



AS Citadele Banka

Financial Results Presentation

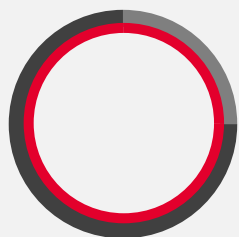
Q4 and 12 months 2023

About us

Citadele Group – pan-Baltic full-service financial group

- Universal bank offering a wide range of banking products to our retail, SME and corporate customer base. The bank also provides wealth management, asset management, life insurance, pension, leasing and factoring products.
- Alongside traditional banking services, Citadele offers a range of services based on next-generation financial technology, incl. a modern MobileApp, contactless and instant payments, modern client onboarding practices and technologically-enabled best-in-class customer service.
- The Group's main market is the Baltics (Latvia, Lithuania and Estonia).

Shareholders



74.2%
Ripplewood and co-investors

24.7%
EBRD

1.1%
Management and employees

Moody's

Baa2, positive

/25 January 2024⁽¹⁾/

History – key highlights

2010

Citadele was **registered** in Latvia as a joint stock company on 30 June and commenced operations on 1 August 2010.

2015

Change of ownership - Ripplewood Advisors LLC and co-investors acquired a 75% +1 share. EBRD holds a 25% -1 share. **European Commission's restrictions removed.**

2016

EUR 40,000,000 Subordinated Bonds listed on Nasdaq Riga Stock Exchange Baltic Bond List.

2017

EUR 20,000,000 Subordinated Bonds listed on Nasdaq Riga Stock Exchange Baltic Bond List.

2020

Citadele's **credit rating** upgraded to **investment grade** by Moodys, assigning Baa3 rating with stable outlook.

2021

Citadele becomes the **100% owner of SIA UniCredit Leasing**. Following the acquisition Citadele's aggregate leasing portfolio exceeds EUR bn

Citadele's **credit rating** upgraded by Moody's to **Baa2** with **stable outlook** (13 September 2021).

Citadele issues EUR 200 million of senior unsecured preferred bonds. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL).

2022

The European Central Bank (ECB) has concluded the Asset Quality Review (AQR) of Citadele. The result of ECB's exercise highlights the quality of Citadele's asset base and risk underwriting. CET1 ratio post-AQR is 16.03% (pre-AQR ratio being 16.31%).

2024

Moody's affirms Citadele's Baa2 credit rating, changing outlook to positive.

Citadele overview

Complete portfolio of banking services

PRIVATE CUSTOMERS

Private individuals are serviced in Latvia, Lithuania and Estonia. The segment includes universal banking offer provided through branches, internet bank and mobile banking application.

LEASING

Leasing and factoring services provided to private individuals and companies in Latvia, Lithuania and Estonia.

WEALTH MANAGEMENT

Private banking, advisory, investment and wealth management services provided to high net-worth individuals serviced in Latvia, Lithuania and Estonia.

SME

Micro, Small and medium-sized companies in Latvia, Lithuania and Estonia serviced through branches, internet bank and mobile banking application. Focus on POS.

CORPORATES

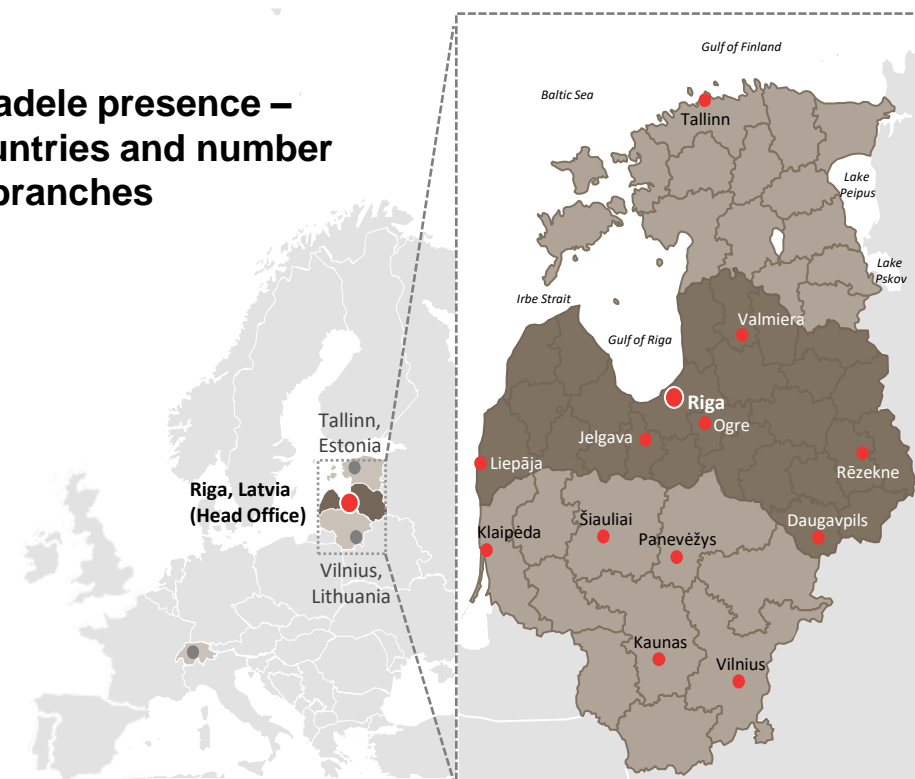
Large customers serviced in Latvia, Lithuania and Estonia. Yearly turnover of the customer is above EUR 5 million or total risk exposure with Citadele Group is above EUR 1 million or the customer needs complex financing solutions.

INVESTMENT MANAGEMENT

CBL Asset Management is one of the leading investment management companies in the Baltic area serving state-funded pension plans, corporations and other institutional clients.

**Citadele banka has 11 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. AS Citadele banka has no client consultation centres in Latvia. The Lithuanian branch has 6 customer service units in Lithuania. Citadele is present also in Switzerland through AG Kaleido Privatbank (28 Employees), currently in a sales process*

Citadele presence – countries and number of branches



Branches*
11 in Latvia
6 in Lithuania
1 in Estonia



378k
Active
Clients



96%
Unique digital
users, % of total
customers



257.2k
MobileApp
users
(+9% y-o-y)

Values and strategy

Strategic focus

Citadele aims to become a modern banking platform for the Baltics. Increasingly digital bank with a wide product suite and unique offerings for its private and business clients, complemented by innovative stand-alone solutions with unique value proposition.

The strategy will be implemented using the following tactical steps:

Becoming Bank in the Pocket for mass and affluent retail customers by increasing new and existing customers that use Citadele as their primary bank

Driving growth in the underserved SMEs and micro-SMEs segments by offering most competitive proposition and digital tools to retailers in the region

Supporting growing Baltic Corporates, aiming for the leading roles in their industries

Establishing Citadele Leasing as flexible, digital and most trustful Vendor finance player in the Baltics

Core values

Act

We create our own opportunities and deliver on promises.

Aspire

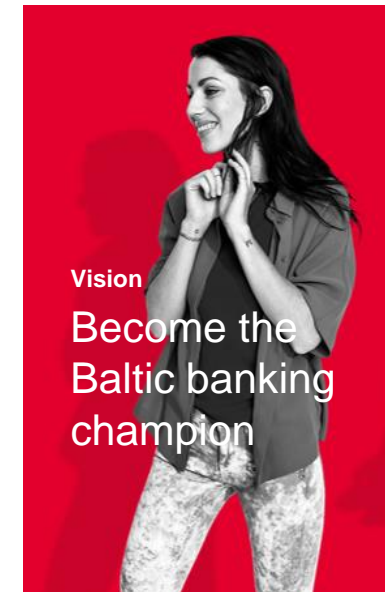
We find solution for every client to support local economy.

Innovate

We set the standard through innovative experience.

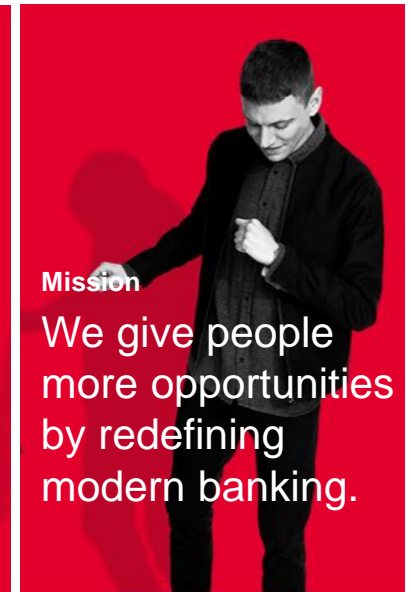
Personalize

We see people first and add human touch to banking.



