

# Important Notice

**IMPORTANT: You must read the following before continuing.** The following notice applies to the supplementary base prospectus (the “**Base Prospectus Supplement**”) following this page, whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Base Prospectus Supplement. In reading, accessing or making any other use of the Base Prospectus Supplement, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Base Prospectus Supplement, including any modifications made to them any time you receive any information as a result of such access.

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

This Base Prospectus Supplement is supplemental to, and should be read in conjunction with, the base prospectus issued by regarding € 40,000,000 (forty million euro) First Unsecured Subordinated Bonds Programme dated 4 November 2016 relating to the non-convertible unsecured and unguaranteed subordinated bonds denominated in EUR, having maturity from 7 to 10 years and with fixed interest rate (the “**Original Base Prospectus**”). Any statement contained in the Original Base Prospectus shall be deemed to be modified or superseded to the extent that a statement contained in this document modifies or supersedes such statement. Except as expressly stated herein, or unless the context requires otherwise, the definitions used or referred to in the Original Base Prospectus also apply in this Base Prospectus Supplement.

THE FOLLOWING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER.

INTENDED ADDRESSEES - THIS BASE PROSPECTUS SUPPLEMENT AND ANY OFFER OF THE SECURITIES PURSUANT TO IT ARE ONLY ADDRESSED TO AND DIRECTED AT, AND MAY ONLY BE DISTRIBUTED TO OR ACTED ON BY, (i) PERSONS IN LATVIA AND LITHUANIA; AND (ii) PERSONS LOCATED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE “**EEA**”) (OTHER THAN IN LATVIA AND LITHUANIA) WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE NO. 2003/71/EC AND AMENDMENTS THERETO, INCLUDING DIRECTIVE NO. 2010/73/EU, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE) (“**QUALIFIED INVESTORS**”).

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

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

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

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

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

1. you have understood and agree to the terms set out herein; AND
2. that the e-mail address to which, pursuant to your request, the attached document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; AND
3. you are a person in Latvia or Lithuania, or a qualified investor in the Member State of the EEA other than Latvia and Lithuania and you are neither a person located in the United States, nor a U.S. person and you are not purchasing any of the securities for, or for the account or benefit of, any such person; AND
4. that you consent to delivery of the Base Prospectus Supplement by electronic transmission; AND
5. you will not transmit the attached Base Prospectus Supplement (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with our consent; AND
6. you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

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

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

Under no circumstances shall the Base Prospectus Supplement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Base Prospectus Supplement has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither Citadele, nor any person who controls any of the foregoing, nor any director, officer, employee nor agent of any of the foregoing or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus Supplement distributed to you in electronic format and the hardcopy version available to you on request from Citadele.

The distribution of this Base Prospectus Supplement in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required to inform themselves about, and to observe, any such restrictions.

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

## Base Prospectus Supplement dated 16 November 2016



**AS "Citadele banka"**

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

**€ 40,000,000**

## **First Unsecured Subordinated Bonds Programme**

### **BASE PROSPECTUS SUPPLEMENT**

This document comprises a supplementary base prospectus (the "**Base Prospectus Supplement**") relating to AS "Citadele banka", a limited company/joint stock company incorporated in, and operating under the laws of, the Republic of Latvia, and registered with the Commercial Register of Latvia under the registration number: 40103303559, legal address: Republikas laukums 2A, Riga, LV-1010, Latvia, telephone: +371 67010000, fax: +371 67010001, e-mail: [info@citadele.lv](mailto:info@citadele.lv), website: [www.citadele.lv](http://www.citadele.lv) ("**Citadele**"), and is supplemental to, and should be read in conjunction with, the base prospectus issued by Citadele regarding € 40,000,000 (forty million euro) First Unsecured Subordinated Bonds Programme (the "**Programme**") dated 4 November 2016 (the "**Original Base Prospectus**") relating to the non-convertible unsecured and unguaranteed subordinated bonds denominated in EUR, having maturity from 7 to 10 years and with fixed interest rate (the "**Bonds**"). To the extent not set forth in the **Original Base Prospectus**, the specific terms of any Bonds will be included in the relevant final terms (the "**Final Terms**")

This Base Prospectus Supplement has been registered with and approved as a base prospectus by the Financial and Capital Market Commission of Latvia (In Latvian - *Finanšu un kapitāla tirgus komisija*) (the "**FCMC**") in its capacity as the competent authority in Latvia for the purposes of Directive No 2003/71/EC, as amended, to the extent implemented in each relevant member state of the European Economic Area (the "**EEA**") (the "**Prospectus Directive**"), in accordance with the requirements of the Financial Instruments Market Law of the Republic of Latvia, as amended (the "**Latvian Financial Instruments Market Law**") and Regulation (EC) No 809/2004, as amended (the "**Prospectus Regulation**"). The FCMC has approved this Base Prospectus Supplement, but it is not liable for the correctness of the information presented therein. Citadele has requested that the FCMC notifies this Bases Prospectus Supplement to the competent authority in Lithuania (the Bank of Lithuania (In Lithuanian - *Lietuvos Bankas*) (the "**Bank of Lithuania**")) and provides it with a certificate of approval attesting that this Base Prospectus Supplement has been drawn up in accordance with the Prospectus Directive.

