



Citadele Group

Q1 2019 results presentation

24 May 2019

**More
opportunities**

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Citadele**

Business environment

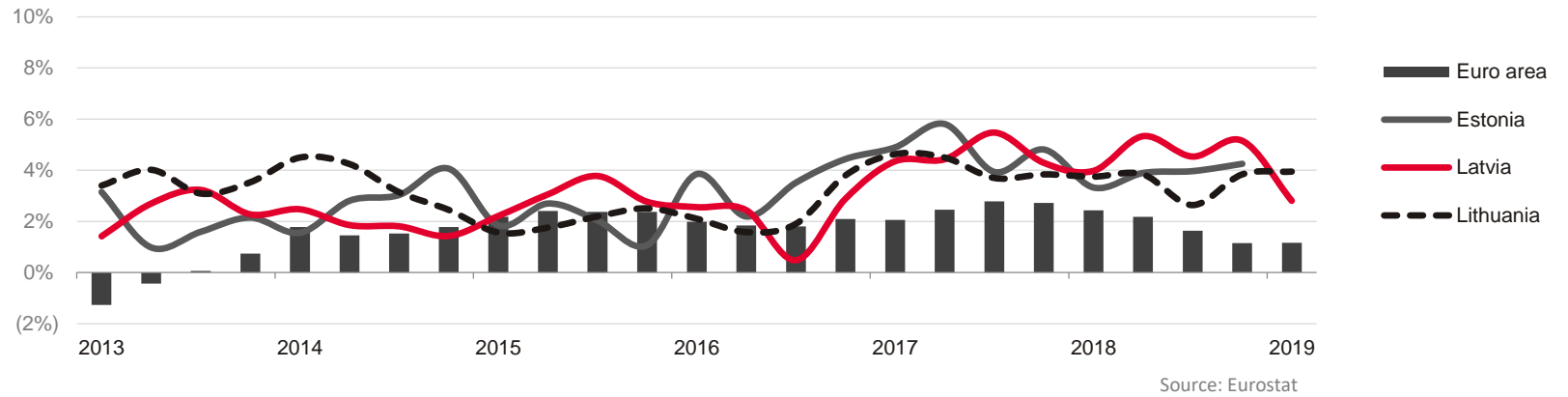
Economic growth in Latvia remained strong as GDP expanded by 2.8% compared to the same period in 2018, above the Euro area average.

Domestic demand in the Baltics remains robust and continues to underpin overall GDP growth.

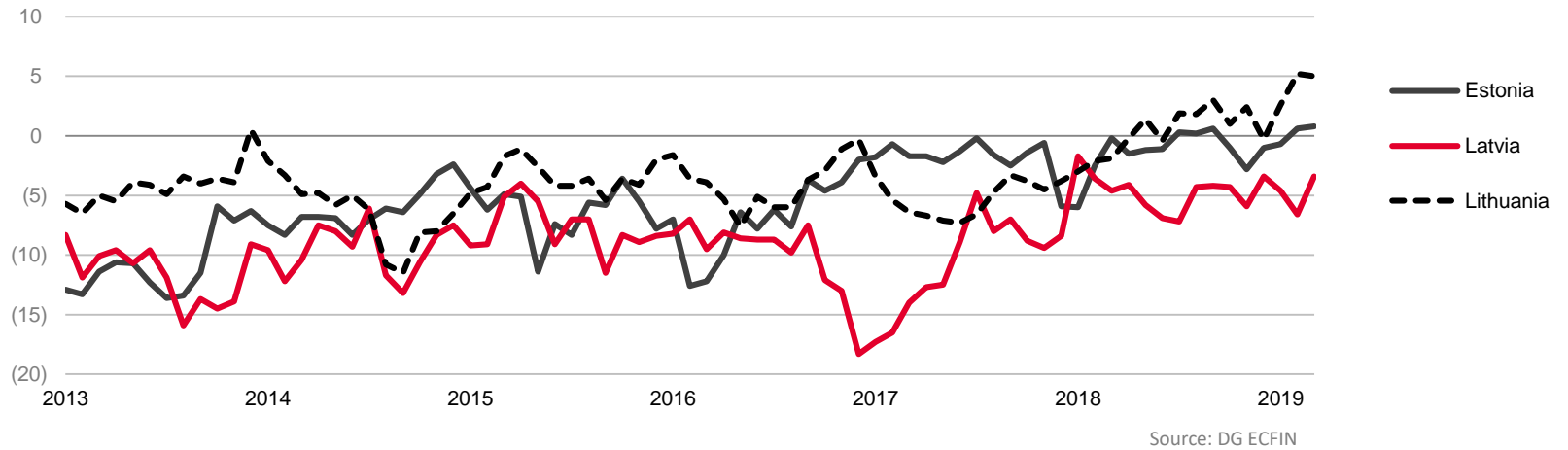
Retail sales are growing in line with wages supported by solid consumer confidence.