Vision

Become the
Baltic banking
champion



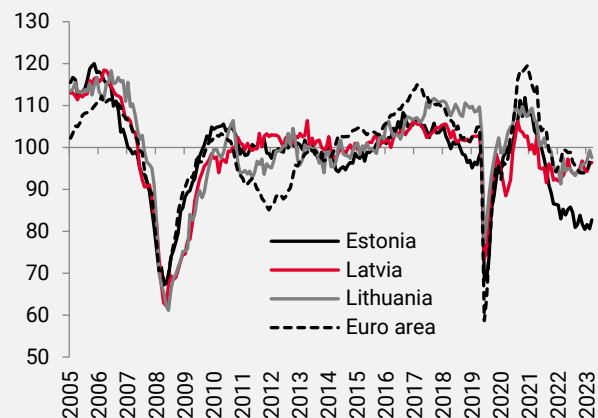
Mission

We give people
more opportunities
by redefining
modern banking.

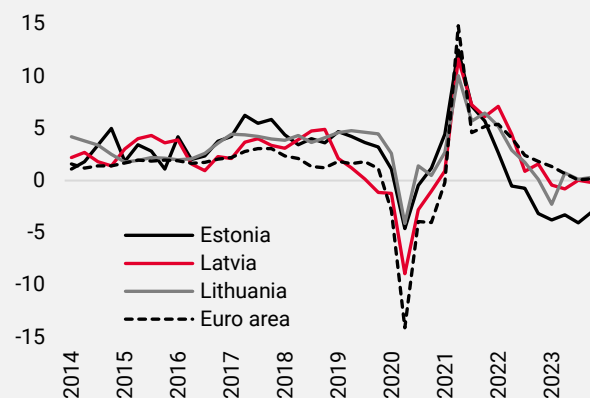
Citadele

Business environment

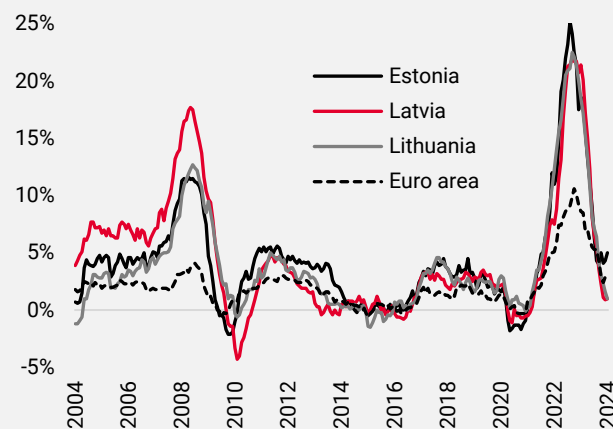
Economic sentiment indicator



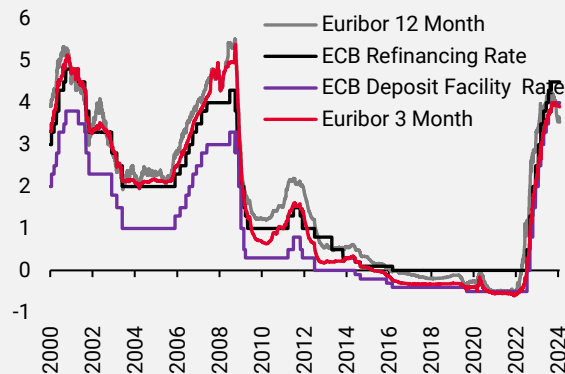
GDP (constant prices, % year-on year)



Inflation (% , year-on-year)



ECB un EURIBOR interest rates, %



Economic sentiment is starting to improve in the Baltics

In 2023, global economic growth remained resilient despite the ongoing war in Ukraine, the emergence of new geopolitical shocks, high interest rates, and distress in China's housing market.

In the Baltics, high inflation, rising interest rates, and weak external demand have been challenges, and economic growth has been negative for most of the year. Inflation has declined faster than expected, energy prices have normalized, growth in the US remained strong, and the euro area avoided a recession. Growth projections for the global economy in 2024 have been revised up, and although growth prospects for the euro area remain modest, signs of stabilization are evident. Particularly in the manufacturing sector, inventory levels have begun to shrink, signaling demand recovery in manufacturing and transportation industries.

In recent months, economic sentiment in the Baltics has stabilized and is showing signs of improvement. Inflation in the Baltics fell rapidly in 2023, and financial markets are now anticipating interest rate reductions in 2024, which, together with low unemployment and rising wages, will support consumption.

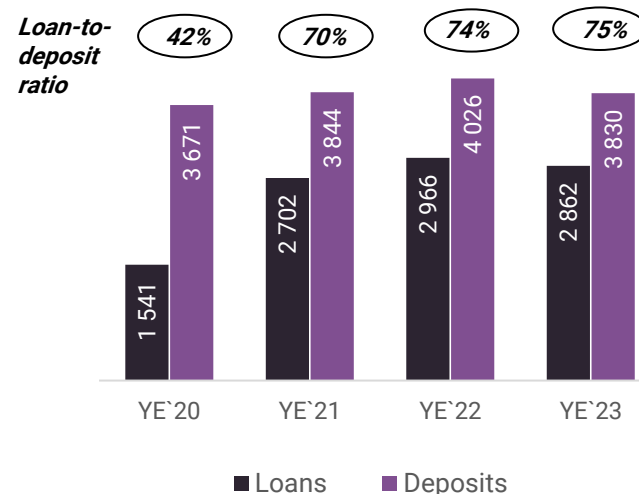
Key figures and events

- Citadele's Baltic operations net profit for the 12 months ended 31 December 2023 reached EUR 110.4 million, representing a 23.6% return on equity and CIR of 44.7%; Q4 2023 Baltic operations net profit reached EUR 10.2 million, representing a return on equity of 8% and CIR of 52.0%.
- In the 12 months ended 31 December 2023, Citadele issued EUR 897 million in new financing to support Baltic private, SME and corporate customers, compared to EUR 1.2 billion in the 12 months ended 30 December 2022. EUR 276 million in new financing was issued in Q4 2023.
- Citadele's deposit base constituted EUR 3,830 million as of 31 December 2023, reflecting a slight increase of EUR 5 million quarter-over-quarter.
- Citadele's active customers remained steady year-over-year and constituted 378 thousand active clients as of 31 December 2023. The number of active mobile app users reached all time high of 257 thousand, growing by 9% year-over-year. Active digital channel users reached 96% of total customers.
- Asset quality continued to improve with NPL of 2.1% as of 31 December 2023, on the back of recoveries and impairment reversals.
- Citadele continues to operate with more than adequate capital and liquidity ratios. The Group's CAR ((including net result for the period and EUR 50.6 million expected dividends) was 22.0%, CET1 19.6% and LCR of 206% as of 31 December 2023.
- There has been a significant amount of economic and geopolitical uncertainty lately, but despite the volatility, the bank continues the path of evaluating strategic options, including a potential IPO.

