



# Citadele Group

Results Presentation  
Year 2019

**More  
opportunities**

**≡  
Citadele**

# Business environment

## Growth in the Baltics remains strong, but sentiment is declining

The Baltic region continues to grow faster than the euro area, despite the slowing global economy. In Lithuania and Estonia, annual real GDP growth in 2019 remained close to 4%. Growth in Latvia declined to 2.1%. Despite the still solid GDP growth, economic sentiment in the Baltics has begun to decline.

The growth slowdown in Latvia in 2019 was mainly impacted by internal factors and one-off issues, such as bad weather conditions in the energy sector, a fall in lumber prices, a drop in transit volumes, tight fiscal policy, problems in banking sector and a reduction in cross border trade as a result of changes in Estonian tax policy.

## Weak external demand in export sectors

The manufacturing sectors' growth in the Baltics in 2019, have been stronger than elsewhere in the euro area, indicating that Baltic manufacturers remain competitive. However, the volume of new industrial orders has declined significantly, and export growth in the Baltic States slowed down in the second half of 2019.

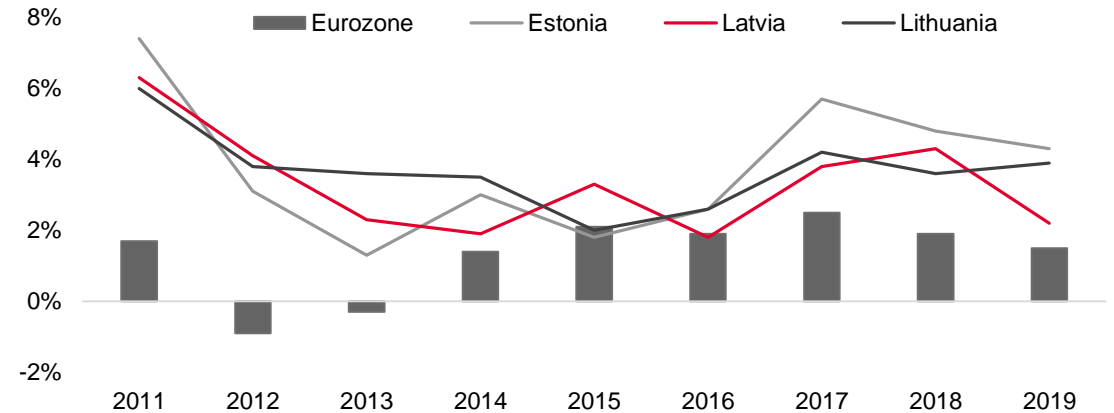
Manufacture of fabricated metal products, electrical equipment, as well as computers and optical equipment are still the fastest growing manufacturing industries in the Baltics, with output growth of over 10% in almost all Baltic countries during 2019.

## Domestic consumption remains strong

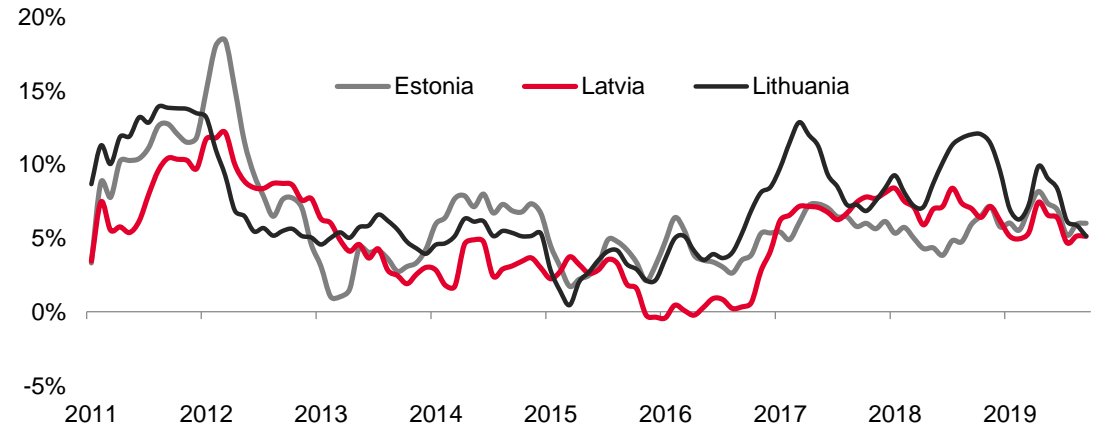
Domestic consumption remains one of the main drivers of economic growth in the Baltics. However, in the second half of the year, annual retail sales growth in euro terms has decreased slightly from 6-8% in the first half of 2019 to 4-5% in the last months of the year. Growth rates have declined most rapidly in Latvia, partly due to the decline in alcohol sales following the reduction of excise duty tax in Estonia.

Consumer sentiment remains strong, unemployment in the Baltics is declining and average wages in the Baltics have risen by about 8% in 2019. Consumer price inflation is also moderate within the range of 2-3%.

## Real GDP, % YoY



## Retail trade turnover, EUR % YoY (3 MA)



More opportunities



# Key figures and events of the Group

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

Number of active customers reached 313 thousand clients at the end of 2019, an increase of 42 thousand customers.

Total net loan portfolio increased by EUR 177 million (13%) from year end 2018, reaching EUR 1,573 million.

EUR 600 million issued in new loans to Baltic private, SME and corporate customers. Baltic deposits increased by EUR 624 million (30% growth) during 2019.

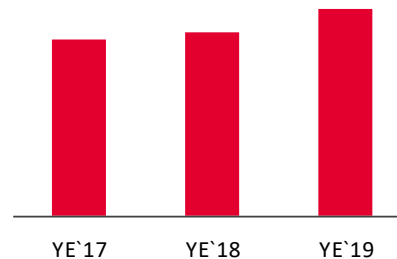
Citadele has agreed to acquire UniCredit's leasing operations in the Baltics with its lease portfolio of more than EUR 850 million.

