



Citadele Group

Q1 2020 results presentation

**More
opportunities**

**=
Citadele**

Business environment

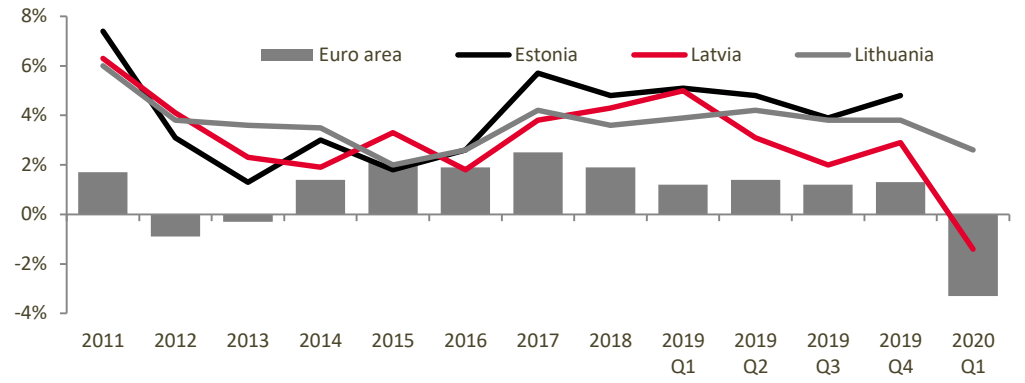
The outbreak of the Covid-19 virus and measures to curb its spread have caused a major shock to the world economy. Economic sentiment in Europe, the US and the rest of the world have fallen faster and lower in March and April than during the 2008 - 2009 financial crisis. According to the International Monetary Fund world economic output is projected to decline by 3% this year, which would be the worst economic downturn in the world since the 1930s. The global economy has fallen into recession.

Baltic economy will face significant impact but Baltic States are in a better position than in 2008.

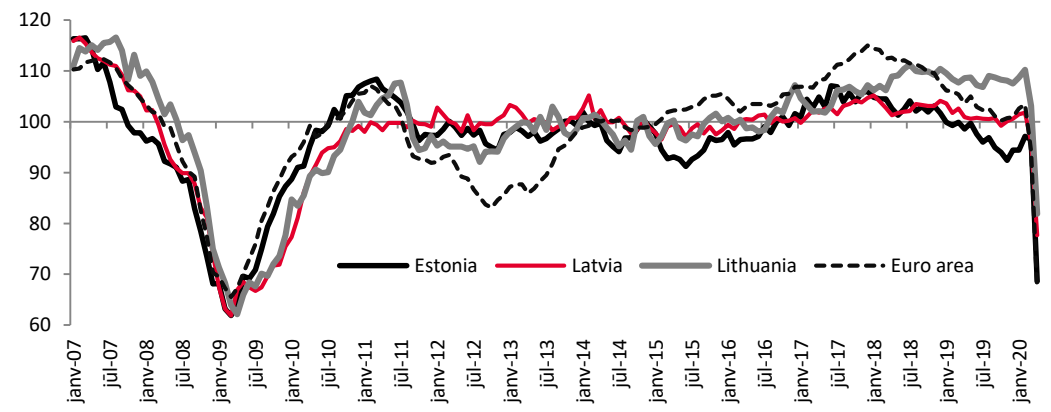
GDP growth in Q1 in the Baltics remained above euro area average. GDP grew by 2.5% in Lithuania and dropped by 1.4% in Latvia, as compared to previous year. Lockdown measures in the Baltics introduced in the middle of March and economic activity in Q2 is likely to decline significantly. In April economic confidence fell sharply in all sectors to the lowest levels since 2009. Global manufacturing new export orders have fallen below 2009 level which will have a negative effect on manufacturing sector.

According to traffic and population movement data, restrictions on the economy in the Baltic States appear to be less strict as in the countries most severely affected by Covid-19. The Baltic States are in a much stronger position than in 2008. Foreign trade is balanced or in surplus, real estate prices relative to income are relatively low, lending before the crisis was moderate and financed by domestic deposits. The amount of economic support programs announced so far in the Baltic States ranges from 3.5-5.0% of GDP. Significant increase in public expenditures expected in 2020. The Baltic States are in a much stronger position than in 2008. Foreign trade is balanced or in surplus, real estate prices are relative low vs income levels.

Real GDP, % YoY



Economic Sentiment Indicator



More opportunities = Citadele

Citadele's response to the Covid-19

Fast adjustment to extreme conditions

Clients and customers



Uninterrupted access to financial services & support to clients and partners across all Baltic states



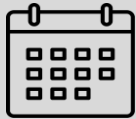
Effective external communication related to the latest Covid-19 issues and banks actions



All main financial services available remotely for customers



Branches continue to offer appointment-only meetings to customers who need or prefer to be serviced in person



Support to affected businesses and private individuals with the possibility to postpone repayment of loan principal



Citadele joins sector-wide moratoriums that simplify the grace period request process for customers (April 2020)

Employees

- Response Team set up to effectively manage pandemic situation and ensure fast decision-making
- Effective internal communication on Covid-19 related issues set up and running
- 85% of employees work remotely from home. On-site employees organized in split teams
- Covid-19 health insurance for employees

More opportunities



Key figures and events of the Group

The Group's daily operations have been successfully adjusted to ensure business continuity and safety under Covid-19 conditions. Extensive measures have been implemented to protect the Bank's employees, clients and partners, while new solutions have been introduced to ensure uninterrupted client services

The number of active customers reached 317 thousand clients as of 31 March 2020, growing 16% y-o-y and 1% q-o-q

The Group's operating income in Q1 2020 was EUR 27.4 million (down 9% y-o-y)

Credit loss provisions were increased to reflect revised macroeconomic expectations. The underlying credit quality remains sound with minor changes during the quarter

The Bank issued EUR 119 million of new loans to Baltic private, SME and corporate customers

