

# Summary

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A-E, as set out below. This summary contains all the Elements required to be included in a summary for these types of securities and this type of issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the relevant type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

## Section A - Introduction and Warnings

A.1 Introductions and warnings	This summary should be read as an introduction to this Base Prospectus (" <b>Base Prospectus</b> "). Any decision to invest in the Bonds should be based on consideration by the Investor of the Base Prospectus as a whole, including the documents attached to the Base Prospectus, and the Final Terms of the relevant Bonds. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State, the plaintiff Investor might, under the national legislation of the relevant Member State, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid Investors when considering whether to invest in such securities.
A.2 Consent to use the Base Prospectus	Not applicable. Citadele has not consented to the use of the Base Prospectus for subsequent resale or final placement of the Bonds by financial intermediaries.

## Section B - Issuer

B.1 Legal and commercial name	Akciju sabiedrība "Citadele banka" (" <b>Citadele</b> "). In this summary, references to "Citadele Group" mean Citadele and its subsidiaries, being entities in which Citadele directly or indirectly holds not less than 50% of the shares.
B.2 Legal form/country of incorporation/ domicile	Citadele is a limited company/joint stock company (in Latvian – <i>akciju sabiedrība</i> or AS) incorporated in, and operating under the laws of, the Republic of Latvia, including the Commercial Law of the Republic of Latvia of 2000, as amended (the " <b>Latvian Commercial Law</b> ") and registered with the Commercial Register of Latvia under the registration number: 40103303559 (date of registration: 30 June, 2010) and its legal address is Republikas laukums 2A, Riga, LV-1010, Latvia, telephone: +371 67010000, fax: +371 67010001, e-mail: <a href="mailto:info@citadele.lv">info@citadele.lv</a> , website: <a href="http://www.citadele.lv">www.citadele.lv</a> .
B.4b Known trends	At the date of this Base Prospectus there is no information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Citadele's or the Citadele Group's prospects and the industries in which Citadele or the Citadele Group operates in the current financial year.
B.5 Group	As at the date of this Base Prospectus, Citadele held direct or indirect interests of not less than 50% or more of the shares in 25 companies, which together comprised the other members of Citadele Group. Citadele is the parent company of Citadele Group.
B.9 Profit forecast and assessment	Not applicable; the Base Prospectus does not include a profit forecast or estimate.

