



Citadele Group

9 months Results Presentation

22 November 2019

**More
opportunities**

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Business environment

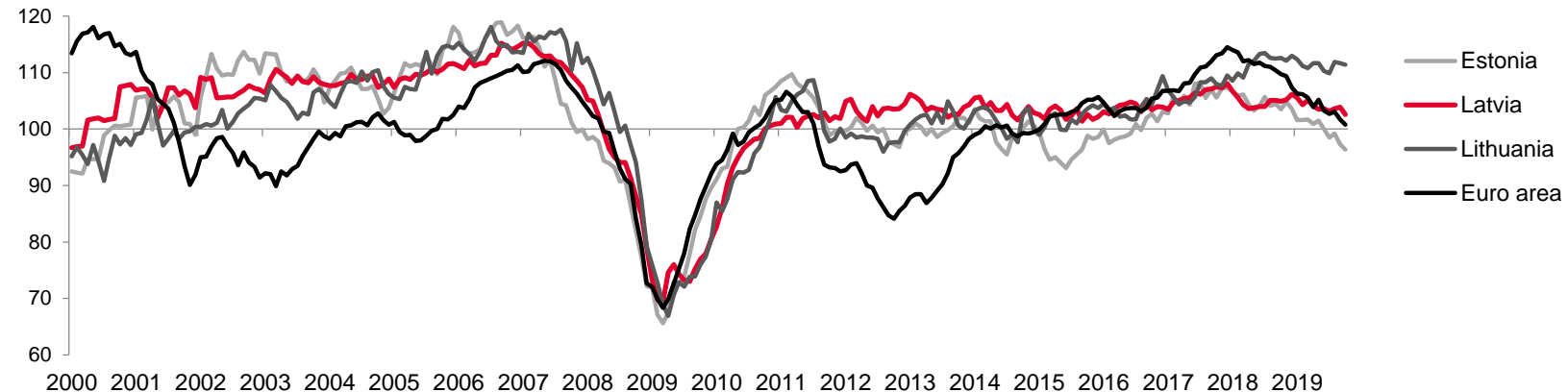
The external economic environment for the Baltic region is becoming increasingly more challenging. Growth in the global economy is slowing, manufacturing confidence has turned negative in the euro area, and US/ global trade is falling for the first time since 2009.

Despite the weak external environment, growth in Lithuania and Estonia remained solid, while in Latvia annual real GDP growth rebounded to 2.8% in Q3, up from less than 2%. Mainly due to the good harvest in agriculture, as well as improvements in the energy sector.

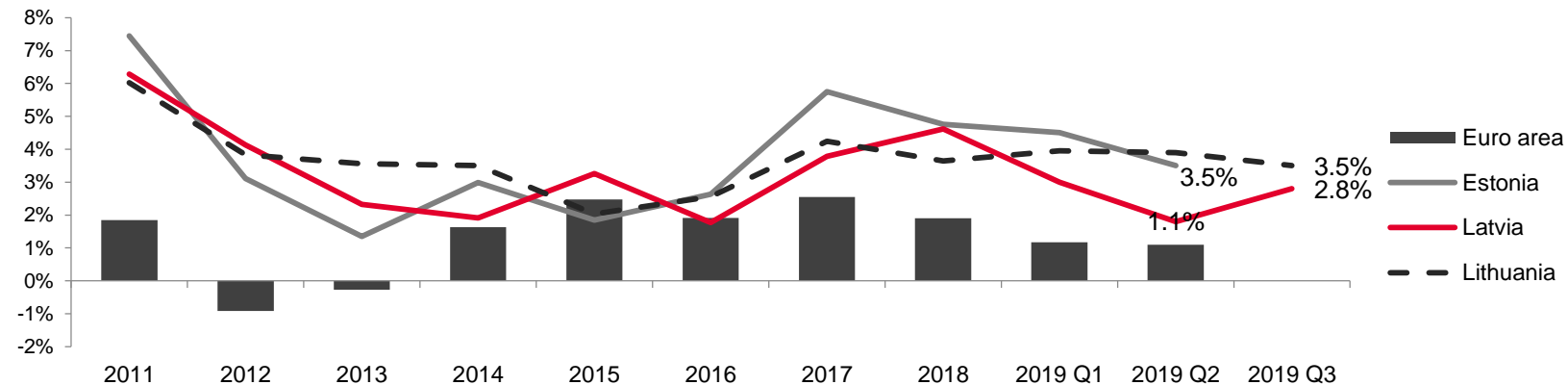
Growth in the Baltics is increasingly reliant on domestic consumption and Business & IT services, as manufacturing is increasingly felling the slowdown from external markets.

Unemployment in the Baltics is now below 6.5%, and income growth remains close to 8% as wages grow across almost all sectors and income levels.

ECONOMIC SENTIMENT INDEX



GROSS DOMESTIC PRODUCT, % YOY change



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 reached 299 thousand clients as at the end of Q3 2019.

The Group's net profit for 9 months in 2019 was EUR 27.2 million, 10% higher than previous year.

Total loan portfolio increased by EUR 118 million (8%) from the year end 2018, and reached EUR 1,514 million

EUR 437 million issued in new loans to Baltic private, SME and corporate customers and Baltic deposits increased by EUR 415 million during first 9 months 2019.