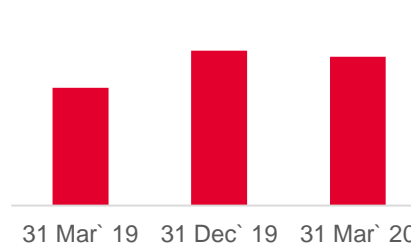
Domestic deposits increased by EUR 79 million growing 3% year-to-date, with liquidity remaining strong

	Q1 2019	Q4 2019	Q1 2020
Operating income	30.2	31.5	27.4
Operating expenses	-20.6	-21.3	-19.4
Net credit losses and impairments	-1.9	-1.0	-15.4
Net profit	7.3	9.3	-7.5
ROE	9.6%	11.0%	-9%
C/I	68.0%	67.7%	70.8%
LCR	278%	358%	460%
CAR	19.1%	22.2%	22.5%

€1,551m

Loans

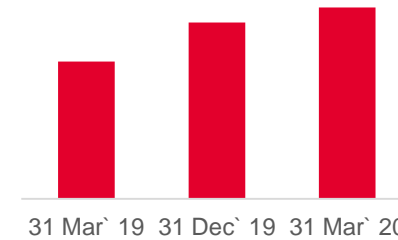
-1% vs YE`19



€3,485m

Deposits

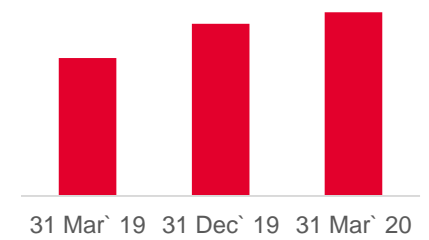
+6% vs YE`19



€3,931m

Assets

+5% vs YE`19



More opportunities

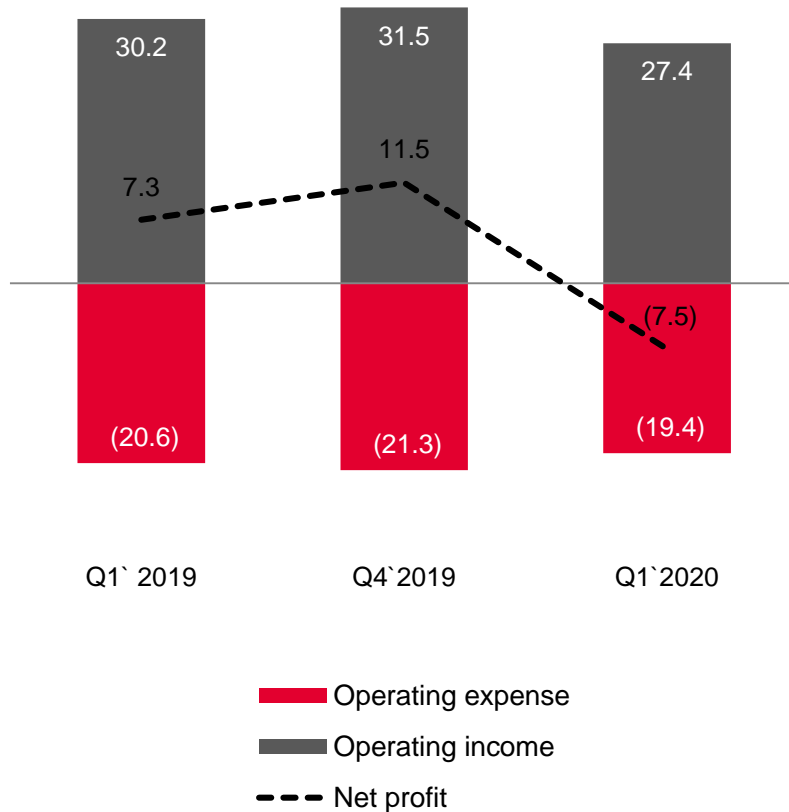
Citadele

Financial highlights

Financial result development

Q1 2020 vs previous periods

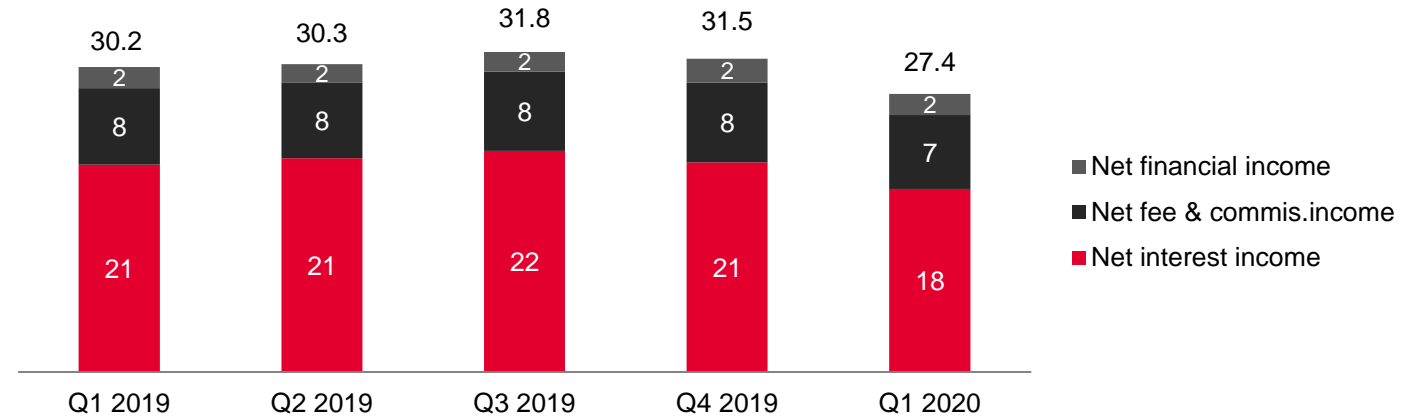
EURm



Operating income by revenue line

Q1 2020 vs. previous periods

EURm



Comment

The Group's **operating income** reached EUR 27.4 million in Q1 2020, representing a 9% decrease year-on-year, mainly due to lower net interest income and lower income from payments and transactions.