B.10 Qualifications in audit report	There are no qualifications in the audit reports on the 2014 Audited Consolidated Financial Statements, 2015 Audited Consolidated Financial Statements and 2016 Audited Consolidated Interim Financial Statements audited by KPMG Baltics SIA.																																																																																																																																																																																												
B.12 Selected historical key financial information, changes in prospects and financial position	<p>The information provided in the table below corresponds to that presented in 2015 Audited Consolidated Financial Statements and 2016 Audited Consolidated Interim Financial Statements. There are also several alternative performance measures included commonly used in market. These provide comparable holistic view of the Group, highlight key value drivers and aggregate financial information in possibly more relevant measures.</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Citadele Group</th> <th colspan="4">Citadele banka</th> </tr> <tr> <th>H1 2016</th> <th>2015</th> <th>H1 2015</th> <th>2014 as restated</th> <th>H1 2016</th> <th>2015</th> <th>H1 2015</th> <th>2014 as restated</th> </tr> </thead> <tbody> <tr> <td colspan="9"><b>EUR millions</b></td> </tr> <tr> <td>Net interest income</td> <td>31.1</td> <td>60.5</td> <td>29.5</td> <td>62.5</td> <td>23.6</td> <td>48.1</td> <td>23.7</td> <td>52.1</td> </tr> <tr> <td>Net commission and fee income</td> <td>18.3</td> <td>35.5</td> <td>17.2</td> <td>33.4</td> <td>13.1</td> <td>25.3</td> <td>12.3</td> <td>24.4</td> </tr> <tr> <td>Operating income <sup>(1)</sup></td> <td>70.6</td> <td>112.7</td> <td>54.6</td> <td>111.9</td> <td>55.9</td> <td>86.5</td> <td>41.3</td> <td>90.1</td> </tr> <tr> <td>Impairment charge and reversals, net</td> <td>(5.1)</td> <td>(6.2)</td> <td>(3.1)</td> <td>(9.2)</td> <td>(5.6)</td> <td>(6.2)</td> <td>(4.4)</td> <td>(10.6)</td> </tr> <tr> <td>Net profit</td> <td>25.4</td> <td>26.1</td> <td>14.9</td> <td>32.4</td> <td>20.6</td> <td>19.5</td> <td>10.1</td> <td>29.2</td> </tr> <tr> <td>Return on average assets (ROA) <sup>(2)</sup></td> <td>1.66%</td> <td>0.90%</td> <td>1.06%</td> <td>1.20%</td> <td>1.68%</td> <td>0.82%</td> <td>0.88%</td> <td>1.31%</td> </tr> <tr> <td>Return on average equity (ROE) <sup>(3)</sup></td> <td>22.1%</td> <td>13.2%</td> <td>15.7%</td> <td>20.2%</td> <td>19.0%</td> <td>10.2%</td> <td>11.0%</td> <td>18.5%</td> </tr> <tr> <td>Cost to income ratio (CIR) <sup>(4)</sup></td> <td>55.8%</td> <td>68.5%</td> <td>64.4%</td> <td>60.2%</td> <td>52.5%</td> <td>67.1%</td> <td>62.3%</td> <td>52.3%</td> </tr> <tr> <td>Cost of risk ratio (COR) <sup>(5)</sup></td> <td>1.0%</td> <td>0.8%</td> <td>0.9%</td> <td>1.3%</td> <td>1.2%</td> <td>0.7%</td> <td>1.1%</td> <td>1.2%</td> </tr> <tr> <td>Capital adequacy ratio (CAR)</td> <td>12.5%</td> <td>13.4%</td> <td>12.8%</td> <td>11.0%</td> <td>13.7%</td> <td>15.1%</td> <td>14.7%</td> <td>12.3%</td> </tr> <tr> <td colspan="9"><b>Adjusted for VISA income <sup>(7)</sup></b></td> </tr> <tr> <td>Net profit</td> <td colspan="4">14.0</td> <td colspan="4">9.3</td> </tr> <tr> <td>ROA <sup>(2)</sup></td> <td colspan="4">0.92%</td> <td colspan="4">0.75%</td> </tr> <tr> <td>ROE <sup>(3)</sup></td> <td colspan="4">12.2%</td> <td colspan="4">8.6%</td> </tr> <tr> <td colspan="9"><b>Adjusted for IPO costs <sup>(8)</sup></b></td> </tr> <tr> <td>Net profit</td> <td colspan="2">31.1</td> <td colspan="2">32.4</td> <td colspan="2">24.5</td> <td colspan="2">29.2</td> </tr> <tr> <td>ROA <sup>(2)</sup></td> <td colspan="2">1.07%</td> <td colspan="2">1.20%</td> <td colspan="2">1.03%</td> <td colspan="2">1.31%</td> </tr> <tr> <td>ROE <sup>(3)</sup></td> <td colspan="2">15.5%</td> <td colspan="2">20.2%</td> <td colspan="2">12.7%</td> <td colspan="2">18.5%</td> </tr> </tbody> </table>		Citadele Group				Citadele banka				H1 2016	2015	H1 2015	2014 as restated	H1 2016	2015	H1 2015	2014 as restated	<b>EUR millions</b>									Net interest income	31.1	60.5	29.5	62.5	23.6	48.1	23.7	52.1	Net commission and fee income	18.3	35.5	17.2	33.4	13.1	25.3	12.3	24.4	Operating income <sup>(1)</sup>	70.6	112.7	54.6	111.9	55.9	86.5	41.3	90.1	Impairment charge and reversals, net	(5.1)	(6.2)	(3.1)	(9.2)	(5.6)	(6.2)	(4.4)	(10.6)	Net profit	25.4	26.1	14.9	32.4	20.6	19.5	10.1	29.2	Return on average assets (ROA) <sup>(2)</sup>	1.66%	0.90%	1.06%	1.20%	1.68%	0.82%	0.88%	1.31%	Return on average equity (ROE) <sup>(3)</sup>	22.1%	13.2%	15.7%	20.2%	19.0%	10.2%	11.0%	18.5%	Cost to income ratio (CIR) <sup>(4)</sup>	55.8%	68.5%	64.4%	60.2%	52.5%	67.1%	62.3%	52.3%	Cost of risk ratio (COR) <sup>(5)</sup>	1.0%	0.8%	0.9%	1.3%	1.2%	0.7%	1.1%	1.2%	Capital adequacy ratio (CAR)	12.5%	13.4%	12.8%	11.0%	13.7%	15.1%	14.7%	12.3%	<b>Adjusted for VISA income <sup>(7)</sup></b>									Net profit	14.0				9.3				ROA <sup>(2)</sup>	0.92%				0.75%				ROE <sup>(3)</sup>	12.2%				8.6%				<b>Adjusted for IPO costs <sup>(8)</sup></b>									Net profit	31.1		32.4		24.5		29.2		ROA <sup>(2)</sup>	1.07%		1.20%		1.03%		1.31%		ROE <sup>(3)</sup>	15.5%		20.2%		12.7%		18.5%	
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<b>EUR millions</b>						
Total assets	3,140	2,960	2,855	2,506	2,409	2,331
Loans to customers	1,231	1,172	1,076	1,013	983	941
Deposits from customers	2,748	2,570	2,517	2,098	2,037	1,949
Shareholders' equity	240	220	177	224	209	173
Loan-to-deposit ratio <sup>(6)</sup>	45%	46%	43%	48%	48%	48%

<sup>(1)</sup> Operating income consists of the following income statement items: net interest income, net commission and fee income, net gain on transactions with financial instruments and other income.

<sup>(2)</sup> Return on average assets (ROA) is calculated as annualised net profit for the relevant period divided by the average of total assets at the beginning and the end of the period. ROA is a measure of the profitability of the assets.

<sup>(3)</sup> 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 the period. ROE is a measure of profitability of the equity.

<sup>(4)</sup> Cost to income ratio (CIR) is calculated as administrative expense plus amortization and depreciation plus other expense divided by operating income. CIR is a measurement of operating efficiency.

<sup>(5)</sup> Cost of risk ratio (COR) is calculated as net collective and specific loans impairment charges divided by the average of net loans at the beginning and the end of the period. COR is an indicator of riskiness of the loan portfolio.

<sup>(6)</sup> 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. Loan-to-deposit ratio is a measure of funding base of the loan portfolio.

<sup>(7)</sup> One-time income recognised in the statement of income of 2016 in amount of EUR 11.3 million due to sale of Citadele's share in Visa Europe to Visa Inc.

<sup>(8)</sup> One-time costs that had to be recognised in the statement of income of 2015 due to the postponed IPO process amount to EUR 5.0 million.

