIA OR BELARUS (EXCEPT TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, SUCH AS COUNCIL REGULATION (EU) NO 833/2014 OF 31 JULY 2014 CONCERNING RESTRICTIVE MEASURES IN VIEW OF RUSSIA'S ACTIONS DESTABILISING THE SITUATION IN UKRAINE, AS AMENDED) AND REGARDLESS OF NATIONALITY, RESIDENCE OR ESTABLISHMENT, TO ANY PERSON TO WHOM SUCH OFFERING, SALE, TRANSFER OR DELIVERY OF THE BONDS IS RESTRICTED OR PROHIBITED BY INTERNATIONAL SANCTIONS, NATIONAL TRANSACTION RESTRICTIONS OR OTHER SIMILAR MEASURES ESTABLISHED BY AN INTERNATIONAL ORGANISATION OR ANY COUNTRY (INCLUDING THE EUROPEAN UNION, THE UNITED NATIONS OR THE UNITED STATES).

ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES (WHICH TERM INCLUDES THE TERRITORIES, THE POSSESSIONS, AND ALL OTHER AREAS SUBJECT TO THE JURISDICTION OF THE UNITED STATES) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED).

Confirmation of your representation: This Base Prospectus is being accessed by you via electronic transmission at your request and by accessing, reading or making any other use of the Base Prospectus, you shall be deemed to have represented to us that:

1. you have understood and agree to the terms set out herein; AND

2. that the e-mail address to which, pursuant to your request, the attached document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; AND

3. you are a person residing in Latvia, Estonia or Lithuania, or a Qualified Investor in the Member Sate of the EEA other than Latvia, Estonia and Lithuania and you are neither a person located in the United States, Russia or Belarus, nor a U.S. person, Russian or Belarusian national or natural person residing in Russia or Belarus, or any legal person, entity or body established in Russia or Belarus, and you are not purchasing any of the securities for, or for the account or benefit of, any such person; AND

4. that you consent to delivery of the Base Prospectus by electronic transmission; AND

5. you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with our consent; AND

6. you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person and, in particular, (i) to any U.S. address, (ii) to any other person who is not a Qualified Investor inside the EEA (except in the case of persons in Latvia, Estonia or Lithuania) nor (iii) any other person who is Russian or Belarusian national or natural person residing in Russia or Belarus, or any legal person, entity or body established in Russia or Belarus. Failure to comply may result in a direct violation of the U.S. Securities Act of 1933, as amended or the applicable laws of another jurisdiction.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

MiFID II product governance / target market: Solely for the purposes of each manufacturers' product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended from time to time ("**MiFID II**") and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Bonds to retail clients are appropriate – investment advice, portfolio management and non-advised sales and pure execution services, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither AS "Citadele banka", nor any person who controls any of the foregoing, nor any director, officer, employee nor agent of any of the foregoing or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hardcopy version available to you on request from AS "Citadele banka". By accessing the Base Prospectus, you consent to its delivery in electronic form (and any amendments or supplements thereto by electronic transmission). You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The distribution of this Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required to inform themselves about, and to observe, any such restrictions. Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Persons into whose possession the attached document comes are required by us to inform themselves about, and to observe, any such restrictions.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the reply function on your e-mail software, will be ignored and rejected.

Base Prospectus dated 20 March 2024

Citadele

AS "Citadele banka"

(incorporated with limited liability and registered in Latvia, with registration number 40103303559)

€ 60,000,000
Fifth Unsecured Subordinated Bonds Programme

Under this € 60,000,000 (sixty million euro) Fifth Unsecured Subordinated Bonds Programme (the "**Programme**") described in this base prospectus (the "**Base Prospectus**"), AS "Citadele banka", a limited company/joint stock company incorporated in, and operating under the laws of, the Republic of Latvia, and registered with the Commercial Register of Latvia under the registration number: 40103303559, legal address: Republikas laukums 2A, Riga, LV-1010, Latvia, telephone: +371 67010000, e-mail: info@citadele.lv, website: www.citadele.lv ("**Citadele**"), subject to compliance with all relevant laws and regulations, may issue and offer publicly in Latvia, Estonia and Lithuania from time to time in one or several series (the "**Series**") non-convertible unsecured and unguaranteed subordinated bonds denominated in EUR, having maturity of 10 years and with fixed interest rate (the "**Bonds**"). The maximum aggregate nominal amount of all Bonds outstanding issued under the Programme shall not at any time exceed € 60,000,000.

References herein to "this Base Prospectus" shall, where applicable, be deemed to be references to this Base Prospectus as supplemented or amended from time to time. To the extent not set forth in this Base Prospectus, the specific terms of any Bonds will be included in the relevant final terms (the "**Final Terms**") (a form of which is contained herein) therefore the prospectus relating to Series issued under the Programme consists of this Base Prospectus and the respective Final Terms. The language of this Base Prospectus is English. The offering of the Bonds under the Programme pursuant to the Base Prospectus and the applicable Final Terms shall be hereinafter referred to as the "**Offer**".

The Bonds may be issued in such denominations as may be specified in the relevant Final Terms save that the minimum denomination of each Bond shall be €1,000. The Bonds shall be governed by Latvian law. Each Series may comprise one or more tranches of Bonds (each a "**Tranche**").

This Base Prospectus has been registered with and approved as a base prospectus by the Bank of Latvia (In Latvian – *Latvijas Banka*) (the "**BL**") in its capacity as the competent authority in Latvia for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the "**Prospectus Regulation**"), *inter alia* in accordance with the requirements of the Financial Instruments Market Law of the Republic of Latvia of 2003, as amended (the "**Latvian Financial Instruments Market Law**"), and Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004, as amended (the "**Delegated Regulation**"). The BL has approved this Base Prospectus, but it is not liable for the correctness of the information presented therein. Citadele has requested that the BL notifies this Base Prospectus to the competent authority in Lithuania (the Bank of Lithuania (In Lithuanian - *Lietuvos Bankas*) (the "**Bank of Lithuania**")) and to the competent authority in Estonia (Estonian Financial Supervision and Resolution Authority (in Estonian - *Finantsinspektsioon*) (the **"EFSA"**)**)**, provide them with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Regulation.

Application will be made to the Nasdaq Riga AS, registration number: 40003167049, legal address: Vaļņu 1, Riga, LV-1050, Latvia (**"Nasdaq Riga"**) for admitting each Tranche to listing and trading on the official bond list (Baltic Bond List) of Nasdaq Riga according to the requirements of Nasdaq Riga not later than within 3 (three) months after the Issue Date of the respective Tranche. Trading of the respective Tranche on the Baltic Bond List of the Nasdaq Riga Stock Exchange is expected to commence within 1 (one) month after the above-mentioned application has been made. All dealings in the Bonds of the respective Tranche prior to the commencement of unconditional dealings on the Baltic Bond List of the Nasdaq Riga Stock Exchange may be in the form of private over-the-counter transactions and will be at the sole risk of the parties concerned. Nasdaq Riga Stock Exchange is a regulated market for the purposes of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended from time to time (**"MiFID II"**). Unless the context requires otherwise, references in this Base Prospectus to Bonds being "listed" (and all related references) shall mean that such Bonds have been listed and admitted to trading on the Baltic Bond List of the Nasdaq Riga Stock Exchange as may be specified in the applicable Final Terms.

This Base Prospectus has been drawn up and published by Citadele in connection with the public offering in Latvia, Lithuania and Estonia and listing of the Bonds. Except where specified otherwise, capitalised words and expressions in this Base Prospectus have the meaning given to them in the section entitled "*Glossary of Terms*". This Base Prospectus and any supplement thereto will be published on the website of (a) the BL (www.bank.lv) and (b) Citadele (www.cblgroup.com) and copies may be obtained at the registered office of the Citadele during normal business hours on any weekday. See the section entitled "*Important Information About This Base Prospectus"* for more information.

The Bonds shall be issued in the bearer dematerialised form and registered with Nasdaq CSD SE, registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia (the "**Nasdaq CSD**") in book-entry form with the securities settlement system governed by Latvian law (the "**Latvian SSS**"). Investors may hold Bonds through Nasdaq CSD participants participating in Latvian SSS. See the section entitled "*General Terms and Conditions of the Bonds*" for more information.

The Bonds are subordinated to all unsubordinated claims against Citadele at all times (for the purposes of clarity, the Bonds are not subordinated to claims that are subordinated to the Bonds or have the same ranking as the Bonds) and Citadele's obligations under the Bonds constitute subordinated liabilities within the meaning of the Credit Institutions Law of the Republic of Latvia of 1995, as amended (the "Latvian Credit Institutions Law"). The net proceeds from the Bonds will be used by Citadele for the purposes specified in section entitled "*General Terms and Conditions of the Bonds — Reasons for the Offer and Use of Proceeds*" below and as its subordinated capital and thus the Bonds will be recognized as Tier 2 instruments within the meaning of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended (the "CRR") or any other applicable rules. The subordination of the Bonds means that in the event of liquidation or insolvency of Citadele, all the claims arising from the Bonds shall become collectible and shall be satisfied only after full satisfaction of all unsubordinated recognised claims against Citadele but before satisfaction of the claims of Citadele's shareholders in their capacity as Citadele's shareholders in accordance with the applicable law. Therefore, upon liquidation or insolvency of Citadele, the holders of the Bonds (the "Bondholders") will not be entitled to any payments due under the Bonds until full and due satisfaction of all the unsubordinated claims against Citadele, except the claims of Citadele's shareholders in their capacity as Citadele's shareholders. By subscribing to the Bonds, all investors unconditionally and irrecoverably agree to such subordination of claims arising from the Bonds. As long as there are no liquidation or insolvency proceedings initiated against Citadele, all claims arising from the Bonds shall be satisfied by Citadele in accordance with the general terms and conditions of the Bonds as described in the section entitled „*General Terms and Conditions of the Bonds*" (the „General Terms and Conditions of the Bonds"), the applicable Final Terms and the applicable law. Please be advised that no funds may be left to satisfy the claims of the Bondholders after all or part of unsubordinated claims have been satisfied. Accordingly, any and all restrictions applicable to the subordinated liabilities of a credit institution and Tier 2 instruments as may be provided in the Latvian Credit Institutions Law, CRR and any other applicable rules will be applicable to the Bonds and Citadele's obligations arising out of the Bonds. The Bonds to the extent they are recognized as Tier 2 instruments within the meaning of the CRR rank *pari passu* with other existing and future unsecured and unguaranteed subordinated obligations of Citadele recognized as Tier 2 instruments within the meaning of the CRR. See the section entitled "*General Terms and Conditions of the Bonds —Ranking and Subordination"* for more information.

The Bonds may be redeemed prematurely by Citadele on the grounds set forth in this Base Prospectus. See the section entitled "*General Terms and Conditions of the Bonds —Maturity and Redemption"* for more information.

Investing in the Bonds issued under the Programme involves a high degree of risk and may not be suitable for all investors. See section entitled "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. While every care has been taken to ensure that this Base Prospectus presents a fair and complete overview of the risks related to Citadele, the operations of Citadele and its Subsidiaries (the "Citadele Group") and to the Bonds, the value of any investment in the Bonds may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Base Prospectus.

This Base Prospectus and any Final Terms do not constitute an offer to sell, or a solicitation of an offer to buy, the Bonds in any jurisdiction in which such offer or solicitation would be unlawful. Notwithstanding anything to the contrary contained in this Base Prospectus, this Base Prospectus and any Final Terms may not be addressed to and the Bonds shall not be offered, sold, transferred or delivered, directly or indirectly, to any Russian or Belarusian national or natural person residing in Russia or Belarus, or any legal person, entity or body established in Russia or Belarus (except to the extent permitted by applicable laws and regulations, such as Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, as amended) and regardless of nationality, residence or establishment, to any person to whom such offering, sale, transfer or delivery of the Bonds is restricted or prohibited by international sanctions, national transaction restrictions or other similar measures established by an international organisation or any country (including the European Union, the United Nations or the United States). The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended or the securities laws of any state of the United States or other jurisdiction, and the securities may not be offered, sold or delivered at any time, directly or indirectly, within the United States (which term includes the territories, the possessions, and all other areas subject to the jurisdiction of the United States) or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the United States Securities Act of 1933, as amended). Neither the U.S. Securities and Exchange Commission nor any state securities commission in the United States, nor any other U.S. regulatory authority, has approved or disapproved of the Bonds, or passed upon or endorsed the merits of the offer of the Bonds or determined that this Base Prospectus and any Final Terms are accurate or complete. Any representation to the contrary is a criminal offence in the United States.

This Base Prospectus shall be valid for 12 months after its approval by the BL for offers to the public. Citadele shall not be obligated to supplement this Base Prospectus in the event of significant new facts, material mistakes or material inaccuracies after the end of the validity period of this Base Prospectus.

Table of Contents

1. Important Information About This Base Prospectus 10

1.1. General 10
1.2. Responsibility Statement 11
1.3. Applicable Law and Dispute Resolution 12
1.4. Registration and Approval of the Base Prospectus 12
1.5. Use of the Base Prospectus 12
1.6. Documents on Display 12
1.7. Presentation of Information 13
1.8. Advisors 15

2. Notice to Investors and Restrictions on Distribution 16

3. Risk Factors 19

3.1. Introduction 19
3.2. Economic and Market Environment Risks 19
3.3. Risks Relating to Citadele Group's Strategy, Brand and Business 24
3.4. Regulatory, Tax, Financial Statement and Legal Risks 34
3.5. Risks Relating to the Bonds, Offer and Listing 45

4. General Terms and Conditions of the Offer 50

4.1. General Description of the Programme 50
4.2. Right to participate in the Offer 50
4.3. Minimum Investment Amount 50
4.4. Placement account 50
4.5. Offer Period 50
4.6. Submission of Purchase Orders 51
4.7. Purchase Orders and Invalid Purchase orders 51
4.8. Cancellation of the Offer 51
4.9. Allotment 51
4.10. Settlement and Delivery 52
4.11. Information About the Results of the Offer 52

5. General Terms and Conditions of the Bonds 53

5.1. General 53
5.2. Type, Class and ISIN Code 53
5.3. Form and Registration 53
5.4. Currency and Nominal Value 53
5.5. Security 53
5.6. Applicable Law and Dispute Resolution 54
5.7. Transferability 54

5.8. Rights Attached to the Bonds and limitations to rights 54
5.9. Ranking and Subordination 56
5.10. Interest and Yield 56
5.11. Maturity and Redemption 57
5.12. Issue Date and Issue Price 58
5.13. Taxation 58
5.14. Publication of the Final Terms 59
5.15. Admission to Listing and Trading 59
5.16. Estimated Expenses Charged to the Investors 59
5.17. Underwriting 59
5.18. Force Majeure 60
5.19. Further Issues 60
5.20. Purchases 60
5.21. Notices 60
5.22. Interests of Natural and Legal persons in the Offer 60
5.23. Reasons for the Offer and Use of Proceeds 61
6. Corporate information, Shares and Share Capital 62
6.1. General Corporate Information 62
6.2. Articles of Association 62
6.3. Share Capital and Shareholders 62
6.4. Citadele's Objects and Purposes 63
6.5. Credit Ratings 63
7. Corporate Governance 64
7.1. General 64
7.2. Supervisory Board 64
7.3. Management Board 70
7.4. Remuneration information 72
7.5. Conflicts of Interest 74
7.6. Corporate Governance Rules 75
7.7. Risk Management 76
7.8. Capital Adequacy Management 87
8. Overview and Business Description 91
8.1. Overview 91
8.2. Historical Timeline and Milestone Events 91
8.3. Structure of Citadele Group 93
8.4. Business segments, strategy and principal markets 94
8.5. Selected Financial Information 102
8.6. Competition 104

8.7. Key strengths ... 105
8.8. Premises ... 110
8.9. Information systems and cybersecurity ... 111
8.10. Employees ... 113
8.11. Intellectual property ... 114
8.12. Principal investments since 2020 ... 114
8.13. Environmental, Social and Governance (“ESG”) ... 114
8.14. Insurance Coverage ... 117
8.15. Material Agreements ... 117
9. Financial and Trend Information ... 120
9.1. Historical Financial Information ... 120
9.2. Independent Auditors ... 120
9.3. Material Legal and Arbitration Proceedings ... 120
9.4. Significant Changes in Financial Position of Citadele ... 120
9.5. Trend Information ... 120
9.6. Future Outlook ... 120
10. Form of the Final Terms ... 121
11. Taxation ... 125
12. Macro-Economic Profile of the Baltic States and Outline of the Baltic Banking Sector ... 133
12.1. Macro-economic profile of the Baltic States ... 133
12.2. Outline of the Baltic Banking Sector ... 138
13. Glossary of Terms ... 141
14. Index of Schedules ... 148

1. Important Information About This Base Prospectus

1.1. General

This Base Prospectus has been approved by the Bank of Latvia ("**BL**"), as competent authority under the Prospectus Regulation and only as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval of this Base Prospectus by BL should not be considered as an endorsement of the quality of the Bonds that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds. The BL will notify the European Securities and Markets Authority ("**ESMA**") and the competent authority of Lithuania and Estonia for passporting in accordance with Articles 24 and 25 of the Prospectus Regulation.

Each prospective investor, by accepting delivery of this Base Prospectus and any Final Terms, agrees that this Base Prospectus and any Final Terms are being furnished by Citadele solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds. Any reproduction or distribution of this Base Prospectus and/or any Final Terms, in whole or in part, any disclosure of their contents or use of any information herein for any purpose other than considering an investment in the Bonds is prohibited, except to the extent that such information is otherwise publicly available.

This Base Prospectus and any Final Terms are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by Citadele that any recipient of this Base Prospectus and any Final Terms should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Base Prospectus and any Final Terms, and its purchase of Bonds should be based upon such investigation, as it deems necessary.

This Base Prospectus and any Final Terms are issued in compliance with the Latvian Financial Instruments Market Law and the Prospectus Regulation, for the purpose of giving information with regard to Citadele Group and the Bonds. This Base Prospectus should be read and construed together with any supplement hereto and with any other documents attached herein and with the relevant Final Terms.

In making an investment decision regarding the Bonds, prospective investors must rely on their own examination, analysis and enquiry of Citadele Group and the terms of the Offer, including the merits and risks involved, and prospective investors should rely only on the information contained in this Base Prospectus and any Final Terms. Citadele and Citadele Group has not authorised any person to provide prospective investors with different information or to give any information or to make any representation not contained in this Base Prospectus and any Final Terms. If anyone provides prospective investors with different or inconsistent information or makes any such representation, prospective investors should not rely on such information and representation. Prospective investors should assume that the information appearing in this Base Prospectus and any Final Terms is accurate only as of their date. Citadele Group's business, financial condition, results of operations, prospects and the information set forth in this Base Prospectus and any Final Terms may have changed since the date hereof. Neither the delivery of this Base Prospectus and any Final Terms nor any offer, sale or delivery of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in Citadele Group's affairs since the date hereof or that the information contained in this Base Prospectus and any Final Terms is correct as of a date after their date.

Citadele may have included its own estimates, assessments, adjustments and judgements in preparing some of the market information contained in this Base Prospectus and any Final Terms, which has not been verified by an independent third party. Market information that may be included herein is, therefore, unless otherwise attributed to a third party source, to a certain degree subjective. Whilst Citadele believes that its own estimates, assessments, adjustments and judgements are reasonable and that the market information prepared by it generally reflects the industry and the markets in which Citadele operates, there is no assurance that Citadele's own estimates, assessments, adjustments or judgements are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

Prospective investors should not consider any information in this Base Prospectus and any Final Terms to be investment, business, legal or tax advice. Prospective investors should consult their own professional advisers (counsels, accountants and other advisers for legal, tax, business, financial and related advice) before making any investment decision with regard to the Bonds, among other things, to consider such investment decision in light of their personal circumstances and in order to determine whether or not such prospective investor is eligible to purchase, subscribe for, or hold the Bonds.

None of Citadele, or any of its respective affiliates or advisers, makes any representation to any offeree or purchaser of the Bonds regarding the legality of an investment in the Bonds by such offeree or purchaser under appropriate investment or similar laws. This Base Prospectus should not be considered as a recommendation by Citadele or any of its respective affiliates or advisers that any recipient of this Base Prospectus should purchase, or subscribe for, any Bonds. Each investor should consult with his or her own professional advisors as to the legal, tax, business, financial and related aspects of a purchase of the Bonds. Citadele reserves the right to reject any offer to purchase the Bonds, in whole or in part, for any reason and to sell to any prospective investor less than full amount of the Bonds sought by such investor (other than those offers, if any, set out in "*General Terms and Conditions of the Offer —Allotment —Guaranteed Allocations*").The Base Prospectus and any Final Terms do not constitute or form part of an offer to sell, or a solicitation of an offer to buy, any security other than the Bonds under this Base Prospectus.

MiFID II product governance / target market: Solely for the purposes of each manufacturers' product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in MiFID II and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Bonds to retail clients are appropriate – investment advice, portfolio management and non-advised sales and pure execution services, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

1.2. Responsibility Statement

Citadele, represented by the members of its Management Board (being, at the date of this Base Prospectus, Mr. Johan Åkerblom, Mr. Valters Ābele, Mr. Slavomir Mizak, Mr. Vladislavs Mironovs, Ms. Jūlija Lebedinska-Ļitvinova, Ms. Rūta Ežerskienė and Mr. Vaidas Žagūnis) accepts responsibility for the information contained in this Base Prospectus, and having taken all reasonable care to ensure that such is the case, Citadele and its Management Board confirm that the information contained in this Base Prospectus is, to the best of Citadele's knowledge and the knowledge of the members of the Management Board, in accordance with the facts and contains no omissions likely to affect its import.

Riga, 20 March 2024

Management Board of AS "Citadele banka":

Johan Åkerblom

Chairman of the Management Board, Chief Executive Officer

Valters Ābele

Member of the Management Board, Chief Financial Officer

Slavomir Mizak

Member of the Management Board, Chief Technology and Operations Officer

Vladislavs Mironovs

Member of the Management Board, Chief Strategy Officer

Jūlija Lebedinska-Ļitvinova

Member of the Management Board, Chief Risk Officer

Rūta Ežerskienė

Member of the Management Board, Chief Retail Commercial Officer

Vaidas Žagūnis

Member of the Management Board, Chief Corporate Commercial Officer

1.3. Applicable Law and Dispute Resolution

This Base Prospectus has been drawn up by Citadele in accordance with and is governed by Latvian law, in particular, the Latvian Financial Instruments Market Law, Prospectus Regulation and Delegated Regulation, in particular the Annexes 6 and 14 of the Delegated Regulation. The Base Prospectus is comprised of a securities note of the Bonds drawn up in accordance with Annex 14 of the Delegated Regulation, and the registration document of Citadele drawn up in accordance with Annex 6 of the Delegated Regulation. Citadele will, as deemed necessary, supplement the Base Prospectus with updated information pursuant to the Latvian Financial Instruments Market Law. Any Final Terms will be drawn up by Citadele in accordance with and are governed by Latvian law and Prospectus Regulation.

Any disputes relating to or arising from this Base Prospectus and/or the Final Terms will be settled solely by the courts of the Republic of Latvia of competent jurisdiction.

1.4. Registration and Approval of the Base Prospectus

This Base Prospectus has been approved by the BL, as competent authority under the Prospectus Regulation, on 20 March 2024. The BL only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of Citadele and the quality of the Bonds that are the subject of this Base Prospectus.

1.5. Use of the Base Prospectus

This Base Prospectus is prepared solely for the purposes of the Offer of the Bonds issued under the Programme and admission to listing and trading of the Bonds on the Baltic Bond List of the Nasdaq Riga Stock Exchange. Citadele has not consented to the use of the Base Prospectus for subsequent resale or final placement of the Bonds by financial intermediaries.

No public offering of the Bonds is conducted in any jurisdiction other than Latvia, Lithuania and Estonia (where the public offering of the Bonds to institutional and retail investors takes place) therefore the dissemination of this Base Prospectus in other countries may be restricted or prohibited by law. This Base Prospectus may not be used for any other purpose than for making the decision of participating in the Offer or investing into the Bonds. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Base Prospectus without express written permission from the Citadele.

1.6. Documents on Display

Copies of the following documents during validity of this Base Prospectus, unless applicable laws and regulations require otherwise, will be available for inspection free of charge on Citadele's website: www.cblgroup.com and at the registered office of the Citadele during normal business hours on any weekday:

- this Base Prospectus; and
- the Final Terms, when issued; and
- Citadele's Articles of Association; and
- Citadele's audited consolidated financial statements as of and for the year ended in 31 December 2021 (prepared according to IFRS); and
- Citadele's audited consolidated financial statements as of and for the year ended in 31 December 2022 (prepared according to IFRS); and
- Citadele's audited consolidated interim financial report as of and for the six month period ended 30 June 2023; and
- Citadele's unaudited consolidated financial statements as of and for the year ended in 31 December 2023 (prepared according to IFRS); and

- Certain other additional documents and information related to this Base Prospectus, if any.

The registered office of Citadele is at Republikas laukums 2A, Riga, LV-1010, Latvia. The delivery of the printed version of the aforementioned documents is limited to jurisdictions in which the offer of the Bonds to the public is made.

1.7. Presentation of Information

Financial Information

The consolidated financial information of Citadele Group and the financial information of Citadele set forth herein has, unless otherwise indicated, been derived from Citadele's audited consolidated financial statements as of and for the year ended 31 December 2021 (the „**2021 Audited Consolidated Financial Statements**"), Citadele's audited consolidated financial statements as of and for the year ended 31 December 2022 (the „**2022 Audited Consolidated Financial Statements**"), Citadele's audited consolidated interim financial report as of and for the six months ended 30 June 2023 (the „**2023 Audited Consolidated Interim Financial Report for the six months**") and Citadele's unaudited consolidated financial statements as of and for the year ended 31 December 2023 (the "**2023 Unaudited Consolidated Financial Statements**") (all prepared according to International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union (the "**EU**")) as set forth in the Schedules to this Base Prospectus. References in this Base Prospectus to financial information for the years 2021, 2022 or 2023 refer to financial information as of or for the years ended 31 December 2021, 31 December 2022 and 31 December 2023, respectively, and references to financial information for the first half of 2023 refer to financial information as of or for the six months ended 30 June 2023.

References to "Citadele Group" and "Citadele"

In this Base Prospectus, references to "Citadele Group" mean Citadele and its Subsidiaries as listed in the section entitled "*Overview and Business Description —Structure of Citadele Group*", unless the context requires otherwise. References to "Citadele" or "Issuer" are to Citadele only.

Additional Definitions

For details of certain other defined terms used in this Base Prospectus, see the section entitled "*Glossary of Terms*".

Rounding and Percentages

Some numerical figures included in the financial statements and this Base Prospectus may 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 this Base Prospectus, Citadele may have included certain percentage figures for convenience purposes in comparing changes in financial and other data over time. However, certain percentages greater than 100% may have been excluded and replaced with a dash in the applicable tables. In addition, certain percentages may not sum to 100% due to rounding.

Third Party Information and Statement by Experts and Declarations of Any Interest

2021 Audited Consolidated Financial Statements, 2022 Audited Consolidated Financial Statements and 2023 Audited Consolidated Interim Financial Report for the six months attached to this Base Prospectus contain auditor's reports. See the section entitled "*Financial and Trend Information —Independent Auditors*" for more information on auditors. 2023 Audited Consolidated Financial Statements will be published on 20 March 2024.

Citadele has derived certain information in this Base Prospectus, including certain information and statistics concerning the Baltic banking market and its competitors, from private and publicly available information, including principally annual reports, industry publications, market research, press releases, filings under various securities laws and official data published by certain Latvian Government agencies. The main sources for such data used in this Base Prospectus are:

- European Commission Eurostat (ec.europa.eu/eurostat);

- The Bank of Latvia (www.bank.lv);
- The Bank of Lithuania (www.lb.lt);
- The Estonian Financial Supervision and Resolution Authority (www.fi.ee);
- International Monetary Fund (www.imf.org);
- Finance Latvia Association (www.financelatvia.eu);
- The World Bank (www.worldbank.org).

Where third-party information is set out, it has been sourced from official and industry sources and other sources which Citadele believes to be reliable. Such information, data and statistics have been accurately reproduced and, as far as Citadele is aware and is able to ascertain from relevant publicly available information published by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading. However, information provided by different third parties may not necessarily be comparable. Prospective investors are advised to use such information with caution.

Websites

The contents of (i) Citadele's or Citadele Group's websites or any websites directly or indirectly linked to Citadele's or Citadele Group's websites and (ii) the contents of the websites listed above, do not form part of this Base Prospectus.

Currency Presentation and Exchange Rate Information

Solely for the convenience of the reader, references in this Base Prospectus to "U.S. dollars" and "U.S.$" or "USD" are to the currency of the United States; and references to "Euro" and "EUR" or "€" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on the Functioning of the European Union. References to "Swiss Francs" and "CHF" are to the currency of Switzerland. Unless otherwise indicated, financial and statistical data included in this Base Prospectus are expressed in Euro. 2021 Audited Consolidated Financial Statements, 2022 Audited Consolidated Financial Statements, 2023 Audited Consolidated Interim Financial Report for the six months and 2023 Unaudited Consolidated Financial Statements for the third quarter are presented in Euro, which is Citadele's functional and presentation currency.

Forward Looking Statements

Certain statements in this Base Prospectus are not historical facts and are forward-looking statements which are based on the Citadele's Management Board's views and understanding of the Citadele Group and its operating environment and on the assumptions made based on the factors known to the Citadele's Management Board as of the date of this Base Prospectus. Forward-looking statements are identified by words such as "believe", "anticipate", "predict", "expect", "estimate", "intend", "plan", "will", "would", "may", "might", "could", "consider" or "likely" and variations of such words or any other similar expressions and statements, but these expressions are not the exclusive means of identifying such statements. Forward-looking statements may appear, without limitation, under the headings "*Risk Factors*", "*Corporate governance*" and "*Overview and Business Description*". Citadele may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. Examples of such forward-looking statements include, but are not limited to:

- statements of Citadele's or Citadele Group's plans, objectives or goals, including those related to its strategy, products or services;
- statements of future economic performance of Citadele or Citadele Group or the industries and markets in which it operates; and
- statements of assumptions underlying such statements.

Forward-looking statements that may be made by Citadele Group from time to time (but that are not included in this Base Prospectus) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, prospective investors should carefully consider such factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which Citadele operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, Citadele does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, except as required by law, the rules of the BL or the Nasdaq Riga. Citadele does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

The section entitled "*Risk Factors*" includes risks, uncertainties and other important factors, which may affect Citadele's and Citadele Group's business operations, financial position and/or business result. The risk factors described in the Base Prospectus do not necessarily include all risks and new risks may surface. If one or more of the risk factors described in this Base Prospectus or any other risk factors or uncertainties would materialise or any of the assumptions made would turn out to be erroneous, the Citadele's and Citadele Group's actual business result and/or financial position may differ materially from that anticipated, believed, estimated or expected.

1.8. Advisors

Legal Adviser to Citadele:

POGA.LEGAL

Attorney-at-law Edijs Poga Law Office
Republikas laukums 2A, Riga, LV-1010, Latvia
www.poga.legal

Adviser to Citadele Concerning the Programme and Joint Lead Manager:

LHV

AS LHV Pank
Tartu mnt 2, 10145 Tallinn, Estonia
www.lhv.ee

Advisors to Citadele are not liable for the correctness of the information presented and any representations made in this Base Prospectus and any Final Terms.

2. Notice to Investors and Restrictions on Distribution

General

This Base Prospectus and any Final Terms have been prepared by Citadele for use in connection with the Offer in Latvia, Lithuania and Estonia and the listing of the Bonds on the Baltic Bond List of Nasdaq Riga Stock Exchange. This Base Prospectus does not apply to any subsequent resale or final placement of the Bonds by financial intermediaries. This Base Prospectus has been approved by the BL and for the purposes of passporting the Offer to (a) Lithuania - notified to the Bank of Lithuania and (b) Estonia - notified to Estonian Financial Supervision and Resolution Authority with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Regulation.

The distribution of this Base Prospectus, any Final Terms and the offer and sale of the Bonds may be restricted by law in certain other countries and jurisdictions. The offer of the Bonds to the public will be made only in Latvia, Lithuania and Estonia; there will be no public offer of the Bonds in any other jurisdiction. Any person residing outside Latvia, Estonia and Lithuania may receive this Base Prospectus and any Final Terms only within the limits of applicable special provisions or restrictions. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Base Prospectus and any Final Terms nor any other offering material or advertisement in connection with the Bonds may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Base Prospectus and any Final Terms come should inform themselves about and observe any restrictions on the distribution of this Base Prospectus and any Final Terms and the offer and sale of the Bonds offered in the Offer. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Citadele and any of its respective affiliates or advisers are not making an offer to sell the Bonds or a solicitation of an offer to buy any of the Bonds to any person in any jurisdiction except where such an offer or solicitation is permitted. Accordingly, this this Base Prospectus and any Final Terms do not constitute an offer to subscribe for or buy any of the Bonds offered in the Offer to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Citadele or its representatives or advisers do not accept any legal responsibility whatsoever for any such violations, for any violation by any person, whether or not a prospective investor, of any such restrictions and whether or not such a person is aware of such restrictions. Prospective investors must comply with all applicable laws and regulations in force in any jurisdiction in which they purchase, offer or sell the Bonds or possess or distribute this Base Prospectus and any Final Terms. Prospective investors must obtain any consent, approval or permission required for their purchase, offer or sale of the Bonds under the laws and regulations in force in any jurisdiction to which they are subject or in which they make such purchases, offers or sales.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Bonds, or distribution of this Base Prospectus, any Final Terms or any supplementary prospectus or any amendment or supplement thereto in connection with the proposed resale of the Bonds or any other offering material in any country or jurisdiction where action for that purpose is required.

Notwithstanding anything to the contrary contained in this Base Prospectus, this Base Prospectus and any Final Terms may not be addressed to and the Bonds shall not be offered, sold, transferred or delivered, directly or indirectly, to any Russian or Belarusian national or natural person residing in Russia or Belarus, or any legal person, entity or body established in Russia or Belarus (except to the extent permitted by applicable laws and regulations, such as Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, as amended) and regardless of nationality, residence or establishment, to any person to whom such offering, sale, transfer or delivery of the Bonds is restricted or prohibited by international sanctions, national transaction restrictions or other similar measures established by an international organisation or any country (including the European Union, the United Nations or the United States).

This Base Prospectus and any Final Terms may not be distributed or published and, unless specifically otherwise stated in this Base Prospectus, the Bonds may not be, directly or indirectly, offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which such offer, sale, re-sale or transfer would be unlawful or require measures other than those required under Latvian laws, including, if applicable, the United States of America. Citadele reserves the right at its sole discretion to reject subscription to the Bonds, which it believes would cause the violation or breach of any law, rule or regulation for the time being in force.

European Economic Area

This Base Prospectus has been prepared on the basis that any offer of the Bonds (other than the offer of the Bonds in Latvia, Lithuania and Estonia) will be made pursuant to an exemption under Article 1(4) of the Prospectus Regulation, from the requirement to produce a prospectus for offers of the Bonds. Accordingly, any person making or intending to make an offer within the EEA of the Bonds which are the subject of an offering contemplated by the relevant Final Terms (other than the offer of the Bonds in Latvia, Lithuania and Estonia) may only do so in circumstances in which no obligation arises for Citadele to publish a prospectus pursuant to Article 3(1) of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Citadele has not authorised, nor does it authorise, the making of any offer of the Bonds in circumstances in which an obligation arises for Citadele to publish or supplement a prospectus for such offer.

In relation to each Member State of the EEA, an offer of any Bonds which are the subject of the Offer contemplated herein to the public in that Member State may not be made, except in the cases of Latvia, Lithuania and Estonia, and except that Citadele may make an offer to the public of the Bonds in that Member State under the following exemptions under the Prospectus Regulation: (a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation; (b) to fewer than 150 natural or legal persons per Member State (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of Citadele for any such offer; or (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, subject to obtaining the prior consent of Citadele for any such offer, provided that no such offer of Bonds shall result in a requirement for the publication by Citadele of a prospectus pursuant to Article 3(1) of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "an offer to the public" in relation to any Bonds in any Member State of the EEA shall have the meaning set out in Article 2(d) of the Prospectus Regulation. In the case of any Bonds being offered to a financial intermediary, as that term is used in Article 5(1) of the Prospectus Regulation, such financial intermediary will be deemed to have represented and agreed that the Bonds acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Bonds to the public other than their offer or resale in a Member State of the EEA to qualified investors who are not financial intermediaries as so defined or in circumstances in which the prior consent of Citadele has been obtained to each such proposed offer or resale. Citadele and its respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements, and agreements.

Each person in the Member State of the EEA (other than Latvia, Lithuania or Estonia) who receives any communication in respect of the Bonds or who acquires any Bonds under the offers contemplated in this Base Prospectus will be deemed to have represented, warranted and agreed to and with Citadele that it is a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation; and in the case of any Bonds acquired by it as a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, warranted and agreed that the Bonds acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State of the EEA other than qualified investors, as that term is defined in the Prospectus Regulation, or in circumstances in which the prior consent of Citadele has been given to the offer or resale; or where the Bonds have been acquired by it on behalf of persons in any Member State of the EEA other than qualified investors, the offer of those Bonds to it is not treated under the Prospective Regulation as having been made to such persons. Citadele and its affiliates and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified Citadele of such fact in writing may, with the consent of Citadele, be permitted to subscribe for or purchase the Bonds.

United States

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR

INDIRECTLY, WITHIN THE UNITED STATES (WHICH TERM INCLUDES THE TERRITORIES, THE POSSESSIONS, AND ALL OTHER AREAS SUBJECT TO THE JURISDICTION OF THE UNITED STATES) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED).

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFER OF THE BONDS OR DETERMINED IF THIS BASE PROSPECTUS AND ANY FINAL TERMS ARE TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

3. Risk Factors

3.1. Introduction

Investment in the Bonds involves a high degree of risk. Prospective investors should carefully review this Base Prospectus in its entirety and should, in particular, consider, among other things, all risks inherent in making such an investment, including the following risks and uncertainties, before deciding to invest in the Bonds. Prospective investors should be aware that the value of the Bonds and any income derived from them may go down as well as up and that investors may not be able to rely on their initial investment. If any of the following risks materialise, Citadele Group's business, prospects, financial condition, results of operations or cash flows, as well as Citadele's ability to fulfil its obligations under the Bonds could be materially adversely affected. In such a case, the value and the market price of the Bonds could also decline and investors could lose all or part of their investment.

Prospective investors should note that, although the factors described below represent the principal risks inherent in investing in the Bonds, there may be additional risks and uncertainties of which Citadele Group is currently unaware or currently considers immaterial and which may also have a material adverse effect on Citadele Group's business prospects, financial condition, results of operations or cash flows, therefore Citadele does not represent that the statements below regarding the risks of acquiring and/or holding any Bonds are exhaustive. The risk factors described below are not listed in any order of priority with regard to significance or probability.

Most of these risk factors are contingencies which may or may not occur and Citadele is not in a position to assess or express a view on the likelihood of any such contingency occurring. This Base Prospectus is not, and does not purport to be, investment advice or an investment recommendation to invest in the Bonds. Prospective investors should make their own independent review, analysis and evaluations of the risks associated with an investment in the Bonds and whether an investment into the Bonds is consistent with its financial needs and investment objectives and whether such investment is consistent with any rules, requirements and restrictions as may be applicable to that investor, such as investment policies and guidelines, laws and regulations of the relevant authorities, etc. Prospective investors should consult with their own professional advisers, if they consider it necessary.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only.

3.2. Economic and Market Environment Risks

Citadele Group is exposed to risk arising from changes in the economic environment

Citadele Group's business is affected by European and global economic conditions and future economic prospects, particularly in Latvia and the other Baltic States in which Citadele Group's revenue is predominantly generated. The Baltic States are currently all members of the Eurozone and are thus affected by economic and macroeconomic developments in the Eurozone.

External economic factors such as weak global macroeconomic conditions, domestic macroeconomic imbalances recessions, global financial market turmoil, volatility, high unemployment levels, reduced consumer and government spending levels, government monetary and fiscal policies, credit spreads, currency exchange rates, market indices, investor sentiment and confidence in the financial markets, reduced consumer confidence, the level and volatility of equity prices, demographic trends, commodity prices, interest rates, inflation rates, real estate prices, elevated energy prices, increased cost of living and related changes in customer behaviour and competitiveness in export sectors have affected and may continue to affect Citadele Group's business, financial performance and the activity level of Citadele Group's customers as well as the banking sectors in the Baltic States generally. For example, in 2022 and 2023, inflation in the Baltic States rose twice as fast as in the rest of Europe and exceeded 20%. As a result, purchasing power in the Baltics has declined and growth of the gross domestic product ("**GDP**") in the Baltic States has stagnated since beginning of 2022 and lagged behind other European countries. Furthermore, other factors or events may affect the Baltic, European and global economic conditions, including, but not limited to, heightened geopolitical tensions, war, acts of terrorism, disease, natural disasters or other similar events outside Citadele Group's control such as the COVID-19 pandemic, the ongoing war between Russia and Ukraine or geopolitical conflict in the Middle East. Economic conditions may also be affected by the changing demographics in the markets that Citadele Group serves, increasing social and other inequalities, or rapid changes to the economic environment due to the adoption of technology, automation and artificial intelligence, or due to climate change, environmental degradation, biodiversity loss and/or other sustainability risks.

Citadele Group has no control over economic or macroeconomic events and changing market conditions and may be unable to foresee, predict or adequately manage their effects. Weaker macroeconomic conditions such as the factors described above may, among other things, lead to a decline in Citadele Group's quality and loan portfolio growth, the ability of Citadele Group's customers to meet financial obligations (and result in a greater number of customers defaulting on their loans, increasing Citadele Group's credit losses). Similarly, market volatility may result in increased cost of funding and/or reduced availability of funding to Citadele Group, deterioration in the value and liquidity of assets (including collateral), uncertainty in pricing certain assets or products, higher provisioning for certain liabilities, including increased loan impairment charges, and overall slower growth and earnings. Customer behaviour, including demand for Citadele Group's product offerings and services, price sensitivity, adoption of digital products and more, may change in unpredictable ways as a result of macroeconomic conditions. Consequently, a market downturn or a worsening of the situation in the Baltic States, European or global economies may negatively impact or have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows, and limit Citadele's ability to implement its business strategy.

Russia's invasion of Ukraine poses regional geopolitical risk and any escalation of the ongoing war (or emergence of other international conflicts or hostilities) may disrupt and/or otherwise negatively impact the operations of Citadele Group and/or its customers

The ongoing war between Russia and Ukraine has caused disruption in the economies of the Baltic States and may continue to cause disruption going forward. Whilst sanctions against Russia and other retaliatory measures have already reduced trade and other economic links between the Baltics and Russia, the Baltics remain vulnerable to spillover effects from the ongoing war between Russia and Ukraine, particularly if the war were to escalate to the rest of Eastern Europe or the rest of Europe or if investors' threat perception regarding any potential conflict with Russia were to change materially. Sovereign credit spreads in the Baltics have increased relative to other European countries as a result of the ongoing war between Russia and Ukraine, and loss of investor confidence as a result could increase borrowing costs in the Baltics and thereby reduce government ability to offset future shocks, and lead to investment outflows. Further escalation of geopolitical tensions or international conflict or hostilities in the Middle East or other regions (such as the Israel-Hamas war and related attacks by the Houthi terrorist group on maritime shipping routes in the Red Sea) could impact global commodity prices, inflation trends and growth prospects globally and in the Baltics and in Eurozone. Citadele Group has no control over the possible events related to the Russia-Ukraine war or other international conflict or hostilities that may cause disruption or other negative impact on Citadele Group (including the ongoing war between Israel and Hamas and related unrest across the Middle East) and may be unable to foresee, predict or adequately manage their effects. Consequently, a worsening of the ongoing war between Russia and Ukraine (or other international conflict or hostilities, including the Israel-Hamas war or other unrest in the Middle East) and any increased regional impact, may negatively impact or have a material adverse effect on Citadele Group's business, business continuity, prospects, financial condition, results of operations or cash flows, and limit Citadele's ability to implement its business strategy.

In addition, such events may have a material adverse effect on Citadele Group's counterparties and/or customers, which could result in increased default risk in the performance of the obligations of Citadele Group's counterparties and/or customers and ultimately expose Citadele Group to an increased number of defaults and insolvencies amongst its counterparties and/or customers, further resulting in increased provisioning requirements of Citadele Group. This may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows, and may limit Citadele Group's ability to implement its business strategy.

Europe's energy crisis has negatively affected the economies of the Baltic States and may disrupt and/or otherwise negatively impact the operations of Citadele Group and/or its customers

The energy crisis in Europe caused, at least in part, by the ongoing war between Russia and Ukraine, has resulted in disruption in the economies of the Baltic States and may continue to cause disruption going forward. The Baltic States' governments have adopted significant fiscal measures to mitigate the impact of the energy crisis, devoting resources in amounts comprising 2-5% of the GDP of each Baltic State. In addition, whilst the Baltic States have replaced energy imports from Russia with energy imports from other sources such as the U.S., Norway and Qatar, and natural gas prices in the EU have returned to the levels observed prior to the Russia-Ukraine war, the EU still receives just over 10% of the natural gas it needs from Russia and the Baltics remain vulnerable to further increases in energy prices. New geopolitical shocks, wars, unexpected increase in global energy demand, failed energy transition or other disruptions in the global energy markets could result in an increase in global energy prices. In addition, physical damage to infrastructure in the Baltic region, such as damage to the Finnish-Estonian natural gas connection, Balticonnector, or damage to LNG or natural gas export and import infrastructure could also result in an increase energy prices across the EU or in the Baltics. Furthermore, additional sanctions against Russia and retaliatory measures such as unilateral and unplanned disconnection of the Baltics from the BRELL electricity grid by Russia could cause additional disruptions to energy prices. While the Baltic states are in the process of disconnecting from the BRELL electricity grid, expected to be completed by 2025, such process may not be completed on time or at all or may not be successful, the result of which could leave the Baltic States with limited capacity to generate electricity domestically and overly reliant on a limited number of energy connections with Poland and the Nordics region, which may, in turn, result in increased energy prices or energy supply disruption risk. Citadele Group has no control over these possible events and may be unable to foresee, predict or adequately manage their effects.

In addition, another escalation of the energy crisis may have a material adverse effect on Citadele Group's counterparties and/or customers, which could result in increased default risk in the performance of the obligations of Citadele Group's counterparties and/or customers and ultimately expose Citadele Group to an increased number of defaults and insolvencies amongst its counterparties and/or customers, further resulting in increased provisioning requirements of Citadele Group. Any of the foregoing could have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows, and may limit Citadele Group's ability to implement its business strategy.

Citadele Group may be materially impacted by changes in market interest rates

Market interest rates have steadily increased since July 2022 in the Eurozone and in the Baltic States. However, the European Central Bank ("**ECB**") indicated in March 2024 that it may begin reducing interest rates in starting in the second quarter of 2024. Changes in market interest rates are influenced by a number of factors outside of Citadele Group's control, including the fiscal and monetary policies of governments and central banks, such as the ECB, and international political and economic conditions. Market interest rates may continue increasing, remain steady at currently high levels, decline further than currently indicated by the ECB or otherwise be subject to changes in ways that Citadele Group is unable to foresee, predict or adequately manage, and may have a disproportionate or different effect on Citadele Group relative to its competitors. Market interest rates, particularly in the Eurozone, and the trend in the change of such rates have a material impact on Citadele Group's interest income from its loan and securities portfolios. As of 31 December 2023, the vast majority of Citadele Group's loan portfolio consisted of floating rate loans, whereas the majority of Citadele Group's securities portfolio consisted of fixed rate instruments. Changes in market interest rates also have a material impact on Citadele Group's interest expense, particularly with respect to the interest rates it pays on its customer deposit base. As Citadele Group derives the majority of its total income from net interest income, changes in market interest rates may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Changes in market interest rates impact the interest expense that Citadele Group is required to pay in order to (i) preserve liquidity by holding cash at the BL or other monetary financial institutions and (ii) maintain its customer deposit base, as well as in respect of payments on its liabilities to its other creditors. As interest rates have historically been low and significant increases in interest rates are relatively recent, and because a decline in interest rates is expected in 2024 and 2025, Citadele Group is unable to foresee or predict customer behaviour in respect of high and changing market interest rates. If market interest rates decline Citadele Group may not be able to reduce its interest expense to fully offset the decline in interest income from Citadele Group's loan portfolio which would decline over a six month period due to delays in interest rate changes taking effect with respect to individual loans. In addition, an increase in market interest rates may negatively impact Citadele's shareholders' equity due to the revaluation of Citadele Group's fair-valued securities portfolio, as well as a potential future negative impact on Citadele Group's income statement upon the sale of an affected security. If market interest rates instead remain high, the greater the risk that borrowers would be unable to remain current with their increased payments and that income from higher interest rates would be offset by increased default and impairment rates on Citadele Group's loan portfolio, including increased credit losses. As a result, this could ultimately reduce Citadele Group's Net Interest Margin (continuous operations). Movements in interest rates also influence and reflect the macroeconomic situation more broadly, affecting factors such as business and consumer confidence, property prices, default rates on loans and other indicators that may indirectly affect Citadele Group, and may adversely affect its future results, financial condition and/or prospects. The volatility and unpredictability associated with market interest rates could materially impact Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group may be materially impacted by the extension of any temporary political initiatives in the Baltics and Europe aimed at regulating the profitability of credit institutions and supporting consumers affected by increases in interest rates

Pursuant to the amendments (effective as of 1 January 2024) to the Law on Corporate Income Tax of the Republic of Latvia of 2017, as amended (**"Latvian Law on Corporate Income Tax"),** Citadele is required to pay a corporate income tax surcharge at a rate of 20%. This surcharge is applied to the profit earned in the pre-tax year (for instance, in 2024 the surcharge is payable from 2023 profit), regardless of profit distributions. The corporate income tax due upon profit distributions is reduced by the surcharge paid. In other words, the surcharge functions to some extent as an advance corporate income tax. The impact of the surcharge on Citadele for the year ending 31 December 2024 is EUR 13 to 15 million.

Lithuania introduced a solidarity tax (or "Bank tax") in respect of credit institutions (inclusive of credit institution branches) operating in Lithuania. Such Bank tax regime is effective as of 16 May 2023 and is applied on the surplus of net interest income received in 2023 and 2024 from activities of Citadele's Lithuanian branch. The impact of the Lithuanian Bank tax on Citadele Group was EUR 0.9 million in 2023 and is estimated to be up to to EUR 2.4 million for the year ending 31 December 2024. Any changes in the terms of such Lithuanian Bank tax or its applicability, including any extension of the applicable taxable periods, may adversely affect Citadele Group's business, prospects, financial condition, results of operations or cash flows, through, for example, reduced profitability or by being subject to additional tax payments.

On 6 December 2023, the Latvian Parliament approved amendments to the Latvian Consumer Rights Protection Law of 1999, as amended, introducing financial support mechanisms for consumers affected by increases in interest rates for floating rate loans, which consist, in part, of Euribor. Pursuant to the amendments, in 2024, credit institutions registered within the Republic of Latvia, including Citadele, will be subject to a quarterly duty in the amount of 0.5% of the total outstanding balance of mortgage-backed loans issued to consumers as of 31 October 2023. The estimated impact of the mortgage levy on Citadele for the year ending 31 December 2024 is between EUR 8.7 and EUR 8.9 million. Any extension of such initiatives described beyond 2024 may adversely affect Citadele Group's business, prospects, financial condition, results of operations or cash flows, through, for example, reduced profitability.

Adoption of any other laws, regulations or initiatives, or extensions of the same aimed at regulating the profitability of credit institutions or supporting consumers, may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Increasing competition and technology disruption in the banking sectors of the Baltic States could have a material adverse effect on Citadele Group

The markets within which Citadele Group operates are highly competitive, and Citadele Group expects such competition to continue and intensify in response to various market changes. These changes include evolving customer behaviour, technological changes (including digital currencies and other instruments, stablecoins and the growth of digital banking, such as from FinTech entrants), competitor behaviour, new market entrants, industry trends resulting in increased disaggregation or unbundling of financial services, the impact of regulatory actions and other factors. Innovations such as biometrics, artificial intelligence, automation, the cloud, blockchain, cryptocurrencies and quantum computing may rapidly facilitate industry transformation.