More opportunities

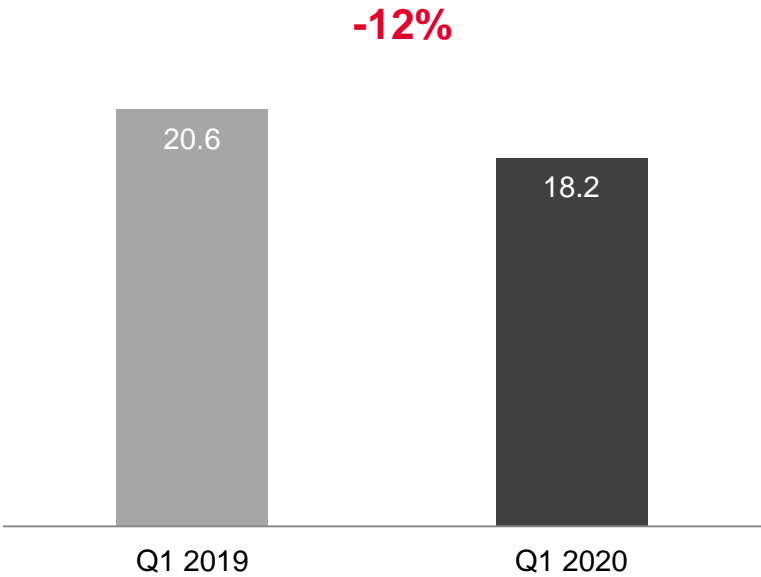


Net interest income development

Net interest income

Q1 2020 vs. Q1 2019

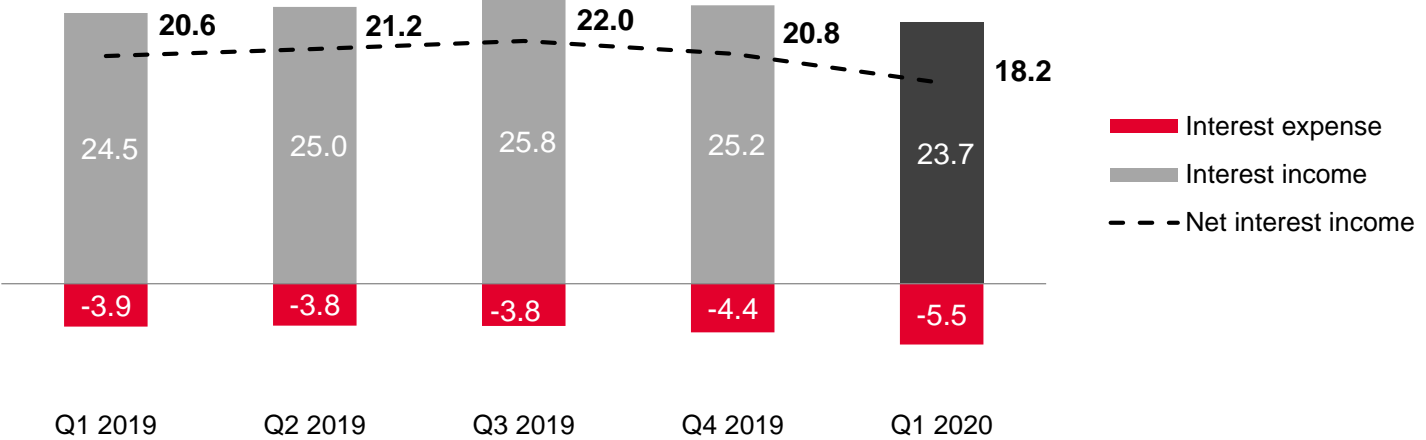
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Net interest income development

Q1 2020 vs. previous periods

EURm



Comment

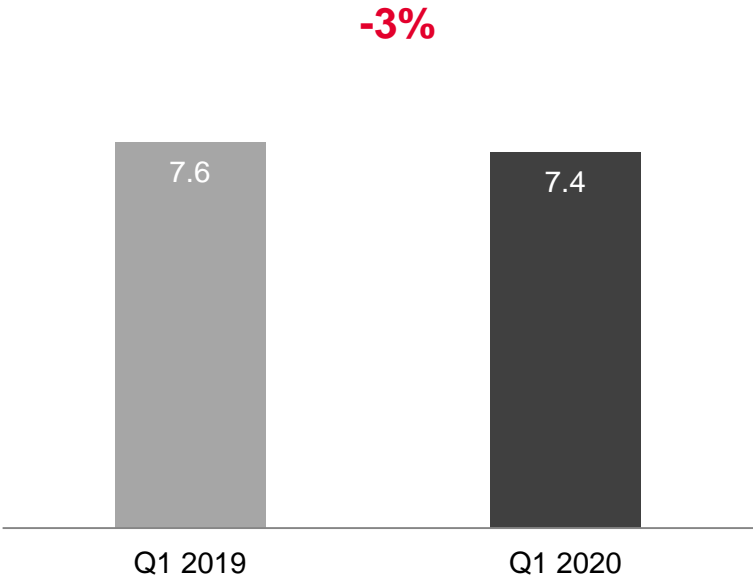
Net interest income constituted EUR 18.2 million, translating into a 12% decrease year-on-year, primarily driven by significantly higher interest expense (+42%) resulting from a major liquidity buffer.

