



# Citadele Group

**Results presentation  
For the six months ended 30 June 2020**

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# Business environment

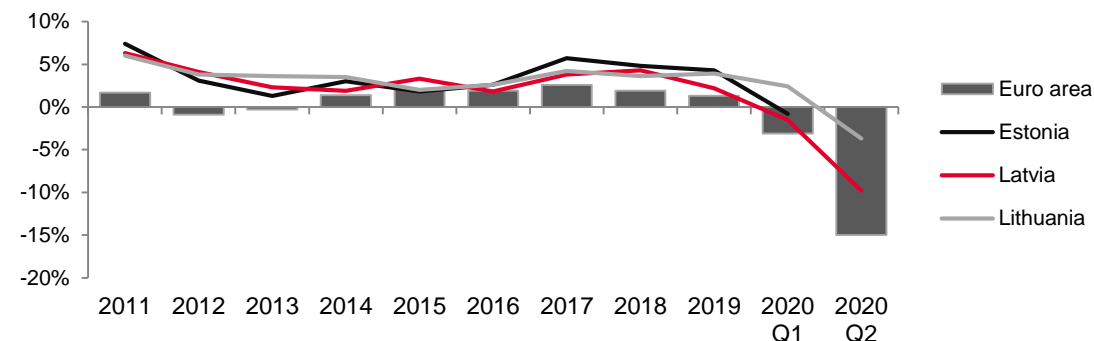
The Covid-19 pandemic and various lockdown measures implemented to curb its spread has pushed the global economy to a sudden and sharp economic recession. According to IMF forecasts global GDP is expected to decline by 4.9%. Strong monetary and fiscal stimulus measures and easing of Covid-19 related lockdown restrictions have positively affected global business confidence since April. Yet the number of new Covid-19 cases globally continues to increase and economic outlook remains highly uncertain as full recovery is likely to take some time.

**Baltic region shows signs of rebound.** Short-term indicators show that the economy reached its lowest point in mid-April and recovery since has been unexpectedly strong. Economic sentiment in the Baltics has fallen by less than in 2009 and the region is faring better than other euro area countries.

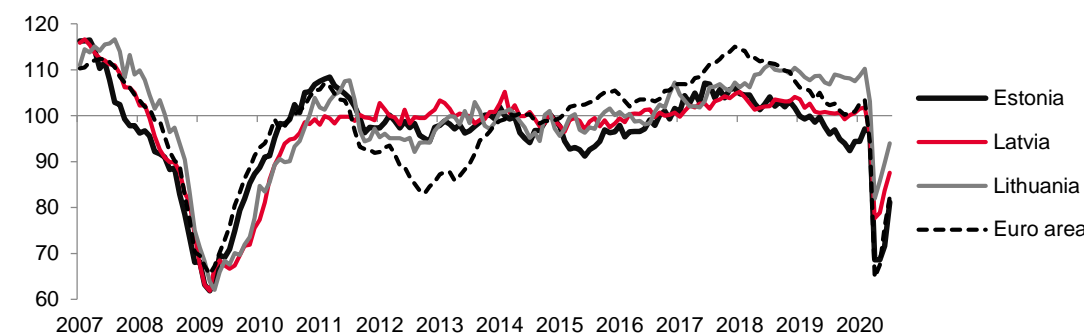
**Consumption is leading the recovery.** Consumption led the recovery in the Baltics, as retail sales have rebounded to previous levels and were already growing on an annual basis in June, despite elevated unemployment and continued uncertainty. Recovery in exports and manufacturing so far has lagged behind due to weak external demand, although new export orders have picked up. Retail trade has benefitted the most from the rebound in consumption while spending on travel, entertainment and other services remains depressed. Activity in the real estate market and car sales have also rebounded strongly in June and July. Some of the gains are likely to be driven by postponed demand and increased savings during the lockdown period.

**Economic outlook remains highly uncertain.** Despite early signs of economic recovery, outlook in the Baltics remains highly uncertain. Globally the Covid-19 pandemic is not over and resurgence of the virus in the region could force re-imposition of lockdown measures, posing the biggest risk to economic outlook. In addition, increased unemployment and weak private sector investments will be a drag on growth in second half of 2020, while tourism and entertainment are likely to remain depressed until a permanent solution for a vaccine becomes available.

## Real GDP, % YoY



## Economic Sentiment Indicator



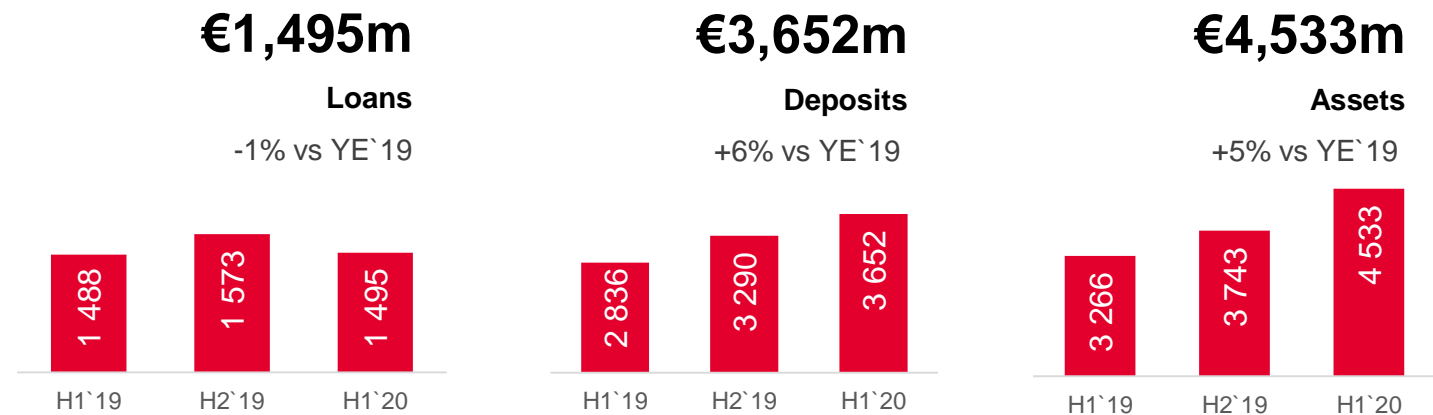
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# Key figures and events of the Group

- Daily operations were successfully adjusted to ensure business continuity and safety under Covid-19 conditions. New solutions have been introduced to ensure uninterrupted client services and to continue transforming the operating model.
- During the last months, client activity rebounded to pre-Covid levels. The number of active customers reached 314 thousand clients as of 30 June 2020, 12% growth y-o-y.
- EUR 185 million issued in new loans to Baltic private, SME and corporate customers.
- Baltic deposits continued to increase by EUR 210 million in H1 2020, 11% growth vs. year-end 2019.
- Defensive measures in place through tail-risk insurance strategy to protect against a sharp and severe recession.
- The Bank continues to operate with strong capital and liquidity ratios and expects a second half with improved financial performance.