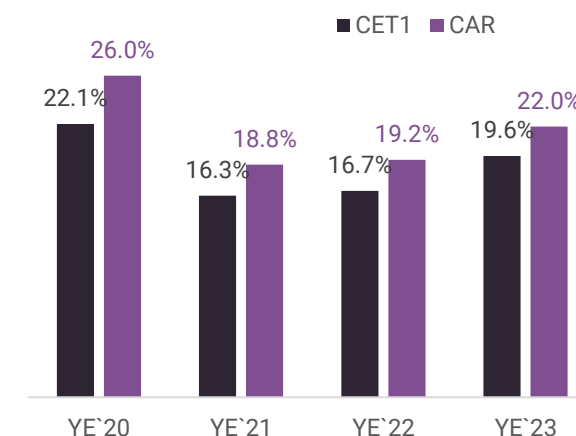
**Only continuous operations shown. Comparatives are restated for discontinued operations of Kaleido Privatbank AG (Swiss subsidiary bank of the Group) which is committed for sale and thus excluded from the presented key figures. Comparative figures for 2022 have been restated due to the adoption of IFRS 17, earlier comparative figures are not restated for IFRS 17. ** Common equity Tier 1 (CET1) capital ratio and Total capital adequacy ratio (CAR), (including net result for the period and planned dividends)*

<i>EUR millions</i>	Continuous operations*			
	2023	2022	Q4 2023	Q4 2022
Net interest income	187.9	119.4	49.2	50.8
Net fee and commission income	37.8	37.8	8.8	8.1
Net financial and other income	8.2	5.4	1.6	1.8
Operating income	233.9	162.6	59.6	60.6
Operating expense	(104.5)	(91.6)	(31.0)	(24.6)
Net credit losses and impairments	4.5	(23.8)	(1.9)	2.8
Net profit from continuous operations (after tax)	110.4	45.2	10.2	35.7
Return on average assets (ROA)	2.2%	0.9%	0.9%	3.0%
Return on average equity (ROE)	23.6%	11.1%	8.0%	29.6%
Cost to income ratio (CIR)	44.7%	56.3%	52.0%	40.6%
Cost of risk ratio (COR)	0.2%	(0.8%)	(0.3%)	0.4%

Loans to and deposits from the public *EURm*



CET1 and CAR ratios**



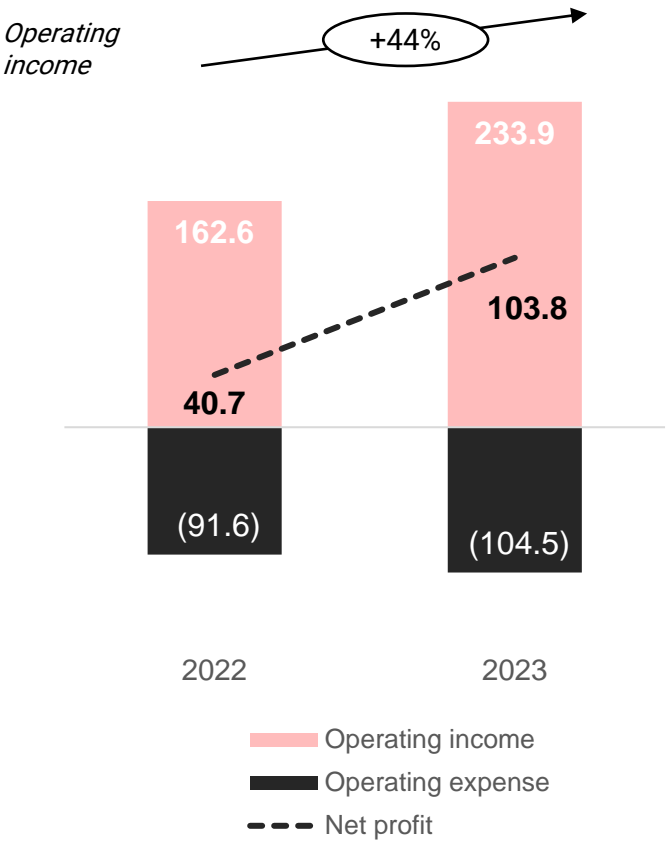
Financial Highlights



Financial result development

2023 vs previous period

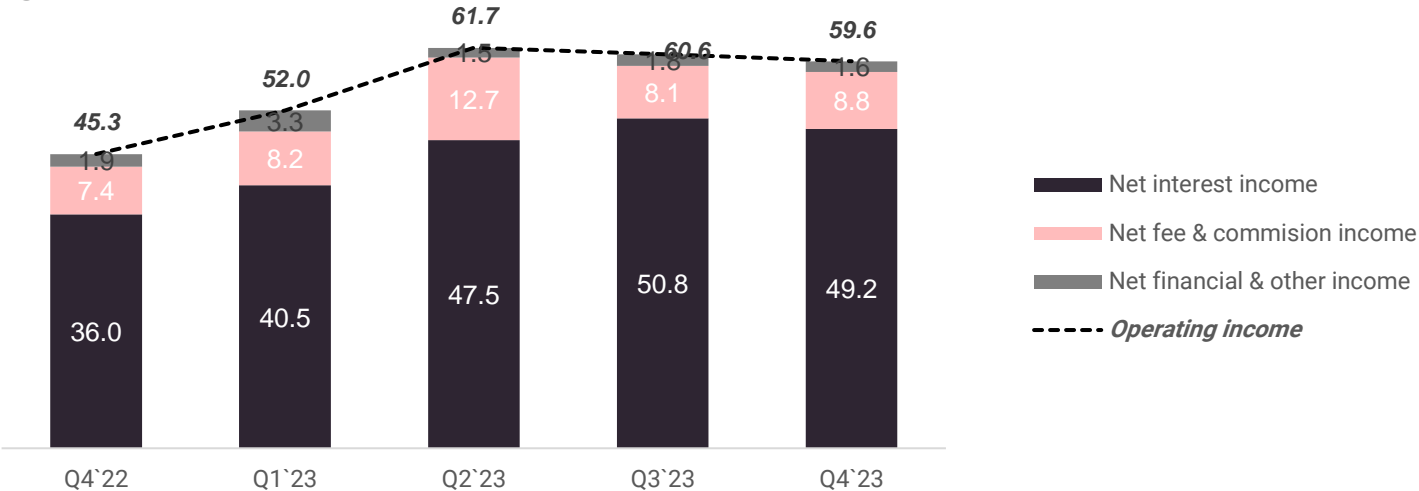
EURm



Operating income by revenue line

Q4`2023 vs. previous periods

EURm



Comment

Strong financial performance with **operating income** for the 12 months ending 31 December 2023 reaching EUR 233.9 million, representing 44% growth year-over-year. Q4 2023 operating income reached EUR 59.6 million, representing 32% growth year-over-year.

