

AS Citadele banka Guidelines on the Target Market and Distribution Strategy Assessment for Financial Instruments

Following the provisions of the Markets in Financial Instruments Directive 2014/65/EU ('MiFID II') AS Citadele banka (hereinafter – the Bank) has identified the target market for financial instruments (hereinafter - Investment products) manufactured and/or distributed by the Bank.

The target market for Investment products distributed by the Bank is determined by evaluating limited data (client type, knowledge and experience), considering that the Bank renders 'execution only' or 'execution with appropriateness assessment' services without active marketing of Investment products and neither provides investment advice, nor portfolio management. In this situation the level of client's information available to the Bank may be limited. Therefore, the Bank might not be able to conduct a thorough target market assessment. The guidelines shall allow clients themselves identify whether they belong to specific target market of the Investment product they are going to buy at their own initiative.

This material is solely of an informational nature and should not be construed as advice to buy, hold or sell any of the mentioned Investment products. In case of any questions clients of the Bank as well as distributors of Bank's products may contact the Bank by phone +371 6 701 0555, E-mail address: broker@citadele.lv.

Target market assessment categories

Category	Description	Options		
The type of the client	Client categorization according to MIFID II	<ul style="list-style-type: none"> • Retail. • Professional. • Eligible Counterparty. 		
Knowledge and experience	Knowledge/ experience the client should have about the financial instrument	<ul style="list-style-type: none"> • Basic investor having the following characteristics: • Basic knowledge about financial instruments (a basic investor can make an investment decision based on authorized offering documentation and information provided at the point of sale). • No experience in transactions with financial instruments. • Informed investor having the following characteristics: • Average knowledge about financial instruments (an informed investor can make an investment decision based on authorized offering documentation; an investor understands specific factors/risks related to the financial instruments). • Have some experience in transactions with financial instruments. • Advanced investor having the following characteristics: • Good knowledge about financial instruments and products. • Financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service. 		
Ability to bear losses	Client ability to bear losses (from no capital loss till loss beyond capital)	<ul style="list-style-type: none"> • No capital loss. • Limited capital loss. • No capital guarantees (100% loss). • Loss beyond capital. 		
Risk tolerance and compatibility of the risk/reward profile of the product with the target market	The general attitude of the clients towards the risks associated with the financial instrument	PRIIPs: PRIIPs SRI methodology on risk indicator value between 1 (least risky) and 7 (most risky)	UCITS UCITS SRRI methodology on risk indicator value between 1 (least risky) and 7 (most risky)	Another product Internal methodology on risk indicator value: <ul style="list-style-type: none"> • Low risk. • Average risk. • High risk.

Category	Description	Options	
Client objective and needs	Investment objectives and time horizon	<u>Investment objectives:</u> <ul style="list-style-type: none"> • Preservation – prevent loss of value of capital. • Growth – achieve growth of capital value. • Income - maximize current income from investments. • Risk hedging. • Speculations. • Other objectives. 	<u>Time horizon:</u> <ul style="list-style-type: none"> • Very short term (< 1 year). • Short term (1-3 years) • Medium term (3-5 years). • Long term (≥ 5 years).
Distribution strategy	Distribution channels of the Investment product	<ul style="list-style-type: none"> • Execution only. • Execution with appropriateness assessment/ non-advised sales. • Portfolio management. • Investment advice. 	

Notes to the tables:

Yes – target market

No – negative target market

Neutral – neither positive, nor negative target market

Investment products distributed by the Bank (Active list)

Non-complex financial instruments*

Investment product type Target market assessment categories	Stocks admitted to trading on European Union regulated market or on an equivalent third-country market or on a multilateral trading facility	Debt instruments admitted to trading on EU regulated market or on an equivalent third-country market or on a multilateral trading facility	Shares in UCITS (including UCITS ETF)
The type of the client	Yes Retail Yes Professional Yes Eligible Counterparty	Yes Retail Yes Professional Yes Eligible Counterparty	Yes Retail Yes Professional Yes Eligible Counterparty
Knowledge and experience	Yes Basic investor Yes Informed investor Yes Advanced investor	Yes Basic investor Yes Informed investor Yes Advanced investor	Yes Basic investor Yes Informed investor Yes Advanced investor
Ability to bear losses	N/A	N/A	N/A
Risk tolerance	N/A	N/A	N/A
Client objectives and needs	N/A	N/A	N/A
Distribution strategy	Execution only		

