



AS Citadele banka
(incorporated with limited liability in the Republic of Latvia)
EUR 200,000,000 Fixed / Floating Rate Notes due 2026

The issue price of the EUR 200,000,000 Fixed / Floating Rate Notes due 2026 (the "**Notes**") of AS Citadele banka (the "**Issuer**" or "**Citadele**") is 99.624 per cent. of their principal amount.

Unless previously redeemed, purchased or cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date (as defined in "*Terms and Conditions of the Notes—Interest*") falling on or nearest to 22 November 2026. The Notes are subject to redemption in whole, but not in part, at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Latvia. The Notes may also be redeemed at the option of the Issuer (subject to Condition 4(i) (*Conditions to Redemption or Repurchase*)), in whole, but not in part, on the Interest Payment Date falling on 22 November 2025 (the "**Reset Date**") at their principal amount (together with accrued interest). Subject to Condition 4(i) (*Conditions to Redemption or Repurchase*), the Issuer may, at its option, redeem all (but not some only) of the Notes in the event of a change in certain Latvian regulatory capital requirements, at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption). See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes will bear interest on their principal amount from and including 22 November 2021 (the "**Issue Date**") to but excluding the Reset Date at a fixed rate of 1.625 per cent. per annum and thereafter at a rate of interest equal to EURIBOR plus the applicable Margin as provided in Condition 3 (*Interest*). Interest will be payable annually in arrear on 22 November in each year from and including 22 November 2022 to and including the Reset Date. Thereafter interest will be payable quarterly in arrear on 22 February, 22 May, 22 August and 22 November in each year at the Floating Rate of Interest (as defined in "*Terms and Conditions of the Notes—Interest*"), as more fully described herein.

Payments on the Notes will be made in euros without deduction for or on account of taxes imposed or levied by the Republic of Latvia to the extent described under "*Terms and Conditions of the Notes—Taxation*".

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") for the purpose of giving information with regard to the issue of the Notes. The Central Bank has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**"). Such approval should not be considered as an endorsement of the Issuer or the quality of any Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. In order to make an application for the Notes to be listed on the official bond list (the "**Baltic Bond List**") of Akciju sabiedrība "Nasdaq Riga", registration number: 40003167049, legal address: Valņu 1, Riga, LV-1050, Latvia ("**Nasdaq Riga**"), the Issuer has requested the Central Bank to notify the Financial and Capital Market Commission ("**FCMC**"), as competent authority under the Prospectus Regulation in Latvia, of its approval of the Prospectus pursuant to Article 25 of the Prospectus Regulation. Application has been made to Euronext Dublin for the Notes to be admitted to the official list and trading on its regulated market (the "**Regulated Market**"). The Regulated Market is a regulated Market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "**MiFID II**"). Application will be made to Nasdaq Riga for the Notes to be admitted to listing and trading on the Baltic Bond List of Nasdaq Riga according to the requirements of Nasdaq Riga. Nasdaq Riga is a

regulated market for the purposes of MiFID II. There can be no assurance that any such admission to trading will be obtained. The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other state securities laws.

The Notes will be in bearer form and in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof, up to and including EUR 199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around 22 November 2021 (the "**Closing Date**") with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof, up to and including EUR 199,000 each and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes will be rated Baa3 by Moody's Investors Service (Nordics) AB ("**Moody's**"). The Issuer has been assigned long term deposit rating of Baa2 (stable) by Moody's. Moody's is established in the European Economic Area (the "**EEA**") and registered under Regulation (EU) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**EU CRA Regulation**"). Moody's is not established in the United Kingdom (the "**UK**") but ratings issued by Moody's will be endorsed by Moody's Investors Service Limited in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK CRA Regulation**"). As such, ratings issued by Moody's may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

From and including the Reset Date, amounts payable under the Notes are calculated by reference to the Euro Inter-bank Offered Rate ("**EURIBOR**"), which is provided by the European Money Markets Institute (the "**Administrator**"). As at the date of this Prospectus, the Administrator appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of Regulation (EU) 2016/1011 (the "**EU Benchmark Regulation**").

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Lead Managers

Citigroup

Luminor Bank AS

Nordea

UniCredit

18 November 2021

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IMPORTANT NOTICES

Responsibility for this Prospectus

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

Other relevant information

Any information sourced from third parties contained in this Prospectus has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" below (the "**Joint Lead Managers**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue of the Notes) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Unauthorised information

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Joint Lead Manager) in connection with the issue and offering of the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

Restrictions on distribution

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes and should not be considered as a recommendation by the Issuer, the Joint Lead Managers or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or; (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution**").

Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (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 Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market - Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Certain definitions

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area.

References to "**U.S.**", "**U.S. dollars**" or "**dollars**" are to United States dollars, "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

Language

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Stabilisation

In connection with the issue of the Notes, Citigroup Global Markets Europe AG (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

Historical financial statements

The financial statements relating to the Issuer and its consolidated subsidiaries (the "**Group**") and incorporated by reference in this Prospectus are:

- the audited condensed consolidated interim financial statements as at and for the six months ended 30 June 2021 (the "**Interim Financial Statements**");
- the audited consolidated financial statements as at and for the year ended 31 December 2020 (the "**2020 Financial Statements**"); and
- the audited consolidated financial statements as at and for the year ended 31 December 2019 (the "**2019 Financial Statements**" and, together with the 2020 Financial Statements, the "**Annual Financial Statements**").

The Annual Financial Statements and the Interim Financial Statements are together referred to as the "**Financial Statements**". The Annual Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as adopted by the European Union (the "**EU**"). The Interim Financial Statements have been prepared in accordance with international financial reporting standard IAS 34 "*Interim Financial Reporting*", as adopted in the EU and in accordance with IFRS as adopted by the EU.

The Issuer's financial year ends on 31 December and references in this Prospectus to "**2020**" and "**2019**" are to the 12 month period ending on 31 December in each such year.

Auditors

Each of the Financial Statements have been audited by KPMG Baltics AS, independent auditors ("**KPMG**"), in accordance with International Standards on Auditing, who have issued an unqualified report on each of the Financial Statements.

Certain non-IFRS financial information

This Prospectus includes references to capital, leverage and certain other ratios. Although these ratios are not IFRS measures, the Group believes that the capital and leverage ratios in particular are important to understanding its capital and leverage position, particularly in light of current or planned future regulatory requirements to maintain these ratios above prescribed minimum levels. Certain of these ratios also constitute Alternative Performance Measures ("**APMs**"), as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. See "*Selected financial information—Selected consolidated ratios and APMs*". None of this financial information is subject to any audit or review by independent auditors.

The ratios referred to above should not be used instead of, or considered as alternatives to, the Group's historical financial results based on IFRS. The non-IFRS measures relate to the reporting periods presented in this Prospectus and are not meant to be predictive of future results. They are not defined under, or presented in accordance with, IFRS. Management uses APMs because the Issuer believes that these measures are commonly used by lenders, investors and analysts. The Issuer's use of the APMs and its method of calculating APMs may vary from other companies' use and calculation of such terms. These measures are presented for purposes of providing investors with a better understanding of the Group's financial performance, cash flows or financial position as they are used by the Issuer when managing its business.

PRESENTATION OF OTHER INFORMATION

Currencies

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in euro. The Group's functional currency is euro and the Group prepares its financial statements in euro.

No incorporation of website information

The Issuer's website is www.cblgroup.com. Unless specifically incorporated by reference into this Prospectus, information on this website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified, is not incorporated by reference into, and does not form part of, this Prospectus, and investors should not rely on it.

Rounding

Certain data in this Prospectus has been rounded. As a result of such rounding, the totals of data presented in tables in this Prospectus may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

INFORMATION INCORPORATED BY REFERENCE

The documents set out below shall be deemed to be incorporated in, and to form part of, this Prospectus **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supercedes such statement.

1. **AS Citadele banka 2019:** the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 31 December 2019 prepared in accordance with IFRS (set out on pages 15 to 79 of the 2019 annual report of the Issuer) (available at: <https://www.cblgroup.com/media/W1siZiIsIjIwMjAvMDMvMTYvMzl6M2pkNHNpbV9Bbm5lYWxfcmVwb3J0XzlwMTkucGRmlld?sha=7bb4009bc610cd95>);
2. **AS Citadele banka 2020:** the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the year ended 31 December 2020 prepared in accordance with IFRS (set out on pages 16 to 82 of the 2020 annual report of the Issuer) (available at: <https://www.cblgroup.com/media/W1siZiIsIjIwMjEvMDMvMTYvMzI1NmZkb19Bbm5lYWxfcmVwb3J0XzlwMjAucGRmlld?sha=6bb4463ced6107a2>); and
3. **AS Citadele banka H1 2021:** the audited condensed consolidated interim financial statements of the Issuer and related notes as of and for the six months ended 30 June 2021 (set out on pages 12 to 48 of the interim report January – June 2021 of the Issuer (available at: <https://www.cblgroup.com/media/W1siZiIsIjIwMjEvMDgvMjAvOGNtc3p3cnFld19DaXRhZGVsZV82bV8yMDIxX0VOLnBkZiJdXQ?sha=b79d272fbd031623>).

The Financial Statements will be made available, free of charge, during usual business hours at the specified offices of the Fiscal Agent and on the website of the Issuer at <https://www.cblgroup.com/en/investors/financial-reports/> unless such documents have been modified or superseded.

This Prospectus will be available, in electronic format, on the website of Euronext Dublin (www.euronext.com/en/markets/dublin).

Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website of the Issuer does not form part of this Prospectus.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	AS Citadele banka
Joint Lead Managers:	Citigroup Global Markets Europe AG Luminor Bank AS Nordea Bank Abp UniCredit Bank AG
The Notes:	EUR 200,000,000 Fixed / Floating Rate Notes due 2026
Issue Price:	99.624 per cent. of the principal amount of the Notes.
Issue Date:	22 November 2021.
Interest:	The Notes will bear interest on their principal amount from and including the Issue Date to but excluding the Reset Date at a fixed rate of 1.625 per cent. per annum and thereafter at a rate of interest equal to EURIBOR plus the applicable Margin as provided in Condition 3 (<i>Interest</i>).
Interest Payment Dates:	Interest will be payable annually in arrear on 22 November in each year from and including 22 November 2022 to and including the Reset Date. Thereafter interest will be payable quarterly in arrear on 22 February, 22 May, 22 August and 22 November in each year.
Status:	The Notes are senior, unsecured, unsubordinated, direct and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and (i) equally with all present and future claims arising from debt instruments where the principal amount of the liabilities under the provisions governing such debt instruments are wholly subordinated to claims arising from the excluded liabilities referred to in Article 72a(2) 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 ("CRR") (as provided for in paragraph 3 ¹ of Article 139 ³ of the Credit Institutions Law (in Latvian – <i>Kredītiestāžu likums</i>) (the "CIL")) but not otherwise subordinated; (ii) junior to: (A) all present and future claims referred to in Article 139 ² and paragraphs 1 and 3 of Article 139 ³ of the CIL;

- (B) all excluded liabilities referred to in Article 72a (2) of CRR (as provided for in paragraph 3¹ of Article 139³ of the CIL);
- (iii) senior to all present and future claims ranking or expressed to rank junior to the Notes (to the extent allowed under applicable law) or that have such lower ranking pursuant to applicable law, including, but not limited to, unsecured claims resulting from non-preferred debt instruments of the Issuer as provided for in paragraph 3², of Article 139³ of the CIL and certain other unsecured claims as provided for in paragraphs 4, 5, 6 and 7 of Article 139³ of the CIL.

Form and Denomination:

The Notes will be issued in bearer form in the denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000, each with interest coupons attached.

The Notes will initially be in the form of a Temporary Global Note, without interest coupons, which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Notes will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of EUR 100,000 each and integral multiples of EUR 1,000 in excess thereof, up to and including EUR 199,000 and with interest coupons attached.

The Temporary Global Note and the Permanent Global Note are to be issued in new global note form.

Waiver of Set-Off:

No Noteholder may at any time exercise or claim any Set-Off Rights against any right, claim or liability of the Issuer or that the Issuer may have or acquire against such Noteholder, directly or indirectly and howsoever arising (and including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any kind or any non-contractual obligation, whether or not relating to the Notes) and each Noteholder shall be deemed to have waived all Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any amount payable by the Issuer in respect of, or arising under or in connection with, any Note to any holder of such Note is discharged by set-off or any netting, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer and, accordingly, any such discharge shall be deemed not to have taken place.

Final Redemption:	Unless previously redeemed, purchased or cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling on or nearest to 22 November 2026.
Optional Redemption:	The Issuer may, at its option, redeem the Notes (subject to Condition 4(i) (<i>Conditions to Redemption or Repurchase</i>)) in whole, but not in part, on the Reset Date (as defined in the Conditions) at their outstanding aggregate principal amount together with accrued interest, as described under Condition 4(c) (<i>Redemption at the option of the Issuer</i>).
Early Redemption:	<p>Upon the occurrence of a Withholding Tax Event, the Issuer (subject to Condition 4(i) (<i>Conditions to Redemption or Repurchase</i>)) may, at its option, redeem the Notes in whole but not in part at any time at their principal amount, together with interest accrued (if any) to the date fixed for redemption as described in Condition 4(b) (<i>Redemption for tax reasons</i>).</p> <p>Upon the occurrence of a MREL Disqualification Event, the Issuer (subject to Condition 4(i) (<i>Conditions to Redemption or Repurchase</i>)) may, at its option, redeem all (but not some only) of the Notes at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption) as described in Condition 4(d) (<i>Early Redemption as a result of an MREL Disqualification Event</i>).</p>
Substitution and Variation:	The Issuer may substitute or vary the terms of all (but not some only) of the Notes as provided in Condition 13 (<i>Substitution and Variation</i>) (including changing the governing law of Condition 16 (<i>Acknowledgement of Bail-in and Loss Absorption Powers</i>)) without any requirement for the consent or approval of Noteholders.
Taxation:	All payments of interest only in respect of the Notes and Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Latvia or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 6 (<i>Taxation</i>).
Events of Default:	The Notes provide for events of default in certain circumstances, but do not contain a cross-default or cross-acceleration provision.
Rating:	The Notes will be rated Baa3 by Moody's. Moody's is established in the EEA and registered under EU CRA Regulation. Moody's is not established in the United Kingdom but ratings issued by Moody's will be endorsed by Moody's Investors Service Limited in accordance with the UK CRA Regulation. As such, ratings issued by Moody's may be used for regulatory purposes in the United Kingdom in accordance with the UK CRA Regulation.
Governing Law:	The Notes, the Agency Agreement and the Subscription Agreement will be governed by English law except for Condition

2 (*Status*) and Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*), which shall be governed by Latvian law.

- Listing and Trading:** Application has been made to Euronext Dublin for the Notes to be admitted to the official list and to trading on the Regulated Market.
- Application will be made to Nasdaq Riga for the Notes to be admitted to listing and trading on the Baltic Bond List of Nasdaq Riga according to the requirements of Nasdaq Riga.
- Clearing Systems:** Euroclear and Clearstream, Luxembourg
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering materials in the United States of America, the European Economic Area and the United Kingdom, see "*Subscription and Sale*".
- Risk Factors:** Investing in the Notes involves risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.
- Financial Information:** See "*Description of the Issuer—Selected Financial Information*".
- Use of Proceeds:** The net proceeds of the issue will be used by the Issuer for general corporate purposes.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industries in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

RISKS RELATING TO THE GROUP

Economic and Market Environment Risks

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

The 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 the Group's revenue is predominantly generated. Weakening of global macroeconomic conditions, domestic macroeconomic imbalances, recessions, global financial market turmoil and volatility, similar to the 2008-2009 financial crisis or that caused by the COVID-19 pandemic (see "Risk Factors - Economic and Market Environment Risks - The outbreak of COVID-19 has negatively affected the global, Latvian and Baltic states' economies and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of the Group and/or its clients"), have in the past affected and may continue to affect the Group's business, financial performance and the activity level and behaviour of the Group's customers as well as the banking sectors in the Baltic States generally. External economic factors have in the past affected and may continue to affect the Group in the future. These include high unemployment levels, reduced consumer and government spending levels, government monetary and fiscal policies, inflation rates, 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, commodity prices and interest rates, real estate prices and changes in customer behaviour. Furthermore, other factors or events may affect the Baltic, European and global economic conditions, such as heightened geopolitical tensions, war, acts of terrorism, natural disasters or other similar events outside the Group's control.

Following the global financial crisis in 2008 and 2009, a number of countries in Europe have experienced increasing debt levels and a lack of economic growth. The COVID-19 pandemic has further elevated government debt levels. Lower private consumer spending, lower household purchasing power, high rates of unemployment, reduction of business profitability and increased insolvency of companies and/or households have, since 2009, contributed to slow gross domestic product ("GDP") growth in many European countries. Certain of these factors arising from the global financial crisis (particularly those impacting Commonwealth of Independent States ("CIS") countries) have resulted in a reduced demand for financial products and services and deterioration in the asset quality of the Group and have negatively influenced the Group's customers' capacity to repay loans resulting in increased loan impairment charges, in particular prior to 2013. Although the Baltic States have been in a period of economic recovery following the global financial crisis, the rate of growth in these countries, like many others in the European Union ("EU"), has been slower than that before the global financial crisis. In addition, due to their relatively small and open economies, the Baltic States remain exposed to regional or global economic or macroeconomic events to a greater extent than many other nations making Baltic states more vulnerable to escalations in trade tensions. Domestically, Baltic States' shrinking labour force and declining population are factors that could affect potential GDP growth over the medium to long term.

Following the adoption of the Euro by Estonia, Latvia and Lithuania on 1 January 2011, 2014 and 2015, respectively, the Baltic States are currently all members of the Eurozone and are thus affected by economic and macroeconomic developments in the Eurozone.

The 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. Consequently, a market downturn or a worsening of the Baltic, European or global economies may negatively impact the value of the Group's assets, the ability of its clients to meet financial obligations and could cause the Group's loan impairment charges to rise, any of which may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows, and limit the Group's ability to implement its business strategy.

The outbreak of COVID-19 has negatively affected the global, Latvian and Baltic states' economies and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of the Group and/or its clients

The COVID-19 pandemic has caused significant disruption in the economy and financial markets globally, as well as in Latvia and the other Baltic States. Within Latvia and many of its important trading partners, the spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business shutdowns, reduction in business activity and financial transactions, labour shortages, supply chain interruptions and overall economic and financial market instability. The ongoing COVID-19 pandemic continues to evolve as different variants are identified and, to date, has resulted in the implementation of significant measures by the Latvian Government intended to control and mitigate the economic impact of the outbreak.

Latvia's economy contracted by 3.6 per cent. in 2020. The gradual lifting of containment measures as a result of progression made in the implementation of vaccination programmes is expected to result in the recovery of economic activity. In the second quarter of 2021, GDP in Latvia returned to pre COVID-19 levels as GDP grew by 10.3 per cent. compared to corresponding period of the previous year (according to preliminary data). However, on 9 October 2021 the Latvian Government declared a further state of emergency in Latvia for three months from 11 October 2021 until 11 January 2022, including restrictions on gatherings and requirements for people to work remotely. This was as a result of the rapid increase in people infected with COVID-19 and low vaccination levels in Latvia. On 21 October 2021, further extraordinary measures were adopted until 14 November 2021, including an overnight curfew and stricter restrictions on people's movements.

The recovery in the global economy is also uneven and incomplete, and significant uncertainty remains. Economic recovery is dependent on the successful implementation of vaccine programmes, and vaccine resistant strains of COVID-19 not emerging. This is against the background of economies generally being less stable as public debt in Latvia, the Baltic States and globally has increased significantly due to support and spending measures implemented by government authorities to mitigate the impact of the measures taken to control COVID-19 outbreaks.

Several financial institutions worldwide, including the Group, have taken unprecedented steps as part of the measures adopted to limit the spread of COVID-19, such as having the vast majority of their employees work remotely. An outbreak of the virus amongst the Group's employees or within its offices, branches and other premises, or any quarantines affecting the Group's employees, may reduce the Group's ability to carry out operations as usual.

Furthermore, the current COVID-19 pandemic and any potential future outbreaks may also have a material adverse effect on the Group's counterparties and/or clients, which could result in increased default risk in the performance of the obligations of the Group's counterparties and/or clients towards the Group and ultimately expose the Group to an increased number of defaults and insolvencies amongst its counterparties and/or clients, and increase the provisioning requirements of the Group.

Further measures implemented by the Latvian Government or adopted by the Group at its own initiative in order to mitigate the impact of the ongoing outbreak may affect the Group and it is not possible at this stage to assess all the specific measures that may be implemented to contain the effects of the COVID-19 pandemic. As of 30 June 2021, COVID-19 restructured loans were EUR 184 million (7 per cent. of the total gross loans), out of which loans amounting to EUR 164 million have returned to the initial payment

schedule. Loans amounting to EUR 20.5 million were delinquent and loans amounting to EUR 21.2 million has been restructured for the second time as of 30 June 2021.

Any of these factors, whether resulting from the current or any further outbreaks of COVID-19, including as a result of the unsuccessful implementation of vaccine programmes or the emergence of vaccine resistant strains of COVID-19, may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows, and may limit the Group's ability to implement its business strategy.

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

The Group faces significant competition from both foreign and domestic banks in all Baltic States. According to data published by the FCMC, as of 30 June 2021, there were 13 banks and 3 branches of foreign banks operating in Latvia. High level of competition in Latvia, Lithuania or Estonia may have a material adverse effect on the 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, the Group may lose market share if its competitors seek to expand and it is unable to effectively compete. The Group may be unable to offer new products or services at the same rate or level of profitability as its competitors, and the Group may be unable to enhance its existing products or services before or in line with its competitors. The 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, the Group's ability or desire to match such rates, particularly in relation to its corporate loan products, would be limited.

In addition to the competitive threat posed by traditional banks, the Group also faces competition from a number of small, independent financial technology companies from both the Baltic States as well as 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.

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

The Group may be adversely affected by changes in market interest rates

Market interest rates remain low in most of the countries where the Group operates, particularly in the Eurozone. Changes in market interest rates are influenced by a number of factors outside of the Group's control, including the fiscal and monetary policies of governments and central banks, such as the European Central Bank ("ECB"), and international political and economic conditions. Market interest rates may change in ways that the Group is unable to foresee, predict or adequately manage, and may have a disproportionate or different effect on the 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 the Group's interest income from its loan and securities portfolios. As of 30 June 2021, the vast majority of the Group's loan portfolio consists of floating rate loans, whereas the majority of the Group's securities portfolio consists of fixed rate instruments. Changes in market interest rates also have a material impact on the Group's interest expense, particularly with respect to the interest rates it pays on its customer deposit base. As the Group derives the majority of its total income from net interest income, changes in market interest rates may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

An increase in market interest rates may increase the interest expense that the Group is required to pay in order to (i) preserve liquidity by holding cash at the Bank of Latvia 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. In addition, an increase in market interest rates would have an immediate negative impact on Citadele's shareholders' equity due to the revaluation of the Group's fair valued securities portfolio, as well as a potential future negative impact on the Group's income statement upon the sale of an affected security. The offsetting positive impact of increased interest income from the Group's loan portfolio due to an

increase in interest rates on loans following any increase in market interest rates would not take effect for up to six months for each relevant loan due to delays in interest rate changes on individual loans, which are typically tied to six-month EURIBOR rates. However, the greater the increase in interest rates on loans, the greater the risk that borrowers would be unable to remain current with their increased payments and that increased interest income would be offset by increased default and impairment rates on the Group's loan portfolio. As a result, an increase in interest rates could reduce the Group's net interest margin and could have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

Risks relating to the Group's business

The Group may not be able to successfully implement its business strategy

The Group may not successfully implement its business strategy. According to its business strategy, the Group aims to become the leading local bank of choice for individuals and businesses in each of the Baltic States. There is no guarantee that the Group will be successful in implementing all or any part of its business strategy, and any such implementation may be less effective, less profitable and/or less rapid than the Group anticipates. The successful implementation of the Group's business strategy is subject to a number of challenges and risks, including the Group being unable to:

- become the primary bank of choice for mobile active retail customers in the Baltic States, in particular as a result of a failure by the Group to increase the number of new and existing customers that use Citadele as their primary bank, 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 the 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 while maintaining existing risk levels;
- successfully develop its SME and Corporate segments in the Baltic States, which are focused on small and medium-sized enterprises ("SMEs"), in particular, as a result of a failure by the Group to increase its product and service penetration in the SME segment, retain client relationships with SMEs that grow into larger, more complex businesses or maintain or grow its revenue levels in the SME and Corporate segments;
- drive revenue growth from its existing SME and Corporate customer base, in particular as result of a failure by the 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 segments;
- expand its Leasing segment in the Baltic States, in particular as a result of a failure by the 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;
- 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 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 the 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 the minimum capital requirements imposed by the FCMC.

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

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

Although the Group takes steps and has systems in place to manage the risks to which it is exposed, there can be no assurance that the 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 the Group has not yet identified, anticipated or been made aware of, and the impact of such risks, including any subsequent losses for the Group, may be far greater than the impacts that the Group has otherwise anticipated. The risk management systems adopted by the Group may not be fully effective or consistently applied to mitigate the 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 the Group's approach to risk management, including as a result of identifying new risks, may result in a higher impairment level for certain of the Group's assets, which in turn may adversely affect the Group's profitability. The estimation of impairment levels 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. The Group relies on quantitative models (including the IFRS 9 model) as well as expert judgement to determine estimated impairment allowances. Under requirements of IFRS 9 rules, the Group calculates collective impairment losses based on the probability of default ("PD") for a given loan portfolio and the loss given default ratio ("LGD") for the loan portfolio, which describes the average expected credit loss if an obligor in the loan portfolio defaults. To determine its PD and LGD estimates, the Group employs a combination of statistical analyses including segment-specific statistics and management judgement. The Group may not have accurately identified impaired loans or estimated the scope of loan impairments across its loan portfolio, which may result in the Group's loan portfolio performing significantly below the Group's expectations. Actual credit losses may materially differ from reported impairment levels due to a number of factors, including factors that are inherently uncertain, such as international and local economic conditions, borrower specific factors, industry and market trends, interest rates, unemployment rates, an outbreak such as the COVID-19 outbreak and other external factors.