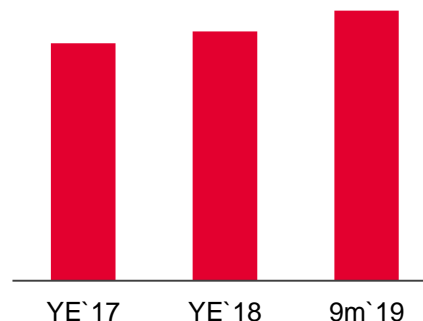
Citadele was appointed to execute the payments of guaranteed compensation to the customers of JSC "PNB Banka".

	9m 2019	9m 2018	%	9m 2017	%
Operating income	92.9	95.7	(3%)	96.8	(4%)
Operating expenses	(62.0)	(63.3)	(2%)	(59.9)	4%
Net credit losses	(2.7)	(7.4)	(64%)	(8.4)	68%
Net profit	27.2	24.7	10%	2.6	n/a
ROE	11.6%	11.9%	(0.3pp)	1.4%	10.2pp
C/I	66.7%	66.1%	0.6pp	61.9%	4.8pp
CAR	20.6%	18.3%	2.3pp	17.0%	3.6pp

€1,514m

Loans

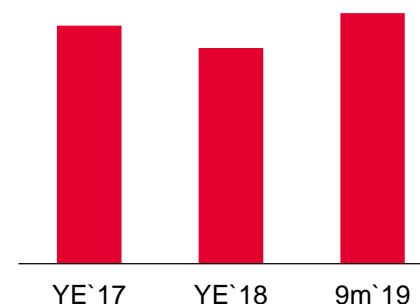
+8% vs YE`18



€3,071m

Deposits

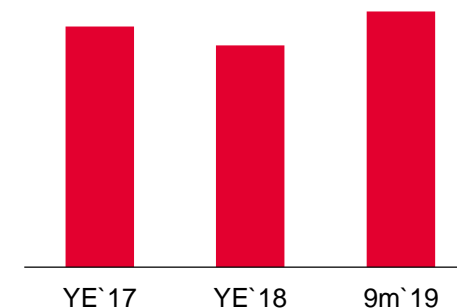
+16% vs YE`18



€3,518m

Assets

+15% vs YE`18



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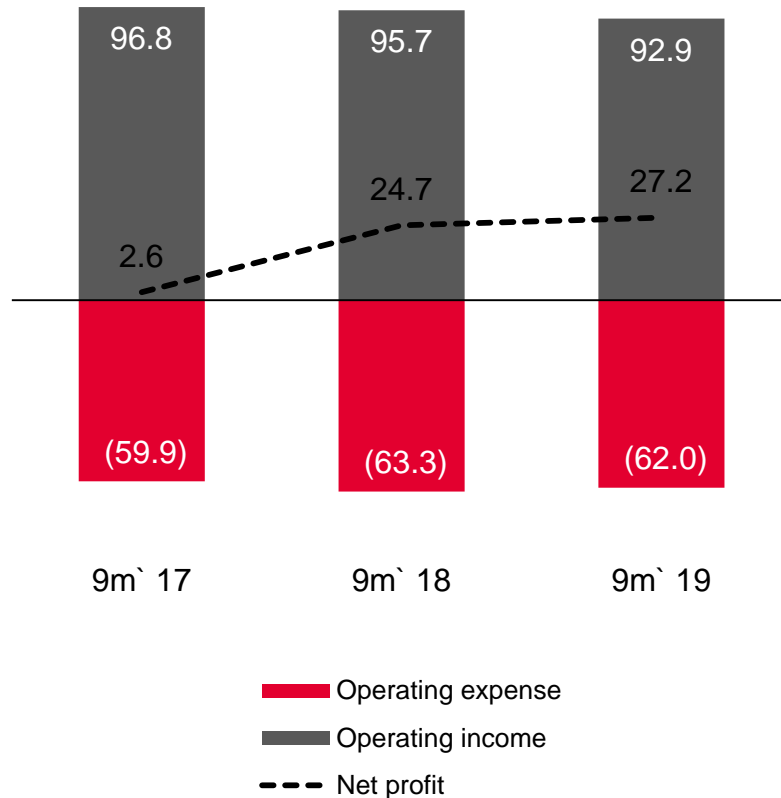
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Financial highlights

