



Citadele Group

H1 2019 results presentation

30 August 2019

**More
opportunities**

**=
Citadele**

Business environment

Despite worsened macro outlook, business sentiment in the Baltics is generally positive and consumer confidence is still improving.

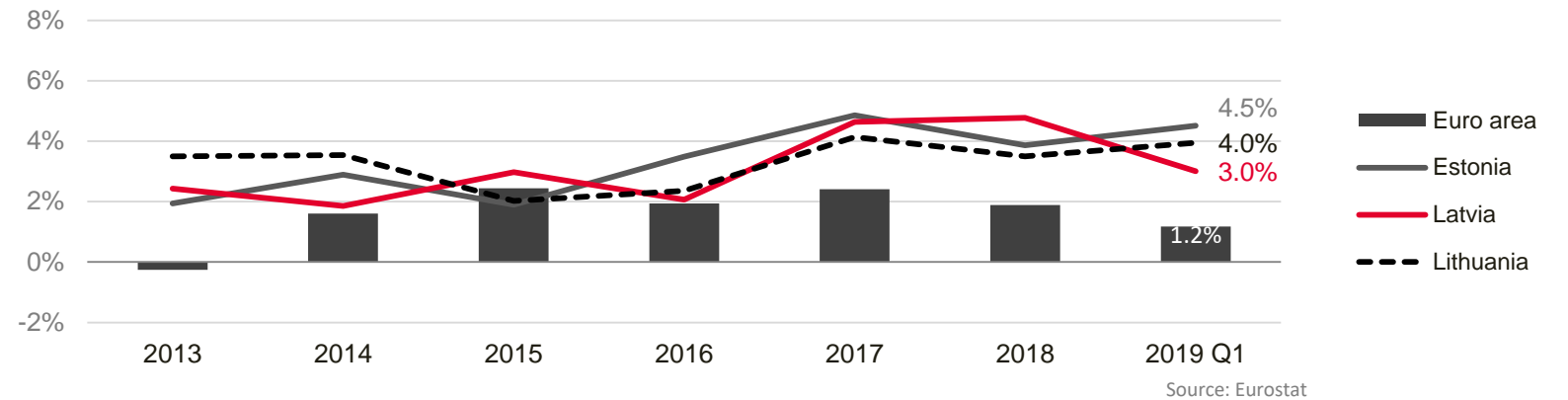
Stable growth maintained in Q2 as GDP in Latvia and Lithuania grew by 2.1% and 4.1% respectively, according to preliminary estimates.

Growth mainly driven by consumption and service sectors, as well as resilient manufacturing sector which has maintained solid growth despite weaker external demand.

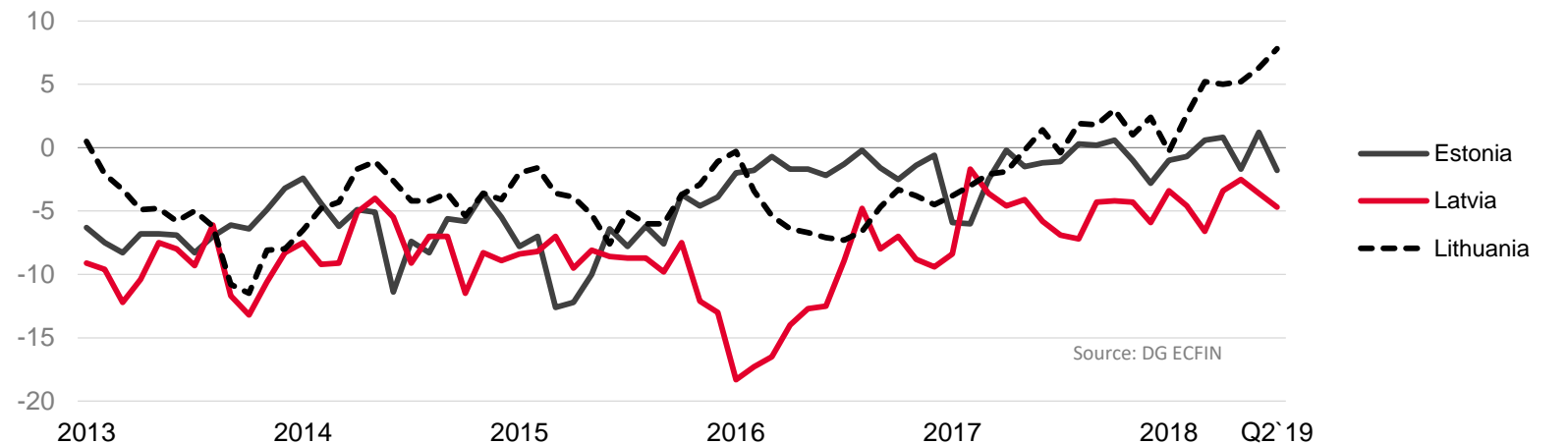
Retail sales continue to grow broadly in line with wages and are primarily led by durable goods and online shopping.

Construction cycle returned to more sustainable growth rates, mostly caused by EU funded investment is now expected to remain flat over the next few years. Demand in the private sector remains strong.

GROSS DOMESTIC PRODUCT, % YOY change



CONSUMER CONFIDENCE



Financial summary

Further improvements and upgrades in the Bank's range of digital products, resulting in increasing activity in digital channels.

Number of active customers exceeded 281 thousand clients as at the end of H1 2019.

The Group's net profit in H1 2019 was EUR 16.2 million, which translates into 10.5% annual return on equity.

Total loan portfolio increased by EUR 128 million (9% year-on-year) and reached EUR 1,488 million.

EUR 285 million issued in new loans to Baltic private, SME and corporate customers in H1 2019.