Net fee and commission income development

Net fees and commissions

Q1 2020 vs. Q1 2019

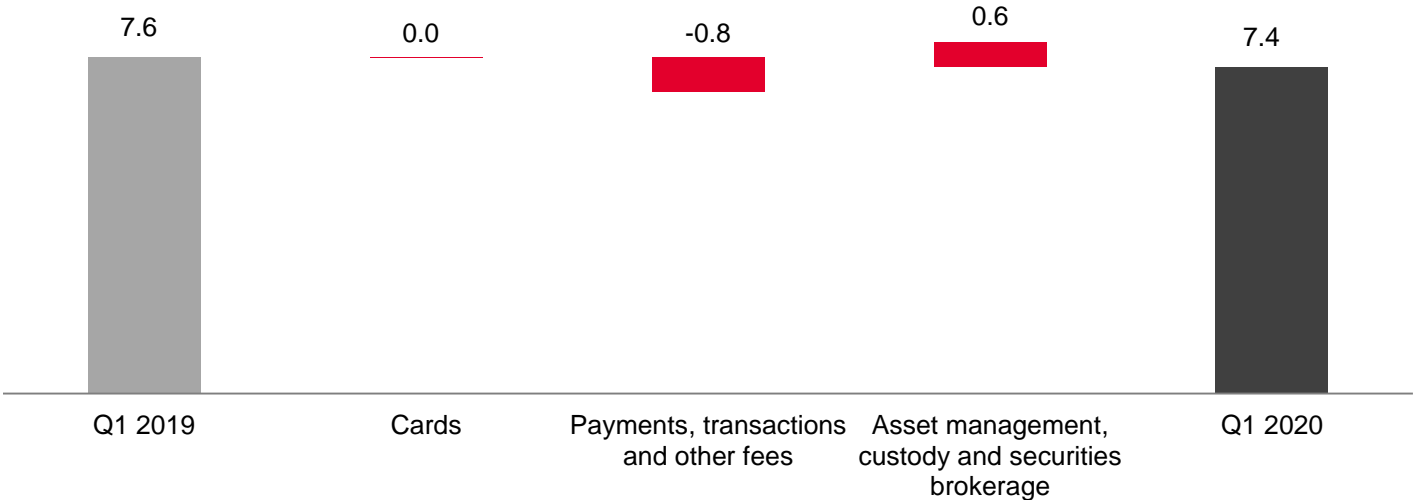
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Net fee and commission income development

Q1 2020 vs. Q1 2019

EURm



Comment

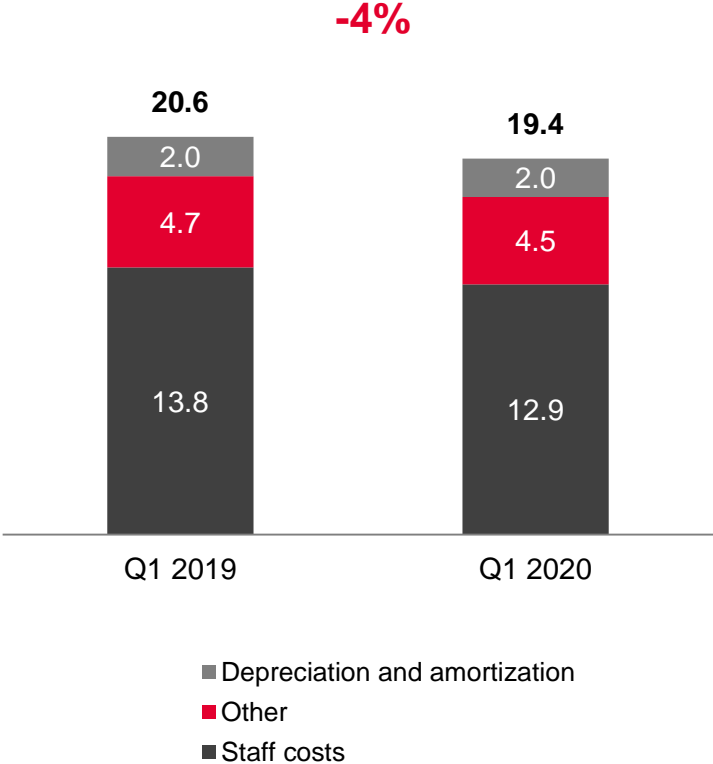
The Group's **net fee and commission income** reached EUR 7.4 million, decreasing by 3% year-on-year, mainly due to lower income from payments and transactions with lower client activity due to Covid-19.