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

Citadele may fail to correctly evaluate the credit risk and collateral value of its security

At the initial lending stage as well as during the life of a loan, the Group's credit risk evaluation and collateral valuation models and processes may not accurately reflect the underlying risk of specific borrowers or the underlying value of their collateral, and the quality of the Group's loan portfolio may deteriorate for reasons that are beyond its knowledge or control. Financial models (which are typically financial representations illustrating likely financial results based on specific financial assumptions) help inform the Group of 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 as well as Citadele's risk exposure. These financial models also generally require Citadele to make assumptions, judgements and estimates which, in many cases, are inherently uncertain, including 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. 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's assets, an increase in Citadele's liabilities or an increase in Citadele's risk exposure, any of which may have a material adverse effect on Citadele's financial condition, results of operations and prospects. Any failure by the Group to accurately assess the credit quality of its loan portfolio or the value or enforceability of its associated collateral may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

Potentially heightened credit risk exposure by lending to SME and micro SME customers

Lending to SME and micro SME customers generally carries a greater risk of credit exposure than lending to larger corporate customers. Loans to these customers are often more difficult to accurately price because these customers are generally less financially stable than larger corporate customers and generally have less available credit history. In particular, the financial condition of some of the Group's SME and micro SME customers is difficult to assess and predict, and some of these borrowers have no or very limited credit history. Financial instability within the Baltic States as well as the consequences of the COVID-19 pandemic may affect these customers more significantly than it would affect larger corporate customers (see "*Risk Factors - Economic and Market Environment Risks - The outbreak of COVID-19 has negatively affected the global, Latvian and Baltic states' economies and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of the Group and/or its clients*"). In the case of wider regional or global financial instability (such as a renewed credit crisis or global recession), the Group may suffer higher losses in connection with its SME and micro SME loans due to the greater likelihood of SME or micro SME customers going out of business, which may lead to increases in overdue payments and reduce the ability of such customers to service their debts. Any failure by the Group to accurately assess the credit risk and loan performance of its SME and micro SME customers may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group's loan portfolio is concentrated with certain borrowers and industry sectors, and its securities portfolio is concentrated in Latvian and Lithuanian government bonds

The Group's current loan portfolio is concentrated with certain borrowers and sectors of the Baltic economy. The Group's loan portfolio currently has substantial credit exposure to the manufacturing and real estate investment and management sectors in Baltics. As of 30 June 2021, the real estate investment and management sector constituted 17 per cent. (25 per cent. and 27 per cent. as of 31 December 2020 and 31 December 2019, respectively) and the manufacturing sector 16 per cent. (17 per cent. and 15 per cent. as of 31 December 2020 and 31 December 2019, respectively) of the Group's total loan portfolio to customers other than private individuals. In the event of economic developments adversely affecting the Group's customers in those sectors, or if any such customers were to move or reduce their business with the Group or were to experience financial difficulties or other difficulties servicing their loan obligations, the performance of the Group's loan portfolio may be materially and adversely affected, which may in turn have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows. Furthermore, Citadele's exposure to the leasing sector has significantly increased following the completion of the acquisition of Unicredit's Baltic leasing operations on 4 January 2021, which included a lease portfolio of more than EUR 850 million. Following this acquisition, Citadele's aggregate net leasing loans exceed EUR 1.0 billion. As a result, Citadele is now one of the three largest players in the Latvian leasing market.

The Group's securities portfolio is concentrated in Lithuanian and Latvian government bonds. As of 30 June 2021, 33 per cent. and 23 per cent. of the Group's securities portfolio consisted of Lithuanian and Latvian government bonds, respectively. As a result of this concentration, the Group's securities portfolio is particularly exposed to any default by the Latvian or Lithuanian states. 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 the Group's fixed income portfolio. Similarly, any credit default by any other country to which the Group has a direct credit exposure may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows. While the vast majority of the securities in the 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 the 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 the Group determines for its securities portfolio accurately reflect the underlying value of such instruments. In addition, the fair values of the Group's securities portfolio may change rapidly and unexpectedly based on movements in the markets to which the Group's securities portfolio is exposed, even if the Group believes that the underlying value of the securities has not changed. Any decrease in the value, liquidity or fair values of the Group's securities portfolio may require the Group to acquire additional sources of liquidity or capital and may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group's business, prospects, financial condition, results of operations or cash flows may be affected by liquidity risks

The Group's business is subject to liquidity risk and may be materially and adversely affected by events beyond its control, including regional or global economic or macroeconomic events or events that cause harm to the Group's reputation, including a significant and unexpected withdrawal of customer deposits.

The Group's strategy is to be funded predominantly by customer deposits. Customer deposits currently represent, and are expected to continue to represent, the predominant source of the Group's liquidity, and the Group is substantially dependent on its ability to attract and retain customer deposits at favourable interest rates in order to provide sufficient liquidity for its operations. The Group may not be able to attract and retain customer deposits at the same volume or cost that it currently enjoys. The interest rates that the Group offers on customer deposits are not only affected by current market interest rates, but are also dependent on the 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. In addition, recent low interest rates on customer deposits in the Eurozone have led to an increase in the Group's demand deposits and a corresponding decrease in its fixed-term deposits, which has heightened the potential volatility of the Group's customer deposit base. If money market interest rates set by central banks reach significantly negative levels, the Group may be forced to pass this cost on to its customers. This may result in customers withdrawing funds which may have an adverse effect on the Group's funding position. There can be no assurance that customers will not withdraw their funds at a rate faster than the rate at which borrowers repay their loans with the Group, which may have a material adverse effect on the Group's liquidity, business, prospects, financial condition, results of operations or cash flows.

Citadele regularly stresses the potential outflows it may face under different scenarios. The Group regularly runs an internal liquidity adequacy assessment process ("**ILAAP**") evaluating current and expected liquidity and funding needs. However, high deposit outflows often occur suddenly, and the Group may not be able to foresee, predict or adequately manage the impact of such events. If the Group is unable to attract or retain sufficient customer deposits to meet its funding needs, the Group may need to seek alternative sources of funding, such as the interbank or capital markets, which, if they are available at all, may be more expensive and result in decreased interest margins and profitability for the Group. While the Group may seek to issue new debt or raise new loans, there is no guarantee that it will be able to do so at favourable interest rates or at all. The 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 the Group, sentiment towards the Latvian economy or the economies of the other Baltic States, and the credit rating of Citadele and the financial condition, performance and prospects of the Group.

Any reduction in available liquidity for Citadele's customers, failure by the Group to attract and retain sufficient customer deposits or inability to access additional sources of funding at favourable interest rates may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group is exposed to a risk of counterparty default that arises, for example, from entering into swaps or other derivative contracts under which counterparties have financial obligations to make payments to the Group

The Group is exposed to credit risk as a result of its banking relationships with multiple credit institutions which it maintains in order to process customer transactions in a prompt and efficient manner. The Group manages its exposure to commercial banks and brokerage companies by monitoring on a regular basis the credit ratings of such institutions, conducting due diligence of their credit profiles and monitoring the individual exposure limits applicable to counterparties set by the Financial Market and Counterparty Risk Committee ("**FMCRC**"). The Group's exposures to derivative counterparties arise from its activities in managing liquidity and credit risks through short term derivatives that do not expose it to material counterparty risk. The Group's financial instruments derivative portfolio consists of foreign exchange swaps and forwards. As of 30 June 2021, the net value of the Group's derivatives was EUR 3.9 million and EUR 1.1 million in assets and liabilities respectively. A default by, or even concerns about the financial resilience of, one or more financial services institutions could lead to systemic liquidity problems, or losses or defaults by other financial institutions, which could have a material and adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group is exposed to operational risk

The 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. The 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. Such fraud or misconduct may arise or persist as a result of the failure or inadequacy of the 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.

The scope of the operational risks associated with the Group's employees 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 the Group, in addition to the risk that the 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 (notwithstanding the Group's best efforts to prevent this). 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 the Group's internal risk management procedures, monitoring systems for foreign exchange transactions and control procedures on bond limits could also result in the Group inadvertently entering into binding transactions that exceed authorised limits. There is also a risk of sudden stoppages in the Group's systems due to unexpected severe internal or external operational risk event(s), which may result in critical service disruptions, negatively impact the Group's reputation and result in severe financial losses.

Any failure or interruption in or breach of the Group's information technology systems may result in lost business and other losses

The Group relies heavily on its IT systems and security to conduct its business and protect its data. While the Group has invested substantial resources in upgrading its IT systems and security, the 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, Office of Foreign Assets Control ("OFAC") sanctions filters or improper use of personal data. In addition, any maintenance and upgrade programme may be more expensive or more time-consuming than the Group anticipates. Failure to maintain and upgrade the Group's existing IT systems may place the Group at a competitive disadvantage relative to competing banks and other financial organisations in the Baltic States, may adversely affect the confidence the Group's customers have in its IT systems and may limit the Group's ability to attract and retain new customers or customer deposits, any of which may in turn have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

Any disruption in the functionality or data integrity of the Group's IT systems could, among other things, lead to the misappropriation of funds of the Group's customers or the Group itself, impair the 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 or losses. The 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. The Group's IT systems may also be disrupted by factors beyond its control, such as faults arising from cables or connections upon which the Group's systems are reliant or as a result of attempts by third parties to breach the Group's IT security and infiltrate its IT networks or otherwise adversely affect its online operations, data or functionality, for example, by way of hacking, viruses, malware, denial-of-service attacks and other wrongdoing. In particular, the Group and its clients may be vulnerable to cyber-attacks or other acts of a malicious nature which may compromise the security of its servers, data and systems and disrupt the flow of funds to and from the bank. The 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 cyber-attacks which may also compromise the IT security, customer data protection and operations of the Group.

Although the Group has backup and disaster recovery systems in place, if the Group's IT systems fail, whether for a short period of time or due to a longer outage, such as following the occurrence of a natural disaster or for some other reason, the 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 the Group incurring substantial additional costs and may result in the loss of a substantial number of the Group's customers. In addition, IT system failures may result in reputational damage to the Group if customers perceive that the Group's IT systems are less secure or less reliable than those of its competitors and could lead to violations of regulations regarding data protection and/or other regulations, exposure to fines, litigation, reimbursement and compensation payments, and additional regulatory compliance expenses. The Group's exposure to these risks has increased in recent years due to the Group's strategy of expanding its range of digital services via mobile and online channels. Any failures of the Group's IT systems or outsourced IT systems may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group is exposed to reputational risk

Reputational risk can, above all, be attributed to the materialisation of other risks, such as operational, strategic or compliance risks. The Group mitigates reputational risk by carrying out regular risk management training as well as by continually improving the Group's risk management framework, thus ensuring a strong risk culture. However, the measures taken by Citadele may prove to be ineffective or insufficient and further, in addition to factors directly attributable to Group companies and their employees, the reputation of the Group is affected by circumstances beyond the control of the Group, such as information circulating in the media. Any deterioration of the Group's reputation in the eyes of its customers, business partners, owners, employees, investors or supervisory authorities may have a material adverse effect on the Group's operations, financial condition and results of operations.

In April 2020, Citadele and FCMC signed an administrative agreement on the audit of Citadele carried out by the FCMC during 2018. The scope of the audit was the compliance of Citadele with applicable anti-money laundering ("AML")/countering of terrorist financing ("CTF") legislation. The agreement formalises the required actions that Citadele has committed to take to further improve its systems and procedures with respect to AML/CTF compliance, including an additional investment in Citadele's internal control systems. Citadele has independently and of its own initiative developed a remediation plan to improve its internal control systems with respect to AML/CTF compliance (the "**Remediation plan**"). The Remediation plan was implemented to deliver on improvements required by the FCMC. Citadele has complied with the agreed timeline and has taken all required actions according to the Remediation plan. However, if Citadele in the future fails to comply with reporting requirements or other AML or CTF regulations, its reputation, business, prospects, financial condition, results of operations or cash flows could be materially adversely affected.

The Group is dependent on a restricted number of payment service providers

The Group is highly dependent on a few of its counterparties, which provide liquidity for various ordinary course operations. Despite the issues that have arisen in the financial sector of the Baltic region over the last few years, the Group has managed to maintain its relationship with Citibank N.A., which has enabled it to process payment transactions and payment card settlements from the end of 2018 without interruption and without limitations. Nevertheless, certain U.S. dollar payment transactions are limited by the Group as an internal operational matter for risk management reasons. In the event Citibank N.A. decided to withdraw from the Baltic States and the Group was unable to establish an alternative U.S. dollar correspondent bank relationship the Group may experience difficulties in processing customer payments, although the Group does have limited alternative correspondent bank relationships in place for the execution of certain U.S. dollar transactions. In particular, any inability to maintain the necessary correspondent bank relationships may affect the Group's wealth management business and Corporate segment if customers perceive that Citadele 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 the 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 the Group may experience in maintaining its correspondent bank relationships, could, therefore, have a material adverse effect on the 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

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 the 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 the Group's financial condition could cause downgrades which could adversely affect Citadele's liquidity and competitive position, undermine confidence in the 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 the Group's future performance. Any change in the credit ratings of Citadele or the Baltic States may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group's operations expose it to foreign exchange risk

While the majority of the Group's product offerings and transactions are denominated in Euro, it does provide products in other currencies, including U.S. dollars and, to a lesser extent, the Swiss Franc. Citadele does not assume significant foreign exchange exposures for profit taking purposes and has low tolerance to foreign exchange risk in general. However, in some transactions with customers and other financial institutions, the credit risk exposure is strongly correlated with foreign exchange movements, which can translate into losses in extreme scenarios. Furthermore, exchange rate fluctuations could impact the Group's financial results due to the fact that its financial results are reported in EUR. Any failure by the Group in managing changes in foreign exchange rates, particularly if such changes are sudden or unforeseen, or significant increase in the Group's risk appetite with respect to foreign exchange risk may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

Regulatory, Tax and Legal Risks

The Group is exposed to risks arising from changes in the prudential regulatory environment

The Group, like other financial institutions operating within the EU, faces increasing risks associated with an uncertain and rapidly changing 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. While the Group is 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. Effective management of the Group's capital is critical to the success of its commercial operations and the implementation of its business strategy. Citadele's Management Board sets its internal capital targets after assessing the risk profile of the business, market expectations and regulatory requirements. If regulatory requirements as to capital levels increase, driven by, for example, new regulatory measures, the Group may be required to comply with increased capital ratios, e.g., due to changes in capital buffer requirements or individual assessment made by the Joint Supervisory Team ("JST") on an annual basis.

In addition to the minimum capital adequacy ratios as set by Regulation (EU) No. 575/2013 on the prudential requirements for credit institutions and investment firms, as amended, supplemented or replaced from time to time, including as amended by Regulation (EU) No. 876/2019 (as amended by Regulation (EU) No. 2020/873) ("CRR"), the Group currently has to comply with a 2.3 per cent. regulatory Pillar 2 requirement, 2.5 per cent. capital conservation buffer, 1.5 per cent. other systemically important institution (OSII) capital buffer, and 0.0 per cent. countercyclical capital buffer (as of 30 June 2021), which represents a countercyclical buffer based on Citadele's risk exposure by virtue of the Group's geographical distribution in the respective countries in which it operates. In order to meet its projected capital adequacy requirements, the Group has assumed that its net profits available for distribution will be included as part of its Common Equity Tier 1 ("CET 1") capital. By their very nature, profits may be volatile and unpredictable, and there is no guarantee that the Group will be able to achieve the net profits that it anticipates in the future. The Group may also need to increase its capital level in response to changing market conditions or expectations. If the 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 the Group's business, prospects, financial condition, results of operations or cash flows. Any change that limits the Group's ability to effectively manage its capital (including, for example, reductions in profits and

retained earnings as a result of credit losses, write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets, or the inability to raise capital or funding through wholesale markets as a result of market conditions or otherwise) may have a material adverse effect on the Group's business, prospects, financial condition, results of operations, liquidity or cash flows.

The Group's future borrowing costs and capital requirements could be affected by prudential regulatory developments. These might include: (i) implementing various proposals of the Basel Committee in the EU and amending and supplementing the existing CRR and Directive 2013/36/EU ("**CRD**") framework and other regulatory developments impacting the Group's capital position; and (ii) Directive 2014/59/EU (the "**BRRD**"), each as amended, supplemented or replaced from time to time. 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 (which is the overall objective of the CRR/CRD, Basel III and the BRRD), any such regulatory developments may have a material adverse effect on the Group's business, prospects, financial condition, results of operations and cash flows.

The capital requirements and required buffers under the CRR/CRD were fully phased-in in 2019. The CRR/CRD requirements adopted in Latvia and other Baltic States may change, whether as a result of further changes to the CRR /CRD (including the transposition into Latvian law of Directive 2019/878/EU) agreed by EU legislators, binding regulatory technical standards developed by the European Banking Authority, changes to the way in which the relevant regional authorities interpret and apply these requirements to the Group's operations (including as regards individual model approvals granted under Directive 2009/111/EC and Directive 2010/76/EU), or otherwise. Such changes, either individually or in the aggregate, may lead to further unexpected enhanced requirements in relation to the Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated, which may, in turn, have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

Additionally, the FCMC requires Citadele to comply with liquidity ratio requirements imposed upon several banks in Latvia including Citadele. The basic short-term liquidity ratio requirement for banks in Latvia is 30 per cent, which is adjusted by the regulator on a case-by-case basis.

The Group ensures compliance with the liquidity coverage ratio ("**LCR**") requirement. The Group may be unable to comply with the regulatory required liquidity ratios, or may only be able to do so at the expense of disposing of certain of its more profitable but illiquid investments or limiting the frequency or value of its business activities. This may, in turn, have a material adverse effect on Citadele's business, prospects, financial condition, results of operations or cash flows.

The ECB announced on 11 January 2021 that it has classified Citadele as a significant credit institution, commencing its direct supervision as of 1 January 2021. The FCMC continues to participate in the supervision of Citadele and cooperates with the ECB. This could result in the imposition of new regulatory restrictions, disclosures and/or information requests upon the Group, and may lead to increased costs and review of the Group's impairment levels. It may also result in an increase of the time spent by Citadele'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 the Group's business, prospects, financial condition, results of operations or cash flows. See "*Corporate governance — Asset Liability and Risk Management —Capital Adequacy Management*" for further information.

In this regard there is a risk that the first Supervisory Review and Evaluation Process ("**SREP**") carried out by the ECB will result in recommendations to improve Citadele's governance and internal control procedures. This is the usual practice when the ECB first reviews a bank. At this stage, no final SREP decision has been announced by the ECB. However, the draft SREP outcome report indicates that there will be findings in relation to Citadele's governance, risk management and other areas of its operations. The final SREP decision is expected in January 2022 but Citadele has already undertaken steps to remedy certain of the issues highlighted in the ECB's draft recommendations.

The Group's business may be adversely affected if it is unable to maintain minimum capital requirements

The Group submitted on 30 April 2021 a report to the FCMC following its internal capital adequacy assessment process ("**ICAAP**") detailing the Group's plan on how it will continuously meet the minimum capital adequacy requirements, including its Pillar 2 add-on and combined buffer requirement, on a Basel III transitional basis over the forecasted period from 2021 to 2023. The content of this plan has been

reviewed by the JST and will be one of the key inputs to the SREP decision expected in January 2022. The current Pillar 2 regulatory requirement ("**P2R**") has been set at 2.3 per cent. following the SREP decision as of December 2020. The expectation is that P2R will be increased following the SREP decision expected in January 2022 but that any increase will not be significant. It is also expected that the SREP decision will include Pillar 2 guidance ("**P2G**") for Citadele as a specific recommendation of the level of capital that the ECB expects Citadele to maintain in addition to its binding capital requirements. It is expected that P2G will apply to Citadele effectively from the start of 2023. It is further not expected that this will impose any significant additional capital burden on Citadele. However, no assurance can be given as to what the final SREP decision may be and as to any additional capital requirements or guidance resulting from the SREP decisions, which may be greater or less than initial expectations and may be further increased in the future.

ICAAP forecasts are based on a number of assumptions, including the Group's projected revenue growth and the anticipated expansion of its asset base in line with its business strategy. However, while 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, these assumptions may prove to be inaccurate or incorrect due to factors outside of the Group's control or expectations, which in turn may affect the Group's ability to meet its minimum capital requirements or other prudential requirements under law or regulation. In case regulations related to capital requirements are amended by the FCMC at any point of time in the future, the 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 the Group. The investment of capital in projects aimed at growth may affect the Group's overall capital position and may in turn affect its ability to meet the capital requirements imposed by the JST. See also "*Risk Factors - Regulatory, Tax and Legal Risks - The Group is exposed to risks arising from changes in the prudential regulatory environment*" and "*Risk Factors - The Group may not be able to successfully implement its business strategy*". Any failure by the Group to meet its minimum regulatory capital requirements may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group's business may be adversely affected if it is unable to meet its minimum requirement for own funds and eligible liabilities (MREL) under the BRRD

According to the BRRD, Citadele is subject to a minimum requirement for own funds and eligible liabilities ("**MREL**"). The Single Resolution Board ("**SRB**") determined the consolidated MREL for the Group at the level of 19.96 per cent. of Total Risk Exposure Amount ("**TREA**") and 5.26 per cent. of Leverage Ratio Exposure ("**LRE**"). The ratios were calculated based on the Group's financial position as of 31 December 2019. Compliance with the MREL must be achieved by 1 January 2024. The SRB has specified a transition period with an interim MREL requirement of 18.03 per cent. of TREA and 5.26 per cent. of LRE to be achieved by 1 January 2022. The MREL target is updated by the SRB annually, with the next update due in the fourth quarter of 2021. Citadele will have to issue a significant amount of MREL eligible liabilities in order to meet the new requirements within the defined timeframes. Moreover, the national resolution authority could impose a statutory subordination requirement under Art. 45c(6) of Directive (EU) 2019/879 amending the BRRD (as so amended, "**BRRD II**") which would require that part of the consolidated MREL for the Group is satisfied only with own funds and subordinated instruments. Citadele is currently classified as a "non Pillar 1 bank". This means that it is not subject to a statutory minimum subordination requirement. Further, the no creditor worse off ("**NCWO**") assessment performed by the SRB did not identify any need for an additional subordination requirement for the Group due to a breach of this NCWO assessment in the 2020 resolution planning cycle for the Group. The issuance of MREL eligible liabilities may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows. Any failure by Citadele to comply with its MREL requirements also may have a material adverse effect on the Group's business, financial conditions and results of operations.

Measures to comply with anti-money laundering, countering the financing of terrorism and proliferation, anti-bribery and sanctions 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 AML, CTF and sanctions has become increasingly strict in the recent years. The Latvian government and responsible authorities have made a significant effort to improve the country's AML/CTF/(counter proliferation financing ("**CPF**") systems after the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("**MONEYVAL**") mutual evaluation in 2017. Numerous legal acts were adopted and amended in order to ensure a sound legal framework. In 2020, the Financial Action Task Force ("**FATF**") decided not to include Latvia on the "grey

list". Latvia is the first MONEVAL country that is at least largely compliant with all FATF recommendations but continuous to report to MONEYVAL as there are still areas where the need for further improvement has been identified. Strict regulatory requirements and high expectations create challenges to respond to the rapidly changing regulatory environment. The responsible authorities continue to strengthen the introduction of a risk-based approach and a common understanding of the regulatory framework and balancing of the different requirements.

As at the date of this Prospectus, no Group entity has, to the knowledge of the Group's management, been involved in fraud, money laundering, bribery, corruption, financing of terrorism or any other illegal transactions of a similar nature. However, it is not uncommon for attempts to be made by individuals, including potentially by employees of the Group, to use Citadele and other banks and their subsidiaries to engage in such activities. The Group's AML, CTF, CPF and other compliance measures may not be effective in preventing all such activities, whether as a result of failures by the Group's employees' in observing the measures that have been put in place, insufficient effectiveness of the 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, the Group may experience delays in reviewing potential AML/CTF/CPF or compliance issues or in implementing preventive and corrective measures required by applicable legislation. Similarly, while the Group does have in place an international sanctions policy setting out the means by which the Group manages the risk of breaching sanctions as well as the enforcement principles which the Group intends to maintain, there can be no guarantee that this policy will be wholly effective in preventing a breach of sanctions by the Group or its employees.

The AML/CTF/CPF internal control programme and IT systems of Citadele are tested regularly (at least once every 18 months) by an independent external auditor. The most recent audit was conducted in 2020 and the external auditor's conclusion was that Citadele's AML, CTF, CPF and Sanctions Programme is operating at a moderate level of compliance. During the 2020 review, the external auditor identified several improvements to Citadele's compliance programme as well as opportunities for further enhancements to ensure that it comprehensively addresses compliance risk, regulatory requirements and expectations.

In 2018, the FCMC conducted a regular on-site audit of Citadele's AML/CTF compliance with the requirements of applicable laws and regulations which resulted in a fine of EUR 0.6 million. In April 2020, Citadele and FCMC signed an administrative agreement in relation to this audit, which formalised the required actions that Citadele had committed to take to further improve its systems and procedures with respect to AML/CTF compliance (see "*Risk Factors - Risks relating to the Group's business - The Group is exposed to reputational risk*"). The Remediation plan has been executed and completed and the adequacy and effectiveness of the implementation of the agreed remediation actions has been verified by the external independent auditor.

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

The Group may be adversely impacted by the implementation of the final Basel III framework

In December 2017, the Basel committee agreed on a new regulatory framework denoted the 'Final Basel III Framework'. The accord was subsequently supported by the G20 Finance Ministers and Central Bank Governors' Meeting. The background for the framework was an identified variability in internal capital adequacy models that was not seen as being driven by a corresponding variation in underlying risks facing different banks and the concern that banks might not have enough capital to keep the financial system stable in a crisis because they have underestimated potential losses. To address this, the Basel Committee proposed a number of measures such as implementing floors on the risk weights of banks and providing a minimum capital requirement for different exposures. This main concept of the package has been translated into numerous different measures, including:

- input floors and other restrictions that set minimums for the parameter estimates going into the risk-weight assessments and restricting the use of the more advanced approaches of using own estimates of loss given default;
- output-floors providing a minimum risk weight exposure amount ("**REA**") for banks using internal models set at 72.5 per cent. of the REA calculated using the standardised approach;
- a revised standardised approach for credit risk with the aim of increasing the risk sensitivity of the standardised approach for credit risk. This includes a more granular risk weighting approach for residential real estate exposure (where risk weights now depend on the loan-to-value ratio);
- revisions of the market risk and credit valuation adjustment ("**CVA**") risk framework. These limit the use of internal models for market risk and entirely remove the possibility to model CVA risk based on internal models. In addition, the standardised approaches for market and CVA risk have been revamped; and
- a new framework for operational risk that replaces approaches based on internal models as well as the original three standardised approaches.

Any increase in minimum capital requirements and additional capital requirements for the Group could have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The 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 impose additional taxes could reduce the Group's profitability. The interpretation of Latvian, Lithuanian and Estonian tax laws and regulations can be unclear and complex and may change in a manner which is unfavourable to Citadele. Any of the foregoing may have a material adverse effect on the Group'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 which are typical of the taxes applicable in EU member states. The 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 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 the Group's business, prospects, financial condition, results of operations or cash flows. Anticipated revisions to tax legislation or to its interpretation may affect the Group's financial condition in the future.

The new 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). Corporate income tax in Lithuania is payable on taxable profits, which may be partially offset by any tax loss carried forward from previous tax periods. Corporate income tax in Estonia is payable on dividend pay-outs, but the institution is required to pay-in tax advance. As a result, this new regime has had a positive impact on the Group and Citadele in 2019 and 2020 (and subsequent periods) as the corporate income tax expense on undistributed profits decreased substantially under the new tax regime in Latvia. The tax assets in other Group's jurisdictions are unaffected by the changes in the Latvian tax regime.

If the Group fails to adequately plan, manage or comply with changes in relevant taxation law or the interpretation thereof, including with respect to transfer pricing, the Group's operations may be adversely affected, either through reduced profitability or by being subject to penalties from the relevant tax authority. The 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 the Group to properly manage taxation rates or tax laws may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group may be subject to periodic tax audits by the Latvian tax authorities

The Group is subject to periodic audits by the Latvian, Lithuanian, Estonian and Swiss tax authorities. The statute of limitation in Latvia is three years since the relevant tax payment was due, but transfer prices may be examined for five years. The statute of limitations in Lithuania and Estonia is currently five and three previous tax periods respectively. However, the statute of limitations may be extended if a criminal case has been initiated against the tax payer and it requires determination of the damage caused to the State. The Group is unable to predict the timing of these audits, and these audits may discover tax issues or problems of which the Group was previously unaware. Complying with these audits may be difficult, time-consuming and expensive, and may require substantial attention from management. While the Group regularly evaluates its compliance with tax legislation and uncertain tax positions, any adverse outcomes from these audits may result in the imposition of penalties which may have an adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

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

The 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 the Group is currently exposed and those that may arise in the future. Claimants in these types of actions against the Group may, in particular, seek recovery of large or indeterminate amounts or other remedies, or challenge the actions taken or resolutions adopted by the Group's Management and Supervisory Boards and the General Meeting of Shareholders, which may affect the 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.

The Group, like many other financial institutions with operations in Switzerland, has also been the subject of investigations conducted by U.S. government authorities in the past, including in relation to assets which are taxable under U.S. legislation. Although the Group has not been adjudged to be in breach of any applicable law or regulation as a result of these investigations, there remains a risk that the Group may be the subject of future investigations by regulators and/or governmental authorities in the jurisdictions where it conducts business.