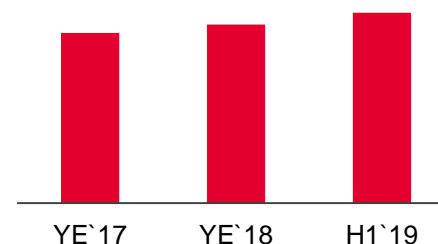
Domestic deposits increased by EUR 202 million.

	H1 2019	H2 2018	%	H1 2018	%
Operating income	60.9	64.0	(5%)	64.0	(5%)
Operating expenses	(41.4)	(42.4)	(2%)	(43.9)	(6%)
Net credit losses	(2.6)	(4.9)	(47%)	(2.1)	24%
Net profit	16.2	16.9	(4%)	18.0	(10%)
ROE	10.5%	11.7%	(1.2pp)	13.1%	(2.6pp)
C/I	67.9%	66.2%	1.7pp	68.5%	(0.6pp)
CAR	19.7%	20.1%	(0.4pp)	18.4%	1.3pp

€1,488m

Loans

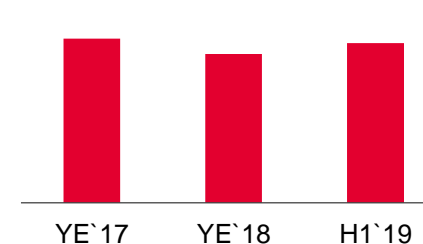
+7% vs YE`18



€2,836m

Deposits

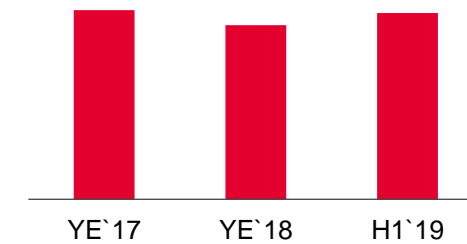
+7% vs YE`18



€3,266m

Assets

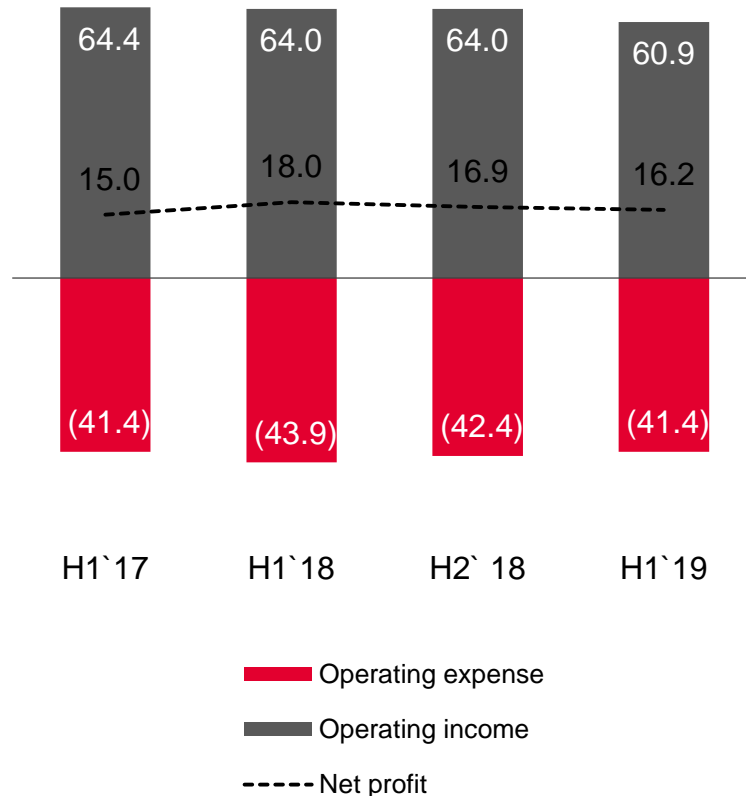
+7% vs YE`18



Financial highlights

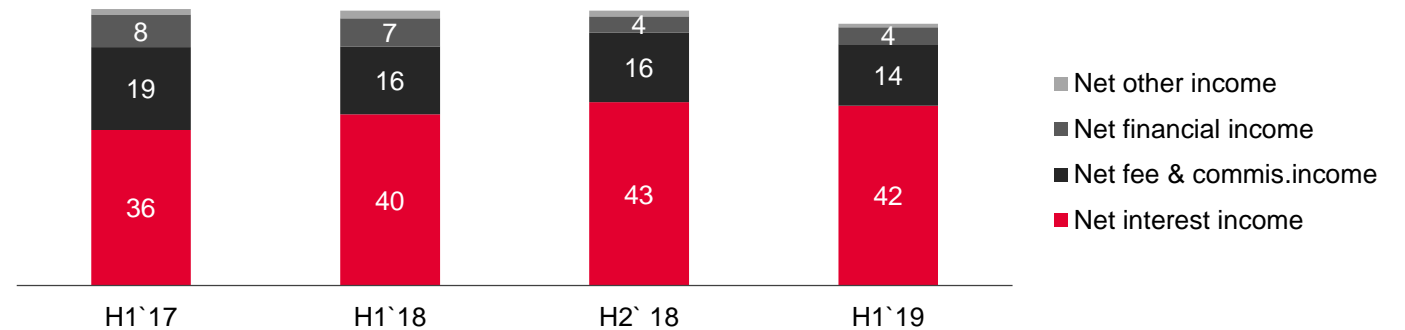
Financial result development

H1 2019 vs. previous periods



Operating income by revenue line

H1 2019 vs. previous periods