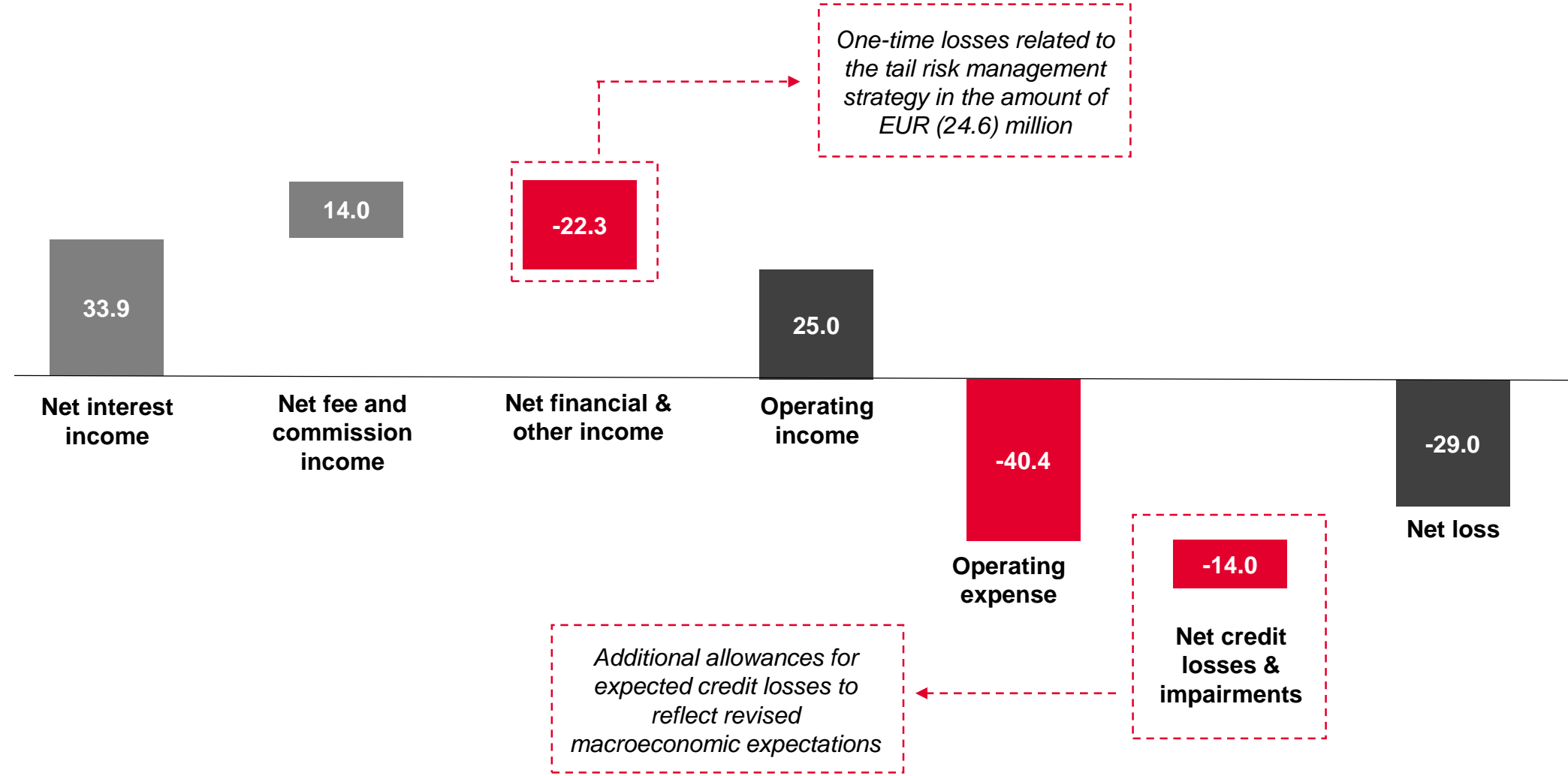
	H1 2019	H2 2019	H1 2020
Net interest income	41.9	42.8	33.9
Net fee and commission income	15.1	15.8	14.0
Net financial and other income	3.6	4.8	(22.3)
<b>Operating income</b>	<b>60.6</b>	<b>63.4</b>	<b>25.6</b>
Operating expense	(41.0)	(41.8)	(40.4)
Net credit losses and impairments	(2.6)	(1.1)	(14.0)
<b>Net profit</b>	<b>16.2</b>	<b>20.3</b>	<b>(29.0)</b>
<i>Adjusted for one-time item*:</i>			
Operating income	60.6	63.4	50.2
<b>Net profit</b>	<b>16.2</b>	<b>20.3</b>	<b>(4.4)</b>