Financial result development

9m 2019 vs. previous periods

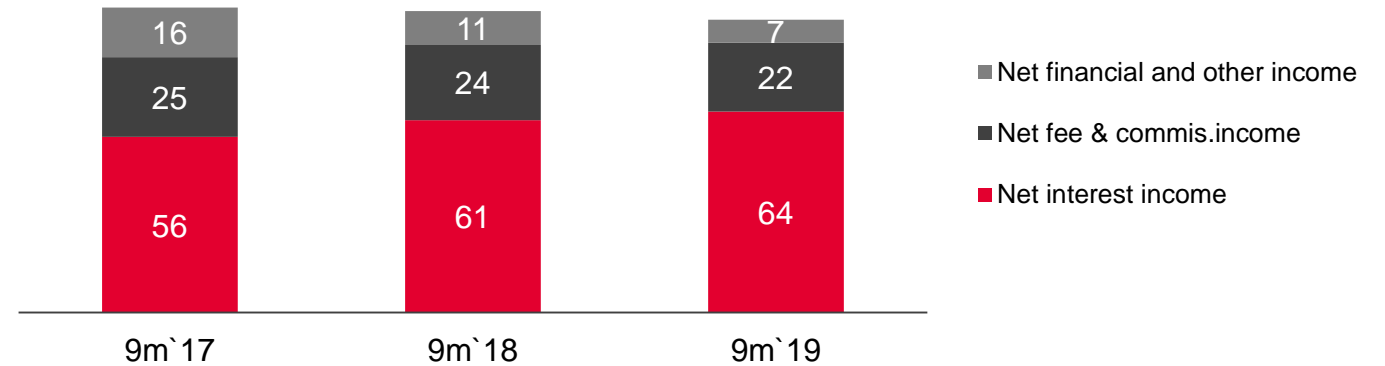
EURm



Operating income by revenue line

9m 2019 vs. previous periods

EURm



Comment

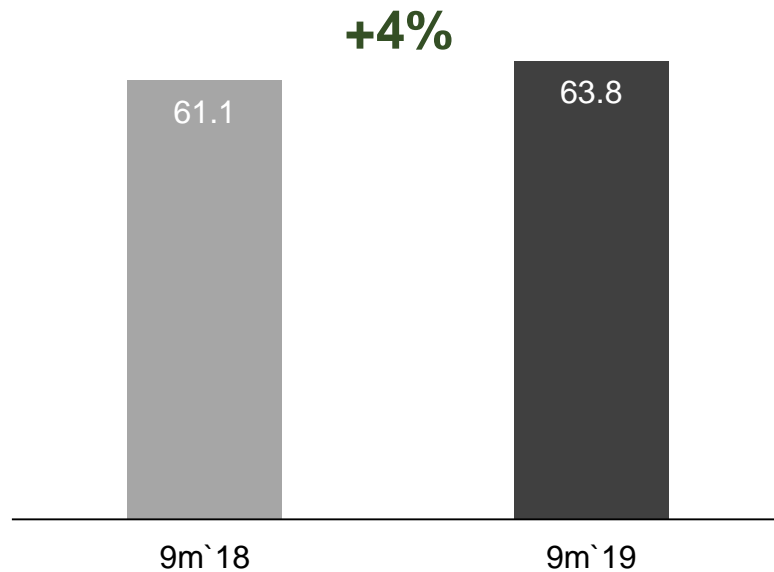
The Group's **operating income** reached EUR 92.9 million, a 3% decrease year-on-year, mainly due to lower income from currency exchange and payments commissions.

Net interest income development

Net interest income

9m 2019 vs. 9m 2018

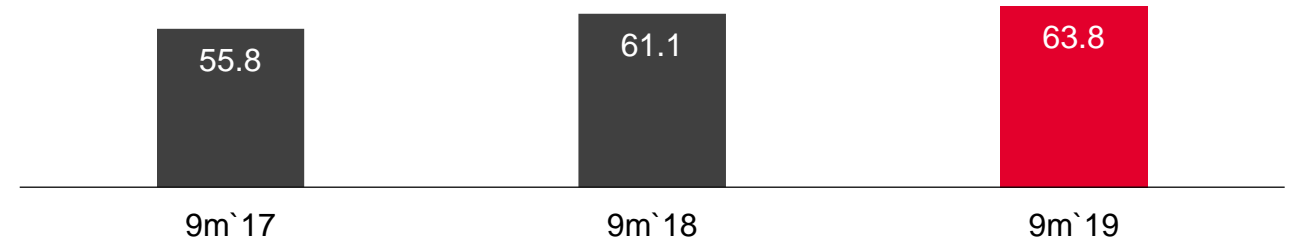
EURm



Net interest income development

9m 2017 – 9m 2019

EURm



Comment

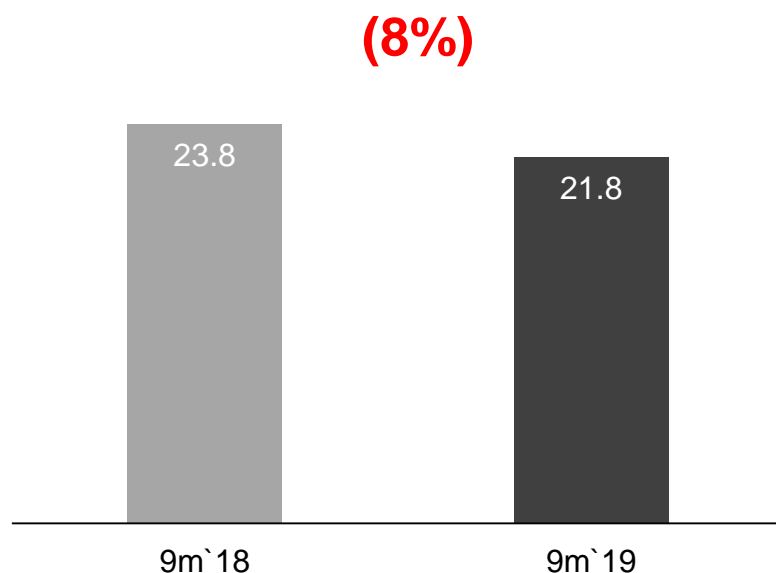
Net interest income reached EUR 63.8 million, a 4% increase year-on-year, primarily driven by loan portfolio growth of 10%. The loan portfolio increase was the result of increased business activities in all customer segments, with private and small business showing year on-year net interest income increases of 15% and 19%, respectively.