FCCM identified Citadele as "other systemically important institution" (O-SII) at the end of 2015. After the reporting period ending 30 June 2016, the FCCM informed Citadele about the plans to introduce the capital buffer for systemically important institutions in Latvia. There are six such institutions and the buffer requirements range from 1.5% to 2.0%. The Citadele's O-SII capital buffer requirement is 1.5%, however it will be introduced in two steps – 0.75% capital buffer requirement will be introduced as of 30 June 2017, while the compliance with full buffer requirements will have to be ensured as of 30 June 2018. The O-SII buffer requirement has to be ensured by Tier 1 capital. If the buffer requirement were effective as at 30 June 2016, the Citadele's and Citadele Group's Tier 1 ratio would have to be at least 10.4%, to meet all the requirements: (1) Common equity tier 1 ratio of 4.5%, (2) additional tier1 ratio of 1.5%, (3) capital conservation buffer of 2.5%, (4) individual capital buffer of 0.4%, as determined by the FCCM and (5) O-SII capital buffer of 1.5%. As at 30 June 2016, both, Citadele and Citadele Group have sufficient Tier 1 capital to comply with the full O-SII buffer requirements.

There has been no material adverse change in the prospects of Citadele or the Citadele Group since June 30, 2016.

There have been no significant changes in the financial or trading position of Citadele or the Citadele Group since 30 June 2016.

B.13 Recent events relevant to the evaluation of the solvency	In so far as Citadele is aware, there have not been any recent events particular to Citadele or Citadele Group which would be to a material extent relevant for assessing solvency of Citadele or Citadele Group.																											
B.14 Dependency on Group companies	Citadele is the parent company of Citadele Group and it is not dependent on any other companies within the Citadele group.																											
B.15 Principal activities	<p>Citadele Group provides a wide range of banking services for a broad spectrum of customers. The three core areas of business activity undertaken by Citadele Group in Latvia are retail and SME, corporate and private capital management. Citadele Group also has operations in relation to asset management, leasing, life assurance, pension fund management and cash collection.</p> <p>Key products for retail customers in Latvia are card products, deposit products, consumer loans and mortgages. Key products for SMEs in Latvia are business development loans and credit lines. Key products for corporate customers in Latvia are cash management and point of sale services, loans for business development, credit lines, guarantees, letters of credit and credit and debit cards.</p> <p>Within the private capital management the affluent Latvian customers are predominantly offered premium payment cards, savings and investment products and lifestyle services, while the international customers who are individuals are predominantly offered current account and ordinary payment cards. These individuals often have an interest in brokerage transaction services and asset management services as well.</p> <p>In addition to its operations in Latvia, Citadele Group has banking, leasing and private capital management operations in Lithuania and Estonia and offers private banking and wealth management services through its subsidiary in Switzerland.</p>																											
B.16 Controlling shareholders	<p>At the date of this Base Prospectus the shares in Citadele are held in the following proportions:</p> <ul style="list-style-type: none"> <li>• 75% plus 1 share for RA Citadele Holdings, LLC and a consortium of 12 co-investors; and</li> <li>• 25% less 1 share for EBRD.</li> </ul> <p>The following table sets out certain information with respect to the ownership of Citadele's outstanding ordinary shares, as at the date of this Base Prospectus.</p> <table border="1" data-bbox="491 1435 1525 1760"> <thead> <tr> <th style="text-align: left;">Shareholder</th> <th style="text-align: right;">Number of shares held</th> <th style="text-align: right;">Ownership (%)<sup>7</sup></th> </tr> </thead> <tbody> <tr> <td>EBRD .....</td> <td style="text-align: right;">39,138,948</td> <td style="text-align: right;">25.00 minus one share</td> </tr> <tr> <td>RA Citadele Holdings, LLC<sup>1</sup> .....</td> <td style="text-align: right;">35,082,302</td> <td style="text-align: right;">22.41 plus one share</td> </tr> <tr> <td>Delan S.A.R.L.<sup>2</sup> .....</td> <td style="text-align: right;">15,597,160</td> <td style="text-align: right;">9.96</td> </tr> <tr> <td>EMS LB LLC<sup>3</sup> .....</td> <td style="text-align: right;">13,864,142</td> <td style="text-align: right;">8.86</td> </tr> <tr> <td>NNS Luxembourg Investments S.a.r.l.<sup>4</sup> .....</td> <td style="text-align: right;">13,864,142</td> <td style="text-align: right;">8.86</td> </tr> <tr> <td>Amolino Holdings Inc.<sup>5</sup> .....</td> <td style="text-align: right;">13,863,987</td> <td style="text-align: right;">8.86</td> </tr> <tr> <td>Shuco LLC<sup>6</sup> .....</td> <td style="text-align: right;">10,998,979</td> <td style="text-align: right;">7.03</td> </tr> <tr> <td>Other co-investors .....</td> <td style="text-align: right;">14,146,136</td> <td style="text-align: right;">9.02</td> </tr> </tbody> </table> <p>(1) RA Citadele Holdings, LLC is a wholly owned subsidiary of Ripplewood Advisors LLC and is beneficially owned by Mr Timothy Collins</p> <p>(2) Delan S.A.R.L is beneficially owned by the Baupost Group, LLC</p> <p>(3) EMS LB LLC is beneficially owned by Mr Edmond M. Safra</p> <p>(4) NNS Luxembourg Investments S.a.r.l. is beneficially owned by Mr Nassef O. Sawiris</p> <p>(5) Amolino Holdings Inc. is beneficially owned by Mr James L. Balsilie</p> <p>(6) Shuco LLC is beneficially owned by Mr Stanley S. Shuman</p> <p>(7) Calculated by reference to voting interests in Citadele</p>	Shareholder	Number of shares held	Ownership (%) <sup>7</sup>	EBRD .....	39,138,948	25.00 minus one share	RA Citadele Holdings, LLC <sup>1</sup> .....	35,082,302	22.41 plus one share	Delan S.A.R.L. <sup>2</sup> .....	15,597,160	9.96	EMS LB LLC <sup>3</sup> .....	13,864,142	8.86	NNS Luxembourg Investments S.a.r.l. <sup>4</sup> .....	13,864,142	8.86	Amolino Holdings Inc. <sup>5</sup> .....	13,863,987	8.86	Shuco LLC <sup>6</sup> .....	10,998,979	7.03	Other co-investors .....	14,146,136	9.02
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B.17 Credit ratings	<p>As at the date of this Base Prospectus, the credit rating assigned to Citadele’s long term deposits by Moody’s is B1 (with outlook positive).</p> <p>Each Tranche may, on or after the relevant issue, be assigned a rating specified in the relevant Final Terms by any rating agency which may be appointed from time to time by the Citadele in relation to any issuance of the Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any Tranche. Whether or not each credit rating applied for in relation to relevant Tranche will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. If rated, such ratings will not necessarily be the same as the rating assigned to Citadele. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Credit ratings are not a guarantee of Citadele Group’s future performance.</p> <p><b>Issue specific summary:</b></p> <p>The Bonds to be issued [are not/have been/are expected to be] rated [by:[●]]</p>
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**Section C - Securities**