At the same time, the construction cycle is maturing and growth is expected to decelerate in 2019.

GROSS DOMESTIC PRODUCT, % YOY change



CONSUMER CONFIDENCE



Financial summary

The Group continues developing innovative digital solutions, products and services reflected in improved online banking and mobile app functionality. Touch ID and Face ID were launched for customer authentication and payment authorization in Lithuania.

Net interest income for the quarter was EUR 20.6m, up by 5% YoY.

Net fee and commission income registered a 7% YoY growth reaching EUR 7.2 million over the same period.

The Group's total loan portfolio increased by EUR 118 million (+9% YoY) and reached EUR 1,435 million with EUR 139 million issued in new loans to Baltic retail and corporate customers.

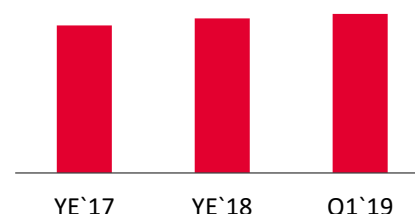
The Group remains well-capitalized with the capital adequacy ratio (CAR) at 19.1% at the end of the quarter.

	Q1 2019	Q4 2018	%	Q1 2018	%
Operating income	30.4	32.3	(6%)	30.8	(1%)
Operating expenses	20.9	23.0	(9%)	21.9	(5%)
Net credit losses	-1.9	0.4	(575%)	0.4	(575%)
Net profit	7.3	10.1	(28%)	9.4	(22%)
ROE	9.6%	13.9%	(4.3pp)	13.9%	(4.3pp)
C/I	68.7%	71.1%	(2.4pp)	71.0%	(2.3pp)
CAR	19.1%	20.1%	(1.0pp)	18.7%	0.4pp