Net fee and commission income development

Net fees and commissions

9m 2019 vs. 9m 2018

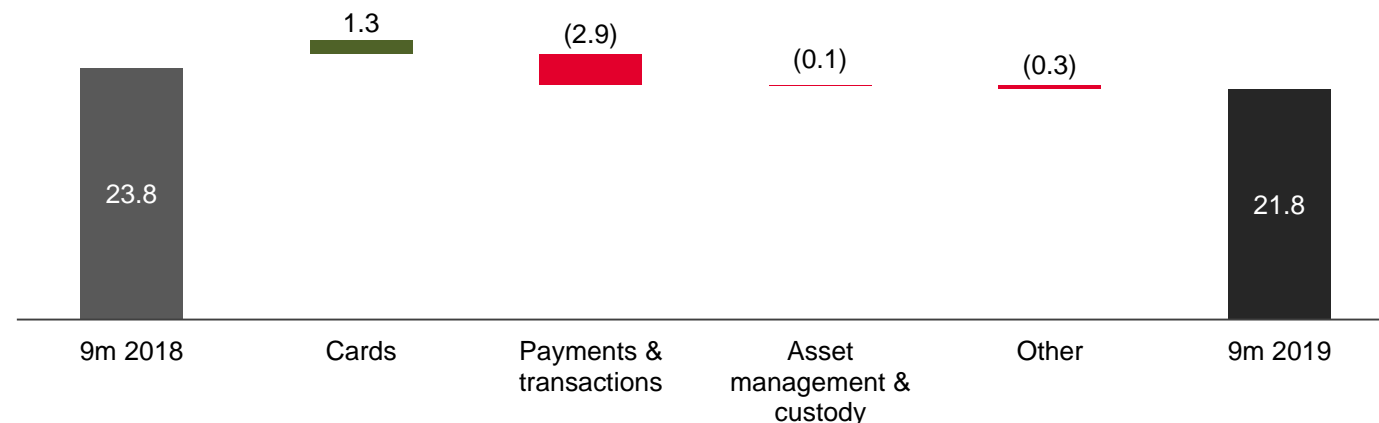
EURm



Net fee and commission income development

9m 2018 vs. 9m 2019

EURm



Comment

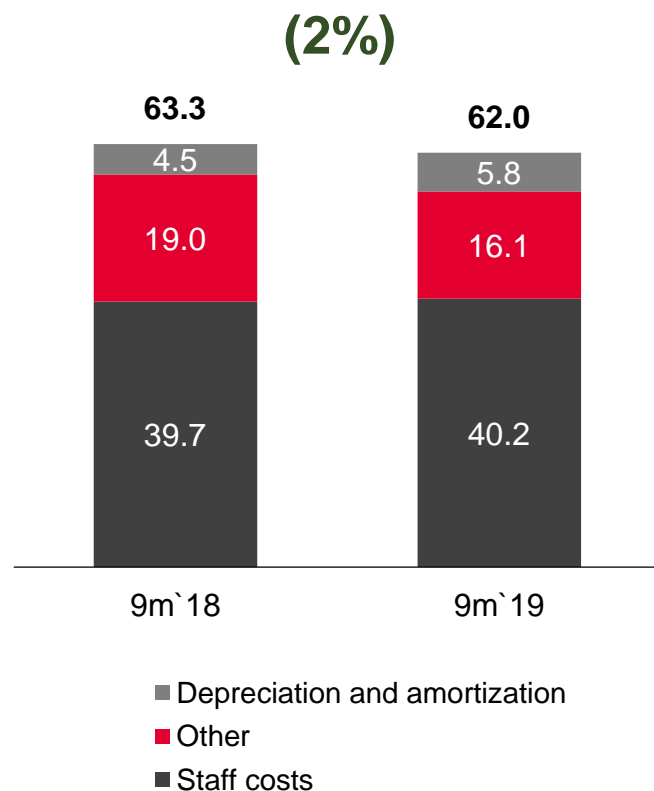
The Group's **net fee and commission income** during first 9 months of 2019 reached EUR 21.8 million, which is a decrease by 8% compared to same period in 2018, mainly due to lower income from payments and transactions.