Operating expenses development

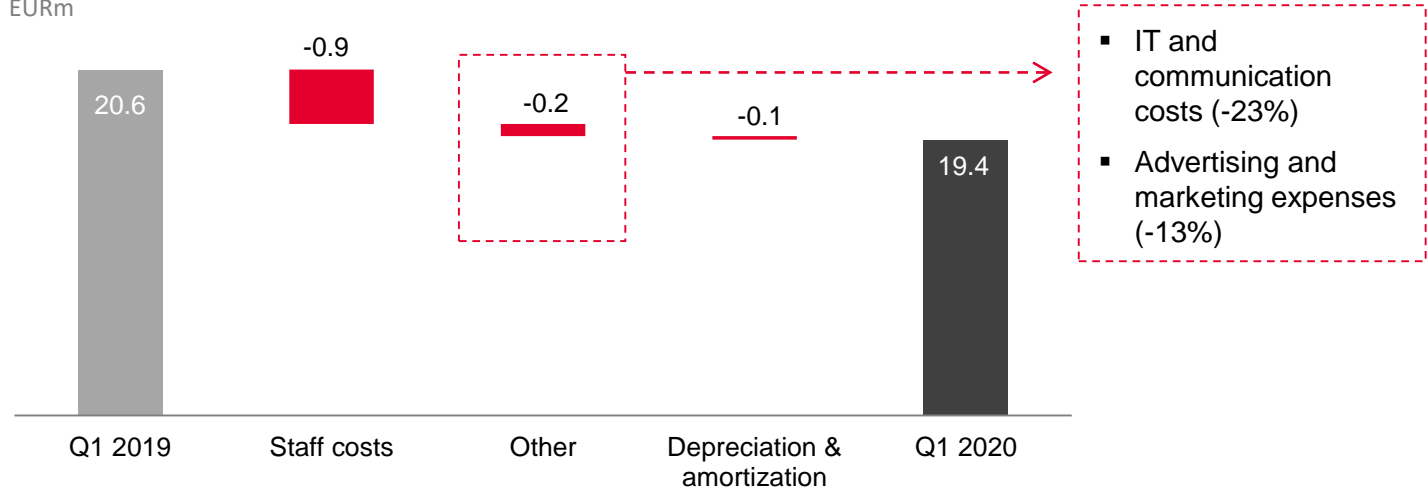
Operating expenses Q1 2020 vs. Q1 2019

EURm



Operating expenses development Q1 2020 vs. Q1 2019

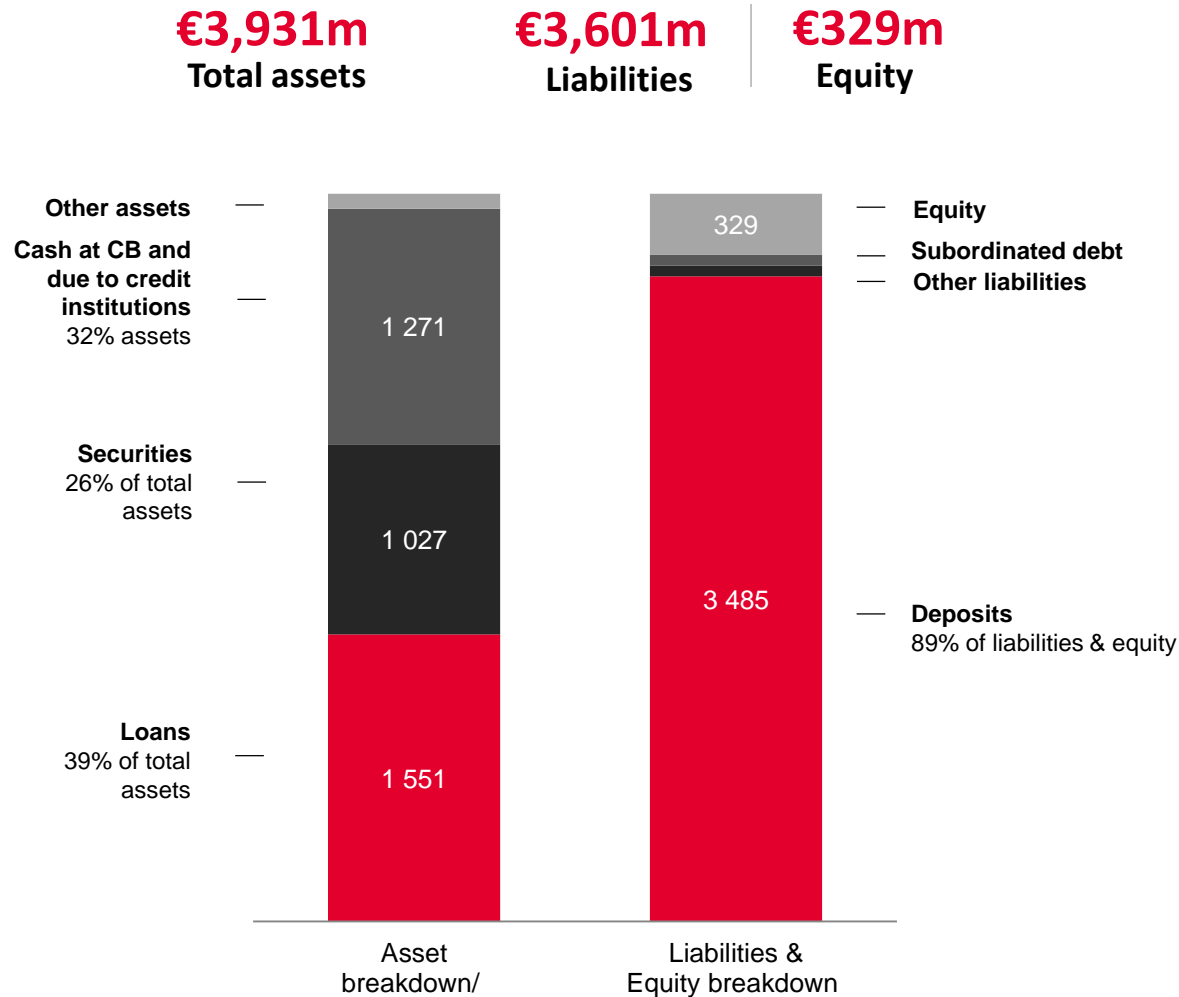
EURm



Comment

Operating expenses decreased by 4% compared to the same period in 2019 and stood at EUR 19.4 million. Staff costs decreased by 6% to EUR 12.9 million. The number of full-time employees was 1,368 vs. 1,496 as at 31 March 2019, reflecting the progress of ongoing efficiency initiatives. Other costs were EUR 4.5 million (-4% y-o-y), mainly due to lower IT and communication costs (-23%) and advertising and marketing expenses (-13%).

