

## **Statement on corporate governance in 2017**

The statement of AS Citadele banka, unified registration No 40103303559, (hereinafter the Bank), on corporate governance in 2017 is prepared in accordance with the requirements of Article 56<sup>2</sup> (3) of the Financial Instrument Market Law.

### **Information on the core elements of the internal control and risk management system of the capital company that are applied in the preparation of the financial statements**

#### **Internal control**

The purpose of the internal control system is to provide justified assurance that the assets of the Bank and the Group (the Bank and the subsidiaries thereof included in the Group subject to consolidation) are ensured against loss, unauthorised management, the operational risks are identified and managed on an ongoing basis, the amount of capital is adequate to cover the inherent and probable risks of the Bank and the Group, the transactions are performed in line with the procedures prescribed at the Bank and the Group, the Bank and the Group act reasonably, prudently and efficiently in full compliance with the requirements of laws and regulations, and the drawbacks identified in the management of the Bank and the Group are eliminated.

The Management Board and the Supervisory Board of the Bank bear responsibility for the creation of the overall internal control system and the efficient functioning thereof. In order to ensure due responsibility with respect to the preparation of financial statements and the truthfulness, impartiality, explicitness and completeness of the information disclosed therein, adequate accounting methods that are described in the internal regulations are applied at the Group.

The Internal Audit Division is involved in the monitoring and assessment of the internal control system at the Bank and the Group. The reports on the internal audit results prepared by the Internal Audit Division are sent to the Bank's Management Board, Supervisory Board and the Audit Committee thereof, which inter alia oversees the efficiency of the internal control and risk management system. The Internal Audit Division performs its responsibilities in accordance with the applicable laws and regulations, the standards for the professional practice in internal auditing and the internal regulations of the Bank and the Group.

The accounting system of the Bank and the Group is aligned with the applicable laws and regulations issued by the accounting authorities. The purpose of the accounting policy of the Bank and the Group is to determine principles, methods and rules for the accounting, assessment and disclosure of transactions, facts, events and items in the financial statements. The Bank's management uses the accounting policy which ensures that the financial statements provide information reliable and useful for the users of such statements in decision taking. The present accounting policy ensures that the information disclosed in the statements of the Bank and the Group is true, comparable, timely, significant, explicit, adequate and complete. The Bank and the Group have

developed internal regulations specifying the principles for the preparation of financial reports and statements. According to the resolution of the Bank's shareholders, an audit committee oversees the process of the preparation of financial statements at the Bank/Group in line with the requirements of Law on the Financial Instruments Market and to perform other responsibilities prescribed thereto in the laws and regulations.

An independent audit of the financial statements of the Bank and the Group is performed by independent auditors who provide their opinion stating whether the financial statements of the Bank and the Group give a true and fair view of the Bank's separate and the Group's consolidated financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Risk management**

Information on the elements of the risk management system is available in AS Citadele banka's separate and the Group's consolidated annual report for the year ended 31 December 2017 and in the Risk Management and Capital Adequacy Report published on the Bank's website [www.cblgroup.com](http://www.cblgroup.com) (Section 'About us', Subsection 'Corporate governance').

The Group's consolidated and the Bank's separate report for the year ended 31 December 2017 are publicly available at AS Citadele banka's headquarters at Republikas laukums 2a, Riga, and on the website [www.cblgroup.com](http://www.cblgroup.com) in Section 'For investors', Subsection 'Financial statements'.

This statement is publicly available at AS Citadele banka's headquarters at Republikas laukums 2a, Riga, and on the website [www.cblgroup.com](http://www.cblgroup.com) in Section 'For investors', Subsection 'Financial statements'.

Riga, 21 February 2018