Citadele Group faces significant competition from both foreign and domestic banks in all Baltic States. According to data published by the respective regulatory bodies across the Baltics, as of 1 March 2024, there are nine banks and four branches of foreign credit institutions operating in Latvia, six banks and six branches of foreign credit institutions in Lithuania and nine banks and five branches of foreign credit institutions in Estonia. High levels of competition in Latvia, Lithuania or Estonia may have a material adverse effect on Citadele Group's market share in the Baltic States and may limit its ability to expand its operations and product offerings to customers. As there is only a limited pool of high-quality borrowers in the Baltic States, Citadele Group may lose market share if its competitors seek to expand and it is unable to effectively compete. Citadele Group may be unable to offer new products or services at the same rate or level of profitability as its competitors, and Citadele Group may be unable to enhance its existing products or services before or in line with its competitors. Citadele Group does not actively target customers in the low-interest rate segment of these markets and does not engage in so-called "interest rate wars" with other banks. Accordingly, should a competitor lower its interest rates on loans or increase interest rates on savings products, Citadele Group's ability or desire to match such rates, particularly in relation to its corporate loan products, would be limited. Certain of Citadele Group's current or future competitors may be more successful in implementing innovative technologies for delivering products or services to their customers. These competitors may be better able to attract and retain customers and key employees, may have more advanced IT systems and may have access to lower-cost funding and/or be able to attract deposits or provide investment-banking services on more favourable terms than Citadele Group. If Citadele Group is unable to offer competitive, attractive and innovative products that are also profitable and timely, it will lose share, incur losses on some or all of its initiatives and lose opportunities for growth.

In addition to the competitive threat posed by traditional banks, Citadele Group also faces competition from a number of small, independent financial technology companies from the Baltic States and elsewhere. The number of "FinTech" companies has expanded significantly in recent years, as has their product offering, and their aim is to disrupt the incumbent financial system by offering lower-cost, software-focused financial services, particularly in relation to the consumer loans, credit cards, payment transfers and foreign exchange segments of the banking sector. In addition, many of the products and services offered by Citadele Group are, and are expected to become, more technology intensive, including through digitalisation, automation and the use of artificial intelligence. Citadele Group's ability to develop or acquire such services (which also comply with applicable and evolving regulations) has become increasingly important to retaining and growing Citadele Group's businesses across the Baltic States. There can be no certainty that Citadele Group's innovation strategy (which includes investment in its IT capabilities, intended to improve core infrastructure and customer interface capabilities as well as investments and partnerships with third-party technology providers) will be successful or that it will allow Citadele Group to continue to maintain or grow such services in the future.

Any failure by Citadele Group to successfully compete in the Baltic States may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows, and may limit Citadele Group's ability to implement its business strategy.

Citadele Group's ability to achieve certain targets is dependent upon certain assumptions involving factors that are beyond its control and are subject to known and unknown risks, uncertainties and other factors

Citadele Group's performance in the year ended 31 December 2023 was strong, with an increase in operating income of 44% from the year ended 31 December 2022. Citadele Group continues to attract new customers, reaching a record number of 378 thousand active customers as of 31 December 2023 and offers modern banking services and products, with an emphasis on digital innovation and developments. Citadele Group's performance demonstrates the resilience of its business model as it faces challenging macroeconomic pressures, including the ongoing war between Russia and Ukraine, Europe's energy crisis, the highest inflation experienced in Europe in 25 years and higher than expected interest rates.

The achievement of Citadele Group's strategic targets, including, but not limited to, achieving certain returns, customer growth, asset quality and capital ratios, in a timely manner or at all, will depend on factors which are significantly or entirely beyond its control and subject to known and unknown risks, uncertainties and other factors that may result in management failing to achieve these targets. These factors include those detailed elsewhere in this section and, in particular:

- Citadele Group's ability to successfully implement its business strategy in all respects;
- Citadele Group's ability to successfully meet applicable regulatory requirements;
- Citadele Group's ability to successfully meet its capital, funding and leverage ratio targets, as well as other ratio targets;
- the economic and macroeconomic conditions, such as market interest rates, in the Baltic States and the Eurozone and the ongoing war between Russia and Ukraine;
- the financial condition of Citadele Group's customers;
- reductions in Citadele's credit ratings;
- growth of the financial markets in the Baltic States and the Eurozone;
- currency fluctuations;
- the actions of regulators;
- changes in the political, social and regulatory framework in the Baltic States and the Eurozone; and
- technological trends or conditions and changes in customer behaviour.

If one or more of these assumptions is inaccurate, Citadele may be unable to achieve one or more of its targets, which may have a material adverse effect on Citadele's business, financial condition, results of operation and prospects.

3.3. Risks Relating to Citadele Group's Strategy, Brand and Business

Citadele Group may not successfully implement its business strategy

Citadele Group may not successfully implement its business strategy. According to its business strategy, Citadele Group aims to become the modern banking platform for the Baltics - an increasingly digital bank with a wide product suite and compelling offerings for its private, small and medium sized enterprises (entities with annual turnover of up to EUR 15 million, including a micro SME entities) ("**SME**"), and corporate customers. There is no guarantee that Citadele Group will be successful in implementing its business strategy in any regard, and the implementation of all or any part of Citadele Group's business strategy, and any such implementation may be less effective, less profitable or less rapid than Citadele Group anticipates. Citadele Group's business strategy is subject to a number of challenges and risks, including that Citadele Group may be unable to:

- evolve "Bank in the Pocket" for private retail and private affluent customers by increasing new and existing customers that use Citadele as a primary bank in the Baltic States, develop its current account product into a key "hook" to attract customers and expand its range of digital services via mobile and online channels, as well as due to the quality of its personalised customer service;
- successfully enhance its consumer lending and mortgage product offering to its retail customers via mobile and online channels in the Baltic States, in particular as a result of a failure by Citadele Group to increase the use of card products among its existing and potential customer base, maintain its existing customer base, market share and revenue levels in the retail lending business, or leverage its information technology ("**IT**") systems and increase automation in the underwriting process whilst maintaining existing risk levels;
- successfully develop its SME and corporate businesses in the Baltic States, which are focused on small and medium-sized enterprises, in particular, as a result of a failure by Citadele Group to increase its product and service penetration in the SME business, retain customer relationships with

SMEs that grow into larger, more complex businesses or maintain or grow its revenue levels in the SME and corporate businesses;

- drive revenue growth from its existing SME and corporate customer base, in particular as result of a failure by Citadele Group to implement new product offerings, improve the effectiveness of its sales and distribution channels and enhance its relationship managers' roles in its customer service process, or maintain its existing customer base, market share and revenue levels in the SME and corporate businesses;
- expand its leasing business in the Baltic States, in particular as a result of a failure by Citadele Group to build a competitive "one click" leasing offering, become provider of choice for dealerships and partners, or to provide best in class customer service to customers, dealers and partners;
- successfully market and scale-up its Klix (e-commerce and payments) offering, in particular as a result of a failure by Citadele Group to become go-to choice for consumers, merchants and lenders for their ecommerce payments and lending needs;
- expand its Insurance proposition, in particular as a result of a failure by Citadele Group to penetrate existing insurance products and expand into new areas through digital and cross-sell;
- grow local wealth management, asset management and pension product offerings to individual customers inside the Baltic States, in particular, as a result of a failure by Citadele Group to cross-sell its product offerings, asset management and pension operations, or maintain its market share and revenue levels in its wealth management business;
- maintain its prudent liquidity and funding profile and enhance its capital base whilst delivering strong medium-term returns on equity, in particular as a result of a failure by Citadele Group to maintain adequate liquidity, grow its customer deposit base, manage costs associated with its funding base or secure additional sources of liquidity as necessary; and
- generate sufficient profits from its operations to enable it to meet all applicable prudential regulatory requirements including liquidity, capital and minimum requirements for own funds and eligible liabilities, as specified in the CRR, Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions, Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council ("**BRRD**" or "**Bank Recovery and Resolution Directive**"), as amended *inter alia* by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC ("**BRRD II**") or as may be imposed from time to time by the BL, ECB or the Resolution Board (*as defined below*).

If Citadele Group fails to implement its strategy in full or in part, it may be unable to further grow its business, and even if it is successful, there is no guarantee that the successful implementation of Citadele Group's business strategy will improve Citadele Group's profitability or operating efficiency to the extent that Citadele Group desires or at all. Any of the foregoing risks may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group is reliant upon the success of its brand and reputation to differentiate itself from the wider banking industry and which impact its ability to acquire and retain customers

Citadele Group has sought to develop its brand and reputation in Latvia and the other Baltic States on the basis of high levels of customer service and innovative digital proposition, and Citadele believes that the strength of its brand is a key factor in allowing it to acquire and retain customers. Citadele Group's ongoing commercial success has relied on a positive public perception of its brand in Latvia in order to grow its customer deposit base, as well as the growing recognition of its brand and products in Lithuania and Estonia. Any event that has a detrimental impact upon the public perception of Citadele's brand, including, for example, information circulating in the media or any overly forceful debt collection techniques employed by debt collection companies to whom Citadele Group has sold certain of its non-performing loans, may, despite Citadele Group's best efforts to limit such impact, lead to significant damage to Citadele Group's business and reputation in the eyes of its customers, business partners, owners, employees, investors or supervisory authorities and may dissuade current and potential future customers from using Citadele Group's products or services, which may in turn have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows and may limit or prevent Citadele Group from successfully implementing its business strategy.

To protect the strength and value of its brand, Citadele Group relies on enforcement of trademark and trade name rights, and failure to obtain or maintain adequate protection of such trademark or trade name rights could have a detrimental impact on the strength and value of Citadele Group's brand. Citadele Group's current and future trademark applications in Latvia and other foreign jurisdictions, including the EU and the other Baltic States, may not be allowed or may subsequently be opposed. Once filed and registered, Citadele Group's trademarks or trade names may be challenged, infringed, circumvented or declared generic, or determined to be infringing on other marks. As a means to enforce its trademark rights and prevent infringement, Citadele Group may be required to file trademark claims against third parties or initiate trademark opposition proceedings. This can be expensive and time-consuming. Citadele Group may not be able to protect its rights to these trademarks and trade names, which Citadele Group needs to build recognition of its brand and products among potential partners or customers in Citadele Group's markets of interest. At times, competitors may adopt trade names or trademarks similar to those of Citadele Group, thereby impeding Citadele Group's ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of Citadele Group's registered or unregistered trademarks or trade names. Over the long term, if Citadele Group is unable to establish brand recognition based on its trademarks and trade names, then it may not be able to compete effectively and its business may be adversely affected. Citadele Group's efforts to enforce or protect its proprietary rights related to trademarks, domain names or other intellectual property may be ineffective and could result in substantial costs and diversion of resources.

In developing and securing its current brand, Citadele Group has entered into an IP coexistence agreement with a third party in relation to the use of the "Citadele" name in the Baltic States, which limits Citadele Group's ability to use and expand the "Citadele" brand anywhere beyond the Baltic States. Notwithstanding this co-existence agreement, Citadele Group may be required to rebrand itself or certain of its subsidiaries if the use of its brand in certain markets is successfully challenged by such third party or other third parties. Citadele Group may also elect to rebrand itself or certain of its subsidiaries in order to avoid costly and time-consuming challenges to the use of its brand. For example, Citadele Group has already rebranded its asset management business due to the IP coexistence agreement with the third party as IPAS "CBL Asset Management" in order to avoid potential challenges to its use of its brand in the Baltic States. In addition, use of the "Citadele" brand in the Baltic States by other companies may adversely affect the perception of Citadele Group's brand by diverting potential partners or customers of Citadele Group to such other companies or associating Citadele Group's operations with any harmful actions or loss of reputation associated with such other companies.

If Citadele Group rebrands its businesses in certain markets, it may not be able to transfer the public trust, reputation or goodwill that it has established under the "Citadele" brand to the new brand, which may limit Citadele Group's ability to successfully compete in those markets and may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group's risk management strategies, techniques and policies may fail to adequately identify and manage the risks that Citadele Group faces and the losses that could result from them

Although Citadele Group takes steps and has systems in place to manage the risks to which it is exposed, such as implementing tail risk defensive measures in the form of acquiring certain option contracts in 2020 in light of then-existing regional and global uncertainty, there can be no assurance that Citadele Group has adequately identified all of the risks that it faces or the losses that could result from them. In addition, there may be other risks that Citadele Group has not yet identified, anticipated or been made aware of, and the impact of such risks, including any subsequent losses for Citadele Group, may be far greater than the impacts that Citadele Group has otherwise anticipated. The risk management systems adopted by Citadele Group may not be fully effective or consistently applied to mitigate Citadele Group's exposure against all types of risks that it faces, including risks that are unidentified or unanticipated, or the losses that it might incur.

Any change in Citadele Group's approach to risk management, including as a result of identifying new risks, may result in a higher impairment level for certain of Citadele Group's assets or higher economic capital demand, which in turn may adversely affect Citadele Group's profitability. The estimation of impairment levels to cover potential credit losses is inherently uncertain and dependent upon many factors, such as historical loan performance, future economic conditions, the trading performance or future cash flows of borrowers and the value of the underlying collateral, for which there may not be a readily accessible market.

Citadele Group's business involves the use of quantitative models for varying purposes and such models may be inaccurate or fail to perform as intended

Citadele Group uses quantitative models across its business, including in its risk management, underwriting practices, setting strategic targets, evaluating environmental, social and governance ("**ESG**") related targets and other purposes. These models help inform Citadele Group of, among other things, the value of certain of its assets (such as certain loans; financial instruments, including illiquid financial instruments where market prices are not readily available; goodwill or other intangible assets) and liabilities, Citadele's risk exposure, the creditworthiness of existing and potential customers and Citadele's performance. Whilst the financial models utilised by Citadele Group are designed in line with industry standards, there is no guarantee that the models are accurate or perform in the intended way. These financial models also generally require Citadele Group to make assumptions, judgements and estimates in connection with input data, which, in many cases, are inherently uncertain. For example, a model may require predictive inputs for expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults and deficiencies, none of which can be certain when utilised in a predictive manner in connection with a model. Furthermore, such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions and may result in a decrease in the value of, and consequently an impairment of, Citadele Group's assets, an increase in Citadele Group's liabilities, an increase in Citadele's risk exposure or an increase in Citadele Group's capital requirements, any of which may have a material adverse effect on Citadele's financial condition, results of operations and prospects.

Any failure by Citadele Group to accurately assess or manage the risks or losses that it faces, or any change in the approach to risk management, including the failure of any quantitative models utilised by Citadele Group, may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Any failure or interruption in or breach or cyberattack of Citadele Group's IT systems or security, or those of the third parties upon which Citadele Group relies, may result in lost business and other losses

Citadele Group relies heavily on its IT systems and security to conduct its business and protect its computer systems, networks and information, and its clients' data and such reliance may only increase as Citadele Group's business continues becoming increasingly digitised and technology focused. Whilst Citadele Group has invested substantial resources in upgrading its IT systems and security, Citadele Group may not be able to successfully maintain or upgrade its IT systems or security in the future, resulting in performance or security issues, including in relation to payment card limits on ATM transactions, unauthorised account overdrafts, the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**") sanctions filters or improper use of personal data. In addition, any maintenance and upgrade programme and licence renewal may be more expensive or more time-consuming than Citadele Group anticipates. Failure to maintain and upgrade Citadele Group's existing IT systems may place Citadele and Citadele Group at a competitive disadvantage relative to competing banks and other financial organisations in the Baltic States, may adversely affect the confidence Citadele Group's customers have in its IT security and may limit Citadele Group's ability to attract and retain new customers or customer deposits, any of which may in turn have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Any disruption in the functionality or data integrity of Citadele Group's IT systems could, among other things, lead to the misappropriation of funds of Citadele Group's customers or Citadele Group itself, impair Citadele Group's decision-making and risk management procedures and business activities, disclosure, destruction or misuse of confidential information, as well as result in additional costs, losses or reputational damages. Citadele Group has from time to time experienced unauthorised transactions as a result of external fraud or inadequacies in its IT systems and may experience losses in the future from any failure of its controls to detect or contain any future operational risk. Citadele Group's IT systems may also be disrupted by factors beyond Citadele Group's control, such as internet interruptions; disruptions or losses; misplaced or lost data; acts of vandalism, theft, fraud or misconduct on the part of employees, other internal sources or third parties; natural disasters; fires; terrorism; war; faults arising from cables, connections or other electronics upon which Citadele Group's IT systems are reliant or attempts by third parties to breach Citadele Group's IT security and infiltrate its IT networks or otherwise adversely affect its online operations, data or functionality, for example, by way of physical or electronic break-ins, hacking, viruses, malware, denial-of-service attacks, phishing attacks, ransomware, unauthorised encryption, social engineering, unauthorised access, spam or other attacks, physical damages to data centres or cloud infrastructure and other wrongdoing. In particular, Citadele Group and its customers are subject to increasingly sophisticated and frequent attempted cyber-attacks or other acts of a malicious nature from a broad range of threat actors from around the world, including foreign governments, criminals, competitors, computer hackers, cyber terrorists and politically motivated groups or individuals, which may compromise the security of Citadele Group's servers, data and systems and disrupt the flow of funds to and from the bank. As cybersecurity threats and incidents continue to involve, Citadele Group may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities. Citadele Group also relies upon third parties for the performance of certain outsourced activities and these third parties, their employees and their IT systems may fail to perform adequately or may be vulnerable to any of the foregoing risks which may also compromise the IT security, customer data protection and operations of Citadele Group.

Although Citadele Group has backup and disaster recovery systems in place, if Citadele Group's IT systems fail, or those of its third-party service providers, whether for a short period of time or due to a longer outage, such as following the occurrence of an internet or electrical interruption, cyberattack, data security breach, natural disaster or for some other reason, Citadele Group may be unable to continue to serve its customers' needs at the level they are accustomed to or at all. Such failures or shutdowns, whether extended or momentary, may result in Citadele Group incurring substantial additional costs and may result in the loss of a substantial number of Citadele Group's customers. In addition, IT system failures may result in reputational damage to Citadele Group if customers perceive that Citadele Group's IT systems are less secure or less reliable than those of its competitors. Any media reports about any such shutdowns or failures or Citadele Group's failure to make adequate or timely disclosures to the public or law enforcement agencies following any such shutdowns or failures, whether accurate or not, could significantly damage Citadele Group's reputation with its customers, associates, investors and other third parties. Furthermore, public announcements regarding any cybersecurity incidents and any steps Citadele Group takes to respond to or remediate such incidents could cause securities analysts or investors to perceive these announcements to be negative. Such failures or shutdowns could also lead to violations of regulations regarding data protection and/or other regulations; exposure to fines, litigation or similar proceedings; reimbursement and compensation payments; and additional regulatory compliance expenses or penalties. There can be no assurance that the limitations of liability in Citadele Group's contracts with its customers, partners and third-party service providers would be enforceable or adequate or would otherwise protect Citadele Group from liabilities or damages, and in some cases, the applicable agreement may not limit Citadele Group's remediation costs or liability with respect to data breaches. Additionally, any litigation or similar proceedings could require Citadele Group to fundamentally change its business activities and practices or modify Citadele Group's products and/or technology capabilities in response to such litigation, which could have an adverse effect on Citadele Group's business. Citadele Group's exposure to these risks has increased in recent years due to Citadele Group's strategy of expanding its range of digital services via mobile, online banking and other digital channels.

Information security risks in the financial services industry, in particular, are significant, in part because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organised criminals, perpetrators of fraud, hackers, terrorists and other malicious third parties. In addition, there have been a number of well-publicised attacks or breaches affecting companies in the financial services industry that have heightened concern by customers, which could also intensify regulatory focus, cause customers to lose trust in the security of the industry in general and result in reduced use of Citadele Group's services and increased costs.

Whilst Citadele Group maintains cybersecurity insurance, Citadele Group may not have adequate insurance coverage with respect to liabilities that result from any cyberattacks, data security breaches or other similar incidents or disruptions suffered by Citadele Group or third parties upon which Citadele Group relies. The successful assertion of one or more large claims against Citadele Group that exceeds its available insurance coverage, or results in changes to its insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on Citadele Group's business. In addition, Citadele Group cannot be sure that its existing insurance coverage will continue to be available on acceptable terms, or at all, or that Citadele Group's insurers will not deny coverage as to any future claim.

Any of the foregoing could have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group's ongoing success depends on the members of its supervisory board and its senior management team and its ability to recruit and retain key personnel

To meet commercial challenges and maintain effective operations, Citadele Group must recruit and retain appropriately skilled individuals. Citadele's Supervisory Board and senior management team contributes significant expertise in, and experience with, the industries in which Citadele Group operates, and has allowed Citadele Group to maintain and develop business with many of its key corporate and high-net-worth customers. Implementation of Citadele Group's business strategy by its senior management may distract senior management from the day-to-day operation of Citadele Group's business and may result in their inability to devote sufficient attention to maintaining and improving these customer relationships. Citadele Group is reliant upon its senior management team for the implementation of its business strategy, its day-to-day operational activities and its ability to attract, develop and retain key personnel, and any change or disruption in the senior management team may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows. Strategic guidance by Citadele's Supervisory Board is a significant contributor to Citadele Group's strategy and any change or disruption in the composition of the supervisory board may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group's ability to continue to attract, retain and motivate qualified and experienced banking and management personnel is vital to its business. Attracting and retaining highly professional and motivated employees has been challenging at all times. Citadele Group closely monitors the market in terms of pay to ensure employees are adequately remunerated, but there is ongoing competition for talent. Given the shortage of skilled labour in the Baltic States and the resulting competition and increased salary pressure for skilled labour, Citadele Group may be unable to retain existing personnel or hire new qualified personnel, and Citadele Group may be required to further increase salaries and other benefits offered to experienced banking and management staff, which would increase Citadele Group's personnel costs. Any failure by Citadele Group to retain experienced personnel or hire new qualified personnel (and, particularly, in specialist roles such as relationship managers, quants, digital product development and IT) may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele and the Baltic States may not be able to maintain their credit ratings

On 25 January 2024, Moody's affirmed the Group's credit rating of Baa2 and changed outlook from neutral to positive. However, Citadele's credit ratings are subject to change at any time and could be downgraded as a result of many factors, including unsatisfactory financial results, the failure of Citadele Group to successfully implement its strategy or general downgrading of the credit ratings of financial institutions in the Latvian banking sector. Furthermore, there is no assurance that Citadele or the Baltic States will be able to maintain their credit ratings, and any deterioration in the general economic environment in, or credit ratings of, the Baltic States or in Citadele Group's financial condition could cause downgrades which could adversely affect Citadele's liquidity and competitive position, undermine confidence in Citadele Group, increase its borrowing costs and limit its access to capital markets in the future. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Credit ratings are not a guarantee of Citadele Group's future performance. Any change in the credit ratings of Citadele or the Baltic States may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group may be affected by liquidity risks

Citadele Group has funded its operations since inception primarily through customer deposits and limited incurrence of debt financing and whilst Citadele Group is currently able to generate sufficient cash to fund its ongoing operations, there is no guarantee that Citadele Group will be able to continue to do so in the future.

Citadele Group is substantially dependent on its ability to attract and retain customer deposits in order to provide sufficient liquidity for its operations and may be unable to attract and retain customer deposits at the same volume or cost that it currently enjoys. The interest rates that Citadele Group offers on customer deposits are not only affected by current market interest rates, but are also dependent on Citadele Group's short-term and long-term liquidity targets, as well as its market position and the level of competition in the markets where it operates. Because many of Citadele Group's competitors in the Baltic States have access to broader customer bases and lower-cost funding options, they may be able to offer higher interest rates on customer deposits than Citadele Group, which may limit Citadele Group's ability to attract customer deposits. If interest rates set by central banks reach significantly negative levels, Citadele may be forced to pass this cost on to its customers, which may result in customers withdrawing funds.

Whilst Citadele is of the opinion that the working capital available to Citadele Group is sufficient for at least the next 12 months following the date of this Base Prospectus, such withdrawal events may have an adverse effect on Citadele's funding position. Such withdrawal events often occur suddenly, and Citadele Group may not be able to foresee, predict or adequately manage the impact of such events. If market interest rates rise significantly, Citadele Group's demand deposit base might convert to term deposits, making Citadele Group's funding more stable in the short term, but also more price sensitive. If a significant proportion of Citadele Group's term deposits becomes price-sensitive, Citadele Group may be forced to pass on the increasing market interest rates to customers in order to retain price-sensitive customers. As of 31 December 2023, 22% of Citadele Group's customer deposits come from Citadele Group's top 50 customers (inclusive of connected customer groups) (compared to 20% and 19% as of 31 December 2022 and 2021, respectively) and any changes in interest rates, price sensitivity or other factors impacting customer behaviour may impact Citadele Group's ability to retain these customers' deposits. The ECB guarantees 73% of Citadele Group's deposits from households and 33% of all other deposits as of 31 December 2023.

If Citadele Group is unable to attract or retain sufficient customer deposits to meet its funding needs, Citadele Group may require additional capital and may decide to engage in equity or debt financings or enter into credit facilities, and Citadele Group may not be able to secure any such debt or equity financing or refinancing on terms satisfactory to it, in a timely manner, or at all. Whilst Citadele Group regularly runs an internal liquidity adequacy assessment process ("**ILAAP**") evaluating current and expected liquidity and funding needs and tests its access to market liquidity options, Citadele Group's ability to raise funds may be limited by numerous factors, including general economic and macroeconomic conditions, the availability of funding in the capital markets generally or from Citadele's shareholders, investor confidence in Citadele Group, sentiment towards the Latvian economy or the economies of the other Baltic States, and the credit rating of Citadele Group and the financial condition, performance and prospects of Citadele Group. Even if Citadele Group were able to secure financing without the issuance of equity or debt, any debt financing obtained by Citadele Group in the future could also involve restrictive covenants (such as a negative pledge) or arrangements (such as required use of escrow accounts) relating to Citadele Group's capital-raising activities and other financial and operational matters impacting the ordinary management of the business (such as a limitation in the carrying out of extraordinary transactions), which may make it more difficult for Citadele Group to obtain additional capital and to pursue business opportunities, including potential acquisitions, and may also restrict the payment of dividends. As of the date of this Base Prospectus, Citadele Group does not have any funding lines available from other banks, except the drawdown of EUR 39 million of TLTRO funding from the ECB, maturing on 26 June 2024.

Any failure by Citadele Group to attract and retain sufficient customer deposits or to access additional sources of funding on acceptable terms may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group may be exposed to potentially heightened credit risk by concentrating its business in certain products and industry sectors

Citadele Group's product offerings and loan portfolio are concentrated in certain products, borrowers and sectors of the Baltic economy, with substantial exposure to leasing, mortgages and other business lending.

As of 31 December 2023, Citadele Group's leasing portfolio (gross) constituted 36% (36% and 36% as of 31 December 2022 and 2021, respectively) of Citadele Group's gross loans to public. As of 31 December 2023, Citadele Group's mortgage portfolio (gross) constituted 25% (25% and 25% as of 31 December 2022 and 2021, respectively) of Citadele Group's gross loans to public. As of 31 December 2023, Citadele Group's business loans (gross) constituted 29% (30% and 30% as of 31 December 2022 and 2021, respectively) of Citadele Group's gross loans to public.

In the event of economic developments adversely affecting Citadele Group's customers in the sectors described above, or if any such customers were to move or reduce their business with Citadele Group or were to experience financial difficulties or other difficulties servicing and satisfying their loan obligations, the performance of Citadele Group's loan portfolio may be materially and adversely affected, which may in turn have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group may be exposed to potentially heightened credit risk in the event the value of its collateral declines

As of 31 December 2023, 94% of Citadele Group's gross loans to public were secured. The remaining 6% of Citadele Group's gross loans to public portfolio was unsecured. Downturns in the secondary markets for such collateral or a general deterioration of economic conditions, such as that which occurred during the global financial crisis in 2008 and 2009, may result in illiquidity and a decline in the value of the collateral securing Citadele Group's loans, including a decline to levels below the outstanding principal balance of those loans. Citadele Group's loan portfolio and collateral base are particularly exposed to changes in residential real estate prices in the Baltics, as any significant decline in the prices of residential real estate may be accompanied by an increased risk of mortgagors defaulting on their mortgage payments because declining residential real estate prices would likely be caused by adverse economic developments which would also affect the ability of Citadele Group's customers to satisfy their loan repayment obligations. In addition, in relatively small markets, such as those of the Baltic States, there is a risk that increased sales of real estate collateral may result in decreased prices of real estate, in which case sales of collateral may not be an effective way to recover losses on defaulted loans.

Citadele Group is also exposed to price volatility in respect of leased asset collateral, such as light vehicles, trucks and trailers. A decline in prices in the secondary markets for the types of leased asset collateral held by Citadele Group may affect Citadele Group's ability to recover exposure to such assets in full, for example, as the result of customer defaults or vendor inability to execute buy-back obligations in full.

Declining or unstable prices of collateral in the Baltic States may make it difficult for Citadele Group to accurately value the collateral held by it. The value of any collateral ultimately realised by Citadele Group will depend on the value Citadele Group is able to realise upon enforcement, which may be different from the current or estimated value. If the value of the collateral held by Citadele Group declines significantly in the future, Citadele Group could be required to take additional impairment charges and could experience lower-than-expected recovery levels on collateralised loans. Any change in the value of collateral held by Citadele Group and any failure by Citadele Group to accurately value that collateral may have a material adverse effect on Citadele Group's loan portfolio and on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group may be exposed to potentially heightened credit risk as a result of concentrations in its securities portfolio in Baltic government bonds

Citadele Group's securities portfolio is concentrated in Baltic States' government bonds (constituting 64% of

Citadele Group's total securities portfolio as of 31 December 2023). As a result of this concentration, Citadele Group's securities portfolio is particularly exposed to default by any of these countries. In addition, the default of a government of another Member State of the EU would also likely have a significant impact on the fiscal and political situation of the EU and the economic performance of the Eurozone, which may have a significant impact on Citadele Group's fixed income portfolio.

Similarly, any credit default by any other country to which Citadele Group has a direct credit exposure may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows. Whilst the vast majority of the securities in Citadele Group's securities portfolio have investment-grade credit ratings, such securities may fall in value or become less liquid as a result of the financial performance of their respective issuers, any downgrade or loss of credit ratings or as a result of market conditions in general. Although Citadele Group assesses the fair value of its securities portfolio through the use of valuation techniques, including quoted market prices, observable market data and other data, there can be no assurance that the fair values that Citadele Group determines for its securities portfolio accurately reflect the underlying value of such instruments. In addition, the fair values of Citadele Group's securities portfolio may change rapidly and unexpectedly based on movements in the markets to which Citadele Group's securities portfolio is exposed, even if Citadele Group believes that the underlying value of the securities has not changed. Any decrease in the value, liquidity or fair values of Citadele Group's securities portfolio may require Citadele Group to acquire additional sources of liquidity or capital and may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group is exposed to counterparty risk as a result of its relationships with a limited set of key strategic partners

Citadele Group is highly dependent on a few of its counterparties, which provide infrastructure for various ordinary course operations. For example, Citadele Group relies on Citibank N.A. for U.S. dollar payment processing. As a result, Citadele Group has been able to process payment transactions and payment card settlements since the end of 2018 without interruption and without limitations. Nevertheless, certain U.S. dollar payment transactions are limited by Citadele Group as an internal operational matter for risk management reasons. In the event Citibank N.A. decided to withdraw from the Baltic States or otherwise terminate its relationship with Citadele Group and Citadele Group was unable to establish an alternative U.S. dollar correspondent bank relationship, Citadele Group may experience difficulties in processing customer payments. Citadele Group also relies on Raiffeisen Bank International AG to provide payment processing services in non-EUR currencies, such as British pounds, Swiss franc and Australian dollars, among others. In particular, any inability to maintain or find alternative necessary correspondent bank relationships may affect Citadele Group's wealth management business and Corporate business if customers perceive that Citadele Group is not able to offer a full spectrum of banking services, including the ability to process payments in key currencies. Any such development may result in the loss of the majority of Citadele Group's fee income from payment transfers as well as part of its fee income from custody and brokerage services, together with its inability to process non-euro payment card settlements. Any difficulties Citadele Group may experience in maintaining its payment service provider relationships or other key strategic counterparty relationships could, therefore, have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group is subject to operational risks, including, in particular, those arising from fraud or misconduct of its employees or customers

Citadele Group is exposed to the risk of a complete or partial failure of internal processes to comply with the requirements of applicable laws, binding external regulations and internal regulations. This may arise as a result of a variety of factors, including the acts of Citadele's employees, inadequate system operations, irregularities in internal processes, acts of third parties and other external conditions, such as floods, fires and pandemics. Citadele Group is exposed to fraud committed by its customers, suppliers and third parties, such as cyber criminals, as well as fraud or misconduct committed by employees. Cyber-criminals are increasingly targeting banking customers in the Baltics and Europe by manipulating customers to authorize payments or engaging in other forms of fraudulent activities. According to the Finance Latvia Association, in 2023, Latvian credit institutions prevented approximately 42% of attempts to defraud customers, resulting in an accrued monthly loss for customers of approximately EUR 1.05 million. Such fraud or misconduct may arise or persist with respect to Citadele Group's customers as a result of the failure or inadequacy of Citadele Group's risk management or corporate governance procedures, weaknesses in IT infrastructure or the failure of third-party contractors to identify or prevent such fraud or misconduct. Many customers with fraud-related claims are not eligible to receive compensation from Citadele Group or other sources due to the customer's gross negligence under applicable law. However, the European Commission (the "**EC**") has acknowledged that Payment Services Directive (EU) 2015/2366 on payment services in the internal market ("**PSD II**") is not equipped to regulate certain emerging forms of fraudulent conduct, and the EC may introduce in the future new directives and regulations providing for additional measures for fraud prevention and compensation for customers who are victims of such conduct.

The scope of the operational risks associated with Citadele Group's employees is broad and may include risks that Citadele Group is unable to identify or mitigate in advance. Such risks include the risk of financial losses resulting from employees' lack of knowledge, inadequate training or violation of laws, rules and regulations or any other misconduct or fraudulent behaviour. Misconduct and fraud have been seen across the global financial services industry and could involve conduct such as, but not limited to, the improper use or disclosure of confidential information or the violation of laws and regulations concerning financial abuse and money laundering. The occurrence of any type of misconduct or fraud could result in penalties or sanctions being levied against Citadele Group, in addition to the risk that Citadele Group may suffer serious reputational or commercial harm as a result. In addition, there is a risk that key security and transaction documents held by Citadele, including title deeds for secured property, personal guarantees and fully executed transaction documents may be lost, misplaced or destroyed. Any such documents that are lost or destroyed would reduce Citadele's ability to enforce its security or its rights against the relevant counterparty in the relevant court. Any violation of Citadele Group's internal risk management procedures, monitoring systems for foreign exchange transactions and control procedures on bond limits could also result in Citadele Group inadvertently entering into binding transactions that exceed authorised limits. There is also a risk of sudden stoppages in Citadele Group's systems due to unexpected severe internal or external operational risk event(s), which may result in critical service disruptions, negatively impact Citadele Group's reputation, and result in severe financial losses.

Citadele Group faces execution risks associated with certain of its product offerings, including, but not limited to, its pension fund operations

Citadele Group offers a number of varied products to its customers, the performance of which is dependent on Citadele Group's successful implementation of its business strategy, operations and other factors outside of Citadele Group's control. Citadele Group faces risks associated with, among other of its products and services, its pension fund operations and insurance offerings.

Citadele Group offers a number of pension products to its customers, including funds for discretionary personal contributions (so called Pillar III pensions), as well as contributions made by the Latvian State from social tax contributions made by customers (so called Pillar II pensions). If Citadele Group suffers reputational harm or the investment performance of Citadele Group's pension products is materially worse than that of its competitors in a given period, this may result in a significant number of customers withdrawing their pension fund assets from Citadele Group and moving them to a competitor. Any decrease in the number of pension funds customers or in the amount deposited in those funds may have a detrimental effect on Citadele Group's commission and fee income, which may in turn have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group provides life and accident insurance products to its customers, the underlying economics of which are based on a number of assumptions relating to the timing and scale of potential claims. If Citadele Group's assumptions prove to be inaccurate or incorrect, Citadele Group may face increased exposure under such policies, including the risk of increased or accelerated liability. Any increase or accelerated liability, or enhanced regulatory oversight, may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group's insurance policies may not cover particular future losses

Whilst Citadele Group believes that the insurance policies presently held by Citadele Group to cover its assets and operations are sufficient, there is no guarantee that Citadele Group's insurance adequately covers every possible future loss, or that currently implemented insurance limits will be sufficient to cover losses as they occur. Any loss which is not covered by Citadele Group's existing insurance policies may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows, and even if covered, may result in increased insurance costs or difficulties in acquiring insurance in the future for Citadele Group.

Citadele Group faces uncertainty in connection with the disposition of its Swiss business and other investments

Citadele Group is in the process of seeking to sell its Swiss subsidiary, Kaleido Privatbank AG. Several parties are expressly interested in acquiring Kaleido Privatbank AG and Citadele Group has engaged a sell-side adviser to assist with the process. The contemplated sale aligns with Citadele Group's objective of focusing its business on the Baltic States. The successful sale of Kaleido Privatbank AG remains subject to agreement on acceptable commercial terms with a buyer pursuant to a new binding sale agreement and applicable regulatory approvals, the timing of which remains uncertain. Until Kaleido Privatbank AG is successfully sold, Citadele Group may periodically provide it with capital injections to enable it to maintain its operations and to remain attractive to potential buyers. While Kaleido Privatbank AG comprises only a small portion of Citadele Group's business, its disposition entails the risks commonly encountered in the sale of a business, including disruption of Citadele Group's ongoing business, reduction in revenues, distraction of management whilst the transaction is ongoing, potentially harming relationships with employees and customers as a result of the transfer of the business to new ownership and failure to close a transaction due to failure to satisfy certain conditions such as obtaining necessary regulatory approvals.

Citadele Group invests in other businesses from time to time, including businesses in the banking, technology, payments, insurance and business infrastructure sectors, such as Citadele Group's investment in SIA Mobilly, a company focused on payments within the transportation sector in which Citadele Group has owned approx. 12.5% stake since 2018. Citadele Group may seek to sell these investments from time to time. Because such investments are relatively illiquid, Citadele Group's ability to promptly sell such investments may be limited and Citadele Group cannot predict whether a sale will be possible for the price or on the terms that Citadele Group sets or whether any price or other terms offered by a prospective purchaser would be acceptable to Citadele Group. Citadele Group also cannot predict the length of time needed to find a willing purchaser and to close the sale of any such investments, including as a result of any applicable regulatory approvals. Any of the above could expose Citadele Group to possible liabilities and losses and have a material adverse effect on our business, financial condition and results of operations.

3.4. Regulatory, Tax, Financial Statement and Legal Risks

Citadele Group (and/or its subsidiaries) may be unable to meet statutory capital requirements

Citadele Group regularly undergoes an internal capital adequacy assessment process ("**ICAAP**") that details Citadele Group's plan on how it will continuously meet applicable capital adequacy requirements. ICAAP and stress test assessments are based on a number of assumptions, including Citadele Group's projected revenue development and the anticipated development of its asset base in line with its business strategy. However, whilst these assumptions, including profit forecasts for future periods, have been prepared as accurately as possible based upon information available at the time they are made, and whilst Citadele is of the opinion that the working capital available to Citadele Group is sufficient for least the next 12 months following the date of this Base Prospectus, these assumptions may prove to be inaccurate or incorrect due to factors outside of Citadele Group's control or expectations, which in turn may affect Citadele Group's ability to meet its capital requirements or other prudential requirements under respective laws or regulations. In case regulations related to prudential supervision and requirements are amended at any point of time in the future, Citadele Group may need to revise its business strategy, capital plan or both in order to ensure compliance with such regulations. Any such revisions may have adverse implications on financial performance of Citadele Group. The investment of capital in projects aimed at growth may affect Citadele Group's overall capital position and may in turn affect its ability to meet the capital requirements imposed by the joint supervisory team of supervisors responsible for supervision of Citadele.

Any failure by Citadele Group to meet its regulatory capital requirements may have a material adverse effect on Citadele Group’s business, prospects, financial condition, results of operations or cash flows.

Citadele Group is exposed to risks arising from the wide range of changing laws and regulations it is subject to, including, in particular, the prudential regulatory environment in which it operates

Citadele Group, like other financial institutions operating within the EU, faces increasing risks associated with an uncertain and rapidly changing regulatory environment, in particular the prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital or other ratios.

Citadele Group may fail to adequately comply with the requirements to which it is subject now or in the future as a result of any changes to applicable requirements, including due to the failure of its subsidiaries to comply with regulatory requirements in the jurisdictions in which they operate or a failure to adapt its operations’ compliance to changes in applicable requirements and regulations, resulting in substantial operational, legal and reputational risk or harm, which may have a material adverse effect on Citadele Group’s business, prospects, financial condition, results of operations or cash flows. Changes in applicable regulations that may materially impact Citadele Group might include, for example, implementation of various proposals of the Basel Committee in the EU, any amendments to the existing CRR, Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive No 2002/87/EC and repealing Directives No 2006/48/EC and No 2006/49/EC, as amended ("**CRD**") and BRRD frameworks, changes to the regulation of asset managers in Latvia (on which discussions are ongoing) and other regulatory developments impacting Citadele Group. Whilst any future regulatory developments may increase protection for depositors and reduce the extent to which the banking industry is exposed to future finance shocks, any regulatory developments may nevertheless have a material adverse effect on Citadele Group’s business, prospects, financial condition, results of operations and cash flows.

With respect to prudential regulatory requirements, whilst Citadele Group is and has been in compliance with existing capital adequacy requirements, there is a risk that more stringent capital adequacy requirements could be introduced in relation to the quality or the quantity of capital required to be held by Citadele Group. If regulatory requirements as to capital levels increase or there are changes in the way in which the applicable regulators interpret and apply existing capital requirements and related required buffers to Citadele Group, driven by, for example, new regulatory measures, Citadele Group may be required to comply with increased capital and other ratios, which may, in turn, have a material adverse effect on Citadele Group’s business, prospects, financial condition, results of operations or cash flows. Citadele Group may also need to increase its capital levels in response to changing market conditions or expectations. If Citadele Group is unable to so increase its capital, it may no longer comply with regulatory requirements or satisfy market expectations related to its capital strength, which may have a material adverse effect on Citadele Group’s business, prospects, financial condition, results of operations or cash flows.

Since 16 July 2020, the ECB has classified Citadele as a significant credit institution, and the ECB commenced its direct supervision of Citadele as of 1 January 2021. The BL continues to participate in the supervision of Citadele Group with the ECB. In addition, the Bank of Lithuania and the EFSA continue local supervision of Citadele’s branches and/or subsidiaries in Lithuania and Estonia, as applicable. The ECB’s relatively recent commencement of direct supervision of Citadele could result in the imposition of new regulatory restrictions, disclosures and/or information requests upon Citadele Group, and may lead to increased costs and review of Citadele Group’s impairment levels. It may also result in an increase of the time spent by Citadele Group’s management in order to ensure full regulatory compliance. The imposition of any such restrictions, increased costs and/or impairments as well as extra management time may have a material adverse effect on Citadele Group’s business, prospects, financial condition, results of operations or cash flows.

Finally, Citadele Group’s private and asset management operations fall within the scope of certain non-binding industry guidelines, principles and best practice parameters set by bodies such as the Consumer Rights Protection Centre in Latvia and the Finance Latvia Association, and equivalent institutions in Lithuania, Estonia and Switzerland. These guidelines cover, for example, the preparation of fair agreements for use in consumer lending and the fair application of penalties. Whilst Citadele Group's management believes Citadele Group is in full compliance with such guidelines as of the date of this Base Prospectus, any failure to adequately comply with these guidelines or principles, now or in the future as a result of any changes to such guidelines or principles, may also result in operational and reputational risk or harm to Citadele Group.

Citadele Group may be subject to litigation, administrative or other proceedings and investigations

Citadele Group may be subject to litigation by its customers, employees, shareholders or other persons through private actions, administrative proceedings, regulatory actions or other litigation. It is difficult to predict the outcome of such proceedings, both those to which Citadele Group is currently exposed and those that may arise in the future. Claimants in these types of actions against Citadele Group may, in particular, seek recovery of large or indeterminate amounts or other remedies, or challenge the actions taken or resolutions adopted by the Management Board, the Supervisory Boards and the GMS, which may affect Citadele Group's ability to conduct its business, and the magnitude of the potential losses relating to such actions may remain unknown for substantial periods of time.

In addition, Citadele is also subject to a number of regular audits by the relevant Baltic banking regulators as well as a number of external auditors. Although findings (if any) by external auditors are not disclosed publicly, findings as well as fines (if any) of banking regulators may negatively impact Citadele's reputation and valuation as well as its co-operation with foreign correspondent banks. The cost of defending future actions may be significant and may require significant attention on the part of Citadele Group's senior management and employees. There may also be adverse publicity associated with litigation that could negatively affect the reputation of Citadele Group, regardless of whether the allegations are valid or whether Citadele Group is ultimately found liable. The occurrence of any litigation or similar proceedings, investigations or actions may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group's measures to comply with anti-money laundering, countering the financing of terrorism and proliferation, and anti-bribery regulations may not be effective in all material respects

The local regulatory environment, as well as supervisory and enforcement approach in the Baltic States in the areas of anti-money laundering ("**AML**"), counter terrorism financing ("**CTF**"), countering proliferation financing ("**CPF**") and anti-bribery compliance has become increasingly strict in the recent years. The Latvian government and responsible authorities have made a significant effort to improve the country's the anti-money laundering and counter terrorism and proliferation financing ("**AML/CTF/CPF**") compliance systems after the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("**MONEYVAL**") fifth mutual evaluation in 2017. In response, numerous legal acts were adopted and amended in order to ensure a sound legal framework. Latvia is the first MONEYVAL country that is at least largely compliant with all FATF recommendations, and Latvia continues to report to MONEYVAL on a few areas where further improvements have been identified. In 2020, the Financial Action Task Force ("**FATF**") decided not to include Latvia in its "grey list".

Consistent with other financial institutions, Citadele Group is at risk of attempts to be made by individuals, including potentially by employees of Citadele Group, to use Citadele and other banks and their subsidiaries to engage in fraud, money laundering, bribery, corruption, financing of terrorism and other activities of similar nature. The AML/CTF/CPF and anti-bribery compliance internal control program and IT systems of Citadele Group are tested regularly (at least once every 36 months) by an independent external auditor. The tests by an independent external auditor are not performed if an audit by a regulatory authority is conducted during the same period.

For example, in the first half of 2023, Citadele Group underwent an on-site audit by the BL, where the BL assessed continuous improvements to Citadele Group's compliance program, as well as informed Citadele Group of further improvements that are expected in relation to certain elements of Citadele Group's compliance program for management of money laundering, terrorism and proliferation financing and sanctions risks inherent in its operations. The final decision upon completion of the on-site audit was delivered by the BL in

October 2023 without initiating an administrative case against Citadele regarding any regulatory non-compliance. Citadele has agreed with the BL to a remediation plan to implement the necessary improvements to its compliance program. Also, in 2023 an on-site audit by the BL was completed in respect to IPAS “CBL Asset Management” without initiating an administrative case against IPAS “CBL Asset Management” regarding any regulatory non-compliance. IPAS “CBL Asset Management” has agreed with the BL to a remediation plan to implement the necessary improvements to its compliance program relating to customer due diligence, transaction monitoring, internal structure and division of tasks, supervision of involved agents, risk management, internal audit, policies and procedures.

In 2022, the Lithuanian branch of Citadele was subject to both a sanctions screening system and an AML compliance audit conducted by the Bank of Lithuania. In September 2023, the Bank of Lithuania issued a remediation plan without monetary penalty to the Lithuanian branch of Citadele. The remediation plan was completed by 31 January 2024 and in early February 2024 the Bank of Lithuania was informed of the completion of all aforementioned improvements.

Citadele Group’s AML/CTF/CPF, anti-bribery and other compliance measures may not be effective in preventing all such activities, whether as a result of failures by Citadele Group’s employees in observing the measures that have been put in place, insufficient effectiveness of Citadele Group’s internal control systems, development of new methods for conducting money laundering activities or for other reasons. As day-to-day enforcement of AML/CTF/CPF and compliance measures is a time and resource intense process, Citadele Group may experience delays in reviewing potential AML/CTF/CPF or compliance issues or in implementing preventive and corrective measures required by applicable legislation.

Any failure by Citadele Group to fully implement functional AML/CTF/CPF and/or anti-bribery procedures or to comply with all of the relevant Latvian, EU or other laws or regulations on AML/CTF/CPF and/or anti-bribery could subject Citadele Group to significant fines, sanctions and/or result in harm to Citadele Group’s reputation and even lead to business disruption. There can be no assurance that Citadele Group or its employees have not breached such laws or regulations in the past or that Citadele Group or its employees will not breach such laws or regulations in the future, which could have a material adverse effect on Citadele Group’s business, prospects, financial condition, results of operations or cash flows.

Citadele Group’s measures to comply with sanctions regulations may not be effective in all material respects

Citadele Group is obliged to comply with the Law on International Sanctions and National Sanctions of the Republic of Latvia, and impose, amongst others, the UN, EU and OFAC sanctions. Citadele Group has in place an international sanctions policy setting out the means by which Citadele Group manages the risk of breaching sanctions as well as the enforcement principles which Citadele Group intends to maintain, but there can be no guarantee that this policy will be wholly effective in preventing a breach of sanctions by Citadele Group or its employees.

On 24 February 2022, Russia launched a military assault on Ukraine. This has led to unprecedented EU and U.S. government sanctions against Russian and Belarusian companies and individuals. Application of new sanctions in response to Russia’s military attack on Ukraine could possibly lead to the inclusion of Citadele Group’s existing customers or its shareholders in the sanctions list and subsequently some economic loss to Citadele Group due to suspended contracts with such customers. Failure to comply with the applicable sanctions could have serious legal and reputational consequences for Citadele Group, including exposure to fines as well as criminal and civil penalties.

In 2023, a thematic review to assess the effectiveness and efficiency of Citadele’s sanction screening systems was conducted by the BL. According to the results of the examination, no immediate remedial actions were required in respect to Citadele’s client and transaction screening practices.

Any failure by Citadele Group to fully implement functional and effective sanctions procedures or to comply with all of the relevant Latvian, EU or other laws or regulations on sanctions, which continue to evolve, could subject Citadele Group to significant fines, sanctions and/or result in harm to Citadele Group’s reputation and even lead to business disruption. There can be no assurance that Citadele Group or its employees have not breached such laws or regulations in the past or that Citadele Group or its employees will not breach such laws or regulations in the future, which could have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group is dependent on obtaining banking licenses and satisfying other regulatory requirements in Latvia and the other jurisdictions where it operates

Citadele Group is subject to banking regulations and requirements in Latvia which have been issued by the BL. The BL is the national competent authority within the meaning of Article 2(2) of Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. Citadele Group is also subject to the applicable banking regulations and requirements of Lithuania, Estonia, Switzerland, and the other jurisdictions where it conducts business, as well as EU banking regulations and requirements.

All banking operations and various related operations in Latvia require a credit institution operating licence from the ECB. Credit institutions are required to comply with mandatory financial and capital ratios and file periodic reports, and comply with minimum reserve requirements. Latvian authorities, such as the BL, the State Revenue Service of the Republic of Latvia ("**SRS**"), the State Labour Inspectorate, the Competition Council, Data State Inspectorate and others, have the right to, and do, conduct periodic and random inspections of Citadele's operations throughout each year. The ECB may impose certain conditions or limitations on, or revoke the credit institution operating licence of, Citadele if it concludes that Citadele has breached the applicable banking regulations.