	12m 2019	12m 2018	%	12m 2017	%
Operating income	123.9	127.2	(2%)	129.3	(3%)
Operating expenses	(82.8)	(85.4)	(3%)	(82.1)	2%
Net credit losses	(3.7)	(7.0)	(47%)	(4.5)	54%
<b>Net profit</b>	<b>36.5</b>	<b>34.8</b>	11%	<b>16.0</b>	123%
ROE	11.5%	12.3%	(0.2pp)	6.1%	6.2pp
C/I	66.8%	67.1%	0.3pp	63.5%	3.6pp
CAR	22.2%	20.1%	2.2pp	18.4%	5.1pp

**€1,573m**

**Loans**

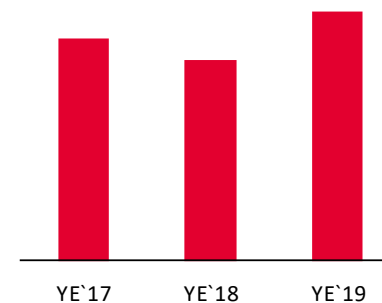
+13% vs YE`18



**€3,290m**

**Deposits**

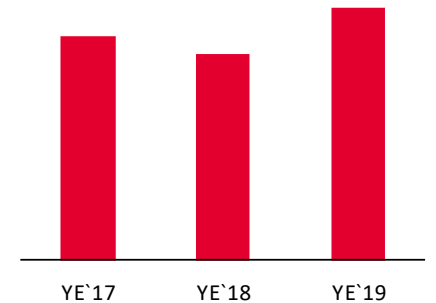
+24% vs YE`18



**€3,743m**

**Assets**

+23% vs YE`18



**More opportunities**

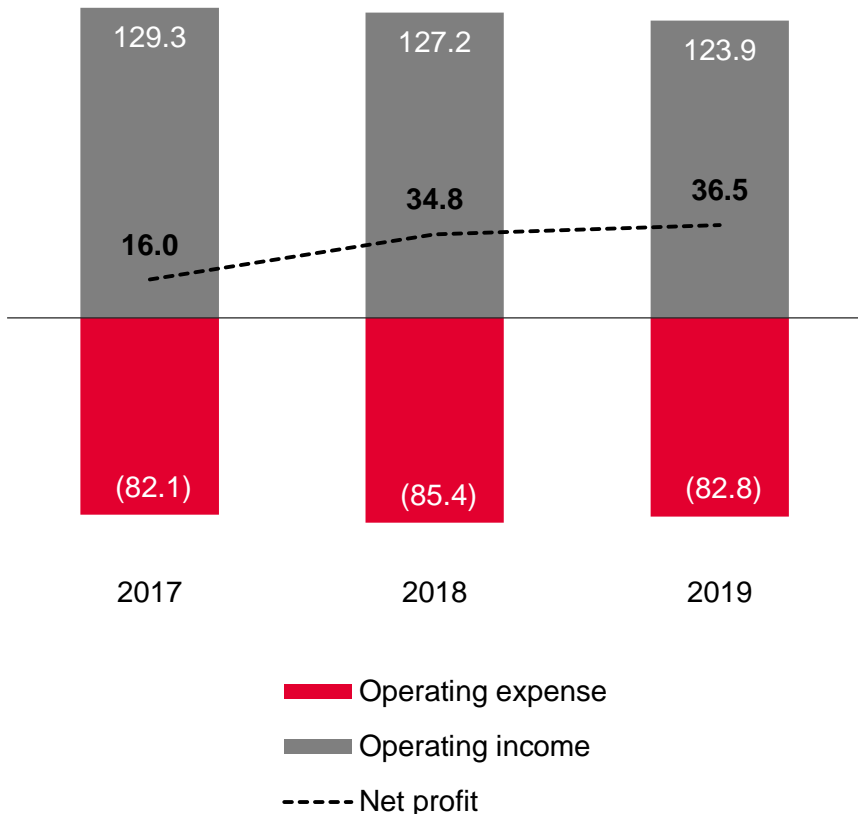
**= Citadele**

# Financial highlights

## Financial result development

12m 2019 vs. previous periods

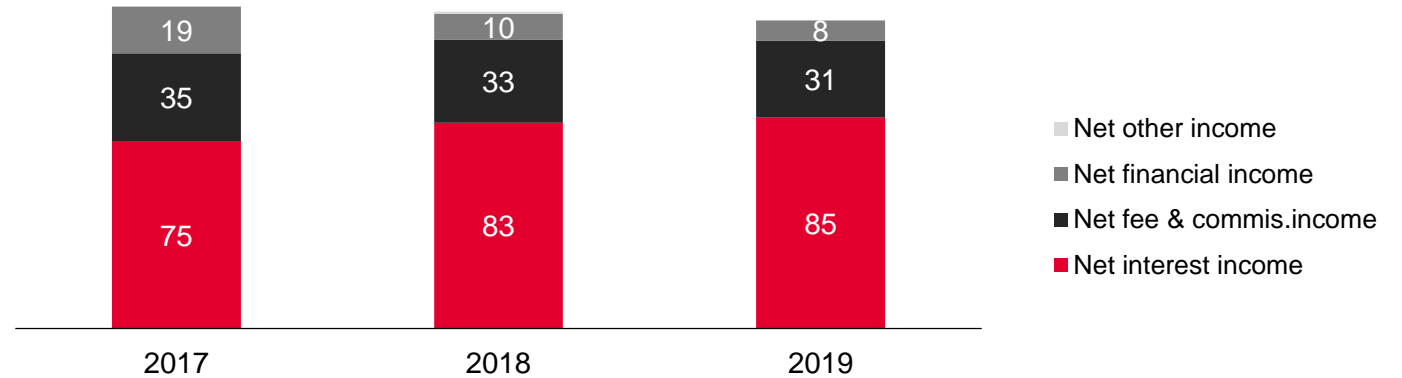
EURm



## Operating income by revenue line

12m 2019 vs. previous periods