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# Financial results

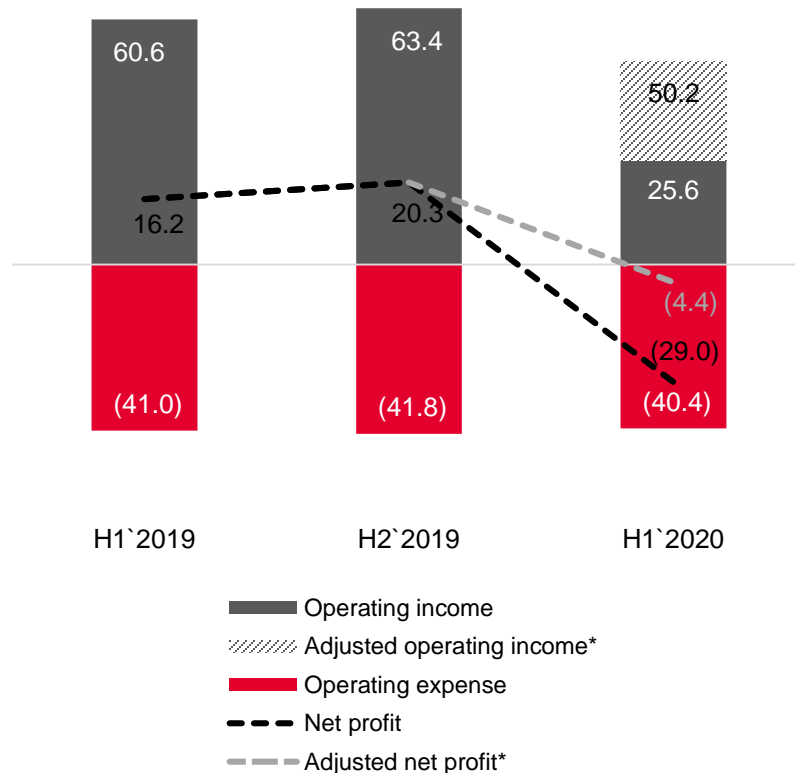


# Financial highlights

## Financial result development

H1 2020 vs previous periods

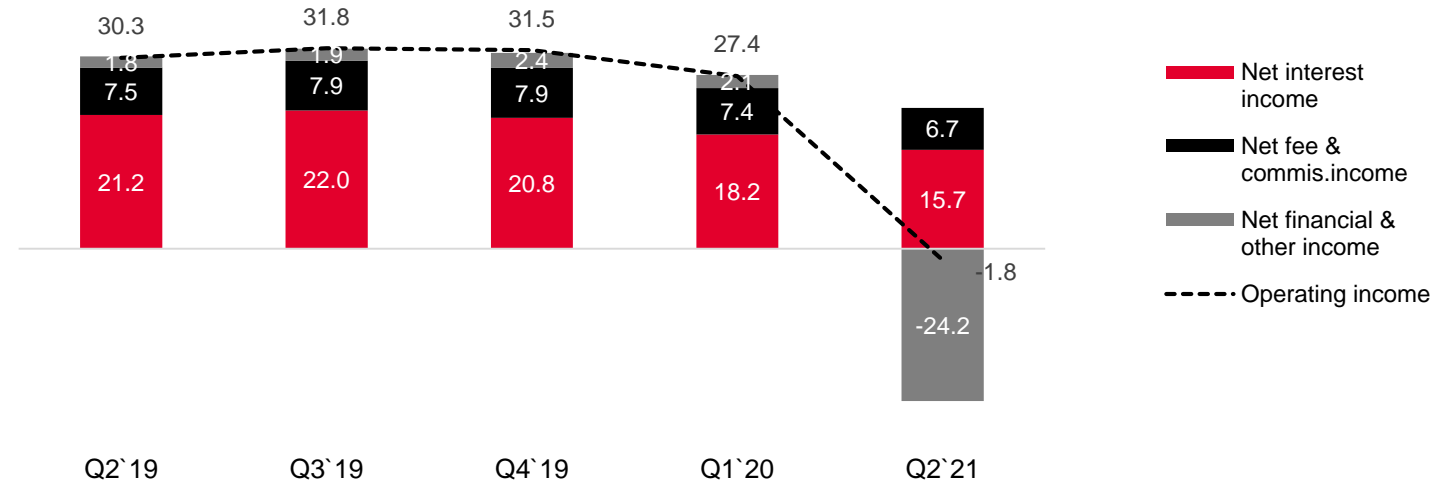
EURm



## Operating income by revenue line

Q2 2020 vs. previous periods

EURm



## Comment

Group's operating income declined 58% year-on-year and stood at EUR 25.6 million in H1 2020. When adjusted for the extra cost for liquidity and the tail risk hedging, operating income declined by EUR 10.3 million, or 17% year-on-year

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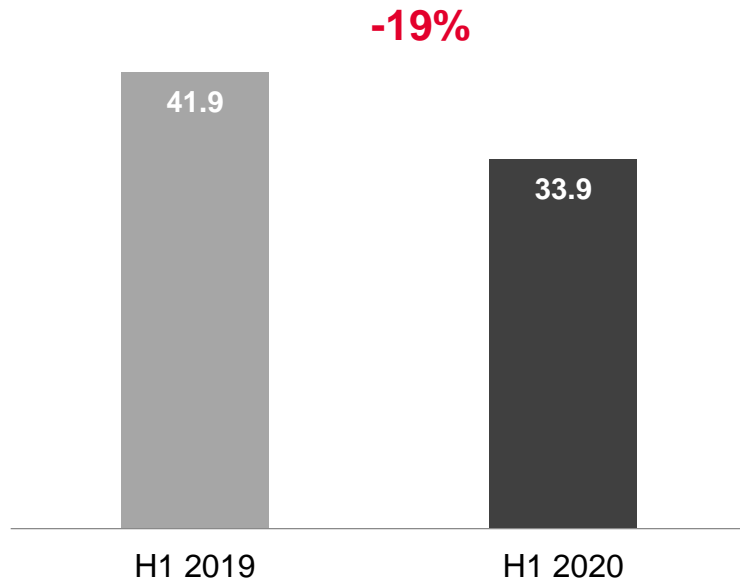
\*Adjusted for one-time losses related to the tail risk management strategy in the amount of EUR (24.6)m

# Net interest income development

## Net interest income

H1 2020 vs. H1 2019

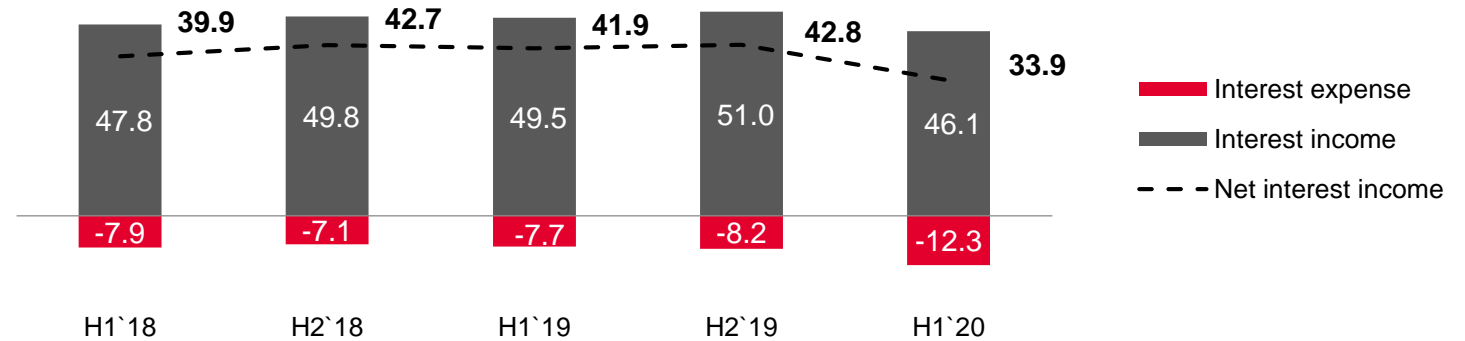
EURm



## Net interest income development

H1 2020 vs. previous periods

EURm



## Comment

The Group's **net interest income** decrease is primarily driven by significantly higher interest expense (+59%) resulting from a major liquidity buffer ahead of the planned acquisition of UniCredit Leasing. The transaction is expected to obtain all regulatory approvals and closing is anticipated during second half of 2020.