Citadele Group has current licences for all of its banking and other operations in Latvia and the other jurisdictions in which it conducts operations. Although Citadele Group believes that it is currently in compliance with its existing material licence and reporting obligations to the BL and other relevant regulators, there is no assurance that Citadele Group will be able to maintain the necessary licences or obtain other required licences in the future due to, among other things, changes in licensing regulations or a change in circumstance of Citadele. The loss of a licence, a breach of the terms of a licence by Citadele Group or a failure to obtain any further licences that may be required in the future may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows. If the ECB were to revoke Citadele's credit institution operating licence as a result of Citadele's noncompliance or otherwise, Citadele Group would be unable to accept deposits in Latvia, which would severely restrict its ability to continue to operate and would likely lead to Citadele Group's liquidation and the cessation of its operations both inside and outside of Latvia.

Citadele Group is subject to stringent, complex and evolving laws, rules, regulations and standards in many jurisdictions, as well as contractual obligations, relating to data protection and privacy. Any actual or perceived failure to comply could harm Citadele Group's reputation, give rise to fines or regulatory censure or result in other outcomes that may have a material adverse effect on Citadele Group's business

Citadele Group collects and processes a significant volume of personal data and other regulated data from its employees, customers and business partners as part of the operation of its business, and therefore is subject to stringent, complex and evolving laws, rules, regulations and standards, as well as contractual obligations, relating to data protection and privacy. Such data protection and privacy laws, rules, regulations and standards around the world are rapidly evolving, may be subject to uncertain or inconsistent interpretations and enforcement and may conflict among various jurisdictions. These laws, rules, regulations and standards, as well as contractual obligations, generally impose certain requirements on Citadele Group in respect of the collection, control, use, sharing, disclosure and other processing of such personal data, and any failure or perceived failure by Citadele Group to comply with its privacy policies, or applicable data privacy and security laws, rules, regulations, standards or contractual obligations, or any compromise of security that results in unauthorised access to, or unauthorised loss, destruction, use, modification, acquisition, disclosure, release or transfer of personal information, could potentially lead to requirements to modify or cease certain operations or practices, proceedings or actions against Citadele Group, legal liability, governmental investigations, enforcement actions, claims, judgements, awards, penalties, sanctions and costly litigation (including class actions), regulatory censure, fines, reputational and financial costs or other outcomes that may have a material adverse effect on Citadele Group's business.

Citadele Group seeks to ensure that procedures are in place to comply with relevant data protection regulations by its employees and any third-party suppliers and service providers, and also to implement security measures to help prevent cybertheft. Such efforts to ensure compliance with such requirements and implement such measures can increase operating costs, impact the development of new products or services and reduce operational efficiency. Notwithstanding such efforts, Citadele Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of applicable data protection laws, rules, regulations, standards and contractual obligations. In addition, Citadele Group may not have appropriate controls in place currently and may be unable to invest on an ongoing basis to ensure such controls are up to date and keep pace with growing threats.

In particular, Citadele Group is subject to the General Data Protection Regulation (EU) 2019/679 (the "**GDPR**"), which has been in effect since 25 May 2018. The GDPR increased the regulatory burden on Citadele Group, as well as third-party providers on which Citadele Group relies, in processing personal data of customers, employees and business partners and other data in the conduct of its business and may also increase the potential sanctions for breach as the GDPR includes significant financial penalties up to the higher of 4% of the annual worldwide turnover of group companies or EUR 20 million.

Whilst Citadele Group has taken steps to comply with the GDPR, Citadele Group will be required to continue to monitor and implement additional amendments to agreements, controls, procedures and policies in the future to achieve and maintain GDPR compliance (in particular due to expected increases in sale of smart and connected products). Ensuring compliance with the GDPR is an ongoing process and it is possible that, despite Citadele Group's efforts, supervisory authorities or other third parties will assert that Citadele Group's practices do not comply with aspects of the GDPR. If Citadele Group is not fully compliant with its obligations under the GDPR, Citadele Group may be subject to regulatory action or financial penalties, which could also result in adverse publicity and reputational damage.

Although Citadele Group may have contractual protections with its third-party service providers, contractors and consultants, any actual or perceived security breaches could harm Citadele Group's reputation and brand, expose Citadele Group to potential liability or require Citadele Group to expend significant resources on data security and in responding to any such actual or perceived breaches. Any contractual protections Citadele Group may have from its third-party services providers, contractors and consultants may not be sufficient to adequately protect Citadele Group from any such liabilities and losses, and Citadele Group may be unable to enforce any such contractual protections. Citadele Group expects that there will continue to be new proposed laws and regulations concerning data privacy and security, and Citadele Group cannot yet determine the impact of such future laws, regulations and standards on Citadele Group's business. Because the interpretation and application of data protection laws, regulations, standards and other obligations are still uncertain, and often contradictory and in flux, it is possible that the scope and requirements of such obligations may be interpreted and applied in a manner that is inconsistent with Citadele Group's practices, and Citadele Group's efforts to comply with the evolving data protection rules may be unsuccessful.

Citadele Group makes public statements about its use and disclosure of personal data through Citadele Group's privacy policy, information provided on its website and press statements. Although Citadele Group endeavors to comply with its public statements and documentation, Citadele Group may at times fail to do so or be alleged to have failed to do so. The publication of Citadele Group's privacy policy and other statements that provide promises and assurances about data privacy and security can subject Citadele Group to potential government or legal action if they are found to be deceptive, unfair or misrepresentative of Citadele Group's actual practices. In addition, from time to time, concerns may be expressed about whether Citadele Group's products and services compromise the privacy of its users and others. Any concerns about Citadele Group's data privacy and security practices (even if unfounded), or any failure, real or perceived, by Citadele Group to comply with its posted privacy policy or with any legal or regulatory requirements, standards, certifications or orders or other privacy or consumer protection-related laws and regulations applicable to Citadele Group could cause Citadele Group's customers to reduce their use of Citadele Group's products and services.

From time to time, Citadele Group may utilise artificial intelligence, machine learning, data analytics and similar tools that collect, aggregate and analyse data (collectively, "**Data Tools**") in connection with Citadele Group's business. There are significant risks involved in utilising Data Tools and no assurance can be provided that the usage of such Data Tools will enhance Citadele Group's business or assist Citadele Group's business in being more efficient or profitable. Data Tools may have errors or inadequacies that are not easily detectable. For example, certain Data Tools may utilise historical market or sector data in their analytics. To the extent that such historical data is not indicative of the current or future conditions in the applicable market or sector, or the Data Tools fail to filter biases in the underlying data or collection methods, the usage of Data Tools may lead Citadele Group to make determinations on behalf of Citadele Group's business, including potentially purchase and sale decisions, which have an adverse effect. Data Tools may also be subject to data herding and interconnectedness (*i.e.*, multiple market participants utilising the same data), which may adversely impact Citadele Group's business. If Data Tools are incorrectly designed or the data used to train them is incomplete, inadequate or biased in some way, Citadele Group's use of Data Tools may inadvertently reduce Citadele Group's efficiency or cause unintentional or unexpected outputs that are incorrect, do not match Citadele Group's business goals, do not comply with Citadele Group's policies or interfere with the performance of Citadele Group's products, services, business and reputation. Additionally, Citadele Group's reliance on Data Tools could pose ethical concerns and lead to a lack of human oversight and control, which could have negative implications for Citadele Group's organisation.

In addition, the use of Data Tools may enhance intellectual property, cybersecurity, operational and technological risks. The technologies underlying Data Tools and their use cases are subject to a variety of laws, including intellectual property, privacy, consumer protection and federal equal opportunity laws. If Citadele Group does not have sufficient rights to use the data on which Data Tools rely, Citadele Group may incur liability through the violation of such laws, third-party privacy or other rights or contracts to which Citadele Group is a party. Furthermore, the technologies underlying Data Tools are complex and rapidly developing, and as a result, it is not possible to predict all of the legal, operational or technological risks related to the use of Data Tools. Moreover, Data Tools are the subject of evolving review by various governmental and regulatory agencies and changes in laws, rules, directives and regulations governing the use of Data Tools may adversely affect the ability of Citadele Group's business to use Data Tools.

Any of the foregoing could harm Citadele Group's reputation, distract Citadele Group's management and technical personnel, increase Citadele Group's costs of doing business, adversely affect the demand for Citadele Group's products and services, and ultimately result in the imposition of liability, any of which could have a material adverse effect on Citadele Group's business, results of operations, financial condition and prospects.

Citadele Group is subject to environmental, social and governance risks that could adversely affect its reputation, business, financial condition, results of operations and/or prospects

Regulators, investors and other market participants have been increasingly focusing on ESG risks, in particular climate-related risks (such as harm to people and property arising from acute, climate-related events, such as floods, hurricanes, heatwaves, wildfires, and chronic, longer-term shifts in climate patterns, such as higher global average temperatures, rising sea levels and water stress). Such events could disrupt Citadele Group's operations or those of Citadele Group's customers or third parties on which Citadele Group relies, including through direct damage to physical assets and indirect impacts from supply chain disruption and market volatility. Over the longer term, these events could impact the ability of certain of Citadele Group's customers to repay their obligations, reduce the value of collateral, limit insurance coverage and result in other effects.

Additionally, incorporating ESG-related considerations into Citadele Group's business and operations involves transition, reputational risks and disclosure risks, including changes in consumer and business sentiment, related technologies, shareholder preferences, mandatory and voluntary disclosure regimes and regulatory and legislative requirements. Citadele Group has already implemented, or is in the process of implementing, a number of specific ESG-related actions. For example, Citadele Group has set a goal to reach net-zero financed portfolio emissions by 2050. Reaching the net-zero financed portfolio target will likely require adaptation of Citadele Group's business model to address climate change challenges in accordance with national and international ESG standards and practices. Failure to implement effective climate change resilient governance, procedures, systems, controls and disclosures in compliance with legal and regulatory expectations to manage climate and sustainability-related risks and voluntary goals set by Citadele Group may have negative impact on Citadele Group's reputation and upholding of stakeholder expectations. ESG risks also include the risk associated with over-stating ESG credentials. The reliability and extent of ESG data published by Citadele Group is dependent on access to reliable, verifiable and comparable ESG-related data from Citadele Group's customers and counterparties and the quality of ESG-related data disclosures by Citadele Group is limited by low availability of counterparty ESG data and the lack of standardisation in the industry. Finally, legislative or regulatory uncertainties and change regarding climate and ESG-related risks, including inconsistent perspectives or requirements, are also likely to result in higher regulatory, compliance, enforcement, litigation, credit, reputational and other risks and costs and may have a material adverse effect on Citadele Group’s business, results of operations, financial condition and prospects.

Citadele Group’s use of “open source” software could subject Citadele Group’s proprietary software to general release, adversely affect Citadele Group’s ability to sell Citadele Group’s products and services and subject Citadele Group to possible litigation

Citadele Group uses open-source software in connection with a portion of its proprietary software and expects to continue to use open source software in the future. Under certain circumstances, some open-source licences require users of the licenced code to provide the user’s own proprietary source code to third parties upon request, or prohibit users from charging a fee to third parties in connection with the use of the user’s proprietary code. Citadele Group cannot guarantee that all open-source software is reviewed prior to use in Citadele Group’s products and services, that Citadele Group’s developers have not incorporated open-source software into Citadele Group’s products and services or that they will not do so in the future. Accordingly, Citadele Group may face claims from others challenging Citadele Group’s use of open-source software, claiming ownership of, or seeking to enforce the licence terms applicable to such open-source software, including by demanding release of the open-source software, derivative works or Citadele Group’s proprietary source code that was developed or distributed with such software. Such claims could also require Citadele Group to purchase a commercial licence or require Citadele Group to devote additional research and development resources to change Citadele Group’s software, any of which would have a negative effect on Citadele Group’s business and results of operations. In addition, if the licence terms for the open-source code change, Citadele Group may be forced to re-engineer its software or incur additional costs. Additionally, the terms of many open-source licences to which Citadele Group is subject may not have been interpreted by Latvian or foreign courts. There is a risk that open-source software licences could be construed in a manner that imposes unanticipated conditions or restrictions on Citadele Group’s ability to market or provide its products and services.

Citadele Group may be subject to statutory resolution

On 15 May 2014, the EU Council adopted the BRRD, as amended *inter alia* by the BRRD II, which sets out the necessary steps and powers to ensure that bank failures across the EU are managed in a way which mitigates the risk of financial instability and minimises costs for taxpayers. The BRRD is designed to provide authorities with a harmonised set of tools and powers to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contemplates that powers will be granted to the designated resolution authorities including (but not limited to) the introduction of a statutory "write-down and conversion power" and a 'bail-in and loss absorption' power, which will give the resolution authority under BRRD and Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended ("**SRM Regulation**") (the "**Relevant Resolution Authority**"), the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Bonds) of a failing financial institution and/or to convert certain debt claims (which could include the Bonds) into another security, including equity instruments of the surviving Citadele entity, if any. The Latvian legislation implementing the BRRD, the Latvian Credit Institutions and Investment Firms Recovery and Resolution Law of 2015, as amended (the "**Latvian Resolution Law**"), entered into force on 16 July 2015, and the amendments to the Latvian Resolution Law transposing the requirements introduced by the BRRD II into Latvian law entered into force on 29 October 2021.

As well as a "write-down and conversion power" and a "bail-in and loss absorption" power as described above, the powers granted to the Relevant Resolution Authority under the BRRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge bank" (a publicly controlled entity) and (iii) transfer assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time. In addition, among the broader powers granted to the Relevant Resolution Authority under the BRRD, the BRRD provides powers to the Relevant Resolution Authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

Pursuant to section entitled *"General Terms and Conditions of the Bonds—Security"*, each Bondholder acknowledges and accepts that any liability of Citadele arising under the Bonds may be subject to the exercise of scuh Bail-in and Loss Absorption Powers as may be exercised by the Relevant Resolution Authority. The exercise of any such power or any suggestion of such exercise could materially adversely affect the value of any Bonds subject to the BRRD and could lead to the Bondholders losing some or all of their investment in the Bonds. Prospective investors in the Bonds should consult their own professional advisers as to the consequences of the implementation of the BRRD.

In addition to the BRRD, the EU has adopted a directly applicable SRM Regulation which governs the resolution of the most significant financial institutions in the Eurozone, i.e., a regulation establishing a Single Resolution Mechanism for them. The SRM Regulation establishes a single European resolution board (the "**Resolution Board**") with resolution powers over the entities that are subject to the SRM Regulation, thus replacing or exceeding the powers of the national resolution authorities. The ECB has determined Citadele to be a significant financial institution directly supervised by the ECB, and, as such, Citadele is subject to the SRM Regulation.

Under Article 5(1) of the SRM Regulation, the Resolution Board has been granted those responsibilities and powers granted to the member states' resolution authorities under the BRRD for those banks subject to direct supervision by the ECB. The SRM Regulation mirrors the BRRD and, in large part, refers to the BRRD so that the Resolution Board is able to apply the same powers that would otherwise be available to the relevant national resolution authority. These resolution powers include the sale of business tool, the bridge institution tool, the asset separation tool, the bail-in and loss absorption tool and the mandatory write-down and conversion power in respect of capital instruments. The use of one or more of these tools will be included in a resolution scheme to be adopted by the Resolution Board. National resolution authorities will remain responsible for the execution of the resolution scheme according to the instructions of the Resolution Board.

The Resolution Board is responsible for preparing and adopting a resolution plan for the entities subject to its powers, including Citadele. It also determines, after consulting competent authorities including the ECB, the Minimum Requirement for own funds and Eligible Liabilities (the "**MREL**"), which Citadele is expected to be required to meet at all times (the MREL requirements applicable to Citadele have been summarised in section entitled "*Corporate Governance — Capital Adequacy Management* "). The Resolution Board will also have the powers in relation to the early intervention as set forth in the SRM Regulation, including the power to require Citadele to contact potential purchasers in order to prepare for resolution of Citadele. The Resolution Board will have the authority to exercise the specific resolution powers under the SRM Regulation. These will be launched if the Resolution Board assesses that the following conditions are met: (i) Citadele is failing or is likely to fail; (ii) taking into consideration relevant circumstances of Citadele, there is no reasonable prospect that any alternative private sector measures, supervisory action or the write-down or conversion of relevant capital instruments would prevent Citadele's failure within a reasonable timeframe; and (iii) a resolution action is necessary in the public interest.

The exercise of any resolution powers by the Resolution Board or any powers pursuant to BRRD with respect to Citadele or any suggestion of such exercise will likely materially adversely affect the price or value of an investment in the Bonds and/or the ability of Citadele to satisfy its obligations under such Bonds and could lead to the Bondholders losing some or all of their investment in the Bonds.

The rules under the Applicable Banking Regulations prescribe certain conditions for the granting of permission by BL, ECB or the Relevant Resolution Authority to a request by Citadele to redeem or repurchase the Bonds. Citadele may redeem or repurchase the Bonds only if such redemption or repurchase is in accordance with applicable provisions of the Applicable Banking Regulations, and, where necessary, has been granted the approval of or permission from the Relevant Resolution Authority (to the extent such approval is then required under the Applicable Banking Regulations).

The Latvian resolution legislation implementing the BRRD

The BRRD was implemented in Latvia by the Latvian Resolution Law. Under the Latvian Resolution Law, the Relevant Resolution Authority is the BL. The Latvian Resolution Law provides for certain resolution measures, including the power to impose in certain circumstances a suspension of activities. Any suspension of activities can, to the extent determined by the BL, result in the partial or complete suspension of the performance of agreements entered into by Citadele. The Latvian Resolution Law also grants the power to the BL to take a number of resolution measures which may apply to Citadele, including (i) a forced sale of the credit institution (sale of business), (ii) the establishment of a bridge institution bank or, (iii) the forced transfer of all or part of the assets, rights or obligations of the credit institution (asset separation) and (iv) the application of the general bail-in and loss absorption tool. In addition, the Latvian Resolution Law sets forth that all credit institutions must at all times meet the MREL determined by the BL for each credit institution. On 30 September 2021, the draft law prepared for the purposes of transposing the requirements contemplated by BRRD II and introducing amendments to the Latvian Resolution Law was approved by the Latvian Parliament and entered into force on 29 October 2021.

The powers set out in the resolution legislation will impact how credit institutions are managed as well as, in certain circumstances, the rights of creditors. If the bail-in and loss absorption tool and the statutory write-down and conversion power become applicable to Citadele, the Bonds may be subject to write-down or conversion into equity on any application of the bail-in and loss absorption tool, which may result in Bondholders losing some or all of their investment. Subject to certain conditions, the terms of the obligations owed by Citadele may also be varied by the Relevant Resolution Authority (e.g., as to maturity, interest and interest payment dates). The exercise of any power under the resolution legislation or any suggestion of such exercise could materially adversely affect the rights of Bondholders, the price or value of their investment in any any Bonds and/or the ability of Citadele to satisfy its obligations under any Bonds.

Regardless of the above, the centralised power of resolution is entrusted to the Resolution Board and the BL will work in close cooperation with it.

Citadele Group faces risks associated with taxation and changes in taxation legislation

Future actions by governments (whether in Latvia or elsewhere) or relevant European bodies to increase tax rates or to impose additional taxes could reduce Citadele Group's profitability. The interpretation of Latvian, Lithuanian and Estonian tax laws and regulations may be unclear and changes unfavourable to Citadele may be introduced, any of which may have a material adverse effect on Citadele's business, prospects, financial condition, results of operations or cash flows.

Legal entities in general (including financial institutions) that are tax resident in Baltic states (or which are otherwise liable to local tax), are required to pay certain taxes in Latvia, Lithuania and Estonia, which are typical of the taxes applicable in EU member states. Citadele Group is subject to, or responsible for, a number of taxes in Latvia, including value added tax, social security contributions, personal income tax (to the extent it is withheld at source as payroll tax or withholding tax applicable to other sources of income of private individuals), corporate income tax, real estate tax, vehicle operation tax and company car tax, as well as other taxes specified in domestic legal acts and international agreements ratified by the Latvian Parliament from time to time. The tax policy of governments (including Latvia, the other Baltic States or elsewhere) may change in a manner which may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

The current Latvian corporate income tax regime, effective from 1 January 2018, introduced a new framework whereby corporate income tax is payable on dividend pay-outs only (irrespective of profits in the particular period) and certain other expenses considered to be distributions of earnings for tax purposes (*e.g.*, non-business expenses and representative expenses that exceed specific thresholds). As a result, this new regime has had a positive impact on Citadele Group and Citadele since 2019, as the corporate income tax expense on undistributed profits decreased substantially under the new tax regime in Latvia. The tax assets in the other Group's jurisdictions are unaffected by the changes in the Latvian tax regime. It is expected that the positive effect of the current corporate income tax regime will be, to some extent, limited as a result of implementation of the Global Minimum Tax Directive (Council Directive (EU) 2022/2523), which is designed to ensure that large multinational enterprises pay a minimum 15% tax.

Pursuant to the amendments to the Latvian Law on Corporate Income Tax (effective as of 1 January 2024), Citadele is required to pay a corporate income tax surcharge at a rate of 20%. This surcharge is applied to the profit earned in the pre-tax year (for instance, in 2024 the surcharge is payable from 2023 profit), regardless of profit distributions. The corporate income tax due upon profit distributions is reduced by the surcharge paid. In other words, the surcharge functions to some extent as an advance corporate income tax. The impact of the surcharge on Citadele for the year ending 31 December 2024 is EUR 13 to 15 million. In Lithuania, a solidarity tax (or "Bank tax") in respect of credit institutions (inclusive of credit institution branches) operating in Lithuania was introduced on 16 May 2023 and is applied on the surplus of net interest income received in 2023 and 2024 from activities of Citadele's Lithuanian branch. The impact of the Lithuanian Bank tax on Citadele Group was EUR 0.9 million for the year ended 31 December 2023 and is estimated to be up to EUR 2.4 million in the year ended 31 December 2024. Also, on 6 December 2023 the Latvian Parliament approved amendments to the Latvian Consumer Rights Protection Law of 1999, as amended, introducing financial support mechanisms for consumers affected by increases in interest rates for floating rate loans, which consist, in part, of Euribor. Pursuant to the amendments, in 2024, credit institutions registered within the Republic of Latvia, including Citadele, will be subject to a quarterly duty in the amount of 0.5% of the total outstanding balance of mortgage-backed loans issued to consumers as of 31 October 2023. The estimated impact of the mortgage levy on Citadele for the year ending 31 December 2024 is between EUR 8.7 and EUR 8.9 million. Any extension of such initiatives beyond 2024, may adversely affect Citadele Group's business, prospects, financial condition, results of operations or cash flows, through for example, reduced profitability or by being subject to additional payments.

If Citadele Group fails to adequately plan, manage or comply with changes in relevant taxation law or the interpretation thereof, including with respect to transfer pricing, Citadele Group's operations may be adversely affected, either through reduced profitability or by being subject to additional tax payments and penalties from the relevant tax authority. Citadele Group may also suffer reputational risk if it is perceived as not paying its fair share of tax, which could damage its brand. Any failure by Citadele Group to properly manage taxation rates or tax laws may have a material adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

Citadele Group is subject to periodic tax audits by the tax authorities

Citadele Group is subject to periodic audits by the Latvian, Lithuanian and Estonian tax authorities. The statute of limitations in Latvia is three years since the relevant tax payment was due but taxes affected by transfer prices or hybrid mismatches may be examined for five years. The statute of limitations in Estonia is generally three years but may be extended to five years in case of intentional non-compliance with tax laws and/or suspended for the duration of criminal proceedings. The general statute of limitations in Lithuania is the current and three previous tax years; however, an extended statute of limitation applies with respect to certain taxes/tax obligations/taxpayers: (i) a five-year period applies with respect to personal income tax, transfer pricing issues, VAT deductibility adjustments with respect to fixed assets, bad debt relief and the application of patent box and investment project relief, as well as when a taxpayer does not meet reliable taxpayer's criteria or when taxes are recalculated based on the information received via the automatic information exchange system, and (ii) a ten-year period applies with respect to real estate-related VAT deductibility adjustments and in the event of the application of the mutual agreement procedure). The statute of limitations may be extended if a criminal case has been initiated against the taxpayer and it requires determining the damage caused to the State. Citadele Group is unable to predict the timing of these audits, and these audits may discover tax issues or problems of which Citadele Group was previously unaware. Complying with these audits may be difficult, time-consuming and expensive, and may require substantial attention from management. Whilst Citadele Group regularly evaluates its compliance with tax legislation and uncertain tax positions, any adverse outcomes from these audits may result in the imposition of additional tax payments and penalties which may have an adverse effect on Citadele Group's business, prospects, financial condition, results of operations or cash flows.

3.5. Risks Relating to the Bonds, Offer and Listing

Amendments to the Bonds may be made and these amendments will legally bind all Bondholders

The General Terms and Conditions of the Bonds stated in the section entitled "*General Terms and Conditions of the Bonds*" contain provisions for convening meetings of Bondholders to consider and decide on amendments to the General Terms and Conditions of the Bonds, the Final Terms of the Tranches of the relevant Series or other matters that may significantly affect the interests of the Bondholders. These provisions permit defined majorities to legally bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. Changes in the material terms of the General Terms and Conditions of the Bonds, such as interest payable on the Bonds or the maturity term of the Bonds, may have adverse effect on the rate of return from an investment into the Bonds.

Furthermore, the General Terms and Conditions of the Bonds provide that Citadele shall have a right at its sole discretion to amend the technical procedures and aspects relating to the Bonds in respect of payments or other similar matters without the consent of the Bondholders or the Bondholders' Meeting, if such amendments are necessitated by the changes in applicable rules of Latvian law or otherwise, if such amendments are not prejudicial to the interests of the Bondholders.

The Bonds may not be a suitable investment for all investors

The Bonds may not be a suitable investment for all investors. Thus, each potential investor in the Bonds must determine the suitability and appropriateness of that investment considering his or her own circumstances. A potential investor should not invest in the Bonds unless the investor has the expertise (either alone or with the relevant support from a professional advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio. In particular, each potential investor should consider, either on his or her own or with the help of the investor's financial and other professional advisers, whether the investor:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Base Prospectus, the Final Terms and documents attached to this Base Prospectus or any applicable supplement;
(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
(iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and
(v) is able to evaluate either alone or with the relevant support from a financial adviser possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Credit risk

An investment in the Bonds is subject to credit risk, which means that the Citadele may fail to meet its obligations arising from the Bonds in a duly and timely manner. Citadele's ability to meet its obligations arising from the Bonds and the ability of the Bondholders to receive payments arising from the Bonds depend on the financial position and the results of operations of Citadele and Citadele Group, which are subject to other risks as described in this Base Prospectus.

Citadele's obligations under the Bonds are subordinated obligations which are unsecured and unguaranteed

The Bonds are unsecured and unguaranteed instruments and they will not be obligations of anyone other than Citadele and they will not be guaranteed. No one other than the Citadele will accept any liability whatsoever in respect of any failure by Citadele to pay any amount due under the Bonds. The Bondholders will at all times be unsecured creditors of the Citadele.

The Bonds are subordinated to all unsubordinated claims against the Citadele at all times, however, not to the claims, which are subordinated to the Bonds or which rank *pari passu* with the Bonds and Citadele's obligations under the Bonds constitute subordinated liabilities within the meaning of the Latvian Credit Institutions Law. The net proceeds from the Bonds will be used by Citadele for the purposes specified in section entitled "*General Terms and Conditions of the Bonds —Reasons for the Offer and Use of Proceeds*" below and as its subordinated capital and thus the Bonds will be recognized as Tier 2 instruments within the meaning of CRR or any other applicable rules.

The subordination of the Bonds means that upon the liquidation or bankruptcy of Citadele, all the claims arising from the Bonds shall become collectible and shall be satisfied only after full satisfaction of all unsubordinated recognised claims against the Citadele but before satisfaction of the claims of Citadele's shareholders in their capacity as Citadele's shareholders in accordance with the applicable law. Therefore, upon the liquidation or bankruptcy of the Citadele, the Bondholders will not entitled to any payments due under the Bonds until full and due satisfaction of all the unsubordinated claims against the Citadele, except the claims of Citadele's shareholders in their capacity as Citadele's shareholders.

Any and all restrictions applicable to the subordinated liabilities of a credit institution and Tier 2 instruments as may be provided in the Latvian Credit Institutions Law, CRR and any other applicable rules will be applicable to the Bonds and Citadele's obligations arising out of the Bonds. The risk profile of the Bonds for subordination risk is considered as medium. See the section entitled "*General Terms and Conditions of the Bonds —Ranking and Subordination*" for more information. Consequently, the subordination may have material adverse effect on the Citadele's ability to meet all its obligations arising from the Bonds.

The Bonds may be redeemed prematurely on the initiative of Citadele

The Bonds may be redeemed prematurely on the initiative of Citadele in certain circumstances as described in section entitled "*General Terms and Conditions of the Bonds*". If this early redemption right is exercised by Citadele, the rate of return from an investment in the Bonds may be lower than initially anticipated and the market value of the Bonds may be higher than the early redemption amount at the moment of redemption. It may not be possible for Bondholders thereafter to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds. Bondholders may only be able to do so at a significantly lower rate. The premature redemption of the Bonds may be conditional on Citadele receiving consent to the early redemption from the competent authority. The decision on granting the consent may involve a certain amount of discretion by the respective competent authority. Therefore, early redemption may be beyond the control of Citadele.

The Bonds may be subjected in the future to the bail-in and loss absorption resolution tool by the Relevant Resolution Authority and to the mandatory burden sharing measures for the provision of precautionary capital support which may result into their write-down in full

Under the law applicable to Citadele and Citadele Group, powers have been granted to the Relevant Resolution Authority which include the bail-in and loss absorption tool through which a credit institution subjected to resolution may be recapitalised either by way of write-down or conversion of liabilities into ordinary shares. The bail-in and loss absorption tool may be imposed either as a sole resolution measure or in combination with the rest of the resolution tools that may be imposed by the Relevant Resolution Authority in case of the resolution of a failing credit institution.

The Bonds may be subjected to the said bail-in and loss absorption tool. As such, if Citadele is subjected to resolution measures in the future, then the value of the Bonds may be written down (up to zero) as a result of the imposition of the bail-in and loss absorption tool. Furthermore, the Bonds may be subject to modifications or the disapplication of provisions in the General Terms and Conditions of the Bonds, including alteration of the principal amount or any interest payable on the Bonds, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period.

Pursuant to section entitled "*General Terms and Conditions of the Bonds —Security*", each Bondholder acknowledges and accepts that any liability arising under the Bonds may be subject to the exercise of such Bail-in and Loss Absorption Powers as may be exercised by the Relevant Resolution Authority.

Changes in laws or administrative practices could entail risks

The Bonds are governed by and based on the laws of Republic of Latvia in effect as at the date of issue of the relevant Bonds and as in force from time to time. Latvian laws (including but not limited to tax laws) and regulations governing the Bonds may change during the life of the Bonds, and new judicial decisions can be given and administrative practices may take place. Furthermore, Citadele and Citadele Group operate in a heavily regulated environment and have to comply with extensive regulations in the Republic of Latvia. No assurance can be given as to the impact of any possible change of laws or regulations, or new judicial decision or administrative practice taking place after the date of this Base Prospectus. Such change may have a material adverse effect on the Citadele Group‘s business, financial condition, results of operations and/or future prospects and, thereby, the Citadele‘s ability to fulfil its obligations under the Bonds, taxation of the Bonds, as well as the market price and value of the Bonds. Such event may also result in material financial losses or damage to the Bondholders. Adverse changes in the tax regime applicable in respect of transacting with the Bonds or receiving interest or principal payments based on the Bonds may result in an increased tax burden of the Bondholders and may therefore have adverse effect on the rate of return from the investment into the Bonds.

The Bonds do not carry any beneficial interest in the equity or voting rights

An investment into the Bonds is an investment into non-convertible debt instruments, which does not confer any legal or beneficial interest in the equity of Citadele or any part of Citadele Group or rights to receive dividends or other rights which may arise from equity instruments or right to convert the Bonds into such instruments. Investors are being offered the Bonds which do not entitle the Bondholders to any voting rights at the GMS. Only the shareholders of Citadele have voting rights at the GMS. The Bonds carry no such voting rights. Consequently, the Bondholders will not be able to influence any decisions by the Citadele's shareholders, including decisions on the capital structure of Citadele and any other decisions and corporate matters relating to Citadele that could adversely impact the liquidity or price of the Bonds or the Bonds' desirability in the future. The Bonds represent a non-convertible debt obligation of Citadele, granting the Bondholders only such rights as set forth in the section entitled "*General Terms and Conditions of the Bonds*".

The Offer may be cancelled

Although Citadele will strive to ensure that the Offer of all Tranches is successful, Citadele cannot provide any assurance that the Offer of all Tranches will be successful and that the investors will receive any Bonds they have subscribed for. Citadele is entitled to cancel the Offer of any Tranche on the terms and conditions described in the section entitled "*General Terms and Conditions of the Offer*".

There has been no prior trading market for the Bonds

Although *inter alia* in 2016, 2017, 2020 and 2021 Citadele issued and listed subordinated bonds under its previous four Unsecured Subordinated Bonds Programmes, the Bonds constitute a new issue of securities by Citadele. Prior to the offering and admission to trading on the regulated market of the Bonds, there has been no public trading market for the Bonds. The Offer Price will be determined by Citadele and, as a result, may not be accurately indicative of the market price for the Bonds following their admission to trading. Moreover, admission of the Bonds to trading on the Baltic Bond List of the Nasdaq Riga Stock Exchange may not occur concurrently with or immediately after the settlement and delivery of the Bonds, therefore, until such listing occurs, investors in Bonds will be unable to publicly trade their Bonds until their listing.

Citadele may be unable to list the Bonds on the Nasdaq Riga, the Bonds may be delisted from the Nasdaq Riga or trading in the Bonds may be suspended

Citadele will apply for the listing of the Bonds on the Baltic Bond List of the Nasdaq Riga Stock Exchange; however, although every effort will be made by Citadele to ensure the listing of the Bonds as anticipated by the Citadele, no assurance can be provided that the Bonds will be listed and admitted to trading. Furthermore, even if the Bonds are listed on the Baltic Bond List of the Nasdaq Riga Stock Exchange, in certain circumstances the Bonds may be delisted or their trading suspended pursuant to the requirements of the applicable laws, rules and regulations. There can be no assurance that the Bonds will not be delisted or suspended from trading, which may in turn result in an inability to trade or sell the Bonds, a corresponding lack of liquidity and a reduction in value of the Bonds. The occurrence of any of the above may have a material adverse effect on the value and liquidity of the Bonds.

An active and liquid market for the Bonds may not develop

Even if the Bonds are listed on the Baltic Bond List of the Nasdaq Riga Stock Exchange, an active and liquid public trading market for the Bonds may not develop or be sustained after the Offer and Citadele is not under any obligation to sustain such market. The Nasdaq Riga Stock Exchange is substantially less liquid and more volatile than established markets. The relatively small market capitalisation and low liquidity of the Nasdaq Riga Stock Exchange may impair the ability of the Bondholders to sell their Bonds on the open market, use them as collateral for other obligations or engage in other transactions requiring the existence of an active market, or could increase the volatility of the price of the Bonds. If an active market for the Bonds does not develop or is not sustained, it may result in a material decline in the market price of the Bonds, and the liquidity of the Bonds may be adversely affected.

The value of the Bonds can fluctuate on the securities market due to events and the materialisation of risks related to Citadele, but also because of events outside Citadele's control, such as economic, financial or political events, changes of interest rate levels or currency exchange rates, policy of central banks, changes in the demand or supply of securities of the same type in general or of the Bonds. For instance, if at any point a person holding a large block of Bonds decided to sell such Bonds, the demand on the Nasdaq Riga Stock Exchange may not be sufficient to accommodate such a sale or issue and any sale may take longer than originally expected or a sale may take place at a lower price than expected. There can be no assurance that a liquid market for the Bonds will be maintained. The investors may find it difficult to sell their Bonds or to sell them at prices producing a return comparable to returns on similar investments in the secondary market. Further, if additional and competing financial instruments are introduced on the markets, this may also result in a material decline in the market price and value of the Bonds.

No limitation on issuing additional debt by Citadele, no negative pledge and change of control obligations as well as no rights of set-off or counterclaim

Citadele is not prohibited from issuing further debt. There is no restriction on the amount of debt or on the amount of securities that Citadele may issue that rank *pari passu* with or senior to the Bonds. The issue of any such debt or securities may reduce the amount recoverable by Bondholders in the event of voluntary or involuntary liquidation or bankruptcy of Citadele. There are no provisions binding Citadele in respect of the Bonds which will affect Citadele's right to create security interests in favour of third parties over Citadele Group's properties, such as a negative pledge, or any cross-default obligations binding Citadele and there are no "Change of Control" obligations binding Citadele in respect of the Bonds and therefore change of control over Citadele by any means will not confer any rights whatsoever to the Bondholders. Furthermore, Bondholders will not be entitled to exercise any right of set-off or counterclaim against amounts owed by Citadele in respect of such Bonds.

The Bonds do not contain covenants governing Citadele's operations and do not limit its ability to merge, effect asset sales or otherwise effect significant transactions that may have a material adverse effect on the Bonds and the Bondholders

The Bonds do not contain any provisions designed to protect the Bondholders from a reduction in the creditworthiness of Citadele. In particular, the General Terms and Conditions of the Bonds stated in the section entitled "*General Terms and Conditions of the Bonds*" do not restrict Citadele's ability to conduct its operations as it deems fit, at its sole discretion, including to increase or decrease its share capital, to enter into a merger, asset sale or other significant transaction that could materially alter its existence, jurisdiction of organization or regulatory regime and/or its composition and business. In the event that Citadele enters into such a transaction, Bondholders could be materially adversely affected. Furthermore, the said provisions do not restrict the current shareholders of Citadele from disposing any or all of their shareholdings in any way.

Investors in Bonds will depend on the functionality of securities settlement system of Nasdaq CSD

The Bonds will be affiliated to and recorded in Latvian SSS of the Nasdaq CSD, and no physical notes will be issued. Clearing and settlement relating to the Bonds will be carried out within the Nasdaq CSD's book-entry system (Latvian SSS) as well as payment of interest and repayment of the principal. Investors in Bonds will therefore dependent on the functionality of securities settlement system of Nasdaq CSD.

Fixed interest rate and inflation may adversely affect the price of the Bonds

The Bonds bear interest on their outstanding principal at a fixed interest rate therefore Bondholders are exposed to the risk that the price of Bonds may fall because of changes in the market interest rate. While the nominal interest rate (i.e. the coupon) of the Bonds is fixed, current interest rates on capital markets (market interest rates) typically change on a daily basis. In case market interest rates increase, the market price of Bonds may fall until the yield is approximately equal to the market interest rates. If market interest rates fall, the price of the Bonds may increase until the yield is approximately equal to market interest rates. Consequently, the Bondholders should be aware that movements of the market interest rates can adversely affect the price of the Bonds and can lead to losses for the Bondholders. Furthermore, the past performance of the Bonds is not an indication of their future performance. Also inflation may result in a decline of the market price of the Bonds, as it decreases the purchasing power of a currency unit and respectively the received interest.

Exchange rate fluctuations and exchange controls may adversely affect the value of the Bonds

Citadele will pay principal and interest on the Bonds in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of EUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to EUR would decrease the Investor's Currency equivalent: (i) yield on the Bonds; (ii) value of the principal payable on the Bonds; and (iii) market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect the applicable exchange rate. As a result, Bondholders may receive less interest or principal than expected, or no interest or principal at all.

Adverse change in the credit rating of Citadele and/or credit rating of the Bonds may adversely affect the trading price of the Bonds

One or more independent credit rating agencies may assign credit ratings to Citadele and/or the Bonds. In case the Bonds are rated by the credit rating agencies, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, or other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any adverse change in an applicable credit rating of Citadele and/or credit rating of the Bonds could adversely affect the trading price of the Bonds.

Legal investment considerations may restrict certain investments in Bonds

The investment activities of certain investors are subject to legal investment laws and regulations, or reviews or regulations by certain authorities. Each prospective investor in Bonds should consult his or her legal advisers to determine whether and to what extent: (i) the Bonds are legal investments for the respective investor; (ii) the Bonds can be used as collateral for various types of borrowings; and (iii) other restrictions apply to its purchase or pledge of any Bonds.

The transferability of the Bonds may be restricted

Citadele has not undertaken to register the Bonds and the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended or any U.S. state securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States and any Bondholder may not offer, sell, pledge or otherwise transfer the Bonds in the United States. Furthermore, Citadele has not registered the Bonds under any other country's securities laws, other than laws of Latvia. Each prospective investor should read the information under the section entitled "*Notice to Investors and Restrictions on Distribution*" for further information about the transfer restrictions that apply to the Bonds. It is the Bondholder's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

Bondholders may be required to comply with requests for information

Bondholders or beneficial owners of the Bonds may, from time to time, be requested pursuant to applicable requirements of Latvian law by Citadele, Nasdaq CSD or any competent authority to provide information as to the capacity in which they hold the Bonds and the nature of their interest and the interest of any other affiliated person in such Bonds. Failure to comply with such requests for information may result in breaches of applicable requirements of Latvian law on the part of Citadele and the relevant Bondholder or beneficial owner of the Bonds.

4. General Terms and Conditions of the Offer

4.1. General Description of the Programme

Citadele has established the € 60,000,000 (sixty million euro) Fifth Unsecured Subordinated Bonds Programme (the "**Programme**") described in this Base Prospectus under which Citadele, subject to compliance with all relevant laws and regulations, may issue and offer publicly in Latvia, Lithuania and Estonia from time to time in one or several series (the "**Series**") non-convertible unsecured and unguaranteed subordinated bonds denominated in EUR, having maturity of 10 years and with fixed interest rate (the "**Bonds**"). The maximum aggregate nominal amount of all Bonds outstanding issued under the Programme shall not at any time exceed € 60,000,000.

To the extent not set forth in this Base Prospectus, the specific terms of any Bonds will be included in the relevant final terms (the "**Final Terms**") (a form of which is contained herein) therefore the prospectus relating to Series issued under the Programme consists of this Base Prospectus and the respective Final Terms. Each Series may comprise one or more tranches of Bonds (each a "**Tranche**"). The Final Terms must include a corresponding indication, if the respective Series will consist of only one Tranche.

Citadele's shareholders have authorised issuance, public offering and listing of the Bonds at the GMS on 14 March 2024 (Meeting minutes No. 1/2024) and authorised the Citadele's Management Board to approve the characteristics of the Bonds, the Base Prospectus and any of the documents thereto, as well as any amendments and supplements thereof. The Citadele's Management Board has approved the Base Prospectus at its meeting on 14 March 2024.

The following terms and conditions will apply to the Offer.

4.2. Right to participate in the Offer

The Offer is directed to all natural and legal persons (institutional and retail investors) in Latvia, Lithuania and Estonia, irrespective of whether they qualify as qualified investors within the meaning of Article 2(e) of the Prospectus Regulation, as well as to persons (institutional investors only) located in the Member State of the EEA (other than Latvia, Lithuania and Estonia) who are qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in each case pursuant to an exemption under Article 1(4) of the Prospectus Regulation.

4.3. Minimum Investment Amount

The Bonds will be offered for subscription for the following minimum investment amount (the "**Minimum Investment Amount**"): 1 (one) Bond for any and all investors. The Minimum Investment Amount will also be reflected in the relevant Final Terms.

4.4. Placement account

Initially the Bonds of the respective Tranche will be book-entered in the Latvian SSS distribution account of Citadele with the Nasdaq CSD.

4.5. Offer Period

The offer period for each Tranche, including any and all its extensions as indicated below (the "**Offer Period**") will be specified in the relevant Final Terms.

Until the end of the applicable Offer Period, Citadele may extend the Offer Period at its sole discretion once or several times. The minimum length of any such extension should be at least 2 (two) Business Days. The notification about extension of the Offer Period will be published on Citadele's website www.cblgroup.com. Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Offer Period has been extended, provided that such modification or cancellation of the

Purchase Order is received by Citadele before the end of the Offer Period.

If the Offer Period is extended, the final Offer Period will be specified in the Final Terms which will be published after allotment of the Bonds to the investors.

4.6. Submission of Purchase Orders

The investors wishing to purchase the Bonds shall submit their orders to purchase the Bonds (the "**Purchase Orders**") at any time during the Offer Period to Citadele (fulfilling the functions of the issuing agent) and its agents, which will be specified in the Final Terms. The procedure of submission of the Purchase Orders will be specified in the Final Terms.

4.7. Purchase Orders and Invalid Purchase orders

The Purchase Order shall indicate the total amount of the Bonds to be purchased by the respective investor based on the applicable Issue Price and Annual Interest Rate at the time of making of the Purchase Order, which shall be at least equal to the Minimum Investment Amount. All Purchase Orders constitute a binding and irrevocable commitment to acquire the allotted Bonds, with the exceptions stated below.

The Purchase Order shall not be considered valid and shall not be processed in case the purchase amount indicated in the Purchase Order is less than the Minimum Investment Amount, the Purchase Order was received after the Offer Period, the Issue Price based on which the Purchase Order was made is lower than the final Issue Price applicable at the end of the Offer Period and/or the Annual Interest Rate based on which the Purchase Order was made is higher than the final Annual Interest Rate applicable at the end of the Offer Period.

Only valid Purchase Orders compliant the requirements of:

- the Minimum Investment Amount,
- reception of the Purchase Order within the Offer Period, and
- the Issue Price based on which the Purchase Order was made being equal or higher than the final Issue Price applicable at the end of the Offer Period and the Annual Interest Rate based on which the Purchase Order was made being equal or lower than the final Annual Interest Rate applicable at the end of the Offer Period

shall be treated as qualifying Purchase Orders (the "**Qualifying Purchase Orders**").

Citadele does not have any obligation to inform investors about the fact that their Purchase Orders are invalid.

4.8. Cancellation of the Offer

On the next Business Day following the Offer Period Citadele will decide whether to proceed with the Offer of a particular Tranche or cancel it. In case the Offer of a Tranche is cancelled, Citadele will publish an announcement on the Citadele's website www.cblgroup.com and submit it to the BL. All rights and obligations of the parties in relation to the cancelled Offer will be considered as having been terminated as of the moment when such announcement is made public.

4.9. Allotment

In case Citadele decides to proceed with the Offer of a Tranche, on the next Business Day following the Offer Period the following actions shall be taken:

(a) Establishment of the Qualifying Purchase Orders. Citadele shall at its sole discretion determine which Purchase Orders can be treated as Qualifying Purchase Orders, and the extent of their satisfaction.

(b) Determination of the final aggregate principal amount of the respective Tranche and allotment of the Bonds to the Investors. Upon determination of the Qualifying Purchase Orders, Citadele will establish the exact amount of the Bonds to be allotted with respect to each Qualifying Purchase Order and thus determine the final aggregate principal amount of the respective Tranche. Citadele will at its sole discretion decide upon the final allocation of the Bonds to each investor and Citadele is entitled to reject any Purchase Orders, in whole or in part, for any reason at its sole discretion.

(c) Guaranteed Allocations. Unless indicated otherwise in the respective Final Terms regarding the Bonds subject to underwriting, Citadele has a general discretion to reject any Purchase Orders, in whole or in part, for any reason at its sole discretion, and no person is guaranteed to receive any number of Bonds.

(d) Announcement of the Final Terms. The Final Terms containing the information about the final Offer Period, Annual Interest Rate, Issue Price, Issue Date, Maturity Date and Interest Payment Dates, the aggregate principal amount of the respective Tranche and definitive amount of the Bonds to be issued within the respective Tranche will be published on Citadele's web-site www.cblgroup.com, as well as submitted to the BL.

(e) Allotment Notifications. After completion of the allotment with respect to each Qualifying Purchase Order Citadele shall submit an allotment notification (the "**Notification**") to each investor. The Notification will evidence the extent of satisfaction or rejection of the Purchase Order submitted by the investor, the number of Bonds allotted to the investor, the final Annual Interest Rate, Issue Price and the purchase price payable for the Bonds.

Citadele will send the Notification to each investor through Bloomberg trading system. However, if an investor has opened a securities account with Citadele and is acting through Citadele in respect to purchase of the Bonds, the Notification will be sent to the respective investor in accordance with the terms and conditions of the agreements concluded between Citadele and such investor. Furthermore, if an investor has opened a securities account with the Lithuanian branch of Citadele and is acting through Lithuanian branch of Citadele in respect to purchase of the Bonds, the Notification will be sent to the respective investor in accordance with the terms and conditions of the agreements concluded between Lithuanian branch of Citadele and such investor.

4.10. Settlement and Delivery

The settlement for the Bonds will be carried out in accordance with the delivery-versus-payment (DvP) principle pursuant to the applicable rules of Nasdaq CSD. The settlement will take place on the Issue Date. All paid up Bonds shall be treated as issued. The Bonds which are not paid up shall be cancelled in accordance with the applicable rules of Nasdaq CSD.

However, if an investor has opened a securities account with Citadele and is acting through Citadele in respect to purchase of the Bonds, the settlement for the Bonds will be carried in accordance with the terms and conditions of the agreements concluded between Citadele and such investor.

No dealing may begin before full completion of the settlement and delivery of the Bonds.

4.11. Information About the Results of the Offer

Information about the results of the Offer of each Tranche (amount of the Bonds issued and aggregate principal amount of the respective Tranche) shall be published on the Citadele's website www.cblgroup.com, within 3 (three) Business Days after the Issue Date.

5. General Terms and Conditions of the Bonds

5.1. General

The terms and conditions of each Tranche shall consist of these general terms and conditions of the Bonds (the "**General Terms and Conditions of the Bonds**") and the applicable Final Terms. The General Terms and Conditions of the Bonds shall apply to each Tranche. Specific terms and conditions specified in the applicable Final Terms may be different in respect of each individual Tranche. In order to identify each Series and Tranche, the Final Terms shall stipulate a serial number of a respective Series and a serial number of a respective Tranche.

5.2. Type, Class and ISIN Code

The Bonds are freely transferable non-convertible unsecured and unguaranteed subordinated bonds denominated in EUR, having maturity of 10 years and with fixed interest rate, which contain unsecured, unguaranteed and subordinated payment obligations of Citadele towards the holders of the Bonds (the "**Bondholders**").

Under no circumstances shall the Bonds be convertible into ordinary shares of Citadele or other equity instruments of Citadele, except as ordered by the competent authorities in accordance with the requirements of law which, from time to time, may be applicable to Citadele and the Bonds.

Each Tranche will be assigned a separate ISIN (International Security Identification Number) code, which will be different from the ISIN code of the other Tranches. Before commencement of the offering of the Tranche, Nasdaq CSD SE, registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia (the "**Nasdaq CSD**"), upon request of Citadele, will assign to the respective Tranche an ISIN code. Where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the existing Tranche, the Bonds of such further Tranche shall be assigned its own ISIN code, which is different from the ISIN codes assigned to the relevant Tranches of the same Series. The ISIN code of respective Tranche will be specified in the Final Terms.

5.3. Form and Registration

The Bonds are dematerialized debt securities in bearer form and registered with Nasdaq CSD in book-entry form with the securities settlement system governed by Latvian law (the "**Latvian SSS**"). Investors may hold Bonds through Nasdaq CSD participants participating in Latvian SSS.

5.4. Currency and Nominal Value

The Bonds will be issued in euro (€). The nominal value (face value) of each Bond shall be specified in the Final Terms but it shall amount to at least EUR 1,000.

5.5. Security

The Bonds are direct, subordinated, unsecured and unguaranteed obligations of Citadele at all times ranking *pari passu* without any preference among themselves.

Notwithstanding and to the exclusion of any other term of the Bonds or any other agreements, arrangements or understanding between Citadele and any Bondholder (which, for the purposes of this section includes each holder of a beneficial interest in the Bonds), by its acquisition of the Bonds, each Bondholder acknowledges and accepts that any liability arising under the Bonds may be subject to the exercise of such Bail-in and Loss Absorption Powers as may be exercised by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- the effect of the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in some or any of the following, or a combination thereof: (i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Bonds, (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Bonds into shares, other securities or other obligations of Citadele or another person, and the issue to or conferral on the Bondholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Bonds, (iii) the cancellation of the Bonds or the Relevant Amounts in respect of the Bonds and (iv) the amendment or alteration of the maturity of the Bonds or amendment of the amount of interest payable on the Bonds, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

- the variation of the terms of the Bonds, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in and Loss Absorption Powers.