C.1 Type and the class of the securities and security identification number	<p>The Bonds are freely transferable non-convertible unsecured and unguaranteed subordinated bonds denominated in EUR, having maturity from 7 to 10 years and with fixed interest rate, which contain unsecured, unguaranteed and subordinated payment obligations of Citadele towards the holders of the Bonds (the “<b>Bondholders</b>”). Under no circumstances shall the Bonds be convertible into ordinary shares of Citadele or other equity instruments of Citadele, except as ordered by the competent authorities in accordance with the requirements of law which, from time to time, may be applicable to Citadele and the Bonds.</p> <p>The nominal value (face value) of each Bond shall be specified in the Final Terms but it shall be at least EUR 10,000.</p> <p>The Bonds are dematerialized debt securities in bearer form and registered with the Latvian Central Depository (Latvijas Centrālais depozitārijs AS, registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia) (the “<b>LCD</b>”) in the book-entry form.</p> <p>The maximum aggregate nominal amount of all Bonds outstanding issued under the € 40,000,000 First Unsecured Subordinated Bonds Programme (the “<b>Programme</b>”) shall not at any time exceed € 40,000,000.</p> <p>The Bonds will be issued in one or several series (the “<b>Series</b>”). Each Series may comprise one or more tranches of Bonds (each a “<b>Tranche</b>”). The Final Terms must include a corresponding indication, if the respective Series will consist of only one Tranche.</p> <p>The Bonds of each Series will all be subject to identical terms, except specific terms and conditions specified in the applicable Final Terms may be different in respect of different Tranches. In order to identify each Series and Tranches, the Final Terms shall stipulate a serial number of a respective Series and a serial number of a respective Tranche.</p> <p><b>Issue specific summary:</b></p> <p>Series Number: [●]</p> <p>Tranche Number: [●]</p>
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	<p>Before commencement of the offering of the Tranche, LCD, upon request of Citadele, will assign to the respective Tranche an ISIN (International Security Identification Number) code. Where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the existing Tranche, the Bonds of such further Tranche shall be assigned its own ISIN code, which is different from the ISIN codes assigned to the Tranches under the same Series . The ISIN code of respective Tranche will be specified in the Final Terms.</p> <p><b>Issue specific summary:</b></p> <p>ISIN Code: [●]</p>
C.2 Currency	The currency of the Bonds is euro (€).
C.5 Restrictions on transferability	The Bonds are freely transferrable securities and disposable without any restrictions. However, transfer of the Bonds is subject to selling and transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee. The Bonds cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which such offer, sale, re-sale or transfer would be unlawful or require measures other than those required under Latvian laws to be taken by Citadele, including, if applicable, the United States of America.
C.8 Rights attached to the Bonds; ranking and limitations to rights	<p><b>Rights Attached to the Bonds</b></p> <p>The only rights of the Bondholders arising from the Bonds are the right to the redemption of the Bonds on the Maturity Date (as defined below) and the right to receive interest, subject to the limitations of these rights as described in these General Terms and Conditions of the Bonds. The Bondholders are not entitled to a delay interest or any penalty fees in case of delay in making any payments due under the Bonds by Citadele. The rights arising from the Bonds can be exercised by the Bondholders in accordance with the General Terms and Conditions of the Bonds, the applicable Final Terms and the applicable rules of Latvian law.</p> <p>There will be no „Change of Control” obligations binding Citadele in respect of the Bonds and the Bonds will not have the benefit of and investors in Bonds will not have protection of a „Change of Control”. Consequently change of control over Citadele by any means will not confer any rights whatsoever to the Bondholders.</p> <p>There will be no „Negative Pledge” or „Cross-Default” obligations binding Citadele in respect of the Bonds and the Bonds will not have the benefit of and investors in Bonds will not have protection of „Negative Pledge” or „Cross-Default”.</p> <p>No Bondholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by Citadele arising under, or in connection with, the Bonds and each Bondholder shall, by virtue of its holding of any Bonds, be deemed to have waived all such rights of set-off, compensation or retention. By its acquisition of the Bonds, each Bondholder and beneficial owner agrees to be bound by these provisions relating to waiver of set-off. All payments made by Citadele in connection with Bonds are calculated and paid without set-off or counter-claims.</p> <p>There will be no restrictions on Citadele’s ability to conduct its operations as it deems fit, at its sole discretion. The Bonds do not contain any provisions designed to protect the Bondholders from a reduction in the creditworthiness of Citadele.</p> <p><b>Ranking and Subordination</b></p> <p>The Bonds constitute direct, unsecured and unguaranteed obligations of Citadele ranking <i>pari passu</i> without any preference among themselves.</p>