€1,435m

Loans

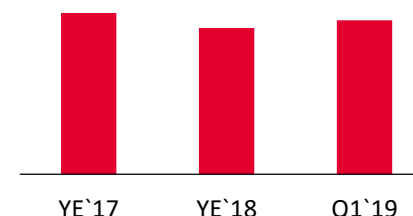
+3% vs YE`18



€2,784m

Deposits

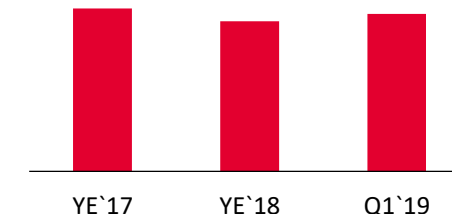
+5% vs YE`18



€3,198m

Assets

+5% vs YE`18



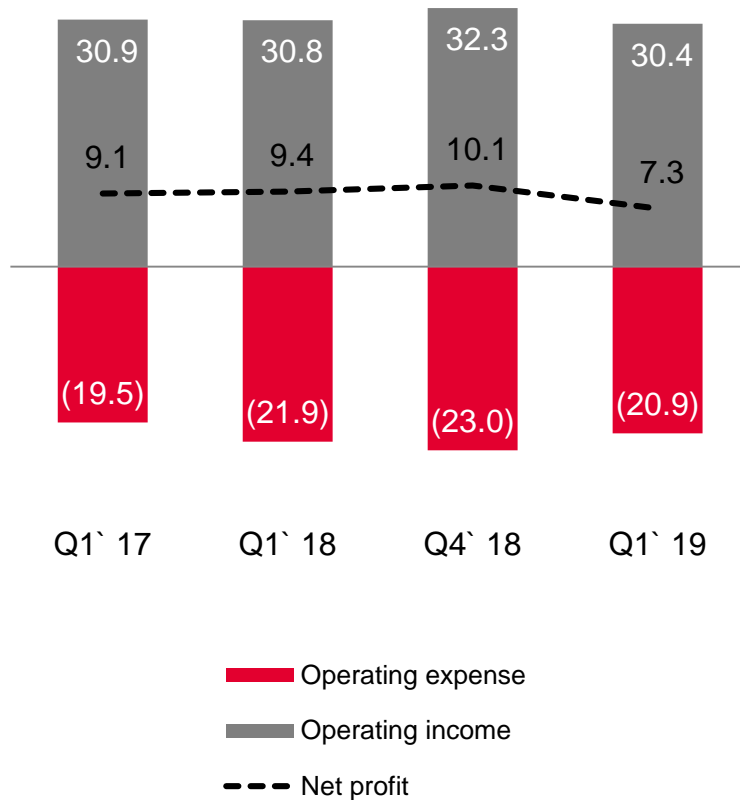
More
opportunities

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Citadele

Financial highlights

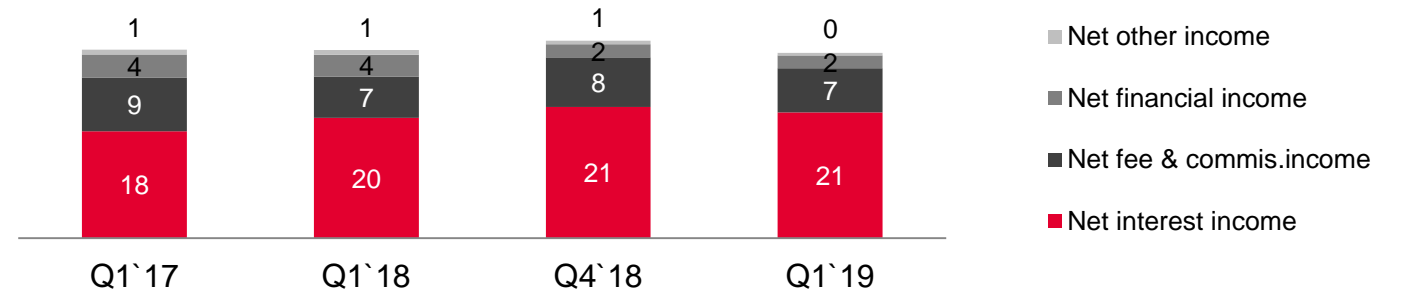
Financial result development

Q1 2019 vs. previous quarters



Operating income by revenue line

Q1 2019 vs previous quarters

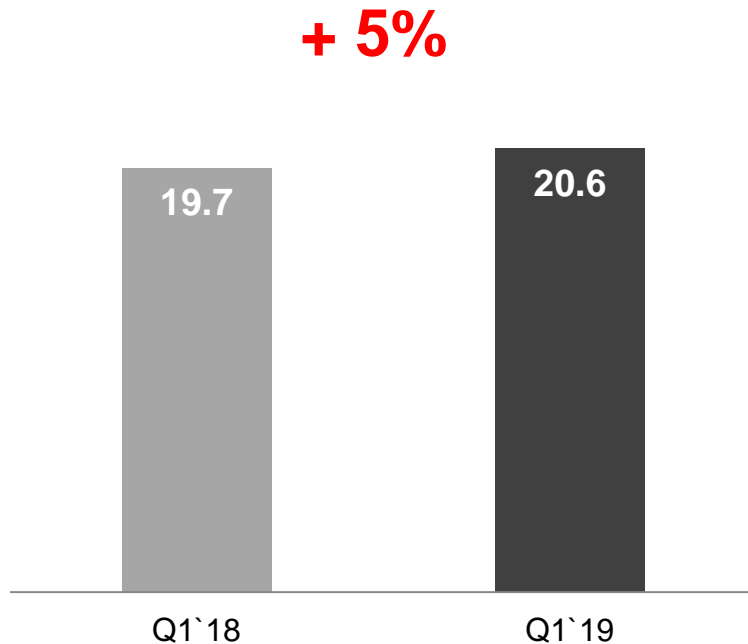


Comment

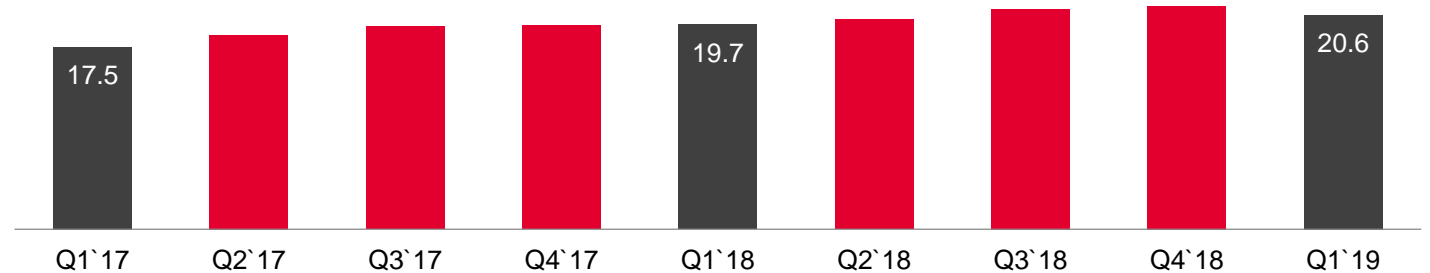
The Group's quarterly **operating income** was EUR 30.4 million, representing a 1% decrease year-on-year, mainly due to lower currency exchange revenue and bond revaluation.