5.6. Applicable Law and Dispute Resolution

Issue of each Series and their public offering shall be governed by and construed in accordance with the Latvian law, including the Latvian Financial Instruments Market Law, as well as rules and regulations of the BL, Nasdaq CSD and Nasdaq Riga. The Bonds are issued in accordance with Latvian law and all claims arising from the Bonds shall expire in accordance with the statutory terms of Latvian law. Any disputes relating to or arising from the above-mentioned will be settled solely by the courts of the Republic of Latvia of competent jurisdiction.

5.7. Transferability

The Bonds are freely transferrable and disposable without any restrictions. However, transfer of the Bonds is subject to selling and transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee. The Bonds cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which such offer, sale, re-sale or transfer would be unlawful or require measures other than those required under Latvian laws to be taken by Citadele, including, if applicable, the United States of America. See the section entitled "*Notice to Investors and Restrictions on Distribution*".

5.8. Rights Attached to the Bonds and limitations to rights

Rights attached to the Bonds

The only rights of the Bondholders arising from the Bonds are the right to the redemption of the Bonds on the Maturity Date (as defined below) and the right to receive interest, subject to the limitations of these rights as described in these General Terms and Conditions of the Bonds. The Bondholders are not entitled to a delay interest or any penalty fees in case of delay in making any payments due under the Bonds by Citadele. The rights arising from the Bonds can be exercised by the Bondholders in accordance with the General Terms and Conditions of the Bonds, the applicable Final Terms and the applicable rules of Latvian law.

No „Change of Control" obligations. There will be no „Change of Control" obligations binding Citadele in respect of the Bonds and the Bonds will not have the benefit of and investors in Bonds will not have protection of a „Change of Control". Consequently, change of control over Citadele by any means will not confer any rights whatsoever to the Bondholders.

No „Negative Pledge" or „Cross-Default" obligations. There will be no „Negative Pledge" or „Cross-Default" obligations binding Citadele in respect of the Bonds and the Bonds will not have the benefit of and investors in Bonds will not have protection of „Negative Pledge" or „Cross-Default".

No Set-off. No Bondholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by Citadele arising under, or in connection with, the Bonds and each Bondholder shall, by virtue of its holding of any Bonds, be deemed to have waived all such rights of set-off, compensation or retention to the fullest extent permitted by applicable law. By its acquisition of the Bonds, each Bondholder and beneficial owner agrees to be bound by these provisions relating to waiver of set-off. All payments made by Citadele in connection with Bonds are calculated and paid without set-off or counterclaims.

No obligations of Citadele regarding its operations. There will be no restrictions on Citadele's ability to conduct its operations as it deems fit, at its sole discretion. The Bonds do not contain any provisions designed to protect the Bondholders from a reduction in the creditworthiness of Citadele.

Representation of the Bondholders

Within the Programme, the rights of the Bondholders to establish and/or authorize an organization/person to represent the interests of all or a part of the Bondholders are not contemplated, but, on the other hand, these rights are not restricted. The Bondholders should themselves cover all costs/fees of such representative(s).

Meetings of the Bondholders

Save as otherwise provided in respect to the amendments to technical procedures and aspects relating to the Bonds below, if Citadele intends to amend these General Terms and Conditions of the Bonds or the Final Terms of the Tranches of the relevant Series, Citadele shall convene a meeting of the Bondholders or the Bondholders of the relevant Series (as applicable) (the "**Bondholders' Meeting**") to decide on amendments of these General Terms and Conditions of the Bonds, the Final Terms of the Tranches of the relevant Series or other matters that may significantly affect the interests of the Bondholders. The following rules shall apply to any Bondholders' Meeting:

- All expenses in relation to the convening and holding the Bondholders' Meeting shall be covered by Citadele;
- Notice of the Bondholders' Meeting shall be published in accordance with the section entitled "*General Terms and Conditions of the Bonds —Notices"* below no later than 10 (ten) Business Days prior to the respective Bondholders' Meeting. Furthermore, the notice shall specify the time, place and agenda of the respective Bondholders' Meeting, as well as any action required on the part of the Bondholder that will attend the respective Bondholders' Meeting. No matters other than those referred to in the notice may be resolved at the respective Bondholders' Meeting;
- Only those who, according to the information gathered by the Nasdaq CSD in respect of the Bonds, were registered as the Bondholders on the 6^{th} (sixth) Business Day prior to the date of respective Bondholders' Meeting or proxies authorised by such Bondholders, shall be entitled to vote at the meeting and shall be recorded in the list of the Bondholders participating in the respective Bondholders' Meeting;
- The Bondholders' Meeting shall be held in Riga, Latvia, and its chairman shall be the Citadele's representative appointed by Citadele;
- Voting rights of the Bondholders shall be determined according to the principal amount of the Bonds held;
- The Bondholders' Meeting shall be held in English with translation into Latvian, unless the Bondholders present in the respective Bondholders' Meeting unanimously decide that the respective Bondholders' Meeting shall be held only in Latvian or English;
- A representative of Citadele and a person authorised to act for Citadele may attend and speak at the Bondholders' Meeting;
- Minutes of the Bondholders' Meeting shall be kept by a representative of Citadele, recording the day and time of the meeting, attendees, their votes represented, matters discussed, results of voting, and resolutions which were adopted. The minutes shall be signed by a representative of Citadele as the keeper of the minutes. The minutes shall be attested by one of the persons appointed by the Bondholders' Meeting to attest the minutes by a simple majority vote of the Bondholders present at the respective Bondholders' Meeting. The minutes shall be published in accordance with the section entitled "*General Terms and Conditions of the Bonds —Notices"* below after the Bondholders' Meeting as soon as possible and without any delay. If applicable, new or amended General Terms and Conditions of the Bonds or Final Terms of the Tranches of the relevant Series (as applicable) shall be appended to the minutes. The minutes shall be stored in a secure manner by Citadele;

- The Bondholders' Meeting shall be organised by a representative of Citadele acting as the chairman of the Bondholders' Meeting;
- The Bondholders' Meeting is entitled to adopt decisions that are binding upon all the Bondholders with the consent of at least 75 (seventy-five) per cent of holders of the aggregate principal amount of the outstanding Bonds. The meeting of the Bondholders of the relevant Series is entitled to make the decisions that are binding on all the Bondholders of the relevant Series with the consent of at least 75 (seventy-five) per cent of holders of the aggregate principal amount of the outstanding Bonds of the respective Series;
- Resolutions passed at the Bondholders' Meeting shall be binding on all Bondholders irrespective of whether they have been present at the Bondholders' Meeting;

Citadele shall have a right at its sole discretion to amend the technical procedures and aspects relating to the Bonds in respect of payments or other similar matters without the consent of the Bondholders or the Bondholders' Meeting, if such amendments are necessitated by the changes in applicable rules of Latvian law or otherwise, if such amendments are not prejudicial to the interests of the Bondholders.

5.9. Ranking and Subordination

The Bonds are subordinated to all unsubordinated claims against Citadele at all times (for the purposes of clarity, the Bonds are not subordinated to claims that are subordinated to the Bonds or have the same ranking as the Bonds) and Citadele's obligations under the Bonds constitute subordinated liabilities within the meaning of the Latvian Credit Institutions Law. The net proceeds from the Bonds will be used by Citadele for the purposes specified in section entitled "*General Terms and Conditions of the Bonds —Reasons for the Offer and Use of Proceeds*" below and as its subordinated capital and thus the Bonds will be recognized as Tier 2 instruments within the meaning of CRR or any other applicable rules.

The subordination of the Bonds means that in the event of liquidation or insolvency of Citadele, all the claims arising from the Bonds shall become collectible and shall be satisfied only after full satisfaction of all unsubordinated recognised claims against Citadele but before satisfaction of the claims of Citadele's shareholders in their capacity as Citadele's shareholders in accordance with the applicable law. Therefore, upon liquidation or insolvency of Citadele, the Bondholders will not be entitled to any payments due under the Bonds until full and due satisfaction of all the unsubordinated claims against Citadele, except the claims of Citadele's shareholders in their capacity as Citadele's shareholders. By subscribing to the Bonds, all investors unconditionally and irrecoverably agree to such subordination of claims arising from the Bonds. As long as there are no liquidation or insolvency proceedings initiated against Citadele, all claims arising from the Bonds shall be satisfied by Citadele in accordance with the General Terms and Conditions of the Bonds, the applicable Final Terms and the applicable law. Please be advised that no funds may be left to satisfy the claims of the Bondholders after all or part of unsubordinated claims have been satisfied.

Accordingly, any and all restrictions applicable to the subordinated liabilities of a credit institution and Tier 2 instruments as may be provided in the Latvian Credit Institutions Law, CRR and any other applicable rules will be applicable to the Bonds and Citadele's obligations arising out of the Bonds.

The Bonds to the extent they are recognized as Tier 2 instruments within the meaning of the CRR rank *pari passu* with other existing and future unsecured and unguaranteed subordinated obligations of Citadele recognized as Tier 2 instruments within the meaning of the CRR.

5.10. Interest and Yield

Interest and Yield

The Bonds shall carry interest at a fixed annual interest rate (the "**Annual Interest Rate**") which shall be specified in the Final Terms. The Annual Interest Rate shall be the same for each and every year until the Maturity Date (as defined below) or the Early Redemption Date (as defined below), as the case may be.

Citadele has a right at its sole discretion to amend the Annual Interest Rate once or several times until the end of the applicable Offer Period and announce the updated Annual Interest Rate (the "**Updated Annual Interest Rate**"). The Updated Annual Interest Rate will be published on Citadele's website www.cblgroup.com. Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Annual Interest Rate has been updated, provided that such modification or cancellation of the Purchase Order is received by Citadele before the end of the applicable Offer Period. If during the Offer Period Citadele amends the Annual Interest Rate, the final Annual Interest Rate will be reflected in the Final Terms which will be published after allotment of the Bonds to the investors. A number of factors may be considered in determining the Updated Annual Interest Rate such as, *inter alia*, the level and nature of the demand for the Bonds of the respective Tranche by the investors and prevailing market conditions.

The interest on the Bonds will be paid semi-annually on the dates specified in the Final Terms ("**Interest Payment Dates**") and will be calculated on the aggregate outstanding principal amount of the Bonds of the respective Series from the Issue Date (as defined below) until the Maturity Date (as defined below) or the Early Redemption Date (as defined below), whichever occurs first. If the Offer Period is extended according to the section entitled "*General Terms and Conditions of the Offer —Offer Period*" of this Base Prospectus, the final Interest Payment Dates will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors.

Interest shall accrue for each interest period from and including the first day of the interest period to (but excluding) the last day of the interest period on the principal amount of the Bonds of the respective Series outstanding from time to time. The first interest period commences on the Issue Date (as defined below) and ends on the first closest Interest Payment Date (the "**First Interest Period**"). Each consecutive interest period begins on the previous Interest Payment Date and ends on the following Interest Payment Date. The last interest period ends on the Maturity Date (as defined below) or the Early Redemption Date (as defined below), whichever occurs first.

Interest in respect of the Bonds will be calculated on the basis of the actual number of days elapsed in the relevant interest period divided by 365 (or, in the case of a leap year, 366), i.e. a day count convention Act/Act (ICMA) will be used.

When interest is required to be calculated in respect of a period of less than a half year other than in respect of the First Interest Period, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the ''**Accrual Date**'') to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

Interest on the Bonds shall be paid through Nasdaq CSD in accordance with the applicable rules of Nasdaq CSD, as amended or replaced from time to time, to the persons who were registered as the Bondholders at the end of 8 (eight) Business Days prior to the Interest Payment Date.

Should any Interest Payment Date fall on a date which is not a Business Day, the payment of the interest due will be postponed to the next Business Day. The postponement of the payment date shall not affect in any manner the amount payable and no interest on such payment will accrue in respect of the delay.

An expected yield to maturity for the Bonds (the "**Yield to Maturity**") being offered, based on the final Issue Price and the final Annual Interest Rate, will be specified in the Final Terms which will be published after allotment of the Bonds to the investors. The Yield to Maturity is the percentage rate of return paid if the Bond is held to its Maturity Date, assuming that interest paid over the life of the Bond is reinvested at the same rate.

5.11. Maturity and Redemption

Each Series may have a maturity of 10 (ten) years starting from the Issue Date (as defined below). The Bonds shall be repaid in full at their nominal value on the maturity date which will be specified in the Final Terms (the "**Maturity Date**") or on the Early Redemption Date (as defined below).

If the Offer Period is extended according to the section entitled "*General Terms and Conditions of the Offer — Offer Period*" of this Base Prospectus, the final Maturity Date will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors. The principal of the Bonds shall be paid through Nasdaq CSD in accordance with the applicable rules of Nasdaq CSD, as amended or replaced from time to time, to the persons who were registered as the Bondholders at the end of the Business Day immediately preceding the Maturity Date or the Early Redemption Date, as the case may be.

Should the Maturity Date or the Early Redemption Date fall on a date which is not a Business Day, the payment of the amount due will be postponed to the next Business Day. The postponement of the payment date shall not affect in any manner the amount payable and no interest on such payment will accrue in respect of the delay.

Citadele has a right to redeem the Bonds for their nominal value prematurely, i.e., prior to the Maturity Date, by notifying the Bondholders at least 30 (thirty) days in advance, if applicable laws and rules permit such early redemption, subject to meeting all the relevant legal requirements, including obtaining all the necessary approvals, permissions and consents of the competent authorities for such early redemption, including:

- at any time after the lapse of 5 years period as from the Issue Date (as defined below), provided that the competent authority (such as BL or the ECB, if they are in the competence thereof) has granted its consent for such early redemption of the Bonds, if required by applicable law and other relevant legal requirements (such as the conditions of Article 78(1) of the CRR, if applicable at the moment of early redemption of the Bonds) have been met; and

- prematurely before the lapse of the 5 year period as from the Issue Date (as defined below), provided that the competent authority (such as BL or the ECB, if they are in the competence thereof) has granted its consent for such early redemption of the Bonds, if required by applicable law and other relevant legal requirements (such as the conditions of Article 78(4) of CRR, if applicable at the moment of early redemption of the Bonds) have been met.

The decision on granting such approvals, permissions and consents may involve certain amount of discretion by the competent authorities and the early redemption may therefore be beyond the control of Citadele.

If Citadele decides to exercise the right to redeem the Bonds prematurely, i.e., prior to the Maturity Date as stated above, subject to receiving the necessary approvals, permissions and consents, Citadele shall specify the date on which the Bonds will be redeemed (the "**Early Redemption Date**"). Early Redemption Date will be announced as described in the section entitled "*General Terms and Conditions of the Bonds —Notices"* below.

The Bondholders are not entitled to claim premature redemption of the Bonds before the Maturity Date under any circumstances. By purchasing the Bonds any investor unconditionally and irrevocably relinquishes the right to demand premature redemption of any Bonds to the fullest extent permitted by applicable law, if such a right exists under applicable law.

5.12. Issue Date and Issue Price

The issue date of each Tranche (the "**Issue Date**") shall be specified in the Final Terms. If the Offer Period is extended according to the section entitled "*General Terms and Conditions of the Offer —Offer Period*" of this Base Prospectus, the final Issue Date will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors.

The Bonds may be issued at their nominal value or at a discount or a premium to their nominal value (the "**Issue Price**"). The Issue Price shall be specified in the Final Terms. Citadele has a right at its sole discretion to amend the Issue Price once or several times until the end of the applicable Offer Period and announce the updated Issue Price (the "**Updated Issue Price**"). The Updated Issue Price will be published on Citadele's website www.cblgroup.com. Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Issue Price has been updated, provided that such modification or cancellation of the Purchase Order is received by Citadele before the end of the applicable Offer Period. If during the Offer Period Citadele amends the Issue Price, the final Issue Price will be reflected in the Final Terms which will be published after allotment of the Bonds to the investors. A number of factors may be considered in determining the Updated Issue Price such as, *inter alia*, the level and nature of the demand for the Bonds of the respective Tranche by the investors and prevailing market conditions.

5.13. Taxation

The tax legislation of the investor's country and of the Citadele's country of incorporation may have an impact on the income received from the Bonds. All payments in respect of the Bonds by Citadele shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**"), unless the withholding or deduction of the Taxes is required by laws of the Republic of Latvia. In such case, Citadele shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities in accordance with the applicable laws for the amount so required to be withheld or deducted. Citadele shall not be obligated to gross-up or make any additional compensation to the Bondholders in respect of such withholding or deduction. See section entitled "*Taxation*" below in Base Prospectus for further information.

5.14. Publication of the Final Terms

The Final Terms of each Tranche will be approved by Citadele's Management Board. Before the Offer of the respective Tranche commences, the initial Final Terms:

- will be submitted to the BL, who will forward them to the Bank of Lithuania (In Lithuanian - *Lietuvos Bankas*) and the Estonian Financial Supervision and Resolution Authority (in Estonian - (In Estonian - *Finantsinspektsioon*); and
- will be published on Citadele's website www.cblgroup.com.

The Final Terms containing information about the established aggregate principal amount of the respective Tranche and definitive amount of the Bonds to be issued, as well as the final Offer Period, Annual Interest Rate, Issue Price, Issue Date, Maturity Date and Interest Payment Dates will be published on the Citadele's website www.cblgroup.com and submitted to the BL after allotment of the Bonds to the investors.

5.15. Admission to Listing and Trading

Citadele shall submit an application for admitting each Tranche to listing and trading on the official bond list (Baltic Bond List) of Nasdaq Riga AS, registration number: 40003167049, legal address: Vaļņu 1, Riga, LV-1050, Latvia (the **"Nasdaq Riga"**) according to the requirements of Nasdaq Riga not later than within 3 (three) months after the Issue Date of the respective Tranche. Trading of the respective Tranche on the Baltic Bond List of the Nasdaq Riga Stock Exchange is expected to commence within 1 (one) month after the above-mentioned application has been made. All dealings in the Bonds of the respective Tranche prior to the commencement of unconditional dealings on the Baltic Bond List of the Nasdaq Riga Stock Exchange may be in the form of private over-the-counter transactions and will be at the sole risk of the parties concerned. Nasdaq Riga Stock Exchange is a regulated market for the purposes of MiFID II.

Unless the context requires otherwise, references in this Base Prospectus to Bonds being "listed" (and all related references) shall mean that such Bonds have been listed and admitted to trading on the Baltic Bond List of the Nasdaq Riga Stock Exchange as may be specified in the applicable Final Terms.

Citadele shall use its best efforts to ensure that the respective Tranche remains listed in the official bond list (Baltic Bond List) of Nasdaq Riga or, if such listing is not possible to obtain or maintain, listed or traded on another regulated market. Citadele shall, following a listing or admission to trading, take all reasonable actions on its part required as a result of such listing or trading of the respective Tranche. Citadele will cover all costs which are related to the admission of the respective Tranche to the relevant regulated market.

5.16. Estimated Expenses Charged to the Investors

No expenses or taxes will be charged to the investors by Citadele in respect to the issue of the Bonds. However, the investors may be obliged to cover expenses which are related to the opening of securities accounts with the credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the investor's purchase or selling orders of the Bonds, the holding of the Bonds or any other operations in relation to the Bonds. Citadele shall have no obligation whatsoever to compensate the Bondholders for any such expenses.

5.17. Underwriting

The Bonds may be subject to underwriting. The Final Terms shall include an indication as to whether any underwriting arrangement is applicable to the particular Tranche.

5.18. Force Majeure

Citadele shall be entitled to postpone the fulfilment of its obligations under the Bonds and this Base Prospectus and any relevant Final Terms, in case the performance is not possible or becomes unreasonably difficult due to continuous existence of any of the following circumstances beyond the reasonable control of Citadele:

- action of any authorities, war or threat of war, rebellion, terrorism or civil unrest;
- disturbances in postal, telephone or electronic communications that materially affect operations of Citadele;
- any interruption of or delay in any functions or measures of Citadele as a result of fire, virus outbreak, other epidemiological event, hacking or other similar disaster or wrongdoing;
- any industrial action, such as strike, lockout, boycott or blockade affecting materially the activities of Citadele even if it only affects part of the employees of any of them and whether any of them is involved therein or not; or
- any other similar force majeure or hindrance which makes it unreasonably difficult to carry on the activities of Citadele.

In such case the fulfilment of the obligations may be postponed for the period of the existence of the respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that Citadele shall use all best efforts to limit the effect of the above referred circumstances and to resume the fulfilment of its obligations, as soon as reasonably practicable.

5.19. Further Issues

Citadele may, from time to time, without the consent of and notice to the Bondholders, create and issue further bonds whether such further bonds form a single Series with already issued Bonds or not (the Final Terms must include a corresponding indication, if the respective Series will consist of only one Tranche) and whether issued within the Programme or not. For the avoidance of doubt, Citadele's right to issue any other notes and securities is not restricted in any way. However, the maximum aggregate nominal amount of all Bonds outstanding issued under the Programme shall not at any time exceed € 60,000,000.

5.20. Purchases

Citadele or any of its Subsidiaries may at any time purchase the Bonds in any manner and at any price in the secondary market subject to provisions of applicable law. Such Bonds may be held, resold or surrendered by the purchaser through Citadele for cancellation.

5.21. Notices

The Bondholders shall be advised of matters relating to the Bonds through a press release and by a notice published in English and Latvian in the Central Storage of Regulated Information and on the Citadele's website (www.cblgroup.com) and, after the Bonds are admitted to the regulated market, also on the Nasdaq Riga website or otherwise as prescribed by the applicable rules of Latvian law. Any such notice shall be deemed to have been received by the Bondholders when published in the manner specified above.

5.22. Interests of Natural and Legal persons in the Offer

In so far as Citadele is aware, no person involved in the Offer has an interest material to the Offer, nor any conflicting interests.

5.23. Reasons for the Offer and Use of Proceeds

Citadele expects to receive net proceeds of up to EUR 60,000,000 from this Offer. The net proceeds from the Offer are to be used by Citadele for its general business development and to strengthen further the regulatory capital structure of Citadele, including use as Citadele's subordinated capital in accordance with the requirements of the CRR and any other applicable rules for Tier 2 capital.

If in respect of any particular Series, there is another particular identified use of proceeds, this will be stated in the relevant Final Terms applicable to the particular Series.

6. Corporate information, Shares and Share Capital

6.1. General Corporate Information

The legal and commercial name of Citadele is AS „Citadele banka". Citadele is a joint stock company (in Latvian – *akciju sabiedrība* or *AS*) incorporated in, and operating under the laws of, the Republic of Latvia, including the Commercial Law of the Republic of Latvia ("**Latvian Commercial Law**") and is registered with the Commercial Register of the Republic of Latvia under the registration number: 40103303559 (date of registration: 30 June, 2010). Citadele's legal address is at Republikas laukums 2A, Riga, LV-1010, Latvia, telephone: +371 67010000, e-mail: info@citadele.lv, website: www.citadele.lv. Citadele's legal entity identifier ("LEI"): 2138009Y59EAR7H1UO97.

6.2. Articles of Association

The latest version of the Articles of Association of the Citadele was adopted by the respective resolution of the GMS, dated 24.10.2023. The Articles of Association are available on the website of Citadele www.cblgroup.com.

6.3. Share Capital and Shareholders

At the date of this Base Prospectus Citadele has 158,240,718 ordinary shares in issue (no separate classes of shares) with a nominal value of EUR 1 each and carrying one voting right each, such that the total share capital of Citadele equals EUR 158,240,718. At the date of this Base Prospectus 92,476 of such shares are held by Citadele itself (although Citadele is in the process of selling 30,000 of these shares to a third party) therefore according to the Latvian Commercial Law such shares, while they are held by Citadele, do not give any voting rights or rights to dividends and they are not taken into account when determining the quorum of the GMS. All shares are of the same class and they are fully paid up. All shares in Citadele are dematerialised shares.

Citadele's Articles of Association provide that any change in Citadele's share capital requires the approval of at least 75% of the votes represented by shareholders present at a GMS and entitled to vote at such GMS. Furthermore, the Articles of Association provide that the Supervisory Board may only resolve to consider and/or render an opinion on any draft resolution to be submitted to the GMS in relation to an increase in Citadele's share capital or a change to the type, rights or form of Citadele's shares if such Supervisory Board resolution is approved by all members of the Supervisory Board present at a Supervisory Board meeting. This description does not purport to be complete and is qualified in its entirety by reference to the Articles of Association and the relevant laws.

The Latvian Commercial Law provides that a shareholder is free to transfer (alienate) its shares, save for where there is a restriction on transfer (alienation) contained in the company's constitutional document. Citadele's Articles of Association do not contain any such restriction.

Major Shareholders

RA Citadele Holdings, LLC, the shareholders in the table below (with the exception of the European Bank for Reconstruction and Development ("**EBRD**")) and certain other shareholders of Citadele (the "**Co-investors**") own approximately 75% of Citadele. Each of RA Citadele Holdings, LLC and the Co-investors are party to the Co-investment agreement under the terms of which the Co-investors have agreed that RA Citadele Holdings, LLC is able to exert control of Citadele on behalf of all other Co-investors. Each of RA Citadele Holdings, LLC, the Co-investors and the EBRD are party to a shareholders' agreement in relation to Citadele and further detail on the provisions of this shareholders' agreement can be found in the section entitled "*Overview and Business Description —Material Agreements*" below.

The following table sets out certain information with respect to the ownership of Citadele's outstanding ordinary shares, as of the date of this Base Prospectus.

Shareholder	Number of shares held	Ownership (%)
RA Citadele Holdings, LLC[1]	51,549,212	Approx. 32.6
EBRD	39,138,948	Approx. 24.7
EMS LB LLC [2]	17,635,133	Approx. 11.1
Amolino Holdings Inc.[3]	13,490,578	Approx. 8.5
Delan S.A.R.L. [4]	12,477,728	Approx. 7.9
Shuco LLC[5]	9,838,158	Approx. 6.2
Other shareholders[6]	14,110,961	Approx. 9.0

(1) RA Citadele Holdings, LLC is a wholly owned subsidiary of Ripplewood Advisors LLC and is beneficially owned by Mr Timothy C. Collins
(2) EMS LB LLC is beneficially owned by Mr Edmond M. Safra
(3) Amolino Holdings Inc. is beneficially owned by Mr James L. Balsilie
(4) Delan S.A.R.L is beneficially owned by the Baupost Group LLC
(5) Shuco LLC is beneficially owned by Mr Stanley S. Shuman
(6) Including members of the Management Board and other related parties who hold 1,296,453 shares and Citadele holding 92,476 shares (although at the date of this Base Prospectus Citadele is in the process of selling 30,000 of these shares to a third party)

As of the date of this Base Prospectus, Citadele has implemented a long-term incentive plan ("**LTIP**") for the members of the Management Board along with a long-term retention programme ("**LTRP**") for key employees and the level of dilution to existing shareholders under its terms may be up to 10% of Citadele's issued share capital in a rolling ten-year period. Furthermore, in the future, Citadele may issue any type of classes of securities with rights, preferences or privileges that are more or less favourable than those attached to the existing shares.

6.4. Citadele's Objects and Purposes

Citadele is registered with the Commercial Register of the Republic of Latvia under registration number 40103303559. The objects and purposes of Citadele are stated in Clause 2 of the Articles of Association which contains a non-exhaustive description of the types of commercial activities which it may undertake, including monetary intermediation, financial leasing, granting other forms of credit, providing financial services other than insurance and pension funding, and securities transactions. However, as these activities do not constitute an exhaustive list beyond which Citadele is constitutionally prevented from undertaking, under the Latvian Commercial Law, Citadele's objects are effectively unlimited.

6.5. Credit Ratings

The credit ratings included in this Base Prospectus have been issued, for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies, as amended (the "**CRA Regulation**"), by Moody's Investors Service Ltd ("**Moody's**"). Moody's is established in the EU and registered under the CRA Regulation. As such, Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. As of the date of this Base Prospectus, the credit rating assigned by Moody's to Citadele's long term deposits is Baa2 (positive) and Citadele's senior unsecured debt - Baa3 (positive).

Each Tranche may, on or after the relevant issue, be assigned a rating specified in the relevant Final Terms by any rating agency which may be appointed from time to time by the Citadele in relation to any issuance of the Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any Tranches. Whether or not each credit rating applied for in relation to relevant Tranche will be issued by a credit rating agency established in the EU and registered under the CRA Regulation will be disclosed in the Final Terms. If rated, such ratings will not necessarily be the same as the rating assigned to Citadele.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Credit ratings are not a guarantee of Citadele Group's future performance.

7. Corporate Governance

7.1. General

In general, the corporate governance legislation in Latvia is aligned with EU standards. Corporate governance in Latvia is principally governed by the Latvian Commercial Law which implements *inter alia* the requirements of EU Directive 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law. This law outlines the general requirements applicable to all Latvian companies including joint stock companies such as Citadele. The Latvian Commercial Law requires joint stock companies to have a two-tier management system consisting of a supervisory board (council) and a management board, which, together with the GMS, are the principal management institutions.

Citadele's corporate governing bodies are the GMS, the Supervisory Board and the Management Board, each having its own responsibilities and authorities in accordance with Latvian law and the Articles of Association. The GMS elects the members of the Supervisory Board and the Supervisory Board is responsible for the supervision of, and appointment of members to, the Management Board. The Management Board, which is an executive body, is responsible for the management of Citadele's day-to-day operations. GMS is responsible for matters including the approval of the annual accounts, deciding on how profits are used, amending constitutional documents, changing the share capital, issuing and converting securities, appointment and removal of the members of the Supervisory Board, auditors, controllers and liquidators, as well as other matters.

7.2. Supervisory Board

The Supervisory Board is an institution that represents interests of Citadele, supervises the Management Board and the Citadele's overall development. In particular, this role includes: (i) electing and recalling members of the Management Board; (ii) monitoring Citadele's business activities and ensuring compliance with the law, the Articles of Association and the decisions of its shareholders; (iii) examining Citadele's accounts together with the Management Board's proposals for the use of profits, and drawing up Citadele's annual report; (iv) representing Citadele in all legal proceedings brought by Citadele against members of the Management Board or vice versa; (v) approving transactions between Citadele and members of the Management Board, Citadele's auditors or related persons; and (vi) examining in advance all issues to be raised at the GMS and providing opinions on such issues, (vii) approving the Citadele's general operational principles (strategy) and financial development objectives (budget), as well as monitoring their implementation; and (viii) monitoring risk management and international control systems, as well as other matters.

The Supervisory Board is also responsible for supervising the management of Citadele Group's risks, including credit and liquidity risk, as well as approving and monitoring the implementation of Citadele's policies, including its remuneration policies. In addition to the above, the Supervisory Board shall supervise how the Management Board ensures the establishment and effective functioning of Citadele's internal control system. When carrying out the supervision of the internal control system, the Supervisory Board shall:

- determine the distribution of duties among the Supervisory Board members and committees, where established, and procedure for information exchange among the Supervisory Board and Management Board, *inter alia*, shall critically assess the content of information submitted by the Management Board;
- ensure that the agenda and the most relevant issues and conclusions of the Supervisory Board level committee, where established, are documented;
- set the duties and remuneration of the Management Board members and procedure for the assessment of individual and collective performance results of the Management Board;
- set Citadele's development strategy, including objectives of the activities, risk strategy and capital adequacy maintenance strategy, as well as supervise the implementation of those strategies;
- supervise the establishment of the organisational structure and the compliance thereof with the internal and external legal framework, as well as the compliance thereof with the specifics of Citadele's activities and risk strategy;

- approve the outsourcing, as well as, at least on an annual basis, review it in accordance with the changes in Citadele's activities and Citadele's external circumstances policy and oversee the implementation thereof;
- set the corporate values and standards of professional conduct and ethics of Citadele, approve the policy on the governance of conflict of interest situations and the policy of ensuring diversity in the composition of the Supervisory Board and Management Board;
- monitor establishment of the risk culture within the Citadele;
- supervise risk management in Citadele, *inter alia*, approve policies on the identification and management of risks, request and receive information about the size and management of material risks inherent to the activities of Citadele (including risks related to macroeconomic factors and the economic cycle), ensure that Citadele allocates sufficient resources for risk management, as well as annually assess the effectiveness of risk management;
- supervise the valuation of assets related to the material risks inherent to the activities of Citadele, application of ratings granted by the credit rating agencies and use of internal models;
- set guidelines for the capital adequacy assessment process, including, methods to be applied and objectives, and approve the policy on the capital adequacy assessment process;
- supervise compliance risk management, *inter alia*, shall approve the policy on compliance risk management, and shall at least annually assess the effectiveness of compliance risk management;
- supervise the functioning of an effective management information system, information disclosure and communication;
- supervise, whether the risk control function, compliance control function and internal audit control function is clearly defined, whether these functions have an appropriate position in the organisational structure of Citadele and a particular role in the governance of Citadele, whether qualified staff is provided thereto and whether they operate effectively;
- supervise the periodic enhancement of the internal control system in accordance with the changes in the activities of Citadele and external factors affecting the activities of Citadele;
- review the opinions and recommendations of the internal audit function and certified auditors, as well as of the BL and other authorities for enhancement of the activities of Citadele and shall control the prevention of the detected weaknesses;
- approve the policy on introducing new financial services;
- determine the content, volume, format and frequency of reports it receives, as well as shall critically assess and, if necessary, dispute the truthfulness of such information;
- ensure that, on a regular basis, by means of internal or external resources, the assessment of the performance of the Supervisory Board is performed, assessing the collective effectiveness of the Supervisory Board and individual effectiveness of its members, the established committees and internal rules of procedure and procedures of the Supervisory Board and Management Board;
- ensure that, based on the results of assessment of the performance of the Supervisory Board, deficiencies in the work of the Supervisory Board are identified and appropriate preventive measures are taken;
- at least on an annual basis, determine and approve the action plan of the internal audit functions, ensuring that the risk committee and audit committee are involved in the development of such plan.

The Supervisory Board is required to act in the interests of the whole company, and as a result, must consider the interests of a broad range of stakeholders, including, but not limited to, the Citadele's shareholders, employees and suppliers.

The Supervisory Board has the right to request reports on Citadele's operational and financial condition from the Management Board at any time and is further entitled to inspect Citadele's registers and documents as it sees fit. Members of Citadele's Management Board, Citadele's auditor, procurist, or commercial representative, or members of the management board of any dependent company may not become Supervisory Board members.

The Latvian Corporate Governance Code requires the Supervisory Board to meet at least once per year to discuss the Citadele's strategy and its implementation and evaluate the Citadele's need for committees. The Supervisory Board meets at least quarterly. When passing resolutions, the Supervisory Board members must act on a fully informed basis and must assess the risks, short-term and long-term impact on the Citadele's value, sustainability and responsible development.

Citadele's Articles of Association provide that the Supervisory Board is to consist of nine members who are each elected by the GMS for a term of five years. On 24 October 2023, a new Supervisory Board was elected. The ECB approved this Supervisory Board on 1 November 2023. The members of the Supervisory Board elect the chairperson and deputy chairperson from among their number. The business address of each of the members of the Supervisory Board is Citadele's head office, Republikas laukums 2A, Riga LV-1010, Latvia. As of the date of this Base Prospectus, the Supervisory Board comprises the following members:

Name	Position	Date of Birth	Date of the Last Appointment	Date of Original Appointment
Timothy C. Collins	Chairman	8 October 1956	1 November 2023	20 April 2015
Elizabeth Critchley	Deputy Chairperson	8 May 1976	1 November 2023	20 April 2015
Dhananjaya Dvivedi	Member	7 September 1946	1 November 2023	20 April 2015
Lawrence N. Lavine	Member	20 September 1951	1 November 2023	20 April 2015
Nicholas Haag*	Member	24 May 1958	1 November 2023	19 December 2016
Karina Saroukhanian	Member	13 December 1971	1 November 2023	19 December 2016**
Sylvia Gansser-Potts*	Member	23 August 1963	1 November 2023	20 April 2015**
Stephen Young*	Member	31 July 1958	1 November 2023	1 November 2023
Daiga Auzina-Melalksne*	Member	22 July 1968	1 November 2023	1 November 2023

* Independent member of the Supervisory Board
** Date of first appointment to the Supervisory Board

Timothy C. Collins, Chairman of the Supervisory Board. Mr. Collins is the Chief Executive Officer of Ripplewood and the Chairman of RA Special Acquisition Corporation. 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 Yale Divinity School Advisory Board. Mr. Collins is the Chairman of the Advisory Board for Yale School of Management 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 Banque Saudi Fransi (Saudi Arabia), Citadele (Latvia), EFG Hermes (Egypt) and SODIC (Egypt). Mr. Collins has a BA in Philosophy from DePauw University and an 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 an Adjunct Professor and Visiting Fellow at New York University. He serves as a Visiting Lecturer at the Yale Law School and the Senior Becton Fellow at the Yale School of Management. His term of office expires on 1 November 2028.

Elizabeth Critchley, Deputy Chairperson of the Supervisory Board. Ms. Critchley is the Managing Partner of Ripplewood Advisors I LLP and the Chief Executive Officer of RA Special Acquisition Corporation. 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 Boards of Citadele (Latvia), Saudi Fransi Capital (Saudi Arabia), EFG Hermes (Egypt) and SODIC (Egypt). Before joining Ripplewood, Ms. Critchley was a Founding Partner of Resolution Operations, which raised £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 U.K. 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 50 global financials and corporates. Ms. Critchley holds a First Class Honours Degree in Mathematics from University College London. Her term of office expires on 1 November 2028.

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-hour ATMs, managed and monitored remotely, and real-time data, whilst 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. Mr. Dvivedi joined the Supervisory Board on 20 April 2015. His term of office expires on 1 November 2028.

Lawrence N. 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. His term of office expires on 1 November 2028.

Nicholas Haag, Member (Independent) of the Supervisory Board. Until June 2021, Mr. Haag was a senior independent nonexecutive 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 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, A BILLION 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. His term of office expires on 1 November 2028.

Karina Saroukhanian, Member of the Supervisory Board. Karina 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 specialised 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. Her term of office expires on 1 November 2028.

Sylvia Gansser-Potts, Member (Independent) of the Supervisory Board. Sylvia Gansser-Potts is a Director and member of the audit and risk committees of the European Fund for Southeast Europe (EFSE) which provides development finance to micro and small enterprises and private households via selected financial institutions. Until 2017, Sylvia was a Managing Director at EBRD with the overall responsibility for EBRD's investments and operations in Central and Southeastern Europe. Over her 25-year career at EBRD, Sylvia ran 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. Her term of office expires on 1 November 2028.

Stephen Young, Member (Independent) of the Supervisory Board. Stephen Young is the International Chief Executive Officer of Mission Without Borders, a group of "not for profit" organisations working among the poor and marginalised in several countries in Eastern Europe, ranging from Albania to Ukraine. He has been an independent member of the Audit and Governance Committee of Citadele since 2017, joining the Supervisory Board in 2023. Prior to this, Stephen was a 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. His term of office expires on 1 November 2028.

Daiga Auzina-Melalksne, Member (Independent) of the Supervisory Board. Daiga Auzina-Melalksne is an experienced Board member with 20 years of leadership and management experience in the financial services sector. Daiga was the Chairperson of the Management Board of Nasdaq Riga (2005–2023) and a Member of the Management Board of Nasdaq Tallinn (2012–2023). Daiga was responsible for Nasdaq Baltic Exchanges strategy and operations from 2012 through 2023. Daiga currently 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. Her term of office expires on 1 November 2028.

For information regarding the shares of Citadele held by certain members of the Supervisory Board, see section entitled *"Corporate Governance —Conflicts of interest —Interests in Citadele"* below.

Supervisory Board Committees

Audit and Governance Committee

The Audit and Governance Committee is responsible for providing support to Citadele's shareholders and the Supervisory Board in its supervision of activities of the Management Board and Citadele and Citadele Group with respect to audit and governance matters, as well as providing support for ensuring the control over economic and financial activities of Citadele and Citadele Group. This includes reviewing the terms of reference and policies and procedures of the Internal Audit Division and providing recommendations thereon to the Supervisory Board, reviewing the annual audit plan prepared by the Internal Audit Division, reviewing the most significant findings of the Internal Audit Division on a quarterly basis, and reviewing the Internal Audit Division's annual assessment of its performance according to the audit plan. In addition, the Audit and Governance Committee supervises Citadele Group's relations with external auditors and makes recommendations in relation to their appointment, re-appointment or removal, provides recommendations regarding any issues identified by the BL and ECB, and provides annual assessments to the Supervisory Board. The Audit and Governance Committee also advises and makes recommendations to the Supervisory Board on corporate governance matters generally, reviews and monitors rules, practices and processes by which Citadele is supervised to ensure that international best practice corporate governance principles are maintained, examines related party transactions, in order to ensure independent validation of such transactions, and provides annual assessments to the Supervisory Board on those matters.

According to the decision of the GMS, the Audit and Governance Committee fulfils the duties of Audit Committee as prescribed by Latvian Financial Instruments Market Law, thus ensuring a supervision of Citadele's audit processes, audit and non-audit services, etc.

The Audit and Governance Committee is composed of at least three members (five as of the date of this Base Prospectus), and is chaired by an independent Supervisory Board member, Stephen Young. The Audit and

Governance Committee meets four times per year, or more frequently if required. As of the date of this Base Prospectus, the Audit and Governance Committee comprises the following members:

Name	Position
Stephen Young*	Chairman of the committee
Lawrence N. Lavine............	Deputy chair of the committee
Dhananjaya Dvivedi............	Member of the committee
Nicholas Haag*...................	Member of the committee
Sylvia Gansser-Potts*.........	Member of the committee
Daiga Auzina-Melalksne* ...	Member of the committee

* Independent member of the Supervisory Board

Risk Committee

The Risk Committee is responsible for providing support to the Supervisory Board by monitoring the levels of risk to which Citadele Group is exposed and the compliance of its operations with permitted levels of risk, as well as ensuring that remuneration schemes take into account liquidity, capital and operational risk. It also checks that risk is sufficiently priced in Citadele Group's products and services and provides recommendations regarding any areas identified by the BL and ECB for improvement.

The Risk Committee is composed of at least three members (five primary members and two alternate members as of the date of this Base Prospectus) and is chaired by a member of the Supervisory Board (at the date of this Base Prospectus, Nicholas Haag). The Risk Committee meets four times per year, or more frequently if required. As of the date of this Base Prospectus, the Risk Committee comprises the following members:

Name	Position
Nicholas Haag*...................	Chairman of the committee
Elizabeth Critchley	Deputy chair of the committee
Timothy C. Collins	Member of the committee
Sylvia Gansser-Potts*.........	Member of the committee
Stephen Young*	Member of the committee
Lawrence N. Lavine............	Alternate to Timothy C. Collins
Karina Saroukhanian	Alternate to Elizabeth Critchley

* Independent member of the Supervisory Board

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for providing support to the Supervisory Board in the process of selecting prospective members of the Supervisory and Management Boards as well as the Head of Internal Audit. In particular, the committee assists in: (i) ensuring sufficient diversity in the composition of the boards and the Head of Internal Audit position; (ii) reviewing the remuneration policies for Citadele Group; and (iii) assessing the suitability of prospective members of the Supervisory Board or Management Board, or Head of Internal Audit, as applicable. At least once per year it performs an assessment of the organisational structure of the Supervisory and Management Boards, including their size, composition and efficiency, as well periodic assessment of the individual and collective knowledge, skills and expertise of the members of the Supervisory and Management Boards.

The Remuneration and Nomination Committee meets four times per year, or more frequently if required, and is composed of at least three members (five as of the date of this Base Prospectus) and is chaired by a member of the Supervisory Board (at the date of this Base Prospectus, Lawrence N. Lavine). As of the date of this Base Prospectus, the Remuneration and Nomination Committee comprises the following members:

Name	Position

Name	Position
Lawrence N. Lavine............	Chairman of the committee
Elizabeth Critchley	Deputy chair of the committee
Karina Saroukhanian..........	Member of the committee
Sylvia Gansser-Potts*.........	Member of the committee
Daiga Auzina-Melalksne*...	Member of the committee

* Independent member of the Supervisory Board

Technology Committee

The Technology Committee is responsible for providing support and advice to the Supervisory Board in relation to technology and technological innovation, including in relation to Citadele Group's strategic approach to technical and commercial innovation, the acquisition of technology to ensure ongoing growth, the development of measurement and tracking systems, and proposals to upgrade the Supervisory Board's oversight function. The Technology Committee reports to the Supervisory Board on an annual basis.

The Technology Committee meets four times per year, or more frequently if required and is chaired by a member of the Supervisory Board (at the date of this Base Prospectus, Dhananjaya Dvivedi). As of the date of this Base Prospectus, the Technology Committee comprises the following members:

Name	Position
Dhananjaya Dvivedi....................	Chairman of the committee
Karina Saroukhanian..................	Deputy chair of the committee
Nicholas Haag*...........................	Member of the committee

* Independent member of the Supervisory Board

7.3. Management Board

The Management Board is responsible for Citadele's day-to-day management (except functions reserved to the GMS and the Supervisory Board). According to Citadele's Articles of Association and applicable Latvian law, the members of the Management Board are appointed for a five-year period by the Supervisory Board and are also dismissed by the Supervisory Board. The number of members of the Management Board is determined by the Articles of Association and stands at eight members as of the date of this Base Prospectus. The scope of authority of each member of the Management Board is defined by the terms of reference of the Management Board and is reflected in the contract entered into with the board member upon their appointment. The Supervisory Board elects a chairperson of the Management Board from among its numbers.

According to the Articles of Association, the Management Board requires the prior approval of the Supervisory Board for any decisions concerning: (i) approval or amendment of the Citadele’s business plan or dividend policy, approval or amendment of any other business plan for the next financial year or other planning period or budget for the next budget period, or approval of dividends or other distributions of the Citadele’s profits; (ii) deciding on the appointment of the Chief Executive Officer or Chief Financial Officer in the event that such persons are not members of the Management Board; (iii) approval of any decision on capital expenditure (expenditure on fixed assets and intangible assets) of Citadele in excess of EUR 250,000 in one or more related transactions, except where such capital expenditure is provided for in the Citadele’s business plan; (iv) approval of a draft resolution on any merger, demerger, reconstruction or liquidation of Citadele, or transformation of Citadele into another corporate form or acquisition of another structure or transfer of Citadele’s business or part thereof, to be submitted to the GMS; (v) the approval of a draft resolution for the purchase, reacquisition, transfer or any other acquisition of shares in Citadele or the grant of any option, right to acquire shares or similar instrument to any person (including management and independent members of the Supervisory Board) in respect of shares in Citadele; (vi) approval of a draft decision to enter into any contract with the members of the Supervisory Board, members of the Management Board or any other person related to Citadele, except in the ordinary course of the Citadele’s business, on terms which fully comply with the law and are not more favourable to such related person than other such transactions of Citadele.

The business address of each of the members of the Management Board is Citadele's head office, Republikas laukums 2a, Riga, LV-1010, Latvia. The Management Board meets at least bi-weekly, or as frequently as otherwise required. At the date of this Base Prospectus, the Management Board consists of the following seven members:

Name	Position	Date of Birth	Date of the Last Appointment	Date of Original Appointment
Johan Åkerblom	Chairman of the Management Board & Chief Executive Officer	20 March 1978	31 January 2023	26 January 2018
Valters Ābele	Chief Financial Officer	15 January 1975	14 May 2020	30 June 2010
Vladislavs Mironovs	Chief Strategy Officer	6 August 1984	22 December 2021	16 December 2016
Slavomir Mizak	Chief Technology and Operations Officer	19 October 1977	27 July 2022	31 July 2017
Vaidas Žagūnis	Chief Corporate Commercial Officer	29 July 1977	21 February 2020	21 February 2020
Rūta Ežerskienė	Chief Retail Commercial Officer	6 March 1976	27 January 2021	27 January 2021
Jūlija Lebedinska-Ļitvinova	Chief Risk Officer	30 March 1980	16 June 2021	16 June 2021

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

Mr. Åkerblom is responsible for the day-to-day management of Citadele's operations. 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, Mr. Åkerblom 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. Mr. Åkerblom holds a Master's Degree in Industrial Management and engineering from the Lund Institution of Technology and spent one year at McGill University. A member of the Management Board since 1 February 2018, Mr. Åkerblom has served as Chairman of the Management Board and CEO since 2 March 2020. His term of office expires on 31 January 2028.

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

Mr. Ābele holds an MBA from the University of Latvia where he studied between 1993 and 1999. He spent part of his studies at Western Michigan University on a U.S. Government sponsored scholarship programme. He has extensive audit experience, he became an ACCA member and Latvian Certified Auditor in 2004 and worked at both Ernst & Young (2002-2008) and Arthur Andersen (1998- 2002) before moving into the banking sector. He now has fifteen years of experience in the banking industry, having joined AS "Parex Banka" ("**Parex**") in 2008. Mr Ābele's is the Chief Financial Officer of Citadele and his responsibilities include day-to-day management of Citadele Group's Finance, Treasury and and Loan Restructuring functions. He was appointed to the management board of Parex in 2008 and joined Citadele's Management Board in 2010. His term of office expires on 30 June 2025.

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

Mr. Mironovs is responsible for Citadele Group's business strategy implementation, development of Citadele's products and services and its digital evolution. He joined Citadele in July 2015 as Head of Strategic projects. 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 the U.S., leading the projects and assisting in developing global strategy around trade finance and multinational clients. Mr. Mironovs held the position of Business Development Manager in GE Capital, UK (2012-2013) and Sales and Marketing Director in GE Money Bank Latvia (2010-2012). Mr. Mironovs holds an Executive MBA from Riga Business School. His term of office expires on 21 December 2026.

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

Mr. Mizak is responsible for Citadele Group's IT and technology development. He has been working for Citadele Group since 1 August 2017. Before joining, Mr. Mizak was a member of the Management Board and has held the positions of Chief Information Officer and 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). Mr. Mizak holds a master's degree in Business Administration from the University of Economics in Bratislava. His term of office expires on 26 July 2027.

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

Mr. Žagūnis is responsible for the development and management of the corporate business in the Baltics. Before joining Citadele, he worked from 2001 for SEB Lithuania as Head of Retail Banking, Member of the Management Board and Executive Vice President. Prior to that, Vaidas Žagūnis held different managerial positions mainly in SME business area. He has almost 22 years of banking experience. Vaidas Žagūnis holds a Master's Degree in Business Administration from Kaunas University of Technology and also was educated in Massachusetts Institute of Technology (MIT) in United States. He has been a member of Member of the Management Board since 1 March 2020. His term of office expires on 20 January 2025.

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

Ms. Ežerskienė is responsible for services to retail clients, as well as organisation and supervision of the operations of Citadele's branches, client service centres and settlement groups. She joined Citadele in January 2021. Rūta most recently was Head of Baltic Retail for AON insurance broker since 2018. Before that she held different management positions in SEB group, both on the Baltic level and in Lithuania, including Head of Sales Department and Business Transformation (years 2017-2018), deputy CEO and Board member of SEB Life Insurance (years 2015-2017). She has almost 20 years of banking experience. Rūta Ežerskienė holds Master of Business Management degree from Kaunas University of Technology. She has graduated Board Member Education in Baltic Institute of Corporate Governance. She has been a member of the Management Board since 1 February 2021. Her term of office expires on 26 January 2026.

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

Ms. Lebedinska-Ļitvinova is Risk Director at Citadele and is responsible for Citadele 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. Jūlija comes from the position as Group Chief Risk Officer for Mogo Finance since 2019. Before that she was Chief Risk Officer in 4Finance Group (2015-2019), Head of Antifraud and Risk Processes at Home Credit and Finance Bank, Russia (2013-2015) and Chief Risk Officer at Home Credit Bank, Belarus (2011-2013). Jūlija Lebedinska-Ļitvinova has a PhD degree in natural sciences from the University of Latvia. She has been a member of the Management Board since 21 June 2021. Her term of office expires on 20 June 2026.

For information regarding the shares of Citadele held by certain members of the Management Board, see section entitled *"Corporate Governance —Conflicts of interest —Interests in Citadele"* below.

7.4. Remuneration information

Citadele's remuneration policy is designed to attract, retain, motivate and develop professional and talented employees so that it can achieve its short-term and long-term goals. Citadele aims to ensure that: (i) remuneration is matched to employees' performance; (ii) there is coordination and consistent application of the remuneration policy across Citadele Group; (iii) remuneration levels are competitive in the labour market; (iv) the remuneration policy does not encourage the assumption of risk above defined levels; (v) the remuneration policy does not limit Citadele's ability to strengthen its equity capital; (vi) Citadele's values and long-term interests are protected in setting remuneration levels; (vii) the remuneration policy does not conflict with the protection of customers' or investors' interests; and (viii) there are no guaranteed amounts of the variable element of remuneration except in the first year of an individual's employment.