In addition, Citadele is also subject to number of regular audits by the relevant Baltic banking regulators as well as 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 part of the Group's senior management and employees. There may also be adverse publicity associated with litigation that could negatively affect the reputation of the Group, regardless of whether the allegations are valid or whether the Group is ultimately found liable. The occurrence of any litigation or similar proceedings, investigations or actions may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group is dependent on its senior management and other personnel

To meet commercial challenges and maintain effective operations, the Group must recruit and retain appropriately skilled individuals. The Group's senior management team contributes significant expertise and experience within the industries in which the Group operates, and has enabled the Group to maintain and develop business with many of its key customers. Implementation of the Group's business strategy by its senior management may distract senior management from the day-to-day operation of the Group's business and may result in their inability to devote sufficient attention to maintaining and improving these client relationships. Any change or disruption in the senior management team may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

The Group's ability to continue to attract, retain and motivate qualified and experienced personnel is vital to its business. Attracting and retaining highly professional and motivated employees remains challenging at all times. The Group closely monitors the market in terms of remuneration to ensure employees are adequately remunerated, but there is ongoing competition for talent. Due to the shortage of skilled labour in the Baltic States and the resulting competition and increased salary pressure for skilled labour, the Group may be unable to retain existing personnel or hire suitably qualified new personnel. The Group may also

be required to further increase salaries and other benefits offered to experienced banking and management staff, which would increase the Group's personnel costs. Any failure by the Group to retain experienced personnel or hire suitably qualified new personnel may have a material adverse effect on the Group's business, prospects, financial condition, results of operations or cash flows.

RISKS RELATING TO THE NOTES

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting, or as the case may be, did not sign the written resolution including those Noteholders who voted in a manner contrary to the majority.

Furthermore, the Conditions of the Notes provide that the Notes, the Conditions of the Notes and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error or any other applicable legislation passed after the date hereof by or on behalf of the Republic of Latvia or any political subdivision thereof or any authority therein or thereof having power to make such amendment, update and/or modification, which impacts the Issuer's obligations in relation to the Notes. Additionally, the Issuer may, subject to Condition 3(g) (*Benchmark Replacement*), vary or amend the Conditions and/or the Agency Agreement to give effect to certain amendments without any requirement for the consent or approval of Noteholders, see "*Regulation and reform of "benchmarks" could adversely affect the Notes*". The Issuer cannot foresee, as at the date of this Prospectus, what such changes may entail, however, any changes made will be binding on Noteholders.

Credit risk

An investment in the Notes is subject to credit risk, which means that the Issuer may fail to meet its obligations arising from the Notes duly and in a timely manner. The Issuer's ability to meet its obligations arising from the Notes and the ability of the holders of the Notes to receive payments arising from the Notes depends on the financial position and the results of operations of the Issuer and its subsidiaries, which are subject to other risks described in this Prospectus.

No ownership rights

An investment in the Notes is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity of the Issuer or any of the subsidiaries thereof or any voting rights or rights to receive dividends or other rights which may arise from equity instruments. The Notes represent an unsecured debt obligation of the Issuer, granting the Noteholders only such rights as set forth in the Conditions. The value of the Notes might be affected by the actions of the shareholder of the Issuer over which the investors do not have control.

There is no active trading market for the Notes

There can be no assurance that a liquid market for the Notes will be maintained. The investors may find it difficult to sell their Notes or to sell them at prices producing a return comparable to returns on similar investments in the secondary market.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If a market does develop, it may not be very liquid. Therefore, no liquidity of any market in the Notes can be assured; nor the ability of the holders of the Notes to sell their Notes or the prices at which they would be able to sell their Notes.

If the Notes are traded after their initial issuance, they may be traded at a discount or at a premium to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. It is possible that the market for the Notes will be subject to disruptions or volatility. Any such disruption or volatility may have a negative effect on holders of the Notes, regardless of the Issuer's prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, investors may not be able to resell their holding of the Notes at a fair value, if at all.

Although an application has been made for the Notes to be admitted to listing on Euronext Dublin and will be made for the Notes to be admitted to listing on the Baltic Bond List of Nasdaq Riga, there can be no assurance that such application will be accepted, that the Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for Notes.

Exchange rates and exchange controls

The Issuer will predominantly pay principal and interest on the Notes in Euro (the "**Specified Currency**"). This presents certain risks relating to currency conversions if a holder of the Notes financial activities is denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, holders of the Notes may receive less interest or principal than expected, or no interest or principal.

Fixed/Floating Rate Notes and Interest rate risks

The Notes bear interest at a fixed rate to but excluding the Reset Date.

During that time, Noteholders are exposed to the risk that the price of such Notes may fall because of changes in the market yield. While the nominal interest rate (i.e. the coupon) of the Notes is fixed until (but excluding) the Reset Date, the market yield typically changes on a daily basis. As the market yield changes, the price of the Notes changes in the opposite direction. If the market yield increases, the price of the Notes falls. If the market yield falls, the price of the Notes increases. Noteholders should be aware that movements of the market yield can adversely affect the price of the Notes and can lead to losses for the Noteholders.

Noteholders should also be aware that the market yield has two components, namely the risk-free rate and the credit spread. The credit spread is reflective of the yield that investors require in addition to the yield on a risk-free investment of equal tenor as a compensation for the risks inherent in the Notes. The credit spread changes over time and can decrease as well as increase for a large number of different reasons.

The market yield of the Notes can change due to changes in the credit spread, the risk-free rate, or both.

If the Notes are not called by the Reset Date, the Notes will bear interest at a floating rate from, and including, the Reset Date to, but excluding, the Maturity Date. The floating rate applicable to the Notes from (and including) the Reset Date is based on two components, namely 3-month EURIBOR and the Margin. The floating rate (i.e. the coupon) is payable quarterly, and will be set immediately prior to any floating Interest Period to the then prevailing 3-month EURIBOR rate plus the Margin.

Noteholders should be aware that the floating rate interest income is subject to changes to 3-month EURIBOR and therefore cannot be anticipated. Hence, Noteholders are not able to determine a definite yield of the Notes at the time of purchase, so that their return on investment cannot be compared with that of investments in simple fixed rate (i.e. fixed rate coupons only) instruments.

Since the Margin is fixed at the Issue Date, Noteholders are subject to the risk that the Margin does not reflect the spread that investors require in addition to 3-month EURIBOR as a compensation for the risks inherent in the Notes (market spread). The market spread typically changes on a daily basis. As the market spread changes, the price of the Notes changes in the opposite direction. A decrease in the market spread has a positive impact on the price of the Notes; an increase in the market spread has a negative impact on the price of the Notes. However, the price of the Notes is subject to changes in the market spread, changes in 3-month EURIBOR or both. Noteholders should be aware that movements in the market spread can adversely affect the price of the Notes and can lead to losses for the Noteholders.

In addition, Noteholders are exposed to reinvestment risk with respect to proceeds from coupon payments or early redemptions by the Issuer. If the market yield (or market spread respectively) declines, and if

Noteholders want to invest such proceeds in comparable transactions, Noteholders will only be able to reinvest such proceeds in comparable transactions at the then prevailing lower market yields (or market spreads respectively).

The Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Latvia or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions, and subject to compliance with certain regulatory conditions and approval by the Resolution Authority.

The Issuer may also be entitled to redeem in whole (but not in part) the Notes if an MREL Disqualification Event occurs.

In addition, during the year prior to maturity, the Issuer may choose to redeem the Notes (subject to certain regulatory conditions and approvals) at times when prevailing interest rates may be relatively low. In such circumstances a holder of the Notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes and may only be able to do so at a significantly lower rate. The exercise of any optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may, or is perceived to be able to, elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

No rights of set-off or counterclaim

Holders of Notes shall not be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of such Notes. Therefore, such Noteholders will not be entitled (subject to applicable law) to set off the Issuer's obligations under such Notes against obligations owed by them to the Issuer.

Regulation and reform of "benchmarks" could adversely affect the Notes

Rates and indices which are deemed to be "benchmarks", such as EURIBOR, are the subject of ongoing national, international and other regulatory guidance and proposals for reform, with further changes anticipated. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Notes.

The EU Benchmark Regulation to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. The EU Benchmark Regulation could have a material impact on any Notes linked to a "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the EU Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete. On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("€STR") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of

the EU Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the EURIBOR benchmark or any other benchmark or changes in the manner of administration of any benchmark or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes linked to such benchmark. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the Notes, the return on the Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if the Original Reference Rate ceases to be published as a result of such benchmark ceasing to be calculated or administered, or if the Agent Bank is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative reference rate with or without an adjustment spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser (as defined in Condition 3(g) (*Benchmark Replacement*)) without any requirement for the consent or approval of Noteholders or Couponholders, as described in Condition 3(g) (*Benchmark Replacement*). An adjustment spread, if applied could be positive or negative and, to the extent an adjustment spread is not recommended or provided by any Relevant Nominating Body; or determined by the Independent Adviser not to be customarily applied in international debt capital market transactions to produce an industry-accepted replace rate for the the Original Reference Rate or recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, the Adjustment Spread may be determined by the Independent Adviser with a view to reducing or eliminating, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders or Couponholders as a result of the replacement of the Original Reference Rate. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a successor rate or alternative reference rate may nonetheless be used to determine the rate of interest. The use of a successor rate or alternative reference rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing a benchmark performing differently (which may include payment of a lower rate of interest) than they would if the benchmark were to continue to apply in its current form. If, following the occurrence of a Benchmark Event: (i) the Issuer is unable to appoint an Independent Adviser; or (ii) no successor rate or alternative reference rate is determined, or (iii) in the Issuer's determination, the determination or implementation of a successor rate, an alternative reference rate, the applicable adjustment spread or any consequential amendments (1) could reasonably be expected to prejudice the qualification of the Notes being MREL Eligible Liabilities (for the purposes of, and in accordance with, the relevant Applicable Banking Regulations) or (2) could reasonably be expected to result in the Resolution Authority treating a future Interest Payment Date as the effective maturity of such Notes, rather than the Maturity Date for the purposes of qualification as eligible liabilities and/or loss absorbing capacity of the Issuer, then the ultimate fallback rate of interest for the purposes of calculation of the Floating Rate of Interest for a particular Interest Period may result in the Floating Rate of Interest for the immediately preceding Interest Period being used (unless such immediately preceding Interest Period ended prior to the Reset Date, in which case the Floating Rate of Interest shall be the last observable Screen Rate as determined by the Agent Bank plus the Margin). This may result in the effective application of a fixed rate for the Notes based on the last Floating Rate of Interest or the last observable Screen Rate. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. No successor rate or alternative reference rate will be adopted to the extent that it (1) could reasonably be expected to prejudice the qualification of the Notes being MREL Eligible Liabilities (for the purposes of, and in accordance with, the relevant Applicable Banking Regulations) or (2) could reasonably be expected to result in the Resolution Authority treating a future Interest Payment Date as the effective maturity of such Notes, rather than the Maturity Date for the purposes of qualification as eligible liabilities and/or loss absorbing capacity of the Issuer.

Any such consequences could have a material adverse effect on the value of and return on the Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. Investors should consider these matters and consult their own independent advisers when making their investment decision with respect to the Notes.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

Minimum Denomination

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of EUR 100,000 (or its equivalent) that are not integral multiples of EUR 100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination.

Credit Rating

The Notes have been assigned a rating of "Baa3" by Moody's. The rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes. In general, European regulated investors are restricted under the EU CRA Regulation from using a rating for regulatory purposes in the EEA, unless such ratings are not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies unless (1) the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

The Issuer may be subject to statutory resolution

The BRRD 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 supervisory authorities including (but not limited to) the introduction of a statutory "write-down and conversion power" (exercisable in relation to Tier 1 capital instruments and Tier 2 instruments) and a "bail-in and loss absorption power" (exercisable in relation to other securities that are not Tier 1 or Tier 2 capital instruments), which will give the recovery and resolution authority under the BRRD and Regulation (EU) No 806/2014 (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 Notes) of a failing financial institution and/or to convert certain debt claims (which could include the Notes) into another security, including equity instruments of the surviving Issuer entity, if any. The Latvian legislation implementing the BRRD, the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Brokerage Companies (the "**Latvian Resolution Law**"), entered into force on 16 July 2015, and the amendments to the Latvian Resolution Law transposing the requirements introduced by BRRD II into Latvian law entered into force on 29 October 2021. For more information on the implementation of the BRRD and BRRD II in Latvia, see "*The Latvian resolution legislation implementing the BRRD and BRRD II*" below.

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.

The write-down and conversion power can be used to ensure that Tier 1 and Tier 2 Capital instruments fully absorb losses at the point of non-viability of an institution (or, if applicable, its group) and before any other resolution action is taken.

Pursuant to Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*), each Noteholder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of such 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 Notes subject to the BRRD and could lead to the Noteholders losing some or all of their investment

in the Notes. Prospective investors in the Notes should consult their own advisers as to the consequences of the implementation of the BRRD.

In addition to the BRRD, the EU has adopted a directly applicable 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 ("**SRM Regulation**", as amended by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019) 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 (consisting of representatives from the ECB, the European Commission and the relevant national resolution authorities) (the "**Resolution Board**") having resolution powers over the entities that are subject to the SRM Regulation, thus replacing or exceeding the powers of the national resolution authorities. The Issuer is included the list of significant entities directly supervised by the ECB, and as such the Issuer 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, to a 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 writedown 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 the Issuer. It also determines, after consulting competent authorities including the ECB, the MREL, which the Issuer is expected to be required to meet at all times (the MREL requirements applicable to the Issuer have been summarised in "*Risk Management - MREL*"). The Resolution Board will also have the powers of early intervention as set forth in the SRM Regulation, including the power to require the Issuer to contact potential purchasers in order to prepare for resolution of the Issuer. 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) the Issuer is failing or is likely to fail; (ii) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action or the write-down or conversion of relevant capital instruments, taken in respect of the Issuer, would prevent its failure within a reasonable timeframe; and (iii) a resolution action is necessary in the public interest.

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

The Latvian resolution legislation implementing the BRRD and BRRD II

The BRRD was implemented in Latvia by the Latvian Resolution Law. Under the Latvian Resolution Law, the Relevant Resolution Authority is the FCMC. 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 FCMC, result in the partial or complete suspension of the performance of agreements entered into by the Issuer. The Latvian Resolution Law also grants the power to the FCMC to take a number of resolution measures which may apply to the Issuer, 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 tool. In addition, the Latvian Resolution Law sets forth that all credit institutions must at all times meet the MREL determined by the FCMC 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 the Issuer, the Notes 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 Noteholders losing some or all of their investment. Subject to certain conditions, the terms of the obligations owed by the Issuer 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 Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

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

The Notes 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 Latvian Resolution Law, 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 Notes may be subjected to the said bail-in and loss absorption tool. As such, if the Issuer is subjected to resolution measures in the future, then the value of the Notes may be written down (up to zero) as a result of the imposition of the bail-in and loss absorption tool by the FCMC. Furthermore, the Notes may be subject to modifications or the disapplication of provisions in the Conditions of the Notes, including alteration of the principal amount or any interest payable on the Notes, 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 Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*), each Noteholder acknowledges and accepts that any liability arising under the Notes 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 Conditions of the Notes are based on the laws of England in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or administrative practice after the date of this Prospectus. Furthermore, the Issuer and the Group operates in a heavily regulated environment and has to comply with extensive regulations in the Republic of Latvia. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices of Latvia after the date of this Prospectus.

Recognition of choice of court agreements and enforcement of foreign judgements in Latvia

In accordance with Condition 15(b) (*English courts*), the courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes). In accordance with Condition 15(d) (*Rights of the Noteholders to take proceedings outside England*), notwithstanding Condition 15(b) (*English courts*), any Noteholder may take proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent proceedings in any number of jurisdictions.

Under Article 67(1)(a) of the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the "**Withdrawal Agreement**"), the provisions regarding jurisdiction of Regulation (EU) No 1215/2012 of the European Parliament and the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (the "**Brussels Regulation**") apply in respect of legal proceedings instituted before 1 January 2021 and in respect of proceedings or actions that are related to such legal proceedings pursuant to Articles 29, 30 and 31 of the Brussels Regulation. Under Article 67(2)(a) of the Withdrawal Agreement, the Brussels Regulation shall apply to the recognition and

enforcement of judgments given in any legal proceedings instituted before 1 January 2021, and to instruments formally drawn up or registered and court settlements approved or concluded before such date.

Under Latvian law, the provisions of international treaties and the Brussels Regulation have supremacy over the national law provisions on jurisdiction. Accordingly, for the purposes of legal proceedings initiated, instruments formally drawn up or registered, and court settlements approved or concluded before 1 January 2021, the validity of the choice of jurisdiction of English courts is to be assessed in a Latvian court (should a dispute be brought to a Latvian court), and the judgements of English courts are to be recognised and enforced in Latvia in accordance with, and subject to limitations arising from, the Brussels Regulation. The recognition and enforcement of the choice of jurisdiction of English courts and the recognition and enforcement of judgements of English courts made on or after 1 January 2021 would be assessed and carried out in Latvia in accordance with the Hague Convention of 30 June 2005 on Choice of Court Agreements (the "**Hague Convention**") and the Latvian Civil Procedure Law, if and as applicable.

The validity of parties' agreement on jurisdiction, including as stipulated by Condition 15(b) (*English courts*) and 16(d) (*Rights of the Noteholders to take proceedings outside England*), would be assessed by Latvian courts in accordance with, firstly, the Hague Convention, and, secondly, the Latvian Civil Procedure Law. The Latvian Civil Procedure Law would also apply to recognition of choice of court and enforcement of judgements of courts of other countries which are not subject to the Brussels Regulation or international agreements or conventions.

Pursuant to Article 1(1) of the Hague Convention, it applies in international cases to exclusive choice of court agreements concluded in civil or commercial matters. Under Article 3(a) of the Hague Convention, an "exclusive choice of court agreement" means an agreement concluded by two or more parties that designates the courts of one contracting State or one or more specific courts of one contracting State to the exclusion of the jurisdiction of any other courts. According to Article 22(1), a "non-exclusive choice of court agreement" is an agreement concluded by two or more parties that designates, for the purpose of deciding disputes which have arisen or may arise in connection with a particular legal relationship, a court or courts of one or more Contracting States. Recognition and enforcement of judgments given by courts of other Contracting States to the Hague Convention designated in a "non-exclusive choice of court agreement" is only possible if a Contracting State expressly declares under Article 22 of the Hague Convention that it will recognize and enforce such judgments. Latvia has not made such declaration.

Although Condition 15(b) (*English courts*) provides for the exclusive jurisdiction of the courts of England, Condition 15(d) (*Rights of the Noteholders to take proceedings outside England*) further emphasizes the non-exclusive character of the jurisdiction clause, providing that any Noteholder may take proceedings relating to a dispute in any other courts with jurisdiction, and, to the extent allowed by law, Noteholders may take concurrent proceedings in any number of jurisdictions. The Explanatory Report to the Hague Convention provides that in order to be covered by the Hague Convention, the choice of court agreement must be exclusive irrespective of the party bringing the proceedings. Therefore, asymmetric jurisdiction clauses, such as provided for in Condition 15(b) (*English courts*) and 15(d) (*Rights of the Noteholders to take proceedings outside England*), are not deemed as exclusive choice of court agreements for the purposes of the Hague Convention.

In light of the above and considering that the submission to the courts of England under Conditions 15(b) (*English courts*) and 15(d) (*Rights of the Noteholders to take proceedings outside England*) is not deemed "exclusive" within the meaning of the Hague Convention, the validity of the choice of jurisdiction of English courts will be assessed in a Latvian court (should a dispute be brought to a Latvian court), and the judgements of English courts will be recognised and enforced in Latvia in accordance with, and subject to limitations arising from, the Latvian Civil Procedure Law, and not the Hague Convention.

The Latvian Civil Procedure Law stipulates that parties are generally free to contractually agree on a jurisdiction of their choice, provided that, among others, parties' agreement does not relate to a matter in respect of which Latvian courts have exclusive jurisdiction as provided for by the Latvian Civil Procedure Law. The validity of asymmetric jurisdiction clauses is not expressly regulated in the Latvian Civil Procedure Law and is untested in the practice of Latvian courts.

Furthermore, provided that a Latvian court is satisfied that the Hague Convention is not applicable to the recognition and enforcement of a judgment of English court given on the basis of an asymmetric jurisdiction clause, a judgment of an English court will be subject to recognition and enforcement pursuant

the Latvian Civil Procedure Law, which determines the necessary steps and documentation to commence enforcement, as well as the enforcement procedures.

According to the Latvian Civil Procedure Law the enforcement shall not be granted if: (a) the foreign court, which made the judgment, was not competent in accordance with Latvian law to adjudicate the dispute or such dispute falls under the exclusive jurisdiction of the Latvian courts; (b) the judgment of the foreign court has not come into lawful effect; (c) the defendant was denied a possibility of defending his or her rights, in particular, where the judgment was given in default of appearance, where the defendant was not summoned to appear before court in a timely and proper manner, except if the defendant has not appealed such judgment even though he or she had the possibility to do so; (d) the judgment of the foreign court is irreconcilable with an earlier court judgment which has entered into lawful effect in Latvia in the same dispute between the same parties or with already earlier commenced court proceedings between the same parties in a Latvian court; (e) the judgment of the foreign court is irreconcilable with an earlier judgment of another foreign court which has entered into lawful effect in the same dispute between the same parties, which fulfils the conditions necessary for its recognition or which has already been recognised in Latvia; (f) the recognition of the judgment of the foreign court is contrary to public policy in Latvia; or (g) the passing of the judgment by the foreign court was not done in accordance with the application of the laws of such country as should have been applied in conformity with Latvian international private law conflict of law norms. If none of the grounds for refusing recognition and enforcement of a foreign judgment exist, a Latvian court will recognize and enforce the foreign judgment in Latvia.

Thus, the ability of Noteholders to bring proceedings against the Issuer in English courts or other foreign courts and the recognition and enforcement of the judgements of English courts and other foreign courts in Latvia may be subject to limitations and conditions arising from, as applicable in each particular situation, the international agreements or conventions, such as the Hague Convention, or the Latvian Civil Procedure Law.

Recognition and enforcement of choice of English law to govern the Notes and procedural rules applied in court proceedings in Latvia

Condition 15(a) (*Governing Law*) provides that the Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law, except for Condition 2 (*Status*) and Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*), which shall be governed by Latvian law.

Pursuant and subject to the Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (the "**Rome I Regulation**"), the choice of English law (and Latvian law, as applicable per Condition 15(a) (*Governing Law*)) as the governing law of the Notes is a valid choice of law, and such choice should be recognised as valid and given effect by the courts of Latvia. Article 3 of the Rome I Regulation provides that a contract shall be governed by the law chosen by the parties. The choice shall be made expressly or clearly demonstrated by the terms of the contract or the circumstances of the case. By their choice the parties can select the law applicable to the whole or to part only of the contract. Moreover, pursuant to Article 2, the Rome I Regulation has a universal application and any law specified by the Rome I Regulation shall be applied whether or not it is the law of a Member State.

Pursuant and subject to Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (the "**Rome II Regulation**"), the choice of English law (and Latvian law, as applicable per Condition 15(a) (*Governing Law*)) as the governing law of any non-contractual obligations arising out of or in connection with the Notes is a valid choice of law, and such choice should be recognised as valid and given effect by the courts of Latvia. Article 14(1)(b) of the Rome II Regulation provides that where all the parties are pursuing a commercial activity, such parties may agree to submit non-contractual obligations to the law of their choice also by an agreement freely negotiated before the event giving rise to the damage occurred. The choice shall be expressed or demonstrated with reasonable certainty by the circumstances of the case and shall not prejudice the rights of third parties. Moreover, pursuant to Article 2, the Rome II Regulation has a universal application and any law specified by the Rome II Regulation shall be applied whether or not it is the law of a Member State.

Under Article 66 of the Withdrawal Agreement, the application of the Rome I Regulation and Rome II Regulation after the end of the transition period under the Withdrawal Agreement, i.e. as of 1 January 2021,

is restricted solely vis-à-vis the United Kingdom. Considering the universal application of both regulations, both the Rome I Regulation and the Rome II Regulation continue to apply after the end of the transition period in courts of Member States, even if a choice of law is made in favour of third country. Therefore, if a dispute relating to an agreement (irrespective of whether or not concluded before 1 January 2021 or after) or a non-contractual obligation (irrespective of whether events giving rise to damage occurred before 1 January 2021 or after) is brought in a Latvian court and should such Latvian court have jurisdiction over the dispute, the choice of governing law to contractual and non-contractual obligations would be assessed by a Latvian court on the basis of the Rome I Regulation and the Rome II Regulation accordingly.

Further to the above, in any proceedings taken in Latvian courts or other authorities for the enforcement of the Notes, the courts and the authorities would apply procedural rules of Latvian law, and the enforcement would thus be subject to the limitations arising from Latvian law, if and when applicable. Such limitations include, inter alia, that the enforcement of the Notes in Latvian courts may be subject to restrictions based upon principles of reasonableness and fairness, statutory limitations for filing of claims and the general discretionary authority of the courts to mitigate damages. In addition, restrictions on the enforcement of the Notes could (depending on the circumstances) arise from applicable bankruptcy, insolvency, moratorium and other laws of general application relating to or affecting generally the enforcement of creditors' rights and remedies from time to time in effect.

Any of the above may adversely affect the enforcement by Noteholders of their claims against the Issuer arising from the Notes.

Under certain circumstances, the Issuer's ability to redeem the Notes may be limited

The rules under the CRD prescribe certain conditions for the granting of permission by the Relevant Resolution Authority to a request by the Issuer to redeem or repurchase the Notes. The Issuer may redeem or repurchase the Notes 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 Resolution Authority (to the extent such approval is then required under the Applicable Banking Regulations).

The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Notes

There is no restriction on the amount of debt or on the amount of securities that the Issuer may issue that rank pari passu with or senior to the Notes. The issue of any such debt or securities may reduce the amount recoverable by Noteholders in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer.

Remedies in case of default on the Notes are severely limited

The Notes contain limited enforcement events relating to (a) non-payment by the Issuer of any amounts due and (b) the winding-up, insolvency or bankruptcy of the Issuer, whether in Latvia or elsewhere.

In such circumstances, as described in more detail in Condition 7 (*Events of Default*), a Noteholder may institute proceedings for the winding-up or dissolution of the Issuer, in each case, in Latvia and not elsewhere, and prove or claim in the winding-up, insolvency or bankruptcy of the Issuer.

In each case, however, the holder of such Notes may claim payment in respect of such Notes only in the winding-up, insolvency or bankruptcy of the Issuer.

The Issuer could, in certain circumstances, substitute or vary the terms of the Notes

In certain circumstances (such as if a Withholding Tax Event or MREL Disqualification Event has occurred and is continuing, or in order to ensure the effectiveness of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*)), the Issuer may, in accordance with Applicable Banking Regulations and without the consent or approval of the Noteholders, substitute or vary the terms of such Notes (including changing the governing law of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*)) to ensure that, if applicable, they continue to qualify as eligible liabilities, in accordance with the Conditions, or in order to ensure the effectiveness of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*).

While the Issuer cannot make changes to the terms of such Notes that, in its reasonable opinion, are materially less favourable to a holder of such Notes, the governing law of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*) may be changed in order to ensure the effectiveness and enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*).

There can be no assurance as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such varied Notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the Notes prior to such substitution or variation.

The Issuer's gross-up obligation under the Notes is limited

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of the Notes applies only to payments of interest due and paid under such Notes and not to payments of principal (which term, for these purposes, includes any premium, final redemption amount, early redemption amount, optional redemption amount and any other amount (other than interest) which may from time to time be payable in respect of such Notes).