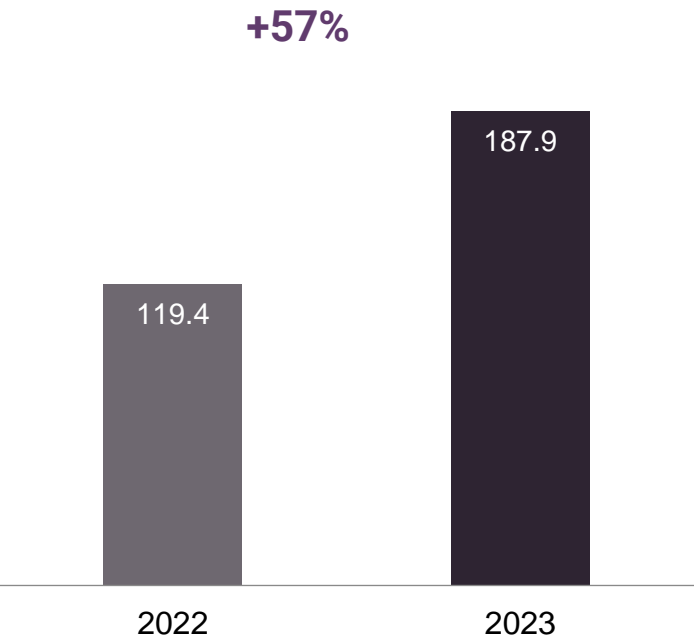
Net interest income



Net interest income

2023 vs previous period

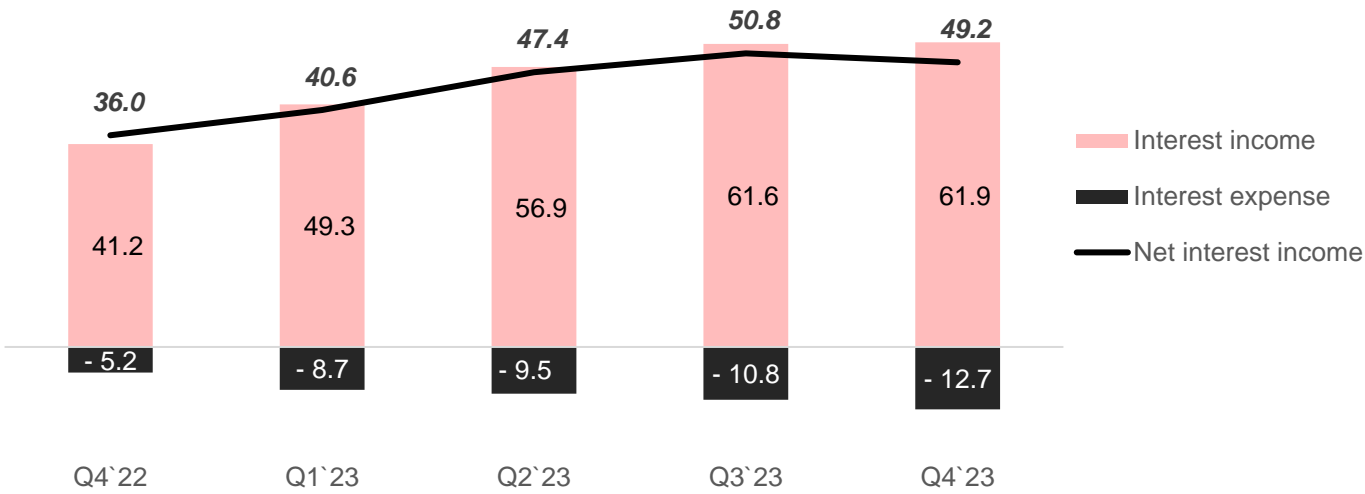
EURm



Net interest income development

Q4`2023 vs. previous periods

EURm



Comment

Strong **net interest income**, which reached EUR 187.9 million in the 12 months ended 31 December 2023 (EUR 49.2 million in Q4 2023), a 57% (37% in Q4 2023) increase year-over-year, mainly impacted by rising interest rates.

Net fee and commission income development

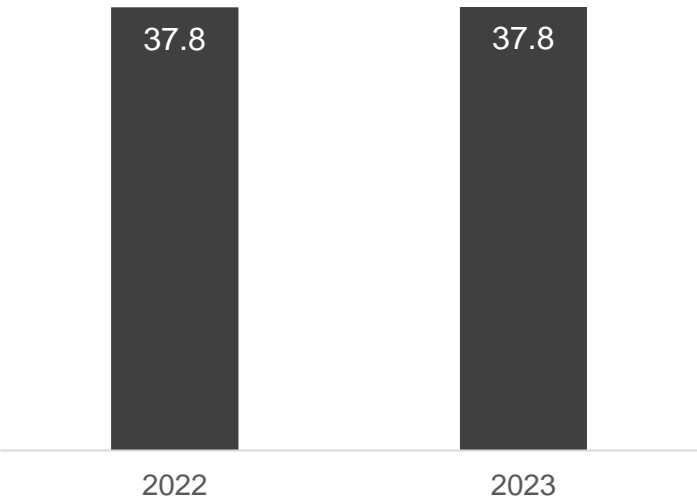
Continuous operations



Net fees and commissions

2023 vs previous period

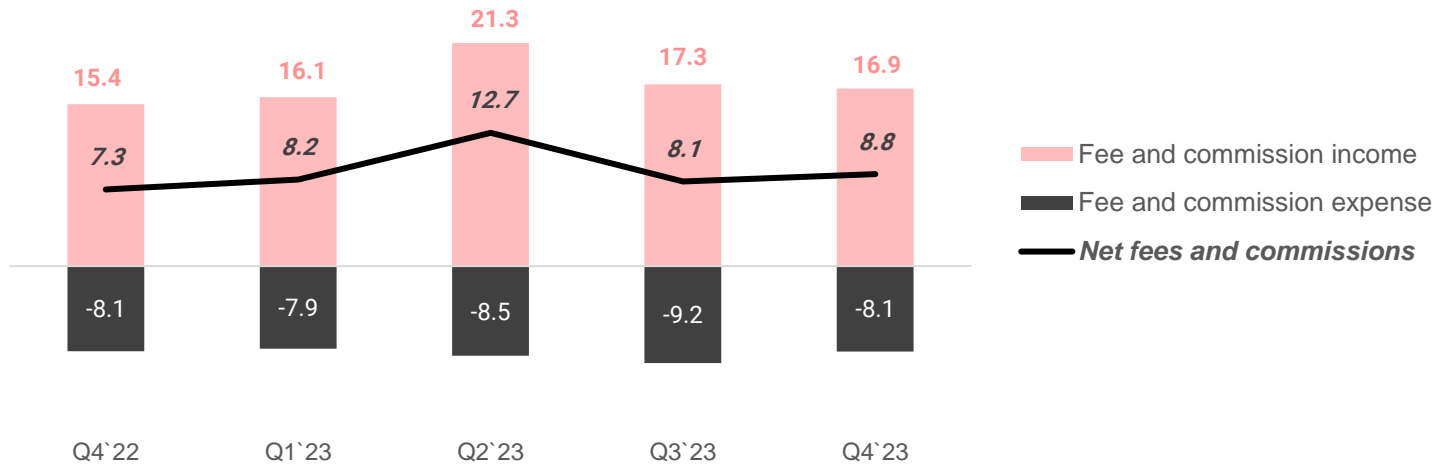
EURm



Net fee and commission income development

Q4`2023 vs. previous periods

EURm



Comment

The Group's **net fee and commission income** reached EUR 37.8 million in the 12 months ended 31 December 2023, remaining flat year-over- year, mainly due to fee and commission expense increase by EUR 3.1 million for securitization, representing an expense on a multi-year financial guarantee contract issued by the EIB Group to Citadele in December 2022. The EIB Group deal will provide capital relief for Citadele and enable it to grant at least EUR 460 million in additional loans and leases to businesses in the Baltics over the next three years, of which at least 20% will go towards Climate Action projects, helping to reduce overall greenhouse gas emissions. Net fee and commission income in Q4 2023 constituted EUR 8.8 million, representing a 19% increase year-over-year.

