

Statement on corporate governance in 2018

The statement of AS Citadele banka, unified registration No 40103303559, (hereinafter the Bank), on corporate governance in 2018 is prepared in accordance with the requirements of Article 56² (3) of the Financial Instrument Market Law.

Information on the core elements of the internal control and risk management system of AS Citadele banka that are applied in the preparation of the financial statements

Internal controls

The purpose of the internal control system is to provide reasonable assurance that the assets of the Bank and the Group (the Bank consolidated with its subsidiaries) are safeguarded against loss, unauthorised use, 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 established in the Bank and the Group, the Bank and the Group act reasonably, prudently and effectively in full compliance with the requirements of laws and regulations, and the weaknesses identified in the management processes of the Bank and the Group are resolved.

The Management Board and the Supervisory Board of the Bank, which is the main entity of the Group, are responsible for creating and executing effective internal control system. Proper accounting policies, as approved by the Supervisory Board, are applied to ensure preparation of financial statements that provide true and fair view and impartiality and complete disclosure of information.

Group Internal Audit monitors and assesses the internal control system of the Bank and the Group. Group Internal Audit reports the findings and suggestions for improvements to the Bank's Management Board, Supervisory Board and the Audit Committee, which oversees the effectiveness of the internal control and risk management system. Group Internal Audit performs its responsibilities in accordance with the applicable laws and regulations, the International Standards for the Professional Practice of Internal Auditing and the internal regulations of the Bank and the Group.

The accounting system of the Bank and the Group complies with the applicable laws and regulations issued by the accounting standard setting bodies. The objective of the accounting policy of the Bank and the Group is to determine principles, methods and rules for the accounting, valuation and disclosure of transactions, facts, events and other relevant items in the financial statements. The Bank's management chooses accounting policy which ensures that the financial statements provide reliable and useful information in decision making for the financial statement users. The current accounting policy ensures that the information disclosed in the financial 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 of

preparation of financial statements. According to the resolution of the Bank's shareholders, Audit Committee also performs functions of the Council's Audit Committee as defined by law, including oversees the process of the preparation of financial statements of the Bank and the Group in line with the requirements of Law on the Financial Instruments Market and performs other legally required activities.

An independent audit of the financial statements of the Bank and the Group is performed by external auditor who provides auditor's opinion on whether the separate and consolidated financial statements give a true and fair view of the unconsolidated and consolidated financial position of the Bank and the Group, respectively, as at period end, and of their unconsolidated and consolidated financial performance and their unconsolidated and consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) 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 2018 and in the Risk Management and Capital Adequacy Report published on the Bank's website www.cblgroup.com (section 'About us', subsection 'Corporate governance').

The Group's consolidated and the Bank's separate annual report for the year ended 31 December 2018 is available on AS Citadele banka's website www.cblgroup.com in section 'For investors', subsection 'Financial statements'.

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Riga, 15 March 2019