Stable asset quality and strong balance sheet

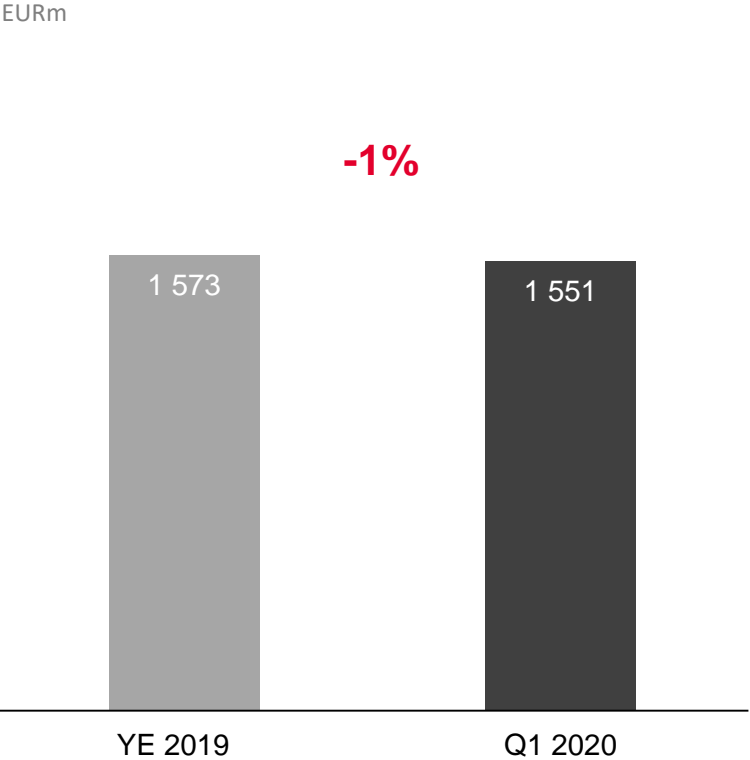


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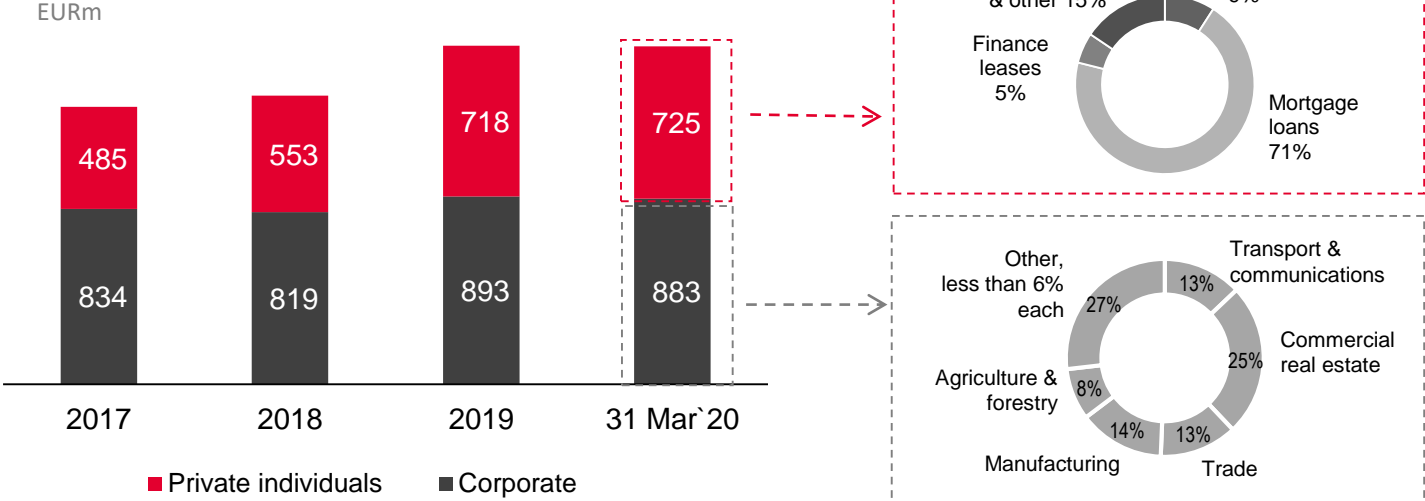
- **The net loan portfolio** stood at EUR 1,551 million as of 31 March 2020, decreasing by EUR 22 million (1%) from year end 2019 with credit losses adjusted for new macro expectations. In terms of **segments** Private customers represented 38% of the portfolio, followed by Corporates (35%), Leasing (14%) and SMEs (9%).
- The **Stage 3 loans** to public ratio increased slightly to 4.9% as of 31 March 2020, compared to 4.8% at the end of 2019.
- The **securities portfolio** in Q1 2020 was reduced by 18% to mitigate potential credit risks stemming from the Covid-19 outbreak. Part of portfolio was invested towards securities with central governments and multilateral development banks. 91% of debt securities held were rated A or higher.
- **The main source of funding, customer deposits**, grew by 6% vs. year-end 2019. Baltic residents' deposits increased by EUR 79 million. As of 31 March 2020 total Group customer deposits were EUR 3,485 million.

Balance sheet overview

Loans Q1 2020 vs. YE 2019



Gross loans by customer profile 31 Mar 2020 vs. previous periods



Comment

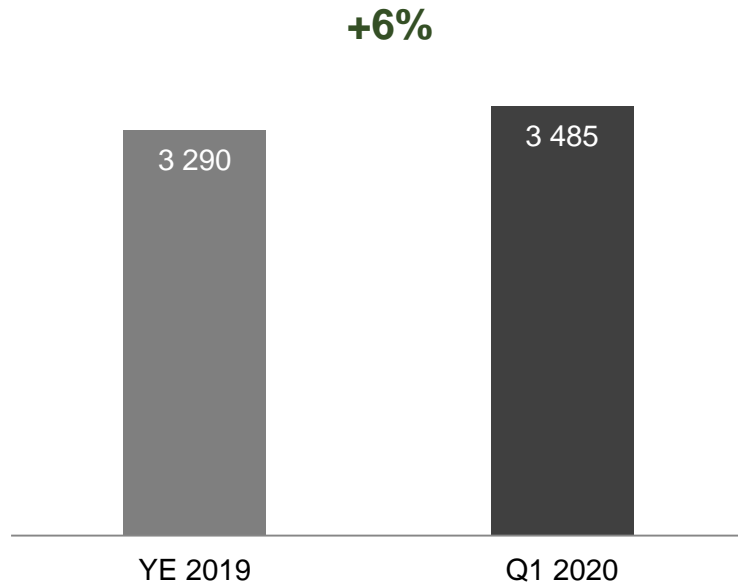
No major changes in **industry concentrations** occurred during Q1 2020. Loans to Households represented 45% of the portfolio. The largest increase in Q1 was seen in Finance leases (6%) and mortgages (2%). Consumer and card lending decreased by 1% and 3%, respectively, since year end 2019. Overall, the main industry concentrations were Commercial real estate (25% of gross loans), Transport and Communications (13%), Manufacturing (14%) and Trade (13%).