Operating expenses development

Operating expenses

9m 2019 vs. 9m 2018

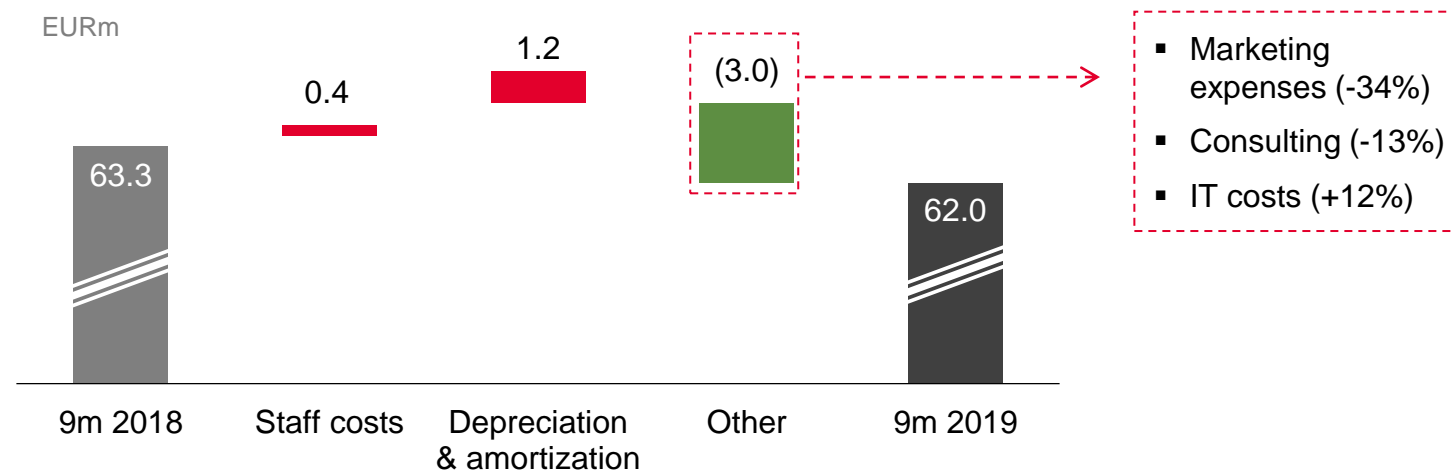
EURm



Operating expenses development

9m 2018 vs. 9m 2019

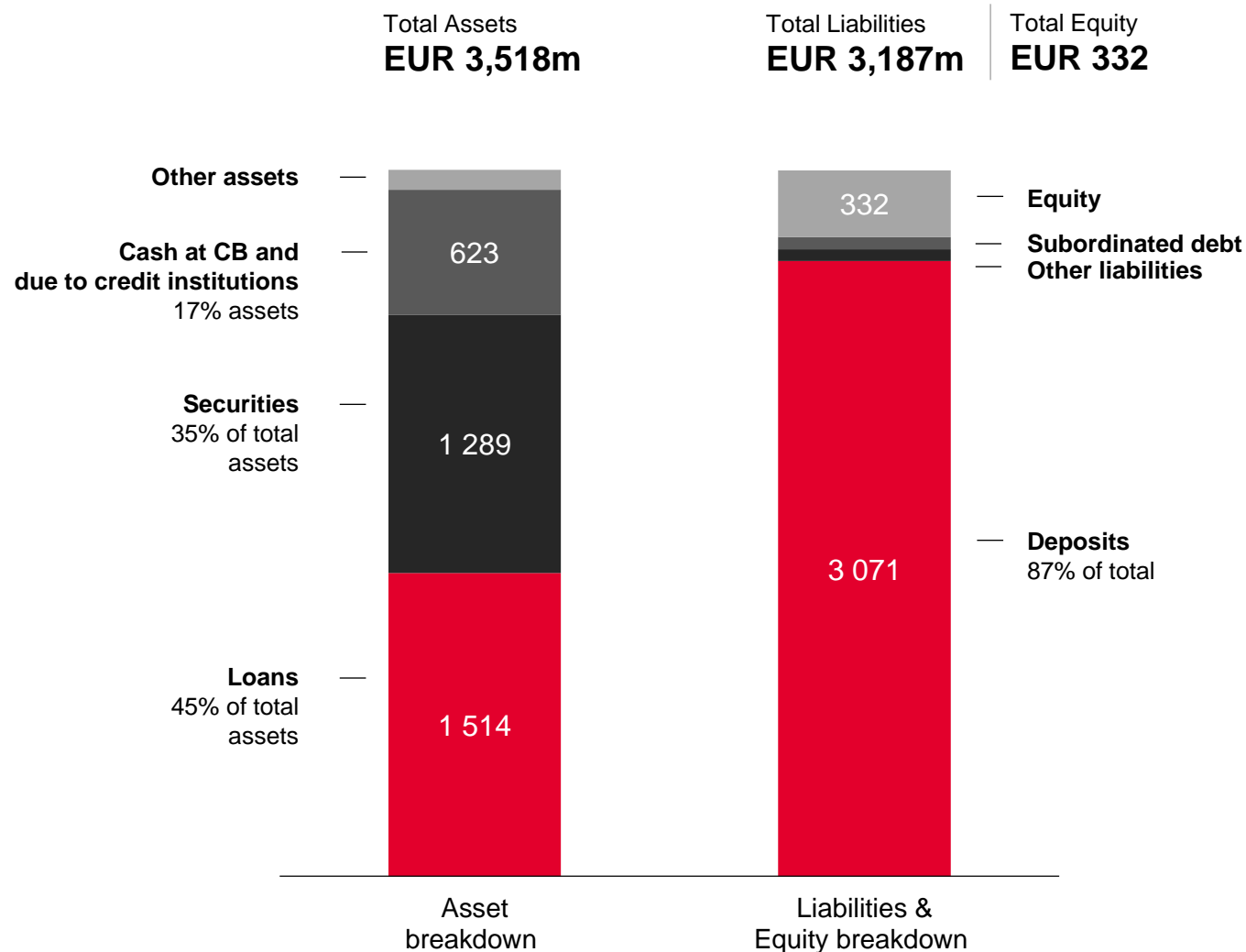
EURm



Comment

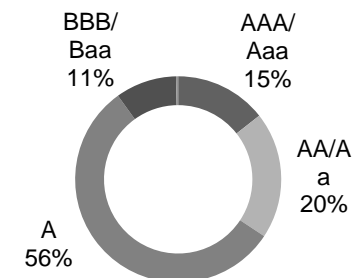
Operating expenses decreased by 2% compared to the same period in 2018, mainly due to considerably lower marketing expenses (-34%) and consulting (-13%). Staff costs increased by 1% and stood at EUR 40.2 million. The number of full time employees was 1,405 vs 1,492 as at year end 2018. Citadele continued to develop and launch innovative digital solutions and products, as IT costs reached EUR 4.8 million, a 12% increase year-on year.

Stable asset quality and strong balance sheet



Comment

- The **total loan portfolio** grew by EUR 118 million (+8%) 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 **NPL ratio** decreased to 6.0 % as of 30 September, compared to 9.1% YE 2018
- The main source of funding, **Customer deposits**, grew by 16% year to date with the growth coming from Baltic residents segment which increased by EUR 415 million.