Operating expenses development

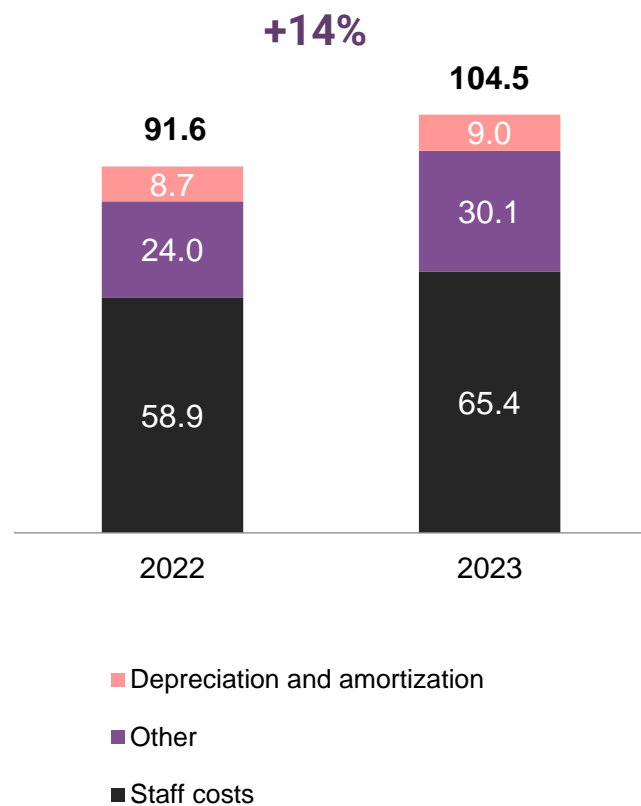
Continuous operations

Citadele

Operating expenses

2023 vs previous period

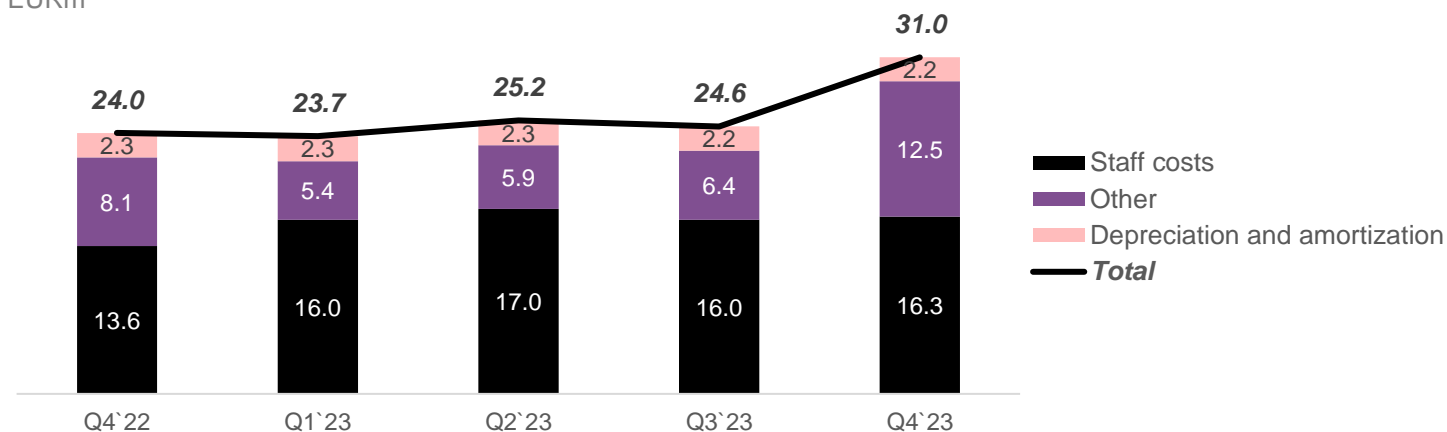
EURm



Operating expenses development

Q4`2023 vs. previous periods

EURm

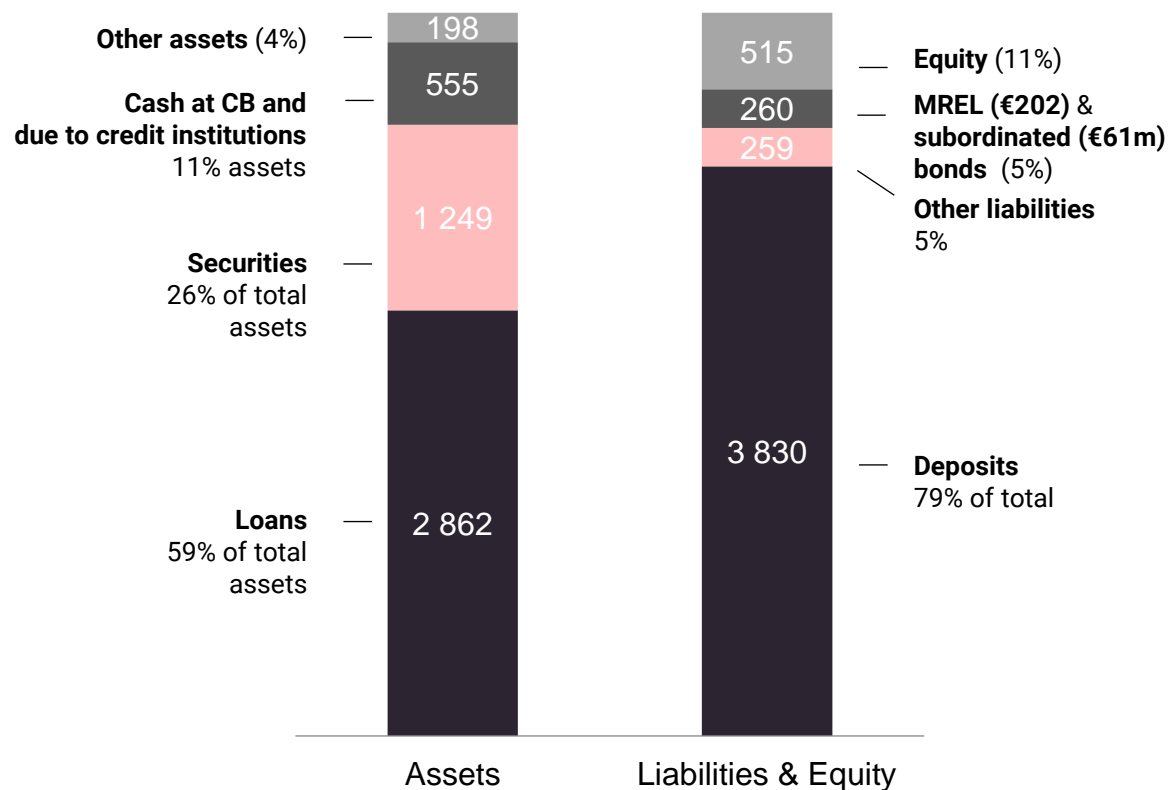


Comment

Operating expenses in the 12 months ended 31 December 2023 were EUR 104.5 million, representing a 14% increase year-over-year. Staff costs increased by 11% to EUR 65.4 million. Other costs were EUR 30.1 million, representing a 26% increase year-over-year, mainly impacted by investments in IT and communications (9% increase year-over-year) and consulting expenses (66% increase year-over-year). Increase in consulting expenses were mainly driven by strategic initiative review and implementation of multi-year Internal Ratings Based (IRB) project, that will allow tailored risk assessment to bank's specific portfolios and risk profiles, potentially leading to more efficient allocation of regulatory capital. Depreciation and amortization expenses stood at EUR 9.0 million (a 3% increase year-over-year). Q4 2023 operating expenses were EUR 31.0 million, representing an 29% increase year-over-year.

Stable asset quality and strong balance sheet

€4 863m Total assets
€4 348m Liabilities
€515m Equity

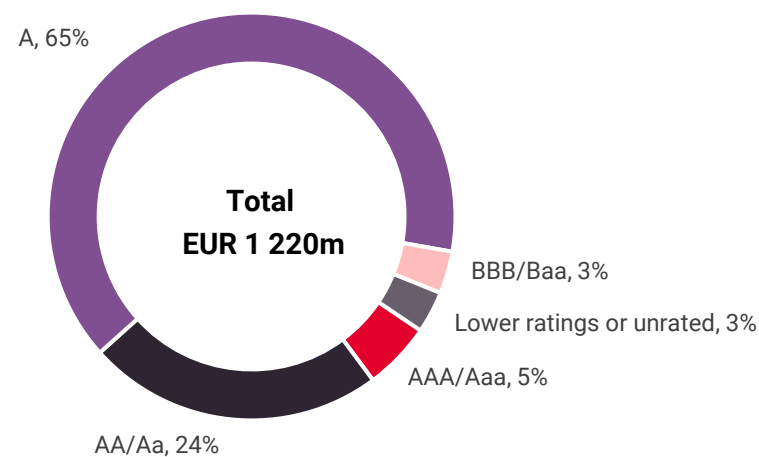


Securities

The Group's **securities portfolio** forms a part of its liquidity resources and in the 12 months ended 31 December 2023 decreased by 23% vs. year end 2022 in line with portfolio maturity profile.

97% of the securities portfolio consist of securities with a rating of A and higher. The largest decreases for the securities portfolio occurred in AAA/Aaa and A rated bonds, which decreased by EUR 77.3 million and EUR 327.6 million, respectively, for the period.