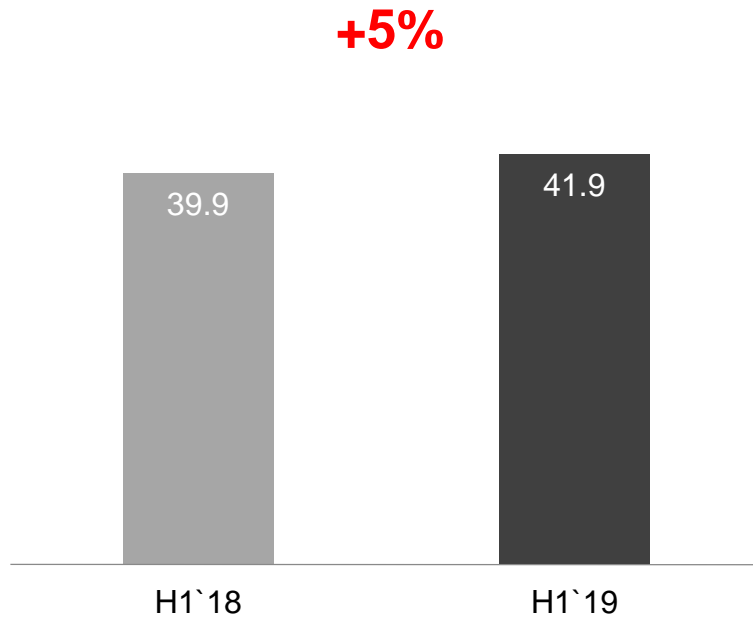


Comment

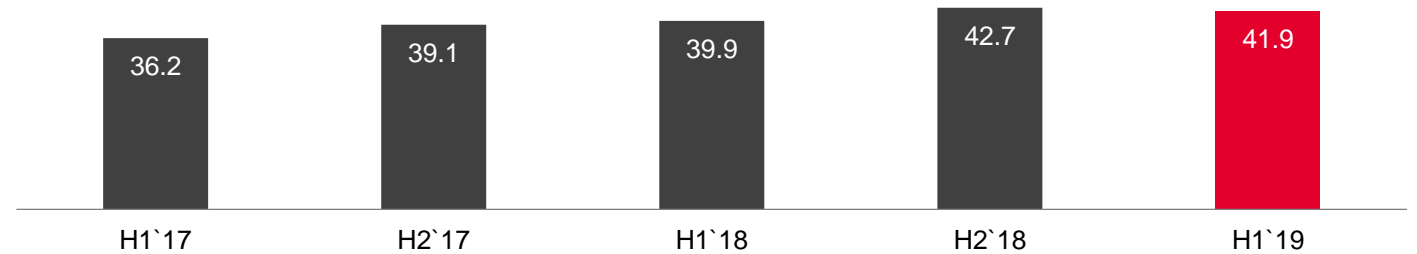
The Group's **operating income** reached EUR 60.9 million, a 5% decrease year-on-year, mainly due to lower income from currency exchange and payments commissions.

Net interest income development

Net interest income
H1 2019 vs. H1 2018



Net interest income development
H1 2017 - H1 2019

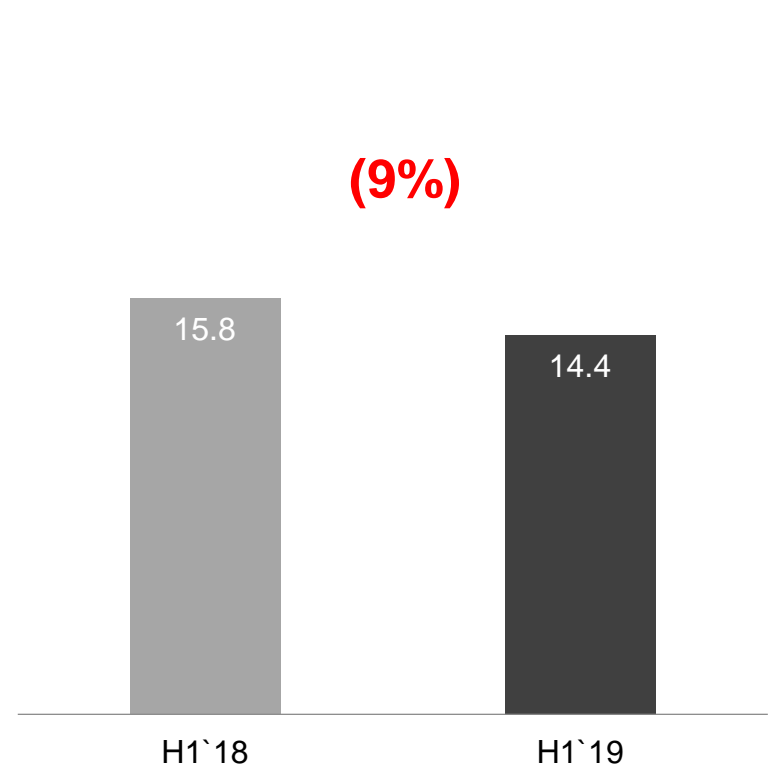


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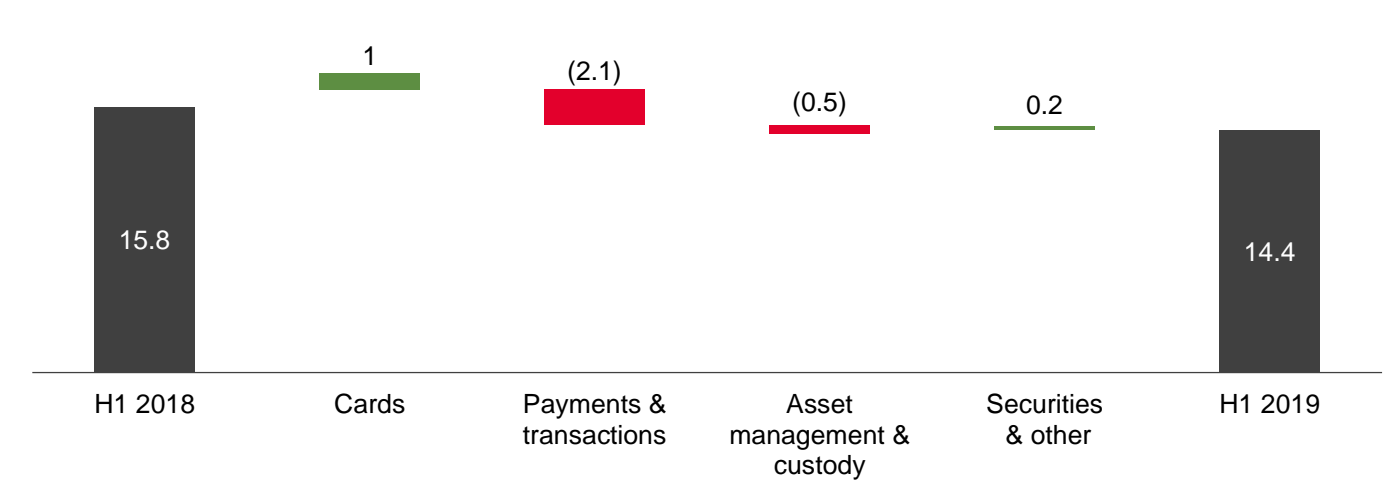
Net interest income reached EUR 41.9 million, a 5% increase year-on-year, primarily driven by loan portfolio growth of 9%. The loan portfolio increase was the result of increased business activities in all customer segments, with private and small business showing year-on-year net interest income increases of 18% and 19%, respectively.