**More
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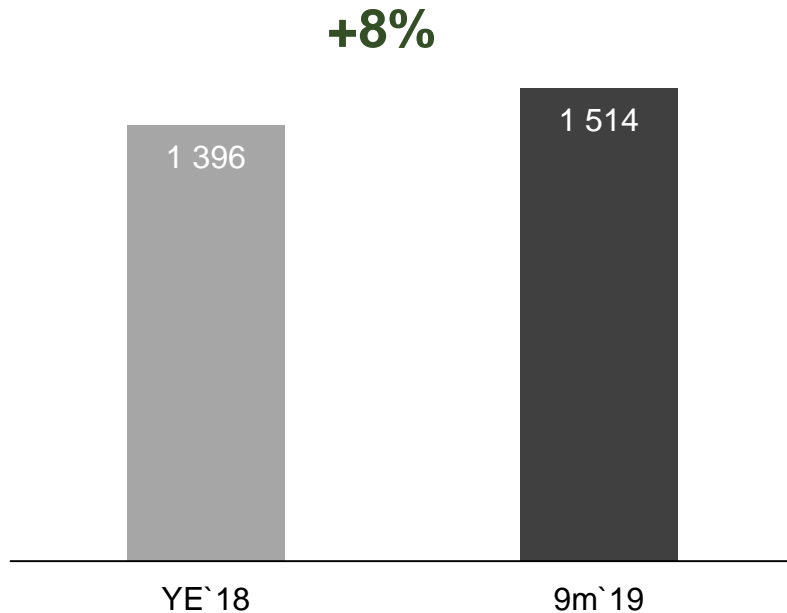
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Balance sheet overview

Loans

9m 2019 vs. YE 2018

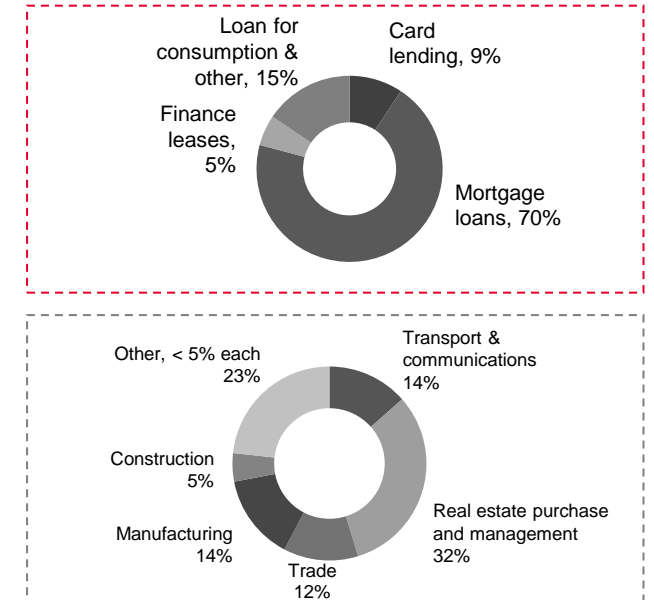
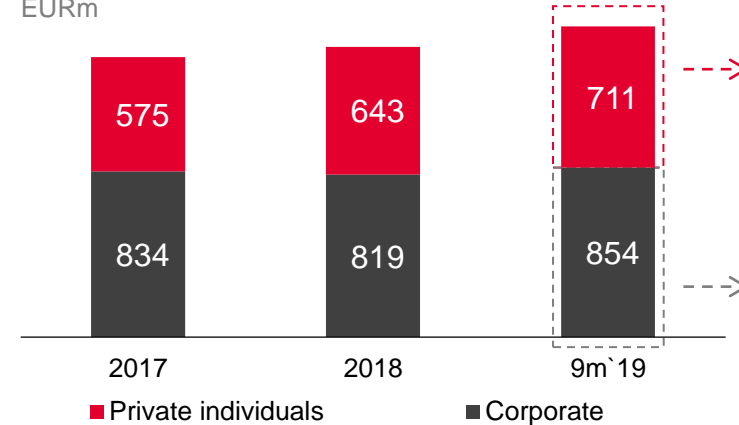
EURm



Gross loans by customer profile

YE 2017 – 9m 2019

EURm



Comment

No major changes in **industry concentrations** occurred during 9 months 2019. Loans to Households represent 45% of the portfolio, where mortgages have experienced a stable increase in recent years and increased by 14% year to date. Consumer loans and card lending have increased by 18% and 11%, respectively, since year end 2018. The main industry concentrations are Real estate (17% of total gross loans), Transport and communications (7%) and Manufacturing and Trade (8% and 7%, respectively). New lending for 9 months 2019 reached EUR 437 million.

More
opportunities

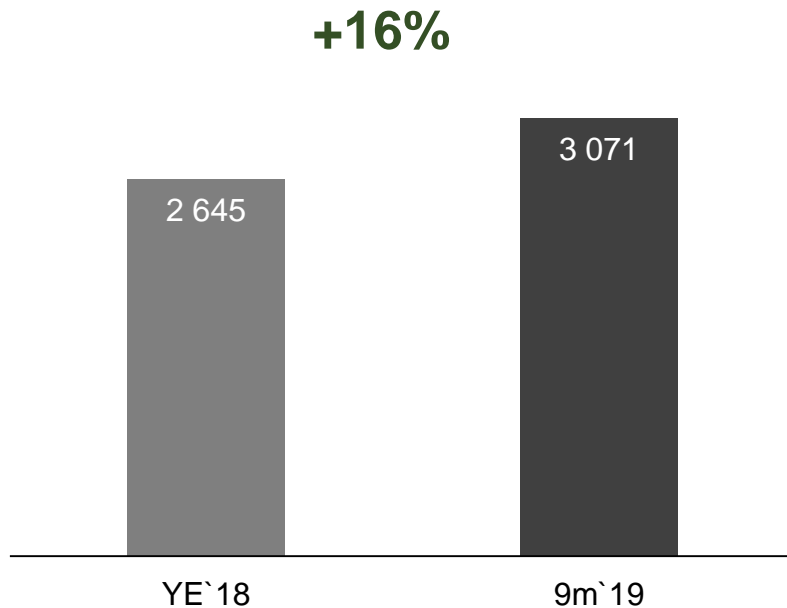
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Balance sheet overview