Net interest income development

Net interest income Q1 2019 vs. Q1 2018



Net interest income development Q1 2017 - Q1 2019

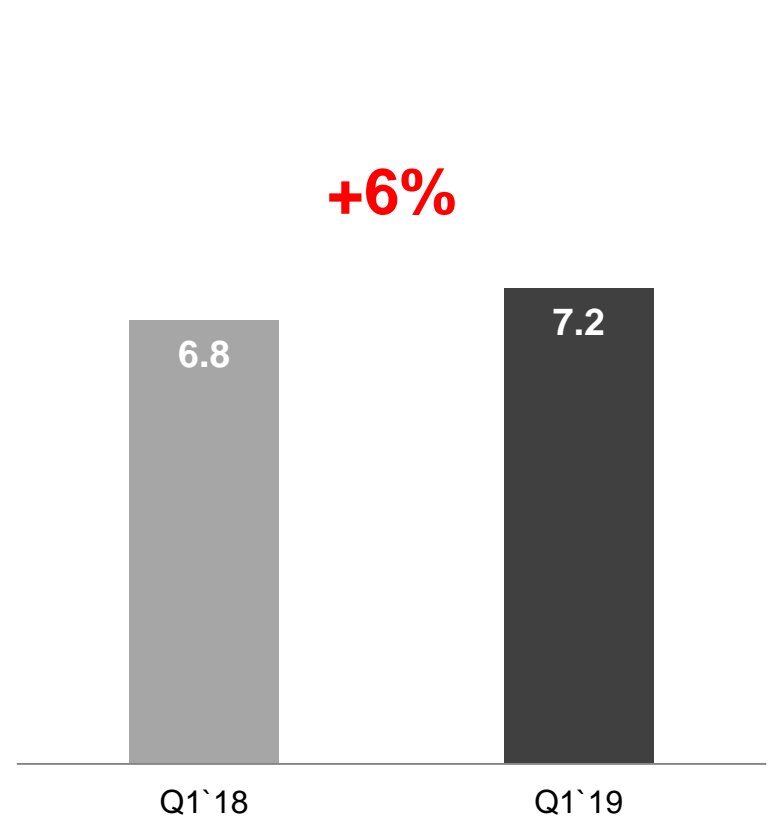


Comment

The Group's quarterly **net interest income** reached EUR 20.6 million, a 5% increase YoY, primarily driven by 9% loan portfolio growth and lower interest expense. The loan portfolio growth was a result of increased business activity in the Private Customer and Small Business segments, reflected in YoY net interest income growth of 5% and 8%, respectively.

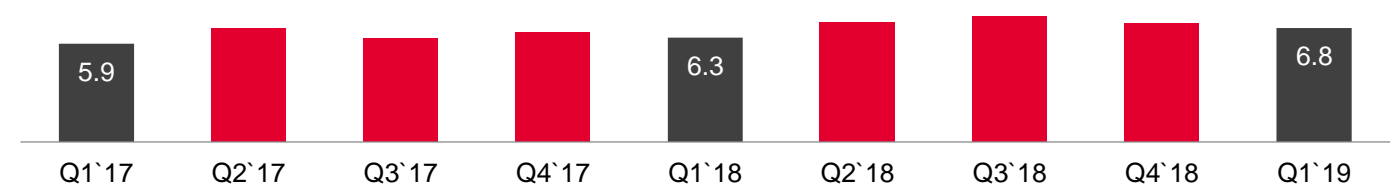
Net fee and commission income development