As such, the Issuer would not be required to pay any additional amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, such Noteholders would, upon repayment or redemption of such Notes, be entitled to receive only the net amount of such redemption or repayment proceeds after deduction of the amount required to be withheld. Therefore, Noteholders may receive less than the full amount due under such Notes, and the market value of such Notes may be adversely affected as a result.

The qualification of the Notes as "eligible liabilities" is subject to uncertainty

The Notes are intended to be "eligible liabilities" (or any equivalent or successor term) ("**MREL Eligible Liabilities**") which are available to count towards the Issuer's and/or the Group's eligible liabilities and/or loss absorbing capacity. However, there is uncertainty regarding the final substance of the applicable MREL regulations and how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot provide any assurance that the Notes will be (or thereafter remain) MREL Eligible Liabilities.

The Issuer may be entitled to redeem the Notes in whole (but not in part) if a MREL Disqualification Event occurs.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The EUR 200,000,000 Fixed / Floating Rate Notes due 2026 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 12 (*Further Issues*) and forming a single series therewith) of AS Citadele banka (the "**Issuer**") are the subject of a fiscal agency agreement dated 22 November 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and Citibank, N.A., London Branch as agent bank (the "**Agent Bank**", which expression includes any successor agent bank appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Agency Agreement and the deed of covenant dated 22 November 2021 entered into by the Issuer (the "**Deed of Covenant**") and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Title**

The Notes are serially numbered and in bearer form in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000 with Coupons attached at the time of issue. No definitive Notes will be issued with a denomination above EUR 199,000. Notes of one denomination may not be exchanged for Notes of any other denomination. Title to the Notes, and the Coupons will pass by delivery. The Noteholder, or Couponholder shall (except as otherwise required by law) be treated as the absolute owner of such Note or Coupon for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Noteholder or Couponholder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

2. **Status**

- (a) The Notes are senior, unsecured, unsubordinated, direct and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and
 - (i) equally with all present and future claims arising from debt instruments where the principal amount of the liabilities under the provisions governing such debt instruments are wholly subordinated to claims arising from the excluded liabilities referred to in Article 72a(2) 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 ("**CRR**") (as provided for in paragraph 3¹ of Article 139³ of the Credit Institutions Law (in Latvian – *Kredītiestāžu likums*) (the "**CIL**")) but not otherwise subordinated;
 - (ii) junior to:
 - (A) all present and future claims referred to in Article 139² and paragraphs 1 and 3 of Article 139³ of the CIL;
 - (B) all excluded liabilities referred to in Article 72a (2) of CRR (as provided for in paragraph 3¹ of Article 139³ of the CIL);

- (iii) senior to all present and future claims ranking or expressed to rank junior to the Notes (to the extent allowed under applicable law) or that have such lower ranking pursuant to applicable law, including, but not limited to, unsecured claims resulting from non-preferred debt instruments of the Issuer as provided for in paragraph 3², of Article 139³ of the CIL and certain other unsecured claims as provided for in paragraphs 4, 5, 6 and 7 of Article 139³ of the CIL.
- (b) No Noteholder may at any time exercise or claim any Set-Off Rights against any right, claim or liability of the Issuer or that the Issuer may have or acquire against such Noteholder, directly or indirectly and howsoever arising (and including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any kind or any non-contractual obligation, whether or not relating to the Notes) and each Noteholder shall be deemed to have waived all Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any amount payable by the Issuer in respect of, or arising under or in connection with, any Note to any holder of such Note is discharged by set-off or any netting, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer and, accordingly, any such discharge shall be deemed not to have taken place.

Nothing in this Condition 2(b) is intended to provide, or shall be construed as acknowledging, any Set-Off Rights or that any such Set-Off Right is or would be available to any holder of any Note but for this Condition 2(b).

In this Condition 2(b), "**Set-Off Rights**" means any and all rights or claims of any holder of a Note against the Issuer for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note.

3. Interest

- (a) *Interest Payment Dates*: The Notes bear interest on their outstanding principal amount from and including 22 November 2021 (the "**Issue Date**"), payable annually in arrear on 22 November in each year from and including 22 November 2022 to and including 22 November 2025 (the "**Reset Date**") (each, a "**Fixed Interest Payment Date**"). Thereafter interest will be payable quarterly in arrear on 22 February, 22 May, 22 August and 22 November in each year (together with each Fixed Interest Payment Date, each an "**Interest Payment Date**"). If any Interest Payment Date (other than a Fixed Interest Payment Date) would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

The amount of interest payable on each Fixed Interest Payment Date shall be EUR 16.25 in respect of each Note of EUR 1,000 (the "**Calculation Amount**"). If interest is required to be paid in respect of a Note for a period other than an Interest Period and such period ends prior to or on the Reset Date, such interest shall be calculated by applying the Fixed Rate of Interest to the Calculation Amount, multiplying such sum by the Fixed Day Count Fraction and rounding the resultant figure to the nearest cent, (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, where:

"**Business Day**" means a day which is both a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and a TARGET Settlement Day.

"**Fixed Day Count Fraction**" means, in respect of any period, the actual number of days in the relevant period, from (and including) the first day in such period to (but excluding)

the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls;

"Interest Period" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date; and

"Regular Period" means each period from (and including) the Issue Date or any Fixed Interest Payment Date to (but excluding) the next Interest Payment Date.

Whenever it is necessary to calculate an amount of interest in respect of the Notes for a period beginning on or after the Reset Date, such interest shall be calculated in accordance with Condition 3(d) (*Determination of Floating Rate of Interest and Interest Amount*) below.

- (b) *Interest Accrual*: Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day have been paid and (b) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).
- (c) *Interest Rate*: The rate of interest payable in respect of each Interest Period ending prior to the Reset Date shall be 1.625 per cent. per annum (the **"Fixed Rate of Interest"**). Thereafter, the rate of interest payable from time to time in respect of the Notes (the **"Floating Rate of Interest"**) will be determined by the Agent Bank on the following basis:
- (i) on each Interest Determination Date, the Agent Bank will determine the Screen Rate at approximately 11.00 a.m. (Brussels time) on that Interest Determination Date. If the Screen Rate is unavailable, the Issuer will request the principal Euro-zone office of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in euro are offered by it to prime banks in the Euro-zone interbank market for three months at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question and for a Representative Amount;
- (ii) the Floating Rate of Interest for the Interest Period shall be the Screen Rate plus the Margin or, if the Screen Rate is unavailable, and at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Agent Bank of such rates, plus the Margin; and
- (iii) if fewer than two rates are provided as requested, the Floating Rate of Interest for that Interest Period will be the arithmetic mean of the rates quoted by major banks in the Euro-zone, selected by the Issuer and communicated to the Agent Bank, at approximately 11.00 a.m. (Brussels time) on the first day of such Interest Period for loans in euro to leading European banks for a period of three months commencing on the first day of such Interest Period and for a Representative Amount, plus the Margin. If the Floating Rate of Interest cannot be determined in accordance with the above provisions, the Floating Rate of Interest shall be determined as at the last preceding Interest Determination Date (unless such Interest Determination Date was in respect of an Interest Period ending prior to the Reset Date, in which case the Floating Rate of Interest shall be the last observable Screen Rate as determined by the Agent Bank plus the Margin).

Where:

"Interest Determination Date" means the second TARGET Settlement Day before the commencement of the Interest Period for which the rate will apply.

"Margin" means 1.85 per cent.

"Reference Banks" means the principal Euro-zone office of each of four major banks engaged in the Euro-zone interbank market selected by the Issuer on the advice of an investment bank of international repute.

"Representative Amount" means, in relation to any quotation of a rate for which a Representative Amount is relevant, an amount that is representative for a single transaction in the relevant market at the relevant time.

"Screen Rate" means the offered rate for three month deposits in euro which appears on the Reuters page EURIBOR01 (or such replacement page or pages on that service which displays the information).

- (d) *Determination of Floating Rate of Interest and Interest Amount:* In respect of each Interest Period starting on or after the Reset Date, the Agent Bank shall, as soon as practicable after 11.00 a.m. (Brussels time) on each Interest Determination Date, but in no event later than the third Business Day thereafter, determine the euro amount (the **"Interest Amount"**) payable in respect of interest on each Note for the relevant Interest Period. The Interest Amount shall be determined by applying the Floating Rate of Interest to the Calculation Amount, multiplying the sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount.
- (e) *Publication of Floating Rate of Interest and Interest Amount:* The Agent Bank shall cause the Floating Rate of Interest and the Interest Amount for each Interest Period starting on or after the Reset Date and the relative Interest Payment Date to be notified to the Issuer and the Paying Agents (by no later than the first day of each Interest Period) and to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination, and in no event later than the second Business Day thereafter. The Issuer will in turn deliver or procure to be delivered any such notices to any stock exchange or other relevant authority on which the Notes are at the relevant time listed if and to the extent required by applicable law and or listing rules. The Interest Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The Agent Bank shall not be obliged to publish each Interest Amount but instead may publish only the Interest Amount per Calculation Amount.
- (f) *Notifications, etc. to be final:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3 (*Interest*), whether by the Reference Banks (or any of them) or the Agent Bank, will (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, or the Noteholders or the Couponholders shall attach to the Reference Banks (or any of them) or the Agent Bank in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 3 (*Interest*).
- (g) *Benchmark Replacement:* In addition, notwithstanding the provisions in Conditions 3(c) (*Interest Rate*) or 3(d) (*Determination of Floating Rate of Interest and Interest Amount*) above, if a Benchmark Event occurs, then the following provisions shall apply.
- (i) The Issuer shall notify the Fiscal Agent, the Paying Agents and the Agent Bank and shall use its reasonable endeavours to appoint an Independent Adviser (as defined below), as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with paragraph (ii)) and, in

either case, an Adjustment Spread, if any, (in accordance with paragraph (iii)) and any Benchmark Amendments (in accordance with paragraph (iv)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, Paying Agents or the Noteholders for any determination made by it pursuant to this Condition 3(g) (*Benchmark Replacement*).

- (ii) If the Independent Adviser determines in its discretion that:
 - (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in paragraph (iii)) subsequently be used in place of the Original Reference Rate to determine the Floating Rate of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of paragraph (i)); or
 - (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in paragraph (iii)) subsequently be used in place of the Original Reference Rate to determine the Floating Rate of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of paragraph (i)).
- (iii) If the Independent Adviser determines in its discretion (1) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (2) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be for each subsequent determination of the Floating Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable)).
- (iv) If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3(g) (*Benchmark Replacement*) and the Independent Adviser determines (1) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (2) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Agent Bank, subject to the Issuer giving notice thereof in accordance with paragraph (v), without any requirement for the consent or approval of Noteholders or Couponholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 3(g) (*Benchmark Replacement*)).
- (v) The Issuer shall notify the Fiscal Agent, the Agent Bank, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Noteholders and the Couponholders promptly of any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3(g) (*Benchmark Replacement*). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such notice will (in the absence of manifest error or bad faith in the determination of the Successor Rate

or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent, the Paying Agents, the Agent Bank, the Noteholders and the Couponholders.

- (vi) No later than notifying the Fiscal Agent, the Paying Agents and the Agent Bank of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:
 - (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, Alternative Rate and, (iii) where applicable, the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 3(g) (*Benchmark Replacement*); and
 - (B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate or Alternative Rate, as the case may be.
- (vii) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent, the Paying Agents, the Agent Bank, the Noteholders and the Couponholders.
- (viii) Without prejudice to the obligations of the Issuer under the provisions of this Condition 3(g) (*Benchmark Replacement*), the Original Reference Rate and in Condition 3(d) (*Determination of Floating Rate of Interest and Interest Amount*) will continue to apply unless and until a Benchmark Event has occurred and only then once the Fiscal Agent, the Agent Bank and the Paying Agents have been notified of the Successor Rate or Alternative Rate (as the case may be) and any Adjustment Spread (if applicable) and Benchmark Amendments (if applicable) in accordance with paragraph (v).
- (ix) If, following the occurrence of a Benchmark Event and in relation to the determination of the Floating Rate of Interest on the relevant Interest Determination Date, (1) the Issuer is unable to appoint an Independent Advisor or (2) no Successor Rate or Alternative Rate (as applicable) is determined pursuant to this Condition 3(g) (*Benchmark Replacement*) by such Interest Determination Date, the Floating Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Floating Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period (unless such Interest Determination Date was in respect of an Interest Period ending prior to the Reset Date, in which case the Floating Rate of Interest shall be the last observable Screen Rate as determined by the Agent Bank plus the Margin).

For the avoidance of doubt, this Condition 3(g) (*Benchmark Replacement*) shall apply to the determination of the Floating Rate of Interest on the relevant Interest Determination Date only, and the Floating Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 3(g) (*Benchmark Replacement*).

- (x) Notwithstanding any other provision of this Condition 3(g) (*Benchmark Replacement*), no Successor Rate or Alternative Rate or Adjustment Spread (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 3(g) (*Benchmark Replacement*), if and to the extent that, in the determination of the Issuer (i) the same could reasonably be expected to prejudice the qualification of the Notes being MREL Eligible Liabilities (for the purposes of, and in accordance with, the relevant Applicable

Banking Regulations) or (ii) the same could reasonably be expected to result in the Resolution Authority treating a future Interest Payment Date as the effective maturity of such Notes, rather than the Maturity Date for the purposes of qualification as eligible liabilities and/or loss absorbing capacity of the Issuer.

As used in these Conditions:

"Adjustment Spread" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or
- (C) (if no such recommendation has been made) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders or Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 3(g)(ii) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in euros.

"Benchmark Event" means:

- (A) the Original Reference Rate has ceased to be published on the Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (B) a public statement by the administrator of the Original Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of the Original Reference Rate) it has ceased publishing the Original Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **"Specified Future Date"**); or
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified future date (the **"Specified Future Date"**), be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate that means that the Original Reference Rate will, by a specified future date (the **"Specified Future Date"**), be prohibited from being used or that

its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

- (E) a public statement by the supervisor of the administrator of the Original Reference Rate (as applicable) that, in the view of such supervisor, (i) the Original Reference Rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market or (ii) the methodology to calculate the Original Reference Rate has materially changed; or
- (F) it has or will, by a specified date within the following six months, become unlawful for the Agent Bank to calculate any payments due to be made to the Noteholders using the Original Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the Benchmark Event is a public statement within sub-paragraphs (B), (C), (D) or (E) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under Condition 3(g) (*Benchmark Replacement*).

"Original Reference Rate" means the Screen Rate (provided that if, following one or more Benchmark Events, the Screen Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "Original Reference Rate" shall include any such Successor Rate or Alternative Rate).

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (A) the European Central Bank or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the European Central Bank (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

- (h) *Agent Bank*: The Issuer shall procure that, so long as any of the Notes remains outstanding (as defined in the Agency Agreement), there is at all times an Agent Bank for the purposes of the Notes and the Issuer may terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Floating Rate of Interest and the Interest Amount for any Interest Period, the Issuer shall appoint the Euro-zone office of another major bank engaged in the Euro-zone interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed. Notwithstanding any other provision of this Condition 3 (*Interest*), if in the Agent Bank's opinion there is any uncertainty in making any determination or calculation under this Condition 3 (*Interest*), the Agent Bank shall promptly notify the Issuer and the Issuer

shall direct the Agent Bank in writing what action to adopt. If the Agent Bank is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason it shall notify the Issuer thereof and the Agent Bank shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

4. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling on or nearest to 22 November 2026 (the "**Maturity Date**"), subject as provided in Condition 5 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer (subject to Condition 4(h) (*Conditions to Redemption or Repurchase*)) in whole, but not in part, at any time, on giving not less than 15 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued (if any) to the date fixed for redemption, if a Withholding Tax Event occurs *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent:

- (i) a certificate signed by two members of the management board of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 4(b) (*Redemption for tax reasons*) the Issuer shall be bound to redeem the Notes in accordance with this Condition 4(b) (*Redemption for tax reasons*).

Where:

"**Change in Tax Law**" means any:

- (i) amendment to, clarification of, or change in, the laws or regulations of any Taxing Jurisdiction; or
- (ii) governmental action in the Taxing Jurisdiction;
- (iii) amendment to, clarification of, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Taxing Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known;

"**Relevant Jurisdiction**" means the jurisdiction in which the Issuer is incorporated at the relevant time;

"Taxing Jurisdiction" means the Relevant Jurisdiction or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority or agency therein or thereof, having power to tax in which the Issuer is treated as having a permanent establishment, under the income tax laws of such jurisdiction; and

"Withholding Tax Event" shall occur if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) as a result of any Change in Tax Law, which change or amendment becomes effective on or after the Issue Date, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

- (c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer (subject to Condition 4(h) (*Conditions to Redemption or Repurchase*)) in whole, but not in part, on the Interest Payment Date falling on 22 November 2025 (the "**Reset Date**"), at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption), on the Issuer's giving not less than 15 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).
- (d) *Early Redemption as a result of an MREL Disqualification Event:* upon the occurrence of an MREL Disqualification Event (subject to Condition 4(h) (*Conditions to Redemption or Repurchase*)), the Issuer may, at its option having given not less than 15 days' nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), redeem all (but not some only) of the Notes at their outstanding aggregate principal amount together with interest (accrued to but excluding the date of redemption, subject to these Conditions).

Where:

"Applicable Banking Regulations" means 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 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 the Competent Authority, the 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 the Issuer);

"Bail-in and Loss Absorption Powers" means 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 Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period);

"BRRD" means Directive 2014/59/EU as the same may be amended or replaced from time to time, including without limitation, by the Creditor Hierarchy Directive and Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;

"**Competent Authority**" means any authority having primary responsibility for the prudential supervision of the Issuer at the relevant time;

"**CRD**" means the legislative package consisting of the CRD Directive, the CRR and any CRD Implementing Measures;

"**CRD Directive**" means Directive 2013/36/EU, as the same may be amended or replaced from time to time, including without limitation as amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019;

"**CRD Implementing Measures**" means any regulatory capital rules or regulations, or other requirements, which are applicable to the Issuer and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer (on a solo or consolidated basis, as the case may be) to the extent required by the CRD Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof);

"**Creditor Hierarchy Directive**" means Directive 2017/2399/EU or any equivalent legislation that supersedes or replaces it;

"**CRR**" means Regulation 575/2013, as the same may be amended or replaced from time to time, including without limitation as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of May 20, 2019) or similar laws in Latvia;

"**Group**" means the Issuer and its consolidated Subsidiaries, taken as a whole;

"**MREL Disqualification Event**" means, if as a result of any amendment to, or change in, the Applicable Banking Regulations, or in the application or official interpretation thereof, in any case becoming effective after the Issue Date, that at any time, on or following the MREL Requirement Date, the whole or any part of the outstanding aggregate principal amount of the Notes at any time is not fully or partially included in, ceases or (in the opinion of the Issuer) will cease to count towards the Issuer's or the Group's eligible liabilities and/or loss absorbing capacity (in each case for the purposes of, and in accordance with, the relevant Applicable Banking Regulations); *provided that* an MREL Disqualification Event shall not occur if such whole or part of the outstanding aggregate principal amount of the Notes is not included in, ceases or (in the opinion of the Issuer) will cease to count towards such eligible liabilities and/or loss absorbing capacity due to the remaining maturity of such Notes being less than the minimum period prescribed by the relevant Applicable Banking Regulations;

"**MREL Eligible Liabilities**" means "eligible liabilities" (or any equivalent or successor term) which are available to count towards the Issuer's and/or the Group's eligible liabilities and/or loss absorbing capacity;

"**MREL Requirement Date**" means the time from which the Issuer and/or the Group is obliged to meet any MREL Requirements;

"**MREL Requirements**" means minimum requirement for own funds and eligible liabilities applicable to the Issuer and/or the Group under the Applicable Banking Regulations;

"**Resolution Authority**" means the resolution authority of the Republic of Latvia and/or any other authority entitled to exercise or participate in the exercise of any Bail-in and Loss Absorption Powers in relation to the Issuer and/or the Group;

"**SRM Regulation**" means Regulation No. 806/2014, as the same may be amended or replaced from time to time; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.
- (e) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs 4(a) (*Scheduled redemption*) to 4(d) (*Early Redemption as a result of an MREL Disqualification Event*) above.
- (f) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith, and *provided that* any such purchases will be made in accordance with the Applicable Banking Regulations and subject to the prior approval of or permission from the Competent Authority and/or the Resolution Authority (in each case to the extent such approval is then required under the Applicable Banking Regulations). Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

Any refusal by the Competent Authority and/or the Resolution Authority (if required) to grant its approval or permission as described above will not constitute an event of default under the Notes.

- (g) *Cancellation:* All Notes that are redeemed and surrendered for cancellation by the Issuer or any of its Subsidiaries (along with any unmatured Coupons attached to or surrendered with them) shall be cancelled and may not be reissued or resold.
- (h) *Conditions to Redemption or Repurchase:* other than in the case of a redemption at maturity in accordance with Condition 4(a) (*Scheduled redemption*), the Issuer may redeem or repurchase the Notes (and give notice thereof to the Noteholders) only if such redemption or repurchase is in accordance with the Applicable Banking Regulations (if applicable) and it has been granted the permission of the Resolution Authority (if required based on the Applicable Banking Regulations).

Any refusal by the Resolution Authority (if required) to grant its approval or permission as described above will not constitute an event of default under the Notes.

5. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.
- (b) *Interest:* Payments of interest shall, subject to Condition 5(g) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 5(a) (*Principal*) above.
- (c) *Interpretation:* In these Conditions:

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro; and

"**TARGET System**" means the TARGET2 system.

- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations applicable thereto in the place of payment or any other laws and regulations to which the Issuer or Paying Agents are subject, but without prejudice to the provisions of Condition 6 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 6 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Unmatured Coupons void:* On the due date for redemption of any Note pursuant to Condition 4(a) (*Scheduled redemption*), Condition 4(b) (*Redemption for tax reasons*), Condition 4(c) (*Redemption at the option of the Issuer*), Condition 4(d) (*Early Redemption as a result of an MREL Disqualification Event*), or Condition 7 (*Events of Default*), all unmatured Coupons (if any) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (f) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the Noteholder or Couponholder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, a day on which the TARGET System is open for the settlement of payments in Euro.
- (g) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (h) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

6. **Taxation**

All payments of interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Latvia or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, in respect of interest, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a Noteholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Latvia other than the mere holding of the Note or Coupon; or

- (b) more than 30 days after the Relevant Date except to the extent that the Noteholder or Couponholder would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to interest shall be deemed to include any additional amounts in respect of interest which may be payable under this Condition 6 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Latvia, references in these Conditions to the Republic of Latvia shall be construed as references to the Republic of Latvia and/or such other jurisdiction.

7. Events of Default

- (a) If any of the following events occurs:
- (i) *Non-payment*: the Issuer fails to pay any amount of principal due in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest due in respect of the Notes for more than ten business days; or
 - (ii) *Winding-up, etc.*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, any Noteholder may,
 - (x) (in the case of (i) above) institute proceedings for the winding-up or dissolution of the Issuer, in each case, in Latvia and not elsewhere, and prove or claim in the winding-up or dissolution of the Issuer; and/or
 - (y) (in the case of (ii) above) prove or claim in the winding up or dissolution of the Issuer, whether in Latvia or elsewhere and instituted by the Issuer itself or by a third party,but (in either case) such Noteholder may claim payment in respect of the Note only in the winding up or dissolution of the Issuer.
- (b) In any of the events or circumstances described in Condition 7(a)(ii) (*Winding-up, etc.*) above, any Noteholder may, by notice to the Issuer, declare such Note to be due and payable, and such Note shall accordingly become due and payable at its outstanding principal amount together with accrued interest to the date of payment but subject to such Noteholder only being able to claim payment in respect of the Note in the winding up or dissolution of the Issuer.
- (c) Any Noteholder may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to Conditions 7(a) and 7(b) any obligation for the payment of any principal or interest in respect of the Notes) **provided that** the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it, except with the prior approval of the Competent Authority and/or the Resolution Authority (if such approval is then required under the Applicable Banking Regulations).
- (d) No remedy against the Issuer, other than as provided in Conditions 7(a), 7(b) and 7(c) above, shall be available to the Noteholders, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations or undertakings with respect to the Notes.

For the avoidance of doubt, any resolution action shall not constitute an event of default.

8. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

9. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

10. **Paying Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents and the Agent Bank act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent or the Agent Bank and to appoint a successor fiscal agent or agent bank and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain a Paying Agent and an Agent Bank.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders

11. **Meetings of Noteholders; Modification**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the aggregate principal amount of the Notes held or represented; *provided, however, that* any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders or Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than three-quarters in aggregate principal amount of the Notes for the time being outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution

in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Issuer may, without the consent of any of the Noteholders or Couponholders, at any time: (i) agree with the Fiscal Agent: (A) any modification (except for any modification that relates to a Reserved Matter) of the Notes, the Coupons, the Agency Agreement or the Deed of Covenant which is, in the opinion of the Issuer, not prejudicial to the interests of the Noteholders; or (B) any modification of the Notes, the Coupons, the Agency Agreement or the Deed of Covenant which is, in the opinion of the Issuer, of a formal, minor or technical nature or is made to correct a manifest error. Any modification or waiver of these Conditions will be effected in accordance with Applicable Banking Regulations.

In addition, pursuant to Condition 3(g) (*Benchmark Replacement*), certain changes may be made to the interest calculation provisions of the Notes in the circumstances and as otherwise set out in such Condition, without the requirement for consent of the Noteholders.

12. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

13. **Substitution and Variation**

If at any time an MREL Disqualification Event or Withholding Tax Event occurs, or to ensure the effectiveness or enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*), the Issuer may, subject to the Applicable Banking Regulations (without any requirement for the consent or approval of the Holders) and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent (in accordance with the Agency Agreement) and the Noteholders (which notice shall be irrevocable), at any time either:

- (a) substitute all (but not some only) of the Notes for new Notes, which are Qualifying Securities; or
- (b) vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities,

provided that, in each case:

- (i) such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities; and
- (ii) such variation or substitution would not itself directly lead to a downgrade in any of the credit ratings of the Notes as assigned by any rating agency immediately prior to such variation or substitution (unless any such downgrade is solely attributable to the effectiveness and enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*)); and
- (iii) such variation or substitution is not materially less favourable to holders (unless any such prejudice is solely attributable to the effectiveness and enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*)).

For the avoidance of doubt, any such substitution or variation shall not be deemed to be a modification or amendment for the purposes of Condition 11 (*Meetings of Noteholders; Modification*).

Any substitution or variation in accordance with this Condition 13 is subject to the Issuer obtaining prior written consent of the Resolution Authority and complying with the rules of any competent

authority, stock exchange and/or quotation system by or on which the Notes are, for the time being, listed, traded and/or quoted.

For the purpose of this Condition 13 a variation or substitution shall be "**materially less favourable to holders**" if such varied or substituted securities do not:

- (i) include a ranking at least equal to that of the Notes pursuant to Condition 2;
- (ii) have the same interest rate and the same interest payment dates as those from time to time applying to the Notes;
- (iii) have equivalent redemption rights as the Notes;
- (iv) have the same currency of payment, maturity, denomination and original aggregate outstanding nominal amount as the Notes prior to such variation or substitution;
- (v) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the interest payment date last preceding the date of substitution or variation; or
- (vi) have a listing on a recognised stock exchange if the Notes were listed immediately prior to such variation or substitution; and

Where:

"**Qualifying Securities**" means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*) including, without limitation, changing its governing law), have terms not materially less favourable to holders of the Notes as a class (as reasonably determined by the Issuer) than the terms of the Notes and they shall also (i) contain terms which will result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) eligible liabilities under the relevant Applicable Banking Regulations; (ii) have a ranking at least equal to that of the Notes; (iii) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes; (iv) have the same redemption rights and obligations as the Notes; (v) preserve any existing rights under the Notes to accrued interest; (vi) do not contain terms which provide for interest cancellation or deferral; (vii) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares (but without prejudice to any acknowledgement of statutory resolution powers substantially similar to Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*)); and (viii) in the event the Notes had a published rating solicited by the Issuer from one or more rating agencies immediately prior to their substitution or variation, benefit from (or will, as announced by each such rating agency, benefit from) an equal or higher published rating from each such rating agency as that which applied to the Notes, unless any downgrade is solely attributable to a change to the governing law of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*) in order to ensure the effectiveness and enforceability of Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*); and
- (b) are listed on a recognised stock exchange if the Notes were listed on a recognised stock exchange immediately prior to such variation or substitution.

14. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. In addition, so long as Notes are admitted to trading on Euronext Dublin and it is a requirement of applicable law or regulations, published on the website of Euronext

Dublin (www.euronext.com/en/markets/dublin). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

15. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law, except for Condition 2 (*Status*) and Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*) which shall be governed by Latvian law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Notwithstanding Condition 15(b) (*English courts*), any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its office at Eighth Floor, 100 Bishopsgate, London, EC2N 4AG, United Kingdom, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.
- (f) *Consent to enforcement etc.:* The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.
- (g) *Waiver of immunity:* To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

16. **Acknowledgement of Bail-in and Loss Absorption Powers**

Notwithstanding and to the exclusion of any other term of the Notes or any other agreements, arrangements or understanding between the Issuer and any Noteholder (which, for the purposes of this Condition 16 (*Acknowledgement of Bail-in and Loss Absorption Powers*), includes each holder of a beneficial interest in the Notes), by its acquisition of the Notes, each Noteholder acknowledges and accepts that any liability arising under the Notes may be subject to the exercise of such Bail-in and Loss Absorption Powers as may be exercised by the Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (a) the effect of the exercise of any Bail-in and Loss Absorption Powers by the 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 Notes;
 - (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Noteholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;
 - (iii) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and
 - (iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Notes, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Bail-in and Loss Absorption Powers by the Resolution Authority.

"Bail-in and Loss Absorption Powers" means 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 Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

"Relevant Amounts" means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts due on the Notes. 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 Resolution Authority.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note ("NGN") form. On 13 June 2006, the ECB announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility - that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denominations of EUR 100,000 and higher integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000 each at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 7 (*Events of Default*) occurs.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum denomination of EUR 100,000 and higher integral multiples of EUR 1,000 in excess thereof, notwithstanding that no Definitive Notes will be issued with a denomination above EUR 199,000.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant dated 22 November 2021 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to

the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note "**business day**" means any day on which the TARGET System is open.

Notices: Notwithstanding Condition 14 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

Electronic Consent and Written Resolution: While any Global Note is held on behalf of a clearing system, then:

- (a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by (a) accountholders in the clearing system with entitlements to such Global Note or Global Note Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to EUR 198,751,000 will be used by the Issuer for general corporate purposes.

SELECTED FINANCIAL INFORMATION

The following tables summarise the Group's selected historical consolidated financial information for each of the years ended 31 December 2020 and 2019 and the six-month period ended 30 June 2021. The Group's selected historical consolidated financial information provided in the tables below is derived from the Consolidated Financial Statements and H1 2021 Financial Statements and is qualified in its entirety by reference to the Consolidated Financial Statements and H1 2021 Financial Statements incorporated by reference in the Prospectus.

Income statement

<i>EUR millions</i>	For the six-month period ended 30 June	For the year ended 31 December	
	2021 <i>(audited)</i>	2020 <i>(audited)</i>	2019 <i>(audited)</i>
Interest income	60.7	90.1	100.6
Interest expense	(7.4)	(22.6)	(15.9)
Net interest income	53.2	67.5	84.6
Fee and commission income	28.2	51.8	56.4
Fee and commission expense	(11.3)	(21.6)	(25.5)
Net fee and commission income	16.9	30.2	30.9
Net financial income	4.7	(17.5)	8.2
Net other income/(expense)	2.0	14.4	0.2
Operating income	76.8	94.7	123.9
Staff costs	(30.8)	(50.9)	(53.3)
Other operating expenses	(10.8)	(21.1)	(21.8)
Depreciation and amortisation	(5.2)	(8.0)	(7.7)
Operating expense	(46.7)	(80.0)	(82.8)
Profit before impairment	30.1	14.7	41.1
Net credit losses	3.8	(9.4)	(2.4)
Other impairment losses and other provisions	(0.1)	(1.1)	(1.3)
Operating profit/(loss) before non-current assets held for sale	33.8	4.2	37.4
Results from non-current assets held for sale	(0.1)	(0.3)	0.4
Operating profit/(loss)	33.7	3.9	37.8
Income tax	(1.1)	(0.3)	(1.3)
Net profit/(loss)	32.6	3.6	36.5

Balance sheet

<i>EUR millions</i>	As at 30 June	As at 31 December	
	2021 <i>(audited)</i>	2020 <i>(audited)</i>	2019 <i>(audited)</i>
Assets			
Cash and cash balances at central banks	486.1	1,146.6	707.9
Loans to credit institutions	60.0	51.3	121.4
Debt securities	1,684.2	1,760.2	1,208.5
Loans to public	2,456.8	1,541.2	1,567.8
Equity instruments	1.3	4.8	5.1
Other financial instruments	39.6	43.3	40.0
Derivatives	3.9	1.5	1.0
Investments in subsidiaries	0.3	0.3	-
Tangible assets	23.8	12.9	50.0
Intangible assets	8.2	6.0	4.7
Current income tax assets	2.4	0.9	0.7
Deferred income tax assets	3.0	2.4	2.4

Non-current assets held for sale	0.9	0.9	2.9
Other assets	35.4	25.0	30.4
Total assets	4,805.9	4,597.3	3,742.8
Liabilities			
Deposits from credit institutions and central banks	478.0	450.0	1.6
Deposits and borrowings from customers	3,798.0	3,671.4	3,289.5
Debt securities issued	60.1	60.1	60.0
Derivatives	1.1	4.5	0.5
Provisions	1.8	2.2	4.2
Current income tax liabilities	0.3	0.2	0.6
Deferred income tax liabilities	0.5	0.5	0.7
Other liabilities	90.9	64.2	44.9
Total liabilities	4,430.7	4,253.0	3,402.0
Equity			
Share capital	156.6	156.6	156.6
Reserves and other capital components	8.4	10.3	11.3
Retained earnings	210.4	177.5	172.9
Total equity	375.3	344.3	340.7
Total liabilities and equity	4,805.9	4,597.3	3,742.8
Shareholders' equity	375.3	344.3	340.7
Subordinated debt	60.1	60.1	60.0
Loan-to-deposit ratio ⁽¹⁾	65%	42%	48%
Non-performing loans ⁽²⁾⁽³⁾	3.4%	3.5%	4.8%
Common equity Tier 1 (CET 1) capital ratio, transitional (including period's result)	16.7%	22.1%	18.8%
Total capital adequacy ratio (CAR), transitional (including period's result)	19.4%	26.0%	22.2%
Leverage ratio, transitional	7.6%	7.4%	8.8%

(1) The loan-to-deposit ratio is calculated as the carrying value of loans and receivables from customers divided by deposits from customers at the end of the relevant period. The loan-to-deposit ratio is a measure of the funding base of the loan portfolio. Loans are generally considered as less liquid assets than cash and securities. Therefore, in the absence of other considerations, the lower the proportion of the deposit portfolio that is invested in loans, the more liquid is the balance sheet of the Group.

(2) Non-performing loans or the stage 3 loans to public ratio is calculated as stage 3 loans to public divided by total loans to public as of the end of the relevant period.

(3) The Group recalibrated its model on forbearance assessment using more conservative assumptions with effect from 31 August 2021. The NPL ratio as at 30 June 2021 using this new model would have been 3.5 per cent.

The table below 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 the Group's liquidity.

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

Ratios (adjusted for one-time item*)

	As at or for the six- month period ended 30 June	As at or for the year ended 31 December	
	2021	2020	2019
Return on average assets (ROA) ⁽¹⁾	1.39%	0.78%	1.07%
Return on average equity (ROE) ⁽²⁾	18.1%	9.5%	11.5%
Cost to income ratio (CIR) ⁽³⁾	60.8%	64.8%	66.8%
Cost of risk ratio (COR) ⁽⁴⁾	(0.4)%	0.6%	0.2%

(1) 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 such period. ROA is a measure of the profitability of the relevant assets. It is a measure of efficiency of asset usage in profit generation of the Group. In the absence of other considerations, the higher the ROA of the Group, the better the financial performance of the Group.

(2) 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 the Group. In the absence of other considerations, the higher the ROE of the Group, the better the financial performance of the Group.

(3) Cost to income ratio (CIR) is calculated as administrative expense plus amortisation 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 the Group (expressed in percentage) to generate the income. The more efficient the Group is in generating income, the lower the CIR ratio. A lower CIR represents higher income generation with lower administrative expenses.

(4) 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.

* 2020 is adjusted for one-time losses related to the tail risk defensive measures in the amount of EUR (24.6) million for the first half of 2020 and an additional EUR (4.2) million for the second half of 2020, both included in "Net financial and other income", and one-time gain of EUR 17.5 million in the second half of 2020 from leaseback sale of headquarters buildings in Latvia and Lithuania.

OVERVIEW AND BUSINESS DESCRIPTION

Overview

The Group is a leading universal banking group and the largest non-Nordic owned universal bank in Latvia. As of 30 June 2021, Citadele has the third highest number of customers (above 405,000), the third highest number of internet banking customers (approx. 275,000 active users), the second highest number of mobile banking customers (approx. 176,000 active users) and the third largest network of branch offices in Latvia, according to the Finance Latvia Association ("**FLA**"). Furthermore, as of the same date, Citadele had a total market share in Latvia of 17.4 per cent. in total loans, 18.4 per cent. in deposits and 18.1 per cent. in total assets, according to data published by the FLA.

The Group offers a wide range of banking products to its private individual, SME and corporate customer base. It also provides wealth management, asset management, life insurance, pension and leasing and factoring products. Citadele has won numerous local and international awards for its business, customer service and innovative technology applications. As of 30 June 2021, the Group had 1,349 full time employees. Its distribution network comprised 20 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch and 5 customer service units in Lithuania. AS Citadele banka has 2 client consultation centres in Latvia. AS Citadele banka is the parent company of the Group, which has a subsidiary bank in Switzerland and several subsidiaries which include financial services companies. The Group's main market is the Baltics (Latvia, Lithuania and Estonia). The Group has online and mobile banking platforms, which are available in Latvia, Lithuania and Estonia.

In Latvia, the Group operates through two main business segments according to customer profile:

- the Retail and SME segment provides a wide range of daily banking products and services, current and deposit accounts, debit and credit cards, mortgages and consumer loans to private individuals, as well as card acquiring services for small merchants, and short and long term credit facilities to legal entities with an annual turnover of up to EUR 7 million; and
- the Corporate segment serves corporate customers with an annual turnover in excess of EUR 5 million, a loan exposure of more than EUR 1 million, or total assets comprising more than EUR 5 million. Core products include business development loans, short term credit lines, trade finance products, card acquiring services, and general deposit and cash management services.

In addition to its operations in Latvia (including its wealth management business), the Group has banking, leasing and wealth management operations in Lithuania and Estonia and offers private banking and wealth management services through its subsidiary in Switzerland.

The Group's strategy, which was adopted following the acquisition of the majority stake in Citadele by the investment consortium led by RA Citadele Holdings, LLC, is aimed at strengthening the Group's market position in the domestic Baltic market by becoming the primary banking partner for its existing and new customers. Management believes that this strategy will deliver greater customer engagement and will increase the Group's revenue-earning potential. The Group intends to maintain all of its existing business lines, while focusing more specifically on growing the relative proportion of its Retail and SME segment in its overall balance sheet mix. Citadele is also working on strengthening its current wealth management proposition by further integrating with the Retail and Corporate business.

Citadele's head office is located at Republikas laukums 2A, Riga, LV-1010, Latvia, and its telephone number is +371 6701 0000. Citadele's registration number is 40103303559.

History and Development

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

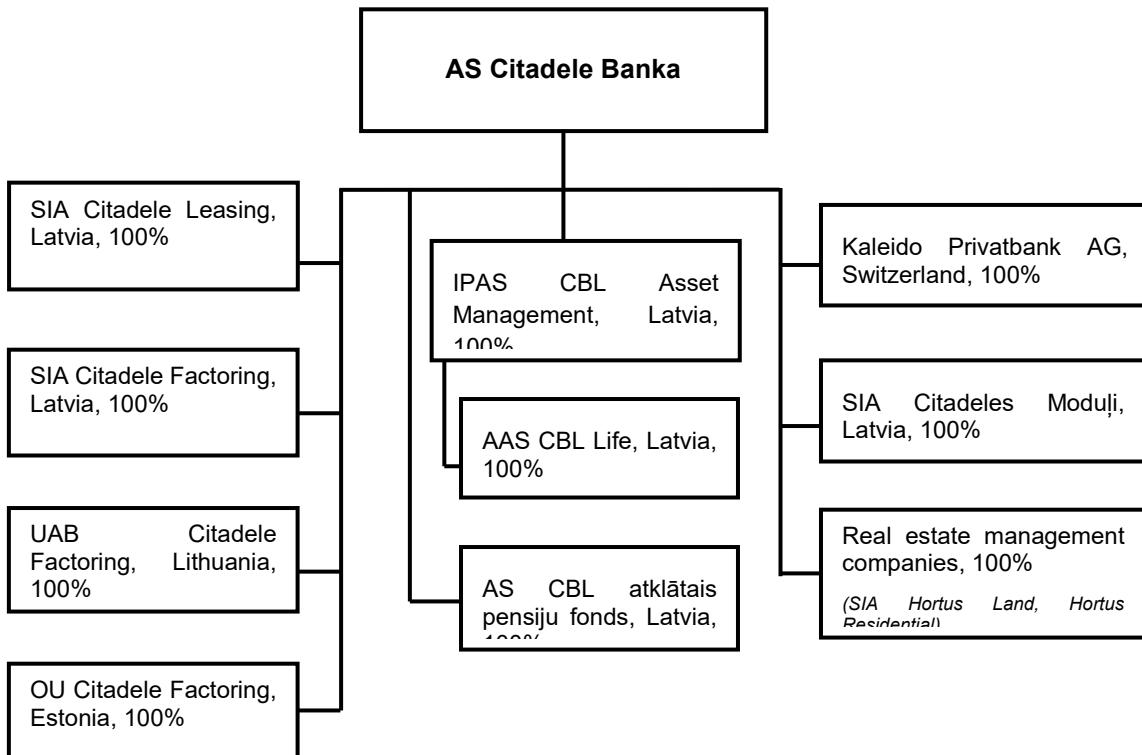
AS Parex Banka ("**Parex**"), which was one of the first commercial banks in Latvia, was founded in 1992 and was the second largest bank in Latvia in 2008. Following financial difficulties in 2008, Parex sought Latvian state assistance in early November 2008 and was subsequently nationalised through the acquisition by the Latvian Government (acting through the Latvian Privatisation Agency) of the entire ownership interests of its former shareholders. In April 2009, the European Bank for Reconstruction and Development ("**EBRD**") concluded a share purchase agreement whereby it acquired from the Latvian Privatisation

Agency 25 per cent. plus one share of the share capital of Parex. On 1 August 2010, Parex's assets that were less than 60 days in arrears, as well as liabilities relating to traditional banking operations, were separated and transferred into a newly established "good bank" named Citadele, which would focus on traditional banking operations. The EBRD obtained a shareholding of 25 per cent. plus one share in Citadele.

In order to enable the European Commission to provide restructuring aid to Citadele and Parex in a manner that did not distort the Latvian market, Latvia provided commitments to the European Commission designed to limit the competitive impact of a state-owned bank operating in the Latvian market. In addition, the European Commission imposed a requirement that Citadele must be sold back into private ownership as soon as practicable. A full auction and tender process was held by the Latvian Privatisation Agency in 2014 for the sale of its stake, i.e. 75 per cent. less one share of the share capital of Citadele. Following the completion of the auction and tender process, RA Citadele Holdings, LLC and a number of persons co-investing alongside RA Citadele Holdings, LLC, were selected as the preferred bidder. A sale and purchase agreement was entered into among the parties on 5 November 2014.

Following the closing of the sale on 20 April 2015, all ordinary shares of Citadele held by the Latvian Privatisation Agency were acquired by RA Citadele Holdings, LLC, and a number of persons co-investing alongside RA Citadele Holdings, LLC. In addition, all commitments made by the Group to the European Commission ceased to apply and had no further effect or restriction upon the activities of the Group. A further subscription for ordinary shares by RA Citadele Holdings, LLC, the consortium of co-investors and the EBRD following closing of the sale on 20 April 2015, provided RA Citadele Holdings, LLC and the co-investors with a stake of 75 per cent. plus one share in Citadele, with EBRD having a stake of 25 per cent. minus one share.

Structure of the Group



Subsidiaries

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

Subsidiary	Country of incorporation	Ownership	Industry
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SIA Citadele Leasing	Latvia	100%	Leasing and factoring
SIA Citadeles moduļi	Latvia	100%	Management of main office building
Kaleido Privatbank AG	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
SIA Hortus Residential	Latvia	100%	Managing real estate assets
AS CBL Atklātais Pensiju Fonds	Latvia	100%	Pension fund management
OU Citadele	Estonia	100%	Leasing and factoring
Factoring			
SIA Mobilly (Investments in associates accounted for using the equity method)	Latvia	100%	Authorized electronic money institution
SIA Hortus Land (under liquidation)	Latvia	100%	Managing real estate assets
AAS CBL Life	Latvia	100%	Life insurance
SIA CL Insurance Broker	Latvia	100%	Insurance

**Calenia Investments Limited, 100% owned, Non-regulated financial institution and OOO Mizush Asset Management Ukraina, 100% owned, Asset Management are under liquidation*

Branches

Name	Place of incorporation	Branch location
AS "Citadele banka" (CB)	Latvia	Estonia
AS "Citadele banka" (CB)	Latvia	Lithuania
SIA Citadele Leasing	Latvia	Estonia
SIA Citadele Leasing	Latvia	Lithuania

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

Business segments, strategy and principal markets

The Group's strategy is to become the leading local bank of choice for individuals and businesses in each of the Baltic States. The Group intends to achieve this by delivering exceptional digital services, "premium feel" products and by placing a high emphasis on quality of service across customer segments. The Group intends to further increase revenue from its existing customer base and to proactively target new customers

in the retail, SME and micro SME (being those entities with a turnover of less than EUR 0.4 million per annum) sectors.

Citadele's management believes that the Group's core strengths will allow it to increase the market penetration of its banking services in the Baltic States, and attract new customers from its local banking competitors, driving further revenue growth.

The Group's operations and infrastructure differ across each of the Baltic States, and so whilst Citadele's management intends to implement its business strategy across each of the Baltic States, such strategies are tailored by Citadele management to better suit the customer requirements in the relevant market. The infrastructure to deliver growth in its Retail and SME segments is already in place in Latvia, Lithuania and Estonia.

While the Group's core strategy is to grow the business organically by focusing upon expanding its customer base and revenues derived from its Retail and SME segments, the Group will also consider attractive opportunities that may arise, from time to time, to acquire other businesses in the Baltic States. The Group would only seek to explore such opportunities if they are deemed to be value enhancing as well as present clear operational or growth benefits for the Group.

In December 2019, Citadele announced that it had agreed to acquire UniCredit's Baltic leasing operations with its lease portfolio in the amount of more than EUR 850 million. The transaction successfully closed on 4 January 2021. Following the acquisition, Citadele's aggregate net leasing loans as at 30 June 2021 exceed EUR 1.0 billion. As a result, Citadele is now one of the three largest players in the Latvian leasing market and has significantly strengthened its footprint across the Baltics.

In March 2021, Citadele announced the acquisition of the majority of the mortgage portfolio of ABLV Bank, AS in liquidation. The portfolio consists of several thousand mortgage loans with a total exposure of above EUR 170 million. On 2 July 2021, in the first phase of the transaction, mortgage loans with net exposure amounting to EUR 114 million were acquired. The second part of the transaction is expected to close by the end of 2021, and will involve mortgage agreements with an exposure of around EUR 50 million.

The Group's management believes that its business strategy will allow it to continue to build upon and evolve its current product mix and customer base (for example, by continuing to be a trusted partner to mid-sized corporate entities in the Baltics), whilst capturing opportunities in selected market segments, such as consumer, and micro SME and SME lending, where attractive revenue opportunities exist. Citadele's management believes that it is now in a position to implement a focussed growth strategy supplemented by digital offerings that fully utilises its established branch offices and distribution network, sophisticated IT infrastructure, innovative product offering, experienced management team, well-trained staff and comprehensive risk management systems. The Group's management believes that by remaining a leading local bank, the 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 can continue to apply its local expertise in pricing and managing risk.

The two core areas of business activity undertaken by the Group in are Retail and SME and Corporate. The Group also has operations in relation to wealth management, asset management, leasing, life insurance and pension fund management and also operates outside Latvia in Lithuania, Estonia and Switzerland as described in more detail below. As of 30 June 2021, Latvia, Lithuania, Estonia and other countries accounted for 46 per cent., 39 per cent., 14 per cent. and 1 per cent., respectively, of the Group's total loans to public (as compared to 60 per cent., 28 per cent., 10 per cent. and 2 per cent. respectively of the of the Group's total loans to public as of 30 June 2020).

Retail and SME segment

Citadele's Retail segment caters primarily to private individuals. Citadele's SME segment caters to entities with annual turnover of up to EUR 5 million (including a micro SME customer base comprised of entities with an annual turnover of up to EUR 0.3 million). A typical SME customer for Citadele has annual revenues of EUR 1 million and outstanding loans with Citadele of EUR 120,000. The Group's Retail and SME customers share similar characteristics in relation to their size, the type of services required and the frequency of access to services through branch offices, contact centres and online. Citadele does, however,

have separate strategies for each of these customer groups (see "*The Group —Strategy*"). As of 30 June 2021, Citadele had more than 303,000 private mass segment customers more than 20,000 SME customers.

The Group aims to increase the number of mass and affluent retail customers in the Baltic States that use the Group as their primary bank for their full range of banking needs, as opposed to using only one or two of the Group's products. Citadele estimates that close to one third of Citadele's existing customer base in the Baltic States currently uses Citadele as their primary bank and Citadele intends to increase the number of its new and existing customers that use Citadele as their primary bank using the strategies described below:

- offering a flagship daily banking product (card, account, package), which will become a key "hook" in Latvia, Lithuania and Estonia to enable the Group to further develop its relationships with new and existing customers and enhance its ability to sell additional retail products to its customer base across different operations;
- acquiring retail customers by leveraging existing services provided to corporate customers, such as payroll services, and focussing on increasing the proportion of the Group's retail customers which use the Group accounts to receive salary payments;
- continuously developing a clear and simplified "product menu", with all key products having clear target customers and being offered at simple and transparent rates;
- providing a responsive "premium feel" customer centric service to its retail customers offering service level based on customer life cycle needs, both remotely via online and mobile banking, 24/7 service via SkyBranch and physical branches (contact centre); and
- providing the best digital offering by creating the market leading mobile banking application with upgraded functionality and design, and launching a daily banking product proposition with digital distinctiveness to significantly improve user experience, which will later be the base for other business lines and customers' needs in lending and investment areas.

The Group believes that ongoing growth in the Baltic States' economies will increase demand for new products in the consumer lending market, which the Group believes is currently underserved by local banks, and presents the Group with attractive revenue generation opportunities. Growth of its consumer lending platform will also expose the Group to a greater number of potential retail banking customers. The Group will also seek to expand the number of its retail customers using card products, such as by leveraging its relationships with retailers, to further drive commission and fee income. The Group will also focus on providing additional sales-based training for its relationship managers in order to increase cross-selling of its consumer lending products. The Group intends to replicate strategies that are successful in Latvia, Lithuania and Estonia across the other Baltic States.

The Group intends to drive revenue growth from its SME customers by focusing upon expanding its existing products, such as secured credit lines, and by implementing new product offerings, such as extended overdraft facilities. Citadele believes that improving the efficiency and responsiveness of its internal systems and customer facing employees will enable it to provide an enhanced "premium feel" service to customers and enable it to more rapidly approve SME related products, such as business development loans or credit lines. In addition, by providing its relationship managers with a strong understanding of the relevant business and industry sectors and encouraging them to take a leading advisory role with their SME customers, Citadele believes that it will further strengthen its position as the local bank of choice for businesses in the Baltic States. Citadele anticipates being able to price competitive yet profitable margins on its SME products because of its "premium feel" responsive customer service and innovative product offerings will attract new SME customers and foster loyalty from its existing SME customer base.

Citadele believes that the SME market is currently underserved in the Baltic States and represents an attractive growth opportunity for the Group's customer base. Citadele's management believes that Citadele's experience as a local bank in the Baltic States has allowed Citadele to acquire the knowledge and experience required to successfully develop its SME segment. In particular, Citadele intends to proactively approach retailers and small and medium-sized merchants through targeted marketing efforts to emphasize Citadele's best in class E-Commerce solution offering package starting from POS to complete customer check-out experience with Pay-later functionality. Using its comprehensive risk management systems and relationship

manager network, Citadele intends to identify the most attractive micro SMEs, with strong and established financial track records, and offer them credit lines for business development based on individual risk based pricing. Once a micro SME becomes a customer, Citadele will seek to package its other products, such as advanced point of sale terminals enabled for contactless transactions, cash management facilities, card products, business development loans, leasing products for new equipment and mortgage products for investments in real estate. Citadele believes that by supporting and investing in SMEs, it will further strengthen the Group's position in the market as the local bank of choice for businesses in the Baltic States. Furthermore, as Citadele develops strong relationships by investing and assisting these SMEs to grow their businesses, Citadele believes that it will benefit from increased revenue from these customers as they develop into larger, more complex businesses and utilise a wider range of Citadele's products.

Corporate segment

Citadele has targeted corporate customers (being companies with annual turnover above EUR 5 million) who operate in a wide range of industries including manufacturing, agriculture, forestry, retail, real estate, wholesale trade and transport. Citadele aims to establish relationships with leading companies in each of its segments across the different industries. Citadele 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, while providing its employees with the opportunity to develop experience across a number of industries, and through such experience being able to provide its customers with a market leading service on a cross-industry basis. During recent years, Citadele has been able to achieve a strong market position in Latvia resulting in an increased loan book, and the possibility to discuss financing opportunities with blue chip companies that have turnover of above EUR 100 million, resulting in financing larger ticket size loans for individual customer groups. Citadele 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 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.

Leasing

The Group provides a range of leasing products in Latvia, Lithuania and Estonia for private individuals and companies. These leasing products include financial leases, operational leases and leaseback products. The Group focuses primarily on leasing for automotive, agriculture and commercial transport across the Baltic States.

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 per cent. of the shares in SIA UniCredit Leasing (including its Estonian and Lithuanian branches), along with its 100 per cent. owned subsidiary SIA UniCredit Insurance Broker (including its Estonian branch). As a result, Citadele is now one of the largest provider of such leasing products in the Baltic. The completion of the acquisition took place on 4 January 2021.

Following completion of the acquisition on 4 January 2021, Citadele's aggregate leasing portfolio exceeds EUR 1.0 billion, as compared to 195 million and 199 million as of 31 December 2020 and 31 December 2019, respectively.

The agreement between AS Citadele Banka and UniCredit S.p.A. involved a name and brand change for SIA UniCredit Leasing, as a result of which SIA UniCredit Leasing became Citadele Leasing in February 2021. SIA UniCredit Insurance Broker was re-named SIA CL Insurance Broker.