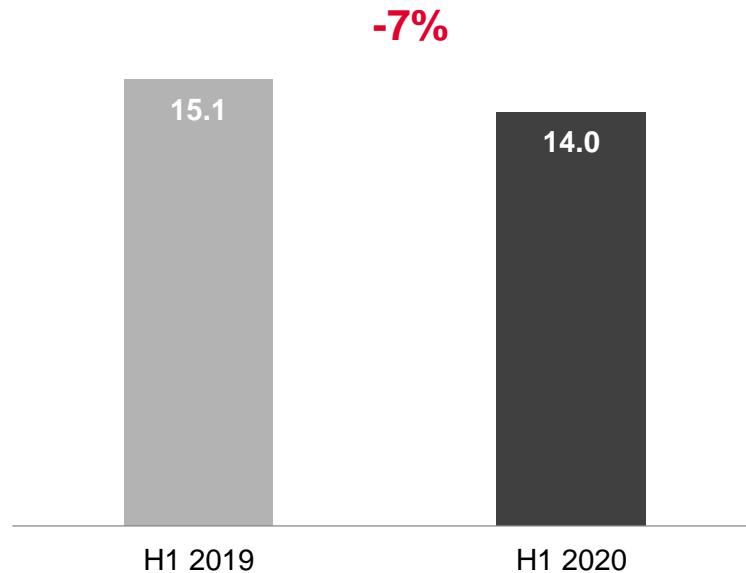
Q2 2020 net interest income reached EUR 15.7 million, a 26% decrease compared to the same period year ago, as the excess liquidity had a negative impact by approximately EUR 2.7 million.

# Net fee and commission income development

## Net fees and commissions

H1 2020 vs. H1 2019

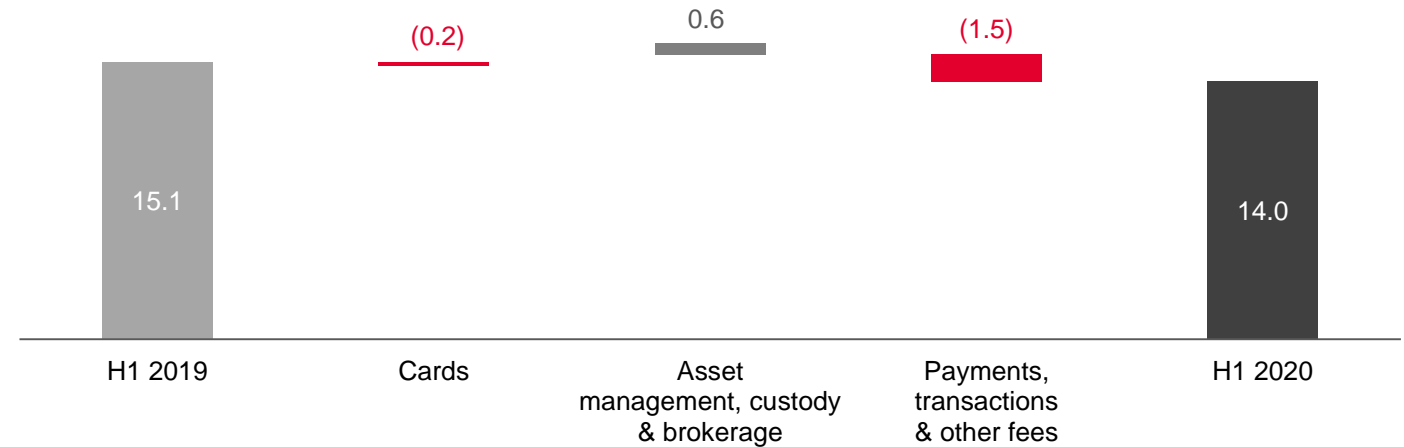
EURm



## Net fee and commission income development

H1 2020 vs. H1 2019

EURm



## Comment

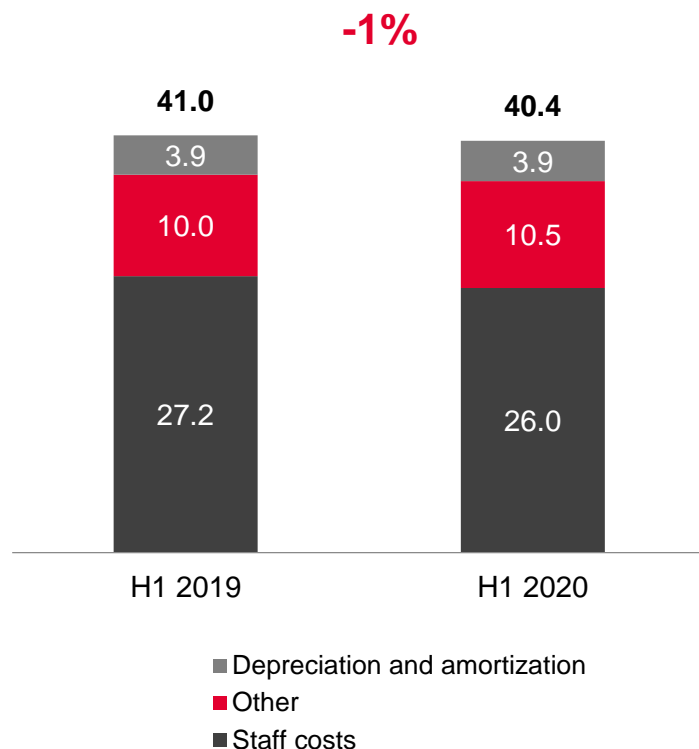
The Group's **net fee and commission income** reached EUR 14 million in H1 2020, decreasing by 7% year-on-year, mainly due to lower income from cards and payments and transactions with lower client activity due to Covid-19. Net fee and commission income in Q2 were EUR 6.7 million.