Net fee and commission income development

Net fees and commissions
H1 2019 vs. H1 2018



Net fee and commission income development
H1 2018 vs. H1 2019

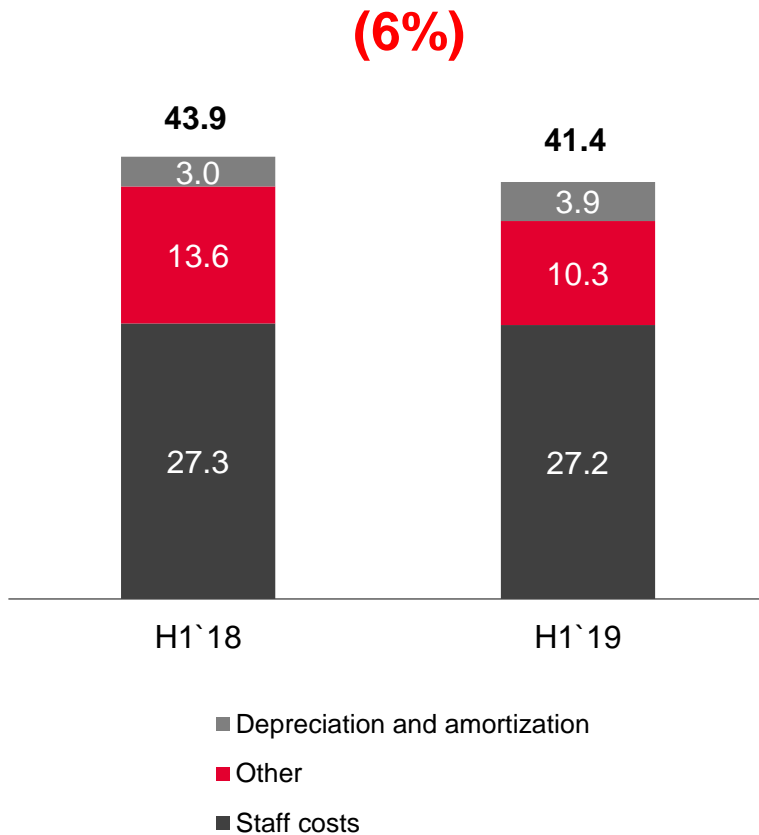


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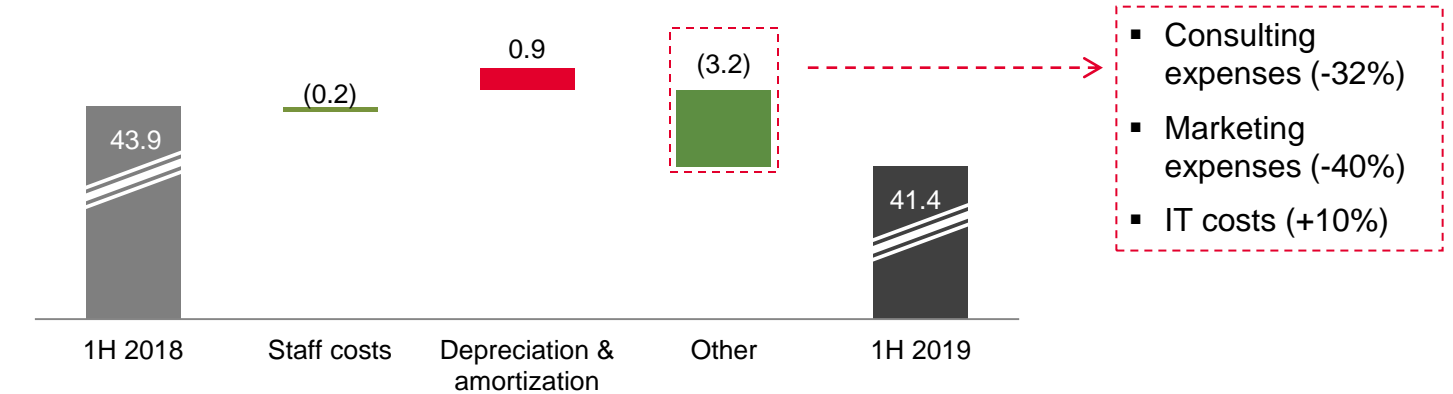
The Group's **net fee and commission income** in H1 2019 reached EUR 14.4 million, which was 9% lower than in H1 2018, mainly due to lower income from payments and transactions.