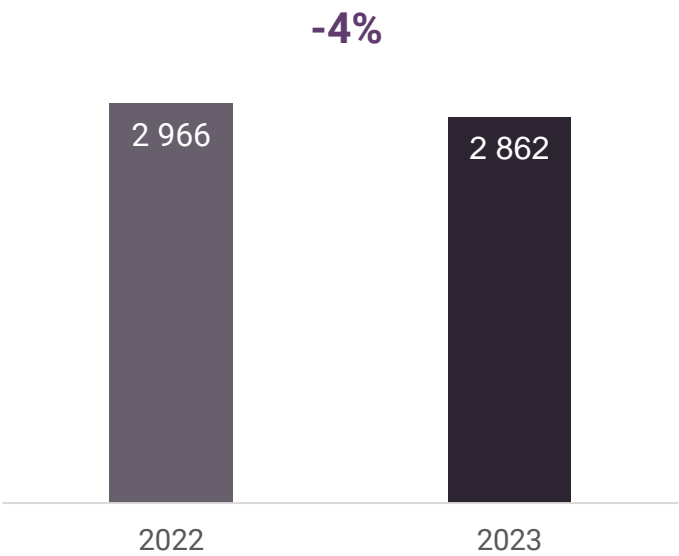
Debt securities by credit rating grade



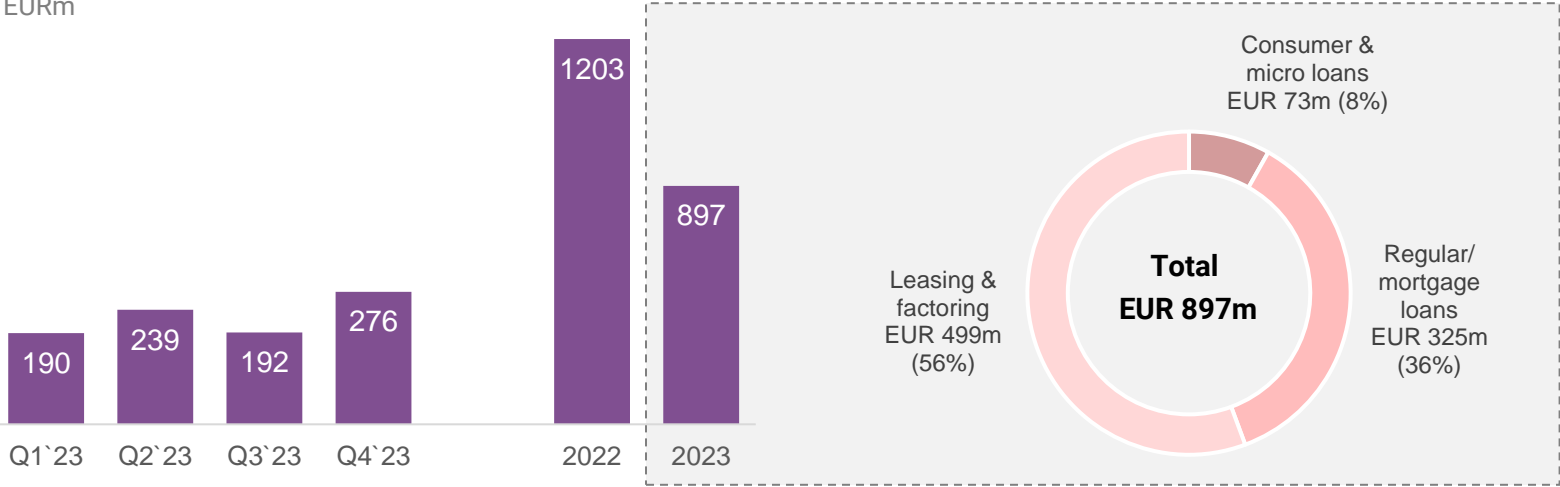
Balance sheet overview - loans



Loans
YE 2023 vs. YE 2022
EURm



New financing
2023 vs. previous periods
EURm



Comment

New financing to our private, SME and corporate customers reached EUR 897 million in the 12 months ended 31 December 2023, compared to EUR 1.2 billion in the 12 months ended 31 December 2022. Customer activity resumed during the last quarter, with EUR 276 million issued in new financing in Q4 2023, indicating a 44% increase quarter-over-quarter. Citadele's **total loan book** as of 31 December 2023, stood at EUR 2,862 million, marking a EUR 9 million increase compared to 30 September 2023.