EURm



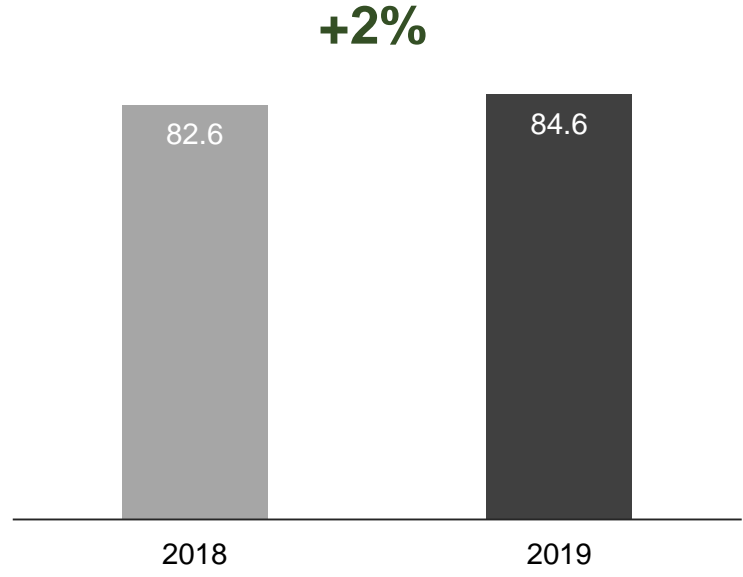
## Comment

The Group's **operating income** reached EUR 123.9 million, a 3% decrease year-on-year, mainly due to lower income from currency exchange, payments and transactions.

# Net interest income development

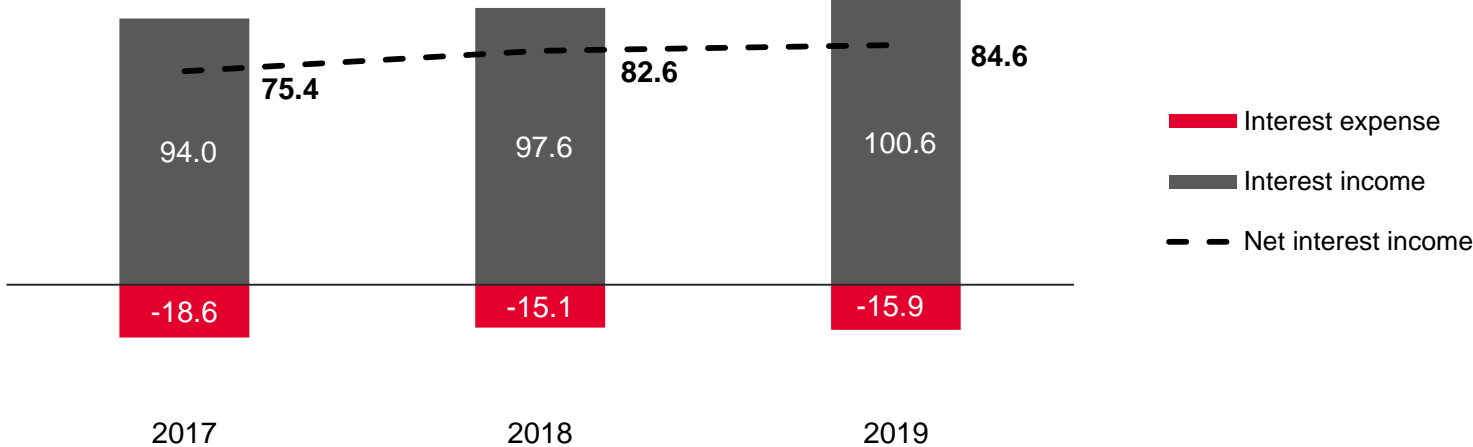
## Net interest income 12m 2019 vs. 12m 2018

EURm



## Net interest income development 12m 2019 vs. previous periods

EURm



### Comment

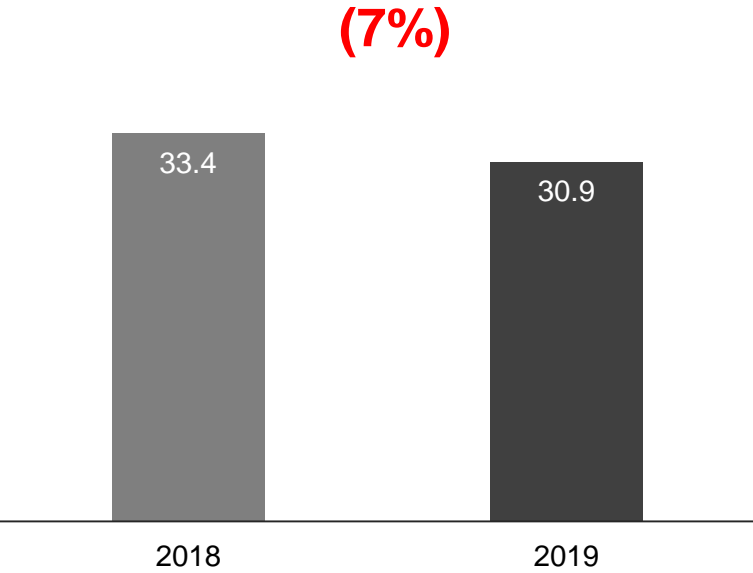
**Net interest income** reached EUR 84.6 million, a 2.5% increase year-on-year, primarily driven by loan portfolio growth of 13%. The loan portfolio increase was driven by an increased business activity mainly from Retail segment, showing year-on-year net interest income increases of 14.7%.