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

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

Accordingly, any and all restrictions applicable to the subordinated liabilities of a credit institution and Tier 2 instruments as may be provided in the Latvian Credit Institutions Law, CRR and any other applicable rules will be applicable to the Bonds and Citadele's obligations arising out of the Bonds, including the following restrictions stated in the Latvian Credit Institutions Law (in particular, Section 59.<sup>6</sup>):

- In case a credit institution in accordance with the laws and regulations regarding aid for commercial activity receives such an aid, from the moment of granting of such aid until the end of provision of such aid, the credit institution in question is prohibited from carrying out the subordinate liabilities, including prohibited from repaying a loan, as well as from calculating, accumulating or paying out interest and other remuneration for such loan; and
- if the FCMC has determined deposit restrictions for a credit institution, from the day of determination of such restrictions until the day of their revocation, the credit institution in question is prohibited from carrying out the subordinate liabilities, including prohibited from repaying a loan, as well as from calculating, accumulating or paying out interest and other remuneration for such loan.

The Bonds rank *pari passu* with other existing and future unsecured and unguaranteed subordinated obligations of Citadele.

#### **Bondholders' Meetings**

Save as otherwise provided in respect to the amendments to technical procedures and aspects relating to the Bonds below, if Citadele intends to amend the General Terms and Conditions of the Bonds (as defined below) or the Final Terms of the Tranches of the relevant Series, Citadele shall convene a meeting of the Bondholders or the Bondholders of the relevant Series (as applicable) (the "**Bondholders' Meeting**") to decide on amendments of the General Terms and Conditions of the Bonds, the Final Terms of the Tranches of the relevant Series or other matters that may significantly affect the interests of the Bondholders. Citadele shall have a right at its sole discretion to amend the technical procedures and aspects relating to the Bonds in respect of payments or other similar matters without the consent of the Bondholders or the

	<p>Bondholders' Meeting, if such amendments are necessitated by the changes in applicable rules of Latvian law or otherwise, if such amendments are not prejudicial to the interests of the Bondholders.</p>
<p>C.9 Interest, maturity date, yield and representative of the holders of the Bonds</p>	<p><b>Interest rate</b></p> <p>The Bonds shall carry interest at a fixed annual interest rate (the “<b>Annual Interest Rate</b>”) which shall be specified in the Final Terms. The Annual Interest Rate shall be the same for each and every year until the Maturity Date (as defined below) or the Early Redemption Date (as defined below), as the case may be. Citadele has a right at its sole discretion to amend the Annual Interest Rate once or several times until the end of the applicable Offer Period (as defined below) and announce the updated Annual Interest Rate (the “<b>Updated Annual Interest Rate</b>”). If during the Offer Period (as defined below) Citadele amends the Annual Interest Rate, the final Annual Interest Rate will be reflected in the Final Terms which will be published after allotment of the Bonds to the investors.</p> <p>The interest on the Bonds will be paid semi-annually on the dates specified in the Final Terms (“<b>Interest Payment Dates</b>”) and will be calculated on the aggregate outstanding principal amount of the Bonds of the respective Series from the Issue Date (as defined below) until the Maturity Date (as defined below) or the Early Redemption Date (as defined below), whichever occurs first. If the Offer Period (as defined below) is extended by Citadele, the final Interest Payment Dates will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors.</p> <p>Interest shall accrue for each interest period from and including the first day of the interest period to (but excluding) the last day of the interest period on the principal amount of the Bonds of the respective Series outstanding from time to time. The first interest period commences on the Issue Date (as defined below) and ends on the first closest Interest Payment Date (the “<b>First Interest Period</b>”). Each consecutive interest period begins on the previous Interest Payment Date and ends on the following Interest Payment Date. The last interest period ends on the Maturity Date (as defined below) or the Early Redemption Date (as defined below), whichever occurs first.</p> <p>Interest in respect of the Bonds will be calculated on the basis of the actual number of days elapsed in the relevant interest period divided by 365 (or, in the case of a leap year, 366), i.e. a day count convention Act/Act (ICMA) will be used.</p> <p>When interest is required to be calculated in respect of a period of less than a half year other than in respect of the First Interest Period, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “<b>Accrual Date</b>”) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.</p> <p><b>Issue specific summary:</b> Annual Interest Rate: [●]</p> <p><b>Issue specific summary:</b> Interest Payment Dates: [●] each year</p> <p><b>Yield to Maturity</b></p> <p>An expected yield to maturity for the Bonds (the “<b>Yield to Maturity</b>”) being offered, based on the final Issue Price and the final Annual Interest Rate, will be specified in the Final Terms which will be published after allotment of the Bonds to the investors. The Yield to Maturity is the percentage rate of return paid if the Bond is held to its Maturity Date, assuming that interest paid over the life of the Bond is reinvested at the same rate.</p>