Remuneration for employees performing internal control functions such as risk control, compliance control and internal audit is based on the achievement of defined goals and is not linked to the performance of the sector monitored by those internal control functions. The fixed and variable elements of remuneration are both set as an amount gross of tax. While Citadele's internal regulations prescribe severance pay that exceeds the amount prescribed in the Labour Law of the Republic of Latvia of 2001, as amended, the Management Board takes into account errors and shortcomings in the employee's service as well as the performance of the employee in making such decisions.

In relation to Citadele as a standalone entity, the fixed element of the remuneration paid to the CEO and Management Board members, together with the Head of Internal Audit Division and employees whose remuneration is equal to or exceeds the remuneration of any of the above, is set by the Supervisory Board. For other employees, the decision is taken by designated employees according to authorisations issued by Citadele's Management Board. In relation to Citadele's subsidiaries, the fixed element of the remuneration paid to members of the subsidiary's supervisory board (if any) is set by the Management Board as a representative of the (direct or indirect) shareholder of the subsidiary. The fixed element paid to the members of the subsidiary's management board is set by the subsidiary's supervisory board if any, and if none, by the Management Board. For other employees of subsidiary companies, the fixed element of remuneration is set by designated employees according to authorisations issued by the relevant subsidiary.

The Management Board defines and regularly reviews employees' salaries and total remuneration level in line with market analysis and results of compensation surveys of financial institutions, which are conducted by external organisations.

The variable part of remuneration paid by Citadele is set by the Supervisory Board for Management Board members, by the Management Board for staff whose role has an impact on Citadele's risk profile, and by designated employees according to authorisations issued by Citadele - for other employees. In relation to Citadele's subsidiaries, the Management Board sets the variable element for the subsidiary's supervisory board and management board members and the subsidiary's management board sets the variable element for the subsidiary's staff whose role has an impact on its risk profile.

Employee performance is assessed during the annual performance management cycle, where individual performance is evaluated against goals established at the beginning of the year. Annual goals are set up as a combination of financial targets, qualitative metrics and individual soft skill metrics.

The remuneration policy is reviewed annually by the Supervisory Board, based on the proposals of the Management Board. The Internal Audit Division monitors implementation of the policy.

The table below sets out the aggregated annual accruals based remuneration for members of the Management Board and the Supervisory Board for 2021, 2022 and 2023:

	2021	**2022**	**2023**
(*Thousands of Euros*)			
Management remuneration	2,893	4,178	5,134
Management social security and solidarity tax contributions	651	651	788

Citadele's Supervisory Board and shareholders have adopted LTIP which is offered to the members of the Management Board and LTRP which is offered to the key employees of Citadele Group. The members of the Management Board receive personnel options awards under the LTIP and such awards are subject to the satisfaction of predetermined performance targets and may have a vesting period of up to five years. The total variable pay (comprised of cash bonuses and awards under the LTIP) paid to the Management Board in any year may not exceed 200% of their fixed remuneration. Key employees receive personnel options awards under the LTRP and such awards are subject to the satisfaction of predetermined performance targets and have a vesting period of up to three years. The total variable pay (comprised of cash bonuses and awards under the LTRP) paid to the key employees in any year may not exceed 100% of their fixed remuneration. All such personnel options give rights to obtain shares of Citadele upon their exercise according to their terms and conditions.

As of the date of this Base Prospectus, the total amount of outstanding personnel options under both programs—LTIP and LTRP—is 2,907,496. According to the rules adopted by Citadele that are applicable to both the LTIP and LTRP, and respective grant decisions, the exercise price for issued personnel options is 0. The grant amount is determined as a percent of the annual base pay of the relevant participant. Personnel options are exercisable within 30 days after the vesting date set by the relevant grant decision. Personnel options expire upon their exchange for the respective number of the Citadele's ordinary shares. In order to ensure satisfaction of the personnel options awards under the LTIP and LTRP, the GMS has approved conditional share capital of Citadele, the total amount of which at the date of this Base Prospectus is EUR 2,907,496.

According to the Latvian Commercial Law, Citadele may buy back shares owned by members of the Management Board and key employees of Citadele Group pursuant to the LTIP and LTRP, thereby providing a means of liquidity to the Eligible Persons and increasing the effectiveness of the LTIP as a hiring and retention tool. The Supervisory Board has adopted and the GMS has approved the "Principles of buy-back of the Bank's shares owned by the Management Board members and employees", pursuant to which Citadele shall at least once per year offer to buy back from the above mentioned persons their shares at book value at the time of such offer. As of the date of this Base Prospectus, Citadele so far has purchased in total 95,476 of its own shares under the above-mentioned principles.

Save for any mandatory benefits arising from applicable laws, under the terms of their service contract with Citadele Group, no member of the Supervisory Board is entitled to any additional benefits upon termination of their services with Citadele Group. In addition to any mandatory benefits arising from applicable laws and the LTIP, under the terms of their service contracts with Citadele Group, members of the Management Board are entitled to receive compensation upon termination of their services with Citadele Group within the range of three to seven monthly base salaries, so long as no negligence or wrongful acts have been committed.

7.5. Conflicts of Interest

There are no conflicts of interest or potential conflicts of interest between any duties owed by members of the Supervisory Board or the Management Board to Citadele and their private interests and/or other duties other than as described in the "*Interests in Citadele*" and "*Management Loans*" paragraphs below.

Interests in Citadele

The table below sets out the number of shares in Citadele held directly or indirectly by members of the Management Board and the Supervisory Board as of the date of this Base Prospectus (no Supervisory Board member holds any personnel options in Citadele):

Supervisory Board member	Number of ordinary shares held	Ownership (%)	Entity through which shares are held
Timothy C. Collins	51,549,212	Approx. 32.6	RA Citadele Holdings, LLC
Dhananjaya Dvivedi	2,214,283	Approx. 1.4	Shareholding is held in his personal capacity

As of the date of this Base Prospectus, certain members of the Management Board directly or otherwise beneficially hold shares (approx. 0.82% of share capital in total) and personnel options giving rights to obtain shares of Citadele according to the terms and conditions of such options that have been allocated to them under the LTIP, as described in the section entitled *"Corporate Governance —Remuneration policy"* above.

Management Loans

As of 31 December 2023, there was EUR 443 thousand in loans and EUR 109 thousand in other financial commitments and guarantees in place between Citadele Group and members of the Management Board and Supervisory Board, their close relatives and companies in which they have a controlling interest.

Related Party Transactions

Latvian law requires that related-party transactions comply with the "arm's length" principle. This dictates that the conditions agreed between two associated persons in their commercial or financial relations must not differ from those that would be agreed between independent persons engaging in similar transactions under similar circumstances.

Latvian Commercial Law sets out restrictions applicable to transactions between joint stock companies and their shareholders having direct decisive influence over the company, members of the management or supervisory boards and other related persons and companies. In most cases, the prior approval of such transactions by a supervisory board or general meeting of shareholders is necessary. There are a number of exceptions provided in the Groups of Companies Law of the Republic of Latvia of 2000, as amended regarding transactions between companies in the same group which allow transactions between a parent company and its subsidiary to be exempted from the "arm's length" principle in order to allow unimpeded transfers of assets within a group, provided that certain legal requirements are met. As Citadele has not entered into a group of companies agreement, these exemptions do not apply as of the date of this Base Prospectus.

In the ordinary course of its business, Citadele may, from time to time, enter into transactions with related parties. Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties include entities in which shareholders have significant influence.

Transactions between Citadele and related parties (as defined by applicable banking regulations) are subject to the laws and regulations promulgated by the Latvian Parliament, the Cabinet of Ministers and the BL, which set certain limits for both single transaction related party exposure and aggregate transaction related party exposure.

In connection with the Offer, any affiliate of Citadele acting as an investor for its own account, may take up the Bonds offered in the Offer and in that capacity may retain, purchase or sell the Bonds for its own account and may offer or sell such Bonds otherwise than in connection with the Offer. None of Citadele's affiliates intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Citadele conducts all transactions with related parties on an arm's length basis and on market terms, including in the case of the advisory services provided by Ripplewood. On 1 July 2020, Citadele entered into an advisory services agreement (as amended) with Ripplewood in connection with the provision of certain advisory services to Citadele's management. See section entitled "*Overview and Business Description —Material Agreements —Advisory services agreement*" below.

7.6. Corporate Governance Rules

Companies in Latvia typically adopt their own corporate governance practices in addition to those prescribed by law, and these are reflected in the internal bylaws of the company. Citadele is subject to, and complies with, the corporate governance rules imposed by the European Banking Authority ("**EBA**"), EC and other legislative bodies, and Latvian legislation. In addition to this, Citadele has implemented a rigorous set of procedures and committees to mitigate risk and adhere to a high standard of corporate governance.

According to the Latvian Financial Instruments Market Law, a joint-stock company with its bonds traded on the regulated market has an obligation to prepare a corporate governance report on an annual basis. The Advisory Board for Corporate Governance established under the auspices of the Ministry of Justice of Republic of Latvia has issued the Corporate Governance Code, containing good corporate governance recommendations for companies in Latvia. The Corporate Governance Code, dated 2020, substitutes the corporate governance recommendations previously introduced by the Principles of Corporate Governance and Recommendations on their Implementation, approved by Nasdaq Riga in 2010. The Corporate Governance Code provides recommendations for all important corporate issues, including convening and managing the GMS, the composition of the Supervisory Board, remuneration policies, and internal controls of listed entities. The Corporate Governance Code provides recommendations for sharing information with shareholders and the promotion of effective shareholder involvement in decision-making processes. These rules are based on the principle of "comply or explain" and follow governance principles in effect in other European countries.

7.7. Risk Management

General

Citadele Group considers risk management to be an essential component of its management process. Citadele Group believes that it pursues prudent risk management policies that are aligned with its business and aim to achieve effective risk mitigation. The Supervisory and Management Boards have focused upon incrementally improving the risk management structure and intend to continue to do so in the future to ensure that Citadele Group's operations remain sustainable and comply with all legal, regulatory and best practice governance requirements.

In order to assess and monitor complex risk exposures, Citadele Group applies a wide range of risk management tools in conjunction with risk committees, which include as its members a variety of employees across Citadele Group's various operations, in order to balance business and risk orientation across Citadele Group.

Citadele Group's risk management principles are set out in its Risk Management Policy, which covers the areas of credit risk, operational risk, asset and liability management, market risk, compliance, AML and sanctions, MiFID, market abuse and capital management policy. Citadele Group's risk appetite is stipulated in the Risk Appetite Framework, which sets the perimeter for Citadele Group for risk taking, stipulates risk management principles and quantitative limits which are further cascaded into Citadele Group's strategies (including relating to risk management, operational risk, AML and non-performing loans), policies, procedures and then further broken into more granular rules and metrics. Citadele Group believes that it has a prudent and conservative risk approach across its organisation and aims to ensure that it maintains a low overall risk exposure, a diversified asset portfolio, limited risks in financial markets, strong capital ratios, sound liquidity buffers and low levels of operational risk. Citadele Group adheres to the following key risk management principles:

- Citadele Group aims to ensure that it maintains low overall risk exposure, diversified asset portfolio, limited risks in financial markets, strong capital ratios, sound liquidity buffers and low levels of operational risk;
- Citadele 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 sought to be avoided, limited or hedged;
- Citadele 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 Citadele Group's employee's responsibility for the transactions carried out by them and awareness of the related risks; and
- 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 control over risk levels and compliance with the imposed limits is achieved by the existence of structured risk limit systems. In particular, under the Risk Appetite Framework, key performance indicators for financial, operational and compliance and ESG risks are set forth.

The Management Board develops, implements, manages and updates the internal control framework as well as ensures respective reporting and that the internal control functions are independent of the business lines they control, including adequate segregation of duties.

Pursuant to Latvian legislation, Citadele Group is required to have a Risk Director function. As of the date of this Base Prospectus, the Risk Director for Citadele Group is the Chief Risk Officer, Ms. Julija Lebedinska-Ļitvinova. The Risk Director is responsible for performing an overall risk control function, including oversight of the Risk Appetite Framework across all risk types, as well as oversight of Citadele Group's risk management strategy.

The Risk Director has the ability to veto all decisions taken by members of the Management Board (but not the decisions of the GMS or the Supervisory Board), and these decisions are then referred to the Supervisory Board for final determination. The Risk Director coordinates the operation of Citadele Group's structural units related to risk management, including ECB affairs and modelling. The responsibility for Compliance, Anti Money Laundering, Terrorism and Proliferation Financing ("**ML/TF/PF**") and sanctions rests with existing members of the Management Board.

The Risk Committee, which is subordinated to the Supervisory Board, has been established. The main task of the Risk Committee is to provide support to the Supervisory Board in relation to the monitoring of Citadele Group's risk management system. The Risk Committee established by the Supervisory Board provides recommendations to the Management Board regarding improvements of the risk management system. Risk management within Citadele Group is controlled by an independent unit—the Risk Management Division.

Citadele Group's risk management framework complies with three overarching "three lines of defense":

- First line of defense ("**1st LoD**"): comprised of the business and support functions, ultimately accountable for the risk management related to their activities and within their area of responsibility. 1st LoD develops risk management mechanisms for the processes they are responsible for;
- Second line of defense ("**2nd LoD**"): comprised of the risk management function, performing independent risk oversight and control. The risk management function and compliance function facilitate the implementation of a sound risk management framework throughout Citadele Group and are responsible for further identifying, monitoring, analysing, measuring, managing and reporting on risks and forming a holistic view on all the risks within their respective areas of responsibility on an individual and consolidated basis. Both functions assist in the implementation of risk management measures by the 1st LoD to ensure that the processes and controls in place at the 1st LoD are properly designed and effective; and
- Third line of defense ("**3rd LoD**"): comprised of the Internal Audit Division, an independent and objective assurance function overseeing the implementation of Citadele Group's overall risk framework and controls in the 1st Lod and 2nd LoD and regularly preforms assessment of risk controls to ensure effectiveness of internal control systems.

1st LoD and 2nd LoD tasks are exercised independently from the business units, and 3rd LoD is independent from the Management Board, audited activities and other functions.

The main risks to which Citadele Group is exposed are: credit risk, counterparty credit risk, market risk, currency risk, country risk, interest rate risk, liquidity risk, operational risk, model risk, compliance risk, ML/TF/PF risk, sanctions risk, corruption risk, fraud risk, data privacy risk, reputation risk, strategy risk, concentration risk, securitisation risk, cybersecurity risk and ESG risk. For each of these risks Citadele Group has approved 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 Supervisory Board approves risk management policies and ensures the control of efficiency of the risk management system. The Management Board and Chief Risk Officer ensure implementation of the risk management policies and development of internal regulations for the management of each material risk within Citadele Group. In order to assess and monitor material and complex risk exposures, the Management Board establishes risk committees. Members of risk committees represent various units of Citadele Group in order to ensure the balance between the units responsible for risk monitoring and control and the units with business orientation.

Citadele Group continuously assesses and controls risks on an individual basis by type of risk, by performing a comprehensive assessment within the ICAAP and by performing risk control self-assessments. Each member of Citadele Group is responsible for risk control and management. Each employee of Citadele Group is responsible for the compliance with the principles set out in Citadele Group's internal regulations.

The risk management process includes the following elements: risk identification, risk assessment and decision-making, risk management and control, risk monitoring and reporting. Citadele Group regularly, at least once a year, identifies and describes the types of material risks inherent in its operations by assessing what types of risks may have a negative impact on achieving its performance targets and projected financial results.

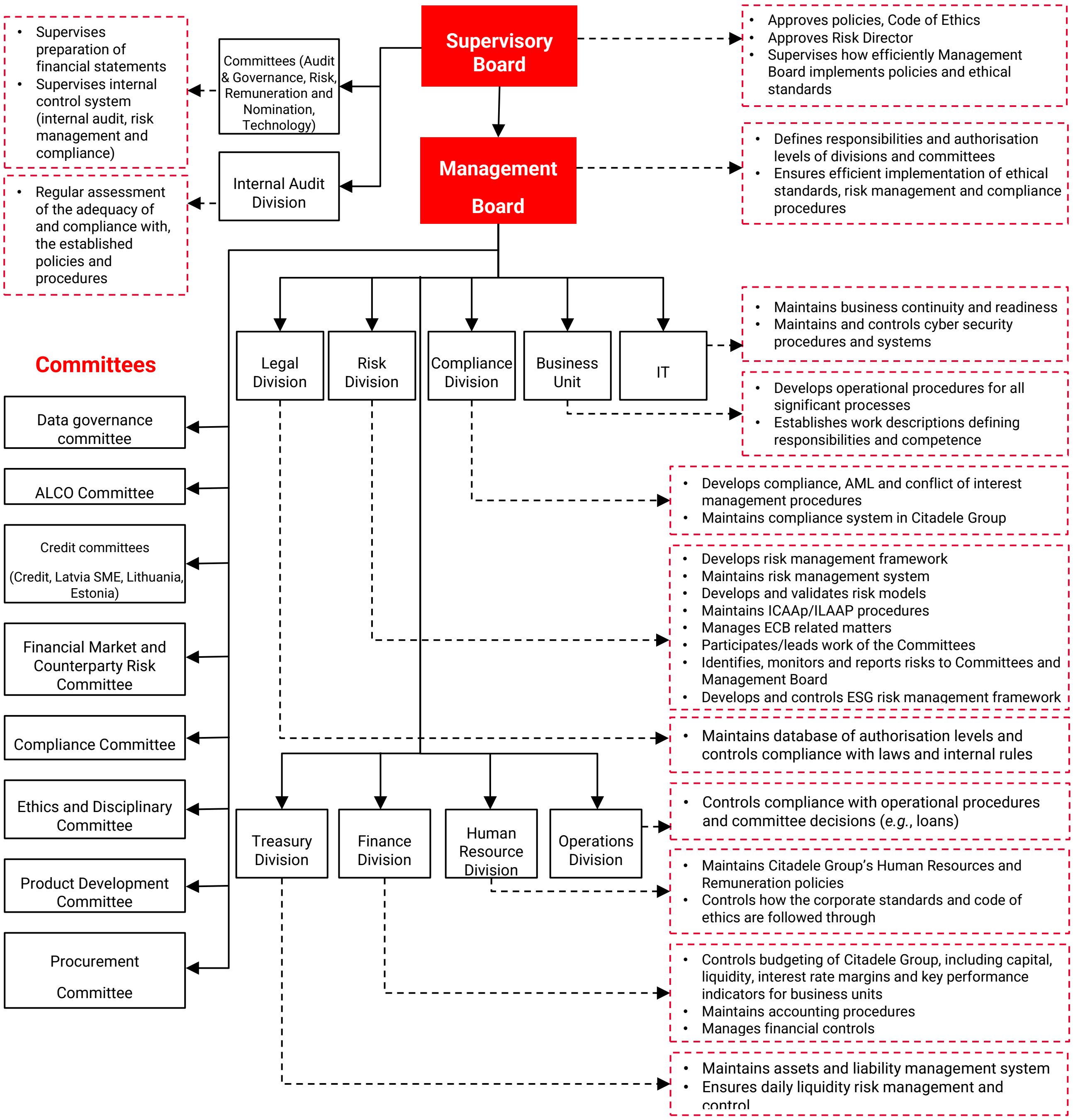
In order to identify the types of material risks, quantitative and qualitative criteria are used and the results of the process are documented. For all types of identified material risks, the aims of risk management are defined and risk appetite is determined. In addition, the development of internal regulations in relation to risk management of those risks is ensured, including risk identification and assessment methods, adequate risk restriction and control procedures, such as quantitative restrictions and limits, or control measures that reduce unquantifiable risks, risk appetite, procedures for reporting the information on risks, risk levels assumed and trends thereof to Citadele Group's management bodies, as well as other information necessary for decision-making, risk management policy and control procedures, including procedures for control of compliance with the restrictions and limits set, segregation of duties, approval rights and responsibilities. Risk assessment and decision-making include selection, approval and documentation of risk assessment methodology, regular risk assessment, establishment of the risk restriction and controlling system and setting the acceptable level of risks within this system, decision-making on assuming the risks.

Risk assessment includes the determination of qualitative and quantitative impact of the source of each identified risk using generally accepted methodology, which is adequately documented. Citadele Group makes a decision in relation to each identified and assessed risk, whether Citadele Group accepts such risk or takes the necessary measures for its mitigation, or ceases activities related to this risk. Citadele Group does not assume risks with the impact exceeding the risk appetite determined for each respective type of risk regardless of the economic benefits that might result from assuming such risk.

Risk management and control include the compliance with the level of risk acceptable for Citadele Group including the compliance with the limits restricting the amount of risk. Monitoring and reporting includes regular assessment of the existing level of risk against the desirable level of risk, trend analysis, regular reporting to the relevant unit heads, the Management Board and the Supervisory Board. The integral part of the risk management is risk stress testing. Stress testing process ensures regular identification and assessment of risks inherent to Citadele Group's current and future operations, as well as assessment of the impact of different extraordinary and adverse events on Citadele Group's operations, in order to provide support to responsible employees of Citadele Group in management decision-making process at different levels of management (*e.g.*, strategic planning, determination and correction of the risk appetite, capital planning, liquidity management).

Citadele Group's Internal Audit Division (as defined in the chart below) regularly monitors the implementation of risk management policies and other internal regulations, as well as provides recommendations regarding improvements of the risk management system.

Risk management structure



Credit Risk Management

Credit risk is the risk that Citadele Group will incur a loss from debtor's non-performance or default. Citadele 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 Framework and the Credit Risk Management Policy, which aim to ensure sound credit quality and establish common principles applied to assessing new borrowers. The goal of credit risk management is to ensure sound, sustainable and diversified loan and securities portfolios, which generates returns that correspond to the assumed level of risk and are characterised by high resilience against external shocks.

Credit risk management is based on an adequate assessment of a credit risk and a proper decision-making in relation to such risk, in line with the Credit Risk Management Framework, the Credit Risk Management Policy and the corresponding procedures, rules and instructions, Loan Monitoring, Forbearance and NPL Management Policy, NPL Management Strategy, ICAAP, as well as Citadele Group's business objectives, risk appetite and risk strategy The lending decision is based on the 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 independent units of the Risk Management Division. The credit risk analysis consists of risk identification, probability of default 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, the decision on loan origination is taken by the Credit Committee and approved by the Management Board and, in certain cases, also the Supervisory Board's Risk and Governance Committee.

Citadele Group's decision process for extending new financing and material changes to existing financing is evaluated in accordance with the following principles:

- Customer's group exposures after financing more than EUR 5 million: Decisions of this size are made by Citadele Group's central Credit Committee; approvals by the Management Board and Supervisory Board's Risk and Governance Committee are required in case of new financing or material changes; for Citadele Group's commercial real estate segment, involvement of the Supervisory Board's Risk Committee is required if Customer's group exposures after financing are more than EUR 15 million or in compliance with any of the parameters from a predefined set is observed;
- Ticket size EUR 2-5 million: Decisions of this size made by the central Credit Committee; approvals by the Management Board are required if forbearance measures are applied;
- Ticket size EUR 1-2 million (high risk): Escalation of EUR 1-2 million ticket sized higher risk commitments to the central Credit Committee;
- Ticket size EUR 0.5-2.0 million: Approved by locally based credit committees in each Baltic State based on common rules for all segments;
- Ticket size less than EUR 0.5 million: Local (including automated) decisions depending on (i) type—legal entities, individuals and leasing and (ii) ticket size—minor, less than EUR 10,000, less than EUR 60,000, less than EUR 100,000, less than EUR 500,000.

In relation to the acquisition of corporate bonds, Citadele 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 an 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.

Citadele Group follows the EBA guidelines on loan origination and monitoring, including requirements relating to credit assessment, credit pricing, credit decision and origination, monitoring, early warning system, forbearance and recovery and provisioning. Citadele Group has also introduced automated lending channels (including automated underwriting) available for SME, unsecured consumers, small ticket leasing and residential real estate loans.

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

Citadele Group monitors its loan portfolio and securities portfolio and regularly assesses its structure, quality, concentration levels, portfolio performance trends and overall risk level. Citadele Group takes measures for limiting credit risk concentration by diversifying the portfolio and setting credit risk concentration limits. To limit its credit risk, Citadele 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 Citadele Group's related parties, industry limit, limit by customer type, loan product type, control of compliance with credit risk concentration limits. Credit risk identification, monitoring and reporting is the responsibility of the Risk Management Division. Citadele Group has developed procedures for delinquent and non-performing loan management, including related to consumer loans, mortgage loans, legal entities (both secured and unsecured) and leasing.

In addition to the credit risk, which is inherent in Citadele Group's loan portfolio and fixed income securities portfolio, Citadele 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. Citadele 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 Management and Counterparty Risk Committee (the "**FMCRC**"). Citadele 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 Citadele Group executes counterparty risk assessment and accepts only counterparties which are within its risk appetite limits.

Market Risk Management

Market risk is the risk that Citadele 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 have external ratings (as of 31 December 2023, approximately 93% of bonds are rated single A or higher) and are internally risk graded. The exposure level limits, after in depth analysis, are set by the FMCRC, observing concentration risk levels set in Citadele Group's Risk Strategy and other rules and specified in it. The decisions of the FMCRC are approved by the Management Board.

Citadele Group manages market risk by developing investment guidelines for every significant portfolio, which restrict, among other things, the duration and credit quality profile of investments, as well as by setting individual limits for issuers and financial instruments, to keep limit volumes closely linked to the results of risk assessments. To assess position risk, Citadele Group uses sensitivity and scenario analysis, which identifies and quantifies the negative impact of adverse events on the portfolio of Citadele Group taking into consideration regional, sector profiles of the portfolio and credit rating risk profiles of issuers.

Interest Rate Risk Management

Interest rate risk is related to the possible negative impact of interest rate changes on Citadele Group's income and economic value. Citadele Group is exposed to interest rate risk in its borrowing, lending and deposit taking activities, as well as management of its securities portfolio. 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 Management Board. Acceptable interest rate risk level accompanied with the relevant limits is defined in Citadele Group's Risk appetite framework and Citadele Group's Risk Strategy, ALCO monitors the compliance with the approved 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, whilst the Risk Management Division as 2nd LoD ensures proper oversight and prepares analytical reports to the ALCO and the Management Board.

Citadele 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. Citadele Group sets limits for the impact of interest rate shock on economic value, net interest income and revaluation reserve. Based on the market analysis and Citadele Group's financing structure, the ALCO sets the interest rates for customer deposits.

Currency Risk Management

Currency risk is a risk of loss arising from fluctuations in currency exchange rates. Currency risk management in Citadele Group is carried out in accordance with Currency Risk Management Policy and limits are set in Citadele Group's Risk Appetite Framework and in Citadele Group's Risk Strategy. The FMCRC oversees and assesses currency risk level within Citadele 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 Management Board.

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

Citadele Group has a low risk appetite for foreign exchange risk. Citadele 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. Citadele Group is in full compliance with the currency position requirements of Latvian legislation and sets its internal limits more prudently than the regulatory limits.

Liquidity Risk Management

Liquidity risk is the risk that Citadele 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.

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

Liquidity risk for Citadele Group is assessed in each currency in which Citadele Group has performed a significant amount of transactions. Liquidity risk limits are reviewed at least once a year and also when there are major changes to Citadele Group's operations or external factors affecting its operations. Liquidity crisis management plan 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 Citadele Group with risk tolerances defined for the outcomes of those scenarios. Furthermore, Citadele 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, Citadele Group regularly analyses liquidity term structure and sets corresponding risk tolerances.

Citadele 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 Citadele Group. Citadele 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.

The general principles of the liquidity coverage ratio ("**LCR**") as measurements of Citadele's and Citadele Group's liquidity position is defined in the CRR. The Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions 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. Citadele and Citadele Group is compliant with LCR requirements.

The following table sets out Citadele Group's LCR as of the dates indicated.

	As of 31 December		
	2023	**2022**	**2021**
Liquidity Coverage Ratio (LCR)	206%	176%	198%

The net stable funding ratio ("**NSFR**") is defined in the CRR. 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 following table sets out Citadele Group's NSFR as of the dates indicated.

	As of 31 December		
	2023	**2022**	**2021**
Net Stable Funding Ratio	147%	132%	136%

Solvency Risk Management

Solvency risk is the risk that Citadele Group will be unable to meet its financial obligations as they come due. In particular, Citadele Group's capital adequacy is a measure of sufficiency of Citadele 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 Citadele Group. For more information regarding Citadele Group's capital management, see the section "*Corporate Governance—Capital adequacy management*".

Operational Risk Management

Citadele 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 Citadele 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. Citadele Group's operational risk management processes are integral to all business activities and are applicable to all employees and members of Citadele Group. Citadele 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 Citadele Group's operational risk management framework is to maintain low level of risk whilst ensuring that any residual risk is economically justified in light of the need to sustain Citadele Group's performance and profit in the long term.

Citadele Group aims to avoid operational risks with a potential significant impact or risks with unquantifiable impact which are unmanageable, irrespective of the financial gains taking such risks could bring. Citadele Group's total 12-month actual operational risk loss and 12-month prospective estimate of operational risk loss limits are set at EUR 0.4 million. Citadele Group aims to avoid information security breaches or other disruptions in its technologies that may impact customers and aims to maintain its business continuity readiness above 70% at all times. Each risk accepted by Citadele Group 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. Citadele 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: Citadele 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: Citadele 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: Citadele 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: Citadele 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: Citadele 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 Citadele Group is carried out in accordance with Operational Risk Management Policy.

Cybersecurity Risk Management

Citadele Group's information assets are vital to maintaining its sustainable business practices. As a result, the Citadele Group has a very low tolerance for risks related to the security and availability of its IT systems and information assets, which both support its critical business functions. To address such risks, Citadele Group maintains a cybersecurity awareness program for employees and customers, ensures timely remediation of identified cybersecurity weaknesses and engages in consistent third-party risk management and continuous improvement of technology controls. See section entitled "*Risk Factors—Risks Relating to Citadele Group's Strategy, Brand and Business—Any failure or interruption in or breach or cyberattack of Citadele Group's IT systems or security, or those of the third parties upon which Citadele Group relies, may result in lost business and other losses*", for further information on such risks.

Citadele Group has set the following key objectives to manage IT and cybersecurity risks:

- further strengthening of IT resilience and business continuity; and
- removal of remaining gaps in the security and cybersecurity risk awareness.

Citadele Group has adopted the following IT and cybersecurity risk management principles:

- management and mitigation of IT and cybersecurity risks is supported by an independent, objective and competent IT and cybersecurity risk internal control function;
- such IT and cybersecurity risk management function reviews the IT strategy, manages and mitigates IT and cybersecurity risks through an independent and objective control function, performs gap analyses of internal processes and controls with external regulatory requirements and facilitates annual risk assessments of IT and cybersecurity risks; and
- IT and cybersecurity risk assessment is carried out and documented for critical IT assets no less frequently than annually, as well as following any major change in IT systems, services, processes or procedures, and/ or after any significant operational or security incident.

AML/CTF/CPF Risk Management

Citadele Group has adopted the ML/TF/PF Risk Management Strategy and AML/CTF/CPF Policy to have an effective and comprehensive AML/CTF/CPF internal control system. Citadele Group's ML/TF/PF Risk Management Strategy is based on five key pillars to prevent Citadele Group from ML/TF/PF, which includes: (1) internal controls, (2) independent testing, (3) designation of an Anti-Money Laundering Reporting Officer and Sanctions Officer, (4) an ongoing employee training program and (5) a risk-based customer due diligence process.

Citadele Group's ML/TF/PF risk management is based on determination of qualitative and quantitative risk exposure indicators, risk appetite and admissible level decisions, assessment of business strategies and ability to manage associated risks, monitoring of risk exposure indicators, and management reporting. Citadele Group's AML/CTF/CPF compliance and strategy provides a strategic focus on retail customers and SMEs in all Baltic States.

Citadele Group's AML/CTF/CPF programme also includes tailored risk-based policies and procedures, appropriate staffing and training, management information and internal reporting, self-testing and quality assurance, as well as internal audit function. Citadele Group regularly reviews its AML/CTF/CPF policies and procedures with the aim of strengthening them and to update in line with changes in regulatory requirements and considering international best practice. The internal control system of AML/CTF/CPF of Citadele Group is regularly reviewed by independent external and internal experts to ensure that Citadele Group complies with applicable AML/CTF/CPF requirements. The experts provide, where appropriate, recommendations on how to strengthen and improve AML/CTF/CPF internal control system. The recommendations are diligently evaluated and implemented by Citadele Group.

Citadele Group applies a holistic AML/CTF/CPF approach covering the entire lifecycle of customer relationship. Citadele Group's AML/CTF/CPF programme is based on risk assessment, and includes customer onboarding and risk scoring, data input, enhanced due diligence, customer activity and transaction monitoring, suspicious activity report investigation and reporting to the Latvian Financial Intelligence Unit ("**FIU**"), as well as account closure when necessary.

Know-Your-Customer standards, including customer risk scoring, customer due diligence and enhanced due diligence practices, on-going customer transactions monitoring, effective international and national sanctions screening is the priority of Citadele Group. Citadele Group has a limited risk appetite towards international legal entities, international private individuals, legal entities owned by citizens of foreign countries, financial intermediaries, payment services providers, payday lenders and gambling services providers. Citadele Group does not provide its services to off-shore customers, foreign politically exposed persons and foreign embassies. Citadele Group has substantially completed the de-risking of its customer base as of 31 December 2018, having a primary focus on servicing customers from the Baltic States. In particular, Citadele Group has discontinued account relationships with legal entities incorporated in offshore jurisdictions, has a limited number of account relationships with foreign individuals (only for individuals having physical presence or economic ties with the Baltic States) and has successfully substituted non-resident deposits with Baltic customer deposits whilst increasing revenues. This approach has ensured that the ongoing war between Russia-Ukraine and related sanctions has not had a material impact on Citadele Group's operations, balance sheet and profitability.

Citadele Group exercises detailed scrutiny before entering into customer relationships with international legal entities, international private individuals, legal entities owned by citizens of foreign countries and financial intermediaries, payment providers, payday lenders or gambling-related entities. As of 31 December 2023, of Citadele Group's private customers, 1.0% were considered "high risk", 28.9% were considered "standard risk" and 70.1% were considered "low risk"; of Citadele Group's legal entities' customers, 4.9% were considered "high risk", 86.5% were considered "standard risk" and 8.6% were considered "low risk". As of 31 December 2023, of Citadele Group's total customer portfolio, 1.4% were considered "high risk", 34.8% were considered "standard risk" and 63.8% were considered "low risk".

A sound risk culture across Citadele Group, risk-aware employees and implementation of industry best-practice processes and systems, is the backbone of ML/TF/PF risk management. Employees of Citadele Group have a good knowledge of customers and their counterparties and a full understanding of the substance of transactions and thus can timely detect suspicious customer activity.

Citadele Group has established AML/CTF/CPF compliance training program for all its employees. The training program consists of three main parts: initial, regular and extraordinary employee training and is tailored to the necessary knowledge level of each function. For employees directly responsible for AML/CTF/CPF compliance, special advanced trainings, workshops and conferences are arranged to enhance their knowledge and skills necessary for execution of their tasks. Citadele Group supports and requires international certification in the AML/CTF/CPF compliance fields for at least the leading specialists involved in the ML/TF/PF risk management function.

In the first half of 2023, Citadele Group underwent an on-site audit by the BL, where the BL positively assessed continuous improvements to Citadele Group's compliance program, as well as informed Citadele on further improvements that are expected in certain elements of the Citadele's compliance program for management of ML/TF/PF and sanctions risks inherent in its operations. The final decision upon completion of the on-site audit was delivered by the BL in October 2023 without initiating an administrative case against Citadele regarding any regulatory non-compliance. Citadele has agreed with the BL to a remediation plan to implement the necessary improvements to its compliance program. Also, in 2023 an on-site audit by the BL was completed in respect to IPAS "CBL Asset Management" without initiating an administrative case against IPAS "CBL Asset Management" regarding any regulatory non-compliance. IPAS "CBL Asset Management" has agreed with the BL to a remediation plan to implement the necessary improvements to its compliance program.

In 2022, the Lithuanian branch of Citadele was subject to both a sanctions screening system and an AML compliance audit conducted by the Bank of Lithuania. In September 2023, the Bank of Lithuania issued a remediation plan without monetary penalty to the Lithuanian branch of Citadele. The remediation plan was completed by 31 January 2024 and in early February 2024 the Bank of Lithuania was informed of the completion of all aforementioned improvements.

Sanctions Risk Management

Citadele Group has adopted a Sanctions Compliance Policy to ensure compliance with sanctions imposed by international organisations and national authorities. Citadele Group regularly reviews its Sanctions Compliance policies and procedures with the aim of strengthening them and to update in line with changes in regulatory requirements and considering international best practice. The Sanctions Compliance of Citadele Group is regularly reviewed by independent external and internal experts to ensure that Citadele Group complies with applicable Sanctions Compliance requirements. The experts provide, where appropriate, recommendations on how to strengthen and improve Sanctions Compliance internal control system. The recommendations are diligently evaluated and implemented by Citadele Group.

Citadele Group performs an enterprise-wide ML/TF/PF and Sanctions risks assessments on a regular basis to evaluate ML/TF/PF and Sanctions risks of Citadele 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.

Know-Your-Customer standards, including customer risk scoring, customer due diligence and enhanced due diligence practices, on-going customer transactions monitoring, effective international and national sanctions screening is the priority of Citadele Group. A sound risk culture across Citadele Group, risk-aware employees and implementation of best-practice processes and systems is the backbone of Sanctions compliance risk management. Employees of Citadele Group have a good knowledge of customers and their counterparties and a full understanding of the substance of transactions and thus can timely detect suspicious customer activity. Under the Sanctions Compliance Policy, knowingly and intentionally participating in activities whose purpose or effect is to evade the restrictions imposed by the international and national sanctions is strictly forbidden, thus preventing Citadele Group from being used to circumvent the sanctions. Citadele Group enforces sanctions established by the UN Security Council, the EU against specific countries and persons, national sanctions of Latvia, Lithuania and Estonia and the OFAC. Citadele Group complies with OFAC sanctions in USD and all other currencies. Citadele Group implements OFAC sanctions in all currencies and payments. Daily customer and real time payment screening is ensured with Bridger Insight XG system by LexisNexis. Citadele Group also ensures horizon screening on potential sanction threats and update of internal watchlist.

Citadele Group has established the Sanctions compliance training program for all its employees. The training program consists of three main parts: initial, regular and extraordinary employee training and is tailored to the necessary knowledge level of each function. For employees directly responsible for Sanctions compliance, special advanced trainings, workshops and conferences are arranged to enhance their knowledge and skills necessary for execution of their tasks. Citadele Group supports and requires international certification in the Sanctions compliance fields for at least the leading specialists involved in the Sanctions risk management function.

In 2023, a thematic review to assess the effectiveness and efficiency of the Citadele's sanction screening systems was conducted by the BL. According to the results of the examination, no immediate remedial actions were required in respect to Citadele's client and transaction screening practices. Also, the Bank of Lithuania has assessed the readiness of Citadele's Lithuanian branch to implement international sanctions, and indicated the circumstances which shall be taken into account in implementing international sanctions.

In 2022, the Lithuanian branch of Citadele was subject to both a sanctions screening system and an AML compliance audit conducted by the Bank of Lithuania. In September 2023, the Bank of Lithuania issued a remediation plan without monetary penalty to the Lithuanian branch of Citadele. The remediation plan was completed by 31 January 2024 and in early February 2024, the Bank of Lithuania was informed of the completion of all aforementioned improvements.

7.8. Capital Adequacy 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 EU via CRR and CRD, rules and recommendations issued by supervisory authorities and other relevant regulations. The regulations require credit institutions to maintain a total capital ("**Total Capital**") adequacy ratio of 8.0% of the total risk weighted exposure amounts. The rules also require a 4.5% minimum Common Equity Tier 1 ("**CET1**") capital ratio and a 6.0% minimum Tier 1 ("**Tier 1**") capital ratio.

Total supervisory review and evaluation process ("**SREP**") capital requirement ("**TSCR**") requires capital to cover risks in addition to these covered by the CRR. TSCR is established in a supervisory review and evaluation process 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 1 January 2024 (consistent with 2023) based on the assessment of the supervisory authority, an additional 2.5% own funds requirement is determined to cover Pillar 2 risks. Thus, as of 1 January 2024 (consistent with 2023), the Citadele Group 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%).

On top of the minimum capital adequacy ratios and the Pillar 2 additional capital requirements (TSCR), Citadele Group and Citadele must comply with the capital buffer requirements. The capital buffer requirements must be reached by CET1 capital. The capital conservation buffer both for Citadele Group and Citadele is set at 2.5%, limiting dividend pay-out and certain other Tier 1 equity instrument buybacks, if the buffer threshold is not exceeded.

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

Countercyclical capital buffer ("**CCyB**") 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. As of 31 December 2023, the countercyclical buffer is 0.60% for the Citadele Group, as compared to 0.15% as of 31 December 2022).

Systemic risk buffer ("**SyRB**") aims to address systemic risks that are not covered by the CRR, the countercyclical capital buffer or the O-SII buffer. The Citadele Group and Citadele have to comply with systemic risk buffer determined for "retail" customers (as defined by the CRR) exposures secured by residential property in Lithuania at each balance sheet date on the basis of respective exposure. There is no maximum limit for this buffer. As of 31 December 2023, the systemic risk buffer is 0.07% for Citadele Group. The Citadele Group and Citadele became subject to systemic risk buffer requirements as of 31 December 2022.

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 severe stress. The P2G is determined as part of the SREP and for the Citadele Group as of 1 January 2024 (consistent with 2023) is set at 1.50%. Unlike the Pillar 2 Requirement, the P2G is not legally binding but rather is addressed by the ECB as an expectation for the entities the ECB supervises. If the capital of an ECB supervised entity has fallen, or is expected to fall, below the level of its P2G, such entity should immediately notify the ECB and explain in detail the reasons for not complying with the P2G. The ECB will review the reasons for such entity's noncompliance with P2G and will consider taking appropriate and proportionate institution-specific measures, including, but not limited to requiring the presentation of a capital restoration plan, on the basis of Article 16(2) of Regulation (EU) No 1024/2013.

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

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

As of 31 December 2023, Citadele and Citadele Group have sufficient capital to comply with the regulatory capital adequacy requirements.

Regulatory capital requirements of Citadele Group as of 31 December 2023

	Common equity Tier 1 (CET 1) capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 (CET 1) ratio	**4.50%**	**4.50%**	**4.50%**
Additional Tier 1 ratio	**-**	**1.50%**	**1.50%**
Additional total capital ratio	**-**	**-**	**2.00%**
Pillar 2 additional own funds requirement (individually determined by the supervisory authority in the SREP, P2R)	**1.41%**	**1.88%**	**2.50%**
Capital buffer requirements:			
Capital conservation buffer	**2.50%**	**2.50%**	**2.50%**
O-SII capital buffer	**1.75%**	**1.75%**	**1.75%**
Systemic risk buffer	**0.07%**	**0.07%**	**0.07%**
Countercyclical capital buffer	**0.60%**	**0.60%**	**0.60%**
Capital requirement	**10.38%**	**12.80%**	**15.42%**
Pillar 2 Guidance (P2G)	**1.50%**	**1.50%**	**1.50%**
Non-legally binding capital Capital requirement with P2G	**12.33%**	**14.30%**	**16.92%**

With respect to Citadele, as of 31 December 2023, the O-SII capital buffer requirement is not applicable, the systemic risk buffer is 0.07% and the countercyclical capital buffer is 0.60%.

Pillar 2 additional own funds requirement and the Pillar 2 Guidance as of 1 January 2024 in accordance with the most recent SREP remain the same.

Citadele Group's capital adequacy calculation is in accordance with applicable regulations.

Capital adequacy ratio of Citadele Group (including net result for the period, less EUR 20 million expected regulatory deduction)

EUR millions	**2021**	**2022***	**2023**
Common equity Tier 1 capital			
Paid up capital instruments and share premium	157.1	157.7	159.3
Retained earnings	230.8	273.1	355.8
Proposed dividends	-	(20.0)	(50.6)
Regulatory deductions	(8.3)	(26.6)	(15.4)
Other capital components and transitional adjustments, net	9.6	4.4	3.6
Tier 2 capital			
Eligible part of subordinated liabilities	60.0	59.6	55.6
Total own funds	**449.3**	**448.2**	**508.3**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2 164.3	2 080.1	1 980.7
Total exposure amounts for position, foreign currency open position and commodities risk	10.9	9.9	3.8
Total exposure amounts for operational risk	206.6	237.8	326.8
Total exposure amounts for credit valuation adjustment	4.6	1.6	12.0
Total risk exposure amount	**2 386.4**	**2 329.4**	**2 323.3**
Common equity Tier 1 capital ratio	**16.3%**	**16.7%**	**19.5%**
Total capital adequacy ratio	**18.8%**	**19.2%**	**21.9%**

* Restated to account for EUR 20.0 million dividends that were proposed during the year ended 31 December 2022. Moreover, comparative figures for 2022 have been restated due to the adoption of IFRS17, earlier comparative figures are not restated for IFRS17.

The consolidated Citadele Group for regulatory purposes is different from the consolidated Citadele Group for accounting purposes. As per regulatory requirements, AAS "CBL Life", a licenced insurer, is not included in the consolidated Citadele 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 Citadele Group's capital adequacy calculation. Instead, the carrying value of the Citadele Group's investment in AAS "CBL Life" constitutes a risk exposure in the Citadele Group's capital adequacy ratio calculation.

As of 31 December 2023, no transitional provisions were applied in capital adequacy calculation. Fully loaded capital adequacy ratio equals transitional capital adequacy ratio as of the period end.

Leverage ratio of Citadele Group (including net result for the period, less EUR 50.6 million expected dividends in respect of financial year 2023)

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.

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

	2021	2022*	2023
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.5%	7.1%	9.2%

* Restated to account for EUR 20.0 million dividends that were proposed during the year ended 31 December 2022. Moreover, comparative figures for 2022 have been restated due to the adoption of IFRS17, earlier comparative figures are not restated for IFRS17.

Minimum requirement for own funds and eligible liabilities (MREL)

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

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

The SRB has determined the consolidated binding MREL target for the Citadele Group to be met by 1 January 2024 at the level of 23.70% of TREA or 5.91% of LRE, whichever is higher, plus a non-binding Combined Buffer Requirement. Citadele Group must comply with MREL at all times on the basis of evolving amounts of TREA/LRE. As of 31 December 2023, the Citadele Group is in compliance with TREA and LRE based MREL requirements. The MREL targets are determined by the SRB using financial and supervisory information and is re-calibrated by the SRB periodically.

8. Overview and Business Description

8.1. Overview

Citadele Group is one of the leading banking groups in the Baltic States and the largest non-Nordic owned bank in Latvia. It serves customers across the three Baltic States (Latvia, Lithuania and Estonia) and, as of 31 December 2023, had a customer base of 378 thousand active customers. At the end of third quarter of 2023, Citadele Group had a total market share in the Baltic States of 3.9% in total loans and 3.7% in deposits according to consolidated data published by the relevant regulatory bodies in Latvia, Lithuania and Estonia.

Citadele Group offers a wide range of banking products to its private, SME and corporate customer base. It also provides wealth management, asset management, insurance, pension, cards, loans, leasing trade finance and factoring products, and Klix (payments) e-commerce and buy now, pay later (BNPL) platform. Alongside traditional banking services, Citadele offers a range of services based on next-generation financial technology, including a modern MobileApp, contactless and instant payments, modern customer onboarding practices and technologically enabled best-in-class customer service. Citadele won an award for its digital transformation by Latvian Information and Communications Technology Association (LIKTA) ("Platina pele") in 2018 and has won numerous Dive awards for its customer service, including most recently being named the bank with the best customer service in Latvia for the seventh time and top three in Lithuania and Estonia. As of 31 December 2023, Citadele Group had 1,329 full time employees (of which 28 were employees attributable to Kaleido Privatbank). Its distribution network comprised 18 branches and client service centres: 11 branches and client service centres in Latvia, one branch with six customer service units in Lithuania, and one branch in Estonia.

Citadele Group's strategy, discussed further below in section entitled "*Overview and Business Description—Business segments, strategy and principal markets—Strategies and objectives*", which was adopted following the acquisition of the majority stake in Citadele by the investment consortium led by RA Citadele, LLC in 2015, is aimed at strengthening Citadele Group's market position in the domestic Baltic market by becoming the modern banking platform for the Baltic States. Management believes that this strategy will deliver greater customer engagement and will increase Citadele Group's revenue-earning potential. Citadele Group intends to maintain all of its existing business lines as it develops itself as an increasingly digital bank with a wide product suite and unique offerings for its private, SME and corporate customers.

In addition to its private, SME and corporate businesses, Citadele aims to differentiate itself from its competitors by developing and continuing to grow the following distinctive platforms in the Baltic States:

- Vendor finance services: Citadele Group's objective is to establish Citadele Leasing as a flexible, digital and trusted vendor finance player;
- Klix (payments) e-commerce and BNPL platforms: Citadele Group aims to scale these platforms to become the platforms of choice for consumers, merchants and lenders; and
- Insurance offering: Citadele Group aims to develop its insurance offerings to deliver further penetration of existing insurance products and expand into new areas through digital propositions and cross-selling.

Citadele's head office is located at Republikas laukums 2A, Riga, LV-1010, Latvia, and its telephone number is +371 67010000. Citadele's registration number is 40103303559.

8.2. Historical Timeline and Milestone Events

Citadele was registered in Latvia as a joint stock company on 30 June 2010 under the Latvian Commercial Law and commenced operations on 1 August 2010.

Following the 2009 financial crisis, Citadele was newly established as part of the nationalisation, reorganisation and ultimate privatisation of Parex (now AS "Reverta" in liquidation). At the time, EBRD obtained a shareholding of 25% minus one share in Citadele. As part of the privatisation of Citadele led by the Latvian Privatisation Agency, RA Citadele, LLC and the Co-Investors obtained a stake of 75% plus one share in Citadele on 20 April

2015.

Since 2015, Citadele has made significant investment in its future business. As a result of these investments, Citadele has been able to revamp its business processes, define and execute on new growth strategies, introduce an entrepreneurial approach to its business, expand its product offerings (including, for example, digital lending, microloans, insurance, Klix (payments) e-commerce and BNPL platform and more), improve its IT posture through its digital offerings, upgrade IT systems and strengthen cybersecurity, build its best-in-class mobile app, pioneer payments and other innovative platforms in the Baltics and grow both organically and by pursuing inorganic growth opportunities.