Operating expenses development

Operating expenses
H1 2019 vs. H1 2018



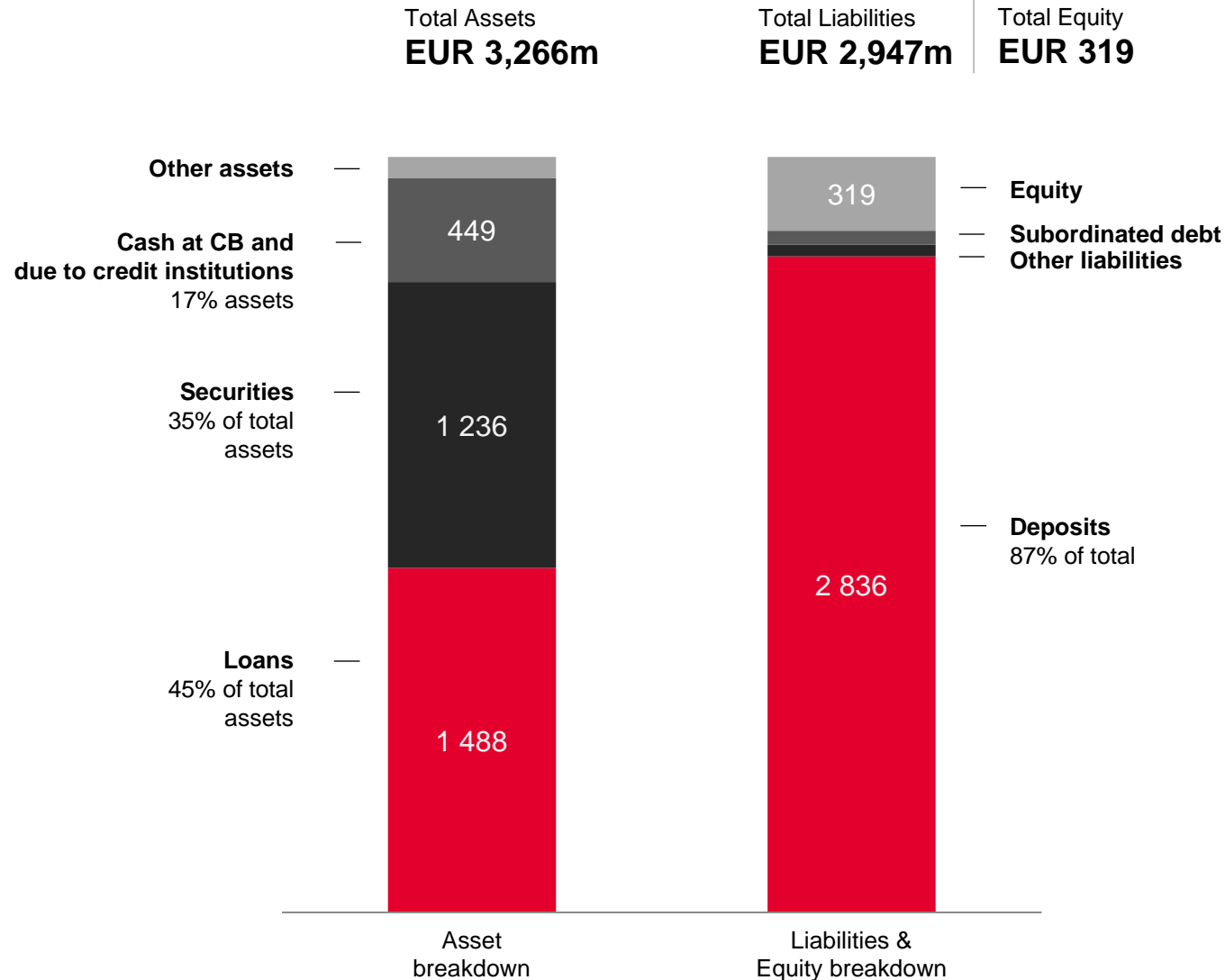
Operating expenses development
H1 2018 vs. H1 2019



Comment

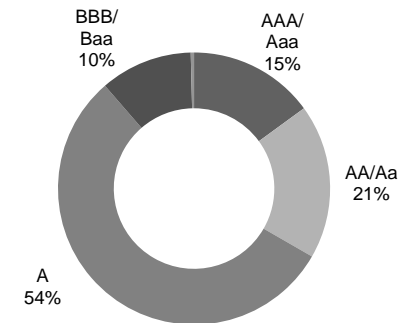
Operating expenses decreased by 6% in H1 2019 compared to the same period in 2018, mainly due to considerably lower consulting (-32%) and marketing expenses (-40%). Staff costs decreased by 1% and stood at EUR 27.2 million. The number of full time employees was 1,480 vs 1,492 as at year end 2018. Citadele continued to develop and launch innovative digital solutions and products, accordingly increasing IT costs that reached EUR 3.2 million in H1 2019 (10% increase year-on-year). Citadele's cost to income ratio was 67.9% for H1 2019 versus 69.1% in H1 2018.

Stable asset quality and strong balance sheet



Comment

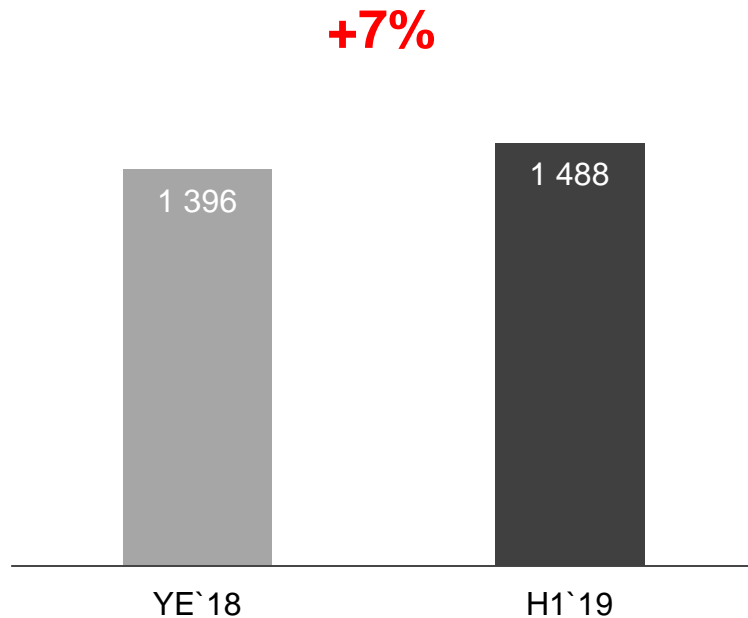
- The **total loan portfolio** grew by EUR 93 million (+7%) from the year end 2018, reflecting prudent lending standards and ambition to keep quality in the loan book.
- The **credit quality** of the Group's loan portfolio remained stable and there were no major individual provisions.
- The **securities portfolio** continues to have stable development in terms of yield and risk profile. 90% of debt securities are A or higher investment grade.
- The main source of funding, **Customer deposits**, grew by 7% vs YE 2018 with the growth coming from Baltic residents segment which increased by EUR 202 million during H1 2019.