	<p><b>Maturity and Redemption</b></p> <p>Each Series may have a maturity between 7 (seven) and 10 (ten) years. The Bonds shall be repaid in full at their nominal value on the maturity date which will be specified in the Final Terms (the “<b>Maturity Date</b>”) or on the Early Redemption Date (as defined below).</p> <p>If the Offer Period (as defined below) is extended by Citadele, the final Maturity Date will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors.</p> <p><b>Issue specific summary:</b> Maturity Date: [●]</p> <p>Citadele has a right to redeem the Bonds for their nominal value prematurely prior to the Maturity Date as follows:</p> <p>at any time after the lapse of 5 years period as from the Issue Date (as defined below) by notifying the Bondholders at least 30 (thirty) days in advance, provided that the competent authority (such as FCMC or the EBA, if they are in the competence thereof) has granted its consent for such early redemption of the Bonds, if required by applicable law and other relevant legal requirements (such as the conditions of Article 78(1) of the CRR, if applicable at the moment of early redemption of the Bonds) have been met; and</p> <p>prematurely before the lapse of the 5 year period as from the Issue Date (as defined below), provided that the competent authority (such as FCMC or the EBA, if they are in the competence thereof) has granted its consent for such early redemption of the Bonds, if required by applicable law and other relevant legal requirements (such as the conditions of Article 78(4) of CRR, if applicable at the moment of early redemption of the Bonds) have been met; and</p> <p>prematurely before or after the lapse of the 5 year period as from the Issue Date (as defined below), if applicable laws and rules permit such redemption, provided that all the relevant legal requirements have been met.</p> <p>The decision on granting the consent may involve certain amount of discretion by the competent authority and the early redemption may be therefore beyond the control of Citadele.</p> <p>If Citadele decides to exercise the right to redeem the Bonds prematurely prior to the Maturity Date as stated above, subject to receiving the necessary consents, Citadele shall specify the date on which the Bonds will be redeemed (the “<b>Early Redemption Date</b>”). Early Redemption Date will be announced through a press release and by a notice published in English and Latvian in the Central Storage of Regulated Information (<a href="http://www.oricgs.lv">www.oricgs.lv</a>), on the Citadele’s website (<a href="http://www.citadele.lv">www.citadele.lv</a> or <a href="http://www.cblgroup.com">www.cblgroup.com</a>) and, after the Bonds are admitted to the regulated market, also on the news service of the Nasdaq Riga website or otherwise as prescribed by the applicable rules of Latvian law.</p> <p>The Bondholders are not entitled to claim premature redemption of the Bonds before the Maturity Date under any circumstances. By purchasing the Bonds any investor unconditionally and irrevocably relinquishes the right to demand premature redemption of any Bonds, if such a right exists under applicable law.</p> <p><b>Representative of debt security holders</b></p> <p>Within the Programme, the rights of the Bondholders to establish and/or authorize an organization/person to represent the interests of all or a part of the Bondholders are not contemplated, but, on the other hand, these rights are not restricted. The Bondholders themselves should cover all costs/fees of such representative(s).</p>
<p>Impact of derivative C.10 component in the interest payment</p>	<p>Not applicable.</p>

C.11 Admission to trading on regulated market	<p>Application will be made to the Nasdaq Riga AS, registration number: 40003167049, legal address: Valņu 1, Riga, LV-1050, Latvia (“<b>Nasdaq Riga</b>”) for admitting each Tranche to listing and trading on the official bond list (Baltic Bond List) of Nasdaq Riga according to the requirements of Nasdaq Riga not later than within 3 (three) months after the Issue Date of the respective Tranche. Trading of the respective Tranche on the Baltic Bond List of the Nasdaq Riga Stock Exchange is expected to commence within 1 (one) month after the above-mentioned application has been made. All dealings in the Bonds of the respective Tranche prior to the commencement of unconditional dealings on the Baltic Bond List of the Nasdaq Riga Stock Exchange may be in the form of private over-the-counter transactions and will be at the sole risk of the parties concerned. Nasdaq Riga Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC as amended.</p>
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## Section D - Risks

D.2 Key risks specific to the issuer and its industry	<p>There are a number of key risks relating to Citadele Group, the occurrence of which could have a material adverse effect on Citadele Group’s business, prospects, financial condition, results of operations or cash flows:</p> <ul style="list-style-type: none"> <li>- Citadele Group may not successfully implement its business strategy;</li> <li>- Citadele Group’s business is dependent on the economic and macroeconomic conditions in the Baltic States, the Eurozone and the other regions in which it operates;</li> <li>- Citadele Group faces significant competition within the banking sectors of Latvia and the other Baltic States, which may have a material adverse effect on its business;</li> <li>- Citadele Group’s ability to achieve certain targets is dependent upon certain assumptions involving factors that are beyond its control and are subject to known and unknown risks, uncertainties and other factors;</li> <li>- Citadele Group may be unable to attract or retain sufficient customer deposits and may be unable to access additional sources of funding;</li> <li>- Citadele Group may be unable to meet its minimum capital requirements;</li> <li>- Citadele Group is reliant upon the success of its brand and on its ability to acquire and retain customers at a reasonable cost by differentiating itself from the wider banking industry;</li> <li>- Changes in market interest rates may adversely affect Citadele Group’s net interest income, net interest margin and profitability;</li> <li>- Citadele Group and its customers may be materially and adversely affected by events beyond its control having an impact on liquidity or access to funds;</li> <li>- Citadele 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;</li> <li>- Citadele may fail to correctly evaluate the credit risk and collateral value of its security;</li> <li>- Citadele Group may be exposed to heightened credit risk by its lending to retail, SME and micro SME customers;</li> <li>- Citadele Group’s loan portfolio is concentrated on certain borrowers and certain sectors of the Latvian economy;</li> <li>- Citadele Group may not have accurately determined impairment levels for its loan portfolio;</li> <li>- Collateral values, and particularly the value of residential real estate, may</li> </ul>
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decline, which may materially and adversely affect Citadele Group's loan portfolio and collateral base;