Deposits

9m 2019 vs. YE 2018

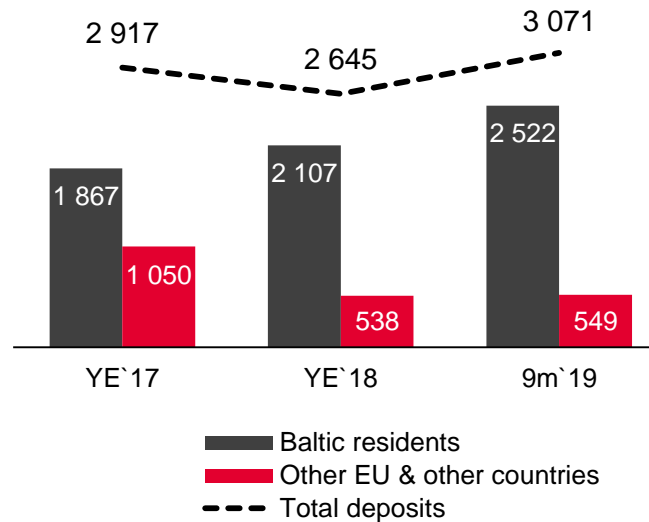
EURm



Increase of domestic deposits

YE 2017 – 9M 2019

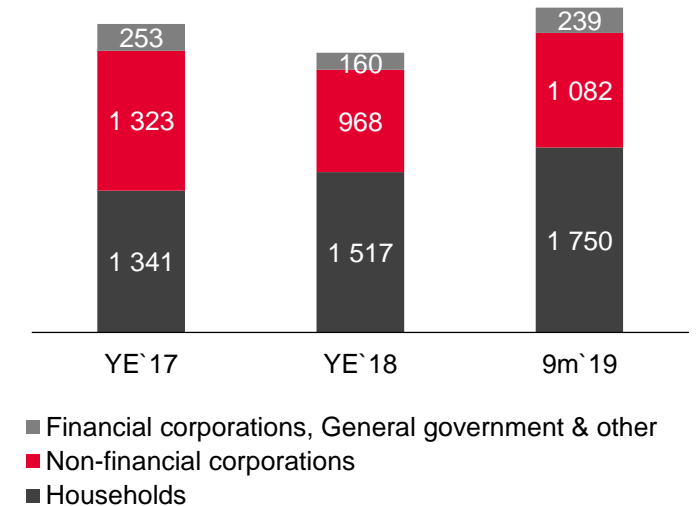
EURm



Deposits by customer profile

YE 2017 – 9M 2019

EURm



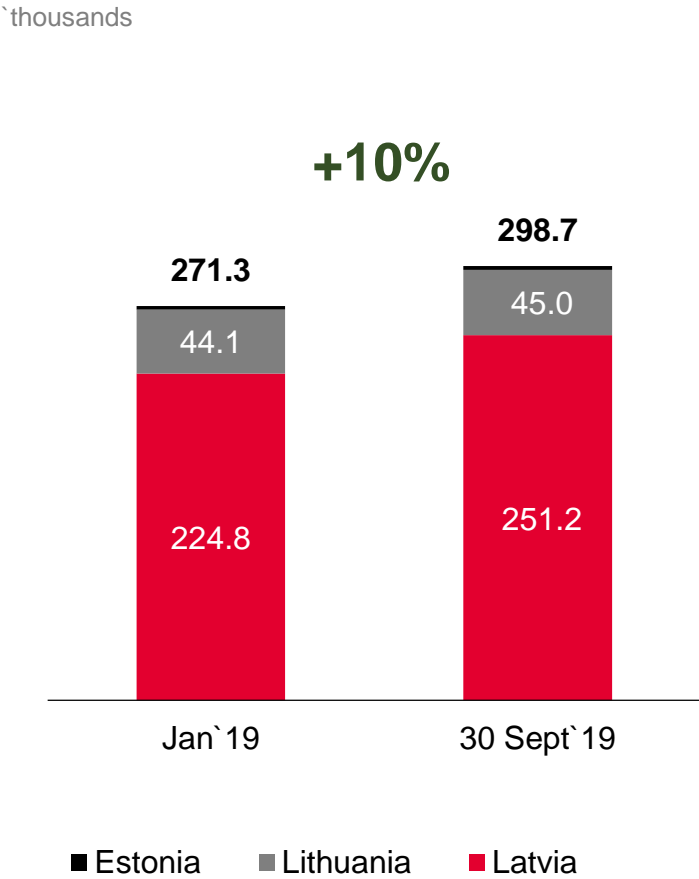
Comment

The main source of funding, **customer deposits**, grew by 16% vs year end 2018, with growth coming from Baltic residents that increased by EUR 415 million during the first 9 months of 2019. As of 30 September 2019, total Group customer deposits were EUR 3,071 million.