* securities embedding a derivative instrument, debt securities incorporating a structure that makes it difficult to understand the risk and structured UCITS are complex financial instruments (please see next tables)

Investment products distributed by the Bank (Active list)

Complex financial instruments

Investment product type Target market assessment categories	Debt instruments embedding a derivative instrument	Debt instruments incorporating a structure making it difficult for the client to understand the risk	Exchange – traded products (ETF, ETN, ETC)	Options
The type of the client *	Yes Retail Yes Professional Yes Eligible Counterparty	Yes Retail Yes Professional Yes Eligible Counterparty	Yes Retail Yes Professional Yes Eligible Counterparty	Yes Retail Yes Professional Yes Eligible Counterparty
Knowledge and experience	No Basic investor Yes Informed investor Yes Advanced investor	No Basic investor Yes Informed investor Yes Advanced investor	No Basic investor Yes Informed investor Yes Advanced investor	No Basic investor Yes Informed investor Yes Advanced investor
Ability to bear losses	N/A	N/A	N/A	N/A
Risk tolerance	N/A	N/A	N/A	N/A
Client objectives and needs	N/A	N/A	N/A	N/A
Distribution strategy	Execution with appropriateness assessment / non-advised sales			

* Complex investment products may be distributed by the Bank to all types of clients except where the manufacturer of a financial instrument has specifically required the Bank not to distribute this financial instrument to certain type of clients (within initial offering)

Investment products for professionals *

Investment product type Target market assessment categories	Complex stocks (stocks that are not admitted to trading on European Union or on equivalent market, or on a multilateral trading facility, or stocks embedding a derivative instrument)	Complex debt instruments such as contingent convertible securities, hybrid securities, bonds with exposure to reference values with a cap or floor and similar bonds that the Bank makes available to professionals only	Shares in Non-UCITS collective investment undertakings and structured UCITS
The type of the client	No Retail Yes Professional Yes Eligible Counterparty	No Retail Yes Professional Yes Eligible Counterparty	No Retail Yes Professional Yes Eligible Counterparty
Knowledge and experience	No Basic investor No Informed investor Yes Advanced investor	No Basic investor No Informed investor Yes Advanced investor	No Basic investor No Informed investor Yes Advanced investor
Ability to bear losses	N/A	N/A	N/A
Risk tolerance	N/A	N/A	N/A
Client objectives and needs	N/A	N/A	N/A
Distribution strategy	Execution only/ Non-advised sales Appropriateness testing is not performed, considering that only professionals may buy these products		

* In case a product from this list (Investment products for professionals) is accounted in the retail client's financial instruments account with the Bank, this retail client may only sell the product (exit from the product)

Investment products manufactured by the Bank

Investment product Target market assessment categories *	OTC derivatives (FX SWAP, FX FORWARD)	AS Citadele banka unsecured subordinated bonds (ISIN LV0000802221, LV0000880011)
The type of the client	No Retail Yes Professional Yes Eligible Counterparty	Yes Retail Yes Professional Yes Eligible Counterparty
Knowledge and experience	The Bank does not assess the knowledge and experience of clients, considering the type of eligible clients (please see above)	No Basic investor Yes Informed investor Yes Advanced investor
Ability to bear losses		No No capital loss No Limited capital loss Yes No capital guarantees (100% loss) Neutral Loss beyond capital
Risk tolerance and compatibility of the risk/reward profile of the product with the target market		Average risk
Client objectives and needs, time horizon*	Client objectives: Professionals and ECPs: risk hedging, speculations Retail clients: FX FORWARDS only to facilitate payment for identifiable goods, services or real investment	No Preservation – prevent loss of value of capital. No Growth – achieve growth of capital value. Yes Income - maximize current income from investments. Neutral Risk hedging. Neutral Speculations. Time horizon - Long term
Distribution strategy*	Yes Non-advised sales No Portfolio management No Investment advice	No Execution only Yes Execution with appropriateness assessment/ non-advised sales. Yes Portfolio management (<i>Bank does not provide</i>) Yes Investment advice (<i>Bank does not provide</i>)

*By virtue of the investment services (execution with appropriateness assessment/ non-advised sales) of the Bank, when the Bank distributes its own Investment products, the Bank assesses first two target market categories (client type and knowledge and experience) and for the product FX SWAP, FX FORWARD also client objectives and, if applicable, eligibility of FX FORWARDS for the means of payment exemption.