# Operating expenses development

## Operating expenses

H1 2020 vs. H1 2019

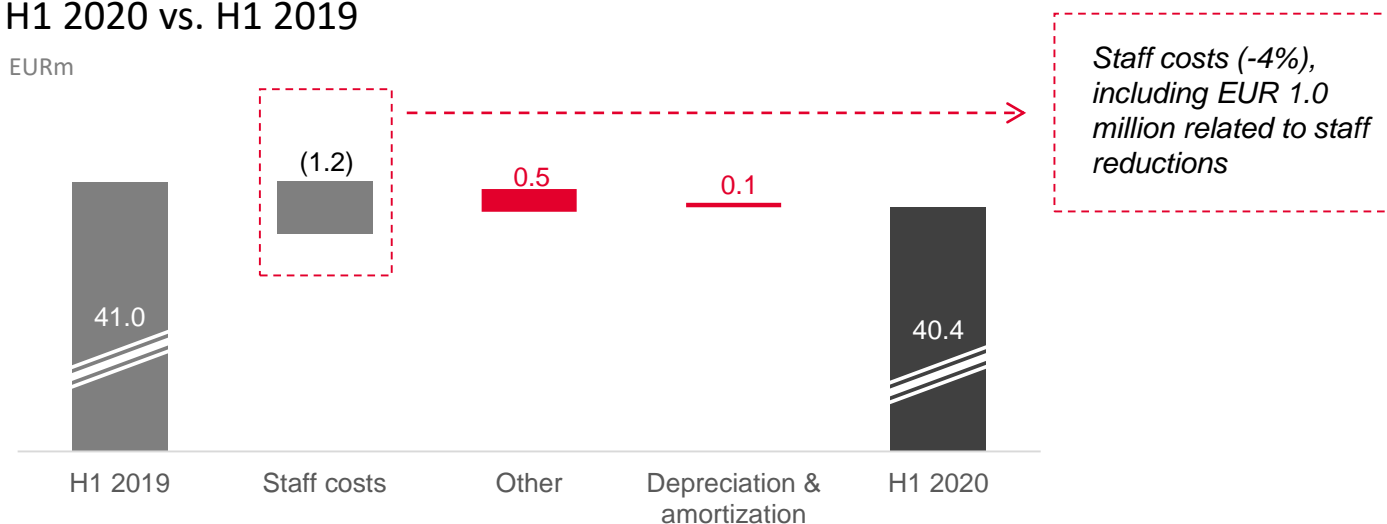
EURm



## Operating expenses development

H1 2020 vs. H1 2019

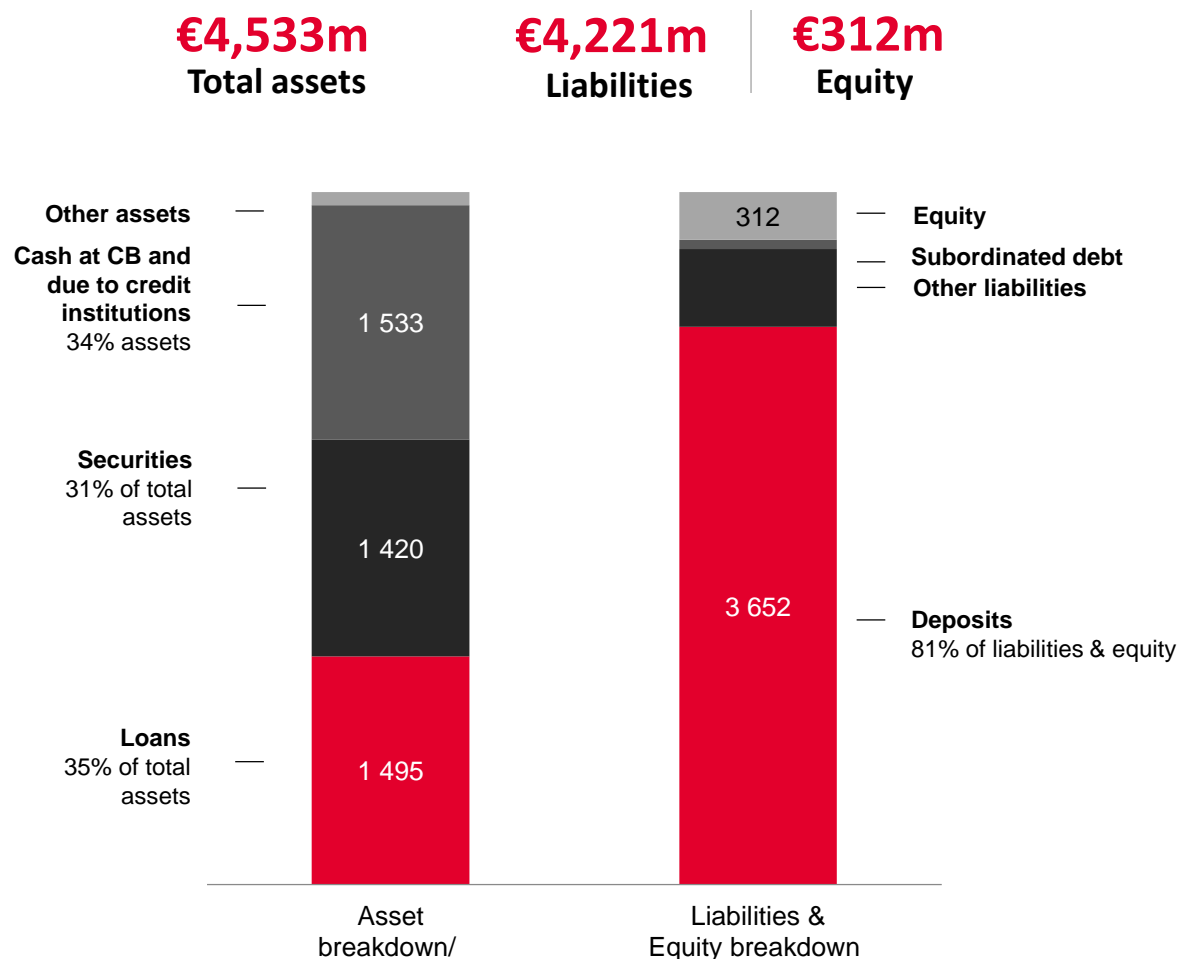
EURm



## Comment

**Operating expenses** in H1 2020 decreased by 1% compared to the same period in 2019 and stood at EUR 40.4 million. Staff costs decreased by 4% to EUR 26.2 million, including EUR 1.0 million related to staff reductions. The number of full-time employees was 1,248 vs. 1,480 as at 30 June 2019, reflecting the progress of ongoing efficiency initiatives. Other costs were EUR 10.5 million (5% increase y-o-y), mainly due to higher consulting and other fees.