# Net fee and commission income development

## Net fees and commissions

12m 2019 vs. 12m 2018

EURm



## Net fee and commission income development

12m 2018 vs. 12m 2019

EURm



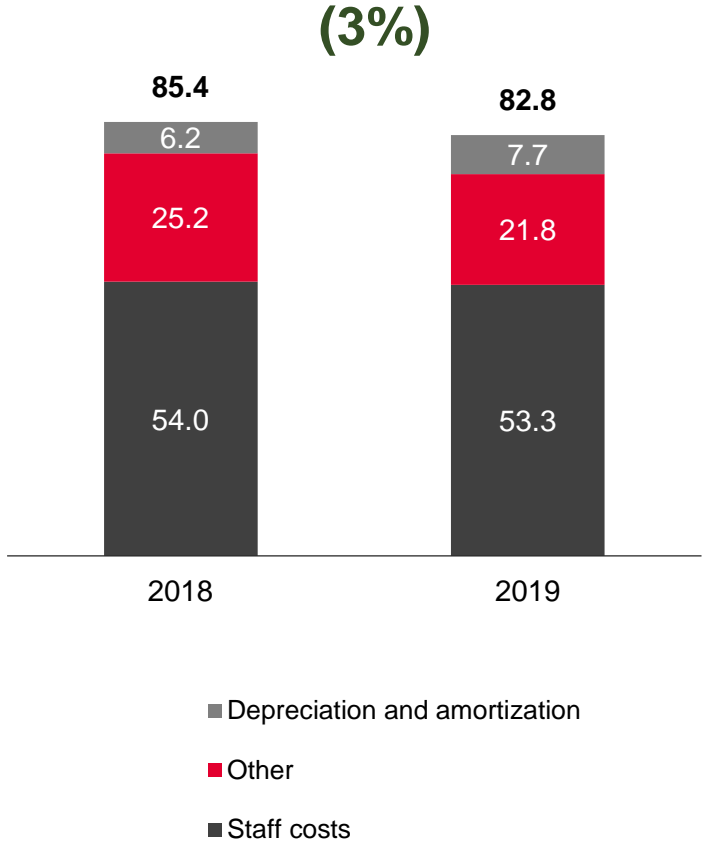
### Comment

The Group's **net fee and commission income** reached EUR 30.9 million, 7% decrease year-on-year, mainly due to lower income from payments and transactions and currency exchange.

# Operating expenses development

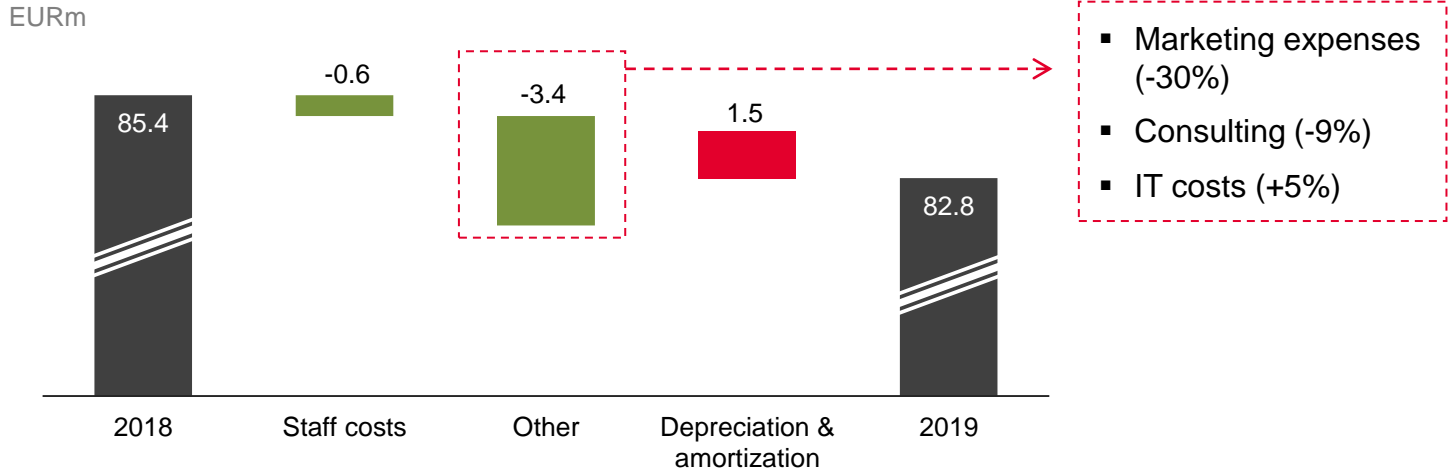
## Operating expenses 12m 2019 vs. 12m 2018