Citadele intends to continue its leasing business through the acquired entity (Citadele Leasing) and for the different Citadele factoring companies across the Baltics to continue to focus on factoring product development, while still servicing existing leasing customers until the amortisation of its existing portfolio.

The main strategy for the leasing business is based on digital solutions such as automated decision making for standard retail transactions, as a result of which leasing can become a one-click solution where

customers can choose whether to have a financial / operating lease or a full service lease, including vehicle services.

In order to implement this strategy, Citadele has focused on expanding cooperation with vendors via its white label platform. With the acquisition of Unicredit Leasing, Citadel has added several white label partnerships which should help to fulfill its strategic targets. Citadele will continue to focus on vendor channels and at the same time, also be able to bring a better value proposition for existing Group customers in order to increase their loyalty.

Other operations

Wealth management

The Group provides a wide range of wealth management services to more than 3,000 clients. These clients have greater engagement with various investment products, mostly provided by subsidiaries of Citadele (primarily CBL Asset Management). These clients represent in total EUR 605 million deposited with the Group as of 30 June 2021. The profile of this customer group corresponds to a higher net income and assets base (from EUR 100,000). The main focus is on local high net worth households, which the wealth management operation also services. The Group also aims to become the primary bank for this particular customer segment, increasing product penetration with an emphasis on investment products.

Asset management and pensions

Citadele's asset management subsidiary was established in 2002, and the Group has, since its formation, grown its asset management business into one of the top three asset managers in Latvia based upon the value of assets under management as of 30 June 2021. The Group does not currently conduct any active asset management activity outside of Latvia (other than in relation to its Swiss subsidiary).

The services offered by the Group's asset management business include investment fund and discretionary portfolio management for its customers based mostly in the Baltic States. The Group offers its customers a wide and comprehensive range of funds in which to invest, including regional equity, fixed income and balanced risk funds.

The Group is a manager of Pillar II and Pillar III pension funds in Latvia. It is also one of the top three service providers in relation to state funded pension plan management in Latvia with a total customer base in excess of 231,739 individuals, representing 17.9 per cent. of the Latvian market as of 30 June 2021.

In relation to asset management and pensions, the Group has three types 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 the Group) manages their contributions. The 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 Citadele's subsidiary, AS CBL Atklātais Pensiju Fonds.

Life insurance

The Group's life insurance subsidiary, AAS CBL Life, provides term life and accident insurance with savings options as well as life annuity products. The Group utilises its wide network of branch offices and wealth management business to sell such insurance products.

Operations in Lithuania

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

The Group's Lithuanian operations offer products and services across the Retail, SME and Corporate segments through a network of seven customer service units, which cover the key cities in Lithuania. The Group's Lithuanian customer base is predominantly local and unconnected with its customers in Latvia.

The Group aims to ensure that the products and services offered in Lithuania are the same as in Latvia and therefore intends to expand the number of products and services that are available through the Group's Lithuanian operations. The Group is aiming to grow its customer base in Lithuania, with a particular focus upon the Retail and SME segments.

The total value of loans provided to customers in Lithuania as of 30 June 2021 was EUR 951 million (EUR 494 million and EUR 419 million as at 31 December 2020 and 31 December 2019, respectively). The deposits from Lithuanian customers provide sufficient funding for the 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 Citadele's operations in Estonia and has the further benefit of increasing the sources of funding for the Group more generally. The Group currently has one customer service centre located in central Tallinn which is focused upon providing a full range of traditional banking products primarily to Retail and SME customers.

Additionally, customers acquired by the Group in Estonia are predominately local customers and are not connected to Citadele's customers in Latvia. The majority of the products offered in Estonia align with the products offered in Latvia in the Retail and SME segments, as well as the Corporate segment. The Group does tailor certain of its products to the Estonian market. The Group is aiming to grow its customer base in Estonia, with a particular focus upon the Retail and SME segments.

The total value of loans provided to customers in Estonia as of 30 June 2021 was EUR 353 million (EUR 149 million and EUR 153 million as at 31 December 2020 and 31 December 2019, respectively).

Operations in Switzerland

The Group's Swiss private banking business operates as a standalone entity servicing clients originated by its own sales team as well as referrals from the Group's wider wealth management business. Parex acquired 100 per cent. of the shares in AP Anlage & Privatbank AG (since 2021, Kaleido Privatbank AG), its private banking subsidiary in Switzerland, in 2004. The primary business of the Group's Swiss operations includes account servicing, deposits, brokerage and investment services as well as trust services. The Group's Swiss operations focus on mid- sized accounts, being accounts with a value of between CHF 1 million to 5 million.

The value of total client funds as of 30 June 2021 equalled EUR 285.8 million (EUR 351.8 million and EUR 393.9 million as of 31 December 2020 and 31 December 2019, respectively) of which EUR 120.3 million relates to deposits held in current or deposit accounts (EUR 167.6 million and EUR 240 million as of 31 December 2020 and 31 December 2019, respectively) and EUR 166.3 million relates to funds held under custody and fiduciary deposits (EUR 184.2 million and EUR 154 million as of 31 December 2020 and 31 December 2019, respectively). Less than half of the total funds under management, including balance sheet items, are derived from CIS clients.

Competition

According to data published by the FCMC, as of 30 June 2021, there were 16 credit institutions operating in Latvia with total collective assets amounting to EUR 25.3 billion for the banking system. The market is relatively concentrated, with the largest four banks by total assets accounting for 81.9 per cent. of total

assets, 85.6 per cent. of total loans, and 84.7 per cent. of total deposits (as of 30 June 2021). At the Baltic level, Swedbank, SEB, Luminor and Citadele accounted for more than 70.0 per cent. of the overall banking assets. The Scandinavian-owned Swedbank and SEB currently dominate the Latvian market. Citadele and Luminor are the largest non-Nordic-owned universal banks in Latvia measured by the number of customers. A universal bank is a financial institution which has broad diversification in its products, services and customer base across retail, SME and corporate sector.

The level of competition in the Latvian banking sector, and to a lesser degree in the Lithuanian and Estonian banking sectors, has a significant impact on the 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 the Group's net interest margin, and potentially its profitability, by forcing the Group to offer lower interest rates on loans and higher interest rates on customer deposits, which are the predominant source of funding for the Group. The Group's commission and fee income and commission and fee expense are also affected by competition in the banking sector. Accordingly, the Group's operating results could be materially impacted by changes in the competitive landscape in the Latvian, Lithuanian or Estonian banking sectors.

According to data from the FLA, Citadele had the third highest number of active customers (406,510) as of 30 June 2021 after Swedbank (976,871) and SEB (430,155) and ahead of Luminor with 203,487. Citadele was also ranked third by the number of internet banking users (274,796) at the same date, behind Swedbank (746,784) and SEB (313,349), and ahead of Luminor (160,510). With 24 branch offices as of 30 June 2021, Citadele operated the third largest network of branch offices in Latvia after Swedbank and SEB, and was also the third largest bank in terms of total deposits (with 18.4 per cent. market share), third largest for households deposits (with 17.8 per cent. market share), fourth largest for total loans (with 17.4 per cent. market share) and second largest for total assets (with 18.1 per cent. market share). Citadele was also ranked second by term deposits (with a 18.2 per cent. market share) with EUR 433.5 million as term deposits, behind SEB (EUR 450.0 million), but ahead of Swedbank (EUR 100.5 million) and Luminor (EUR 223.4 million).

Despite a market-wide deleveraging process in recent years, the Group's loan portfolio has remained resilient compared to several of its competitors. According to the Group's financial statements over the period 2012-2020, the Group's loan portfolio has grown from EUR 1,020.4 million in 2012 to EUR 1,541.2 million in 2020, growing by 6.4 per cent. per annum, compared to an average 1.5 per cent. decline of Citadele's key competitors (Swedbank, SEB and Luminor).

Key strengths

The Management Board believes that the Group has the following key strengths that will enable it to effectively implement its strategic objectives:

Well positioned to take advantage of favourable economic conditions and the attractive banking market in Latvia and the other Baltic States

The Latvian economy is one of the fastest-growing economies in Europe, with average annual GDP growth of 3.3 per cent. between 2011 and 2019, outpacing the EU average of 1.5 per cent. over the same time period. Due to the impact of the COVID-19 pandemic, Latvia's GDP fell by 3.6 per cent. in 2020, but the decline in GDP was smaller than for EU as a whole, where GDP fell by 6.0 per cent.. In the second quarter of 2021, GDP in Latvia returned to pre COVID-19 levels as GDP grew by 10.3 per cent. compared to corresponding period of the previous year (according to preliminary data). Latvia's current economic position, including low levels of public debt (43.5 per cent. of GDP as of 31 December 2020, according to the Eurostat), balanced current account, relatively low unemployment (8.1 per cent as of 31 March 2021, which is significantly below the 2010 peak of 19.5 per cent. according to Eurostat) and industry diversification, now provides an attractive backdrop for continued growth benefitting the full spectrum of Citadele's operations.

Latvia's banking sector, including the Group, has benefited from the performance of the underlying economy in this period and is undergoing a solid, continued recovery in the wake of the financial crisis in 2008 and 2009. Profitability across the Latvian banking sector is recovering, assisted in part by the normalisation of non-performing loan rates in Latvia (loans past due over 90 days declined from 19 per cent. as of 31 December 2010 to 1.8 per cent. as of 31 March 2021) and an increase in the net interest

margin (which rose from 1.1 per cent. in 2010 to 1.8 per cent. in 2020). The Group has experienced profitable growth during this period and is well placed to exploit the growth potential of the Latvian banking sector. Moreover, despite this recovery, the use of banking services by individuals and businesses in Latvia remains relatively low, with total banking assets as a percentage of GDP of 82 per cent. as of 31 December 2020 well below the euro area average of 310 per cent. The Group believes that the overall banking sector backdrop therefore offers additional attractive and significant growth opportunities for the Group.

Latvia, Lithuania and Estonia are expected to make a strong recovery from recession caused by the COVID-19 pandemic, supported by significant inflows from the EU recovery fund and their banking sectors are well positioned for continued growth. In 2020, GDP in Lithuania and Estonia fell by 0.9 per cent. and 2.9 per cent., respectively but both returned to positive growth in the first quarter of 2021 as GDP in Lithuania grew by 1.5 per cent. and by 5.4 per cent. in Estonia, compared to the corresponding period of the previous year in each case. However, as with Latvia, both these markets are relatively underserved by their respective banking sectors, with banking assets as a percentage of GDP standing at 126.5 per cent. in Estonia and 81.5 per cent. in Lithuania as of 31 December 2020, which the Group believes places it in a strong position to increase its revenue in these markets in the future.

Solid foundations to become a 'domestic champion' for banking services in each of the Baltic States

Citadele believes it is well positioned to become the primary bank for customers in Latvia and the Baltic States, particularly those in the Retail and SME segments by: (i) using the scale of its already formidable customer base and infrastructure to sustain its competitive position and gain market share from foreign-based competitors; (ii) leveraging its 'locality', cultural awareness and understanding of its customer base (including through the regular engagement with local customers by senior management at Citadele), which the Group management believes sets it apart from its competitors and enables it to offer more responsive and market-tailored products and services to new and existing customers and (iii) utilising its universal offering across each of its core segments to offer products and services to customers which are tailored specifically to meet their banking requirements, adding to the "premium feel" customer experience which the Group offers.

Market-leading distribution capabilities in Latvia and footprint in the other Baltic States

The Group's extensive and well established distribution capabilities offer significant opportunities for the Group to attract new customers (from both smaller local (non-Nordic) competitors who are unable to provide the same level of service coverage and product offering to customers as the Group and Nordic banks who have been scaling back their Latvian operations for the last few years) and gain additional revenue from its existing customer base. Citadele has a range of distribution channels through which it can offer its products and services, including:

- a network of 20 branches and client service centers in Latvia, 1 branch in Estonia and 1 branch and 5 customer service units in Lithuania. This extensive network of branch offices enables the Group to provide an efficient customer service to customers, enhances the positive perception of the Group's brand and increases the opportunities to advertise, highlight, and cross sell the Group's products more effectively. As part of its strategy, the Group also intends to continue reviewing and if necessary upgrading and modernising its network of branch offices;
- a team of highly trained and sales-focussed relationship managers: the Group has recruited and extensively trained relationship managers to provide advice to customers across its business segments with a view to selling the Group's products. These relationship managers are important, from the perspective of both creating and maintaining relationships with the Group's customers, such as by supporting the customer during the underwriting process and during the life of the loan. Relationship managers increase the opportunities to sell additional products to its customers more effectively;
- a well-utilised, functional and reliable online banking platform and mobile application with approximately 191,400 active online banking customers and approximately 176,000 active mobile application users as of 30 June 2021 (as compared to approximately 194,400 active online banking customers and approximately 137,200 active mobile application users as of 30 June 2020). The Group believes that its online banking offering is crucial to retaining existing customers and attracting new customers. Furthermore, the Group's ability to tailor its online banking offering to the specific local requirements of each of the Baltic States plays an important role in reinforcing

the market perception that the Group is responsive and in touch with the differing and specific needs of its local customers across the Baltic States. The Group is continually upgrading its online banking offering to its customers to enhance functionality, security and usability to ensure that the Group is matching or exceeding the online offering of its competitors. In Latvia, Lithuania and Estonia, Citadele offers a mobile banking application to its customers, enabling mobile access and management of their funds and payments, as well as ATMs, branches and retail stores with special offers for Citadele's customers. The online banking offering, including the Group's mobile banking and SMS banking platforms, also provides customers with easier access to the Group's products, and enables customers to apply for these products directly and more efficiently online;

- ATMs: the Group has the fourth largest ATM network in Latvia and these ATMs are located across all regions of the country. As of 30 June 2021, the total number of ATMs in Latvia is 149 - approximately 54 per cent. being cash-in/cash-out ATMs (enabling both deposits and withdrawals). ATMs provide the main cash-out transactions channel for the Group, with more than 99 per cent. of all bank cash-out transactions being made through ATMs. The Group intends to maintain the total number of ATMs and to renew and modernise its existing ATM network by focusing upon converting more of its ATMs to have cash-in as well as cash-out functionality;
- relationships with retailers: the Group has strong relationships with retailers operating across the Baltic States. These relationships form the basis for the Group to offer point of sale products, cash management products and finance for consumers in relation to white goods, electronics or other high cost products and services more effectively to such retailers. The Group has also developed an extensive discount and rewards programme called "X Rewards" with retailers for its customers when using the Group's products, which differentiates the Group from its competitors and further encourages customers to use the Group's products; and
- call centre team: as of 30 June 2021, the Group had 89 employees working in its call centre team, which is open on a 24 hour basis. This call centre team has two key functions. First, it deals with queries from existing customers as well as directing customers who wish to acquire products to the appropriate branch office or relationship manager. Second, as part of the business strategy, the call centre proactively calls new and existing customers to offer new products or initiatives (and has developed into a key sales channel) as well as to proactively identify and solve common customer issues, such as blocked cards.

Citadele customer service regularly receives the highest rating from the customer service research firm Dive, which undertakes an annual review of the customer service of Baltic banks. Citadele also has the highest net promoter score (NPS) of Latvian banks as per a survey of Latvian residents carried out by the market research company Norstat.

Strong operational platform with structural capacity for significant growth and further upside potential

The Group's operational systems and processes have been designed and implemented specifically for the nature and scale of the Group's operations at the point of its establishment in 2010, and are regularly reviewed, upgraded and refined. The Group's systems are modern and are regularly assessed by a dedicated efficiency improvement team. The Group has implemented a comprehensive framework of operational risk management systems to ensure the efficient and low-risk functioning of its operations, and has also invested in its core banking systems and other IT platforms which are widely used and recognised in the international market, such as the T24 system provided by Temenos. These systems provide a strong yet flexible platform which is able to support future growth and to integrate the Group's operations across the Baltic States more efficiently. The Group's network of branch offices also provides a foundation for further growth by providing a wide operational footprint, enabling more access to customers and greater visibility of its products and brand. In order to support customers over digital channels, Citadele has launched remote service centre "Sky branch", which plays an instrumental role in Citadele's strategy and is the largest Citadele bank branch in the Baltics. Citadele plans to develop Sky branch as the main channel to service customers' needs 24/7, service digital applications and provide daily support while using online and mobile solutions. The Group's current responsive 24-hour call centre and well-trained, sales-focused relationship managers also provide a responsive "premium feel" banking service for customers, and Citadele's highly trained workforce and management team represents a capable and motivated group of employees who Citadele believes are well positioned to help deliver excellent customer service and achieve strategic aims.

The Group's ability to carry out complex, high profile projects with a high degree of operational excellence has been demonstrated on a number of occasions. Since Citadele's formation in 2010, all three of its key markets (being the Baltic States) joined the Eurozone, requiring a considerable degree of planning and operational transition.

Resilient funding profile, strong liquidity position and solid asset quality underpinning attractive returns profile

The Group has a deposit-focussed funding model, with deposits accounting for the vast majority of total liabilities (as of 30 June 2021), the majority of which are retail deposits. As a result of its growing deposit base, the Group believes it is well-positioned to benefit from the organic growth of its primary funding source, and to provide capital for additional growth and revenue generating opportunities. The Group also has a highly liquid balance sheet, with cash and securities representing 45 per cent. of the asset base and deposits accounting for 87 per cent. of funding, which is defined as the sum of deposits and subordinated debt as of 30 June 2021. Loan to deposit ratio stands at 65 per cent. as of 30 June 2021 (42 per cent. and 48 per cent. as of 31 December 2020 and 31 December 2019, respectively).

The Group has conducted extensive reviews of its asset quality, including by commissioning several reputable international audit and consultancy firms to perform detailed independent reviews. The findings of these reviews have highlighted the robustness of the Group's risk management culture and the strength of the Group's asset quality track record. The Group's loan portfolio is diversified across its operating segments and across major economic and industry sectors in the Baltic States. These reviews have also highlighted the Group's ability to develop new, sector-specific lending areas, such as specific agricultural products, renewable energy projects and products for the retail and transportation industries.

Strong corporate governance framework and experienced management team

The Group has a comprehensive corporate governance and risk management structure in place, which the Group believes allows it to operate in a transparent and prudent manner to balance and protect the interests of its various stakeholders. Members of Citadele's Management Board are experienced participants in the banking sector and have an average of 15 years experience in the banking and financial services industry. Management Board members have established a strong track record by successfully leading the Group from its inception in 2010 to the successful banking organisation that it is today with sustainable and growing customer numbers, revenues and profits.

Experienced shareholders with an established track record of delivering results

The current shareholders of Citadele are experienced banking sector participants and have a proven track record in driving value creation and delivering growth in their investments. They are actively involved in shaping and delivering Citadele's strategy. Ripplewood Advisors LLC ("**Ripplewood**") and its co-investors have extensive experience in the banking industry, including with regard to businesses operating in emerging, developing and frontier markets. Ripplewood has invested in the global financial services sector since the late 1990s, with previous successful investments in Commercial International Bank of Egypt (CIB) and Shinsei Bank of Japan.

Additionally, co-investing shareholders James L. Balsillie and Dhananjaya Dvivedi (who are both members of Citadele's Supervisory Board) have, between them, extensive experience in the technology, IT and financial sectors. They intend to continue to deploy their experience and expertise alongside the management team to enhance the development and growth of the Group and improve and develop new and innovative products, services and systems. Finally, the ownership of the EBRD brings its experience in fostering progress towards market orientated economies.

Properties

In 2020, the Group's Latvian headquarters building at Republikas laukums 2A, Riga, Latvia with a carrying value of EUR 36.8 million was sold to Lords LB Baltic Green Fund (V). In total a sales gain of EUR 18.4 million was registered with EUR 16.7 million qualifying as sales-day profits of the Group in 2020, and the remaining amount was deferred. The deferred amount is allocated to the lease-back right of use for the asset. The sales decision was a result of a review of the Group's expected future office needs, assessment of several potential buyers' proposals and acknowledgment that the dynamics of office space are changing

The Group also owns some of the premises of its branch offices (Daugavpils (434 sq.m.), Tukums (304.5 sq.m.), Ventspils (986.5 sq.m.)). The Group has rented out some floor space to third parties.

As of 30 June 2021, Citadele leased 24 other premises in total for its branch offices in Latvia, customer service centres and storage and archive centres in Latvia. All such leases expire by 31 October 2025 latest. The Group also leases locations in premises for 142 ATMs as of 30 June 2021.

In 2020, the Group's Lithuanian headquarters building (at 13 K.Kalinausko street, Vilnius) with a carrying value of EUR 1.9 million was sold. A profit of EUR 0.8 million was recognised on the sale. As of 30 June 2021, Citadele leased 6 other premises in total for its branch offices in Lithuania. All such leases expire by 21 January 2026 latest.

As of 30 June 2021, Citadele leased premises for its branch office in Estonia. The lease agreement expires by 28 February 2022.

The Group uses revenue generated by its operations to fund its obligations under the property leases described above.

Information systems

The Group's IT systems are at the core of its operations. Citadele Banking group in the Baltic (Latvia, Lithuania and Estonia) region is using common IT core platforms and systems, infrastructure and operating model.

A significant proportion of the Group's front- and back-office functions for its operations in Latvia, Lithuania and Estonia are centrally managed through the T24 system provided by the Swiss company Temenos. Over 3,000 firms across the globe, including 41 of the top 50 banks, rely on Temenos to process daily transactions of more than 500 million banking customers. The T24 system's functionality enables it to support a range of the 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. The T24 system is fully integrated with the additional satellite IT systems set out below. The 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. Citadele's technology is designed such that its internet and card transaction processing ability is preserved even if the core banking system is unavailable. T24 system's open and flexible architecture allows the Group's experienced IT team to quickly adapt and extend system functionality according to the business needs and customer expectations.

Ripplewood Advisors LLC and its co-investors have particularly strong technological experience and capabilities and have reviewed the Group's IT platform with a view to providing ideas to enhance the development and growth of the Group's business. The Group also has a strong and capable IT team which has experience in executing ambitious projects within challenging timeframes.

At present, Citadele's operations in Switzerland use separate core banking systems which are tailored to the regulatory requirements of that jurisdiction and are widely regarded as the best available systems available in that jurisdiction. Citadele successfully migrated the Lithuanian operations to the group T24 system in 2019 with the aim to centralise and standardise its services across the Baltic States. In 2020, the group's main core banking system T24 was upgraded to the actual version available that time – release 19.

In Switzerland, Citadele uses the FINNOVA Banking system provided by Incore Bank as the core banking platform. The Finnova Banking Software is a comprehensive front-to-back software product for retail, universal and private banks. A consistent process orientation and modular architecture enable flexible adaptation and integration of the business functionalities required by banks, their clients and BPO providers. Incore Bank is the current BPO provider for Citadele, offering a comprehensive and modular range of services covering transaction banking for traditional and digital assets, business process outsourcing and other services. This offering enables Citadele to reduce complexity and focus on its core business.

The 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.

The Group also utilises internet banking and mobile banking solutions. The internet banking platform provides a full 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 notifications in connection with card authorisations, balance enquiries and payments. Loyalty program information, correspondence with the bank and different 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 has also implemented a new, modern internet 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 banka implemented and launched Mobile banking solution for its customers on Android and iOS platform. 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 - blocking, enable/disable contactless, enable/disable cash withdrawal, online purchases and PIN change for card; mobile chat with bank; push notifications; instant SEPA payments; NFC payments with the phone supported by seamless user experience. Mobile banking application also allows non-clients 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 the Group continually improves and updates the systems to meet future customer demands. These internet and mobile banking applications are highly stable and recorded a 0.033 per cent. level of unplanned downtime (excluding planned maintenance and upgrades) in 2020.

The Group has several other systems in place, including a data warehouse system (which contains a large volume of customer data and can be used for extensive customer and product data analysis), specialized AML and sanction filtering systems, advanced card fraud prevention systems, and modern customer loyalty management solutions. Citadele has implemented world leading call centre platform from Genesys which enables more sophisticated customer service interactions.

Citadele has been a Baltics banking market leader with numerous digital innovations, such as being 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 also launched ApplePay and developed and launched the e-commerce solution. Klix, enabling a streamlined e-commerce experience for customers. Customers in Latvia are able to receive instant individual offers from Citadele for mortgages and consumer loans via digital channels. X smart cards were introduced for students and juniors, and a new innovative X card was introduced based on a subscription model.

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

The 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, the Group has two separately located data centres where the Group's data and systems from Latvia, Lithuania and Estonia are continuously backed up. Similar IT continuity plans are also in place in Switzerland. This enables such data to be retrieved in the event that an emergency occurs and core systems to remain operational.

Employees

As of 30 June 2021, the Group had 1,349 full time employees compared with 1,369 full time employees as of 31 December 2019. The Group's remuneration policy includes basic compensation (fixed base salary), variable compensation (incentive schemes, performance based annual bonus, long-term incentive plan), and perks (health insurance, Group's products at a special employee rate).

The 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. Employees' engagement survey is organized on annual basis for all of the Group's functional units and focus groups are being organized to improve the survey results. The Group monitors the market trends to offer a competitive remuneration to its employees. The Group aims to be the most desirable employer in Latvia, based on a set of values reflecting the performance-based nature of the organisation and the focus on strong profitability.

Intellectual property

The Group has registered several trademarks containing "Citadele" in Latvia. The 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. Citadele has also registered multiple domain names in Lithuania and Estonia. Other than trademarks and logos in relation to the "Citadele" name, "CBL" or any derivative thereof, the Group does not consider that any of its registered intellectual property is material to its business. Citadele has also entered into a co-existence agreement with a third party in relation to its use of the "Citadele" name and is able to use the Citadele name in 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*".

Environmental, Social and Governance ("ESG")

Sustainability for the Group means developing its business with a long term perspective and in line with its social, environmental, and economic goals in the decisions it makes, products it offers and services it provides. Citadele shares the view that climate change is becoming a key priority for a wide range of industries, including financial institutions. Citadele is currently reviewing its ESG-related strategy and governance, based on the recommendations of the ECB guide on climate-related and environmental risks for banks and TCFD (Task Force on Climate-related Financial Disclosures). Citadele plans to publish its ESG strategy by the end of 2021.

With a view to helping the economy access sustainable assets at more attractive prices, Citadele launched new campaigns in 2020 to stimulate companies to renew their car fleets with environmentally friendly electric cars. In 2021, Citadele started a solar panels consumer lending pilot in Lithuania. Citadele plans to continue developing new offerings which support the green transition.

Principal investments made by Citadele

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 per cent. of the shares in SIA UniCredit Leasing (including its Estonian and Lithuanian branches), along with its 100 per cent. owned subsidiary SIA UniCredit Insurance Broker (including its Estonian branch). Following the acquisition, Citadele's aggregate net leasing loans as at 30 June 2021 exceed EUR 1.0 billion. The completion of the acquisition took place on 4 January 2021

Insurance Coverage

The Issuer, its branches in Estonia and Lithuania, and its subsidiary companies maintain the following insurance policies:

- Directors and Officers Liability Policy
- Crime and Professional Indemnity Policy
- Health Insurance Policy

The Issuer believes that its insurance coverage is adequate and is in line with market practice in Latvia.

CORPORATE GOVERNANCE

In general, the corporate governance framework in Latvia is aligned with EU standards. Corporate governance in Latvia is principally governed by the Latvian Commercial Law. This law outlines the general requirements applicable to all Latvian companies including joint stock companies such as Citadele. 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 general meeting of shareholders, are the principal management institutions.

Citadele's corporate governing bodies are the general meeting of shareholders ("GMS"), the Supervisory Board and the Management Board, each having its own responsibilities and authorities in accordance with Latvian law and Citadele's articles of association (the "**Articles of Association**"). The GMS elects the members of the Supervisory Board, which, in turn, is responsible for the appointment and supervision of members of 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 company's annual accounts, deciding on how profits are used, amending constitutional documents, changing the company's share capital, issuing and converting securities, appointment and removal of Supervisory Board members, auditors, controllers and liquidators, as well as other matters.