# Stable asset quality and strong balance sheet

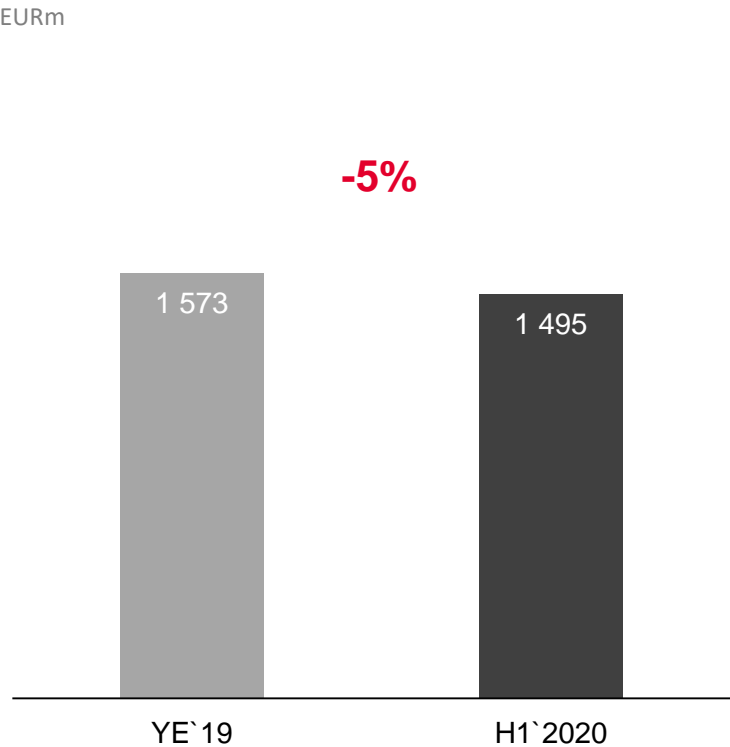


## Comment

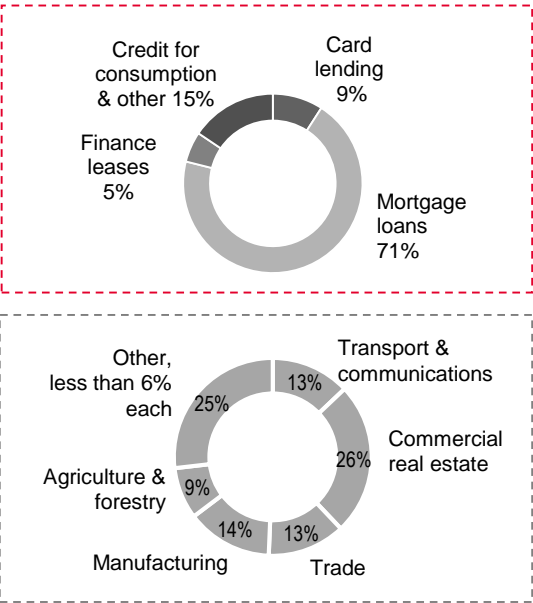
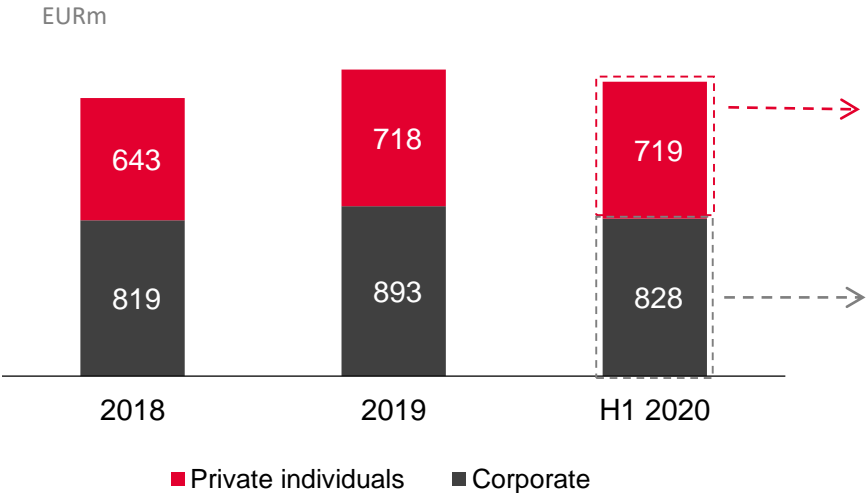
- The **net loan portfolio** stood at EUR 1,495 million as of 30 June 2020, decreasing by 5% from year end 2019 mainly due to portfolio amortisation and lower new lending. In terms of segments, Private customers represented 39% of the portfolio followed by Corporates (33%), SMEs (15%) and Leasing (14%).
- Overall credit quality continued to improve. The **Stage 3 loans to public ratio** decreased to 4.1% as of 30 June 2020, compared to 4.8% at the end of 2019.
- The **securities portfolio** in H1 2020 grew by 13% during H1 2020. 96% of debt securities held were rated A or higher.
- The main source of funding, **customer deposits**, grew by 11% vs. year-end 2019. Baltic residents' deposits increased by EUR 210 million. As of 30 June 2020, total Group customer deposits were EUR 3,652 million.

# Balance sheet overview

## Loans H1 2020 vs. YE 2019



## Gross loans by customer profile 30 June 2020 vs. previous periods



## Comment

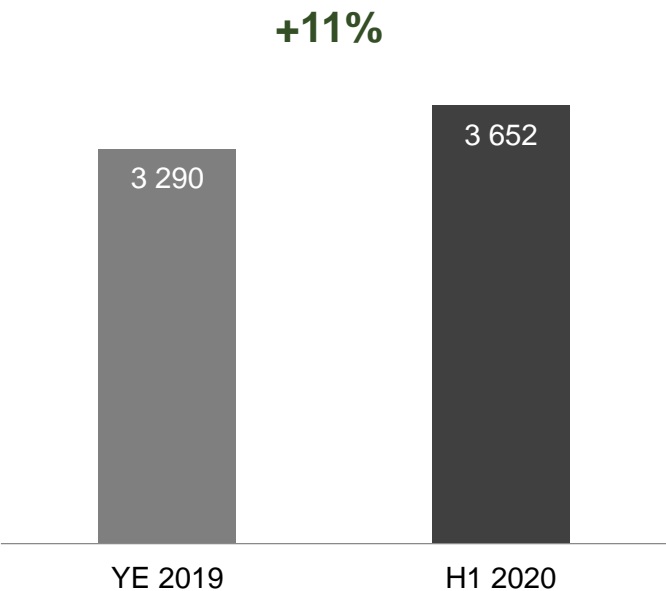
No major changes in **industry concentrations** occurred during H1 2020. Loans to Households represented 46% of the portfolio. The largest increases in H1 were seen in Finance leases (6%) and mortgages (2%). Consumer and card lending decreased by 12% and 5%, respectively, since year end 2019. Overall, the main industry concentrations were Commercial real estate (26% of gross loans), Transport and Communications (13%) and Manufacturing and Trade (14% and 13% respectively).