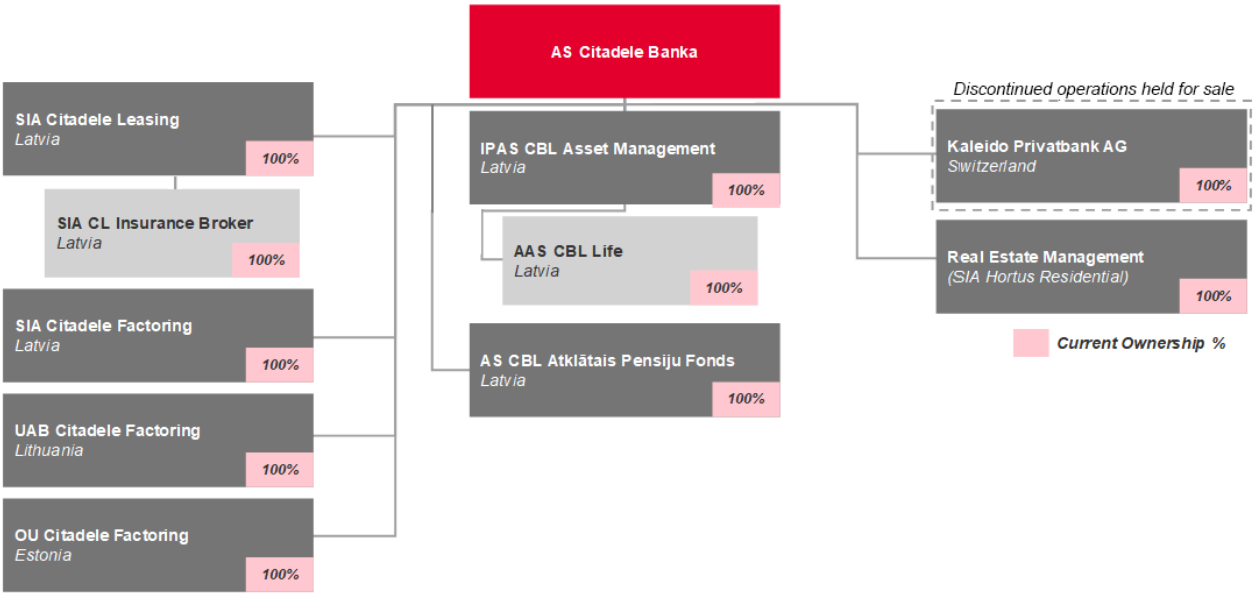
Milestone events since 2015 include the following:

- In 2016, Citadele listed for the first time bond instruments with its December 2016 listing of EUR 40 million in subordinated bonds on Nasdaq Riga. As of the date of this Base Prospectus, Citadele has three outstanding listed bond instruments. See section entitled "*Overview and Business Description—Material Agreements—Financial instruments*".
- In 2018, Citadele launched its next-generation modern mobile application, through which Citadele has been able to develop and offer digitally advanced solutions to its customers. For a detailed description of Citadele's mobile application and its other leading digital offerings, see section entitled "*Overview and Business Description—Key strengths—Citadele Group is a digital frontrunner with innovative financial technology-enabled products and scalable operations, facilitated by modern, modular and stable IT platform*".
- In 2018, Citadele substantially completed de-risking its high-risk customer base. For a detailed description, see section entitled "*Overview and Business Description—Key strengths—Citadele Group operates under a strict compliance and risk framework with robust business standards and controls along with proactive strategies to address ESG challenges*".
- In 2019, Citadele received first place net promoter score of individual banks in Latvia.
- In December 2019, Citadele announced that it had agreed to acquire UniCredit's Baltic leasing operations with its lease portfolio in the amount of total committed lending of up to EUR 880 million. The transaction successfully closed on 4 January 2021. As a result, Citadele is now one of the three largest players in the Latvian leasing market and has significantly strengthened its footprint in the leasing market across the Baltic States.
- In September 2020, Citadele obtained a Baa3 investment grade credit rating from Moody's, and this rating was upgraded to Baa2 with stable outlook as of September 2021. As of the date of this Base Prospectus, the credit rating assigned by Moody's to Citadele's long term deposits is Baa2 (positive) and Citadele's senior unsecured debt - Baa3 (positive).
- In 2020, Citadele launched its e-commerce platform Klix that offers a shopping, payments and lending experience in the Baltic States through three pillars: (1) Klix Pay, providing an all-in-one payments solution with top banks and card providers, (2) Klix BNPL, providing a digital, real-time BNPL solution with highest in-market acceptance rates as a result of the platform's multi-lender aggregation and (3) Klix post-purchase lending, providing customers with options to refinance past purchases on the Klix multi-lender platform.
- In March 2021, Citadele announced the acquisition of the majority of the mortgage portfolio of AS "ABLV Bank" in liquidation. The portfolio consisted of several thousand mortgage loans with a total exposure of above EUR 170.0 million. On 2 July 2021, in the first phase of the transaction, mortgage loans with net exposure amounting to EUR 114.0 million were acquired. On 3 December 2021, the second part of the transaction closed and mortgage loans with net exposure amounting to EUR 43.1 million were acquired.
- In March 2023, Citadele successfully completed an Asset Quality Review (AQR) of Citadele by the ECB.
- In 2023, Citadele received the results of four anti-money laundering (AML) regulatory audits (an overall AML and an overall sanctions assessment by the BL of Citadele, an AML assessment of Citadele's asset management business and an AML compliance audit by the Bank of Lithuania of Citadele's

Lithuanian branch), all of which were resolved without any administrative findings by the applicable regulators.

- Beginning the third quarter of 2023, Citadele has started hedging certain purchases of longer-dated government bonds with interest rate swaps to further strengthen its business.
- As of 31 December 2023, Citadele has been ranked as the bank with the best customer experience in Latvia eight times. Citadele Group has consistently ranked highly in Net Promoter Score surveys in Latvia and Lithuania. In January 2024, Citadele Group ranked number one in individual bank and Mobile App NPS surveys in Latvia. In the same period, it ranked number two in individual bank NPS survey in Lithuania.
- On 25 January 2024, the international credit rating agency Moody's has affirmed Citadele's Baa2 credit rating, changing outlook to positive.

8.3. Structure of Citadele Group



Subsidiaries

Citadele is the parent company of Citadele Group. The following table contains a list of subsidiaries (some of which are direct and others of which are indirect), branches and representative offices of Citadele Group as of the date of this Base Prospectus. The voting interests held, directly or indirectly, by Citadele in each of these subsidiaries corresponds directly to its ownership interest.

Subsidiary[(1)]	Country of incorporation	Ownership	Industry
SIA "Citadele Leasing"	Latvia	100%	Leasing and factoring
Kaleido Privatbank AG[(2)]	Switzerland	100%	Private wealth management
SIA "Citadele Factoring"	Latvia	100%	Leasing and factoring
IPAS "CBL Asset Management"	Latvia	100%	Asset management
UAB "Citadele Factoring"	Lithuania	100%	Leasing and factoring
AS "CBL Atklātais pensiju fonds"	Latvia	100%	Pension fund management

Subsidiary[1]	Country of incorporation	Ownership	Industry
OÜ Citadele Factoring	Estonia	100%	Leasing and factoring
AAS "CBL Life" (indirectly owned subsidiary)	Latvia	100%	Life insurance
SIA "CL Insurance Broker" (indirectly owned subsidiary)	Latvia	100%	Insurance
SIA "Hortus Residential"	Latvia	100%	Real estate management
SIA "Mobilly"[3]	Latvia	Approx. 12.5%	Payments

(1) Citadele owns 4.10% in AS "Kredītinformācijas Birojs", a joint-stock company registered in the Republic of Latvia, which does not form a part of Citadele Group. AS Kredītinformācijas Birojs is the first licenced credit information bureau in Latvia and part of the world's largest credit information and risk management solutions provider, Creditinfo Group.
(2) Citadele Group is in the process of seeking to sell Kaleido Privatbank AG. For more information, see section entitled "*Overview and Business Description—Business segments, strategy and principal markets—Operations in Switzerland*".
(3) Citadele owns 12.5% in SIA "Mobilly", a limited liability company registered in the Republic of Latvia, which does not form a part of Citadele Group.

Branches

Name	Branch location
AS Citadele banka Eesti filiaal	Estonia
Akciju sabiedriba "Citadele banka" Lietuvos filialas	Lithuania
SIA Citadele Leasing Eesti filiaal	Estonia
SIA "Citadele Leasing" Lietuvos filialas	Lithuania
SIA CL Insurance Broker Eesti filiaal	Estonia

Citadele's holdings in the following subsidiaries are likely to impact the assessment of its own assets and liabilities, financial position or profits and losses: (i) IPAS "CBL Asset Management"; (ii) Kaleido Privatbank AG; (iii) SIA "Citadele Leasing"; and (iv) SIA "Citadele Factoring" and UAB "Citadele Factoring".

8.4. Business segments, strategy and principal markets

Strategies and objectives

Citadele Group's objective is to become the bank of choice for individuals and businesses in the Baltic States by evolving into a digital first banking platform. Citadele Group aims to achieve this by continuing to deliver exceptional digital services with a wide product suite and unique offerings for its private, SME and corporate customers, complemented by innovative stand-alone solutions with unique value proposition and continued high emphasis on quality of service across customer segments. Citadele Group intends to further increase revenue from its existing customer base and to proactively target new customers in the private, SME (including micro-SME) and corporate business, whilst maintaining strong focus on digital capabilities, solutions offering along with expanding its product suite.

Citadele Group's management believes that Citadele Group's core strengths will allow it to increase the market penetration of both its banking and non-banking services in the Baltic States, and attract new customers from its local competitors, driving further revenue growth. Citadele Group's management believes that the resilience of Baltic economies and economic growth potential along with resumption of growth in the underpenetrated Baltic banking sector will further benefit Citadele Group to expand its customer reach and offer new growth avenues in each of the Baltic States. Citadele Group's operations differ across each of the Baltic States, and so whilst Citadele Group's management intends to implement its business strategy across each of the Baltic States, such strategies are tailored by Citadele Group's management to better suit the customer requirements in the relevant market. The infrastructure to deliver growth in all segments is already in place in Latvia, Lithuania and Estonia. Citadele Group's management believes that by remaining a leading local bank, Citadele Group will continue to understand and respond more effectively to the needs of its customer base, remain highly responsive and adaptive to competitive market dynamics and continue to apply its local expertise in pricing and managing risk.

Citadele Group's management believes that its business strategy will allow it to continue to build upon and evolve its current product mix, digital capabilities and offering along with customer base, whilst capturing opportunities in different segments and product verticals, such as vendor finance, payments, BNPL and bancassurance, where attractive revenue opportunities exist. Citadele Group's management believes that it is now in a position to implement a focused growth strategy that fully utilises its established distribution network, advanced digital capabilities, sophisticated IT infrastructure, innovative product offering, experienced management team, well-trained staff and comprehensive risk management systems.

Specifically, Citadele Group intends to:

- increase new and existing private customers that use Citadele Group as a primary bank by evolving "Bank in the Pocket" to digital-only proposition;
- drive revenue growth in the SME business by offering competitive propositions, digital and e-commerce tools to become the "Bank of Choice" for businesses;
- support the growth of Baltic corporates whilst creating long-term financing relationships;
- expand vendor finance across new verticals and markets;
- grow Klix into leading payments and BNPL player in the Baltic States;
- expand and scale insurance offering through digital channels and cross-sales to existing customer base;
- ensure continuous focus on operational excellence and scalability; and
- offer best-in-class customer experience.

Citadele Group has the ambition to continue offering the highest standard of service and interaction to its customers. It goes beyond meeting basic expectations and focuses on creating a seamless, personalised, and memorable journey for customers throughout their interactions with Citadele. The experience is about creating a relationship built on trust, understanding and value, resulting in loyal customers who not only continue to support the brand but also become advocates for it.

The key elements that Citadele Group is building on are:

- Personalisation: To use data and insights to tailor interactions, recommendations and solutions, making customers feel valued and understood.
- Seamless Omnichannel Experience: The service spans across all touchpoints, whether it's in-person, online, mobile, social media or any other channel. Customers should experience consistent and cohesive service regardless of where they engage.
- Proactive Problem Solving: Rather than waiting for customers to encounter issues, Citadele Group aims to anticipate potential problems and address them before they impact the customer.
- Ease of Use: Products, services and interactions should be intuitive and user-friendly. Minimal effort should be required on the customer's part to achieve their goals.
- Prompt Response: Timeliness is crucial. Best-in-class customer experience includes quick response times to inquiries, concerns or issues. This applies to all communication channels, including emails, chats, phone calls and social media.
- Empowered Employees: Frontline employees play a vital role in delivering exceptional customer experience. They should be empowered with training, tools and authority to make decisions that benefit the customer.
- Consistent Brand Messaging: A strong customer experience is aligned with the Citadele's brand values, mission and messaging. This creates a sense of authenticity and builds trust with customers.

- Continuous Improvement: Companies committed to providing the best customer experience are open to feedback and actively seek ways to improve their processes, products and services based on customer input.

In addition, Citadele Group is also trying to go above and beyond expectations to leave a lasting positive impression. This involves unexpected perks, personalised gestures or additional services that make the customer feel special. This can be achieved by continuing to build on a customer-centric culture, where best-in-class customer experience isn't just a departmental effort; it's ingrained in Citadele Group's culture. Every employee, from top to bottom, should prioritise customer satisfaction and be aligned with the goal of delivering exceptional experiences.

To measure Citadele Group's progress, the customer experience strategy is supported by measurable metrics such as Net Promoter Score (NPS), customer retention rates and other measures.

Citadele Group's management believes that implementation of the strategy will position Citadele Group as a leading, digital-first banking platform with highly efficient and expanding core business operations, supported by advanced digital capabilities, tailored offerings to different customer segments and needs built on a best-in-class customer experience.

Business overview

Citadele Group focuses on serving three key business areas: private, SME and corporate, offering traditional banking and other financial services, such as wealth management, asset management, life insurance, pension, leasing, factoring and Klix (payments) e-commerce and BNPL platforms.

Citadele Group serves customers across the three Baltic States (Latvia, Lithuania and Estonia) and has a customer base of 378 thousand active customers as of 31 December 2023.

Citadele Group's sales channels include:

- Physical branch network consisting of 18 branches and customer service centres across the Baltic States, each located in major cities and providing sales support and service transactions across all Citadele Group's segments and products. There are a total of 74 full time employees employed across the branch/client service centre network as of 31 December 2023;
- Award-winning digital channels, including an in-house-developed mobile banking app with market differentiating features and in-house developed online bank. As of 31 December 2023, on average 98% of all new lending applications and 85% of all new deposits applications within Citadele Group are processed through digital channels;
- Skybranch (remote service centre) that caters all inbound and outbound telephone, sms and email transactions. As of 31 December 2023, there are a total of 78 full time employees within the Skybranch, servicing on average 31 thousand inbound calls per month and 11 thousand chats and emails per month; and
- Dedicated customer service advisors for private (affluent) and corporate customers. As of 31 December 2023, there are 12 full time employees servicing private (affluent) customers and 100 full time employees serving corporate customers.

Most of the volume sales and service processing activities have been either centralised in a single operations unit to realise scale efficiencies or were automated to remove manual handling and improve customer service levels (such as digital onboarding and unsecured lending origination).

As of 31 December 2023, Latvia, Lithuania and Estonia accounted for 45.8%, 29.9% and 12.9%, respectively, of Group's total assets (as compared to 39.7%, 36.4% and 10.9%, respectively, of the Group's assets as of 31 December 2022).

Key business segments

Private segment

Citadele Group's private business serves private retail and affluent customers (with 324 thousand retail customers and 3 thousand affluent customers, excluding certain leasing customers as of 31 December 2023), and its operations include full banking, leasing and advisory services provided through branches, internet banking and the Citadele's mobile banking application in Latvia, Lithuania and Estonia.

Citadele Group's key products for private customers include:

- Digital/Remote customer onboarding: Through Citadele Group's mobile application, customers have the ability to open accounts remotely via "selfie" and apply to Citadele Group's cards products.
- Card products: Citadele Group offers a wide range of card products to its customers including credit and debit cards with Visa and MasterCard. Using information provided by each customer and verified by Citadele in accordance with its systems and operational controls, Citadele assigns appropriate credit limits on the credit cards issued. A major part of the cards portfolio consists of the flagship Citadele cards product provided to customers unique to Baltics Citadele Rewards loyalty program. Apart from traditional credit and debit cards, Citadele supports a wide range of wallet solutions (*i.e.*, Apple Pay, GooglePay, GarminPay, etc.), as well as several wearable solutions like payment rings, bracelets and stickers.
- Deposit products: Citadele Group offers a wide range of deposit products to its private customers, including deposits that can be accessed on demand and fixed term deposit products where the amount deposited is inaccessible for up to five years. Interest that accrues on deposits can be paid to customers in a number of ways, including directly to the customer's current account or by accumulating the interest onto the amount initially deposited. Citadele Group also offers a unique savings account+ and green savings account (whereby Citadele Group invests deposits in environmentally friendly initiatives), as well as special savings accounts for children up to the age of 18.
- Mortgages: Mortgages are primarily taken out by customers in order to acquire, build, improve and/or repair residential homes. Before any amounts are provided to a customer pursuant to a mortgage, Citadele evaluates such customer's solvency, regular income, previous credit history and requires adequate security to be provided by such customer in the form of a charge over the property itself, but from time to time Citadele also requires guarantees to be provided where available.
- Consumer loans: Citadele Group also offers consumer loans to its private customers. The size, rates and terms of such loans are set by Citadele and based on the salary income that the customer is able to adequately evidence to Citadele.
- Leasing: Citadele Group offers financial leases, operational leases and leaseback products. Before any amounts are provided to a customer, Citadele Group evaluates such customer's solvency, regular income and previous credit history.
- Insurance: Citadele Group offers access to life and non-life insurance products, which are provided through fully owned life insurance company CBL Life, insurance broker CL Insurance Broker along with external bancassurance partnerships. Current offering includes Property, Motor, Life, Accident, Travel and lifestyle insurance.
- Pensions: Citadele Group offers access to Pension pillar II, Pension pillar III and Life-time pension (annuities) products. All pension products are distributed digitally and are also accessible at Citadele Group's branches.

In addition, private affluent customers receive competitive in-house asset management products, including discretionary investment portfolios and mutual funds, which complement customers' investment allocations. Additionally, Citadele Group provides brokerage and custody service that enable its customers to execute their own ideas in the financial markets.

Whilst Citadele Group's main emphasis for private affluent customers is on investment and savings, Citadele Group maintains a customer-centric approach that also addresses both sides of their household balance sheet, offering not only savings and investments but also financing solutions.

A distinguishing attribute of Citadele Group's offering for private affluent customers is the combination of its daily banking service via mobile app and the expertise of seasoned private bankers handling customers' complex financial needs. Citadele Group's customers are offered use of the premium VISA Infinite payment card, granting access to an extensive loyalty program and an exclusive in-house concierge service, setting Citadele Group apart as an unmatched option among banks in the region. This compelling combination serves as an initial engagement tool to onboard customers and introduce them to Citadele Group's savings and investment products.

All offerings to private customers are distributed using a multichannel approach with a key focus on digital sales. As of 31 December 2023, of Citadele Group's net loans to public, loans to private customers stood at EUR 1.3 billion (EUR 1.3 billion as of 31 December 2022), comprising 43.8% of Citadele Group's net loans to public.

SME segment

Citadele Group's SME business caters to entities with an annual turnover of up to EUR 15 million (including a micro SME customer base comprised of entities with an annual turnover of up to EUR 0.3 million) through branches, internet banking and Citadele Group's mobile banking application.

As of 31 December 2023, Citadele Group had 22 thousand active SME customers (including certain leasing customers).

Citadele Group's key products for SME customers include:

- Digital/Remote customer onboarding: Customers have the ability to open accounts remotely and apply to Citadele Group's payment plan products, including microlending and secured loan offerings.
- Card products: Citadele Group offers a wide range of card products to its customers including credit and debit cards with Visa and MasterCard. Using information provided by each customer and verified by Citadele in accordance with its systems and operational controls, Citadele assigns appropriate credit limits on the credit cards issued.
- Payment plans: Citadele Group provides a variety of payment plans to its business customers which includes unlimited number of free electronic transfers to accounts at Citadele, a set number of free electronic EUR transfers to other banks in Europe, a set number of Citadele Business (e.g., "X Business") cards for one year commission-free and a number of free current accounts.
- Acquiring services and e-commerce: Citadele Group provides a wide range of payment services for both in-store and online e-commerce payments. Citadele Group acquisition services include over 17.5 thousand physical PoS terminals with roughly 5 thousand physical merchants as of 31 December 2023, auxiliary services such as a fully integrated Merchant Portal for invoicing, payments, reporting and subscription plans, Phone POS for Android phones and e-commerce platform Klix that offers card acquiring, PSD II and BNPL payment services.
- Savings products: Citadele Group offers a wide range of deposit products to its business customers, including deposits that can be accessed on demand and fixed term deposit products where the amount deposited is inaccessible for up to five years. Interest that accrues on deposits can be paid to customers in a number of ways, including directly to the customer's current account or by accumulating the interest onto the amount initially deposited. Citadele Group also offers a unique savings account + to its business customers.
- Investment loans: Investment loans are taken out by SMEs for a number of reasons, including for equipment purchases, acquiring, building or developing new real estate and investing in new product development. Besides evidence that a customer has sufficient cash flows, Citadele Group requires adequate security to be provided before it will issue any business development loan to a SME customer. This security may be in the form of a charge over fixed assets, such as real estate or machinery, as well as additional personal guarantees from key individuals who own or manage the relevant SME.

- Credit lines: Citadele Group provides credit lines to its SME customers in order to fund the payment of working capital as required by such customers. Citadele Group analyses the financial performance and outlook of a customer's business and requires adequate security to be provided before it will issue a credit line to a SME customer. This security may be in the form of a charge over fixed assets (such as real estate or machinery), charges over floating assets (such as stock or raw materials), as well as additional personal guarantees from owners or executive management of the relevant SME customer or guarantees provided as part of government guarantees schemes.
- Leasing and Factoring: Citadele Group offers financial leases, operational leases, leaseback and factoring products. Before any amounts are provided to a customer, Citadele evaluates such customer's solvency, regular income and previous credit history.

As of 31 December 2023, of Citadele Group's net loans to public, loans to SME customers stood at EUR 636.6 million (EUR 629.7 million as of 31 December 2022), comprising 22% of Citadele Group's net loans to public. Loans to SME customers are well spread across different sectors, such as trade, agriculture and forestry, manufacturing, transportation and communications, construction, real estate and others.

Corporate segment

Citadele Group has corporate customers who operate in a wide range of industries including manufacturing, agriculture, forestry, retail, real estate, wholesale trade and transport. Corporate customers are those with a yearly turnover above EUR 5 million, and total risk exposure with Citadele Group of above EUR 1 million or require complex financing solutions. Citadele Group aims to establish relationships with leading companies across a wide range of different industries. Citadele Group is focused on building its customer portfolio on a long-term basis by having the customer as a Citadele partner and believes that this strategy in the long-run will allow it to create a high quality loan portfolio with customers who are leaders in their markets, whilst providing its employees with the opportunity to develop experience across a number of industries. Through such experience, Citadele Group will be able to provide its customers with a market-leading service on a cross-industry basis.

During recent years, Citadele Group has been able to achieve a strong market position in Latvia and Lithuania through an increased loan book and an experienced team with good relationships across the Baltic States, and as a result, has the ability to discuss financing opportunities with blue chip companies that have turnover of above EUR 100 million and to provide financing for larger ticket size loans for individual customer groups. Citadele Group continues to build its portfolio with mid-sized corporates and continues to grow its transaction banking services to increase the share of its non-lending income of total income. Citadele Group ensures that its relationship managers and senior managers have a deep understanding of the industries in which its corporate customers operate to enable them to be flexible and effective banking partners that in turn fosters greater customer loyalty.

Citadele Group's key corporate products include:

- Cash management and point of sale services: Citadele Group provides cash management services for its corporate customers through arranging deposits, effecting future payments and trade finance arrangements, offering salary account arrangements and a cash collection service and allowing the funds received from business activities to be managed more efficiently. For merchants in particular, it enables payments to be effected at the point of sale, both physically in store and online. Citadele Group uses its card-acquiring services together with other cash management operations to cross-sell further credit and leasing products to its customers.
- Investment Loans for business expansion: Citadele Group provides a number of medium-term loans, being loans typically between 5 and 10 years in term (and 3 to 4 years on average when aggregated with loans which are provided together with credit lines). These loans are provided primarily to Citadele Group's corporate customers to enable them to expand their business and help them to finance, where applicable, fixed assets and other significant capital expenditure, development or investment. Prior to entering into any loan with a corporate customer, Citadele Group assesses whether the cash flows of the customer are sufficient and ensures that adequate security is provided

to mitigate the risk of a default. Such security is typically in the form of a charge over real estate or fixed assets, as well as personal guarantees from key shareholders of the corporate customer.

- Credit lines: Citadele Group provides short-term credit to corporate customers to cover working capital payments with a revolving credit facility option across the credit line period. Prior to entering into any credit line agreement with a corporate customer, Citadele Group assesses that the customer's cash flow is stable, asset quality is high and the working capital cycle is effective. Citadele Group also ensures that adequate security is provided, to mitigate against the risk of a default, and such security is typically in the form of a charge over real estate or fixed assets as well as personal guarantees.
- Guarantees: Citadele Group can enter into guarantees to cover counterparty risk on a transaction or arrangement for its corporate customers. Prior to entering into any guarantee with a corporate customer, Citadele Group ensures that adequate security is provided to mitigate the risk of a default, and such security is typically in the form of a charge over real estate or fixed assets as well as personal guarantees. Additionally, Citadele Group also seeks to hold funds on deposit from its corporate customer to further cover any exposure in the event of an amount being payable by Citadele Group under the terms of such guarantee.
- Letters of credit: Citadele Group provides the ability to issue letters of credit in order to cover counterparty risk on transactions. Before issuing any such letter of credit, Citadele Group requires the funds to be provided by the relevant customer to be held on deposit, security to be provided in the form of a charge over real estate or fixed assets and other personal guarantees of key individuals may also be required.
- Leasing and Factoring: Citadele Group offers financial leases, operational leases, leaseback and factoring products. Before any amounts are provided to a customer, Citadele evaluates such customer's solvency, regular income and previous credit history.
- Card products: Citadele Group offers a wide range of card products to its customers including credit and debit cards with Visa and MasterCard. Using information provided by each customer and verified by Citadele Group in accordance with its systems and operational controls, Citadele Group assigns appropriate credit limits on the credit cards issued.
- Payment plans: Citadele Group provides a variety of Payment plans to its business customers which includes an unlimited number of free electronic transfers to accounts at Citadele, a set number of free electronic EUR transfers to other banks in Europe, a set number of Citadele Business (e.g., "X Business") cards for one year commission-free and a number of free current accounts.
- FX business and derivatives: Citadele Group offers different solutions to its corporate customers to help facilitate foreign exchange transactions, as well as manage foreign exchange risks.

As of 31 December 2023, of Citadele Group's net loans to public, loans to corporate customers stood at EUR 961.3 million (EUR 1.1 billion as of 31 December 2022), comprising 33.6% of Citadele Group's net loans to public.

Other operations

Asset management and pensions

Citadele Group's asset management subsidiary was established in 2002, and Citadele Group has, since its formation, grown its asset management business into one of the top four asset managers in Latvia based upon the value of assets under management as of 31 December 2023, with EUR 816 million in assets under management. Assets under management are mainly in investment funds.

Challenging market conditions affected assets under management for the year ended 31 December 2023 (standing at EUR 816 million). The total value of assets under management decreased in the year ended 31 December 2022 to EUR 1.0 billion (from EUR 1.2 billion for the year ended 31 December 2021). Citadele Group's asset management business contributed on average EUR 3.1% of operating income to Citadele Group in each of the years ended 31 December 2022 and 2023. The Asset Management business includes operations of IPAS “CBL Asset Management”, AS “CBL Atklātais pensiju fonds” and AAS “CBL Life”.

The services offered by Citadele Group’s asset management business include investment fund and discretionary portfolio management for its customers based mostly in the Baltic States. Citadele Group offers its customers a wide and comprehensive range of funds in which to invest, including regional equity, fixed income and balanced risk funds. Citadele Group’s asset management services are available to customers in Latvia and Lithuania, but not in Estonia.

Citadele Group is a manager of Pillar II and Pillar III pension funds in Latvia. It is also one of the top four service providers in relation to state-funded pension plan management in Latvia with a total customer base of 205.6 thousand individuals, representing 16% of the Latvian market as of 31 December 2023.

Citadele Group manages assets for pension plans, insurance companies, investment and pension funds, private individuals and other companies and governments and serves three categories of customers:

- “Pillar 2” pension customers: these are Latvian resident customers who accrue state pensions through their contributions to state income taxation in Latvia and are able to choose which pension fund provider (including Citadele Group) manages their contributions. Citadele Group uses its extensive network of branch offices in Latvia as the key distribution channel to capture as much of the “Pillar II” pension value as possible;
- affluent, high-net-worth customers, seeking to invest a portion of their funds in segregated portfolios or mutual funds; and
- “Pillar 3” pension customers: these are Latvian resident customers contributing voluntarily to their pensions into the Citadele’s Subsidiary, AS “CBL Atklātais pensiju fonds”.

Vendor Financing (Leasing)

Citadele Group’s leasing operations, effected through the SIA “Citadele Leasing” and SIA “Citadele Factoring” subsidiaries, provides a range of leasing products in Latvia for private individuals and companies, with 26 thousand active customers with leasing products as of 31 December 2023. These leasing products include financial leases, operational leases and leaseback products. Citadele Group focuses primarily on leasing for automotive, agriculture and commercial transport across the Baltic States. Loans to vendor financing customers are relatively equally split across the Baltic States, with the highest amount of loans extended to customers in Lithuania and the lowest amount of loans extended to customers in Estonia.

In December 2019, Citadele Group announced that it had entered into a binding agreement with UniCredit S.p.A. pursuant to which Citadele Group acquired UniCredit’s Baltic leasing operations through the acquisition of 100% of the shares in SIA “UniCredit Leasing” (including its Estonian and Lithuanian branches), along with its 100% owned subsidiary SIA “UniCredit Insurance Broker” (including its Estonian branch). The completion of the acquisition took place on 4 January 2021. For more information, see section entitled “*Overview and Business Description—Principal investments since 2020*”.

Insurance

Citadele Group provides its customers with life and non-life insurance products through Citadele Group’s life insurance subsidiary, AAS “CBL Life”, insurance broker, CL Insurance Broker, and external bancassurance partnerships. Through these entities and partnerships, Citadele Group provides the following insurance offerings:

- Property: real estate and property insurance for mortgage clients; equipment insurance;
- Motor: motor insurance for leasing customers, Casco (MOD) + MTPL (Motor Third Party Liability Insurance);
- Life: personal life, borrower’s life, personal accident, pension, group life; and
- Lifestyle: damage and theft insurance for purchases; alternative vehicles such as bicycles, travel insurance via Citadele Cards subscription and for voluntary purchasing via mobile app.

Citadele Group utilises its wide network of branch offices and wealth management business to sell such insurance products. Citadele Group's life insurance products are offered almost exclusively in Latvia, with minor offerings in Lithuania and no offerings in Estonia. In 2023, Citadele Group launched three subscription-based insurance plans via mobile app and plans to further expand its digital insurance offerings in 2024.

Operations in Lithuania

Citadele Group has been present in the Lithuanian market since 2000. Today, Citadele conducts operations in Lithuania through its Lithuanian branch. Citadele's subsidiary, AB Citadele bankas (Lithuania) was transformed into the Lithuanian branch of Citadele in January 2019 when the subsidiary's assets, liabilities and equity were merged into the Citadele's balance sheet. This reorganisation was in line with Citadele Group's strategy to become the primary bank of choice in the Baltic States. It enables an aligned product and service offering and quicker introduction of new banking services to Lithuanian customers, as well as improvement of Citadele Group's operational efficiency. Citadele Group's Lithuanian operations offer products and services across the private, SME and corporate businesses.

Citadele Group aims to ensure that the products and services offered in Lithuania are the same as in Latvia and thereby maintains Citadele Group's proposition across its Baltic operations. Citadele Group aims to grow its customer base in Lithuania, with a particular focus on growth in the private and SME businesses. The deposits from Lithuanian customers provide sufficient funding for Citadele Group's Lithuanian lending operations and also secure full compliance with the liquidity requirements in Lithuania.

Operations in Estonia

The legal branch in Estonia has a stable deposit base which has provided sufficient funding for the Citadele's operations in Estonia and has the further benefit of increasing the sources of funding for Citadele Group more generally. As of the date of this Base Prospectus, Citadele Group has one customer service centre located in central Tallinn which is focused upon providing a full range of universal banking products primarily to private and SME customers.

The majority of the products offered in Estonia align with the products offered in Latvia in the private, SME and corporate businesses. Citadele Group intends to maintain its proposition across its Baltic operations and to grow its customer base in Estonia, with a particular focus upon the private and SME businesses, and by promoting Citadele Group's digital offerings, compelling cards and lending services.

Operations in Switzerland

Citadele Group is in the process of seeking to sell its Swiss subsidiary, Kaleido Privatbank AG. Several parties are expressly interested in acquiring it and Citadele Group has engaged a sell-side adviser to assist with the process. The contemplated sale aligns with Citadele Group's objective of focusing its business on the Baltic States. The successful sale of Kaleido Privatbank AG remains subject to agreement on acceptable commercial terms with a buyer pursuant to a new binding sale agreement and applicable regulatory approvals, the timing of which remains uncertain. As the conditions indicate that the investment will be recovered principally through a sale transaction rather than through continuous operations, Kaleido Privatbank AG is presented as discontinued operations as of 30 June 2023. Until it is successfully sold, Citadele Group may periodically provide Kaleido Privatbank AG with capital injections to enable it to maintain its operations and to remain attractive to potential buyers. Citadele Group has provided Kaleido Privatbank AG with CHF 5 million as of March 2023 to ensure it maintains sufficient capital in accordance with regulatory requirements.

8.5. Selected Financial Information

The following table summarizes the selected historical consolidated financial information of Citadele Group for each of the years ended 31 December 2021, 31 December 2022 and 31 December 2023. Citadele Group's selected historical consolidated financial information provided in the tables below is derived from the 2021 Audited Consolidated Financial Statement, 2022 Audited Consolidated Financial Statement, and 2023 Unaudited Consolidated Financial Statement. For more details, please refer to Citadele's Consolidated Financial Statements in section entitled "*Index of Schedules*".

Citadele Group Income statement

EUR millions	2021* *audited*	2022** *audited*	2023 *unaudited*
Net interest income	107.0	119.4	188.0
Net fee and commission income	34.1	37.8	37.8
Operating income(1)	149.7	162.5	233.9
Net credit losses and impairments	-1.6	-23.7	4.6
Net profit	62.2	40.7	103.8

* Citadele Group is in the process of seeking to sell Kaleido Privatbank AG and as a result, Kaleido Privatbank AG has been included in assets held for sale for all periods following the year ended 31 December 2021.

** Comparative figures for 2022 have been restated due to the adoption of IFRS17, earlier comparative figures are not restated for IFRS17.

Citadele Group Balance sheet

EUR millions	2021 *audited*	2022* *audited*	2023 *unaudited*
Total assets	5 055	5 405	4 863
Loans to public	2 702	2 966	2 862
Deposits and borrowings from customers	3 814	4 026	3 830
Shareholders' equity	397	420	515
Subordinated debt	60	60	60
Loan-to-deposit ratio(2)	73%	74%	75%
Stage 3 loans to public ratio, gross	3.3%	2.7%	2.1%
Common equity Tier 1 (CET1) capital ratio - including period's result, less EUR 50.6 million expected dividends in 2024	16.3%	16.7%	19.5%
Total capital adequacy ratio (CAR) - including period's result, less EUR 50.6 million expected dividends in 2024	18.8%	19.2%	21.9%
Leverage ratio - fully phased-in definition of Tier 1 capital	7.5%	7.1%	9.2%

* Comparative figures for 2022 have been restated due to the adoption of IFRS17, earlier comparative figures are not restated for IFRS17.

Table below "Ratios" includes certain data which Citadele considers to constitute alternative performance measures ("**APMs**") as defined in the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on 5 October 2015. These APMs are not audited nor defined by, or presented in accordance with, IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of Citadele Group's liquidity.

Alternative performance measures included in the "Ratios" table below are commonly used in the banking sector. These provide comparable holistic view of Citadele Group, highlight key value drivers and aggregate financial information in possibly more relevant measures. Citadele Groups' use and method of calculation of APMs may vary from other companies' use and calculation of such measures.

Ratios – as reported, continuous operations

	2021	2022*	2023
Return on average assets (ROA)(3)	1.33%	0.9%	2.2%
Return on average equity (ROE)(4)	16.8%	11.1%	23.6%
Cost to income ratio (CIR)(5)	61.8%	56.3%	44.7%
Cost of risk ratio (COR)(6)	(0.1%)	(0.8%)	(0.2%)

* Comparative figures for 2022 have been restated due to the adoption of IFRS17, earlier comparative figures are not restated for IFRS17.

[(1)] Operating income consists of the following income statement items: net interest income, net commission and fee income, net gain on transactions with financial instruments and other income. Operating income is a useful measure as it aggregates several operating income components and thus presents a less volatile measure of the total operating income generation capability of Citadele Group. All else held equal, generally the higher the operating income, the better.

[(2)] *Loan-to-Deposit Ratio (continuous operations)* Loan-to-Deposit Ratio (continuous operations) is calculated as the carrying value of loans to public for continuous operations divided by deposits and borrowings from customers for continuous operations at the end of the relevant period.

[(3)] *Return on average assets (ROA)* is calculated as annualised net profit for the relevant period divided by the average of total assets at the beginning and the end of the period. ROA is a measure of the profitability of the assets. It is a measure of efficiency of asset usage in profit generation of Citadele Group. In the absence of other considerations, the higher the ROA of Citadele Group, the better the financial performance of Citadele Group.

[(4)] *Return on average equity (ROE)* is calculated as annualised net profit for the relevant period divided by the average of total equity at the beginning and the end of such period. ROE is a measure of profitability of the equity. It is a measure of the efficiency of equity usage in the profit generation of Citadele Group. In the absence of other considerations, the higher the ROE of Citadele Group, the better the financial performance of Citadele Group.

[(5)] *Cost to income ratio (CIR)* is calculated as administrative expense plus amortization and depreciation plus other expense divided by operating income. CIR is a measurement of operating efficiency. CIR represents the proportion of administrative overheads incurred by Citadele Group (expressed in percentage) to generate the income. The more efficient Citadele Group is in generating income, the lower the CIR ratio. A lower CIR represents higher income generate with lower administrative expenses.

[(6)] *Cost of risk ratio (COR)* is calculated as net loan impairment charges for the relevant period divided by the average of net loans at the beginning and the end of such period. COR is an indicator of risk in the loan portfolio, with net loan impairment charges recognised during the period as a proportion of the loan portfolio The lower the cost of risk, the less risk there is the loan portfolio originated.

8.6. Competition

The Baltic banking sector is relatively concentrated, with the four largest banks operating in all three Baltic States by loans to customers, Swedbank, SEB banka, Luminor and Citadele, accounting for 70.6% of total deposits and 78.2% of total loans in the Baltic States at the end of the third quarter of 2023. The largest banks by assets, Swedbank and SEB banka, are Nordic-based and have significant operations in Baltic countries. Luminor and Citadele are the largest Baltic banks. Additionally, local challengers—Šiaulių in Lithuania and LHV in Estonia - are notable competitors to the banks. Each Baltic country also has numerous significantly smaller banks. Baltic and international fintechs also form an additional layer of competition.

According to data published by the BL, as of 1 March 2024, there were nine banks and four branches of foreign credit institutions operating in Latvia with total collective assets amounting to EUR 27.5 billion. The Latvian market is relatively concentrated, with the four largest banks, Swedbank, SEB banka, Citadele and Luminor, accounting for 86.0% of total deposits, and 85.6% of total loans (as of 30 September 2023). The foreign banks present in Latvia through a subsidiary are Scandinavian-owned Swedbank and SEB banka, which represent 35.2% and 22.7% of total deposits and 35.2% and 24.9% of total loans of the Latvian banking sector, respectively, making them two of the largest banks in Latvia. Citadele and Luminor are the largest Baltic-based banks in Latvia, representing 14.2% and 13.8% of deposits and 7.7% and 17.8% of loans held by the Latvian banking sector, respectively.

According to the data published by Bank of Lithuania, as of 1 March 2024, there were six banks and six branches of foreign credit institutions in Lithuania. As of 30 September 2023, the three largest banks by assets, Swedbank, SEB bankas and Luminor, accounted for 66.4% of the deposits and 77.5% of the loans in Lithuania. The other notable banks in Lithuania include Citadele and Šiaulių. According to the data published by the EFSA, as of 1 March 2024, there were nine banks and five branches of foreign credit institutions in Estonia. As of 30 September 2023, the three largest by banks by assets, Swedbank, SEB Pank and LHV, accounted for 77.6% of the deposits and 72.7% of the loans in Estonia. The other notable banks in Estonia include Citadele, Coop and Luminor.

The level of competition in the Baltic banking sector, especially in Latvia, has a significant impact on Citadele Group's cost of funding, net interest income, net interest margin, net commission and fee income and volume of loans and customer deposits. Increased competition in the banking sector typically leads to increased competition for lending and deposit products, creating downward pressure on Citadele Group's net interest margin, and potentially its profitability, by forcing Citadele Group to offer lower interest rates on loans and higher interest rates on customer deposits, which are the predominant source of funding for Citadele Group. Citadele Group's commission and fee income and commission and fee expense are also affected by competition in the banking sector. Accordingly, Citadele Group's operating results could be materially impacted by changes in the competitive landscape in the Latvian, Lithuanian or Estonian banking sectors.

8.7. Key strengths

The Supervisory Board and Management Board believe that Citadele has the following key strengths that will enable it to effectively implement its strategic objectives:

The Baltic States' economies offer a dynamic, business-friendly, structurally attractive market with underpenetrated and growing banking sector

Latvia, Lithuania and Estonia have been members of the European Union and NATO since 2004, and each joined the Eurozone in 2014, 2015 and 2011, respectively. These memberships provide significant advantages for businesses operating in the region.

The Baltic States have historically shown significant resilience against macroeconomic and geopolitical uncertainties such as the financial crisis in 2008 compared to the EU, as the Baltic States showed higher GDP growth rates than EU countries since then. The Baltic States also have shown flexibility and agility as they started diversifying their trade relationships and reduced their dependence on Russian exports especially after the annexation of Crimea in 2014. As of 31 December 2023, exports to Russia of goods of domestic origin made up only 0.4% of total exports from Lithuania and Estonia (re-exports accounted for 93.1% of goods exported to Russia in Estonia and Lithuania). Over the years, the Baltic States have successfully expanded their export markets to include a broader range of countries, with Scandinavia, Germany and other European countries making up 16.7%, 7.2% and 18.4% of total exports and exports within the Baltic States making up 20% as of 31 December 2023. This export diversification enhances the region's economic resilience and minimises risks associated with geopolitical tensions.

The Baltic States have established a track record in maintaining low levels of public debt and achieving investment grade credit ratings (Latvia is currently rated "A3", "A+" and "A-" by Moody's, S&P and Fitch, respectively; Lithuania is rated "A2", "A+" and "A"; Estonia is rated "A1", "AA-" and "A+"). The proactive approach to keeping debt-to-GDP ratios at sustainable levels has led to upgraded credit ratings by major credit rating agencies, reflecting commitment to sound economic policies and sustainable growth (Moody's increased Latvia's credit rating from "Baa3" in 2012 to "A3" in 2023; Lithuania's from "Baa1" in 2012 to "A2" in 2023; Estonia's credit rating has been stable since 2012 with a Moody's rating of "A1"). The achievement of these credit ratings underscores the region's commitment to fiscal stability and makes it an attractive destination for investors seeking a secure and favourable business environment.

We believe the Baltics States are among the top countries globally for ease of doing business. They have implemented transparent regulatory frameworks, simplified bureaucracy and efficient administrative processes. The Baltic States, and in particular Estonia, have gained international recognition as the breeding ground for start-up success. The Baltic States have a total of 13 unicorns and Estonia is recognised as the country with the highest unicorns per capita in Europe.

The Baltic States are renowned for their digital prowess, with an average Digital Economy and Society Index for the Digital Decade score for 2023 of 93 (above the EU average of 83.7) as provided by the European Commission as of 27 September 2023. The region has implemented cutting-edge e-governance systems, offering an efficient environment for conducting business online.

The region has experienced remarkable economic growth in recent years, outpacing many European counterparts. The Baltic States' real GDP compounded annual growth rate ("**CAGR**") between 2012 and 2023 was 2.5%, almost two times higher than the EU average of 1.3%. In terms of real GDP per capita, the Baltics have made significant progress in narrowing the gap with the rest of the EU; however, in 2023, GDP in the Baltic States decreased by 1.2% on average (compared to 0.5% annual GDP growth in the Euro Area economies, which can be partly explained by the Baltics' higher relative economic exposure to Russia and the impact of higher inflation in the Baltic States and the resulting influence on purchasing power and changes in private consumption). According to projections of the International Monetary Fund (the "**IMF**"), the Baltic States' GDP will continue to grow, with 2024 and 2025 real GDP growth projected at 2.6 % and 2.8%, respectively (significantly outpacing the Euro Area, with projected GDP growth of 1.2% and 1.8% as of October 2023 outlook). Unemployment rates in the Baltics (6.1% as of 2022) have been below the EU average (6.6% as of 2022) and are expected to remain at par or below the EU average.

In terms of inflation, the Baltic States have managed to control and stabilise inflationary pressures. Recent IMF data suggest that inflation peaked at 18.5% in 2022 and is expected to drop back to 3.5% by 2025; slowing inflation is set to provide relief to households' purchasing power and result in a corresponding boost to consumption growth.

The Baltic States are also among the highest beneficiaries of the EU Recovery and Resilience Funds ("**RRF**"). RRF allocations to Latvia, Lithuania and Estonia as a share of GDP account for 5.6%, 4.4% and 3.1%, respectively (based on 2021 GDP). RRF funds aim to support EU Member States in recovering from the economic impact of COVID-19 and building resilience for the future.

The Baltic States' banking sector offers an attractive investment opportunity and strong growth rates, at the same time, the sector remains highly underpenetrated by international standards, with ample room for growth.

Citadele Group is a well-established, truly Baltic bank, distributing a wide and expanding product offering and with a deep understanding of local customer needs

Citadele Group is the largest bank in Latvia with non-Nordic heritage. As of 31 December 2023, 99.5% of Citadele Group's net loans to the public from continuing operations were made in the Baltic States, with 44.9% of these in Latvia, 36.3% in Lithuania, 18.3% in Estonia and 0.5% in other countries. Citadele Group is solely focused on growth in the Baltic States and is well-positioned in the region as a result of its Baltic roots, existing infrastructure, diversified and increasingly digital product offerings and its strong capabilities and potential for growth. Citadele Group's strength is demonstrated by the increase in its net loans market share by approximately five times in Lithuania between 2014 and 2023 (2014 net loans: EUR 0.2 billion; 2023 net loans: EUR 1.0 billion) and nearly two times in Latvia between 2014 and 2023 (2014 net loans: EUR 0.7 billion; 2023 net loans: EUR 1.3 billion).

"Active" customers are those that have initiated at least four debit transactions in the last twelve months and at least one in the last three months. Citadele Group's current focus is on acquiring new customers across its offerings, growing product penetration among active customers (*i.e.*, product penetration of loans, savings and investments), introducing an insurance offering and maintaining a leading digital and customer service position.

In Latvia, Citadele Group is positioned as an established bank with leading digital offerings, over 301 thousand active customers, 11 branches and client service centres and 967 full time employees as of 31 December 2023.

In Lithuania, Citadele Group is positioned as the main challenger bank—a true alternative to market leaders. Citadele Group had 66 thousand active customers, one branch with six service centres and 242 full-time employees in Lithuania as of 31 December 2023. Citadele Group's current focus is on acquiring new customers across retail and corporate, strengthening brand recognition and using insurance, lending and leasing products as customer acquisition tools.

In Estonia, Citadele Group is positioned as a scalable platform with prerequisites for accelerated growth.

Citadele Group had 10 thousand active customers, one branch and 92 full-time employees in Estonia as of 31 December 2023. Citadele Group's current focus is on completing digitalisation of services, further expanding in leasing, mortgages and corporate lending and leveraging acquired customers to market Citadele Group's offerings and expand its active customer base.

Citadele Group emphasizes its function over geography and works to ensure that its capabilities are effective across the Baltics. Its employees, for example, work on products and with customers across the Baltics, even if based out of a specific Baltic State.

In recent years, Citadele Group made significant efforts digitising its products and operations across the Baltics and as a result, has the ability to service more than 80% of its customers through digital channels. Citadele Group plans to pursue further digitalisation in order to provide its customer base with strong remote services and product offerings, complemented with personal support as necessary.

Citadele Group distributes a wide product offering across its private, SME and corporate businesses. The services offered to customers include traditional banking, wealth management, asset management, life insurance and leasing and factoring products. Technology-enabled services include Citadele Group's mobile app, internet banking, instant consumer lending, cards, contactless payments, instant payments, modern onboarding, Citadele Rewards (the only rewards programme for financial services in the Baltics) and Klix (payments) e-commerce and BNPL platforms.

Citadele Group has a growing customer base in the Baltics, with the number of active customers increasing from 313 thousand as of January 2020 to 378 thousand as of 31 December 2023, representing a 5% CAGR over the same period. Customers are serviced by leading distribution capabilities: Citadele Group maintains 11 branches and client service centres in Latvia, one branch with six service centres in Lithuania and one branch in Estonia. Customers have access to approx. 550 ATMs, of which Citadele Group owns 153 (Citadele Group is a participant of Wordline network Medus, with 301 ATMs in Lithuania, and has a partnership agreement with Luminor and LHV in Estonia, where customers have access to 96 ATMs). Citadele Group ATM network is the fourth largest across Latvia, with 146 ATMs and 16% market share as of 31 December 2023. Citadele Group's cards products permit customers to use any ATM in the world for cash withdrawals free of charge (with the amount of free withdrawals included based on the particular card subscription plan selected by a customer). In addition, Citadele Group offers a well-utilised, functional, reliable online banking and mobile application, a team of highly trained and sales-focused relationship managers, strong relationships with retailers and a dedicated call centre team.

Citadele Group is widely recognised by customers and industry experts. It has been ranked as the bank with the best customer experience in Latvia seven times. Citadele Group has consistently ranked highly in Net Promoter Score surveys in Latvia and Lithuania. In January 2024, Citadele Group ranked number one in individual bank and Mobile App NPS surveys in Latvia, number two in individual bank NPS survey in Lithuania.

Citadele Group is a digital frontrunner with innovative financial technology-enabled products and scalable operations, facilitated by modern, modular and stable IT platform

Citadele Group is a frontrunner with innovative financial technology-enabled products and has been first in the Baltics in many digitally advanced solutions, including instant consumer lending to its banking customers, payment authentication with face ID / touch ID in its mobile app, NFC payments on Android devices (described below), a next-generation modern mobile app (launched 2018), instant P2P payments via phone numbers, fully remote customer onboarding processes and implementation of advanced data analytics in its risk modelling and underwriting solutions. Citadele Group was the second Baltic bank to implement ApplePay, GooglePay, Garmin and FitBit pay.

In banking and lending, Citadele Group has ensured streamlined onboarding processes, with private customer onboarding taking place via "selfie" in its mobile app within five minutes and SME online onboarding (including know-your-customer processes) within 10 minutes. Citadele Group is also making use of automated private and SME customer credit scoring, digital applications for consumer loans, mortgages, leasing, SME, micro lending and secured lending, Klix (payments) e-commerce and BNPL platforms, as well as online foreign exchange (FX) services.

With respect to payments, Citadele Group offers a range of digital solutions including instant payments, P2P payments to phone numbers and e-commerce checkout and BNPL services through its payments e-commerce platform Klix. Citadele Group also offers a variety of physical payments solutions including NFC payments (contactless mobile, sticker, bracelet, payment rings), phone POS (for Android) and other POS solutions.

Citadele Group also offers ancillary services through its online platforms, including a multi-channel marketing hub (PEGA), allowing personalized product offering based in internal and external customer behaviour, including personalized emails and online bank banners, a business portal for SMEs providing data and analytics solutions, a leasing portal for private customers, a leasing dealer CRM platform and a Lendscape factoring platform. Citadele Group has also invested in nCino, a corporate loan management system, for its corporate banking division, a cloud banking and digital transformation solution embedded in Citadele Group's corporate platform to improve processing of corporate loan applications and help drive efficiencies.

Citadele Group customers increasingly use its digital channels. The number of active mobile app users has increased from 80 thousand as of 31 January 2019 to 257 thousand as of 31 December 2023, representing a 26% CAGR over that period. The share of loans and new deposit accounts signed through digital channels in the year ended 31 December 2023 stood at 98% and 85% respectively. The share of active customers using the mobile app and internet banking in the year ended 31 December 2023 stood at 73% and 56% respectively. The average number of monthly transactions per customer in the mobile app as of 31 December 2023 stood at 20.

