



Citadele Group

Results presentation
For the nine months ended 30 September 2020

**More
opportunities**

**=
Citadele**

Business environment

The Covid-19 pandemic continued to impact global economy in Q3 2020. The Baltic region in Q3 has fared better than many other countries, resulting in smaller GDP decline than the rest of euro area so far.

Baltic region rebounds strongly in Q3 2020

Baltic region rebounded strongly in Q3 as lockdown measures were lifted. In Q3 GDP in Latvia declined by 3.1% y-o-y while in Lithuania GDP dropped by 1.7%. At the same time GDP in euro area declined by 4.4%.

In Q3 situation improved in almost all sectors, but significant difference seen between service and goods sectors. Deceleration in IT & business service sectors and construction which were not directly affected by Covid-19 is worrying.

Domestic demand has proved resilient

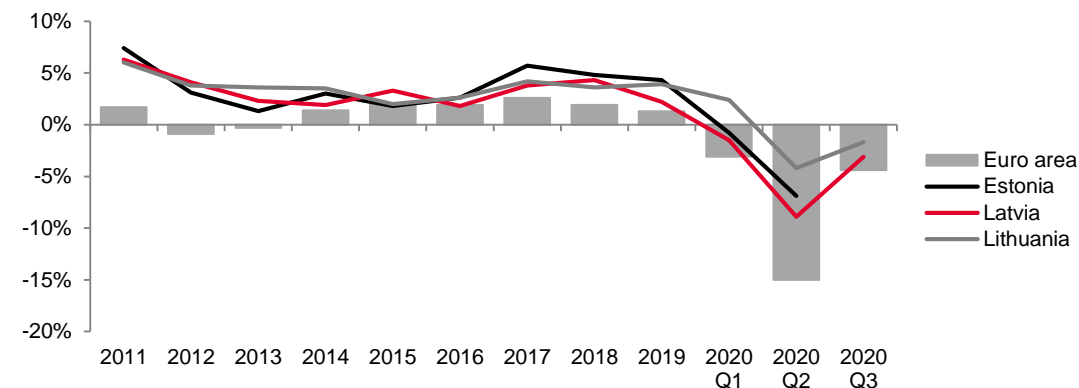
Domestic demand has proved resilient the Baltics and rebounded quickly when lockdown measures were lifted. Retail trade in the Baltics has returned to previous levels. Retail sales excluding fuel grew by 4.2% in Latvia in September y-o-y while sales in Lithuania and Estonia grew by 6.9% and 4.9% respectively. Manufacturing is also near pre-Covid levels and global manufacturing sentiment is improving.

Many service sectors are still affected by various restrictions, and spending on travel, hotels as well as entertainment is significantly below previous levels. Part of the money that consumers used to spend on services is now spent on goods and retail trade has benefited from this shift in consumption.

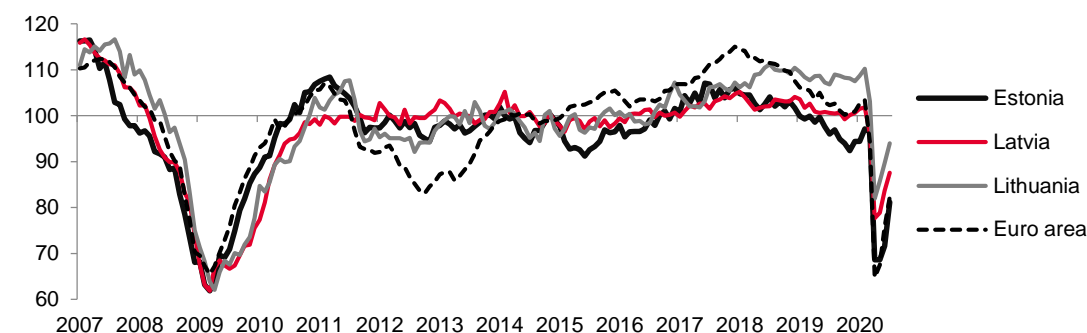
Resurgence of Covid-19 likely to delay recovery

Following Covid-19 increase in autumn, some lockdown measures have been reintroduced in the Baltics and although these are less severe than in spring some restrictions could be necessary until April or May 2021. Resurgence of virus is likely to delay the recovery and economic activity in the Baltics will probably shrink again in Q4 2020. Likelihood that effective vaccine against Covid-19 will be available in 2021 is increasing, and this could lead to rapid recovery later in 2021.