EURm



## Operating expenses development 12m 2018 vs. 12m 2019

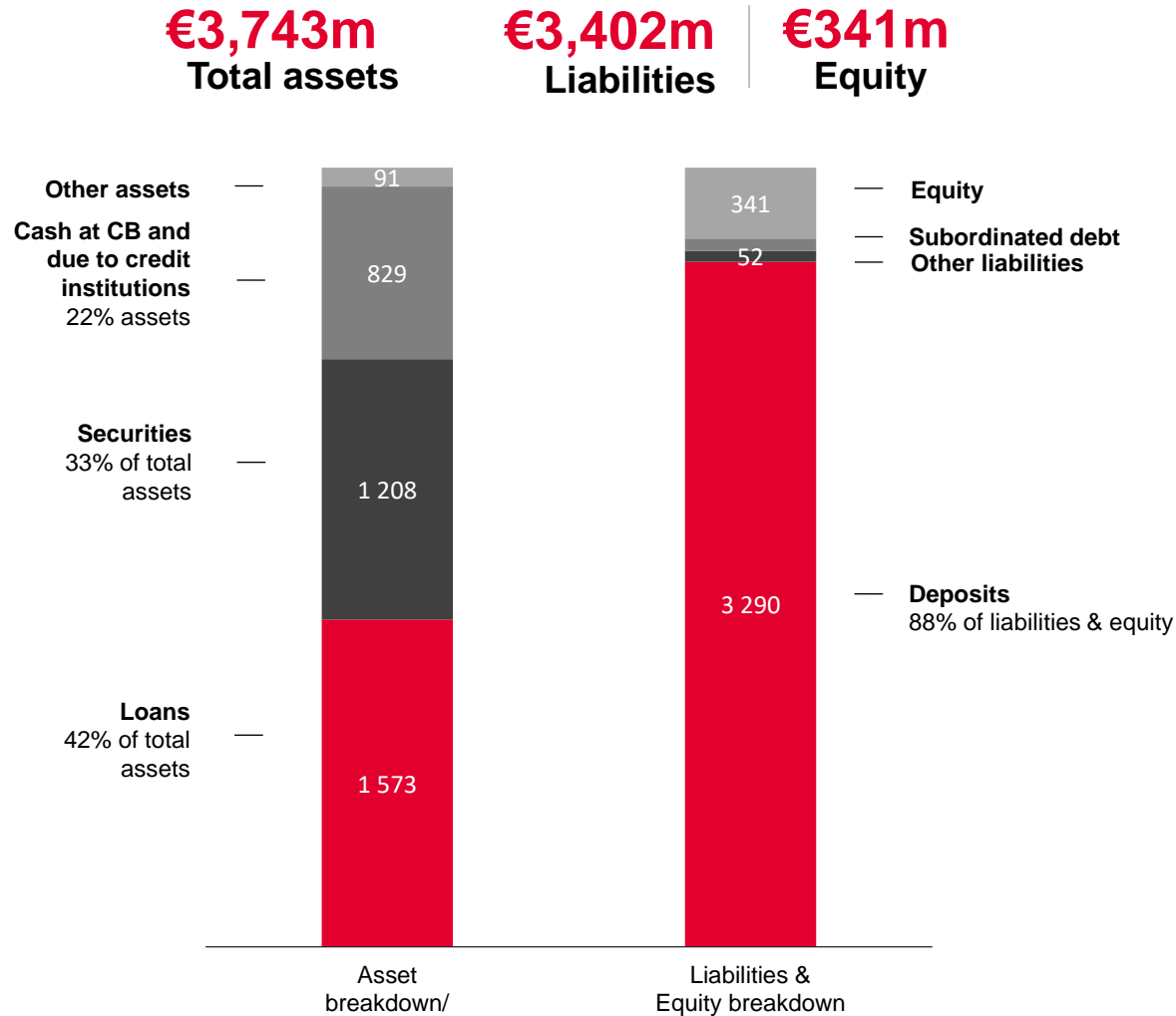
EURm



### Comment

**Operating expenses** decreased by 3% compared to the same period in 2018, mainly due to considerably lower advertising and marketing expenses (-30%) and consulting (-9%). Staff costs decreased by 1% and stood at EUR 53.3 million. The number of full-time employees was 1,369 vs 1,492 as at year end 2018. Citadele continued to develop and launch innovative digital solutions and products, and IT costs reached EUR 6.2 million, a 5% increase year-on-year.

# Stable asset quality and strong balance sheet



## Comment

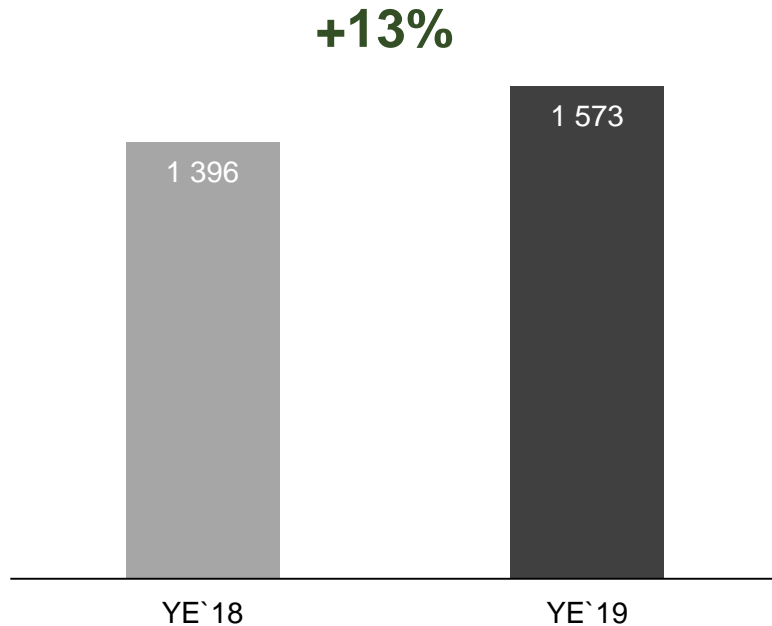
- The **net loan portfolio** has grown by EUR 177 million (13% growth) from year end 2018, reflecting prudent lending standards and ambition to retain loan book quality. The loan portfolio stood at EUR 1,573 million at year end 2019.
- The **credit quality** of the Group’s loan portfolio remained stable. The **Stage 3 loans to public ratio** decreased to 4.8% as of 31 December 2019, compared to 9.1% at the end of 2018.
- The **securities portfolio** also demonstrated stable development in terms of yield and risk profile. 90% of debt securities are rated A or higher.
- The main source of funding, **customer deposits**, grew by 24% vs year end 2018, with growth coming from Baltic residents that increased by EUR 624 million. As of 31 December 2019, total Group customer deposits were EUR 3,290 million.