Digitalisation has resulted in Citadele Group being able to increase the efficiency of its operations — Citadele Group increasingly has the ability to do more business with fewer resources and lower marginal costs. Citadele Group has managed to reduce its Cost-to-Income Ratio (continuous operations) to 43.8% in the year ended 31 December 2023 55.1% in the year ended 31 December 2022 (54.9% for the year ended 31 December 2021), as a result of an increase in operating income, but also through economies of scale realised from IT implementation and digital adoption of customers. Revenue per customer stood at EUR 619 in the year ended 31 December 2023 compared to EUR 415 for the year ended 31 December 2021, representing a 22% CAGR over that period. Total full time employees were reduced to 1,292 as of 31 December 2023 (excluding nine employees attributable to the Supervisory Board and 28 employees attributable to Kaleido Privatbank AG) from 1,752 as of 31 December 2014, and the number of branches has been reduced to 18 as of 31 December 2023 from 46 as of 31 December 2014. As of 31 December 2023, staff costs comprised 62.3% of Citadele Group's operating expenses, whilst IT comprised only 8.0% of operating expenses as of the same period.

Citadele Group's scalable operations are facilitated by a modern, modular and stable IT platform with no legacy or obsolete technology. Citadele Group operates under a common, standardised platform across the Baltics with a centralised cross-country infrastructure and operations with two common data centres, a European Microsoft Azure cloud and one agile IT team focused on functionalities rather than countries. Systems are regularly upgraded, including the core banking system, Temenos Transact (T24). Citadele Group maintains high availability (almost 100% across its product offerings) and secure systems with 24/7 operations for customers, no legacy issues, critical availability incidents or critical cyber incidents since the establishment of Citadele Group in 2010 thanks to a strong internal IT team (which as of the date of this Base Prospectus comprises approximately 150 full-time employees at any given time) with expertise and capabilities and no critical external dependencies in key systems areas. Citadele Group takes a data-driven approach to its operations, with real-time access to critical data such as credit quality supported by AI and machine learning systems for enhanced decision-making capabilities.

Citadele Group has highly attractive profitability, a strong balance sheet and a diversified business model

Citadele Group has achieved high organic and inorganic growth, with net loans to public amounting to EUR 2.9 billion as of 31 December 2023 (of which EUR 1.3 billion is in private retail and private affluent, EUR 637 million is in SME, EUR 961 million is in corporate and the remainder is in other) from EUR 2.7 billion as of 31 December 2021.

Citadele Group has a diversified revenue stream, with operating income of EUR 234 million for the year ended 31 December 2023 (of which EUR 188 million is from net interest income, EUR 38 million is from net fee and commission income and EUR 8 million is from net financial income and net other income/expense) from EUR

153.7 million for the year ended 31 December 2021.

Citadele Group's net interest margin trajectory follows market swap rates and Euribor. The trajectory for rates behind term deposits and savings accounts follows Euribor, i.e., timing of peak and low rates is matched. In addition, Citadele Group's net interest margin is subject to a three-to-six month repricing gap for interest income on loans (Euribor to income). Citadele Group's current accounts remain largely non-remunerated and largely rate insensitive.

Citadele Group has demonstrated low recurring cost of risk, thanks to strict underwriting standards and conservative risk appetite, coupled with a proactive provisioning approach, which includes additional provisioning overlays driven by macroeconomic uncertainty. For the year ended 31 December 2023, Citadele Group reported EUR 4.5 million positive credit loss; Citadele Group booked additional overlay in the amount of EUR 2.7 million in 2023 to cover vulnerable agricultural and forestry industry. However, significant release of provisions driven by NPL exits, repayments and solid credit quality resulted in positive credit loss and offset additional overlay; for the year ended 31 December 2022, Citadele Group reported 81 basis points cost of risk, out of which 60 basis points proactively taken in the context of macroeconomic uncertainty in the form of overlays. For the year ended 31 December 2021, Citadele Group reported 6 basis points cost of risk, provisions as of end of 2021 contained COVID-19 overlay that was fully amortized in 2022.

Citadele Group has increased its profitability, with net profit at EUR 103.8 million for the year ended 31 December 2023, up from EUR 55.0 million for the year ended 31 December 2021. This translates to a reported double-digit Return on Average Equity from continuous operations of 23.6% for the year ended 31 December 2023. Citadele Group has high exposure to interest rates, with 90.4% of its net loans to public portfolio in variable rate and a low-cost, sticky deposit base, with 73.7% of deposits in demand form as of 31 December 2023.

Citadele Group's business model is well-diversified across operational segments. As of 31 December 2023, net loans to public stood at EUR 2.9 billion, with 43.8% private, 22.2% SME, 33.6% corporate and the rest in other. Operating income for the year ended 31 December 2023 stood at EUR 234 million, with 38.2% private, 24.7% SME, 24.5% corporate, 3.1% Asset Management and 9.5% other. The Citadele Group's business is also diversified across the Baltic States, with the bulk of net loans to public as of 31 December 2023 in Latvia (44.9% net loans to public), followed by Lithuania (36.3% net loans to public) and Estonia (18.3% net loans to public). Finally, Citadele Group's business is diversified in its product offerings, with gross loans to public as of 31 December 2023 spread across Citadele Group's financial and non-financial corporation clients (53.5%), Citadele Group's mortgage portfolio (27.5%),Citadele Group's finance leases to households (11.8%) and other offerings (7.2%).

Citadele Group has a simple, liquid, deposit funded balance sheet with strong asset quality and capital position. Total assets increased by a CAGR of 2% between 31 December 2020 (EUR 4.6 billion) and 31 December 2023 (EUR 4.9 billion), supported by organic growth and acquisitions. Organic loan growth has been complemented by EUR 0.8 billion UniCredit Leasing and EUR 170.0 million ABLV mortgage portfolio acquisitions in 2021. 70.3% of the debt securities portfolio consisted of government bonds as of 31 December 2023. Citadele Group's balance sheet is largely deposit funded, with a Loan-to-Deposit (continuous operations) ratio for continuous operations of 74.7% as of 31 December 2023 and ample liquidity with strong liquidity coverage ratio (206%) and net stable funding ratio (147%) as of 31 December 2023. 68.0% of Citadele Group's deposits are to private (retail and affluent) and SME customers. As of 31 December 2023, Citadele Group's top 10 depositors (inclusive of connected customer groups) account for only 11.5% of Citadele Group's total deposits (compared to 9.2% and 9.9% as of 31 December 2022 and 2021, respectively) and t Citadele Group's top 50 customers (inclusive of connected customer groups) account for 21.9% of Citadele Group's customer deposits (compared to 20.0% and 19.0% as of 31 December 2023, 2022 and 2021, respectively). Citadele Group has outstanding as of 31 December 2023 EUR 200 million MREL and EUR 60 million Tier 2 bonds.

Citadele Group has been focused on high quality loan portfolio expansion leading to a reduction in Stage 3 Loans to Public Ratio, Gross from 3.3% as of 31 December 2021 to 2.1% as of 31 December 2023. Over the same period, Citadele Group showed a solid capital position with a CET1 ratio of 19.5% and CAR of 21.9% (including net result for the period), with room for additional leverage in the capital structure.

Citadele Group operates under a strict compliance and risk framework with robust business standards and controls along with proactive strategies to address ESG challenges

Citadele Group is focused on maintaining a strict compliance framework with zero tolerance towards financial crime and non-compliance. Citadele Group substantially completed de-risking its high-risk customer base as of 31 December 2018, and has delivered incremental de-risking since that period. Citadele Group accomplished this by actively reducing its relationships with non-Baltic customers. Since 2015, Citadele Group has discontinued account relationships with legal entities incorporated in offshore jurisdictions, limited customer relationships with foreign individuals (other than those with either physical presence or economic ties to the Baltics) and successfully substituted customer deposits from non-residents with those from Baltic residents. As of 31 December 2014, deposits and borrowings from non-Baltic customers comprised 45.3% of Citadele Group's total deposits and borrowings from customers; this amount dropped to 20.3% as of 31 December 2018 and stood at 1.6% as of 31 December 2023 (excluding Kaleido Privatbank AG for the year ended 31 December 2023). Citadele Group employs more than 70 dedicated full-time employees supported by 24/7 AML screening and fraud prevention systems. Citadele Group continues to invest in AML efforts, including by upgrading its sanctions screening system to Bridger by LexisNexis. Citadele Group provides extensive training programs to its employees to ensure in-depth knowledge on AML matters. In the first half of 2023, Citadele Group underwent an on-site audit by the BL, where the BL positively assessed continuous improvements to Citadele Group's compliance program, as well as informed Citadele on further improvements that are expected in certain elements of Citadele's compliance program for management of money laundering, terrorism and proliferation financing and sanctions risks inherent in its operations. The final decision upon completion of the on-site audit was delivered by the BL in October 2023 without initiating an administrative case against Citadele regarding any regulatory non-compliance. Citadele has agreed with the BL to a remediation plan to implement the necessary improvements to its compliance program. Also, in April 2020, Citadele and the FCMC signed an administrative agreement on the audit of Citadele carried out by the FCMC during 2018, which resulted in a remediation plan; Citadele has taken all required actions according to the remediation plan.

Citadele Group considers risk management to be an essential component of its management process and believes that it pursues prudent risk management. In 2022, the ECB concluded the AQR of Citadele, the results of which highlighted the quality of Citadele's asset base and risk underwriting, with a CET1 ratio post-AQR of 16.03% (pre-AQR ratio of 16.31%). The ECB also identified a short list of qualitative findings relating mainly to Citadele's provisioning model. Citadele anticipates addressing the majority of these findings by Q2 2024, with a small number of immaterial findings to be addressed beyond this timeframe, as approved by the ECB. For a detailed discussion of Citadele Group's risk management framework, see section entitled "*Corporate Governance—Risk Management*".

Citadele Group has clear ESG targets for both the short- and long-term, including: Net-zero greenhouse gas emissions from its lending portfolio by 2050; more than EUR 100 million green lending in 2024; and more than EUR 160.0 million in green lending in 2023-2025 via commitments from the European Investment Bank and EBRD.

Citadele Group has a highly experienced management team

Citadele Group is led by a highly experienced management team, with average work experience of more than 20 years and previous appointments in renowned financial institutions. See section entitled "*Corporate Governance*" above, for further information on Citadele Group's management team.

8.8. Premises

Over recent years, Citadele Group has been divesting its real estate assets used for business operations. As of 31 December 2023, all premises used for business operations are leased from third parties with one exception in Ventspils, Latvia.

In 2020, Citadele Group's main real estate asset, its headquarters building at Republikas laukums 2A, Riga, Latvia, was sold to Lords LB Baltic Green Fund (V). A sales gain of EUR 18.4 million was booked, of which EUR 16.7 million qualified as sales-day profits of Citadele Group in 2020, and the remaining amount was deferred. The deferred portion is allocated to the lease-back right of use for the asset. The decision to sell the headquarters was a result of a review of Citadele Group's expected future office needs, assessment of several potential buyers' proposals and acknowledgment that the dynamics of office space and use are changing.

In 2020, Citadele Group's Lithuanian headquarters building at 13 K.Kalinausko street, Vilnius, was sold with a carrying value of EUR 1.9 million. A profit of EUR 0.8 million was booked on the sale.

As of 31 December 2023, Citadele Group retains ownership of a single real estate asset—a building located in Ventspils, Latvia, with total area of 986.5 sq.m. As of the date of this Base Prospectus, this building is for sale.

As of 31 December 2023, Citadele leased the following properties (excluding leases in premises for it's owned ATMs):

- Headquarter premises in Riga, Latvia (9,651 sq.m.);
- Secondary headquarter premises (call centre) in Riga, Latvia (794 sq.m.);
- Headquarter premises in Vilnius, Lithuania (2154 sq.m.);
- Headquarter premises in Tallinn, Estonia (974 sq.m.); and
- In addition, Citadele Group has a number of lesser leases:
  - in Latvia: 15 leases (including storage warehouse and backup data centre);
  - in Lithuania: six leases.

All headquarter leases expire or can be terminated by Citadele by the end of 2025 or sooner. All other leases expire or can be terminated by Citadele by the end of 2026 or sooner.

8.9. Information systems and cybersecurity

Citadele Group aims for a stable, simple and scalable IT infrastructure. Citadele Group's unified IT architecture across the Baltic States is comprised of information channels (including its mobile app, online banking, card POS, etc.) main systems (including Temenos Transact, lending and scoring and payment cards), reporting and support systems (including analytics and reporting, compliance and anti-fraud, and back office and support) and integrations with third parties (including payments and dealing networks, insurance brokers, payment cards, external databases and registers).

A significant proportion of Citadele Group's front- and back-office functions for its operations in Latvia, Lithuania and Estonia are centrally managed through the Temenos Transact system provided by the Swiss company Temenos.

Temenos Transact is a widely used digital core-banking solution. Using cloud native and agnostic technology, Temenos Transact provides banking functionality across retail, corporate, treasury, wealth and payment services.

The Temenos Transact system's functionality enables it to support a range of Citadele Group's products and services, including credit risk management processes, payment mechanics, cash operations and the processing of deposits, loans, securities and other financial instruments. Risk management processes, such as credit, interest rate, currency and liquidity risk management are run through the Temenos Transact. The Temenos Transact system is fully integrated with the additional satellite IT systems set out below. Citadele Group's technology is designed using a modular and highly adaptable architecture to ensure a robust operating environment for cards, internet and mobile banking systems and other digital channels and solutions. Citadele Group's technology is designed with the intent to preserve its internet bank and card transaction processing ability even if the core banking system is unavailable. Temenos Transact system's open and flexible architecture allows Citadele Group's experienced IT team to quickly adapt and extend system functionality according to the business needs and customer expectations.

Citadele Group has an IT team experienced in executing ambitious projects within challenging timeframes.

Citadele Group successfully migrated its Lithuanian operations to Citadele Group's Temenos Transact system in 2019 with the aim to centralise and standardise its products and services across the Baltic States. Citadele Group's main core banking system Temenos Transact is regularly updated and in January 2024 completed an upgrade to release 22.

Citadele Group uses the Cortex system provided by FIS for payment card and ATM management. Cortex is a comprehensive multi-functional processing IT solution for payment card management and enables the issuing and processing of Visa, MasterCard and American Express cards and transactions. Cortex system was successfully upgraded to version 4.4 in June 2023.

Citadele Group also utilises internet banking, mobile banking and other digital banking solutions. The internet banking platform provides a wide spectrum of banking services to customers, including access to payments, information about all customer existing products, account statements, card management, credit scoring and loan applications, standing orders, deposits, investment funds, life insurance, pension funds and other product applications, information and advertisement. Customers are also able to set up SMS and mobile push notifications in connection with card authorisations, balance enquiries and payments. Loyalty program information, correspondence with the bank and different digital e-services from bank partners are provided as well. The internet banking system supports different two-factor authentication devices, thereby promoting high levels of security for online transactions. Citadele Group has also implemented a new, modern online banking authorisation system (MobileScan) which enables login and payment confirmations to be processed using a smart phone application rather than a separate authentication device.

In 2018, Citadele Group implemented and launched a mobile banking solution for its customers on Android and iOS platforms. It now offers a wide range of functionalities and features such as login and payment acceptance using customer bio-metric data; Touch ID and FaceID; payment card controls, including blocking, enabling/disabling contactless and enabling/disabling cash withdrawal; online purchases and PIN change for card; mobile chat with bank; push notifications; instant SEPA payments; and NFC payments with the phone supported by a seamless user experience. Citadele Group's mobile banking application also allows non-customers to open a bank account remotely and receive their payment card by remote customer identification process. The internet and mobile banking solutions have been developed in-house, and Citadele Group continually improves and updates the systems to meet future customer demands.

Citadele Group has several other systems in place, including a data warehouse system named "Golden Source" on the Sybase IQ platform to ensure compliance with Basel 239 requirements on integrated risks and financial data sources. Storage of large volumes of data, including data related to Citadele Group's finance, risk and compliance operations, may be used for regulatory, public, statutory, management and risk reporting. Citadele Group uses Sybase and Oracle for data storage and report generation. The data warehouse system contains a large volume of customer data and can be used for extensive customer and product data evaluation and AML and sanction filtering systems, advanced card and online fraud prevention systems, and modern customer loyalty management solutions.

Solution PEGA is used as a customer digital engagement platform. Solution xRewards is used as a customer loyalty platform. Citadele Group has implemented a call centre platform from Genesys which enables more sophisticated customer service interactions.

Citadele Group ensures AML risk management through FCRM by Fiserv and Bridger Insight XG from LexisNexis. Management of card and online fraud risks is ensured through Threat Metrix and Stronghold.

Citadele Group has been a Baltics banking market leader with numerous digital innovations. For example, Citadele Group was the first bank to deploy mobile and NFC payments for customers, instant SEPA payments, as well as online credit scoring and mobile on-boarding. In 2020, Citadele Group also launched ApplePay, Google pay and developed and launched the e-commerce solution (Klix), enabling a streamlined e-commerce experience for customers and merchants. The Klix e-commerce payment solution offers single merchant API for accepting various types of payments such as card, PSD II (with major Baltic banks) and pay later. Klix employs web user interface used by merchants to view all purchase related information, perform payment refunds and initiate offline pay later purchases. Klix also supports single, recurring and reservation type of card payments, and has a service for forwarding customer loan / BNPL applications to multiple lenders, retrieving available offers and ensuring conclusion of the contract according to the requirements of a particular country. Customers across the Baltic States are able to receive instant individual offers from Citadele Group for consumer loans via digital channels. They can also apply digitally for mortgages and receive offers from Citadele Group via digital channels in Latvia and via telephone in Lithuania and Estonia. X smart cards (now Citadele Cards) were introduced in August 2022 for students and juniors, and a new innovative X card (now Citadele Cards) was introduced in December 2020 based on a subscription model.

Citadele Group's corporate business also utilises solutions from nCino for loan origination and Lendscape for factoring products. Citadele Group employs the Secure Web mortgage, consumer loan and SME loan origination system, the Score Manager system for customer credit worthiness evaluation and KVARCS and Credix systems to support credit risk management.

Citadele Group believes that this improved technology platform is a key step in enabling it to expand its operations across the Baltic region and improve its efficiency in offering its services to its customers.

Citadele Group has in place disaster recovery and business continuity policies to ensure that, in the event of an emergency, its operations and systems are able to continue to function efficiently. In order to further mitigate any such emergency risks, Citadele Group has two separately located data centres where Citadele Group's data and systems from Latvia, Lithuania and Estonia are continuously backed up. This enables such data to be retrieved and core systems to remain operational in the event that an emergency occurs. Citadele Group uses Qradar / IBM security and event management solution and various solutions for perimeter and network security, endpoint security, application and data security.

8.10. Employees

As of 31 December 2023, Citadele Group had 1,329 full time employees (compared to 1,355 as of 31 December 2022), comprised of 967 full time employees in Latvia (including nine employees attributable to the Supervisory Board), 242 full time employees in Lithuania, 92 full time employees in Estonia and 28 full time employees in Switzerland.

The following table presents Citadele Group's full time employees for the specified periods.

	As of 31 December		
	2023	**2022**	**2021**
Latvia	967	978	979
Lithuania	242	261	250
Estonia	92	90	81
Switzerland	28	26	25
Total	**1,329**	**1,355**	**1,335**

Citadele Group's remuneration policy includes:

- Fixed Remuneration (salary): Represents professional experience and level of responsibility of the employee which are established in the employee's job description and work agreement. Fixed part of remuneration is salary and special payments to employees not related to performance.
- Variable Remuneration (performance): Represents performance of the employee, which exceeds duties defined in the job description, their persistence and the related and probable risk evaluation. Variable part of remuneration is sales incentives, bonuses for achievement of qualitative and quantitative indicators and targets (monetary and in a form of financial instruments), specific bonuses for extraordinary achievements, long-term incentive plans and other monetary benefits.

For more information on Citadele Group's remuneration policy, see section entitled "*Corporate Governance—Remuneration Information*" above.

Citadele Group continuously invests resources in its employer branding, training and development, talent attraction and retention, as well as implements internal programs aimed at improvement of loyalty and motivation of its employees. An employee engagement survey is organised on a quarterly basis for all of Citadele Group's functional units, and focus groups are being organised to improve upon the survey results. Recent surveys have included employee reports of high motivation and satisfaction with Citadele Group as an employer. Citadele Group's employees have an average tenure of eight years. Citadele Group monitors the market trends to offer a competitive remuneration to its employees. Citadele Group aims to be the employer of choice for talented people, based on a set of values reflecting the performance-based nature of the organisation and the focus on strong profitability.

8.11. Intellectual property

Citadele Group has registered several trademarks containing "Citadele" in Latvia. Citadele Group has also registered the mark "CBL Bank" (in graphic form) across the EU and continues the registration of the marks "CBL" and "CBL Bank" in the EU and other selected countries. Additionally, the Citadele Group has registered trademarks related to its products, such as "X", "Relax", "X Rewards", "cPay", "Klix" and various trademarks derived from "C" (*e.g.*, "C Investments", "C Capital", "C Family" and others). Citadele Group has also registered multiple domain names, including "Citadele", in combination with the top-level domains specific to Lithuania and Estonia. Other than trademarks and logos in relation to the "Citadele" name, "CBL", "Klix" or any derivative thereof, Citadele Group does not consider that any of its registered intellectual property is material to its business. Citadele Group has also entered into a co-existence agreement with a third party in relation to its use of the "Citadele" name. Pursuant to such agreement, the Citadele Group is able to use the Citadele name in the Baltic States subject to certain limitations and is restricted from using the Citadele name anywhere beyond the Baltic States. For further information on the terms of this co-existence agreement, please see the section entitled "*Overview and Business Description - Material Agreements – IP Coexistence Agreement*".

8.12. Principal investments since 2020

Since the year ended 31 December 2020, Citadele Group has made the following material investments beyond the scope of its everyday economic activities.

In December 2019, Citadele announced that it had entered into a binding agreement with UniCredit S.p.A. pursuant to which Citadele acquired UniCredit's Baltic leasing operations through the acquisition of 100% of the shares in SIA "UniCredit Leasing" (including its Estonian and Lithuanian branches), along with its 100% owned subsidiary SIA "UniCredit Insurance Broker" (including its Estonian branch). The completion of the acquisition took place on 4 January 2021. After the acquisition, Citadele Group refinanced existing borrowings of the acquired entity and committed lending of up to EUR 880 million in total. The acquired leasing subsidiary is one of the leaders in the Baltic States, with more than 20 years of experience in the area of leasing and a demonstrated ability to deliver sustainable business growth. As of 31 December 2023, Citadele Group's net loans to public leasing portfolio stood at EUR 1.0 billion in Citadele Group's net loans to public book, creating a stronger Baltic Leasing offering allowing for economies of scale, synergies and shareholder value.

In March 2021, Citadele announced the acquisition of the majority of the mortgage portfolio of AS "ABLV Bank" in connection with such entity's liquidation at a 4.3% discount. The acquired portfolio consisted of several thousand mortgage loans with a total exposure of above EUR 170.0 million. On 2 July 2021, the first phase of the transaction was completed and Citadele acquired mortgage loans with net exposure amounting to EUR 114.0 million. In December 2021, the second phase of the transaction was completed and Citadele acquired mortgage loans with an exposure amount to EUR 43.1 million.

8.13. Environmental, Social and Governance ("ESG")

Sustainability for Citadele Group means developing our business with long term perspective and in line with Citadele Group's environmental, social and economic goals. This includes respect for the natural environment, and responsible and ethical practices in the decisions which are made, the products offered and the services provided. Citadele Group is committed to support its customers in the transition to a low-carbon economy and reduce the negative impacts on society and the environment in its own business activities and operations.

Citadele Group expect its customers, partners and suppliers to work in a responsible and ethical way, including full compliance with all applicable laws and regulations, and Citadele Group always uphold these principles in its own operations. Citadele Group aims to minimise the negative and maximise the positive non-financial impacts of our operations on the environment and society whilst at the same time minimising the negative and maximising the positive impacts of ESG risks on Citadele Group. By signing the Principles for Responsible Banking, Citadele Group has committed to aligning its business strategy and contribute to the UN Sustainable Development Goals and the Paris Agreement.

Citadele Group's sustainability reporting provides an overview of Citadele Group's sustainability journey, environmental impacts and risks associated with climate change, social responsibility, corporate governance, and related performance data within the areas since 2017 (*www.cblgroup.com/en/about/social-responsibility/*). Citadele Group's latest report covering the period as of 31 December 2023 has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI 1: Foundation 2021), and the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The 2023 sustainability report (to be published on 20 March 2024 on *https://www.cblgroup.com/en/about/social-responsibility/*) also represents Citadele Group's statement on corporate social responsibility in line with Latvian Financial Instruments Market Law and contains reporting on eligible financed activities under Article 8 of the EU Taxonomy and underlying delegated acts.

Environmental

Citadele Group aims to contribute to adaptation of the global and Baltic economy to the achievement of the established climate goals. Furthermore, Citadele Group acknowledges its responsibility in contributing to the development of a sustainable economy and is committed to address the environmental aspects in financing and investments as well as in managing its direct impact. To identify the areas in which Citadele Group's business activities have the greatest positive and negative effect, Citadele Group conducts portfolio impact analysis, defining, measuring and disclosing key indicators to increase the efficiency of its environmental projects to ensure climate-related and environmental risk incorporation in Citadele Group's operations and processes. CBL Asset Management is a signatory to UN Principles for Responsible Investment, undertaking to incorporate ESG issues into its investment analysis and decision-making processes, ownership policies and practices, as well to increase awareness of PRI within the investment society and report on activities and progress towards PRI implementation. As disclosed in the ESG Policy (available on *https://www.cblgroup.com/en/about/social-responsibility/*), Citadele Group has recently been involved in the following ESG initiatives:

- Citadele Group has joined the UN Principles for Responsible Banking ("**PRB**") and contributes to the fulfilment of the aims of the Paris Agreement; Citadele Group's PRB progress reporting and self-assessment for 2022 is published on Citadele Group's webpage (*www.cblgroup.com/files/pdf/PRB-Reporting-and-Self-Assessment-2022.pdf*) and 2023 reporting and self-assesment to be published by the end of the March 2023;
- Following EU and regional ambition to reach net-zero emissions by 2050, Citadele Group sets this target for its own financed portfolio (net-zero by 2050 sets a measurable target to Citadele Group's ambition on increasing sustainability and strengthening support to customers in transition to green operations);
- Citadele Group follows green office principles. In 2024 further steps are being taken to minimize the carbon footprint of own office operations;
- Citadele Group works towards aligning its business strategy, governance, risk management and disclosures to correspond to the expectations regarding climate-related and environmental risks set by the ECB;
- Citadele Group has extended its Pillar 3 disclosures to include prudential disclosures on ESG risks in accordance with Article 449a of the CRR (*www.cblgroup.com/en/about/governance/risk-management/*), and reports on eligible financed activities under Article 8 of the EU Taxonomy and underlying delegated acts;

- In addition to Citadele Group's current transparency commitments, Citadele Group plans to further improve and increase transparency of climate-related financial information. ESG reporting for 2023 has been aligned with recommendations from the Task Force on Climate Related Financial Disclosures ("**TCFD**");
- Citadele Group applies environmental and social risk management procedures in financing, and has defined industries that it will not finance due to significant negative environmental and/or social impact, such as thermal coal mining, coal-fired electricity-generation, production of or trade in products deemed illegal under international conventions and agreements, such as ozone depleting substances, persistent organic pollutants, regulated wildlife products, etc. (ESG policy, available on *https://www.cblgroup.com/en/about/social-responsibility/*); and
- Citadele Group encourages the use of environmentally friendly and sustainable business practices and plans to continue developing new offers supporting the green transition, implementing ESG topics in customer offers and product development.

Social Responsibility

Financial institutions social impact is based on the ability to leverage its expertise, financial products and services to enable people and communities to prosper and grow.

Citadele Group acts based on high ethical and professional standards towards its customers, partners and employees and in accordance with Citadele Group's Code of Ethics, which is available to the public on Citadele Group's website (*www.cblgroup.com/en/about/governance/code-of-ethics/*). Citadele Group's success is based on its employees and their well-being. From the employer's perspective, all employees are treated in a respectful, courteous and professional manner. Citadele Group is committed to ensure supportive work environment which is aligned with today's requirements and standards:

- No discrimination: Citadele Group supports a working environment that is free from any discrimination, prejudice, harassment, abuse of powers and undignified attitude;
- Equality: Every employee is treated, within their own abilities, qualifications, beliefs, and life experiences, regardless of gender, ethnic background, religion, age, sexual orientation, as an equal part of the team with equal opportunities;
- Good working conditions: Citadele Group ensures convenient and secure working conditions, in line with labour-related standards and requirements, national employment laws, social insurance, occupational health and safety standards;
- Talent development: Citadele Group supports professional skill and competence development for all employees. Employees have access to personalised development plans, solid training curriculum (external & internal courses) and advanced leadership skills' development programs; and
- Well-being: Citadele Group supports an active lifestyle and balance between work and private life by offering a number of benefits, such as health insurance, sport-related programs, special offers on bank's products, flexible working hours, team events and other.

Corporate Governance

Citadele Group has developed an internal legal framework, including policies, procedures, rules and instructions to set a clear and transparent corporate governance framework, which include a Code of Ethics, an ESG Policy and a Suppliers' Code of Conduct. Citadele Group's sustainability reports represent its statement on corporate social responsibility in line with the Latvian Financial Instruments Market Law. For more information on Citadele Group's corporate governance, see section entitled "*Corporate Governance*".

To ensure a successful integration of ESG factors into the internal governance of Citadele Group, the following principles have been adopted:

- Setting the tone "from the top"—the Management Board and the Supervisory Board are involved in setting up and communicating ESG-related considerations and expectations;

- Introducing and strengthening of ESG factors in everyday work, management and internal control framework;
- Aligning remuneration practice with Citadele Group's ESG objectives and encouraging behaviour consistent with climate-related and environmental risk approach and voluntarily commitments;
- Integrating ESG risks into the governance structure, establishing clear working procedures for business lines, internal control functions, the relevant committee(s) and management bodies, with a view to ensuring a sound and comprehensive approach to the incorporation of ESG risks into the business strategy, business processes and risk management;
- Ensuring that responsibilities with regard to ESG risks are clearly integrated into the organisational structure, both in business lines and internal control functions;
- Setting and overseeing the progress against Citadele Group's ESG risk-related objectives and limits, including measuring and disclosing key metrics to general public and key stakeholders;
- Enhancing awareness, training and expertise, to identify, assess and manage ESG risks at all levels of the institution's business units, internal control functions, management body;
- Integrating the ESG factors into company's culture and encouraging staff behaviour that is consistent with Citadele Group's ESG risk approach; and
- Establishing a framework to mitigate and manage conflicts of interest which incentivise short-term-oriented and undue ESG-related risk-taking, including green-washing or mis-selling of products.

8.14. Insurance Coverage

Citadele Group maintains the following insurance policies:

- Directors and Officers Liability Policy;
- Crime and Professional Indemnity Policy;
- Cyber Enterprise Risk Management Policy;
- Health, Life and Incident Policy for Employees;
- Vehicles 3rd Party Liability and Casco (MOD) insurance Policies;
- Property Policy;
- Civil Liability Policy (real estate);
- Cards Policy;
- Factoring Policy;
- ATM Policy; and
- Cash and Gold Policy.

Citadele Group has taken out the insurance policies that it believes are customary and adequate in its industry. Citadele Group's insurance policies contain market-standard exclusions and deductibles. Citadele Group regularly reviews the adequacy of its insurance coverage and considers its insurance coverage to be in line with market-standard coverage customary in its industry. There is, however, no guarantee that Citadele Group will not suffer any losses for which no insurance coverage is available, or that the losses will not exceed the amount of insurance coverage under existing insurance policies.

8.15. Material Agreements

The following is a summary of each agreement (not being an agreement entered into in the ordinary course of business) which has been entered into by any member of Citadele Group which contains any provision under which any member of Citadele Group has any obligation or entitlement which is material to Citadele as of the date hereof.

Co-Investment Agreement

RA Citadele Holdings LLC, the Co-Investors and Citadele are party to the Co-Investment Agreement dated 17 April 2015 , pursuant to which, among other things, the Co-Investors have agreed that RA Citadele Holdings LLC is able to exert voting control of Citadele on behalf of all other Co-Investors. Together, RA Citadele Holdings LLC and the Co-Investors own approximately 75% of Citadele.

Shareholders' Agreement

RA Citadele Holdings LLC, the Co-Investors, EBRD and Citadele are party to the First Deed of Amendment to the Shareholders' Agreement and the Amended and Restated Shareholders' Agreement dated 16 April 2015 (the "**Shareholders' Agreement**"). The Shareholders' Agreement provides for certain enhanced rights enjoyed by RA Citadele Holdings LLC, the Co-Investors and EBRD, including specific rights to, among other things, (i) nominate or participate in the nomination of members of the Supervisory Board, (ii) participate in decisions of the Supervisory Board and (iii) receive key information from Citadele about its financial condition, performance and business plan.

Advisory services agreement

On 1 July 2020, Citadele entered into an advisory services agreement, as amended, with Ripplewood Advisors LLC in connection with the provision of certain advisory services to the Citadele's management. The agreement was most recently amended on 9 March 2023. It stipulates that Ripplewood Advisors LLC shall provide advice in relation to, among other things, business plan development, risk management, capital allocation, funding and capital structure, operating efficiency, strategic fit of business lines, customer relationship management, product and service development and enhancement, as well as such other advisory services as may be reasonably requested and agreed from time to time. In return for the performance of the advisory services, Citadele is required to pay an annual total fee of EUR 2,000,000 plus VAT on a quarterly basis in arrears, commencing from 1 January 2023. Citadele conducts all transactions with related parties on an arm's length basis and on market terms, including in the case of the advisory services provided by Ripplewood Advisors LLC pursuant to the advisory services agreement.

IP Coexistence Agreement

Citadele Group has entered into an IP co-existence agreement with a third party in relation to the use of the "Citadele" name. This agreement is intended to manage the conflict between Citadele Group's registration of the "Citadele" mark in Latvia and the third party's registration of the "CITADEL" name across the EU and throughout the world for various financial services. Under the terms of the agreement, Citadele Group's ability to use and expand the "Citadele" brand beyond the Baltic States is limited.

Financial instruments

As the date of this Base Prospectus, Citadele has three bond issues outstanding:

- EUR 40,000,000 Unsecured Subordinated Bonds (ISIN LV0000880102) under Citadele's € 40,000,000 Fourth Unsecured Subordinated Bonds Programme (recognised as Tier 2 instruments within the meaning of the CRR and/or any other applicable rules) listed on Nasdaq Riga (Baltic Bond List) and subject to the following: (i) number of securities: 4,000, (ii) nominal value EUR 10,000, (iii) aggregate principal amount: EUR 40,000,000, (iv) annual interest rate: 5.00 %), (v) interest payment dates: 13 June and 13 December each year, (vi) issue date: 13 December 2021, (vii) maturity date: 13 December 2031, (viii) listing date: 14 December 2021 on Nasdaq Riga (Baltic Bond List) and (ix) rating: not rated.
- Senior Unsecured Preferred EUR 200,000,000 Fixed/ Floating Rate Notes (ISIN XS2393742122) listed on Euronext Dublin (Official List) and Nasdaq Riga (Baltic Bond List) and subject to the following: (i) number of securities: 200,000, (ii) nominal value EUR 1,000, (iii) aggregate principal amount: EUR 200,000,000, (iv) annual interest rate: 1.625 %), (v) interest payment date: 22 November each year, (vi) issue date: 22 November 2021, (viii) maturity date: 22 November 2026, (viii) listing dates: 22 November 2021 on Euronext Dublin (Official List) and 26 November 2021 on Nasdaq Riga (Baltic Bond List) and (ix) rating: Baa3 (Moody's).
- EUR 20,000,000 Unsecured Subordinated Bonds (ISIN LV0000880011) under Citadele's € 25,000,000 Second Unsecured Subordinated Bonds Programme (recognised as Tier 2 instruments within the

meaning of the CRR and/or any other applicable rules) listed on Nasdaq Riga (Baltic Bond List) and subject to the following: (i) number of securities: 2,000, (ii) nominal value EUR 10,000, (iii) aggregate principal amount: EUR 20,000,000, (iv) annual interest rate: 5.50 %), (v) interest payment dates: 24 November and 24 May each year, (vi) issue date: 24 November 2017, (vii) maturity date: 24 November 2027, (viii) listing date: 29 November 2017 on Nasdaq Riga (Baltic Bond List) and (ix) rating: not rated.

9. Financial and Trend Information

9.1. Historical Financial Information

2021 Audited Consolidated Financial Statements, 2022 Audited Consolidated Financial Statements, 2023 Audited Consolidated Interim Financial Report for the six months and 2023 Unaudited Consolidated Financial Statements (prepared according to IFRS) are attached to this Base Prospectus and form an integral part of this Base Prospectus. For more details, please refer to Citadele's Consolidated Financial Statements in section entitled "*Index of Schedules*".

9.2. Independent Auditors

The 2021 and 2022 Audited Consolidated Financial Statements, as well as 2023 Audited Consolidated Interim Financial Report for the six months were audited by KPMG Baltics SIA (registration number: 40003235171, legal address: Roberta Hirša Street 1, Riga, LV-1013, Latvia). KPMG Baltics SIA is included in the register of companies of certified auditors maintained by the Latvian Association of Certified Auditors. KPMG Baltics SIA has no material interest in Citadele or Citadele Group.

9.3. Material Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which Citadele is aware) which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of Citadele and Citadele Group.

9.4. Significant Changes in Financial Position of Citadele

As of the date of this Base Prospectus, there has been no significant change in the financial performance and financial position of Citadele or Citadele Group since 30 June 2023.

9.5. Trend Information

Since 30 June 2023 there has been no material adverse change in the prospects of Citadele or Citadele and Citadele Group. At the date of this Base Prospectus there is no information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of Citadele or the Citadele Group and the industries in which Citadele or the Citadele Group operate in the current financial year.

9.6. Future Outlook

Citadele has not made any profit forecast or profit estimate in this Base Prospectus.

10. Form of the Final Terms

Final Terms dated [date] [month] [year]

AS Citadele banka

Issue of up to € [•] Bonds due [•] under

the € 60,000,000 Fifth Unsecured Subordinated Bonds Programme

Terms used herein have the meaning given to them in the Base Prospectus of € 60,000,000 Fifth Unsecured Subordinated Bonds Programme of AS Citadele banka dated [•] [as supplemented by supplement(s) to it dated [•] [and [•]] (the "**Base Prospectus**"), which constitutes a base prospectus for the purposes of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). References herein to „the Base Prospectus" shall, where applicable, be deemed to be references to the Base Prospectus as supplemented or amended from time to time.

This document constitutes the Final Terms of the Bonds described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus and any supplement thereto. Full information on Citadele and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. However, a summary of the issue of the Bonds is annexed to these Final Terms.

The Base Prospectus is available for viewing at Citadele's website www.cblgroup.com.

MiFID II product governance / target market: solely for the purposes of each manufacturers' product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended from time to time ("MiFID II") and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Bonds to retail clients are appropriate – investment advice, portfolio management and non-advised sales and pure execution services, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The Offer of Bonds is directed to all natural and legal persons - institutional and retail investors, in Latvia, Lithuania and Estonia, irrespective of whether they qualify as qualified investors within the meaning of Article 2(e) of the Prospectus Regulation, and to persons - institutional investors only, located in the Member State of the EEA (other than Latvia, Lithuania and Estonia) who are qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in each case pursuant to an exemption under Article 1(4) of the Prospectus Regulation.

1.	Issuer:	AS Citadele banka
2.	Series Number:	[•]

3.	Tranche Number:	[●] (indication as to whether the respective Series will consist of only one Tranche)
4.	ISIN Code:	[●]
5.	Currency of the issue:	Euros (EUR)
6.	Aggregate principal amount:	[from € [●] up to [●]][1]
7.	Nominal value of the Bond:	€ [●]
8.	Issue Date:	[●][2]
9.	Annual Interest Rate:	[●][3]
10.	Interest Payment Dates:	[●] and [●] each year[4]
11.	Maturity Date:	[●][5]
12.	Issue Price:	[●]% of the Nominal Value of the Bond[6]
13.	Minimum Investment Amount:	1 (one) Bond

[1] *Citadele has a right to increase or decrease the aggregate principal amount of the Tranche, provided that the maximum aggregate nominal amount of all Bonds outstanding issued under the Programme shall not at any time exceed € 60,000,000. The final aggregate principal amount of the Tranche will be specified in the Final Terms which will be published after allotment of the Bonds to the investors.*

[2] *The Offer Period may be extended by Citadele according to the section entitled "General Terms and Conditions of the Offer —Offer Period" of the Base Prospectus. If the Offer Period is extended, the final Issue Date will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors.*

[3] *Citadele has a right at its sole discretion to amend the Annual Interest Rate once or several times until the end of the applicable Offer Period and announce the updated Annual Interest Rate (the "**Updated Annual Interest Rate**"). The Updated Annual Interest Rate will be published on Citadele's website www.cblgroup.com. Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Annual Interest Rate has been updated, provided that such modification or cancellation of the Purchase Order is received by Citadele before the end of the applicable Offer Period. If during the Offer Period (as defined below) Citadele amends the Annual Interest Rate, the final Annual Interest Rate will be reflected in the Final Terms which will be published after allotment of the Bonds to the investors. A number of factors may be considered in determining the Updated Annual Interest Rate, inter alia, the level and nature of the demand for the Bonds of the respective Tranche by the investors and prevailing market conditions.*

[4] *The Offer Period may be extended by Citadele according to the section entitled "General Terms and Conditions of the Offer —Offer Period" of the Base Prospectus. If the Offer Period is extended, the final Interest Payment Dates will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors.*

[5] *The Offer Period may be extended by Citadele according to the section entitled "General Terms and Conditions of the Offer —Offer Period" of the Base Prospectus. If the Offer Period is extended, the final Maturity Date will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors.*

[6] *Citadele has a right at its sole discretion to amend the Issue Price once or several times until the end of the applicable Offer Period (as defined below) and announce the updated Issue Price (the "**Updated Issue Price**"). The Updated Issue Price will be published on Citadele's website www.cblgroup.com. Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Issue Price has been updated, provided that such modification or cancellation of the Purchase Order is received by Citadele before the end of the applicable Offer Period. If during the Offer Period (as defined below) Citadele amends the Issue Price, the final Issue Price will be reflected in the Final Terms which will be published after allotment of the Bonds to the investors. A number of factors may be considered in determining the Updated Issue Price, inter alia, the level and nature of the demand for the Bonds of the respective Tranche by the investors and prevailing market conditions.*

14.	Yield to Maturity:	[●][7]
15.	Offer Period:	from [●] to [●][8]
16.	Procedure for submission of the Purchase Orders:	[●]
17.	Agent of Citadele:	[●]
18.	Credit rating:	the Bonds to be issued under this Tranche [are not/have been/are expected to be] rated [by:[●]]
19.	Use of Proceeds:	[The net proceeds of the issue of each Tranche will be used by Citadele for its general corporate purposes] / [The net proceeds of the issue of each Tranche will be used by the Citadele for [●]].
20.	Underwriting:	[●]
21.	Information about the bonds of Citadele that are already admitted to trading on regulated markets:	[●]
22.	Countries where the offer to the public takes place:	[●]
23.	Countries where admission to trading on the regulated market(s) is being sought:	[●]
24.	Countries where the Base Prospectus has been notified:	[●]

These Final Terms have been approved by the Citadele's Management Board at its meeting on [date] [month] [year] [and will be updated after allotment of the Bonds to the investors, as well as published on the Citadele's website www.cblgroup.com and submitted to the BL] / [and have been updated on [date] [month] [year] after allotment of the Bonds to the investors].

Riga, Latvia [date] [month] [year]

Management Board of AS "Citadele banka":

[●]

[7] *An expected yield to maturity for the Bonds, based on the final Issue Price and the final Annual Interest Rate, will be specified in the Final Terms which will be published after allotment of the Bonds to the investors.*

[8] *The Offer Period may be extended by Citadele according to the section entitled "General Terms and Conditions of the Offer —Offer Period" of the Base Prospectus. If the Offer Period is extended, the final Offer Period will be specified in the Final Terms which will be published after allotment of the Bonds to the investors.*

Annex – Issue Specific Summary

(Citadele to annex an issue specific summary and its translations to the Final Terms)

11. Taxation

The following is a general summary of certain key principles of Latvian, Lithuanian and Estonian tax regimes which may be relevant to the acquisition, holding, disposal and/or redemption of the Bonds held by the Bondholders, based upon domestic Latvian, Lithuanian and Estonian tax law in effect as of the date of this Base Prospectus and the provisions of double taxation treaties currently in force between Latvia, Lithuania and/or Estonia and other countries. Legislative, judicial or administrative changes or reinterpretations may, however, be forthcoming. Any such changes or reinterpretations could affect the tax consequences to holders of the Bonds, possibly on a retroactive basis, and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to present a comprehensive or exhaustive description of all aspects of Latvian, Lithuanian and Estonian tax laws that may be of relevance to the Bondholders. Also this summary does not take into account or discuss the tax implications of any country other than the Latvia, Lithuania and Estonia. The description contained in this summary does not substitute the need for individual Bondholders to seek professional tax advice. It is therefore recommended that each Bondholder consults his/her own tax advisor regarding the tax implications of acquiring, holding, disposing and/or redeeming the Bonds and the required procedures to secure Latvian, Lithuanian and/or Estonian tax payments, if applicable. Only qualified tax advisors are in the position to adequately assess and advise with respect to the particular tax situation of each individual Bondholder. The information provided in this section shall not be treated as legal or tax advice.

Latvian Tax Considerations

The Bondholders could be taxed with respect to income arising from the holding of the Bonds (taxation of interest income) and disposal or redemption of the Bonds (taxation of capital gains).

For the purposes of this summary, the Bondholders are classified as follows:

- *Resident individuals* – physical individuals who are deemed Latvian residents for personal income tax purposes under Latvian tax law and any applicable double taxation treaty. As a general rule, an individual would be considered Latvian resident for personal income tax purposes if the individual: (i) has a declared place of residence in Latvia; or (ii) has been present in Latvia for 183 days or longer during any twelve-month period beginning or ending in a taxable year, or (iii) is a Latvian citizen employed by the Latvian Government abroad, unless the individual is treated as a resident of another country in accordance with the double taxation treaty entered into between Latvia and that country, as explained below.

According to the provisions of double taxation treaties, whenever an individual qualifies as tax resident under the domestic tax rules of both countries, the individual's tax residence is determined by applying the following criteria: (i) the individual shall be deemed to be a resident of the country in which he/she has a permanent home available to him; if the individual maintains permanent homes in both countries, he/she shall be deemed to be a resident only of the country with which his/her personal and economic relations are closer (centre of vital interests); (ii) if the country in which the individual has his/her centre of vital interests cannot be determined, or if the individual has no permanent home available to him/her in either country, he/she shall be deemed to be a resident only of the country in which he/she has a habitual abode; (iii) if the individual has a habitual abode in both countries or in neither of them, he/she shall be deemed to be a resident only of the country of which he/she is a national; (iv) if the individual is a national of both countries or neither of them, the competent authorities of both countries shall settle the question by mutual agreement.

- *Non-resident individual* means an individual who is not deemed to be a resident individual as explained above.

- *Resident entity* means a person, other than an individual, which is established and registered or which was required to be established and registered in Latvia in accordance with the laws of Latvia.

- *Non-resident entity* means a person, other than an individual, which is not deemed to be a resident entity as explained above.

Taxation of resident individuals

According to the Law on Personal Income Tax of the Republic of Latvia of 1993, as amended (“**Latvian Law on Personal Income Tax”)** interest from the Bonds paid by Citadele to resident individuals is subject to a deduction at source (“withholding tax”) at a rate of 20%.

The tax shall be withheld, reported and paid to the Latvian State budget by Citadele.

A capital gain (the difference between the disposal price and acquisition value) earned by the resident individual from the sale or redemption of the Bonds would be subject to personal income tax at the rate of 20%.

The tax should be paid and reported on quarterly and/or annual basis by the respective individual him/herself.

There is one exception to these rules. If interest from the Bonds is paid by Citadele to qualifying investment account of resident individual, no withholding tax shall be deducted at source. Instead, taxation of this income is postponed to a later stage when resident individual withdraws profit from qualifying investment account being subject to 20% personal income tax. Similarly, if capital gains are generated within qualifying investment account by selling bonds, any taxation will be postponed until profit is withdrawn from qualifying investment account being subject to 20% personal income tax rate. Qualifying investment accounts can be opened in credit institutions or with licenced investment service providers located in the EU, EEA or in other country, with which Latvia has effective double taxation treaty. Qualifying investment account should be registered with the tax authorities and there are limitations on type of transactions which are allowed to be executed within this type of account.

Taxation of resident entities

As from 2018 resident entities are subject to corporate income tax at a rate of 20% only upon distribution of profit (via dividends or deemed profit distributions). Income from the Bonds is not exempted from corporate income tax, however, taxation occurs only when entity distributes profit. If no profit is distributed, no taxation will occur.

Taxation of non-resident Individuals

Interest income

Interest paid by Citadele to non-resident individuals would not be subject to taxation in Latvia, provided that:

- the Bonds, at the time of the payment of interest, remained listed on the regulated market of a Member State of the EU or EEA; and
- non-resident individual was not located in a jurisdiction or territory treated as “tax haven”.

If the Bonds at the time of payment of interest were not listed on a regulated market in the EU or EEA, interest payments would be subject to withholding tax at a rate of either 20% or reduced 5% rate. The reduced 5% rate applies if the following criteria are met:

- the payment has been made through an investment service provider, including a central securities depository, for a financial instrument whose issue organizer and investment service provider are supervised by a derivative public entity that regulates and supervises financial markets and their participants;
- individual is a resident of EU or EEA and is not registered as a sole trader;
- the relevant financial instrument is not included in public circulation.

The above stated withholding tax rates could be reduced in accordance with provisions of effective double taxation treaties concluded with Latvia. To apply lower withholding tax rate or exemption, a non-resident individual should submit to Citadele a valid residence certificate confirmed by the foreign tax authority, which thereafter should be confirmed by the SRS. If withholding tax at lower rate is applicable, it shall be withheld, reported and paid to the Latvian State budget by Citadele.

Capital gains

Proceeds received by a non-resident individual from the redemption of the Bonds would not be subject to taxation in Latvia. If the Bonds were sold before the redemption such sale would also not be subject to taxation in Latvia provided that:

- the Bonds, at the time of sale, remained listed on the regulated market of a Member State of the EU or EEA; and
- non-resident individual was not located in a jurisdiction or territory treated as “tax haven”.

If the Bonds not listed on a regulated market in the EU or EEA are sold, such sale will be subject to taxation in Latvia as follows:

- if purchaser is a Latvian entity or Latvian individual registered for business purposes, it will deduct Latvian withholding tax at 3% rate applied on sales proceeds. Thereafter a non-resident individual will have an option to declare and pay tax on capital gain (the difference between the disposal price and acquisition value) at 20% rate and request refund of overpaid tax.
- if purchaser is a Latvian individual not registered for business purposes, no Latvian income tax will be withheld upon sale. Instead, non-resident individual will be obliged to declare and pay tax on capital gain (the difference between the disposal price and acquisition value) at 20% rate.

The above stated withholding tax of 3% and/or capital gains tax of 20% could be reduced in accordance with provisions of effective double taxation treaties concluded with Latvia. To apply lower withholding tax rate or exemption, a non-resident individual should submit to purchaser a valid residence certificate confirmed by the foreign tax authority, which thereafter should be confirmed by the SRS. If the purchaser is a non-resident or Latvian individual not registered for business purposes which has not applied Latvian withholding tax, then such certificate should be submitted by a non-resident individual directly to the SRS.

Taxation of non-resident entities

According to the Latvian Law on Corporate Income Tax income earned from the Bonds (interest income and capital gains from sale or redemption) by the non-resident entities would not be subject to taxation in Latvia regardless of the status of the Bonds (listed or non-listed), provided that non-resident entity was not located in a jurisdiction or territory treated as “tax haven”.

Taxation of Non-Resident individuals and entities located in “tax haven” countries/territories

The list of “tax-haven” countries and territories is published in official newspaper “Latvijas Vēstnesis” thus ensuring that it can be quickly amended. Currently the list contains 16 countries and territories, including Russia. Payments to individuals or entities located in “tax haven” countries are subject to tax special rules as explained bellow.