Supervisory Board

The Supervisory Board is primarily responsible for representing the interests of shareholders between shareholders' meetings as well as supervising the work of the Management Board. In particular, this role includes: (i) electing and recalling members of the Management Board; (ii) monitoring Citadele's business activities and ensuring compliance with applicable 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 and the Supervisory Board, Citadele's auditors or other related persons; and (vi) examining in advance all issues to be raised at shareholders' meetings and providing opinions on such issues.

In addition to the duties above, the Supervisory Board is also responsible for supervising the management of the Group's risks, including credit and liquidity risk, as well as approving and monitoring the implementation of Citadele's policies, including its remuneration policies.

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 cannot become Supervisory Board members.

The Supervisory Board meets at least quarterly. The 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. 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 Prospectus, the Supervisory Board comprises the following members:

Timothy Collins, Chairman of the Supervisory Board

Mr. Collins is the Chief Executive Officer of Ripplewood. Mr. Collins has led the Ripplewood team in investing around the globe, including in the U.S., Europe, the Middle East and Asia. Mr. Collins and Ripplewood have delivered outsized returns, deploying over U.S.\$6 billion in equity, representing over U.S.\$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, 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 (KSA), Citadele (Latvia), EFG Hermes (Egypt) and SODIC (Egypt). Mr. Collins has a BA in Philosophy from DePauw University and a MBA in Public and Private Management from Yale University's School of Management. Mr. Collins received an honorary Doctorate of Humane Letters from DePauw University in 2004 and has been 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 28 October 2023.

Elizabeth Critchley, Deputy Chairman of the Supervisory Board

Ms. Critchley is the Managing Partner of Ripplewood Advisors I LLP. Ms. Critchley has been leading Ripplewood's investment efforts, including most recently into Eastern Europe and the Middle East. Ms. Critchley serves as a Director on the 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 U.S.\$2.7 billion, most of Axa's UK life businesses for U.S.\$4 billion and Bupa for U.S.\$0.3 billion). This consolidation strategy was financed through a combination of debt and equity raisings, as well as structured vendor financing. Until forming Resolution Operations, Ms. Critchley was a Managing Director at Goldman Sachs International where she ran the European FIG Financing business. Ms. Critchley has structured, advised, or invested in transactions with more than fifty global financials and corporates. Ms. Critchley holds a First Class Honours Degree in Mathematics from University College London. Her term of office expires on 28 October 2023.

James L. Balsillie, Member of the Supervisory Board

Mr. Balsillie's career is unique in Canadian business. He is the retired Chairman and co-CEO of Research In Motion (BlackBerry), a technology company, he scaled from an idea to U.S.\$20 billion in sales globally. Mr. Balsillie's private investment office includes global and domestic technology investments such as cybersecurity leader Magnet Forensics and space technology leader MDA.

He is the co-founder of the Institute for New Economic Thinking in New York, the Council of Canadian Innovators based in Toronto, and CIO Strategy Council, as well as founder of the Centre for International Governance Innovation in Waterloo, the Centre for Digital Rights, the Balsillie School of International Affairs, and the Arctic Research Foundation. He currently chairs the boards of CCI, CIGI, Innovation Asset Collective (Canada's IP Collective) and co-Chairs CIOSC. He is also a member of the Board of the Carnegie Endowment for International Peace and the Advisory Board of the Stockholm Resilience Centre; an Honorary Captain (Navy) of the Royal Canadian Navy and an Advisor to Canada School of Public Service.

Mr. Balsillie was the only Canadian ever appointed to US Business Council and was the private sector representative on the UN Secretary General's High Panel for Sustainability. His awards include: several honorary degrees, Mobile World Congress Lifetime Achievement Award, India's Priyadarshni Academy Global Award, Canadian Business Hall of Fame, Time Magazine's World's 100 Most Influential People and three times Barron's list of "World's Top CEOs".

Mr. Balsillie holds a Bachelor of Commerce from the University of Toronto, an MBA from Harvard Business School, and is a Fellow of the Institute of Chartered Accountants Ontario. Mr. Balsillie joined the Supervisory Board on 20 April 2015. His term of office expires on 28 October 2023.

Dhananjaya Dvivedi, Member of the Supervisory Board

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

the Indian Institute of Management. Mr. Dvivedi joined the Supervisory Board on 20 April 2015. His term of office expires on 28 October 2023.

Klāvs Vasks, Member of the Supervisory Board

Mr. Vasks served as Chairman of Citadele Supervisory Board from 2010 until 2015 and now continues to be member of the Supervisory Board. He is currently serving as Chairman of the Supervisory Board at TET, the largest telecommunication company in Latvia. He has 20 years of experience in the banking sector. Previously he was vice president of the SEB Bank Latvia, also working as the director of the Restructuring Department and Large Company Services Department. From 2010 to 2015, he chaired the Latvian Guarantee Agency. Mr. Vasks holds a bachelor's degree from the Banking University College and an MBA degree from the Rīga School of Business of the Rīga Technical University. His term of office expires on 28 October 2023.

Nicholas Haag, Member of the Supervisory Board

Mr. Haag until June 2021 was senior independent non-executive director ("INED") and chairman of the audit committee of TBC Bank Group PLC, the largest Georgian bank and the premium listed FTSE 250 company. He is an INED and chairs the audit, risk and compliance committee of Bayport Management Ltd., the holding company for a leading African and Latin American financial solutions provider. Prior to that, he was a Member of the Supervisory Board of Credit Bank of Moscow PJSC. Mr. Haag has a 30 year banking career, half at Managing Director level, with various financial institutions including Barclays, Banque Paribas, ABN AMRO and Royal Bank of Scotland, specialising in technology finance and equity capital markets. Mr. Haag holds a First Class Honours Degree from the University of Oxford. His term of office expires on 28 October 2023.

Sylvia Gansser-Potts, Member of the Supervisory Board

Sylvia Gansser-Potts is a Director of Obviam AG, a Swiss impact asset manager. She 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 the EBRD with the overall responsibility for EBRD's investments and operations in Central and Southeastern Europe. Over her 25 year career at the EBRD, Sylvia run a succession of banking teams including the financial institutions operations in Central Europe, in MENA/Turkey as well as the property and tourism team. Sylvia started her career at Swiss Bank Corporation (which later merged to become UBS) in Switzerland and Japan. She holds a master's in business from the Université Paris Dauphine -PSL, a bachelor's degree in Japanese language from the University of Paris and an MBA from INSEAD. Her term of office expires on 28 October 2023.

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 specialized in complex equity transactions, working with financial sponsors in multiple jurisdictions. Prior to joining the EBRD, Karina was an Associate Director in the M&A group at Nomura International in London and a Vice President at Sindicatum, a specialist financial advisory and asset management firm. Karina holds an MSc in Economics from the London School of Economics and a degree in mathematical economics from the Moscow State University. Her term of office expires on 28 October 2023.

Lawrence 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 28 October 2023.

For information regarding the shares of Citadele held by certain members of the Supervisory Board, see "*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 the Supervisory Board in its supervision of activities of the Management Board and Citadele and the Group with respect to audit and governance matters, as well as to provide support for ensuring the control over economic and financial activities of Citadele and the 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 the 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 FCMC, 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 Citadele's meeting of shareholders, 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 (currently seven), and is chaired by a member of the Supervisory Board (at the date of this Prospectus, the independent Supervisory Board member, Klāvs Vasks). The Audit and Governance Committee meets four times per year, or more frequently if required. As of the date of this Prospectus, the Audit Committee comprises the following members:

Name	Position	Date of the last appointment to the committee
Klāvs Vasks.....	Chairman of the committee	29 November 2018
Lawrence Lavine.....	Deputy chair of the committee	29 November 2018
James L. Balsillie	Member of the committee	29 November 2018
Dhananjaya Dvivedi.....	Member of the committee	29 November 2018
Nicholas Haag.....	Member of the committee	29 November 2018
Sylvia Gansser-Potts	Member of the committee	29 November 2018
Stephen Young.....	Member of the committee (shareholder level)	29 November 2018

Risk Committee

The Risk Committee is responsible for providing support to the Supervisory Board by monitoring the levels of risk to which the 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 the Group's products and services, and provides recommendations regarding any areas identified by the FCMC for improvement.

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

Name	Position	Date of the last appointment to the committee
Nicholas Haag	Chairman of the committee	29 November 2018
Elizabeth Critchley	Deputy chair of the committee	29 November 2018
Lawrence Lavine	Member of the committee	29 November 2018
Timothy Collins	Member of the committee	29 November 2018
Karina Saroukhanian	Member of the committee	29 November 2018
Sylvia Gansser-Potts	Member of the committee	29 November 2018

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 the 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 (currently five) and is chaired by a member of the Supervisory Board (currently Lawrence Lavine). As of the date of this Prospectus, the Remuneration and Nomination Committee comprises the following members:

Name	Position	Date of the last appointment to the committee
Lawrence Lavine	Chairman of the committee	29 November 2018
Elizabeth Critchley	Deputy chair of the committee	29 November 2018
Karina Saroukhanian	Member of the committee	29 November 2018
Klāvs Vasks	Member of the committee	29 November 2018
Sylvia Gansser-Potts	Member of the committee	29 November 2018

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 the 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 (currently Dhananjaya Dvivedi). As of the date of this Prospectus, the Technology Committee comprises the following members:

Name	Position	Date of the last appointment to the committee
Dhananjaya Dvivedi	Chairman of the committee	29 November 2018
Timothy Collins	Deputy chair of the committee	29 November 2018

James L. Balsillie	Member of the committee	29 November 2018
Nicholas Haag	Member of the committee	29 November 2018
Karina Saroukhanian.....	Member of the committee	29 November 2018

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 currently stands at eight members. 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.

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 Prospectus, the Management Board consists of the following eight members:

Johan Åkerblom, Chief Executive Officer

Mr. Åkerblom is responsible for day-to-day management of Citadele 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 Johan Åkerblom was Chief Financial Officer and member of the Management Board of SEB AG, SEB group's German subsidiary. He has more than 10 years of banking experience and started his career as a management consultant with McKinsey & Co where he spent 4 years. Johan Åkerblom holds a Master's Degree in Industrial Management and engineering from the Lund Institution of Technology. Member of the Management Board since 1 February 2018, Chairman of the Management Board, CEO from 2 March, 2020. His term of office expires on 31 January 2023.

Valters Ābele, 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 US 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 eleven years of experience in the banking industry, having joined Parex in 2008. Mr. Ābele's is a Financial Director at Citadele and his responsibilities include day-to-day management of Group's Finance and Treasury 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, Chief Strategy Officer

Mr. Mironovs is responsible for the 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 USA, leading the projects and assisting in developing global strategy around trade finance and multinational clients. Mr. Mironovs held a position of Business Development Manager in GE Capital, UK (2012-2013) and Sales and Marketing Director in GE Money Bank Latvia (2010-2012). Mr. Mironovs holds Executive MBA from Riga Business School. His term of office expires on 16 December 2021.

Uldis Upenieks, Chief Compliance Officer

Mr. Upenieks is responsible for the Compliance area in the Group. He has 25 years' experience in the financial sector, of which last 20 years he has worked in the banking sector. Since November 2012 Mr. Upenieks was a Chairman of the Board at "CBL Asset Management". Before that he worked in PrivatBank

– as a Board member and as a head of internal audit. Prior to that Mr. Upenieks was responsible for client oversight function (2002-2009), and a vice president and the deputy director of the Risk and Compliance Sector (2009-2011) at Citadele. Mr. Upenieks holds a master's degree in business administration and a bachelor's degree in economics from the Riga Technical University and he has studied at Riga Graduate School of Law. His term of office expires on 31 July 2022.

Slavomir Mizak, Chief Technology and Operations Officer

Mr. Mizak is responsible for the Group's IT and technology development. He has been working for the Group since August 1, 2017. Before joining, Mr. Mizak was a member of the Management Board and held a position of the Chief Information Officer and the Chief Operating Officer in Zuno Bank AG (Austria) since 2014. Prior to that, he held positions of the Head of Information Technology and the Head of Information Technology Development in Zuno Bank. Before that he worked as a consultant and manager in the consulting division for financial services sector in Accenture (2002-2009). Mr. Mizak holds a master's degree in Business Administration from the University of Economics in Bratislava. His term of office expires on 31 July 2022.

Vaidas Žagūnis, 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 for SEB Lithuania as Head of Retail banking, Member of the Management Board, Executive Vice President. Prior to that, Vaidas Žagūnis held different managerial positions mainly in SME business area. He has almost 18 years of banking experience. Vaidas Žagūnis holds a Master's Degree in Business Administration from Kaunas University of Technology and also has educated in Massachusetts Institute of Technology (MIT) in United States. Member of the Management Board since 1 March 2020. His term of office expires on 28 February 2025.

Rūta Ežerskienė, Chief Retail Commercial Officer

Rūta Ežerskienė is responsible for services to retail clients, as well as organisation and supervision of the operations of Citadele's branches, client service centers and settlement groups. She joined AS „Citadele banka” (hereinafter– 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 Baltic level and in Lithuania, including Head of Sales Department and Business transformation (years 2017-2018), deputy CEO, Board member in 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. Member of the Management Board since 1 February 2021. Her term of office expires on 31 January 2026.

Jūlija Lebedinska-Ļitvinova, Chief Risk Officer

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

Remuneration policy

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 the 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 clients' 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 (the "**Latvian Labour Law**"), 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 for other staff by designated employees according to authorisations issued by Citadele. 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 annual performance management cycle, where individual performance 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.

	2020	2019
<i>(Thousands of Euros)</i>		
Management Remuneration	1,766	1,888
Management Social security and solidarity tax contributions	404	442

Citadele's Supervisory Board and shareholders have adopted a long-term incentive plan ("**LTIP**") which is offered to the members of the Management Board along with several other senior employees and a long-term retention programme ("**LTRP**") which is offered to the key employees of the Group. The members of the Management Board and several other senior employees 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 per cent. 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 one year. 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 per cent. of their fixed remuneration. All such personnel options give rights to obtain shares of Citadele upon their exercise according to their terms and conditions. In order to ensure satisfaction of the personnel options awards under both programmes – LTIP and LTRP – the shareholders of Citadele have approved conditional share capital of Citadele, the total amount of which at the date of this Prospectus is EUR 1,798,270.

Under the terms of their service contract with the Group, no member of the Management or Supervisory Board is entitled to any additional benefits upon termination of their employment, save for what is stated above and any market standard notice periods or severance payments for the Management Board members in certain situations where no negligence or wrongful acts have been committed.

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 the management loans indicated below or as described in the "*Interests in Citadele*" paragraph 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 Prospectus (no Supervisory Board member holds any options in Citadele):

Supervisory Board member	Number of ordinary shares held	Ownership (%)	Entity through which shares are held
Timothy Collins	42,772,216	27.26	RA Citadele Holdings, LLC
James L. Balsillie	15,639,924	9.97	Amolino Holdings Inc
Dhananjaya Dvivedi	2,767,854	1.76	Shareholding is held in his personal capacity

As of the date of this Prospectus, certain members of the Management Board directly hold shares (0.2 per cent. 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 2020, there was EUR 302,000 in loans and EUR 100,000 in other financial commitments and guarantees in place between Citadele 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 (the "**Latvian Groups of Companies Law**") 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 currently apply as at the date of this 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.

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, where an assessment has been performed concluding that the services agreement constitutes a transaction conducted on arm's length basis. 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. 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 FCMC, which set certain limits for both single transaction related party exposure and aggregate transaction related party exposure.

For information regarding loans and other financial commitments and guarantees in place between Citadele and members of Management, see "*Management Loans*" above.

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 EBA, European Commission 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 a regulated market has an obligation to prepare a corporate governance report on an annual basis. The Nasdaq Riga has issued Principles of Corporate Governance and recommendations on their implementation, which take into account the requirements for companies as set out in Latvian legislation as well as the recommendations of the EU and Organisation for Economic Co-operation and Development. These rules are based on the principle of "comply or explain" and follow governance principles in effect in other European countries.

RISK MANAGEMENT

The Group considers risk management to be an essential component of its management process. The 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 the 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, the Group applies a wide range of risk management tools in conjunction with risk committees, which include as its members a variety of employees across the Group's various operations, in order to balance business and risk orientation across the Group.

The Group's risk management principles include:

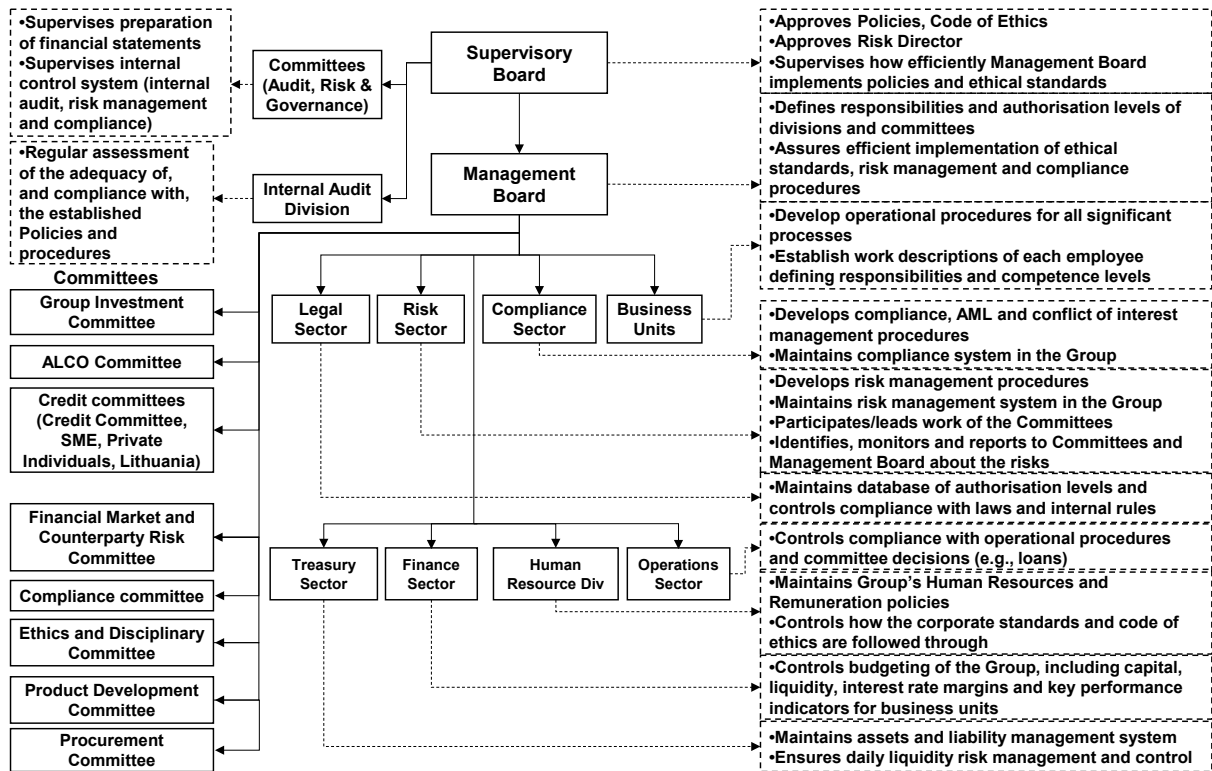
- (a) centralised risk management throughout the Group (a "hub and spoke" mechanism in which risk management criteria, guidance and direction is set centrally and executed locally using on the ground knowledge);
- (b) highly developed AML and KYC procedures, which are processed by dedicated and highly experienced teams (separated from the other functions of the Group) relying on specifically designed IT systems, which capture and mitigate the risks involved; and
- (c) maintenance of good relationships and a strong track record with its regulators through ongoing and transparent dialogue and engagement across the seniority spectrum.

The Group believes that it has a conservative risk tolerance across the organisational hierarchy and aims to ensure that it maintains a low overall risk exposure, a diversified asset portfolio, limited risks in financial markets and low levels of operational risk. Exposures that are not acceptable are avoided, limited or hedged. The Group does not assume high or uncontrollable risks irrespective of the return they provide, and assumes risks only in economic fields and geographical regions in relation to which it believes it has sufficient knowledge and expertise.

The Group's risk management is based fundamentally on the supervision of each and every employee and accepting responsibility for the nature of the transaction which each such employee carries out. The control over risk levels and compliance with the imposed limits are achieved by the existence of structured risk limit systems.

Pursuant to Latvian legislation, the Group is required to have a Risk Director function. As of the date of this Prospectus, the Risk Director for the Group is the Chief Risk Officer, Julija Lebedinska-Ļitvinova. The Risk Director is responsible for performing an overall risk control function, including oversight of the 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 the Group's structural units related to risk management.

Risk management structure



Credit Risk Management

Credit risk management is performed pursuant to the Credit Risk Management Policy approved by the Supervisory Board. The goal of credit risk management is to achieve a diversified asset portfolio which generates profits that correspond to the assumed level of risk. The Credit Risk Management Policy sets out the following principles:

- the Group provides products and enters into transactions which carry a degree of risk due to a dependence on customer creditworthiness, which, according to the Group's assessment, have acceptable probability of occurrence. The assessment of a customer's creditworthiness is supported by the evaluation of customer's ability to repay the loan and provide collateral to mitigate or eliminate the risk of losses to the Group;
- the Group assumes risks which it believes can be assessed and managed. The Group believes that it does not assume unacceptably high levels of risk; and
- the Group assumes risks in economic fields and geographic regions in relation to which it has sufficient knowledge. The Group constantly monitors different industry sectors, particularly those in which it has a significant concentration of customers, in order to be able to assess such sector risks and potential development trends.

Credit risk management is based on an adequate assessment of credit risk and the decision-making in relation to such risk. In cases when significant risk is to be taken, the credit risk analysis is performed. The credit risk analysis consists of assessment of the customer's creditworthiness, pledged collateral quality and liquidity. The analysis of a legal entity's creditworthiness includes an assessment of the industry in which it operates and an analysis of its current and forecasted financial situation, as well as an analysis of the members of its management bodies. The assessment of a private individual's creditworthiness consists of the analysis of its credit history, regular income, debt service to income and income against liabilities analysis, as well as an analysis of other relevant factors. Following the issuance of the relevant loan, the customer's financial situation and reliability in meeting its contractual obligations are regularly evaluated by the Group in order to identify potentially problematic exposures and take the necessary steps to manage such risks.

As part of the credit risk management process, the Management Board has also approved the introduction of a set of concentration limits based on, among others, (i) individual counterparty groups; (ii) geography; (iii) industry, (iv) related party status and (v) intragroup exposures.

Market Risk Management

The Group recognises two major types of market risk: position risk and foreign exchange risk. Position risk is the risk that the Group will incur a loss as a result of the mark-to-market revaluation of balance sheet and off-balance sheet items caused by changes in market values of financial instruments due to changes in interest rates, asset values and other factors. General interest rate risk and specific interest rate risk are the main risks which arise from the fair valued bond portfolio held by the Group for investment and liquidity purposes. Foreign exchange risk is a risk of loss arising from fluctuations in currency exchange rates. Market risk is assessed and limits are set by the Group Investment Committee and the FMCRC, and the decisions of these committees are approved by the Management Board.

The 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, the Group uses sensitivity stress testing. Furthermore, the Group takes steps to minimise the percentage of its capital which could be affected by different shock scenarios.

The Group has a low risk appetite for foreign exchange risk. The Group aims to keep exposures at levels that would produce a small net impact even in periods of high volatility. Currency risk management is carried out in accordance with the Group's currency risk management policy. Several well-known methodologies are used to measure and manage foreign exchange risk including a conservative limit for a daily value-at-risk exposure. The Group is in full compliance with the requirements of Latvian legislation.

Interest Rate Risk Management

Interest rate risk is related to the possible negative impact of interest rate changes on the Group's income and economic value. The 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 management is carried out in accordance with the Interest Rate Risk Management Policy and is monitored and reported by the Risk Sector, while management is performed by the Treasury Sector. Interest rate risk is managed by using repricing gap analysis of the risk sensitive assets and liabilities, duration analysis and sensitivity analysis of changes in economic value and net interest income under different scenarios. Based on the market analysis (including the interest rates set by its competitors) and the Group's financing structure, Assets and Liabilities Management Committee ("**ALCO**") sets the interest rates for customer deposits.

Liquidity Risk Management

The purpose of liquidity risk management is to ensure the availability of liquid assets to cover any possible gaps between cash inflows and outflows as well as to secure sufficient funding for lending and investment activities. The Group manages its liquidity risk in accordance with 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 Sector conducts an annual internal assessment of liquidity adequacy at the Group level and submits an ILAAP report with conclusions to the Management and Supervisory Boards.

Liquidity risk for the Group is assessed in each currency in which the 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 the 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 the Group, with risk tolerances defined for the simulated outcomes. Furthermore, the Group has developed a system of liquidity risk limits and early warning indicators and systematically prepares cash flow forecasts which incorporate assumptions about the most likely flow of funds over a period of two years. The Group regularly analyses liquidity term structure and sets corresponding risk tolerances considering customer behaviour, while paying attention also to contractual maturities of its assets and liabilities.

The general principles of the LCR as a measurement of the Group's liquidity position are defined in the CRR. The Commission Delegated Regulation (EU) 2015/61 defines general LCR calculation principles in more detail. The minimum LCR requirement is 100 per cent from the year 2018 and it represents the amount of liquidity available to cover calculated net future liquidity outflows. Citadele has always ensured full compliance with the LCR.

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

Liquidity Ratios	30 June 2021 <i>(audited)</i>	31 December 2020 <i>(audited)</i>	31 December 2019 <i>(audited)</i>
Liquidity Coverage Ratio (LCR) ⁽¹⁾	187%	356%	358%
(1) LCR represents the Group's unencumbered high quality liquid assets that can be liquidated easily and quickly in private markets as a percentage of its net cash outflows in a 30 calendar day liquidity stress test scenario.			

Operational Risk Management

The Group has adopted the Basel Committee on Banking Supervision's definition of operational risk, being the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk (such as risk of penalty fees or sanctions applied by external institutions, losses inflicted as a result of litigation and the risk of other similar adverse events), but excludes strategic risk and reputational risk.

Operational risk management is integral to all business activities and are applicable to all employees and members of the Group. The operational risk management framework at the Group assumes that all of the Group's products, operations, processes and systems have a specific operational risk and that certain of these risks cannot always be qualified or quantified accurately.

Operational risk management in the Group is based on the overarching principle of the three lines of defence prescribed under the 'Principles for the Sound Management of Operational Risk' introduced by the Basel Committee on Banking Supervision and is governed by the Operational Risk Policy of the Group, the main aim of which is to ensure that the risk of unexpected losses is reduced and risks are kept under control. Each manager and process owner is responsible for the management of risks inherent to the activities and processes of their area and to foster a sound risk management culture in their respective reporting lines to ensure that employees not only understand the operations that are performed by them, but also why these operations are performed in a particular way.

Operational risk at the Group is managed using a comprehensive framework of a combination of internal regulations and tools for identification, analysis, mitigation, control and reporting of operational risk. Some of the key tools for managing operational risk are: segregation of functions and responsibilities, documentation of the assignment of authorities, separation of duties within the decision-making process, internal regulations, use of the "four-eyes" principle controls in internal processes, as well as centralised operational risk loss event reporting and management system.

Operational risk management measures are coordinated by the Operational Risk Management Department within the Risk Sector, a separate structural sub-unit which is not related to business transactions. The Operational Risk Management Department is responsible for maintaining and developing the operational risk management framework, developing and encouraging high-level risk awareness among employees within the Group as well as providing regular operational risk reports to the Supervisory Board and the Management Board. Operational Risk Management Department is the second line of defence function and reports to the Chief Risk Officer.