Net fees and commissions
Q1 2019 vs. Q1 2018

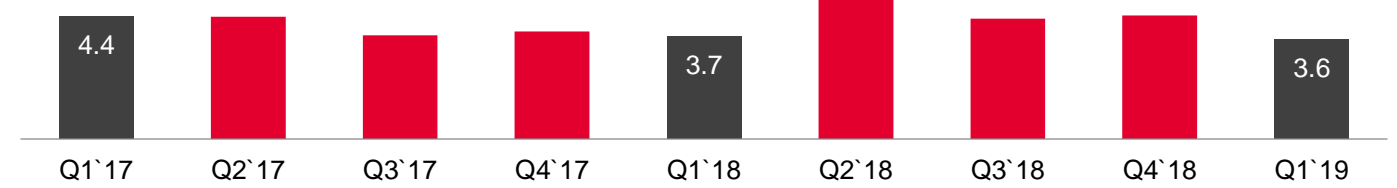


Fees and commissions by income type
Q1 2017 - Q1 2019

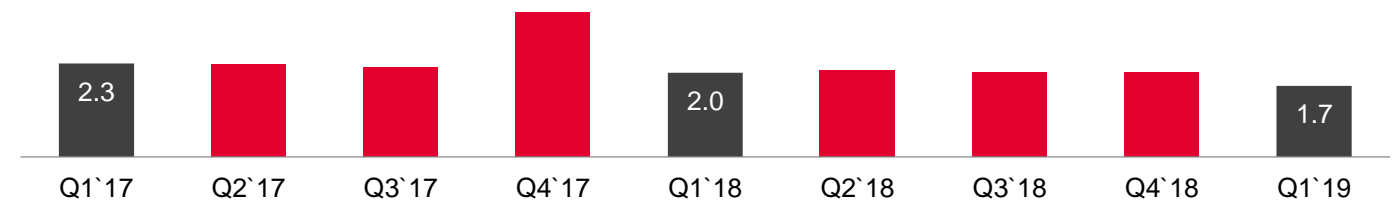
Cards



Payments and transactions



Asset management, custody & securities

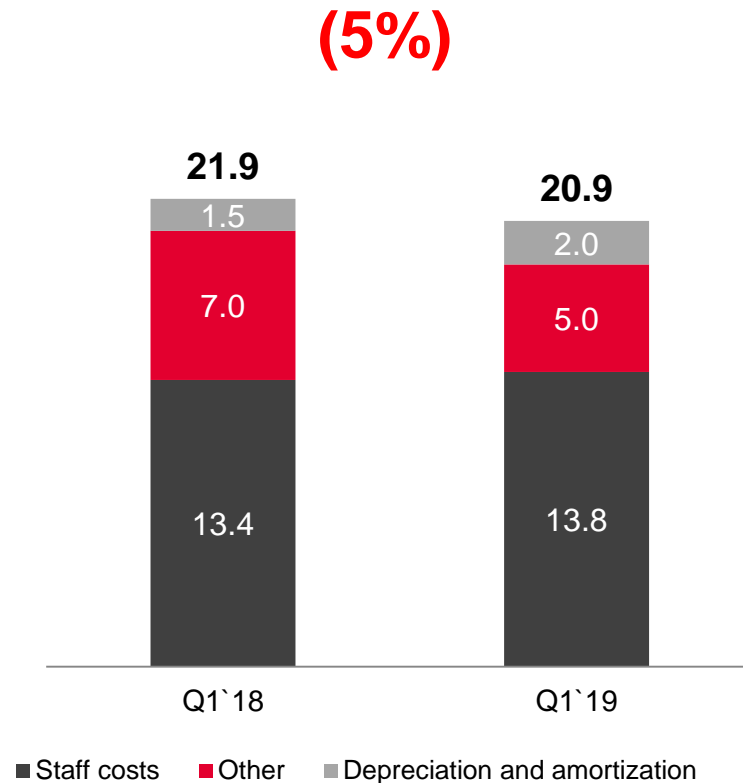


More opportunities

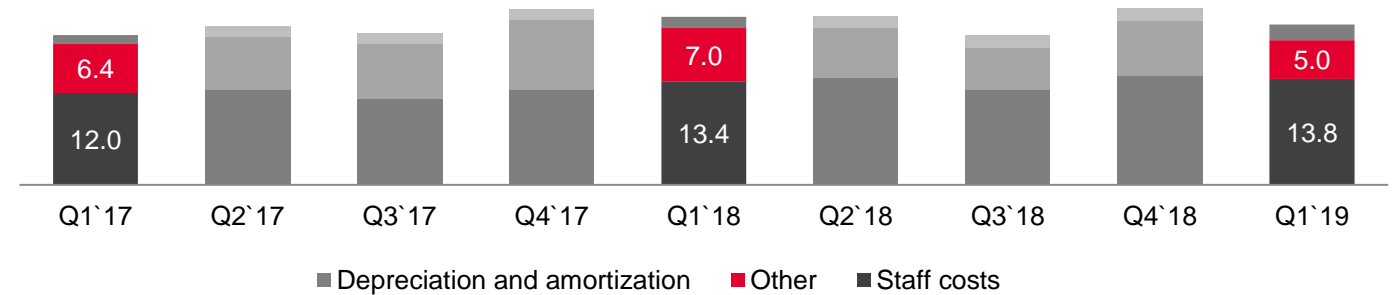


Operating expenses development

Operating expenses Q1 2019 vs. Q1 2018



Operating expenses development Q1 2017 - Q1 2019

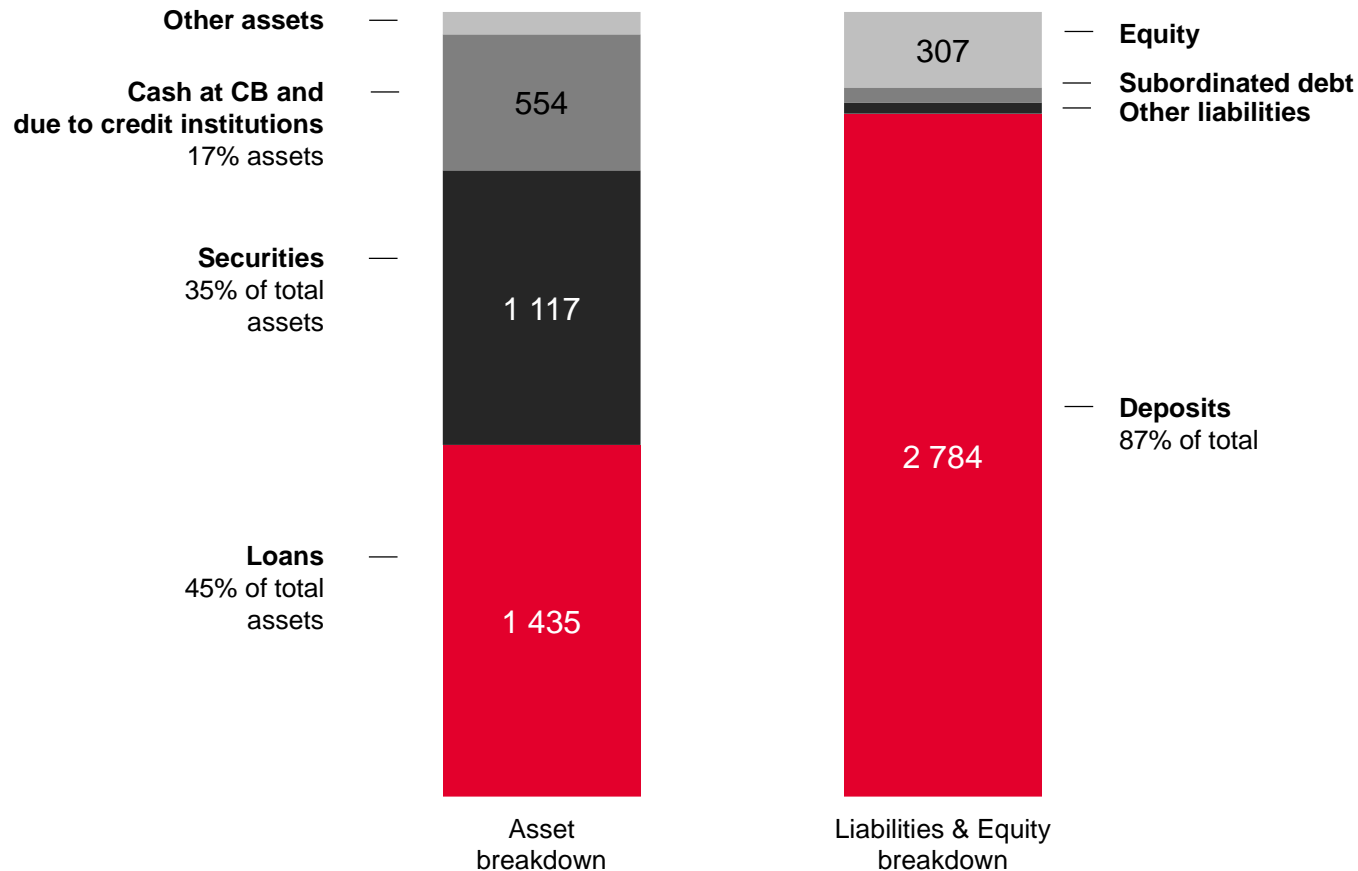


Comment

Operating expenses were down by 5% YoY, mainly due to considerably lower consulting (-45%) and marketing expenses (-49%). Staff costs increased by 3% to EUR 13.8 million driven by salary adjustments rather than FTE increase. Continued development of innovative digital solutions and products increased IT costs to EUR 1.6 million in Q1 2019 (21% increase YoY). **Depreciation and amortization** expenses reached EUR 2 million (+37% YoY), following the IFRS 16 requirements - reclassification of Operating lease expenses, previously included in "Other expenses". Cost to income ratio was 68.7% for Q1 2019 versus 71.0% over the same period last year.