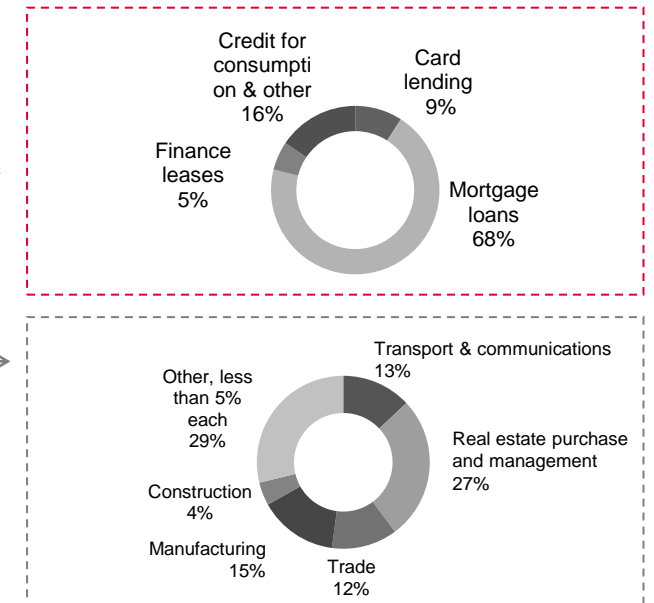
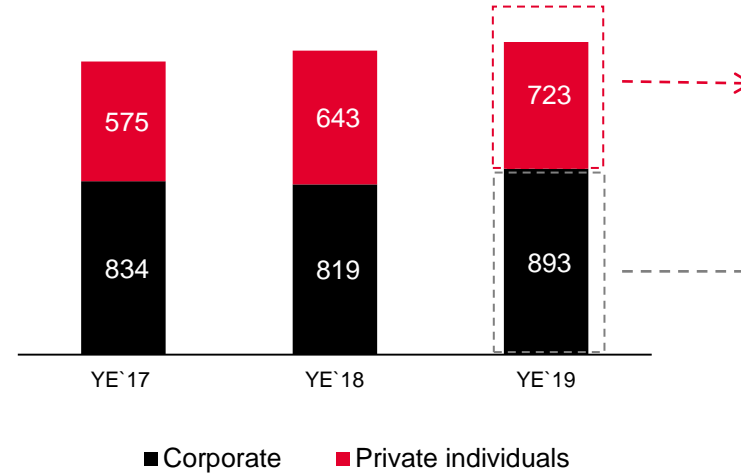
# Balance sheet overview

## Loans YE 2019 vs. YE 2018

EURm



## Gross loans by customer profile YE 2017 – YE 2019



## Comment

No major changes in **industry concentrations** occurred during 2019. Loans to Households represented 44% of the portfolio, where mortgages have experienced a stable increase in recent years and saw 15% growth in 2019. Consumer credit and card lending also increased by 19% and 10%, respectively, since year end 2018. Overall, the main industry concentrations were Real Estate Purchase and Management (27% of gross loans), Transport and Communications (13%), and Manufacturing and Trade (15% and 12%, respectively).