Customer overview

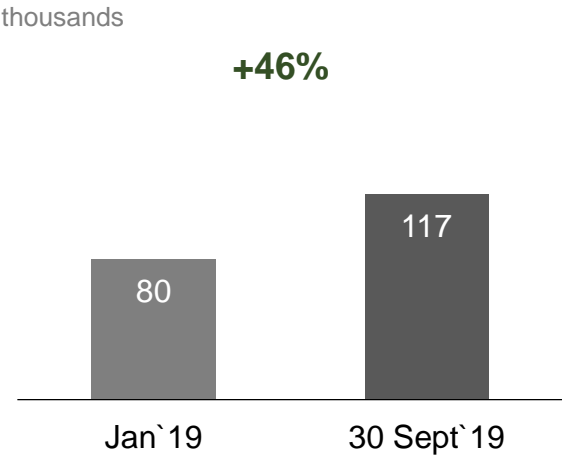
Active customers

9m 2019 vs. beginning of year



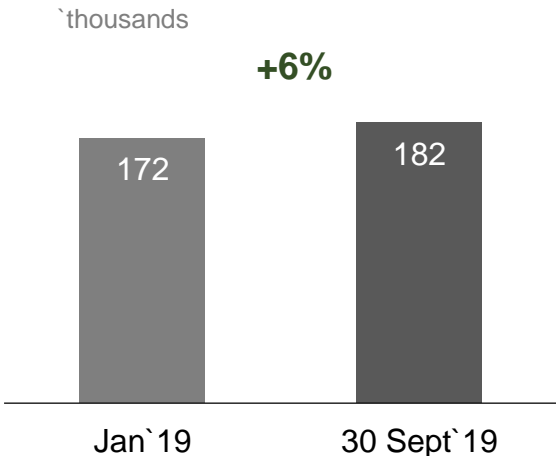
Mobile App users

9m 2019 vs. beginning of year



Internet bank customers

9m 2019 vs. beginning of year



Comment

Number of active customers increased by 10% since beginning of year, reaching 299 thousand clients. Mobile App users and Internet bank customers increased since beginning of year by 46% and 6% respectively, reaching 117 thousand active MobileApp users and 182 thousand active Internet Bank customers.

Segment overview

9m 2019	Private customers	Small business	Corporates	Wealth	Swiss	Leasing	Other	Total
Net interest income	27.3	5.0	22.2	0.1	2.3	7.5	(0.6)	63.8
Net fee & commission income	4.2	3.3	2.7	8.8	2.7	0.1	0.3	21.8
Net financial income	0.6	0.5	0.5	2.4	0.6	(0.0)	1.3	5.8
Net other income	0.2	0.0	0.1	(0.0)	-	(0.2)	1.4	1.4
Operating income	32.2	8.8	25.4	11.2	5.6	7.4	2.3	92.9

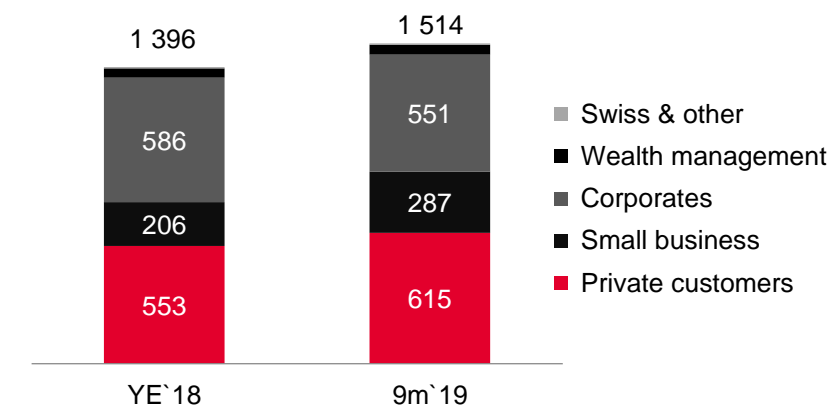
Operating income by segment

9m19 vs 9m`18, EURm



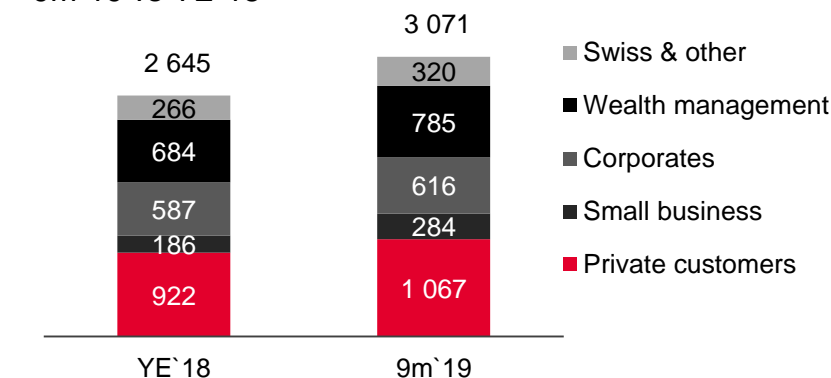
Loans

9m`19 vs YE`18



Deposits

9m`19 vs YE`18



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About us



>299,000
Active customers




117,000
Mobile App users



182,000
Internet Bank users

AWARDS

Bank with the best customer service in Latvia and Lithuania

 **Dive** The Customer Service Improvement Company

More opportunities

= Citadele



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