Balance sheet overview

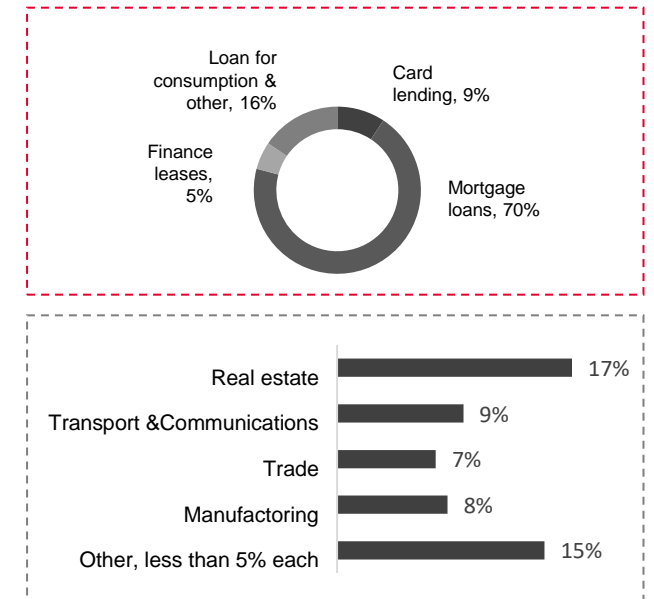
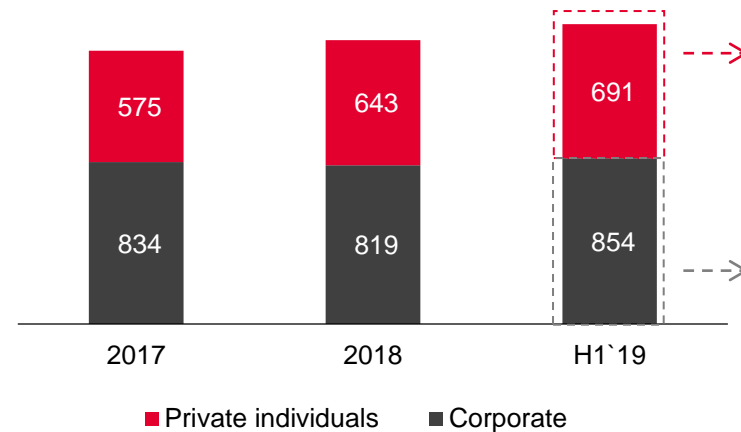
Loans

H1 2019 vs. YE 2018



Gross loans by customer profile

YE 2017 - H1 2019



Comment

No major changes in **industry concentrations** occurred during H1 2019. Loans to Households represent 45% of the portfolio, where mortgages have experienced a stable increase in recent years and increased by 9% in H1 2019. Consumer loans and card lending have increased by 12% and 9%, respectively, since year end 2018. The main industry concentrations are Real estate (17% of total gross loans), Transport and communications (9%) and Manufacturing and Trade (8% and 7%, respectively). New lending for H1 2019 reached EUR 285 million.