**More opportunities**

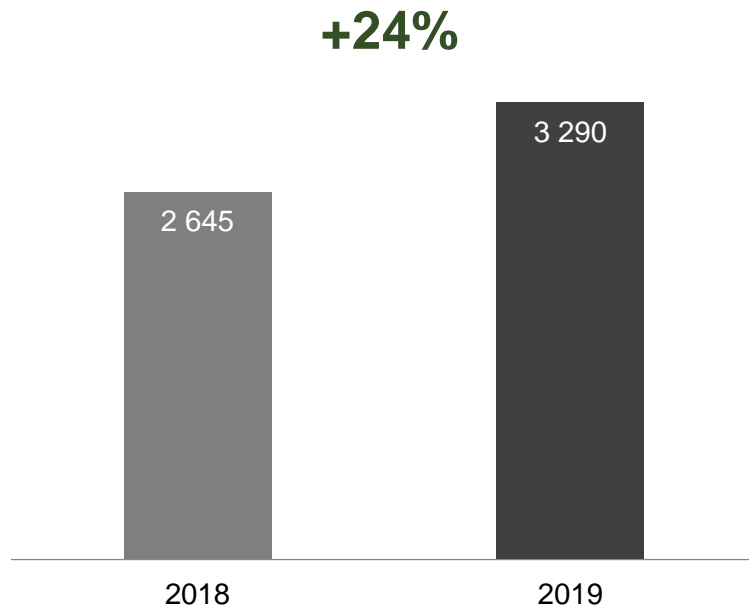
**Citadele**

# Balance sheet overview

## Deposits

YE 2019 vs. YE 2018

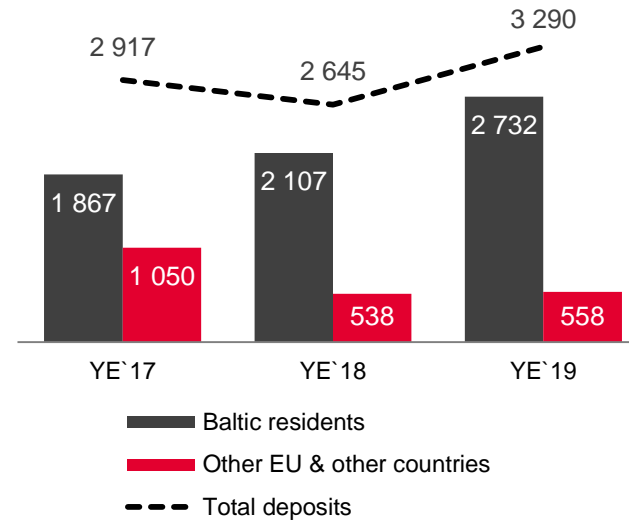
EURm



## Increase of domestic deposits

YE 2017 - YE 2019

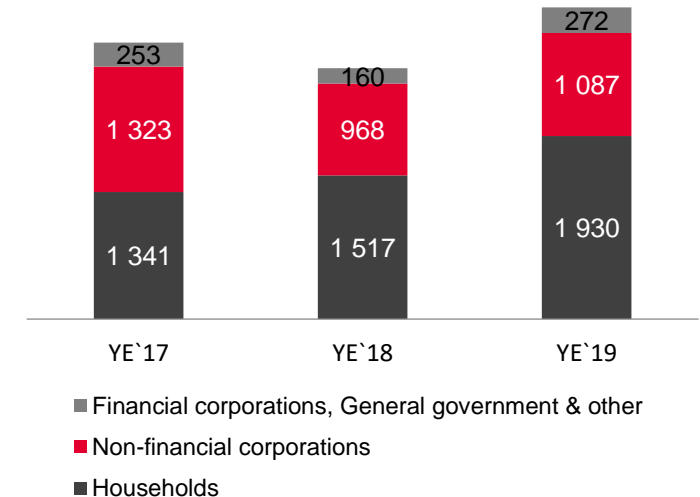
EURm



## Deposits by customer profile

YE 2017 - YE 2019

EURm



## Comment

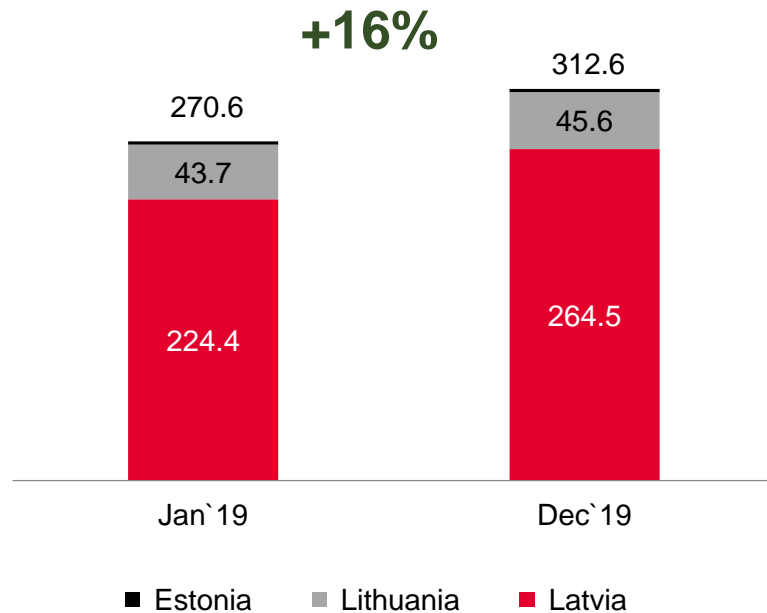
The main source of funding, customer deposits, grew by 24% vs year end 2018, with growth coming from Baltic residents that increased by EUR 624 million year to date (30% increase). As of 31 December 2019, total Group customer deposits were EUR 3,290 million.