**Investing in the Bonds issued under the Programme involves a high degree of risk and may not be suitable for all investors. See section entitled "*Risk Factors*" of the Original Base Prospectus for a discussion of certain factors to be considered in connection with an investment in the Bonds.**

The Original Base Prospectus, this Base Prospectus Supplement and any Final Terms do not constitute an offer to sell, or a solicitation of an offer to buy, the Bonds in any jurisdiction in which such offer or solicitation would be unlawful. The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended or the securities laws of any state of the United States or other jurisdiction, and the securities may not be offered, sold or delivered at any time, directly or indirectly, within the United States (which term includes the territories, the possessions, and all other areas subject to the jurisdiction of the United States) or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the United States Securities Act of 1933, as amended). Neither the U.S. Securities and Exchange Commission nor any state securities commission in the United States, nor any other U.S. regulatory authority, has approved or disapproved of the Bonds, or passed upon or endorsed the merits of the offer of the Bonds or determined that the Original Base Prospectus, this Base Prospectus Supplement and any Final Terms are accurate or complete. Any representation to the contrary is a criminal offence in the United States.

## 1. INTRODUCTION

This Prospectus Supplement is supplemental to, and should be read in conjunction with, the Original Prospectus. This Base Prospectus Supplement is being published to amend certain disclosures in the Original Base Prospectus.

Words and phrases defined in the Original Base Prospectus shall have the same meaning in this Base Prospectus Supplement unless otherwise defined herein.

## 2. AMENDMENT TO CERTAIN DISCLOSURES IN THE ORIGINAL PROSPECTUS

The risk factor entitled "*Citadele Group may be unable to meet its minimum capital requirements*," on pages 36-37 of the Original Base Prospectus is hereby amended by adding the following text at the end of it:

"On 31 October 2016, Citadele sold certain bonds from its securities portfolio that were accounted for as Held to Maturity (HTM) with a nominal value of 34 million EUR. This sale triggered a restriction for Citadele Group (except certain Citadele Group subsidiaries on a stand-alone basis) from using HTM accounting for the securities portfolio for a period of 2 years from the date of the sale, or until IFRS 9 accounting standards are introduced. As a result, all remaining holdings within Citadele's securities portfolio shall be re-classified to under Available for Sale (AFS) accounting. This change in accounting treatment for the securities portfolio may increase Citadele's interest rate risk and market risk, as well as related charges for the purposes of capital adequacy calculation and ICAAP. Financial impact from the sale is c. EUR 2.6 million trading loss. However, the calculated net impact on shareholders' equity was only c. EUR 0.5 million, which is explained by c. EUR 2.1 million of revaluation gain that was recognised as part of reclassifying the residual HTM portfolio to AFS."

## 3. WITHDRAWAL RIGHTS

In accordance with Article 16(2) of the Prospectus Directive (as implemented through national implementing legislation in each EEA Member State) and Articles 18(4) and 45(4) of the Latvian Financial Instruments Market Law, where a supplementary prospectus has been published and, prior to its publication, a person or institution agreed to buy or subscribe for transferable securities to which the prospectus supplement relates, he or it may withdraw his or its acceptance before the end of the period of two working days beginning with the first working day after the date on which the supplementary prospectus was published.

Investors wishing to exercise their withdrawal right after the publication of this Base Prospectus Supplement must do so by completing a revocation form and submitting it to the intermediary through which the original Purchase Order was placed or, in the case of institutional investors, communicating an intention to withdraw to Citadele through the Bloomberg trading system.

## 4. GENERAL

To the extent that there is any inconsistency between any statement in or incorporated by reference in this document and any other statement in or incorporated by reference in the Original Base Prospectus, the statements in or incorporated by reference in this document will prevail.

Save as disclosed in this Base Prospectus Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Original Base Prospectus has arisen or been noted, as the case may be, since the publication of the Original Base Prospectus.

**Investing in the Bonds issued under the Programme involves a high degree of risk and may not be suitable for all investors. See section entitled “Risk Factors” of the Original Base Prospectus for a discussion of certain factors to be considered in connection with an investment in the Bonds.**

Copies of this Base Prospectus Supplement and the Original Base Prospectus during their validity will be available for inspection free of charge, during normal business hours on any weekday at the registered office of Citadele from the date of publication of this Base Prospectus Supplement. The registered office of Citadele is located at Republikas laukums 2A, Riga, LV-1010, Latvia. This Base Prospectus Supplement will also be published on Citadele’s website ([www.citadele.lv](http://www.citadele.lv)), where the Original Base Prospectus is also available.

Management Board of AS “Citadele banka”:

\_\_\_\_\_ Guntis Beļavskis  
(Chairman of the Management Board, Chief Executive Officer)

\_\_\_\_\_ Aldis Paegle  
(Member of the Management Board, Chief Financial Officer)

\_\_\_\_\_ Santa Purgaile  
(Member of the Management Board, Chief Business Officer)

\_\_\_\_\_ Valters Ābele  
(Member of the Management Board, Chief Risk Officer)

\_\_\_\_\_ Kaspars Cikmačs  
(Member of the Management Board, Chief Operating Officer)