# Balance sheet overview

## Deposits

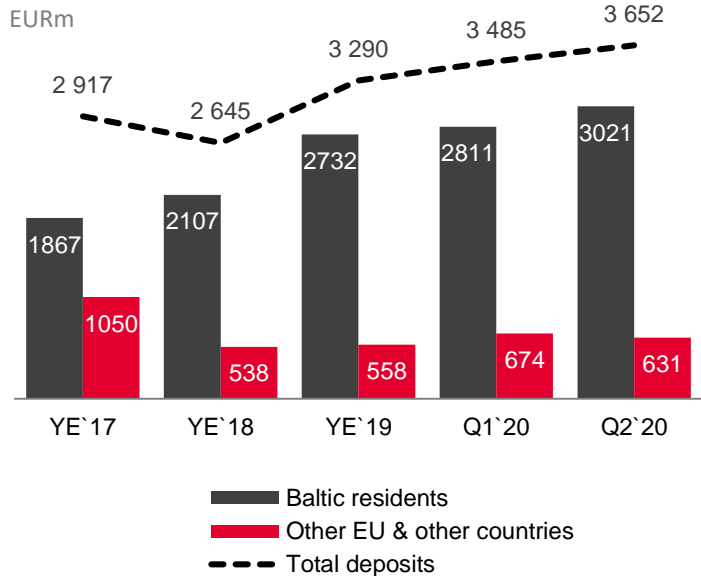
H1 2020 vs. YE 2019

EURm



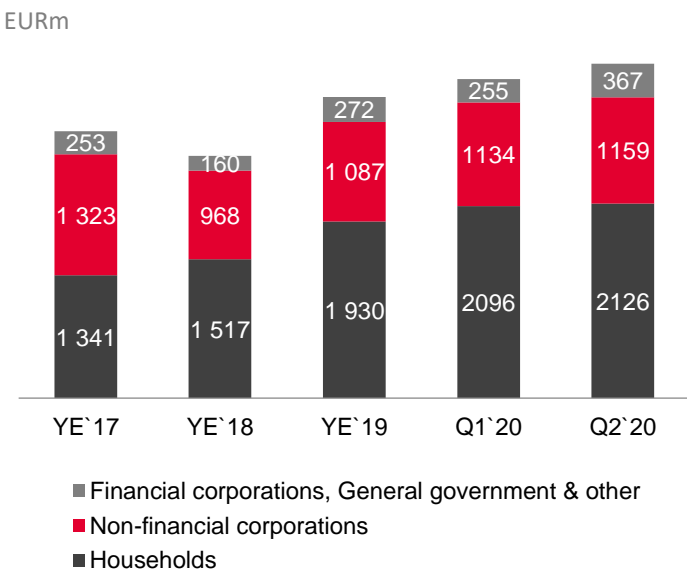
## Increase of domestic deposits

30 Jun 2020 vs. previous periods



## Deposits by customer profile

30 June 2020 vs. previous periods

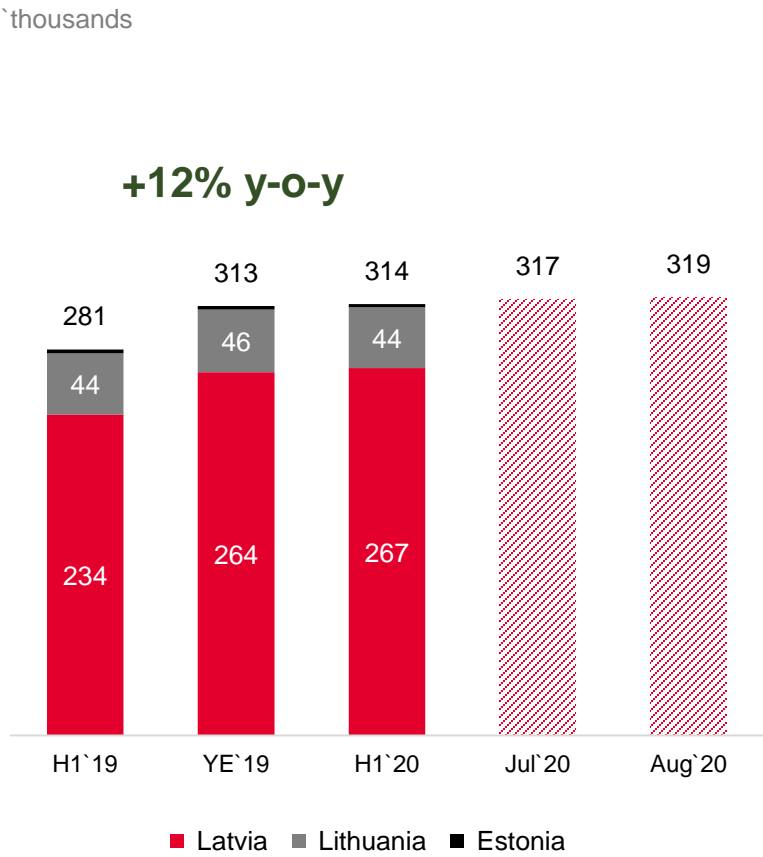


## Comment

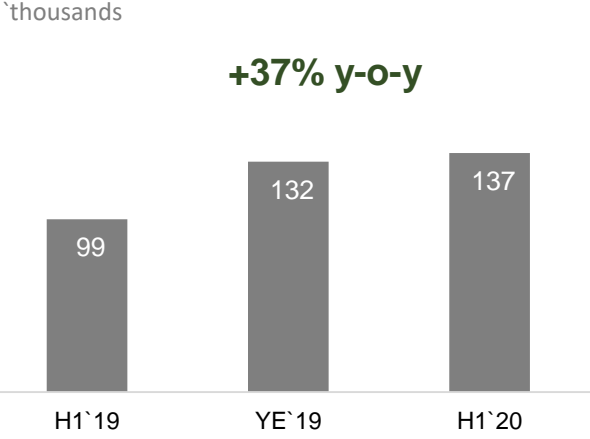
The main source of funding, customer deposits, grew by 11% vs. year-end 2019. Baltic residents' deposits increased by EUR 210 million. As of 30 June 2020, total Group customer deposits were EUR 3,652 million.

# Customer overview

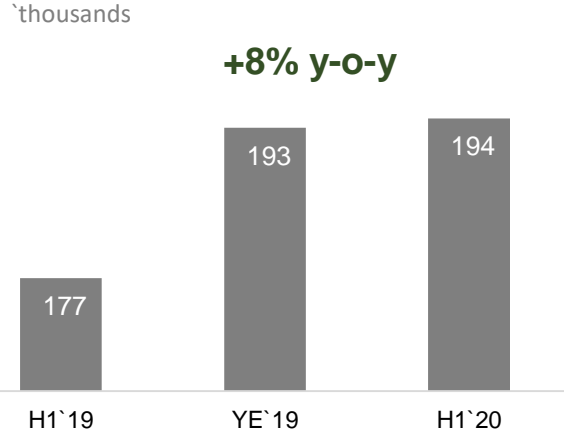
## Active customers H1 2020 vs. H1 2019



## Mobile App users H1 2020 vs. H1 2019



## Internet bank customers H1 2020 vs. H1 2019



## Comment

A small slowdown in overall **active customer numbers** in Q2 2020 (decrease of 1% q-o-q). The positive trend in customer activity resumed in the last months of Q2 and continued during July and August. The number of new customers onboarded has almost doubled in July vs. the Q2 monthly average, with the strong trend continuing into August. Active customers reached 314 thousand clients as of 30 June 2020, or 12% growth y-o-y. Mobile App users and Internet bank customers increased by 37% and 8% y-o-y, respectively, reaching 137 thousand active Mobile App users and 194 thousand active Internet bank customers.