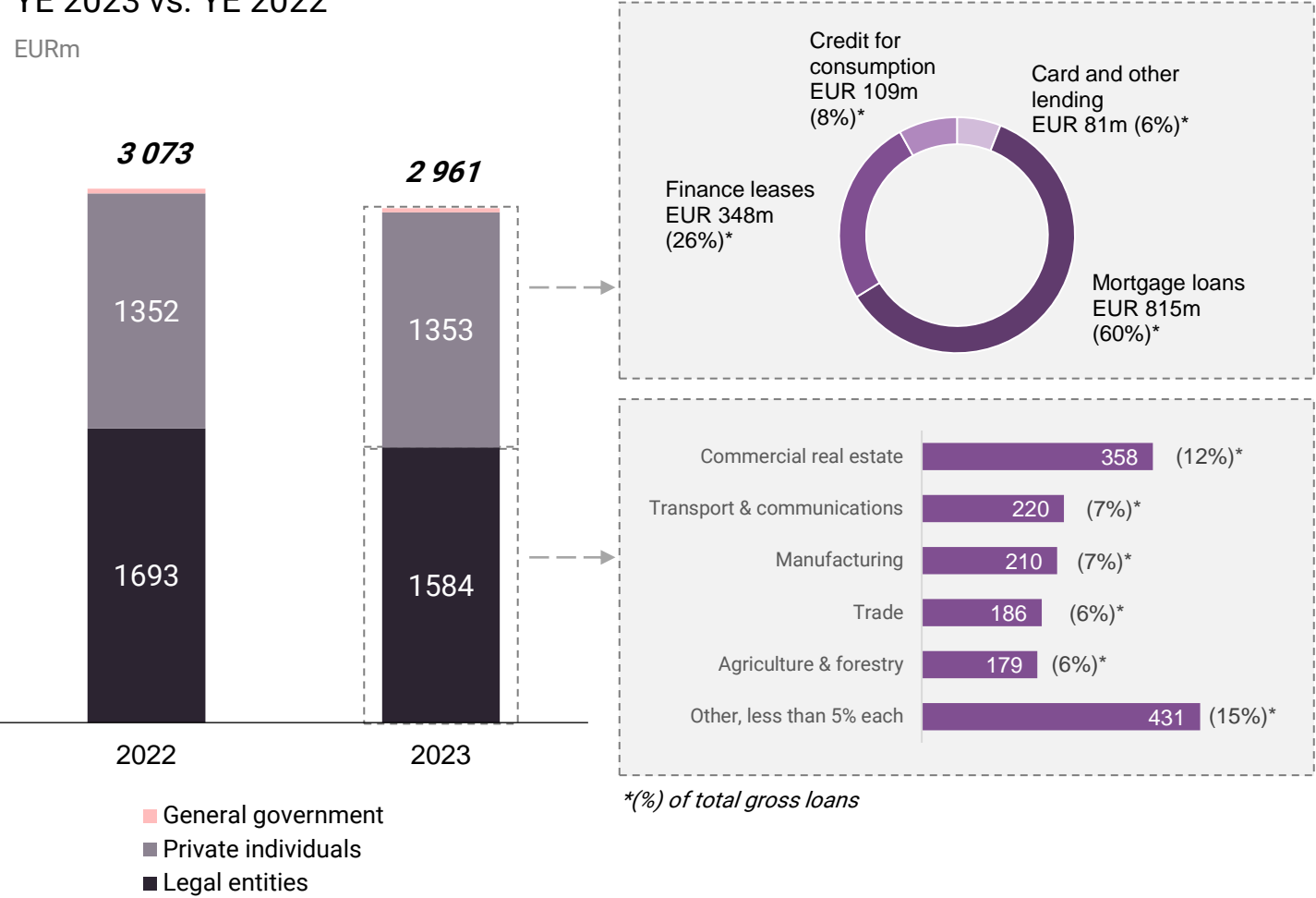
Balance sheet overview - loans



Gross loans by customer profile

YE 2023 vs. YE 2022

EURm



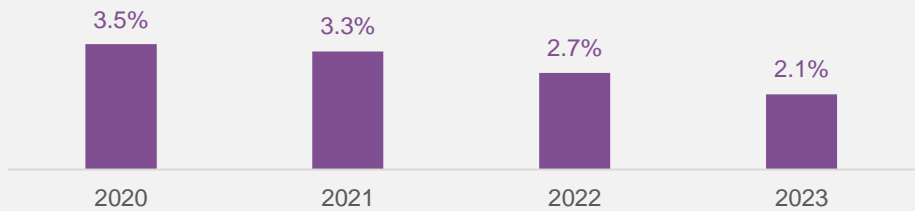
Loan portfolio's geographical profile

31 December 2023



Non-performing loans, % of total gross loans

31 Dec` 2023 vs. previous periods



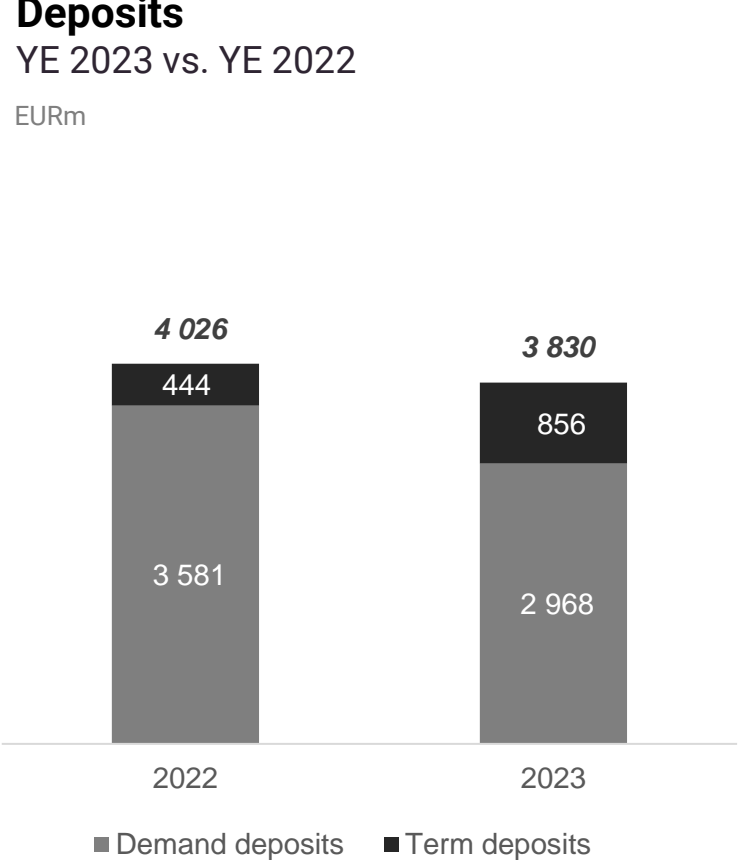
Stable Funding structure



Deposits

YE 2023 vs. YE 2022

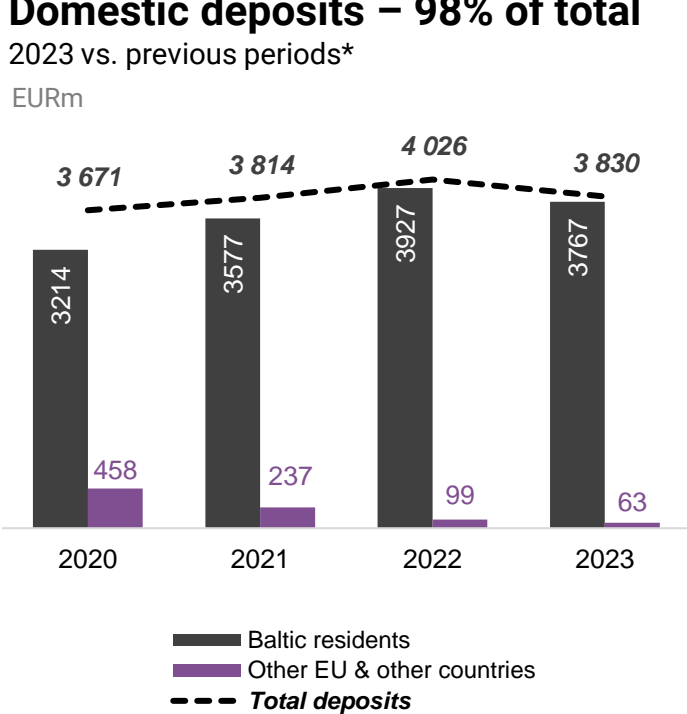
EURm



Domestic deposits – 98% of total

2023 vs. previous periods*

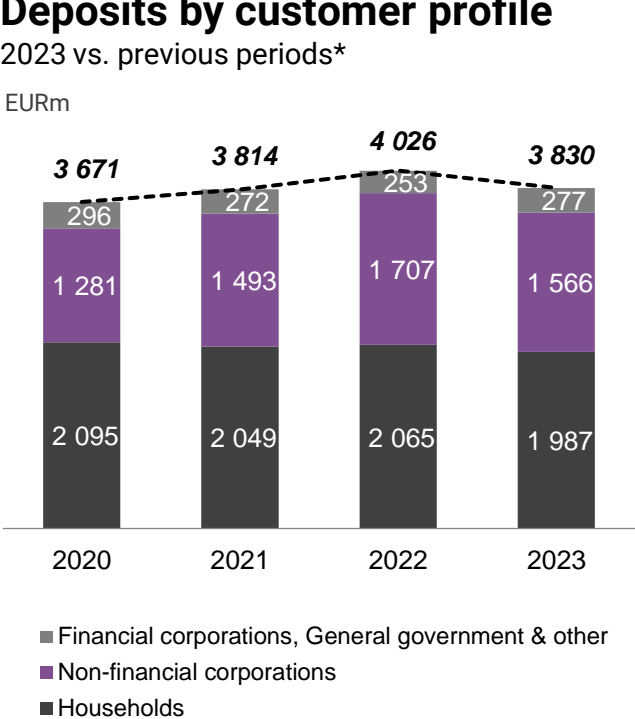
EURm



Deposits by customer profile

2023 vs. previous periods*

EURm



Comment

The main source of Citadele’s funding, customer **deposits** totaled EUR 3,830 million as of 31 December 2023, reflecting a slight increase of EUR 5 million quarter-over-quarter. Loan-to-deposit ratio stood at 75% as of 31 December 2023. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,767 million (compared to 98% as of year-end 2022).

**previous periods include discontinued operations (Kaleido Privatbank AG, Swiss registered banking subsidiary currently in a sales process)*

Customer overview

- ✓ Increasing customer base and user experience
- ✓ Bank with one of the best customer service in the Baltics
- ✓ NPS of individual banks – 1st place in Latvia and 2nd in Lithuania
- ✓ NPS Mobile Apps – 1st place in Latvia and 3rd in Lithuania



Awards

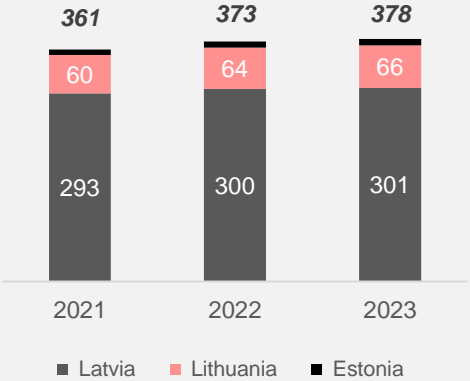
1st place in Latvia and Lithuania, 2nd place in Estonia for servicing clients remotely

1st place in Latvia and 2nd place in Lithuania and Estonia for servicing clients in-person

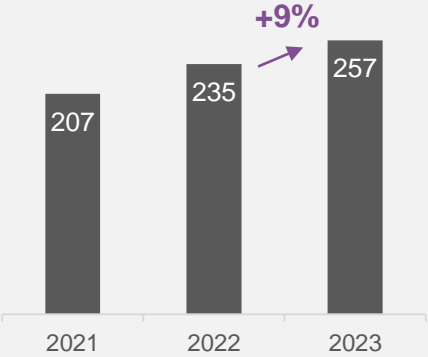
Bank with the best customer service in Latvia