Balance sheet overview

Deposits

Q1 2020 vs. YE 2019

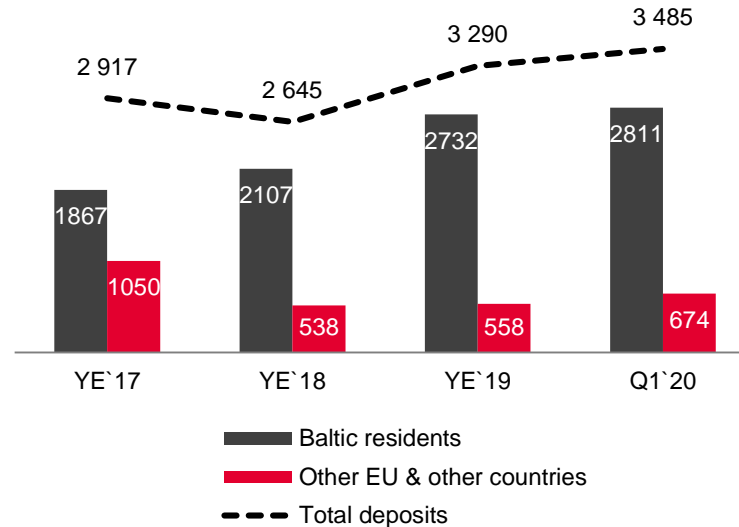
EURm



Increase of domestic deposits

31 Mar 2020 vs. previous periods

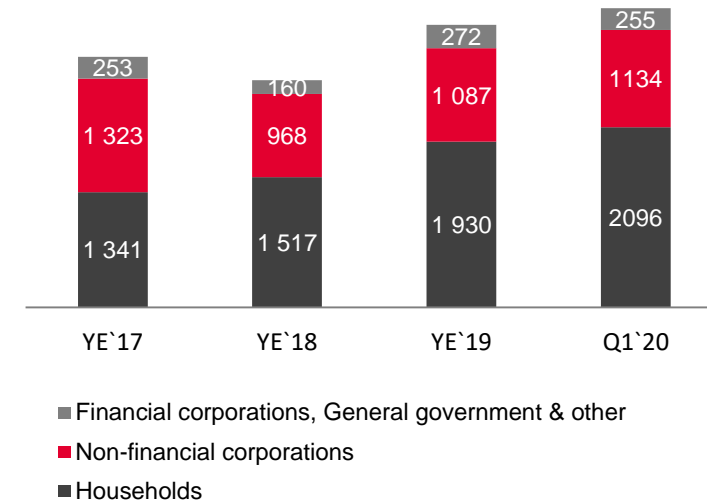
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Deposits by customer profile

31 Mar 2020 vs. previous periods

EURm



Comment

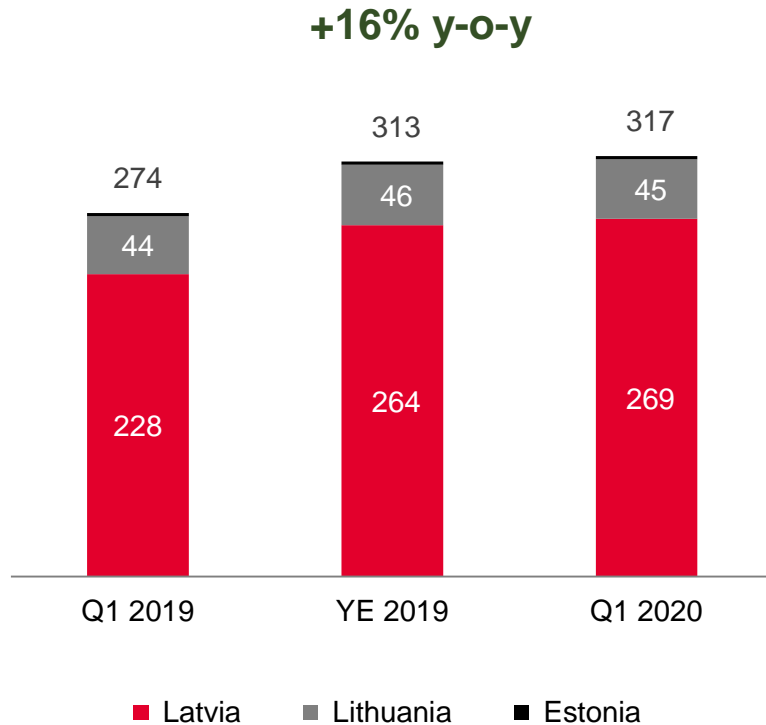
The main source of funding, **customer deposits**, grew by 6% vs. year-end 2019. Baltic residents' deposits increased by EUR 79 million. As of 31 March 2020 total Group customer deposits were EUR 3,485 million.