# Customer overview

## Active customers

12m 2019 vs. beginning of year

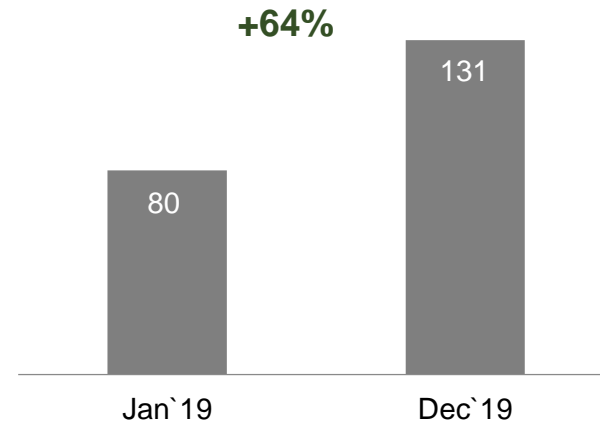
`thousands



## Mobile App users

12m 2019 vs. beginning of year

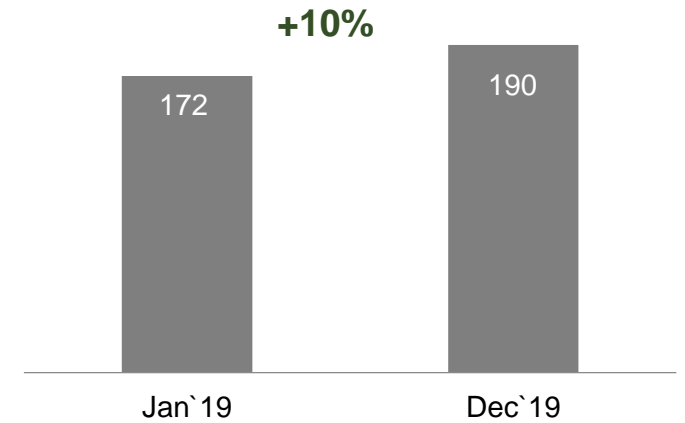
`thousands



## Internet bank customers

12m 2019 vs. beginning of year

`thousands



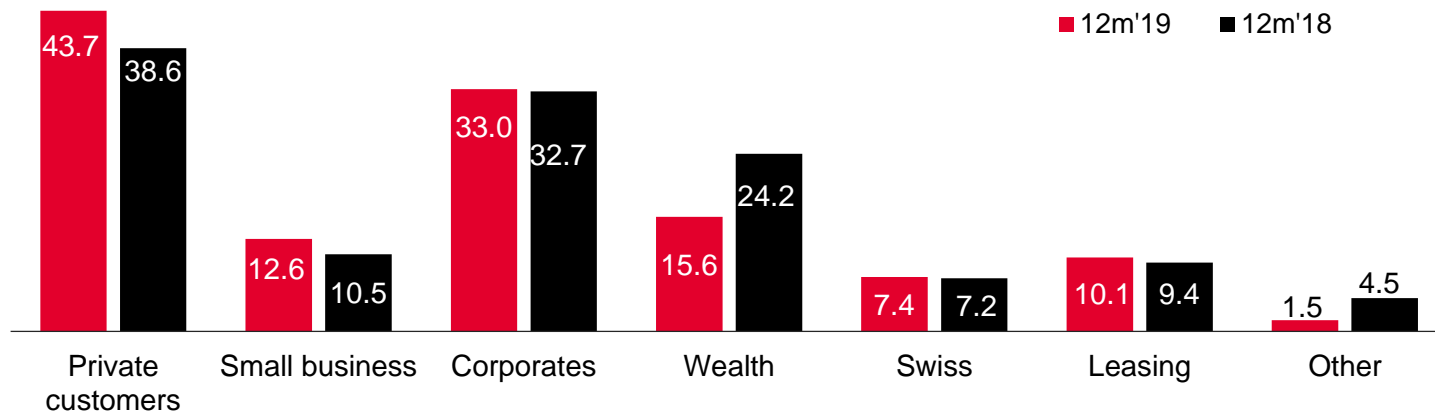
## Comment

**Number of active customers increased** by 16% since beginning of year, reaching 313 thousand clients. Mobile App users and Internet bank customers increased since beginning of year by 64% and 10% respectively, reaching 131 thousand active MobileApp users and 190 thousand active Internet Bank customers.

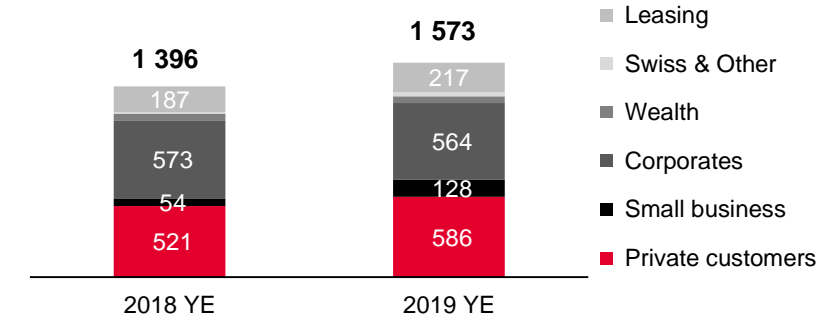
# Segment overview

12m 2019	Private customers	Small business	Corporates	Wealth	Swiss	Leasing	Other	Total
Net interest income	37	7.4	28.6	0.3	3.1	10.2	(1.9)	<b>84.6</b>
Net fee & commission income	6.2	4.5	4.2	12.8	3.6	0.1	(0.5)	<b>30.9</b>
Net financial income	0.8	0.7	0.6	2.9	0.7	(0.0)	2.5	<b>8.3</b>
Net other income	(0.3)	(0.1)	(0.3)	(0.3)	-	(0.3)	1.4	<b>0.2</b>
<b>Operating income</b>	<b>43.7</b>	<b>12.6</b>	<b>33.0</b>	<b>15.6</b>	<b>7.4</b>	<b>10.1</b>	<b>1.5</b>	<b>124.0</b>

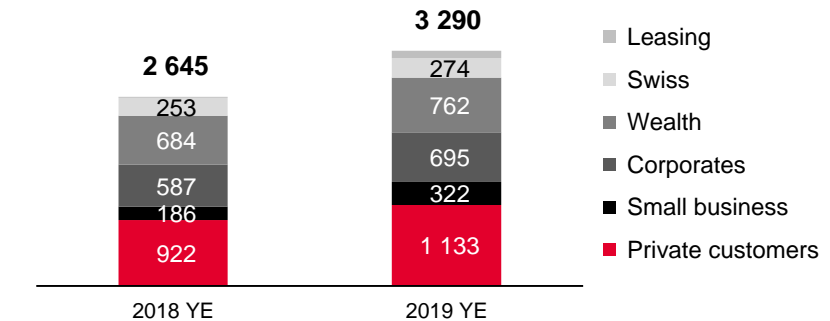
## Operating income by segment 12m'19 vs 12m'18, EURm



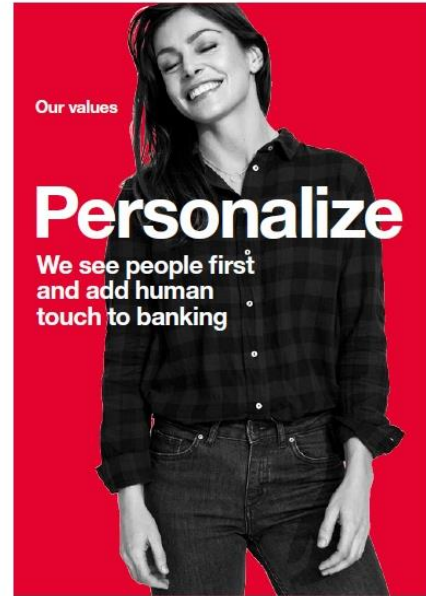
## Loans YE'19 vs YE'18



## Deposits YE'19 vs YE'18



# About us



**Branches**

28 in Latvia  
7 in Lithuania  
1 in Estonia



**1,369**

**Employees**



**>371k**

**Clients**  
#3 in LV



**190k**

**I-bank customers**



**131k**

**Mobile App users**



**24/7**

**Access to SkyBranch**



**>9.9k**

**contactless POS across Latvia**



**4th**

**Largest ATM network in Latvia**

## AWARDS

Bank with the best customer service in Latvia



**More opportunities**

**Citadele**



## Contact us:

Republikas laukums 2A  
Rīga, Latvia LV-1010

[www.cblgroup.com](http://www.cblgroup.com)

[IR@citadele.lv](mailto:IR@citadele.lv)