- Citadele Group may be unable to enforce its security in a timely manner or at all over collateral held outside of the EU;
- Citadele Group's securities portfolio is concentrated in Latvian and Lithuanian government bonds and its value may decrease;
- Citadele Group is reliant on its network of branch offices in key locations;
- Citadele Group is subject to operational risks, including in particular those arising from fraud or misconduct of its employees or customers;
- Citadele Group or its customers may face restrictions on their business as a result of international sanctions on Russian persons and entities or regional geopolitical pressures;
- Citadele Group faces risks in relation to its international deposit book;
- Citadele Group may be forced to rebrand itself or certain of its subsidiaries in certain markets, which may limit its ability to compete in those markets;
- Citadele Group will no longer be able to have American Express exclusivity in Latvia and Lithuania as a result of regulatory changes;
- Citadele Group is exposed to correspondent account risk;  
Citadele and the Baltic States may not be able to maintain their credit ratings;
- Citadele Group's operations expose it to foreign exchange risk and risks associated with the use of hedging products;
- Citadele Group faces risks associated with its pension fund operations;
- Citadele Group faces risks associated with its life insurance operations;
- Citadele Group may not be able to successfully maintain or upgrade its information technology systems and security;
- Citadele Group's ongoing success depends on its senior management team and its ability to recruit and retain key personnel;
- Citadele Group may be subject to litigation, administrative proceedings or other proceedings;
- Catastrophic or unforeseen events such as acts of war, acts of terrorism, pandemic diseases or other geopolitical events may have a material adverse effect on Citadele Group;
- Citadele Group's insurance policies may not cover particular future losses;
- Citadele may be subject to bail-in under the BRRD and other applicable rules;
- The legal and judicial systems in some of the markets in which Citadele Group operates have less experience in certain areas of law than those of western European countries;
- Citadele Group faces risks associated with taxation and changes in taxation legislation;
- Citadele Group is subject to periodic tax audits by the Latvian tax authorities;
- Citadele Group faces risks associated with compliance with Common Reporting Standard;
- Investors may not be able to enforce foreign court judgments against Citadele Group;
- Citadele Group faces risks associated with its operations' compliance with a wide range of laws and regulations;

	<ul style="list-style-type: none"> <li>- Citadele Group's measures to comply with anti-money laundering, anti-bribery and sanctions regulations may not be effective in all material respects;</li> <li>- Citadele Group is dependent on obtaining banking licences and satisfying other regulatory requirements in Latvia and the other jurisdictions where it operates;</li> <li>- Citadele Group may be impacted by Latvian and/or European banking reform initiatives;</li> <li>- Citadele Group may be unsuccessful in adequately implementing or satisfying the requirements of changing prudential regulation;</li> <li>- Citadele may fail to meet minimum requirement for own funds and eligible liabilities (MREL) under BRRD;</li> <li>- Citadele Group may be impacted by changes in accounting methodologies; and</li> <li>- Citadele Group faces risks as a result of regulatory investigations.</li> </ul>
<p>D.3 Key risks specific to the securities</p>	<p>There are a number of key risks relating to an investment in the Bonds:</p> <ul style="list-style-type: none"> <li>- The Bonds may not be a suitable investment for all investors;</li> <li>- Credit risk and adverse change in the financial condition or prospects of Citadele;</li> <li>- Citadele's obligations under the Bonds are unsecured and unguaranteed;</li> <li>- Citadele's obligations under the Bonds are subordinated obligations;</li> <li>- The Bonds are subject to bail-in risk;</li> <li>- There has been no prior trading market for the Bonds;</li> <li>- Citadele may be unable to list the Bonds on the Nasdaq Riga, the Bonds may be delisted from the Nasdaq Riga or trading in the Bonds may be suspended;</li> <li>- An active and liquid market for the Bonds may not develop;</li> <li>- Listing may not occur concurrently with or immediately after the settlement and investors may be unable to publicly trade the Bonds until listing of the Bonds on the Nasdaq Riga;</li> <li>- Citadele has no experience in complying with the requirements for publicly listed companies;</li> <li>- Investors in Bonds will depend on the LCD's account-based system;</li> <li>- Fixed interest rate and inflation may adversely affect the value of the Bonds;</li> <li>- Exchange rate fluctuations and interest rates may adversely affect the value of the Bonds;</li> <li>- Adverse change in the credit rating of Citadele and/or credit rating of the Bonds may adversely affect the trading price of the Bonds;</li> <li>- No assurance on change of laws or practices;</li> <li>- The Bonds do not carry any beneficial interest in the equity or voting rights;</li> <li>- No limitation on issuing additional debt by Citadele and no negative pledge obligations;</li> <li>- The Bonds do not contain covenants governing Citadele's operations and do not limit its ability to merge, effect asset sales or otherwise effect significant transactions that may have a material adverse effect on the Bonds and the Bondholders;</li> </ul>

	<ul style="list-style-type: none"> <li>- Legal investment considerations may restrict certain investments in Bonds;</li> <li>- The transferability of the Bonds may be restricted;</li> <li>- The Bonds may be redeemed prematurely on the initiative of Citadele;</li> <li>- The Offer may be cancelled;</li> <li>- Amendments to the Bonds may be made and these amendments will legally bind all Bondholders; and</li> <li>- Bondholders may be required to comply with requests for information.</li> </ul>
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## Section E - Offer