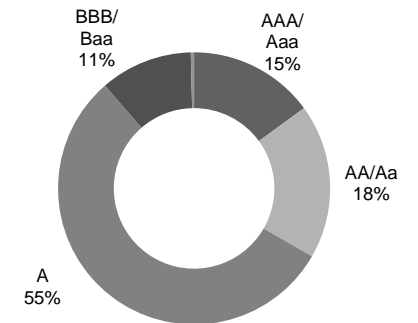
Stable asset quality and strong balance sheet

Total Assets
EUR 3,198m Total Liabilities
EUR 2,891m Total Equity
EUR 307



Comment

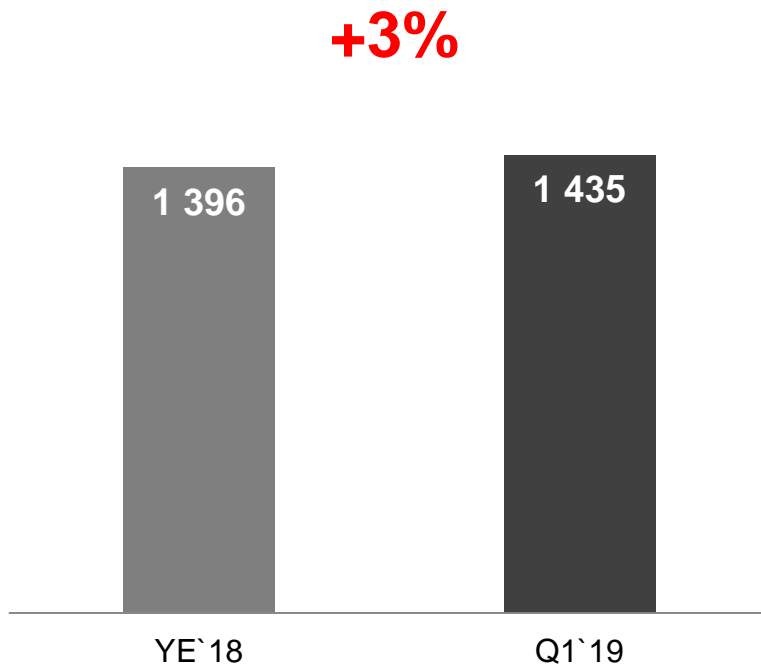
- The **total loan portfolio** grew by EUR 40 million (+3%) from the year end 2018, reflecting prudent lending standards and ambition to keep quality in the loan book.
- The **credit quality** of the Group's loan portfolio remained stable and there were no major individual provisions.
- The **securities portfolio** continues to have stable development in terms of yield and risk profile. 89% of debt securities are A or higher investment grade.
- The main source of funding, **Customer deposits**, grew by 5% vs YE 2018 with the growth coming from Baltic residents segment which increased by EUR 144 million during Q1 2019.



Balance sheet overview

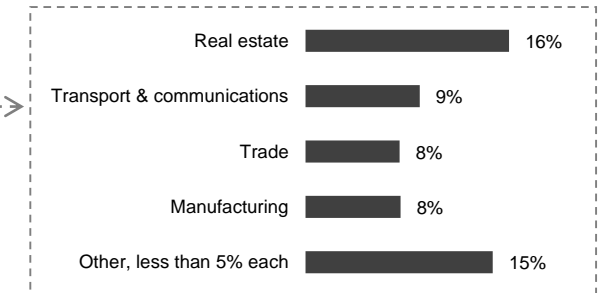
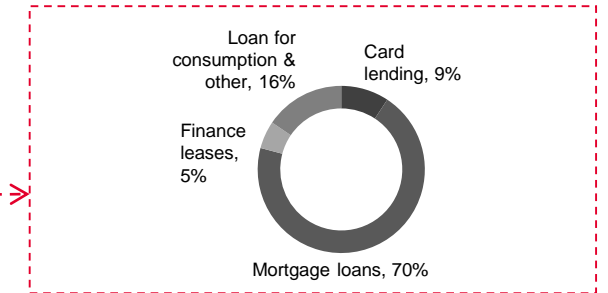
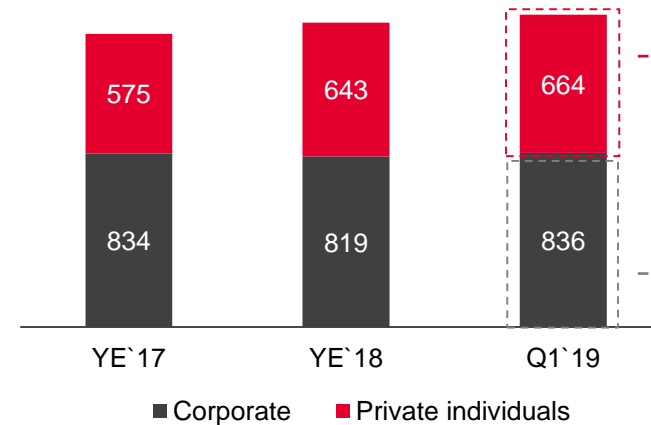
Loans