Interest income

If interest is paid to a non-resident individual or entity located in a jurisdiction or territory treated as “tax haven”, such payments shall be subject to a withholding tax at a rate of 20%.

The tax shall be withheld, reported and paid to the Latvian State budget by Citadele.

Capital gain

If the Bonds listed on the regulated market in a Member State of the EU or EEA are sold by a “tax haven” individual or entity, such sale would be exempt from taxation in Latvia unless purchaser is a Latvian or non-resident individual being required to submit annual personal income tax declaration (e.g. sole traders, income from capital etc).. In the latter case, purchaser is required to withheld 23% Latvian withholding tax. 23% withholding tax may be avoided, if a special permission is obtained from the SRS by the purchaser prior to the sale.

If the Bonds not listed on the regulated market in a Member State of the EU or EEA are sold by a “tax haven” individual or entity taxation in Latvia as follows:

- if a purchaser is a Latvian or non-resident individual being required to submit annual personal income tax declaration, it will deduct 23% withholding tax. 23% withholding tax can be reduced to 3%, if a special permission is obtained from the SRS by the purchaser prior to the sale.

- if a purchaser is a Latvian entity, it will deduct 20% withholding tax. 20% withholding tax can be reduced to 0%, if a special permission is obtained from the SRS by the purchaser prior to the sale.

- if purchaser is any individual not being required to submit annual personal income tax declaration in Latvia or non-resident entity, no Latvian income tax will be withheld upon sale. However, if the Bonds are sold by a "tax haven" individual, instead it will be obliged to declare and pay tax on capital gain (the difference between the disposal price and acquisition value) at 20% rate.

Lithuanian Tax Considerations

Tax related information provided below does not constitute tax advice and is intended only as a general guide to current Lithuanian law in force. It relates only to certain limited aspects of the Lithuanian tax treatment of holders of Bonds and is intended to apply only to entities and individuals who are Bondholders and are resident in Lithuania for Lithuanian tax purposes. Definitions of the resident entities and individuals are provided below. Income of the non-resident entities and individuals arising from the holding of Bonds and disposal or redemption of Bonds is not subject to taxes in Lithuania.

Prospective purchasers of the Bonds are advised to consult their own tax advisers as to the consequences of a purchase of the Bonds under the laws of the country in which they are resident, including, but not limited to, the consequences of the receipt of interest and the sale or redemption of the Bonds.

In accordance with the Lithuanian Law on Tax Administration where any international treaties to which Lithuania is a party provide for the rules on taxation different from those of the relevant taxation legislation, and provided the international treaties have been ratified, enacted and enforceable in Lithuania, the rules of such international treaties shall prevail. Lithuania and Latvia have entered into a tax convention on elimination of the double taxation, which provides more favourable taxation regime (effective from 30 December 1994). The rules for application of tax conventions are provided in the Lithuanian Law on Tax Administration and in the other legal acts implementing provisions of the Lithuanian Law on Tax Administration.

Resident Individuals. As a general rule established in the Lithuanian Law on Personal Income Tax, an individual will be considered as a resident of Lithuania during the calendar year for taxation purposes if he/she meets at least one of the criteria laid out in paragraph 1 of Article 4 of the Lithuanian Law on Personal Income Tax, i.e.: (i) if the individual's permanent place of residence is in Lithuania during the calendar year; (ii) if the individual's place of personal, social or economic interests is in Lithuania rather than in a foreign country during the calendar year; (iii) if the individual is present in Lithuania for a period or periods in the aggregate of 183 days or more during the calendar year; (iv) if the individual is present in Lithuania for a period or periods in the aggregate of 280 days or more during successive calendar years and who stayed in Lithuania for a period or periods in the aggregate of 90 days or more in any of such periods (in such case a person is deemed to be a resident of Lithuania for both years of presence in Lithuania); (v) if the individual is a citizen of Lithuania, but does not meet the above mentioned (iii) and (iv) criteria, however, receives remuneration under an employment contract or a contract in its essence corresponding to an employment contract or his costs of living in another country are covered from the state budget or municipal budgets of Lithuania.

If an individual is considered as a tax resident of another country according to its local legislation as well, the country of his/her tax residence is determined by applying provisions of the respective double tax treaty (provided that there is such treaty concluded). When an individual qualifies as a tax resident in another country under the domestic legal acts, the place of his/her tax residence is determined by applying the rules established in the respective double tax treaties, such as, for example:

- the individual shall be deemed to be a resident of the country in which he/she has a permanent home available to him/her; if the individual maintains permanent homes in both countries, he/she shall be deemed to be a resident only of the country with which his/her personal and economic relations are closer (centre of vital interests);

- if the state in which the individual has his/her centre of vital interests cannot be determined, or if the individual has no permanent home available to him/her in either country, he/she shall be deemed to be a resident only of the country in which he/she has a habitual abode;

- if the individual has a habitual abode in both countries or in neither of them, he/she shall be deemed to be a resident only of the country of which he/she is a national;

- if the individual is a national of both countries or neither of them, the competent authorities of both countries shall settle the question by mutual agreement.

In accordance with the Lithuanian Law on Personal Income Tax any income generated by a resident of Lithuania from the Bonds (interest, result from disposal or redemption of the Bonds) shall be taxed by a 15 per cent rate personal income tax, when the taxable annual income does not exceed 120 average salaries of Lithuania published by the Ministry of Social Security and Labour of Lithuania. The amount of the taxable annual income exceeding 120 country average salaries shall be taxed by a 20 per cent rate personal income tax.

The following exemptions are applicable:

- interest (total of interest generated from the Bonds and certain other types of interest) not exceeding EUR 500 during a tax period is non-taxable;

- gains (total of gains generated from sale of the Bonds and certain other types of securities) not exceeding EUR 500 during a tax period are non-taxable.

Personal income tax must be paid to the Lithuanian State budget by the 1 May of the year following the year when the income is received. The resident individual who has received interest from the Bonds or income from disposal of the Bonds must file an annual income tax return and report this income. The term for filing the tax return is the same as income tax payment term.

Non-Resident Individuals. Since Citadele is a non-resident entity for Lithuanian taxation purposes, the income of the non-resident individual from the Bonds (i.e. interest income and income from the transfer of the Bonds) will not be subject to personal income tax in Lithuania.

Resident Entities. An entity will be considered as a resident of Lithuania for tax purposes if it is established and registered in the Republic of Lithuania. For the purposes of this summary resident entities also include permanent establishments of foreign entities in Lithuania.

Income from the Bonds (interest payments and capital gains from sale or redemption of the Bonds) should be included in taxable income of the resident entity and should be subject to corporate income tax at the rate of 15% (0% or 5% rate applies for certain small companies in cases provided by law). If sale or redemption of the Bonds results in loss, it will be tax-deductible for corporate income tax purposes, but such loss can be utilized only against the profit from sale/redemption of securities and can be carried forward for 5 years.

Non-Resident Entities. Since Citadele is a non-resident entity for Lithuanian taxation purposes, the income of the non-resident entity from the Bonds (i.e. interest income and income from the transfer of the Bonds) will not be subject to corporate income tax in Lithuania.

Estonian Tax Considerations

General

The Bondholders can be taxed in respect of the income arising from the holding of the Bonds (taxation of interest income) and disposal or redemption of the Bonds (taxation of capital gains).

For the purposes of this summary, the Bondholders are classified as follows:

• *Resident individuals* – physical persons who are considered Estonian tax residents for personal income tax purposes under the Estonian tax laws and any applicable double taxation treaty. As a general rule, an individual is considered Estonian resident for personal income tax purposes: if (i) his or her place of residence is in Estonia; or (ii) he or she stays in Estonia for at least 183 days over the course of a period of 12 consecutive calendar months, or (iii) he or she is an Estonian diplomat outside Estonia. An individual is regarded as a resident as of the date of his or her arrival in Estonia. Nevertheless, double taxation treaties may provide for a different definition of resident individuals.

According to the provisions of double taxation treaties, whenever an individual qualifies as tax resident under the domestic tax rules of both countries, the individual's tax residence is determined by applying the following criteria: (i) the individual shall be deemed to be a resident of the country in which he/she has a permanent home available to him/her; if the individual maintains permanent homes in both countries, he/she shall be deemed to be a resident only of the country with which his/her personal and economic relations are closer (centre of vital interests); (ii) if the country in which the individual has his/her centre of vital interests cannot be determined, or if the individual has no permanent home available to him/her in either country, he/she shall be deemed to be a resident only of the country in which he/she has a habitual abode; (iii) if the individual has a habitual abode in both countries or in neither of them, he/she shall be deemed to be a resident only of the country of which he/she is a national; (iv) if the individual is a national of both countries or neither of them, the competent authorities of both countries shall settle the question by mutual agreement.

• *Non-resident individual* means a physical person who is not deemed to be a resident individual as explained above.

• *Resident entity* means a legal entity, excluding a trust fund, if it is established pursuant to Estonian law. European public limited companies (SE) and European associations (SCE) whose registered office is registered in Estonia are also resident entities.

• *Non-resident entity* means a legal entity, which is not deemed to be a resident entity as explained above. The provisions concerning non-residents apply also to a foreign association of persons or pool of assets (excluding contractual investment fund) without the status of a legal person, which pursuant to the law of the state of the incorporation or establishment thereof is regarded as a legal person for income tax purposes.

Resident Individuals

According to the Estonian Income Tax Act a resident individual must pay Estonian income on worldwide income, meaning income derived from all sources of income both in Estonia and outside Estonia. Income tax rate is 20%. Starting from 1 January 2025 the income tax rate will be 22%. The increased income tax rate shall be levied in respect of income made as of 1 January 2025. Period of taxation is a calendar year. A resident individual must submit to the Estonian Tax and Customs Board an income tax return regarding taxable income derived during the period of taxation by the 30th of April of the year following the period of taxation. Due income tax must be paid to the Estonian Tax and Customs Board by 1st of October of the year following the period of taxation.

Interest

Interest from the Bonds payable by Citadele to Estonian resident individuals is considered as a taxable interest for the purposes of the Estonian Income Tax Act. Therefore, a resident individual is obliged to pay Estonian income tax of 20% on the amount of interest from the Bonds. As noted above, as of 1 January 2025 the income tax rate will be 22%. Payment of income tax and submission of an income tax return takes place as described above.

As noted in the Latvian tax considerations above the interest from the Bonds payable by Citadele to Estonian tax residents is exempted from Latvian income tax. Nevertheless, should there be a Latvian income tax on interest from the Bonds payable by Citadele to Estonian tax residents the Estonian-Latvian double taxation treaty article 11 (2) restricts the Latvian income tax on interest from the Bonds to 10% of the gross amount of the interest. However, in order to take advantage of the lower withholding tax rate of exemption, Estonian resident individuals must submit Citadele a valid residence certificate issued and confirmed by the Estonian Tax and Customs Boar which must thereafter be confirmed by the Latvian Tax Authorities.

Further, if Latvia establishes income tax on interest from the Bonds payable by Citadele to Estonian resident individuals and the Latvian income tax payable on the interest is less than the income tax payable according to the Estonian Income Tax Act a resident individual must pay Estonian income tax on the difference between the Latvian income tax and Estonian income tax.

Capital gains

A capital gain (the difference between the disposal price and acquisition value) earned by an Estonian resident individual from the sale or redemption of the Bonds is subject to Estonian income tax of 20%. As noted above, as of 1 January 2025 the income tax rate will be 22%. Payment of income tax and submission of an income tax return takes place as described above.

Non-Residents (both Individuals and Entities)

General

Estonia levies same rules of income tax on interest income and capital gains received by a non-resident individual and a non-resident entity. In other words: taxation of a non-resident individual and that of a non-resident entity takes place pursuant to the same rules. Therefore, the below overview applies to both non-resident individuals and non-resident entities.

Interest income

Interest from the Bonds payable by Citadele to non-resident individuals is generally exempted from Estonian income tax.

The exception from the tax exemption is the case where a non-resident receives interest in connection with holding in a contractual investment fund or other pool of assets of whose property, at the time of the payment of interest or during a period within two years prior to that, more than 50 per cent was directly or indirectly made up of immovables or structures as movables located in Estonia and in which the non-resident had a holding of at least 10 per cent at the time of the receipt of interest. Citadele is a Latvian limited company/joint stock company, which cannot be regarded as a contractual investment fund or other pool of assets. Consequently, the exception from the general tax exemption does not apply.

Therefore, interest from the Bonds payable by Citadele to non-residents is not subject to Estonian income tax.

Capital gains

A capital gain earned by a non-resident from the sale or redemption of the Bonds is generally exempted from Estonian income tax.

The exception from the tax exemption is the case where a non-resident individual transfers or returns a holding in a company, contractual investment fund or other pool of assets of whose property, at the time of the transfer or return or during a period within two years prior to that, more than 50 per cent was directly or indirectly made up of immovables or structures as movables located in Estonia and in which the non-resident had a holding of at least 10 per cent at the time of conclusion of the specified transaction. According to our best knowledge (i) immovables or structures as movable located in Estonia do not form more than 50 per cent of Citadele's assets and (ii) the amount of the Bonds does not constitute a holding of at least 10 per cent of Citadele's share capital.

Thus, capital gain earned by a non-resident from the sale or redemption of the Bonds is not subject to Estonian income tax.

Resident entities

Estonian resident entities are required to pay Estonian income tax only upon public profit distribution (e.g. dividends) or hidden profit distribution (e.g. fringe benefits, gifts and donations, transaction with associated entities whereas the value of the transaction does not correspond to market value, expenses and payment not associated with the entities business activities). Estonian resident entities' income tax rate is 20%, whereas the taxable amount must be divided by the number of 0,80 before it is multiplied by the tax rate. Starting from 1 January 2015, the corporate income tax rate will be 22%, whereas the taxable amount must be divided by the number of 0,78 before it is multiplied by the tax rate. If profits are not distributed there is no tax obligation.

Therefore, resident entities are not obliged to pay Estonian income tax upon receipt of interest from the Bonds payable by Citadele or upon capital gain earned from the sale or redemption of the Bonds.

12. Macro-Economic Profile of the Baltic States and Outline of the Baltic Banking Sector

12.1. Macro-economic profile of the Baltic States

The Baltic States together form a group of small, open and growing, export-oriented, advanced economies. All of the Baltic States are part of the EU, the Eurozone and the Organisation for Economic Co-operation and Development (the "**OECD**"). According to IMF, the Baltic States have relatively high GDP per capita that is on par with other countries in eastern Europe. The region's productivity growth has been supported by significant capital inflows and the dissemination of technology and know-how. The Baltic States are known as being digitally savvy and business-friendly countries. The Baltic States offer a supportive tax environment, as there is no tax on undistributed corporate profit in Latvia and Estonia, encouraging foreign investment and thereby benefitting the banking sector.

The Baltic States have experienced high growth within Europe and the real GDP of the Baltic States has grown at a CAGR of 2.5% from 2012 to 2023 compared to 1.3% for the Euro Area in the same period. The Baltic States' economies are expected to experience further growth in the coming years supported by certain factors: slowing inflation and interest rate cuts are set to provide relief to households' purchasing power and result in a corresponding boost to consumption growth, EU-funded investments are projected to pick up in 2024 and energy prices are declining after successful replacement of natural gas imports from Russia with imports from other suppliers. Whilst growth in Baltic States' exports has slowed down, export growth is projected to increase as the inflation slowdown elsewhere in the EU boosts foreign demand. A favourable investment climate, together with increasing integration with the rest of the EU, strengthens the Baltic States' trade links in the region. High productivity in proportion to labour costs and low labour costs in absolute terms, a stable political and social environment, a growing digital economy and the availability of a technologically adept workforce, are also conducive to attracting further inflows of foreign direct investment.

The GDP of the Baltic States declined by 1.2% in 2023 on average, whilst the average annual growth rate in the Euro Area economies was 0.35%—higher than the Baltic States, which can be partly explained by the Baltics States' higher relative economic exposure to Russia (particularly as the ongoing war between Russia and Ukraine has resulted in additional sanctions imposed on Russia and exports to Russia from the Baltic States have ceased), weak external demand in manufacturing and the impact of higher inflation as well as high interest rates experienced by the Baltic States and the resulting influence on purchasing power and changes in private consumption. In 2024, the Baltic States' GDP growth is expected to pick up to 2.6%, exceeding the growth forecast of the Euro Area of 1.2%. Declining inflation, lower interest rates and rebound in global manufacturing will support recovery in the Baltic States. Between 2022 and 2024, GDP growth in Latvia and Lithuania is expected to outperform Estonia due to higher private sector debt levels in impact from higher interest rates.

The Baltic States have relatively low levels of debt compared to the Euro Area and there is ample room for growth. In 2022, the government debt-to-GPD ratios were 41.0% in Latvia, 38.1% in Lithuania and 18.5% in Estonia, significantly below the Euro Area of 91.0%, indicating that there is a healthy fiscal head room for the Baltic States in terms of government debt. Similarly, in 2022, the household debt-to-GDP ratios for Latvia (17.7%), Lithuania (21.8%) and Estonia (36.8%) were clearly below the Euro Area average of 50.3%, with ample room for increased household lending. Further, in 2022, the corporate debt-to-GDP ratios for Latvia (34.9%), Lithuania (29.6%) and Estonia (57.5%) were also significantly below the Euro Area average of 84.2%.

The table below sets out actual and forecasted real annual percentage changes in GDP for the Baltic States and the European Union:

Real annual percentage change	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2025
Latvia	0.6	-3.5	6.7	3.0	-0.3	2.6	3.2
Lithuania	4.7	0.0	6.3	2.4	-0.3	2.7	2.6
Estonia	4.0	-1.0	7.2	-0.5	-3.0	2.4	2.7
Average of the Baltic States	3.1	-1.5	6.8	1.6	-1.2	2.6	2.8
Average of the Euro Area	1.6	-6.1	5.9	3.4	0.5	1.2	1.8

Source: Eurostat, International Monetary Fund World Economic Outlook (October 2023)

Latvia

As a member of the EU and NATO since 2004, Latvia has made significant strides in increasing its integration with the EU and other western countries. As a result, the EU has become one of Latvia's key trading partners, and Europe lies at the heart of the Latvian economy. Following a smooth accession to the Eurozone in 2014, Latvia has further embedded itself on the European stage and improved its investor-friendly environment. In 2016, Latvia deposited its instrument of accession to the OECD and thereby became a full member of the OECD.

Latvia is an export-oriented economy, with exports of goods and services in 2023 representing 64.1% of GDP, higher than the EU average of 55.1%. Foreign trade in Latvia has consistently increased since the regaining of independence, particularly after Latvia acceded to the EU. In 2023, Latvia exported 27.9 billion USD (at current prices) worth of goods and services, which represents a compound annual growth rate of 4.3% when compared with 2014, the year during which Latvia adopted the Euro and exported 19.2 billion USD worth of goods and services.

Latvia's largest trading partners in 2023 were Lithuania (16.6% of Latvia's total trade turnover), Estonia (10.6%), Russia (10.2%), Germany (6.5%), Sweden (5.4%). Exports to EU countries made up 64% of the total volume of Latvian exports in 2023 and decreased by EUR 2.2 billion, or 9.5%, compared to 2022 but were still 17.6% higher than in 2021 In 2023, wood articles, machinery and mechanical appliances, electrical equipment, and mineral products comprised the most significant commodity groups in Latvian exports and constituted 15.1%, 16.2%, and 7.3%, respectively, followed by transport equipment, grains and prepared foodstuffs.

Latvia has an investment grade credit rating, with Moody's rating Latvia as "A3" since February 2015, Fitch rating the country as "A-" since June 2014 and S&P rating Latvia "A+" since February 2020. Latvia's public debt and its servicing cost level, which is lower than that of countries with similar credit ratings, moderate private sector debt levels and Latvia's generally stable export market all contribute to the recent stability of Latvia's credit ratings. As of the end of 2022, Latvia's public debt as a percentage of GDP was reported to be 41.0%. This is significantly below the average of the Euro Area, which stood at 91.0% of GDP at the end of 2022. Latvia's debt-to-GDP ratio is expected to reach 41.7% in 2023, and increase slightly to 42.3% in 2024 due to higher nominal GDP growth, whilst the general government deficit is set to decrease to 3.2% of GDP in 2023 and to 3.1% in 2024. Latvia's income convergence with higher income EU-area economies is demonstrated by its rising GDP per capita figure, which was EUR 21,407 in 2023, representing a compound annual growth rate of 7.1% when compared with the level in 2015 of EUR 12,372. During the same period, the Euro Area's GDP per capita grew from EUR 31,083 to EUR 41,109, exhibiting a compound annual growth rate of 2.6%.

The Latvian economy weathered the COVID-19 crisis relatively well, with GDP shrinking 3.5% in 2020, compared to the Euro Area, which shrank by 6.1% in 2020. Economic decline in 2020 was followed by robust GDP growth of 6.7% in 2021 and 3.0% in 2022. In 2023, the GDP in Latvia declined by 0.3% as growth was hampered by high inflation weighing on private consumption, weak external demand in manufacturing and delay in public investment programmes. Economic growth in 2023 in Latvia was on par with Lithuania where GDP also declined by 0.3%, but well ahead of Estonia where GDP declined by 3.0%.

In 2024, Latvia's economy is set to continue its growth trajectory, with GDP growing by 2.6%. A significant drop in inflation is set to foster private consumption, whilst a further increase in EU-funded investments and a decline in prices of construction materials are expected to boost investment, resulting in investment growth of 3.5% in

2024. Export growth in Latvia is projected to pick up in 2024 as the inflation slowdown elsewhere in the EU is expected to boost foreign demand, resulting in projected export growth of 1.7%.

Similar to the rest of Europe, Latvia has seen a clear rise in its inflation rates during the last couple of years. This has been primarily driven by the ongoing war between Russia and Ukraine and resulting increase in energy prices. In 2022, annual inflation (headline consumer price index) in the Euro Area amounted to 8.4%, with Latvia's inflation reaching 17.2% due to its higher relative dependence on Russian energy. The annual inflation rate in Latvia has eased rapidly to 0.4% in February 2024 from 21.5% in January 2023. This was the softest reading since April 2021 and annual inflation in 2023 declined to 9.1%. Inflation in Latvia is forecasted to decrease to 2.2% in 2024 and also 2025 by the EC.

Breakdown of Latvian gross value added ("**GVA**") by industry in 2022 shows the country's strong focus on services and industry sectors. According to Eurostat, 20.5% of the country's GVA consisted of wholesale and retail trade, transport, accommodation, and food service activities. Industry made up 17.8% of the GVA, whilst public administration, defence, education, human health and social work activities constituted 17.3%. Other major industries comprising GVA were real estate activities with 11.1%, professional, scientific, technical, administrative and support service activities with 8.8%, and information and communication with 6.9%.

	For the year ended December 31				
Key Macroeconomic Indicators	2019	2020	2021	2022	2023*
GDP (EUR bn)	30.6	30.1	33.3	38.4	40.3
Population (m)	1.9	1.9	1.9	1.9	1.9
GDP per capita (EUR)	15,924	15,783	17,615	20,464	21,407
GDP growth (%)	0.6	-3.5	6.7	3.0	-0.3
Unemployment (%)	6.3	8.1	7.6	6.9	-
Inflation (%)	2.7	0.1	3.2	17.2	9.1
Exports (% of GDP)	60.0	60.8	64.6	72.9	64.1
Household gross debt (% of GDP)	20.2	20.4	19.5	17.7	-
Corporate gross debt (% of GDP)	46.2	44.7	39.0	34.9	-
General Government gross debt (% of GDP)	36.7	42.2	44.0	41.0	-

Sources: IMF, Eurostat and World Bank

* Missing data not available at the date of this Base Prospectus

According to the latest information from the UN Human Development Index ("**HDI**") (as of 2021), which provides the geometric mean of normalised indices for each of the three dimensions of human development (*i.e.*, a long and healthy life, being knowledgeable and having a decent standard of living), Latvia has a rating of 0.86, ahead of the world average of 0.73 and slightly below the average for the 27 EU countries of 0.90.

Lithuania

Lithuania has been a member of the EU since 2004 and of the Eurozone since 2015. The country is an export-driven economy, with exports of goods and services comprising 77.2% of GDP in 2023. In 2023, Lithuania exported 60.6 billion USD (at current prices) worth of goods and services, which represents a compound annual growth rate of 9.8% when compared with 2015, the year during which Lithuania adopted the Euro and exported 28.5 billion USD worth of goods and services.

Lithuania has an investment grade credit rating, with Moody's rating Lithuania as "A2" since February 2021, Fitch rating the country as "A" since January 2020 and S&P rating Lithuania "A+" since January 2020. As of the end of 2022, Lithuania's public debt as a percentage of GDP was reported to be 38.1%, significantly below the Euro Area average. Lithuania's debt-to-GDP ratio is expected to reach 37.3% in 2023, and increase slightly to 38.3% in 2024 due to denominator effects. Lithuania's income convergence with higher income EU-area economies is demonstrated by its rising GDP per capita figure, which was EUR 25,216 in 2023, representing a compound annual growth rate of 8.9% when compared with the level in 2015 of EUR 12,784.

The Lithuanian economy weathered the COVID-19 crisis relatively well, with GDP growth remaining flat at 0.0% in 2020. Economic status quo in 2020 was followed by robust GDP growth of 6.3% in 2021 and 2.4% in 2022. In

2023, the GDP in Lithuania decreased by 0.3%, as persistent inflation is weighed on private consumption and manufacturing was adversely affected by weak external demand. Economic growth in 2023 in Lithuania was on par with Latvia where GDP also declined by 0.3%, but well ahead of Estonia where GDP declined by 3.0%.

In 2024, Lithuania's economy is set to continue its growth trajectory, with GDP growth reaching 2.7%, as input costs and consumer prices subside and investment is set to be boosted by RRF funds. Export growth in Lithuania is projected to rebound with 3.4% in 2024 compared to 2023, when projected weak performance of some industries, on the back of weakening external demand and the tightening of financial conditions, is expected to result in a decrease in exports of 4.4%.

Lithuania saw high inflation of 18.9% in 2022, but slowed down to 8.7% in 2023, and is forecasted to stabilise even more to 2.4% in both 2024 and 2025. The annual inflation rate in Lithuania has eased significantly in 2023 from 20.0% in December 2022 to 1.1% in February 2024. Since joining the Eurozone in 2015, Lithuania has had solid improvement in its credit ratings. Its credit rating of A+ was recently affirmed by S&P in June 2023. Lithuania's HDI was 0.875 in 2021, ahead of the world average of 0.732 and slightly below the average for the 27 EU countries of 0.900.

Breakdown of Lithuanian GVA by industry in 2022 shows the country's strong focus on services and industry sectors. According to Eurostat, 28.4% of the country's GVA consisted of wholesale and retail trade, transport, accommodation, and food service activities. Industry made up 19.7% of the GVA, whilst public administration, defence, education, human health and social work activities constituted 15.3%. Other major industries comprising GVA were construction with 7.5%, professional, scientific, technical, administrative and support service activities with 8.1%, real estate activities with 6.2%, and agriculture, forestry and fishing with 3.3%.

	For the year ended December 31				
Key Macroeconomic Indicators	2019	2020	2021	2022	2023*
GDP (EUR bn)	49.0	49.9	56.5	67.4	72.0
Population (m)	2.8	2.8	2.8	2.8	2.9
GDP per capita (EUR)	17,522	17,850	20,202	24,020	25,216
GDP growth (%)	4.7	0.0	6.3	2.4	-0.3
Unemployment (%)	6.3	8.5	7.1	5.9	-
Inflation (%)	2.2	1.1	4.6	18.9	8.7
Exports (% of GDP)	77.3	73.2	80.5	87.6	
Household gross debt (% of GDP)	23.0	24.1	23.4	21.8	-
Corporate gross debt (% of GDP)	32.2	30.1	30.2	29.6	-
General Government gross debt (% of GDP)	35.8	46.2	43.4	38.1	-

Sources: IMF, Eurostat and World Bank

* Missing data not available at the date of this Base Prospectus

Estonia

Estonia has been a member of the EU since 2004 and of the Eurozone since 2011. Similar to the other Baltic States, Estonia also relies heavily on exports, with exports of goods and services representing 78.4% of its GDP in 2023. In 2023, Estonia exported 31.9 billion USD (at current prices) worth of goods and services, which represents a compound annual growth rate of 3.9% when compared with 2011, the year during which Estonia adopted the Euro and exported 20.1 billion USD worth of goods and services.

As opposed to Latvia and Lithuania, Estonia's exports are more oriented towards the Nordics, with the top three countries comprising of Finland (16.9%), Latvia (11.9%) and Sweden (9.4%) in 2023. Russia's share of Estonia's exports was 3.2% in 2023. As of September 2023, Estonia had positive trade balance of EUR 22.2 million with Russia, as compared to the negative trade balance of EUR 168.5 million in January 2022. Exports to EU countries made up 73.3% of the total volume of Estonian exports and decreased by EUR 3.1 billion, or 14.5%, compared to 2022, however exports where only 0.3% lower than in 2021.

Estonia has an investment grade credit rating, with Moody's rating Estonia as "A1" since March 2010, Fitch rating the country as "A+" since July 2023 and S&P rating Estonia "AA-" since December 2022. As of the end of 2022, Estonia's public debt as a percentage of GDP was reported to be 18.5%—the lowest in the European Union over the same period. Estonia's debt-to-GDP ratio is expected to reach 19.2% in 2023 and increase slightly to 20.5% in 2024, including significant taxation changes planned by the new government, which took office April 2023, which aims to improve the balance of Estonia's public finances, starting from 2024. Estonia's income convergence with higher income EU-area economies is demonstrated by its rising GDP per capita figure, which was EUR 27,588 in 2023, representing a compound annual growth rate of 6.8% when compared with the level in 2011 of EUR 12,540.

Similar to the other Baltic States, the economy of Estonia also showed resilience during the COVID-19 pandemic, and the GDP of Estonia decreased 1.0% in 2020. Economic decrease in 2020 was followed by robust GDP growth of 7.2% in 2021 before decreasing again by 0.5% in 2022, mostly on the back of the war in Ukraine, which led to a sharp fall in investment of foreign intangibles and a negative trade balance. In 2023, the GDP in Estonia decreased further by 3.0%, as a result of tightening financing conditions and subdued economic growth in major trade partner economies. Economic decline in 2023 in Estonia was significantly worse than in Lithuania and Estonia mainly due to higher private sector debt level and impact from high interest rates.

In 2024, Estonia's economy is set to rebound, with GDP growth of 2.4%, as inflationary pressures are expected to fade and real incomes to rise, contributing to stronger consumption. Export growth in Estonia is projected to rebound with 2.6% in 2024 following a 3.6% decrease in 2023, on the back of weak demand in the main export destinations.

Estonia saw high inflation of 19.4% in 2022, but slowed down to 9.1% in 2023, and further stabilise to 3.2% in 2024. Annual inflation in Estonia has fallen since September 2022, and was reported at 4.2% in February 2024 – higher than in Latvia and Lithuania due to the impact from VAT increase. In July 2023, Fitch downgraded Estonia's credit rating from "AA-" to "A+", citing a higher debt-to-GDP ratio, looser fiscal stance and tax hikes as among the main factors, but also noted the robust banking sector as a strength.

Estonia's HDI was 0.890 in 2021 (latest available data), ahead of the world average of 0.732 and slightly below the average for the 27 EU countries of 0.900.

Breakdown of Estonian GVA by industry in 2022 shows the country's strong focus on services and industry sectors. According to Eurostat, industry made up 18.9% of the GVA, whilst 19.8% of the country's GVA consisted of wholesale and retail trade, transport, accommodation and food service activities. Public administration, defence, education, human health and social work activities constituted 16.5%. Other major industries comprising GVA were real estate activities with 10.2%, professional, scientific, technical, administrative and support service activities with 9.3%, information and communication with 7.4%, construction with 6.4%, and financial and insurance activities with 6.0%.

	For the year ended December 31				
Key Macroeconomic Indicators	2019	2020	2021	2022	2023*
GDP (EUR bn)	28.0	27.4	31.2	36.0	37.7
Population (m)	1.3	1.3	1.3	1.3	1.4
GDP per capita (EUR)	21,098	20,640	23,434	27,040	27,588
GDP growth (%)	4.0	-1.0	7.2	-0.5	-3.0
Unemployment (%)	4.4	6.8	6.2	5.6	-
Inflation (%)	2.3	-0.6	4.5	19.4	9.1
Exports (% of GDP)	73.4	69.2	80.3	85.8	78.4
Household gross debt (% of GDP)	38.3	40.6	38.4	36.8	-
Corporate gross debt (% of GDP)	60.0	61.0	58.5	57.5	-
General Government gross debt (% of GDP)	8.5	18.6	17.8	18.5	-

Sources: IMF, Eurostat and World Bank

* Missing data not available at the date of this Base Prospectus

12.2. Outline of the Baltic Banking Sector

The Baltic banking sector consists of domestic commercial banks and branches of EU Member State banks. As of 1 March 2024, there were nine banks and four branches of foreign credit institutions operating in Latvia according to data published by the Bank of Latvia. As of 1 March 2024, based on data published by Bank of Lithuania, there were six banks and six branches of foreign credit institutions in Lithuania. In Estonia, as of 1 March 2024, there were nine banks and five branches of foreign credit institutions operating in Estonia according to data published by the EFSA. Generally, all credit institutions in the Baltic States are required to be licenced by the ECB and are regulated primarily by the responsible financial supervisory authorities of each country and indirectly supervised by the ECB under the EU Single Supervisory Mechanism ("**SSM**"). Certain institutions that are designated as "significant institutions" are primarily supervised by the ECB in cooperation with the local regulator.
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According to the BL, the Finance Latvia Association and the EFSA, total deposits and loans in the Baltic banking sector was EUR 100.6 billion and EUR 71.9 billion at the end of the third quarter of 2023, respectively. This represents an increase of 56.4% for deposits and 32.6% for loans from 2019. As a result, loan/deposit ratio in the sector has decreased from 84.3% to 71.4% during the period. The figure is significantly lower than the average for significant institutions and less significant institutions supervised by the ECB, which at the end of the third quarter of 2023 stood at 104.8% and 91.2%, respectively. The abundance of deposits could be interpreted as Baltic banks being more liquid, possessing access to lower cost of deposit funding, as well as having more room for loan growth than their European counterparts.

The following tables set out loans, deposits and loan/deposit ratios for the Baltic banking sector since 2019:

Note: The statistical information in the table below (and reproduced elsewhere in this Base Prospectus) is based on the statistics published by the regulatory entities of each country (the BL, the Bank of Lithuania and the EFSA, respectively). For Luminor, the figures in the EFSA statistics and for Citadele, the figures in the BL statistics, include Baltic-level data, which in the table below have been adjusted for country-level data as reported by the companies in their 2022 and Q3 2023 financial reports. The same adjustments are included in the aggregate figure.

	Total banking sector deposits (EUR million)					**2019-Q3/2023 Change**
	2019	**2020**	**2021**	**2022**	**Q3/2023**	
Latvia	17,206,000	18,659,000	20,010,000	21,567,350	21,380,479	24.3%
Lithuania	24,963,439	31,861,640	35,097,997	45,749,759	47,797,294	91.5%
Estonia	22,157,129	32,537,149	32,351,981	31,346,121	31,456,573	42.0%
Total	**64,326,568**	**83,057,789**	**87,459,978**	**98,663,230**	**100,634,346**	**56.4%**

	Total banking sector loans (EUR million)					**2019-Q3/2023 Change**
	2019	**2020**	**2021**	**2022**	**Q3/2023**	
Latvia	13,472,000	12,950,000	14,420,000	16,287,736	16,709,307	24.0%
Lithuania	20,449,989	19,554,203	22,469,874	25,951,546	26,355,737	28.9%
Estonia	20,294,621	24,067,699	23,806,177	28,272,321	28,821,617	42.0%
Total	**54,216,610**	**56,571,902**	**60,696,051**	**70,511,603**	**71,886,661**	**32.6%**

	Loan/deposit ratio (%)				
	2019	**2020**	**2021**	**2022**	**Q3/2023**
Latvia	78.3%	69.4%	72.1%	75.5%	78,2%
Lithuania	81.9%	61.4%	64.0%	56.7%	55.1%
Estonia	91.6%	74.0%	73.6%	90.2%	91.6%
Total	**84.3%**	**68.1%**	**69.4%**	**71.5%**	**71.4%**

Over recent years, the quality of loans issued by the Baltic banking sector has improved steadily. Accordingly, the percentage of non-performing loans of Baltic banks' gross loan portfolio has decreased gradually. According to the World Bank, the ratio of non-performing loans to total gross loans for the banking sector in Latvia was 1.8% and 0.8% in Estonia in 2022, respectively, whilst the ratio for Lithuania was 0.5% in 2021. The figures have improved significantly from their level in 2016, when non-performing loan ratios were 6.3%, 3.7% and 2.2%, for Latvia, Lithuania and Estonia, respectively. The non-performing loans to total gross loans ratio in all the Baltic States are below the Euro Area average, which was 3.2% in 2021 and 3.0% in 2022.

The following table sets out the ratio of non-performing loans for the banks for each Baltic country since 2016 according to the World Bank:

	Non-performing loans to total gross loans (%)						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Latvia	6.3%	5.5%	5.3%	5.0%	3.1%	2.5%	1.8%
Lithuania	3.7%	3.2%	2.3%	1.0%	1.0%	0.5%	-
Estonia	2.2%	2.4%	1.6%	2.0%	1.6%	1.1%	0.8%

The Baltic banking sector is generally well-capitalised. Common Equity Tier 1 Capital ratios (Common Equity Tier 1 Capital in proportion to risk-weighted assets) for each bank is well above the 4.5% required under the CRR with the largest Baltic banks averaging 19.4% for the fourth quarter ending 31 December 2023 (as set forth in the table below). Similarly, ratios for Tier 1 Capital (the sum of CET 1 Capital and Additional Tier 1 Capital) are high, with selected Baltic banks having an average Tier 1 Capital ratio of 20.3% for the quarter ending 31 December 2023. At an average of 22.3% at the end of the fourth quarter of 2023, Total capital ratios for the banks were also well above the 10.5% required total minimum capital adequacy ratio (including the capital conservation buffer).

Baltic banks' capital adequacy ratios are very similar to those of some Nordic banks (including Nordea, Handelsbanken, Danske Bank and DNB), which at the end of the third quarter of 2023 averaged 18.2% for CET 1 ratio, 20.0% for Tier 1 capital ratio and 22.9% for Total capital ratio.

The table below sets out the Total capital ratios, Tier 1 capital ratios and CET 1 capital ratios for the largest Baltic banks as of 31 December 2023 (unless indicated otherwise):

Bank	**Total capital ratio**	**Tier 1 capital ratio**	**CET 1 capital ratio**
Swedbank (Group)	23.1%	20.6%	19.0%
SEB (Group)	22.4%	20.7%	19.1%
Luminor	23.1%	23.1%	23.1%
Citadele(1)	21.9%	19.5%	19.5%
Šiaulių(1)	21.2%	18.7%	18.7%
LHV	21.9%	19.2%	17.0%
Average(2)	22.3%	20.3%	19.4%

(1) Ratios for Citadele and Šiaulių bankas are as of 30 September 2023 (the most recently available period).
(2) Averages include group-level capital ratios of Swedbank and SEB, as they do not report capital ratios separately on a Baltic level, or in all Baltic countries, as per Q4 2023.

13. Glossary of Terms

2021 Audited Consolidated Financial Statements	Citadele's audited consolidated financial statements as of and for the year ended 31 December 2021 as set out in Schedule 1 to this Base Prospectus
2022 Audited Consolidated Financial Statements	Citadele's audited consolidated financial statements as of and for the year ended 31 December 2022 as set out in Schedule 2 to this Base Prospectus
2023 Audited Consolidated Interim Financial Report for the six months	Citadele's audited consolidated interim financial report for the six months ended 30 June 2023 as set out in Schedule 3 to this Base Prospectus
2023 Unaudited Consolidated Financial Statements	Citadele's unaudited consolidated financial statements as of and for the year ended 31 December 2023 as set out in Schedule 4 to this Base Prospectus
Accrual Date	shall have the meaning assigned to in the section entitled *"General Terms and Conditions of the Bonds — Interest and Yield"*
ALCO	Assets and Liabilities Management Committee
AML	anti-money laundering
AML/CTF/CPF	the anti-money laundering and counter terrorism and proliferation financing
Annual Interest Rate	shall have the meaning assigned to it in the section entitled "*General Terms and Conditions of the Bonds — Interest and Yield"*
Applicable Banking Regulations	at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity then in effect in Latvia including, without limitation to the generality of the foregoing, CRD, the SRM Regulation, BRRD, the Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy ("Creditor Hierarchy Directive") and those regulations, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liability and/or loss absorbing capacity and/or the implementation of the Creditor Hierarchy Directive adopted by any competent authority having primary responsibility for the prudential supervision of Citadele at the relevant time, the Relevant Resolution Authority or any other national or European authority from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to Citadele)
Articles of Association	Citadele's constitutional document – articles of association, as in force from time to time

Bail-in and Loss Absorption Powers	any loss absorption, write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, the SRM Regulation, or any laws, regulations, rules or requirements in effect in the Republic of Latvia, relating to (i) the transposition of the BRRD and (ii) the instruments, rules and standards created thereunder, as applicable, pursuant to which any obligation of the Citadele (or any affiliate of Citadele) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of Citadele or any other person (or suspended for a temporary period)
Baltic States or Baltics	Latvia, Lithuania and Estonia
Bank of Lithuania	the Bank of Lithuania (In Lithuanian - *Lietuvos Bankas*), the central bank of Lithuania
Base Prospectus	this Base Prospectus
BL	The Bank of Latvia (In Latvian – *Latvijas Banka*), the central bank of Latvia
Bonds	non-convertible unsecured and unguaranteed subordinated bonds denominated in EUR, having maturity of 10 years and with fixed interest rate to be issued under the Programme
Bondholder	the holder of the Bonds
Bondholders	the holders of the Bonds
Bondholders' Meeting	the meeting of the Bondholders or meeting of the Bondholders of the relevant Series as described in the section entitled „*General Terms and Conditions of the Bonds —Rights Attached to the Bonds and limitations to rights —Meetings of the Bondholders*"
BRRD or Bank Recovery and Resolution Directive	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as amended
BRRD II	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC, as amended
Business Day	a day on which banks in Riga, Latvia, as well as Nasdaq CSD are open for general business or, for the purposes of the General Terms and Conditions of the Bonds, a day on which Nasdaq CSD system is open and operational
CEO	Chief Executive Officer of Citadele, unless the context requires otherwise

Citadele or Issuer	AS "Citadele banka", a joint stock company incorporated and registered in, and operating under the laws of, the Republic of Latvia, with registered number: 40103303559, legal address: Republikas laukums 2A, Riga, LV-1010, Latvia, telephone: +371 67010000, e-mail: info@citadele.lv, website: www.citadele.lv
Citadele Group	Citadele and its Subsidiaries as listed in the section entitled "*Overview and Business Description—Structure of Citadele Group*"
CPF	countering proliferation financing
CRA Regulation	Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended
CRD	Directive No 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive No 2002/87/EC and repealing Directives No 2006/48/EC and No 2006/49/EC, as amended
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended
CTF	counter terrorism financing
Delegated Regulation	Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004, as amended
Early Redemption Date	shall have the meaning assigned to it in the section entitled "*General Terms and Conditions of the Bonds — Maturity and Redemption*"
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
EEA	The European Economic Area
EFSA	Estonian Financial Supervision and Resolution Authority (in Estonian - *Finantsinspektsioon*)
ESMA	The European Securities and Markets Authority
EU	The European Union
EUR, euro or €	the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant, and as defined in

	Article 2 of the Council Regulation (EC) No.974/98 of 3 May 1998 on the introduction of the euro, as amended
FCMC	The Financial and Capital Market Commission of Latvia (In Latvian - *Finanšu un kapitāla tirgus komisija*)
Final Terms	the final terms of the relevant Tranche composed according to the form described in the section entitled „*Form of the Final Terms"*
First Interest Period	shall have the meaning assigned to it in the section entitled "*General Terms and Conditions of the Bonds —Interest and Yield"*
FIU	Financial Intelligence Unit
FMCRC	The Financial Management and Counterparty Risk Committee
General Terms and Conditions of the Bonds	The general terms and conditions of the Bonds as described in the section entitled „*General Terms and Conditions of the Bonds*".
GMS	General meeting of shareholders of Citadele, unless the context requires otherwise
Government	Government of Latvia, unless the context requires otherwise
IFRS	International Financial Reporting Standards as adopted by the EU
IMF	International Monetary Fund
Interest Payment Date	one of the two Interest Payment Dates
Interest Payment Dates	shall have the meaning assigned to it in the section entitled "*General Terms and Conditions of the Bonds —Interest and Yield"*
ISIN	International Security Identification Number
Issue Date	the issue date of each Tranche of the Bonds as described in the section entitled "*General Terms and Conditions of the Bonds — Issue Date and Issue Price"*
Issue Price	the issue price of the Bonds as described in the section entitled "*General Terms and Conditions of the Bonds — Issue Date and Issue Price"*
Latvian Commercial Law	Commercial Law of the Republic of Latvia of 2000, as amended
Latvian Credit Institutions Law	Credit Institutions Law of the Republic of Latvia of 1995, as amended
Latvian Financial Instruments Market Law	Financial Instruments Market Law of the Republic of Latvia of 2003, as amended
Latvian Law on Corporate Income Tax	Law on Corporate Income Tax of the Republic of Latvia of 2017, as amended
Latvian Law on Personal Income Tax	Latvian Law on Personal Income Tax of the Republic of Latvia of 1993, as amended

Latvian Privatisation Agency	Publisko aktīvu pārvaldītājs Possessor, SIA (previously - Privatizācijas aģentūra), a limited liability company incorporated and registered in, and operating under the laws of, the Republic of Latvia, with registered number: 40003192154, legal address: Krišjāņa Valdemāra iela 31, Riga, LV-1010, Latvia, telephone: +371 67021358, e-mail: pasts@possessor.gov.lv, website: https://www.possessor.gov.lv
Latvian Resolution Law	The Latvian Credit Institutions and Investment Firms Recovery and Resolution Law of 2015, as amended
Latvian SSS	the securities settlement system of Nasdaq CSD governed by Latvian law
Lithuanian Law on Personal Income Tax	Law on Personal Income Tax of the Republic of Lithuania, as amended
Lithuanian Law on Tax Administration	Law on Tax Administration of the Republic of Lithuania, as amended
LTIP	Citadele's long-term incentive plan
LTRP	Citadele's long-term retention programme for key employees
Management Board	Management board of Citadele, unless the context requires otherwise
Maturity Date	shall have the meaning assigned to it in the section entitled "*General Terms and Conditions of the Bonds —Maturity and Redemption*"
Member State	each Member State of the European Union or the European Economic Area, as applicable
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended
Minimum Investment Amount	the minimum investment amount for subscription of the Bonds, as specified in the section entitled „*General Terms and Conditions of the Offer —Minimum Investment Amount*"
ML/TF/PF	Money Laundering, Terrorism and Proliferation Financing
Moody's	Moody's Investors Service Ltd
MREL	Minimum Requirement for own funds and Eligible Liabilities
Nasdaq CSD	Nasdaq CSD SE, registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia
Nasdaq Riga	Nasdaq Riga AS, registration number: 40003167049, legal address: Vaļņu 1, Riga, LV-1050, Latvia
Notification	shall have the meaning assigned to in the section entitled „*General*

	Terms and Conditions of the Offer —Allotment"
OECD	Organisation for Economic Co-operation and Development
OFAC	The Office of Foreign Assets Control of the U.S. Department of the Treasury
Offer	offering of the Bonds under the Programme pursuant to the Base Prospectus and the applicable Final Terms
Offer Period	the offer period for each Tranche as specified in the section entitled „*General Terms and Conditions of the Offer —Offer Period*" and the Final Terms, including any and all extensions of the applicable Offer Period
Parex	AS "Reverta" (previously – AS „Parex banka"), a joint stock company in liquidation, incorporated and registered in, and operating under the laws of, the Republic of Latvia, with registered number: 40003074590, legal address: Krišjāņa Valdemāra iela 31 , Riga, LV-1010, Latvia, telephone: +371 67021358, e-mail: pasts@possessor.gov.lv, website: https://www.possessor.gov.lv
Programme	the € 60,000,000 Fifth Unsecured Subordinated Bonds Programme comprising a set of activities intended for the issue of the Bonds within the period of this Base Prospectus being effective
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended
Purchase Orders	orders of the investors to purchase the Bonds as specified in the section entitled „*General Terms and Conditions of the Offer — Submission of Purchase Orders*"
Qualifying Purchase Orders	shall have the meaning assigned to in the section entitled „*General Terms and Conditions of the Offer —Purchase Orders and Invalid Purchase Orders"*
Relevant Amounts	the outstanding principal amount of the Bonds, together with any accrued but unpaid interest and additional amounts due on the Bonds (references to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority)
Relevant Resolution Authority	the resolution authority under the BRRD and SRM Regulation and/or entitled to exercise or participate in the exercise of any Bail-in and Loss Absorption Powers in relation to Citadele and/or Citadele Group
Series	shall mean any series of Bonds issued under the Programme
SME	small and medium sized enterprises, being entities with annual turnover of up to EUR 15 million (including a micro SME entities)
SRM Regulation	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain

	investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended
SRS	The State Revenue Service of the Republic of Latvia
Subsidiary	Company in which Citadele holds direct or indirect interests of not less than 50% or more of the shares and which is part of Citadele Group as described in the section entitled "*Overview and Business Description — Structure of Citadele Group*"
Supervisory Board	Supervisory board of Citadele, unless the context requires otherwise
Taxes	shall have the meaning assigned to in the section entitled "*General Terms and Conditions of the Bonds — Taxation*"
Tranche	tranche of Bonds of the respective Series
UN	The United Nations
United States or U.S.	The United States of America
Updated Annual Interest Rate	shall have the meaning assigned to in the section entitled "*General Terms and Conditions of the Bonds — Interest and Yield*"
Updated Issue Price	shall have the meaning assigned to in the section entitled "*General Terms and Conditions of the Bonds — Issue Date and Issue Price*"
VAT	Value added tax
Yield to Maturity	the percentage rate of return paid if the Bond is held to its Maturity Date, assuming that interest paid over the life of the Bond is reinvested at the same rate. An expected Yield to Maturity, based on the final Issue Price and the final Annual Interest Rate, will be specified in the Final Terms which will be published after allotment of the Bonds to the investors.

14. Index of Schedules

Schedule 1 -	Citadele's audited consolidated financial statements as of and for the year ended 31 December 2021 (available on Citadele's website: https://www.cblgroup.com/media/W1siZiIsIjIwMjIvMDMvMTEvNWl4bWxjOXN3c19DaXRhZGVsZV9Bbm51YWxfcmVwb3J0XzIwMjEucGRmIl1d?sha=e1c6ce4d1a23a839)
Schedule 2 -	Citadele's audited consolidated financial statements as of and for the year ended 31 December 2022 (available on Citadele's website: https://www.cblgroup.com/media/W1siZiIsIjIwMjMvMDMvMDkvM2xoczBuOWIxdV9DaXRhZGVsZV9Bbm51YWxfcmVwb3J0XzIwMjIucGRmIl1d?sha=9eabfc27316f326c)
Schedule 3 -	Citadele's audited consolidated interim financial report as of and for the six months ended 30 June 2023 (available on Citadele's website: https://www.cblgroup.com/media/W1siZiIsIjIwMjMvMDkvMTEvMW4zdnFhdm51NF9fQ2l0YWRlbGVfNm1fMjAyM19hdWRpdGVkX0VOLnBkZiJdXQ?sha=228a1569b2f6c932)
Schedule 4 -	Citadele's unaudited consolidated financial statements as of and for the year ended 31 December 2023 (available on Citadele's website: https://www.cblgroup.com/media/W1siZiIsIjIwMjQvMDIvMjgvcmpzZGF1MDloX19DaXRhZGVsZV8xMm1fMjAyM19FTi5wZGYiXV0?sha=d276f23ae032f6b3)