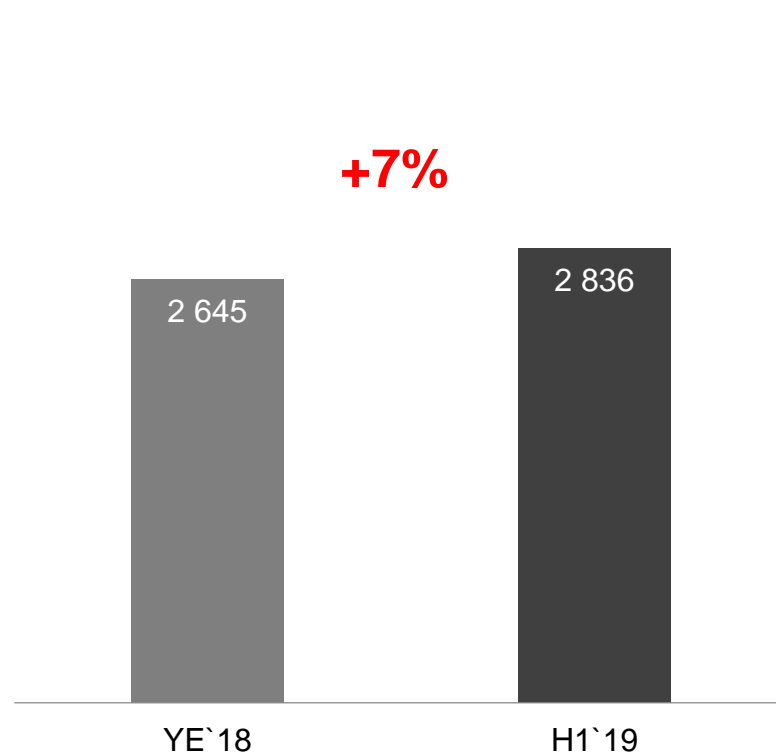
More opportunities



Balance sheet overview

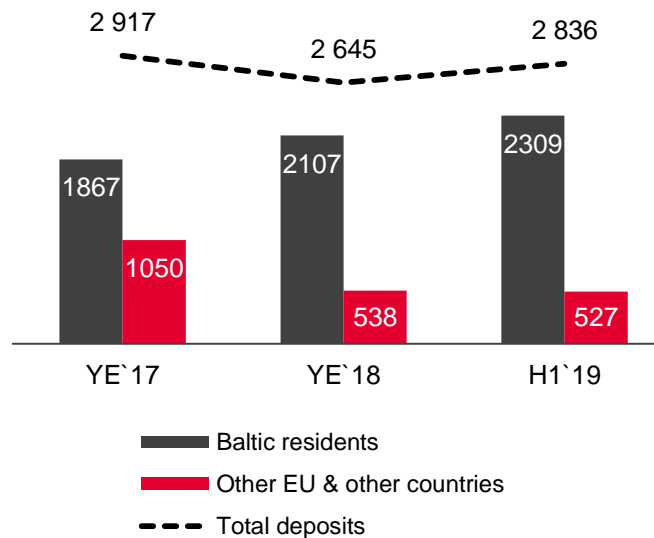
Deposits

H1 2019 vs. YE 2018



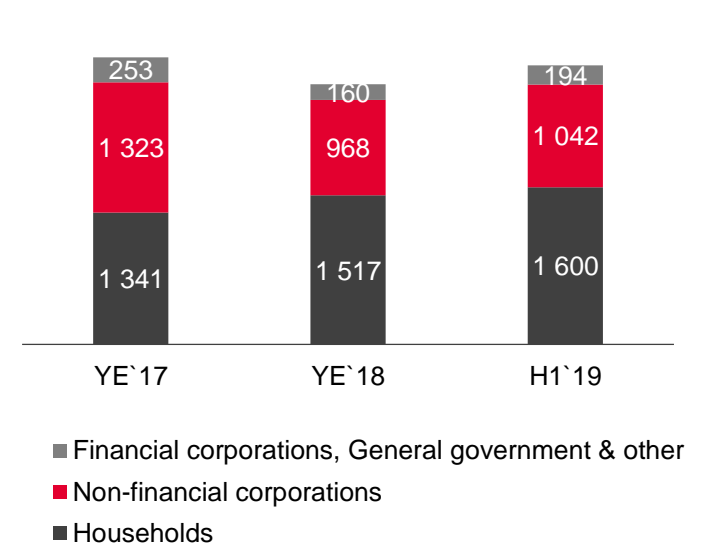
Increase of domestic deposits

YE 2017 - H1 2019



Deposits by customer profile

YE 2017 - H1 2019



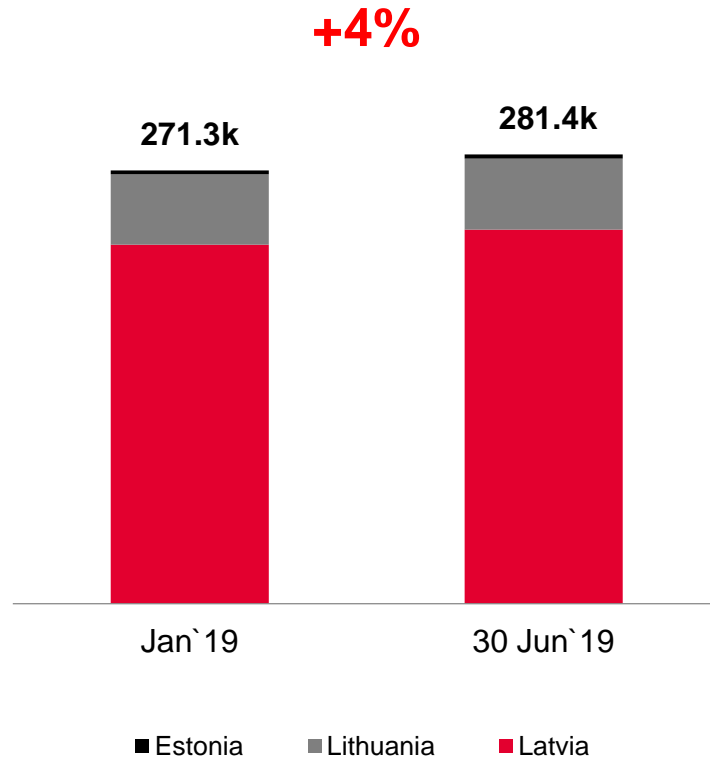
Comment

The main source of funding, **customer deposits**, grew by 7% vs year end 2018, with growth coming from Baltic residents that increased by EUR 202 million during H1 2019. As of 30 June 2019, total Group customer deposits were EUR 2,836 million.