The goal of the operational risk management framework in the Group is to maintain the lowest possible level of risk while ensuring that any remaining risk is economically justified in light of the need to sustain performance and profit in the long term. Whether a risk is economically justified depends on an assessment of the potential losses it could cause, the probability of its occurrence, the ability to implement mitigating measures and the cost of such measures, as well as the level of risk that would remain if such mitigating measures were to be put in place. The Group endeavours to avoid operational risk loss events with high

impact and frequency, with total operational risk losses below the limits as set in the Group's Risk Appetite Framework, or risks with unquantifiable impact which are unmanageable, irrespective of the financial gains this could bring.

Following the COVID-19 pandemic, the Group adjusted some of its internal procedures, mainly relating to the organisation of work, security and IT support. The Group established several policies for employees on how to act in case of getting infected with COVID-19 or being a contact person, as well as covered in detail the pandemic scenario within its business continuity framework for critical functions. The information security division has strengthened controls over risks related to remote working by switching on advanced systems that prevent data breaches, information outflows and cyber-attacks. There are also monthly follow-ups with the Management Board on the COVID-19 pandemic situation in Baltic states to ensure adequate preparation and response to changing regulatory requirements. COVID-19 pandemic related key risk indicators were introduced within the Operational Risk Management reporting and monitoring processes in order to stay up to date with risk development in this area.

High loss risks are insured to limit the financial consequences of undesirable events which occur despite established security routines and other risk-mitigating measures. Acceptable and tolerable operational risk levels for the Group are determined and documented within the Risk Appetite Framework, which is approved by Supervisory Board and is continuously monitored by the Operational Risk Management Department.

Compliance Risk Management, Anti-Money Laundering and Anti-Bribery and Corruption

The Group considers compliance to be an indispensable cultural value of the Group, and its implementation starts from the top tiers of management. The Group believes that it implements and complies with the requirements stated in applicable compliance laws, regulations, guidelines and standards. The Group effectively and efficiently implements solutions to ensure compliance with applicable laws and regulations, which are embedded in the Group's internal regulations and are binding on the the Group's employees.

In Latvia, compliance risk is managed by: (i) the Legal sector and the Compliance sector tracking changes to relevant laws and regulations (including adoption of new laws and regulations), which are reflected in the Group's internal regulations; (ii) active involvement in the committees of the Finance FLA and the workshops and seminars held by the supervisory authorities; and (iii) assessing the Group's internal regulations, customer complaints and reports of compliance breaches by employees. The same concept applies to foreign branches of the Citadele banka as well as its domestic and foreign subsidiaries.

Compliance risk management is carried out through identification, assessment, monitoring and reporting of compliance risk. The Group's compliance policies are applicable to all Group companies and the compliance department heads at each member of the Group are responsible for the implementation and performance of the compliance department in line with the Group-wide policies as well as laws and regulations which are applicable to that particular entity. The compliance department heads of each member of the Group are also responsible for reporting to Citadele's Group AML Division and/or Compliance Division.

The compliance function is performed by Chief Compliance Officer who is the member of the Management Board. The Group's AML Division and Compliance Division of the Compliance Sector act under the authority of the Chief Compliance Officer.

The AML Division is responsible for: (i) the identification, documentation, assessment, management and control of risks related to money laundering, terrorist and proliferation financing and financial sanctions as well as reporting on such risk; (ii) producing detailed explanations of, and monitoring the implementation of, the relevant control mechanisms in relation to terrorist and proliferation financing, money laundering and sanctions risks; (iii) monitoring clients and client transactions within the client due diligence framework; (iv) assessing suspicious and unusual transactions identified by the Group's employees, and reporting these transactions to the authorities (if required); (v) deciding on the acceptance or termination of business relationships based on the above; (vi) ensuring compliance with sanctions by introducing frameworks for monitoring clients and their transactions; and (vii) monitoring risks related to payment card acceptance and issuance.

The Compliance Division, meanwhile, is responsible for: (i) the supervision and implementation of new internal policies and procedures to ensure compliance with binding laws and regulations in the field of

personal data protection, anti-bribery and corruption, ethics, Automatic Exchange of Financial Account Information (FATCA/CRS), payment services compliance, capital markets compliance, compliance with consumer rights, compliance of new products; (ii) the development and documentation of procedures to ensure the Group's employees follow compliance laws and regulations; (iii) the monitoring of compliance with the Group's internal regulations; (iv) the assessment of the impact of potential changes in law and regulations which could affect the Group's operations; and (v) the provision of advice, support and training to Group employees.

The responsibility for risk management in relation to money laundering and terrorist financing lies with the Chief Compliance Officer together with the Money Laundering and Reporting Officer and AML Division within the Compliance Sector. The Compliance Committee in turn oversees control over the fulfilment of the Group's AML, Counter-Terrorism and Counter-Proliferation Financing and Sanctions Compliance policies and programmes.

The Group implements strict due diligence procedures when taking on new customers in order to be fully satisfied as to their identity, source of funds and economic rationale for opening an account. Enhanced due diligence ("**EDD**") measures are adopted in case of high risk indicia as well as expected deposits from non-resident legal entities and individuals, regardless of their jurisdiction. This EDD includes, amongst other measures, matching client data with the sanction lists, checking the origin of funds and wealth, identifying and verifying the underlying beneficiary and ascertaining whether the expected transactions are in line with the client's profile. The Group also monitors existing customers on an on-going basis. It achieves this through the use of a fully automated AML client transaction monitoring system "Financial Crime Risk Management", which is provided by Fiserv. This system generates alerts if the client transactions are not carried out in accordance with the declared client activity as well as on the basis of other criteria, for instance, when transactions involve large amounts exceeding a certain threshold, or on the detection of unusual behaviour, thus triggering immediate additional EDD with respect to the client. In addition, screening system Brider, which is provided by LexisNexis, is used to screen online customer transactions against OFAC, United Nations, EU and local Financial Intelligence Unit ("**FIU**") sanctions lists and internally blacklisted persons. All customer data is screened against information in the Accuity database, which is also used for politically exposed person (PEP) identification purposes. Details of the customer EDD process and the customer monitoring process is documented and traceable in Citadele's IT systems. This includes Citadele's decisions regarding reporting suspicious activity or sending unusual transaction reports to the FIU and the State Revenue Service of the Republic of Latvia, as well as decisions to terminate relationships with clients due to non-compliance with Citadele's AML procedures.

The Group defines corruption as the abuse of public or private office for personal gain. This relates to any behaviour in which individuals in the public or private sectors improperly and unlawfully enrich themselves or those close to them, or induce others to do so, by misusing their position. The Group is committed to the prevention of corruption and aims to ensure that its reputation and integrity are maintained at all times. The Group's anti-corruption function is performed by the Compliance Division with input from other units of the Group which have particular anti-bribery functions, such as the Security Department and the AML Division, which deals with monitoring transactions internally, and the HR department, which is involved in certain ethical decision making.

In April 2020, the FCMC and Citadele signed the administrative agreement regarding an inspection of Citadele carried out by the FCMC during 2018. Citadele also paid a fine of EUR 0.6 million. In setting the amount of the fine, the FCMC took into consideration that at the time of entering into the agreement, Citadele had already taken part of the measures specified in the Remediation plan. The agreement also provided for actions to be taken by Citadele for further improvements in the AML/CFT area, including an additional EUR 2.3 million investment to improve Citadele's internal control systems.

Citadele has independently and on its own initiative developed the Remediation plan to deliver on improvements identified by the FCMC. There have already been several steps taken in terms of implementation, for example the setup of the "KYC Competence Centre", further enhancement of documentation and IT systems and hiring of additional AML compliance staff.

As of date of this Prospectus, Citadele has successfully remediated the identified shortcomings as well as implemented the action plan. Moreover, the deliverables of the action plan were audited by an independent professional auditor.

The Group does its best to ensure that its clients are not involved in money laundering, criminal activity or financing terrorism or financing of proliferation of weapons of mass destruction.

Changes to risk management that are known or anticipated to come into effect in the future.

The Group has developed and implemented scoring models for credit cards and consumer loans for private individuals, as well as for consumer mortgage loans, micro SME loans, SME loans and corporate loans. The aforementioned models are used for the evaluation of customers during the origination process and for portfolio monitoring purposes. The Group regularly performs validation of the models and ensures re-development when discriminative power worsens. Development and validation of models are performed by different teams to ensure quality of both processes.

Capital Adequacy Management

Capital adequacy is calculated in accordance with the current global standards of bank capital adequacy (the Basel III international regulatory framework) as implemented by the EU via CRR and CRD IV and other relevant regulations.

Capital adequacy refers to the sufficiency of the Group's capital resources to cover credit risks, market risks and other specific risks arising predominantly from asset and off-balance sheet exposures of the Group. The regulations require Latvian banks to maintain a total capital adequacy ratio of 8 per cent. of the total risk weighted exposure amounts. The rules also require 4.5 per cent. minimum CET 1 capital ratio and 6 per cent. minimum Tier 1 capital ratio. P2R requires further capital to cover risks in addition to these covered by the CRR. P2R is established in a SREP carried out by the JST. The JST determines P2R on a risk-by-risk basis, using supervisory judgement, the outcome of supervisory benchmarking, ICAAP calculations, and other relevant inputs. Individual P2R is re-assessed annually by the JST. As of 30 June 2021, an additional 2.3 per cent capital requirement (P2R) for the Group and the Bank is determined to cover pillar 2 risks. The Bank and the Group is required to cover 56 per cent. of the P2R with CET 1 capital (1.29 per cent. capital requirement), 75 per cent. with Tier 1 capital (1.73 per cent. capital requirement) and 100 per cent. with total capital (2.3 per cent capital requirement).

The Group and the Bank must also comply with the capital buffer requirement. The capital buffer requirement for both the Group and the Bank equals 4.0 per cent., limiting dividend pay-out and certain other Tier 1 equity instrument buy-backs if the buffer threshold is not exceeded. Capital conservation buffer is set at 2.5 per cent. Countercyclical buffer norms are calculated at every reporting date based on the factual risk exposure geographical distribution. As of 30 June 2021, it was equal to 0.0 per cent. The FCMC has identified the Bank as "other systemically important institution" (O-SII). The Bank's and the Group's O-SII capital buffer requirement set by the FCMC is 1.5 per cent. The capital buffer requirement has to be covered by CET 1 capital.

Since 30 June 2019 the Group and the Bank applies prudential provisioning requirements in line with the FCMC regulations. As of 30 June 2021, both the Bank and the Group have sufficient capital to comply with the regulatory capital adequacy requirements.

Regulatory capital requirements of the Group on 30 June 2021

	Common equity Tier 1 (CET 1) capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 (CET 1) ratio.....	4.5%	4.5%	4.5%
Additional Tier 1 ratio.....	-	1.5%	1.5%
Additional total capital ratio.....	-	-	2.0%
Individual P2R, as determined by the FCMC	1.29%	1.73%	2.3%
Capital buffer requirement:			
Capital conservation buffer	2.5%	2.5%	2.5%

O-SII capital buffer	1.5%	1.5%	1.5%
Countercyclical capital buffer	0.0%	0.0%	0.0%
Capital requirement	9.79%	11.73%	14.3%

As of 30 June 2021, the countercyclical capital buffer for the Bank is 0.0 per cent. and the other capital requirements and buffers for the Bank are the same as for the Group. The Group's capital adequacy calculation in accordance with applicable regulations is disclosed as set out below.

Capital adequacy ratio of the Group (including net result for the period)

EUR millions	30 June 2021	31 Dec 2020	31 Dec 2019
Common equity Tier 1 (CET 1) capital			
Paid up capital instruments	156.6	156.6	156.6
Retained earnings	209.1	176.7	172.1
Regulatory deductions.....	(7.9)	(5.6)	(8.5)
Other capital components and transitional adjustments, net.....	10.4	13.4	15.5
Tier 2 capital			
Eligible part of subordinated liabilities	60.0	60.0	60.0
Total own funds	428.2	401.0	395.6
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,010.3	1,340.6	1,555.6
Total exposure amounts for position, foreign currency open position and commodities risk	4.1	13.7	16.6
Total exposure amounts for operational risk	187.4	187.4	209.6
Total exposure amounts for credit valuation adjustment	4.5	0.9	0.5
Total risk exposure amount	2,206.3	1,542.6	1,782.5
Total capital adequacy ratio	19.4	26.0%	22.2%
Common equity Tier 1 capital ratio	16.7	22.1%	18.8%

Capital adequacy calculation of the Bank and the Group in accordance with the EU and the FCMC regulations (Basel III framework, Pillar I as implemented by EU and FCMC) permits transitional adjustments. For 2019 and later periods, transitional provisions with a diminishing favourable impact apply to IFRS 9 implementation impact. Regulation (EU) 2017/2395 permits specific proportion of IFRS 9 implementation impact to be amortised over a five year period (starting from 2018) for capital adequacy calculation purposes. The long term regulatory capital position of the Group and the Bank is planned and managed in line with these and other expected upcoming regulatory requirements. In the reporting period, the capital adequacy ratio of the Bank decreased as a result of the UniCredit leasing portfolio acquisition.

Fully loaded capital adequacy ratio of the Group (i.e. excluding transitional adjustments, including net result for the period)

EUR millions	30 June 2021	31 Dec 2020	31 Dec 2019
Common equity Tier 1 (CET 1) capital, fully loaded..	365.3	336.9	330.6
Tier 2 capital	60.0	60.0	60.0

EUR millions	30 June 2021	31 Dec 2020	31 Dec 2019
Total own funds, fully loaded	425.3	396.9	390.6
Total risk exposure amount, fully loaded.....	2,203.8	1,539.0	1,778.1
Total capital adequacy ratio, fully loaded.....	19.3%	25.8%	22.0%
Common equity Tier 1 capital ratio, fully loaded ..	16.6%	21.9%	18.6%

Leverage ratio

Leverage ratio is calculated as Tier 1 capital versus the total exposure measure with the minimum requirement of 3 per cent.. 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 the Group – fully loaded and transitional (including net result for the period)

	30 June 2021	31 Dec 2020	31 Dec 2019
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.5%	7.3%	8.7%
Leverage Ratio – transitional definition of Tier 1 capital	7.6%	7.4%	8.8%

MREL

On 23 May 2016, the European Commission adopted the regulatory technical standards ("RTS") on the criteria for determining the MREL under the BRRD. In order to ensure the effectiveness of the bail-in and other resolution tools introduced by the BRRD, the BRRD requires that institutions meet an individual MREL requirement. As per amendments introduced by BRRD II, MREL is calculated as a percentage of TREA and Leverage Ratio Exposure LRE in parallel and set by the relevant resolution authorities. The RTS provide for resolution authorities to allow institutions a transitional period to reach the applicable MREL requirements.

The MREL requirement for each institution comprises of a number of elements, including the required loss absorbing capacity of the institution (which will, as a minimum, equate to the institution's capital requirements under the CRD), and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of the CRD), along with "eligible liabilities", meaning liabilities which, among other things, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives.

The SRB has determined the consolidated MREL for the Group at the level of 19.96 per cent. of TREA and 5.26 per cent. of LRE. Compliance with the MREL must be achieved by 1 January 2024. The SRB has defined a transition period for Citadele with an interim MREL requirement of 18.03 per cent. of TREA and 5.26 per cent. of LRE to be achieved by 1 January 2022. The ratios were calculated using the financial and supervisory information as of 31 December 2019 and will be updated by SRB annually, with the next update due in the fourth quarter of 2021 based on more recent financial information of the Group.

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 the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to Citadele as of the date hereof.

Shareholders' Agreement

Each of Citadele's shareholders is a 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**"). As a result of the particular circumstances which led to Citadele's formation (as set out in the section entitled "*Overview and Business Description – History and Development*") and the circumstances in which the EBRD was brought in as an external investor, the EBRD enjoys a number of enhanced rights under the Shareholders' Agreement, particularly in relation to receiving information and limitations on the operations of the business. Such measures were designed to provide comfort and protection in relation to the EBRD's capital investment and were a prerequisite to its subscription for shares in Citadele.

The Shareholders' Agreement provides for, among other matters, the following:

Membership of the Supervisory Board

- For so long as the EBRD holds at least 10 per cent. of Citadele's share capital, it is entitled to nominate one person to the Supervisory Board. If RA Citadele Holdings, LLC and the other co-investors (together, the "**Main Shareholder**") nominate more than five members of the Supervisory Board, the EBRD shall be entitled to nominate a second person to act as a member of the Supervisory Board. In 2016, EBRD agreed not to exercise the right to nominate a second member of the Supervisory Board unless one of the two appointed independent members of the Supervisory Board resigns or the total number of persons on the Supervisory Board exceeds nine persons.
- For so long as the EBRD holds at least 10 per cent. of Citadele's share capital, the EBRD and the Main Shareholder shall be entitled to nominate jointly one independent member (the "**Independent Member**") that is not affiliated with RA Citadele Holdings, LLC to act as a member of the Supervisory Board.
- Subject to the total number of Supervisory Board members not exceeding eleven, the Main Shareholder shall be entitled to nominate the remaining members of the Supervisory Board.

Decisions of the Supervisory Board

- No resolution of the Supervisory Board shall be proposed or adopted at any meeting of the Supervisory Board unless: (1) a quorum consisting of a majority of its members, including at least one member nominated by the EBRD or the Independent Member, shall have been present throughout the entire meeting; and (2) a majority of the members constituting the quorum shall have voted in favour of such resolution.
- For so long as the EBRD holds at least 10 per cent. of Citadele's share capital, certain matters shall only be adopted at a Supervisory Board meeting if at least one member of the Supervisory Board nominated by the EBRD votes in favour of such matter. These matters include: (1) the approval of any draft resolution for submission to the GMS relating to a dividend or any other distribution of profit that would: (a) lead to a breach of any capital adequacy regulations applicable to Citadele; or (b) be in excess of IFRS net profit after tax for the relevant preceding period; (2) the approval of any draft resolution amending the Articles of Association for submission to the GMS unless such changes are required to comply with the law of the Republic of Latvia; (3) the approval of any draft resolution increasing the registered capital of Citadele or changing the type, rights or form of any call of shares for submission to the GMS; or (4) any resolution to appoint or change Citadele's auditors.

Management Board

- The members of the Management Board shall be appointed and changed by the Supervisory Board.

Conflict with Citadele Articles of Association of Latvian Law

- In the event of any conflict, ambiguity or discrepancy between the provisions of the Shareholders' Agreement and the Articles of Association, the provisions of the Shareholders' Agreement shall prevail only in relation to those shareholders that are party to the Shareholders' Agreement, provided that no party shall be required to take any action in breach of applicable mandatory provisions of Latvian law. The parties to the Shareholders' Agreement shall exercise all voting and other rights and powers available to them so as to give effect to the provisions of the Shareholders' Agreement.

Termination

- The Shareholders' Agreement can be terminated by mutual agreement between the EBRD and the Main Shareholder.
- The Shareholders' Agreement shall be amended, novated, supplemented, extended or restated following either the EBRD or the Main Shareholder ceasing to own any shares in Citadele.

Information Rights

- Citadele is obliged to provide RA Citadele Holdings, LLC and the EBRD access to key information. This includes quarterly, semi-annual and annual financial information in order to monitor the performance of Citadele. Furthermore, Citadele is required to provide (on an annual basis) RA Citadele Holdings, LLC and the EBRD with its share register, the business plan for the next financial year and an environmental and social report.

Advisory services agreement

On 1 July 2020, Citadele entered into an advisory services agreement with Ripplewood Advisors LLC in connection with the provision of certain advisory services to Citadele's management. The agreement stipulates that such advice shall include, but not be limited to: 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, distribution channel strategy and performance, human resource management and compensation, management information systems and tools, methods to increase the performance culture of Citadele, identification, evaluation and execution of acquisition and combination opportunities and internal and external reporting marketing and communications, 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 July 2020. Citadele is also required to indemnify Ripplewood Advisors LLC in connection with investigations or disputes resulting from the provision of services under the advisory services agreement. On or following 1 July 2022, either Citadele or Ripplewood Advisors LLC may terminate the advisory services agreement at any time and with immediate effect on giving notice to the other in the event of the insolvency, the administration or the winding-up of the other party, it being unlawful for Ripplewood Advisors LLC to provide the advisory services or if the other party commits a material breach of the advisory services agreement which is either irremediable or is remediable but is not remedied within a period of 30 days after notice has been given requiring such remedy. The agreement may be amended with the prior approval of the Supervisory Board and Ripplewood Advisors LLC.

IP Coexistence Agreement

Citadele has entered into an IP coexistence agreement with a third party in relation to the use of the "Citadele" name in the Baltic States. This agreement is intended to manage the conflict between Citadele's registration of the "Citadele" mark in Latvia and the third party's registration of the "Citadele" name across the EU. Under the terms of the agreement, Citadele's ability to use and expand the "Citadele" brand beyond the Baltic States is limited.

TAXATION

The tax laws of the investor's jurisdiction and of the Issuer's jurisdiction might have an impact on the income received from the Notes. The following is a general description of certain Latvian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Latvia of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Latvia

This summary is based on the laws of Latvia as in force on the date of this Prospectus and is subject to any change in law that may take effect after such date, provided that such changes could apply also retroactively.

Latvia has entered into number of tax conventions on elimination of the double taxation, which may provide more favourable taxation regime. Therefore, if there is a valid tax convention with the country of a non-resident prospective investor, it should be also examined. The procedures for application of tax conventions are provided in the Republic of Latvia Cabinet of Ministers' Regulations No. 178 "Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion" of 30 April 2001.

Resident Individuals

An individual will be considered as a resident of Latvia for taxation purposes:

- if the individual's declared place of residence is in the Republic of Latvia; or
- if the individual stays in the Republic of Latvia 183 days or more within any 12-month period, starting or ending in the taxation year; or
- if the individual is a citizen of the Republic of Latvia employed abroad by the government of the Republic of Latvia.

In accordance with the Law on Personal Income Tax, the interest income from the Notes for resident individuals will be subject to 20 per cent. withholding tax, deductible by the Issuer before the payment. The income (gain) from the disposal of the Notes will be subject to 20 per cent. tax, but the tax would be payable by the individual him/herself.

Non-Resident Individuals

In accordance with the Law on Personal Income Tax, the interest income received by non-Latvian resident individuals from the Notes being offered publicly (which, for these purposes, means admitted to trading on a regulated market within the meaning of MiFID II) as well as income from the disposal of the publicly offered (as described above) Notes will not be subject to tax in Latvia.

Resident Entities

An entity will be considered as a resident of Latvia for tax purposes if it is or should have been established and registered in the Republic of Latvia in accordance with the legislative acts of the Republic of Latvia. This also include permanent establishments of foreign entities in Latvia.

Interest payments on the Notes and proceeds from the disposal of the Notes received by Latvian resident companies will not be subject to withholding tax in Latvia. Under the Corporate Income Tax Law, retained earnings are exempt from corporate income tax and only distributions are taxed. Corporate income tax rate on gross profit distribution is 20 per cent. Corporate income tax on net amount of profit distribution is

determined by dividing net amount with a coefficient of 0.8 (i.e., effective tax rate on net distributed profit is 25 per cent.).

Non-Resident Entities

In accordance with the Corporate Income Tax Law, the interest income and income from the disposal of the Notes for non-resident entities will not be taxable in Latvia.

Taxation of Low-Tax Non-Latvian Residents

In general, payments (including interest payments) to non-resident located, registered or incorporated in a no-tax or low-tax country or territory as defined in the Regulations of the Cabinet of Ministers Ministers No. 819 "Regulations on No-Tax or Low-Tax Countries and Territories", adopted on 17 December 2020; effective as of 1 January 2021 ("**Low-Tax Non-Latvian Residents**") are subject to withholding tax of 20 per cent. if the payer is a Latvian legal entity or 23 per cent. if the payer is a Latvian individual resident having obligation to withhold tax. However, pursuant to Article 5(6) of the Corporate Income Tax Law, payments to Low-Tax Non-Latvian Residents for securities publicly offered in the EU or EEA are exempt from withholding tax if made at the market price. The Latvian tax authority in a legally non-binding explanation has confirmed that pursuant to Article 5(6) of the Corporate Income Tax Law, there is no withholding tax also on the interest payments made by an issuer to the holders of bonds publicly circulated in the EU or EEA who are Low-Tax Non-Latvian Residents, provided that the payments are made at the market price.

Latvian Withholding Tax

As described in "Resident Individuals" above, in accordance with the Latvian Law on Personal Income Tax, interest income from Notes held by Latvian resident individuals are subject to 20 per cent. withholding tax, this is typically deductible by the Issuer before the payment is made. However, as the Notes are held in Euroclear and Clearstream, the Issuer is not able to establish who the beneficial owners of the Notes are. Whilst the Notes are in global form, held in Euroclear and Clearstream, and payment is to be made through a legal entity outside of Latvia the Issuer will pay the interest free of withholding. Any Latvian resident individuals who are beneficially entitled to interest in respect of the Notes will need to declare and pay the appropriate tax themselves.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each other than Estonia, the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru**")

payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Each of the Joint Lead Managers have, pursuant to a subscription agreement dated 18 November 2021, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Notes at 99.624 per cent. of their principal amount less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses and to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a joint lead manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

- (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other UK regulatory restrictions

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material, in all cases at its own expense, relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

In addition to the applications described in this Prospectus, the Issuer may, on or after the date of this Prospectus, make applications for one or more certificates of approval under Article 25 of the Prospectus Regulation to be issued by the Central Bank to the competent authority in any Member State.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by the decision of the Management Board of the Issuer given on 17 November 2021 and by the resolutions of the shareholders of the Issuer given on 23 August 2021 and 5 November 2021.

Legal and Arbitration Proceedings

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

Significant/Material Change

3. Since 31 December 2020 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries. Since 30 June 2021, there has been no significant change in the financial performance or financial position of the Issuer or the Issuer and its Subsidiaries.

Auditors

4. The audited consolidated financial statements of the Issuer have been audited without qualification for the years ended 31 December 2019 and 31 December 2020 and for the six months ended 30 June 2021 by KPMG Baltics AS. KPMG Baltics AS is a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Validity of the Prospectus and Prospectus Supplements

5. This Prospectus is valid for twelve months. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the end of the offer or admission to trading of the Notes.

Documents on Display

6. Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Issuer or at the website specified below for 12 months from the date of this Prospectus:
 - (a) the articles of association (as the same may be updated from time to time) (available at: <https://www.cblgroup.com/en/about/governance/articles-of-association/>); and
 - (b) the Agency Agreement and the Deed of Covenant (each available at: <https://www.cblgroup.com/en/investors/bonds/>).

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website of the Issuer does not form part of this Prospectus.

In addition, this Prospectus will be available, in electronic format, on the website of the Euronext Dublin (www.euronext.com/en/markets/dublin).

Yield

7. If the Issuer were to pay interest on each Interest Payment Date up to and including the Reset Date and were to redeem the Notes on the Reset Date, the yield on the Notes would be 1.723 per cent. per annum.

The yield is calculated as of the date of this Prospectus and may fluctuate in the future. It is not an indication of future yield.

ISIN and Common Code

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2393742122 and, the common code is 239374212. The Classification of Financial Instrument (CFI) code and the Financial Instrument Short Name (FISN) code are each as set out on the website of the Association of National Numbering Agencies (ANNA).

Listing Agent

9. McCann FitzGerald Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the official list of Euronext Dublin or to trading on the Regulated Market for the purposes of the Prospectus Regulation.

Expenses

10. The expenses relating to the admission to trading of the Notes on Euronext Dublin are expected to amount to €7,540.

The Legal Entity Identifier

11. The Legal Entity Identifier (LEI) code of the Issuer is 2138009Y59EAR7H1UO97.

Conflicts of Interest

12. Certain of the Joint Lead Managers have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Certain of the Joint Lead Managers of their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ISSUER

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