Dive The Customer Service Improvement Company

Active customers
2023 vs. previous years
`000

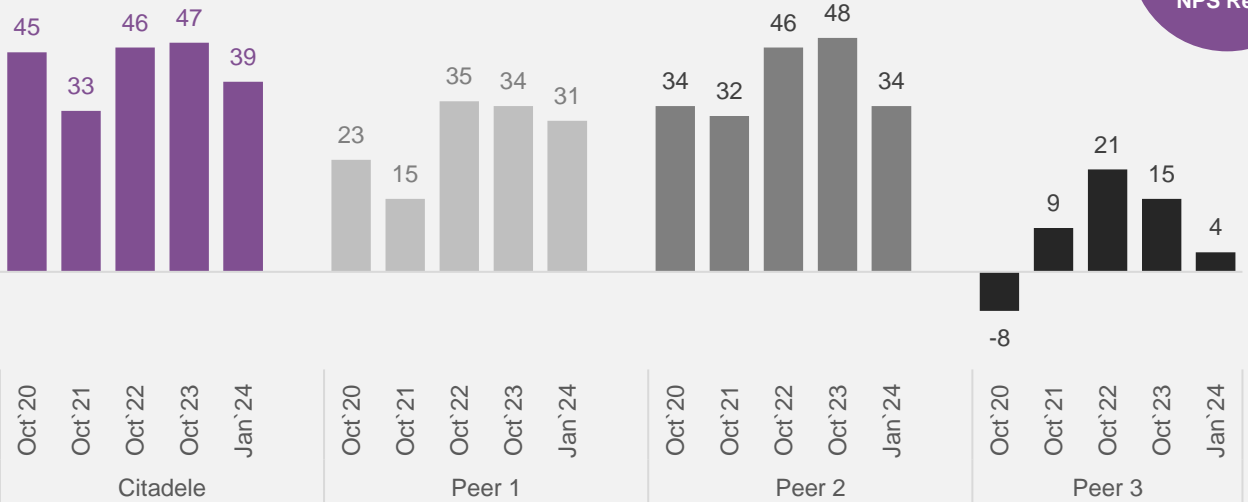


Mobile App active users
2023 vs. previous years
`000



LV 61 / LT 47
Mobile App NPS

Net Promoter Scores of individual banks in Latvia



LV 39 / LT 26
NPS Retail

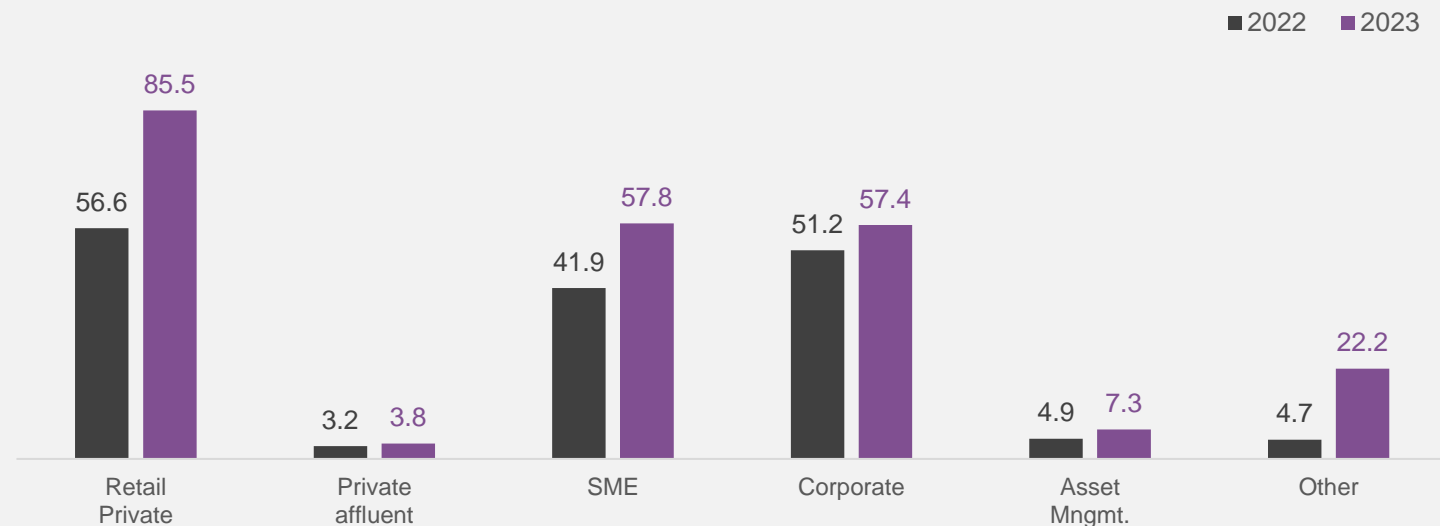
Segment overview

2023	Retail Private	Private affluent	Private SME	Corporate	AM	Other*	Total
Net interest income	73.1	0.7	45.8	51.0	0.7	16.7	187.9
Net fee & commission income	13.5	2.6	9.7	5.0	6.1	0.8	37.8
Net financial and other income	-1.1	0.5	2.2	1.4	0.5	4.6	8.2
Operating income	85.5	3.8	57.8	57.4	7.3	22.2	233.9

Operating income by segment

2023 vs. 2022

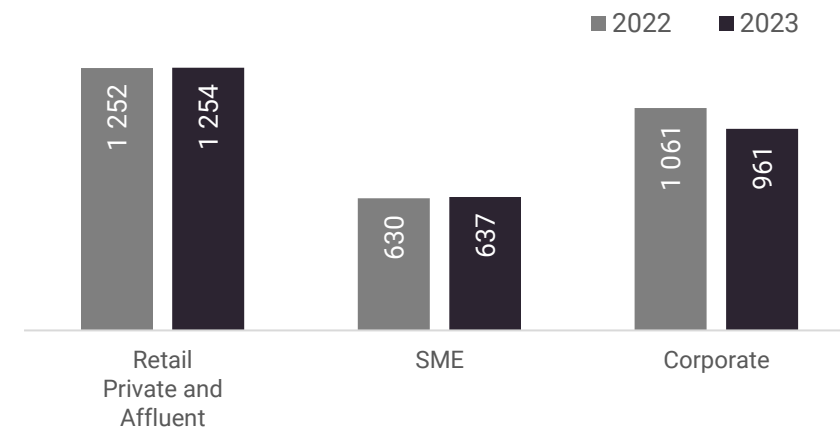
EURm



*Group's treasury functions and other business support functions, including results of the subsidiaries of the Group operating in non-financial sector. This comprises discontinued operations, namely operations of Kaleido Privatbank AG (a Swiss registered banking subsidiary) which Citadele has agreed to sell.

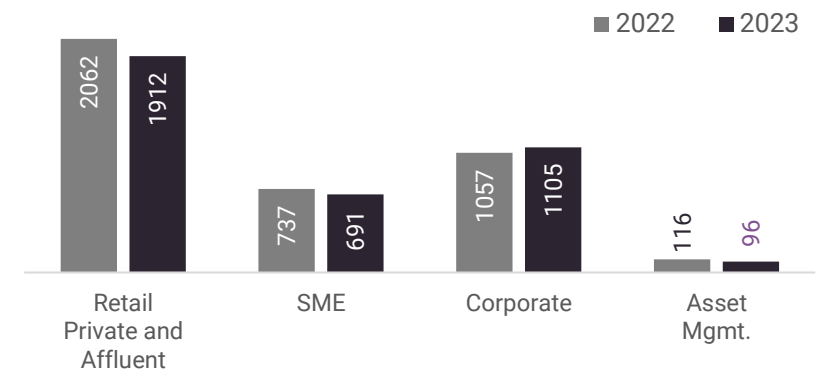
Loans

2023 vs. YE 2022, EURm



Deposits

2023 vs. YE 2022, EURm



Citadele

Medium Term Targets

Metrics	Targets	Commentary
Loan Growth	5-10%	Achieve at least 5-10% annual growth over the medium term
Customer Growth	5-10%	At least 5-10% annual growth in active customers over the medium term (including Klix)
Net Promoter Score	#1 Position >30pts	NPS above 30pts across the Baltics and #1 position in Latvia, Lithuania and Estonia
Cost to Income	<45%	Maintain cost to income ratio lower than 45% (or lower than 44% excluding extraordinary items)
Cost of Risk	<50bps	Maintain cost of risk target of less than 50bps over the cycle, reflecting the evolving business mix
RoAE	High teens <i>(on normalised capital base)</i>	Achieve a return on average equity in the high teens on an adequate capital base
CET1	≥16%	Maintain fully-loaded CET1 ratio of at least 16% over the medium term
Capital Returns	50% payout	<ul style="list-style-type: none">▪ Distribute dividends of 50% of the Group’s profits, inclusive of all relevant taxes, taking into account internal capital targets▪ Excess capital above CET1 target deployed into growth or inorganic M&A opportunities or considered for additional returns



Citadele

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