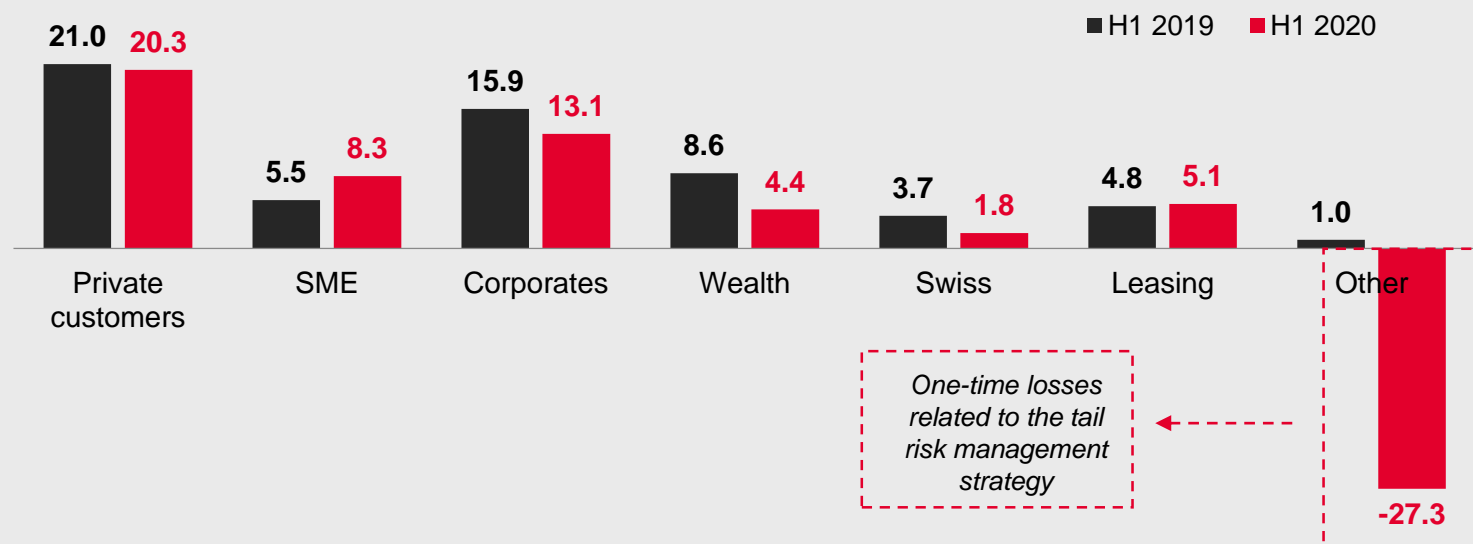
# Segment overview

H1 2020, EURm	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other*	Total
Net interest income	18.0	4.8	11.8	-1.1	1.2	5.1	-5.8	33.9
Net fee & commission income	2.6	3.1	1.3	5.3	1.4	0.1	0.3	14.0
Net financial and other income	-0.2	0.4	0.0	0.3	-0.8	-0.1	-21.8	-22.3
<b>Operating income</b>	<b>20.3</b>	<b>8.3</b>	<b>13.1</b>	<b>4.4</b>	<b>1.8</b>	<b>5.1</b>	<b>-27.3</b>	<b>25.6</b>

\* Other – Group's treasury functions and other business support functions, incl. results of the subsidiaries of the Group operating in non-financial sector

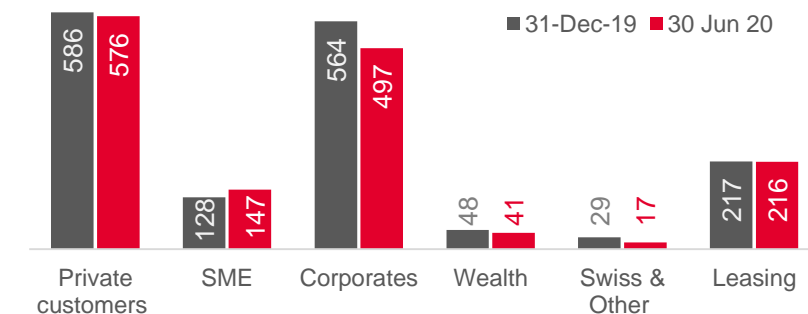
## Operating income by segment

H1 2020 vs. H1 2019, EURm



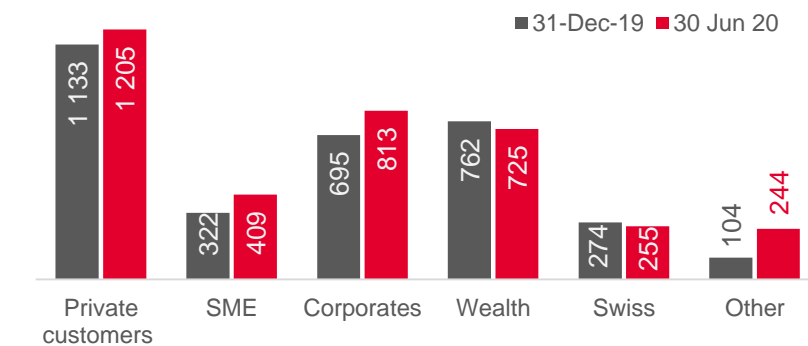
## Loans

30 June 2020 vs. YE 2019, EURm



## Deposits

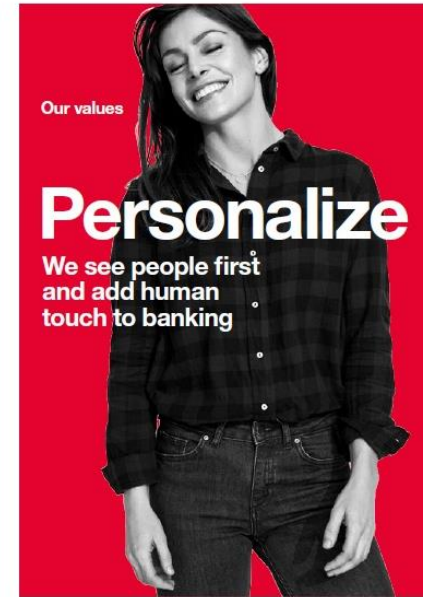
30 June 2020 vs. YE 2019, EURm



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# About us



## Branches

23 in Latvia  
7 in Lithuania  
1 in Estonia



**1,248**  
Employees



**314k**  
Active  
Clients  
(+12% y-o-y)



**196k**  
I-bank  
Customers  
(+8% y-o-y)



**140k**  
Mobile App  
users  
(+37% y-o-y)



**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



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