Q1 2019 vs. YE 2018



Gross loans by customer profile

YE 2017 - Q1 2019



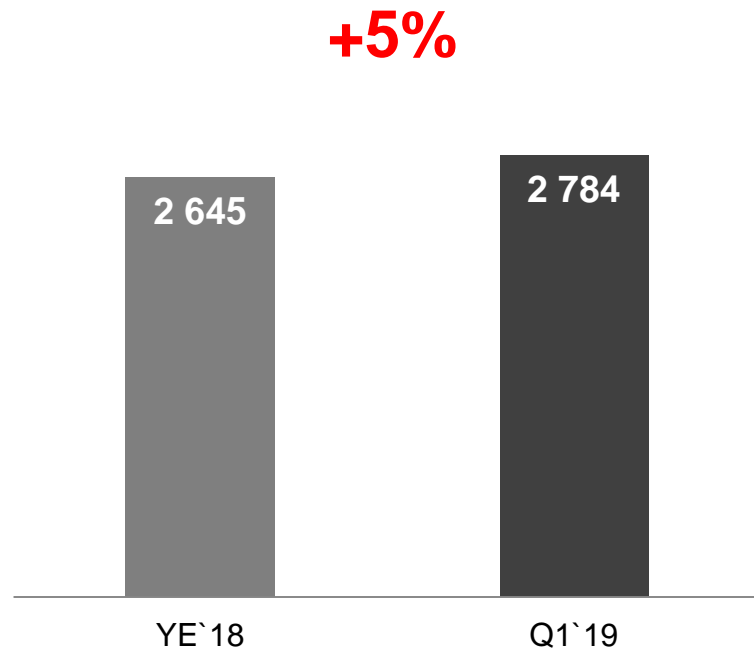
Comment

No major changes in industry concentrations occurred during Q1 2019. Loans to Households represent 44% of the portfolio, where mortgage loans have seen stable increase in the past years and increased by 6% in Q1. Consumer loans have increased by 2% since YE 2018. Main industry concentrations are Real estate (16% of total gross loans), Transport and communications (9%) and Manufacturing and Trade (8% each). New lending reached EUR 139 million.

Balance sheet overview

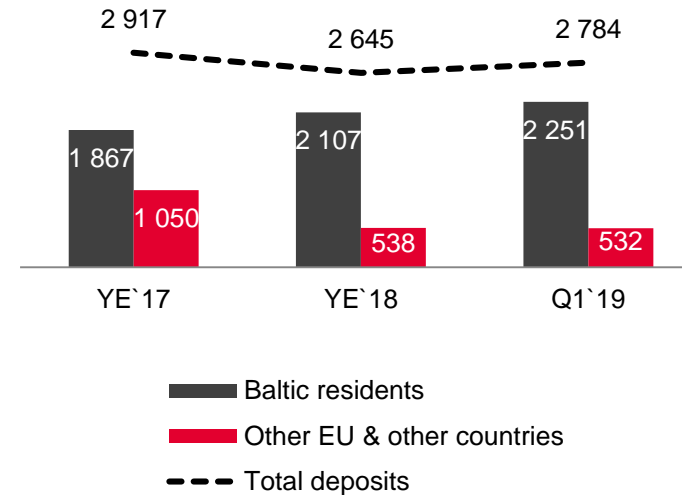
Deposits

Q1 2019 vs. YE 2018



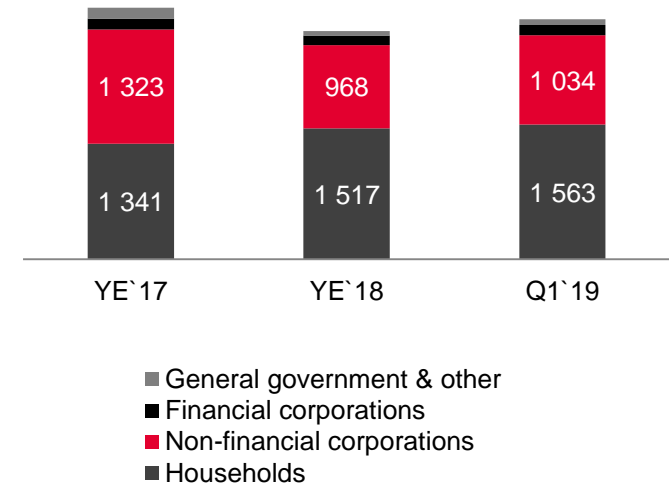
Increase of domestic deposits

YE 2017 - Q1 2019



Deposits by customer profile

YE 2017 - Q1 2019



Comment

Customer deposits increased by 5% vs YE 2018, and the growth came from Baltic residents which increased by EUR 144 million during Q1.

About us



>275,000
Active customers



88,000
Mobile App users



175,000
Internet Bank users

AWARDS

Bank with the best customer service in Latvia and Lithuania



More opportunities





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