E.2b Reasons for offer and use of proceeds	<p>Citadele expects to receive net proceeds of up to EUR 39 million from this Offer. The net proceeds from the Offer (as defined below) are to be used by Citadele for its general corporate purposes and to strengthen further the regulatory capital structure of Citadele, including use as Citadele's subordinated capital in accordance with the requirements of the CRR and any other applicable rules for Tier 2 capital and repaying the outstanding amount under the subordinated loan currently held by the Latvian Privatisation Agency under the LPA Subordinated Debt.</p> <p>Following the Offer, Citadele intends to hold discussions with the Latvian Privatisation Agency in connection with the early repayment of the LPA Subordinated Debt. Citadele anticipates a period of up to two months from receipt of the proceeds of the Offer and the requisite permissions being granted to enable the early repayment of the LPA Subordinated Debt. Citadele Group expects (on the basis of facts and data available as at the date of the Base Prospectus) the net proceeds from the Offer and the repayment of the LPA Subordinated Debt to result in its total capital adequacy ratio, calculated on a Basel III fully loaded basis, to increase by up to 160 basis points, and to reach up to 14.6% (the calculation also assumes that EUR 25 million of profit for the first half of 2016 is included in the eligible equity). If calculated on a Basel III transitional basis, Citadele Group's total capital adequacy ratio would be expected to be up to 15.5% (the calculation also assumes that EUR 25 million of profit for the first half of 2016 is included in the eligible equity) following the repayment of the LPA Subordinated Debt. The actual changes to total capital adequacy ratio arising from the repayment of the LPA Subordinated Debt may differ from the amounts and percentages that are provided above, which have been prepared on the basis of facts and data available as at the date of this Base Prospectus. The repayment of the LPA Subordinated Debt and the consequential change to Citadele's capital adequacy position is subject to the prior approval of the FCMC.</p> <p>If in respect of any particular Series, there is another particular identified use of proceeds, this will be stated in the relevant Final Terms applicable to the particular Series.</p>
E.3 Terms and conditions of the offer	<p>The Bonds are being offered to the public in Latvia and Lithuania in accordance with the requirements of the Financial Instrument Market Law of the Republic of Latvia (the "<b>Latvian Financial Instrument Market Law</b>") and Commission Regulation (EC) No 809/2004 of 29 April 2004, as amended, implementing the Directive 2003/71/EC (the "<b>Prospectus Regulation</b>").</p> <p><b>Issue Date</b></p> <p>The Issue Date will be specified in the Final Terms of the respective Tranche. If the Offer Period (as defined below) is extended by Citadele, the final Issue Date will be rescheduled by Citadele proportionally to the length of extension of the Offer Period and specified in the Final Terms which will be published after allotment of the Bonds to the investors.</p>

**Issue specific summary:**

Issue Date: [●]

**Issue Price**

The Bonds may be issued at their nominal value or at a discount or a premium to their nominal value (the “**Issue Price**”). The Issue Price shall be specified in the Final Terms. Citadele has a right at its sole discretion to amend the Issue Price once or several times until the end of the applicable Offer Period (as defined below) and announce the updated Issue Price (the “**Updated Issue Price**”).

**Issue specific summary:**

Issue Price: [●]

**Aggregate principal amount**

The aggregate principal amount of each Tranche shall be initially specified in the Final Terms. Citadele has a right to increase or decrease the aggregate principal amount of the Tranche as initially set out in the Final Terms, provided that the maximum aggregate nominal amount of all Bonds outstanding issued under the Programme shall not at any time exceed € 40,000,000.

**Issue specific summary:**

Aggregate principal amount: [EUR [●]]

**Nominal value of the Bond**

The nominal value (face value) of each Bond shall be specified in the Final Terms but it shall be at least EUR 10,000.

**Issue specific summary:**

Nominal value of the Bond: EUR [●]

**Minimum Investment Amount**

The Bonds will be offered for subscription for the following minimum investment amount (the “**Minimum Investment Amount**”): at least 10 (ten) Bonds for any and all investors.

**Offer Period**

The Offer Period for each Tranche will be specified in the relevant Final Terms. Until the end of the applicable Offer Period, Citadele may extend the Offer Period at its sole discretion once or several times. The minimum length of any such extension should be at least 2 Business Days.

**Issue specific summary:**

Offer Period: [●]

**Covenants**

None

**Depository**

The Bonds will be book-entered within Latvian Central Depository (*Latvijas Centrālais depozitārijs AS*).

**Applicable Law**

Latvian Law.

**Guaranteed Allocations**

Notwithstanding Citadele’s general discretion to reject any Purchase Orders, in whole or in part, for any reason at its sole discretion, ABLV, if it submits a corresponding valid Purchase Order in accordance with the Underwriting Commitment and it is a Qualifying

	Purchase Order (as defined below), is guaranteed to receive a number of Bonds with EUR 10,000,000 (ten million euro) in nominal value.
E.4 Material interests in the offer	In so far as Citadele is aware, no person involved in the Offer has an interest material to the Offer, nor any conflicting interests, with the exception of ABLV which has certain interests under the Underwriting Commitment. The Final Terms will contain indication as to whether these ABLV's interests are applicable to a particular Tranche.
E.7 Estimated expenses charged to investors	No expenses or taxes will be charged to the investors by Citadele in respect to the issue of the Bonds. However, the investors may be obliged to cover expenses which are related to the opening of securities accounts with the credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the investor's purchase or selling orders of the Bonds, the holding of the Bonds or any other operations in relation to the Bonds. Citadele shall have no obligation whatsoever to compensate the Bondholders for any such expenses.