Customer overview

Active customers

Q1 2020 vs. Q1 2019

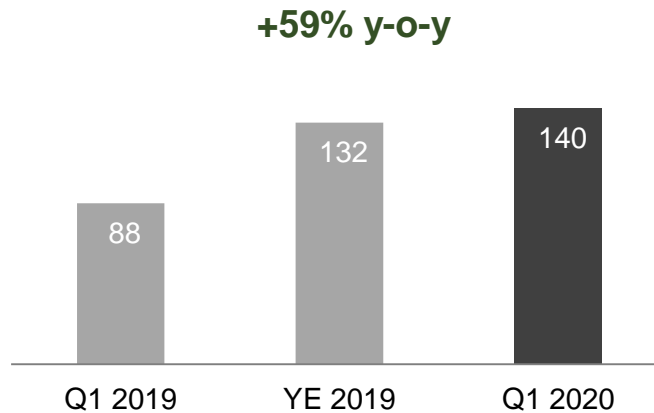
thousands



Mobile App users

Q1 2020 vs. Q1 2019

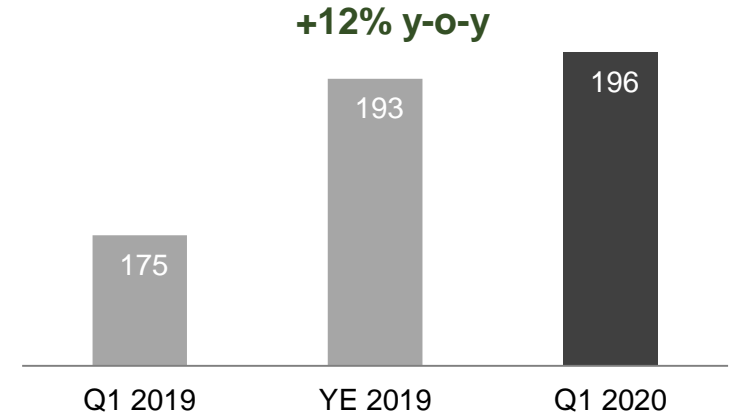
thousands



Internet bank customers

Q1 2020 vs. Q1 2019

thousands



Comment

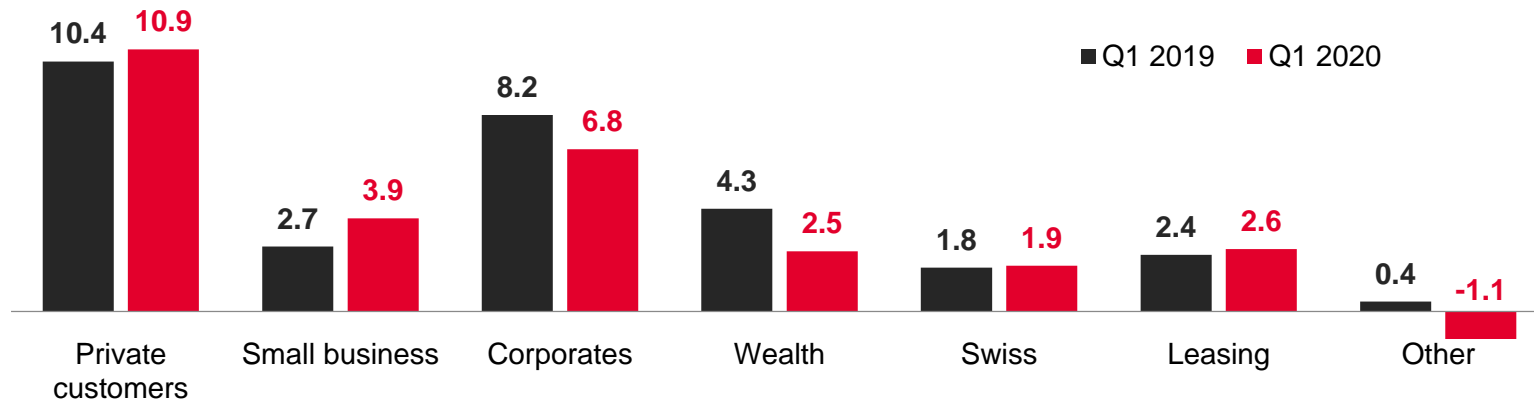
The number of **active customers increased** by 43 thousand y-o-y (16% growth) and reached a record high 317 thousand clients as of 31 March 2020. In Q1 number of active clients increased by 4 thousand. **Mobile App** users and **Internet bank** customers increased y-o-y by 59% and 12%, respectively, reaching 140 thousand active Mobile App users and 196 thousand active Internet Bank customers. In Q1 the number of active clients increased by 9 thousand Mobile App users and 3 thousand Internet Bank customers

Segment overview

Q1 2020, EURm	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Net interest income	9.3	2.4	5.9	0.1	0.6	2.6	-2.7	18.2
Net fee & commission income	1.6	1.4	0.8	2.8	0.8	0.0	0.0	7.4
Net financial and other income	0.0	0.1	0.1	-0.3	0.5	0.0	1.6	1.9
Operating income	10.9	3.9	6.8	2.5	1.9	2.6	-1.1	27.4

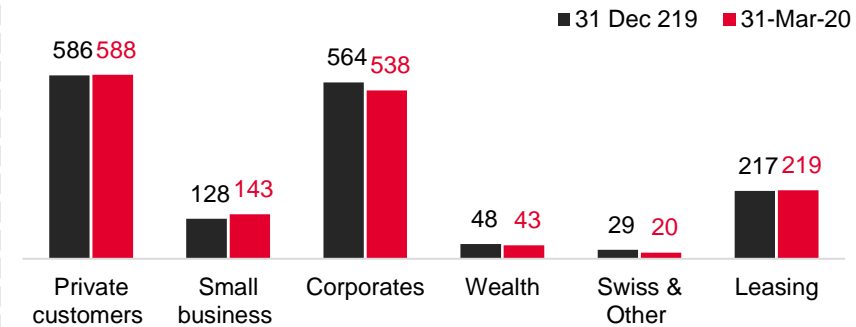
Operating income by segment

Q1 2020 vs. Q1 2019, EURm



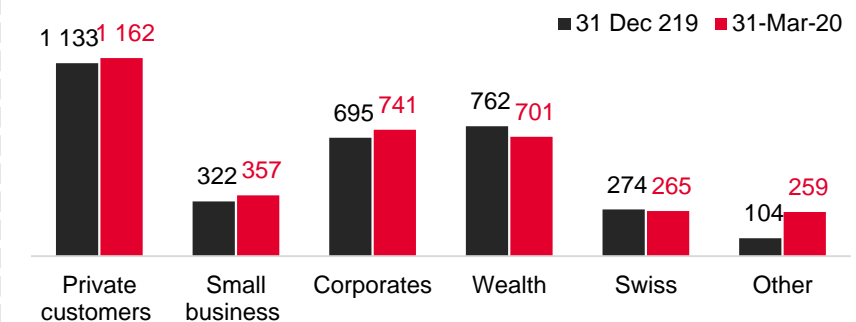
Loans

31 Mar 2020 vs. YE 2019, EURm



Deposits

31 Mar 2020 vs. YE 2019, EURm



About us



Branches
28 in Latvia
7 in Lithuania
1 in Estonia



1,368
Employees



317k
Active clients



196k
I-bank customers



140k
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





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