Customer overview

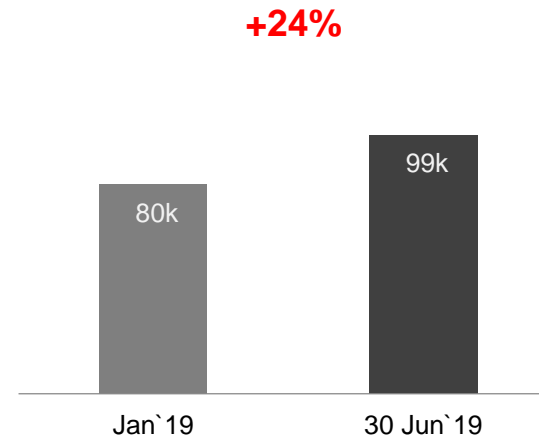
Active customers

H1 2019 vs. beginning of year



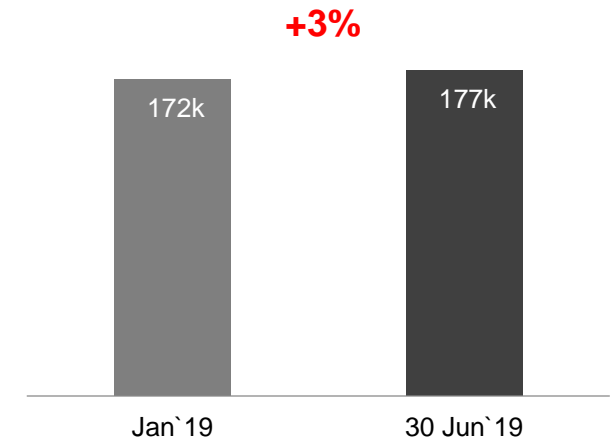
Mobile App users

H1 2019 vs. beginning of year



Internet bank users

H1 2019 vs. beginning of year



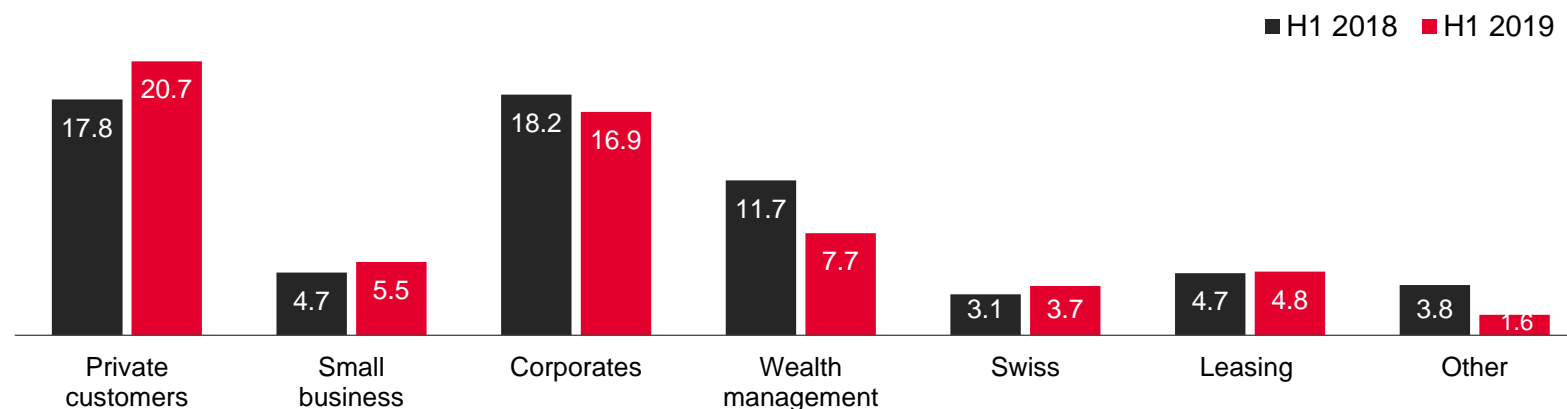
Comment

Number of active customers increased by 4% since beginning of year, reaching 281 thousand clients. Mobile App users and Internet bank customers increased since beginning of year by 24% and 3% respectively, reaching 99 thousand active MobileApp users and 177 thousand active Internet Bank customers.

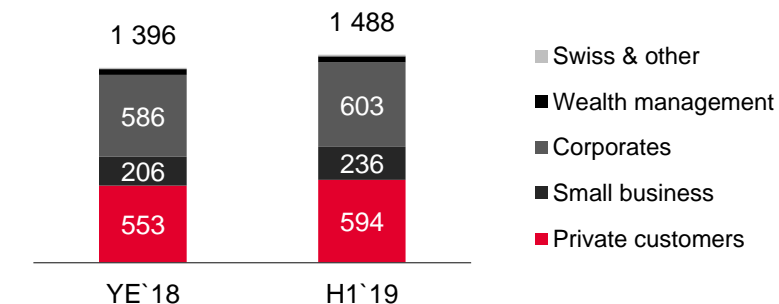
Segment overview

H1 2019	Private customers	Small business	Corporates	Wealth management	Swiss	Leasing	Other	Total
Net interest income	17.7	3.1	14.8	0.1	1.6	4.9	(0.4)	41.9
Net fee & commission income	2.5	2.2	1.8	6.0	1.8	0.0	0.1	14.4
Net financial income	0.4	0.3	0.2	1.7	0.4	0.0	1.0	3.9
Net other income	0.1	0.0	0.0	0.0	0.0	(0.1)	0.8	0.8
Operating income	20.7	5.5	16.9	7.7	3.7	4.8	1.6	60.9

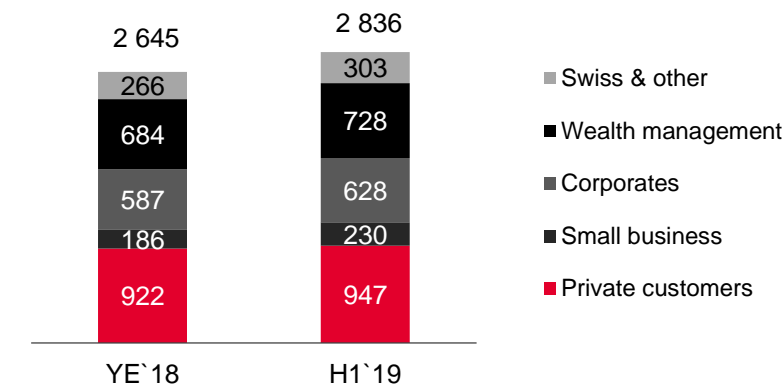
Operating income by segment H1`19 vs H1`18, EURm



Loans H1`19 vs YE`18



Deposits H1`19 vs YE`18



About us



**>281,000
Active customers**



**99,000
Mobile App users**



**177,000
Internet Bank users**

AWARDS

Bank with the best customer service in Latvia and Lithuania



More opportunities





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