

Key Criteria for Assessing Investors' Proposals for Citadele Bank: Trustworthiness, Reputation and Price

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Today the government became acquainted with the criteria for assessing investors' proposals for JSC "Citadele Banka" (Citadele Bank) prepared by State JSC "Privatization Agency" (PA) in cooperation with Société Générale, the consultant for the investor attraction process. The criteria for assessing proposals submitted by potential investors are divided into four categories; the aim for determining the criteria is to select the most suitable proposal which ensures the best price, investor's trustworthiness and reputation as well as future development prospects for Citadele Bank.

"The aim of the state is to find professional and reliable investors with an outstanding reputation for Citadele Bank which will ensure its further development and offer the best possible price for the shares. For this reason we have determined certain criteria according to which the international consultant Société Générale will select the best of all the potential investors' proposals through a transparent tender procedure," explains Ansis Spridzāns, Chairman of the Board of PA.

Criteria for assessing the investors' proposals for Citadele Bank arise from the fundamental goals for attracting investors previously approved by the Cabinet of Ministers (MK). Assessment of the potential investors' proposals will be provided by the international consultant Société Générale. If the model provides for an acquisition of significant participation on the part of investors (over 10% of the financial institution's share capital or shares with voting rights or number of shares for each), then the corresponding investors will be also assessed by the Financial and Capital Market Commission (FCMC) in accordance with the regulatory framework of the European Union, including verification of their financial stability and reputation.

As reported previously, in April 2014 Société Générale informed the government that investors have expressed their interest in both - becoming the bank's strategic investors as well as purchasing shares in a direct purchase transaction; investors also expressed interest in the initial public offering (IPO) of the shares for purchasing them at the stock exchange. The

strategy for attracting investors previously approved by the government determined the necessity to study the possible scenarios.

In accordance with the approved strategy, the consultant Société Générale addressed nearly 100 investors who might become strategic investors of Citadele Bank. Several investors submitted non-binding proposals after becoming acquainted with the information memorandum. The aim of a non-binding proposal is to express one's interest in the purchase of Citadele Bank in order to adopt a resolution on granting the corresponding investor to carry out a due diligence check of Citadele Bank. Banks as well as financial investors are among the potential investors.

Potential investors are currently working on an in-depth study of the bank. Public offering (IPO) options or, in other words, the opportunity to list the bank's shares on the stock exchange is also being analysed along with the scenario of direct selling the shares. The government will adopt the final decision on attracting investors to Citadele in summer after receiving the binding proposals for the direct transaction from investors.

In July 2013 the government adopted a resolution to launch the investor attraction process to Citadele Bank. The statement submitted to the government contained a conclusion that the goal initially determined in the restructuring plan for "Parex banka", i.e. establishment of a stable financial institution, has been achieved. In accordance with the tasks set forth in the restructuring plan the established Citadele Bank operates successfully with profit, therefore attraction of private capital is necessary for its further development.

In order to maintain a highly flexible approach, the PA, in cooperation with the consultant Société Générale exercises a dual track strategy for attracting investors. This means carrying out of a study of the interest on the part of investors regarding direct sales transactions of the state owned shares simultaneously assessing the opportunities of organizing an initial public offering of shares at the stock exchange. The advantage of the dual track process is the opportunity to address a large number of various types of potential investors at the same time, and to adopt a decision on a particular model after eliciting the interest of investors. Such an approach ensures the largest competition among investors which enables to get the most beneficial deal for the state.

As reported previously, the international investment bank Société Générale was approved in the capacity of a financial consultant within a tender organized by the PA; the task of the consultant is to provide consultations to the PA on the best model for attracting investors to Citadele Bank, and to attract investors. International law office Linklaters was selected as the legal consultant for the process.

Since launching its activity in 2010 Citadele has become a profit bearing concern. Completing 2013 with a profit of 15.2 million euros, Citadele Bank has managed to nearly double its yield in comparison with 2012. In turn, Citadele Group closed its books for 2013 with a profit of 13.7 million euros, thus also witnessing an increase. In 2012, the Baltic Institute of Corporate Governance recognized Citadele Bank as the best managed state-owned enterprise in the Baltic States.

Citadele Bank continues operating and developing as up to now by providing services to retail clients and companies as well as by working in the private asset management sector regardless of the investor attraction process.

The PA owns 75% minus one share whereas the European Bank for Reconstruction and Development owns 25% plus one share of Citadele Bank.

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