Real GDP, % YoY



Economic Sentiment Indicator



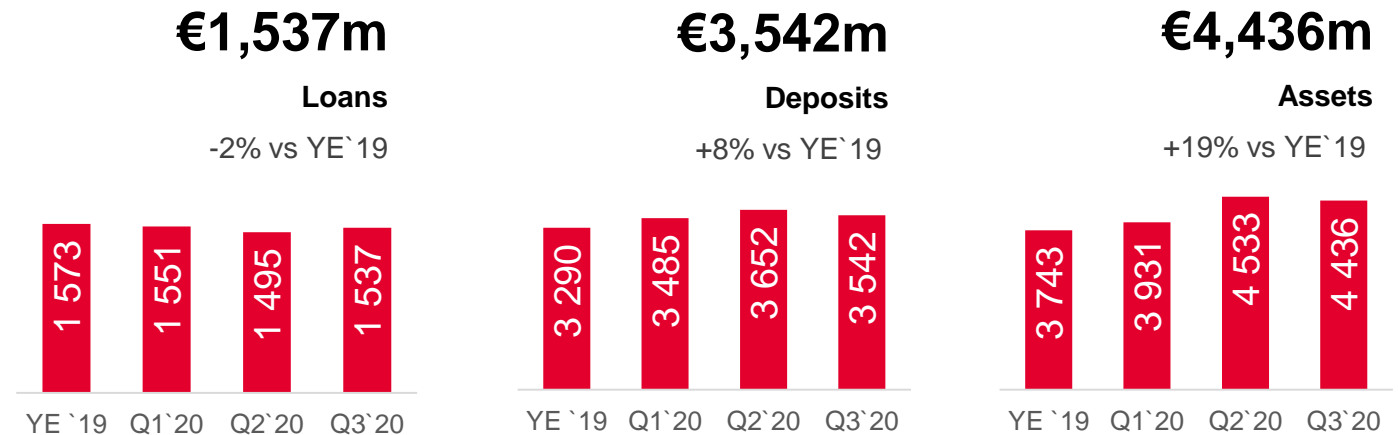
More
opportunities

=
Citadele

Key figures and events

- Overall business sentiment improved in Q3 2020. Business activity has returned to pre-covid levels and number of active customers reached all-time high for Citadele.
- The number of active customers reached 322 thousand clients as of 30 September 2020, or 8% growth y-o-y.
- EUR 141 million issued in new loans to Baltic private, SME and corporate customers in Q3 2020. New lending in 9 months 2020 reached EUR 327 million.
- Baltic deposits continued to increase by EUR 258 million in 9 months 2020, or 9% growth vs. year-end 2019.
- Operating income during the period was affected by Covid-19-related disruption to economic activity. Although the defensive and proactive measures taken during H1 2020 have resulted in a loss for the nine months, the Bank continues to operate with strong capital and liquidity ratios.
- Third quarter was closed with EUR 8.5 million profit and the Bank also expects year end with improved financials.
- Moody's upgraded Citadele credit rating to investment grade, assigning Baa3 with stable outlook.

	Q3 2019	Q2 2020	Q3 2020	9m 2019	9m 2020
Net interest income	22.0	15.7	16.9	63.8	50.8
Net fee and commission income	7.9	6.7	8.5	23.0	22.5
Net financial and other income	2.0	-24.2	-1.4	5.6	-23.7
Operating income	31.8	-1.8	24.0	92.4	49.6
Operating expense	-20.5	-21.0	-19.2	-61.4	-59.6
Net credit losses and impairments	-0.1	1.4	3.7	-2.7	-10.3
Net profit	11.0	-21.5	8.5	27.2	-20.5
<i>Adjusted for one-time item*:</i>					
Operating income	31.8	22.8	27.9	92.4	78.2
Net profit	11.0	3.1	12.5	27.2	8.1



**More
opportunities**

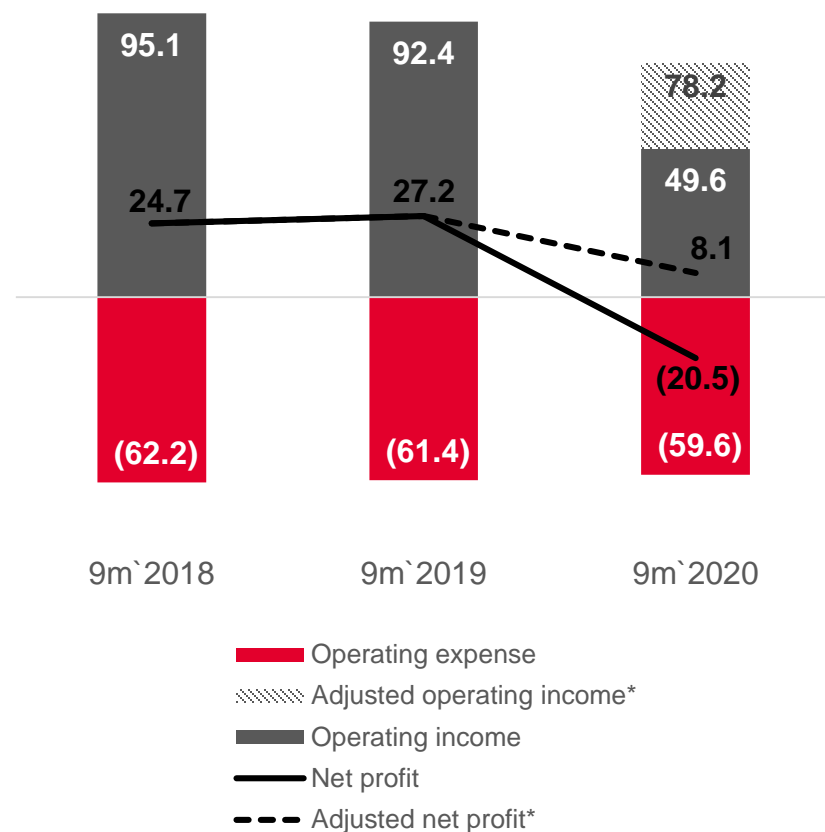
**==
Citadele**

Financial highlights

Financial result development

9m 2020 vs previous periods

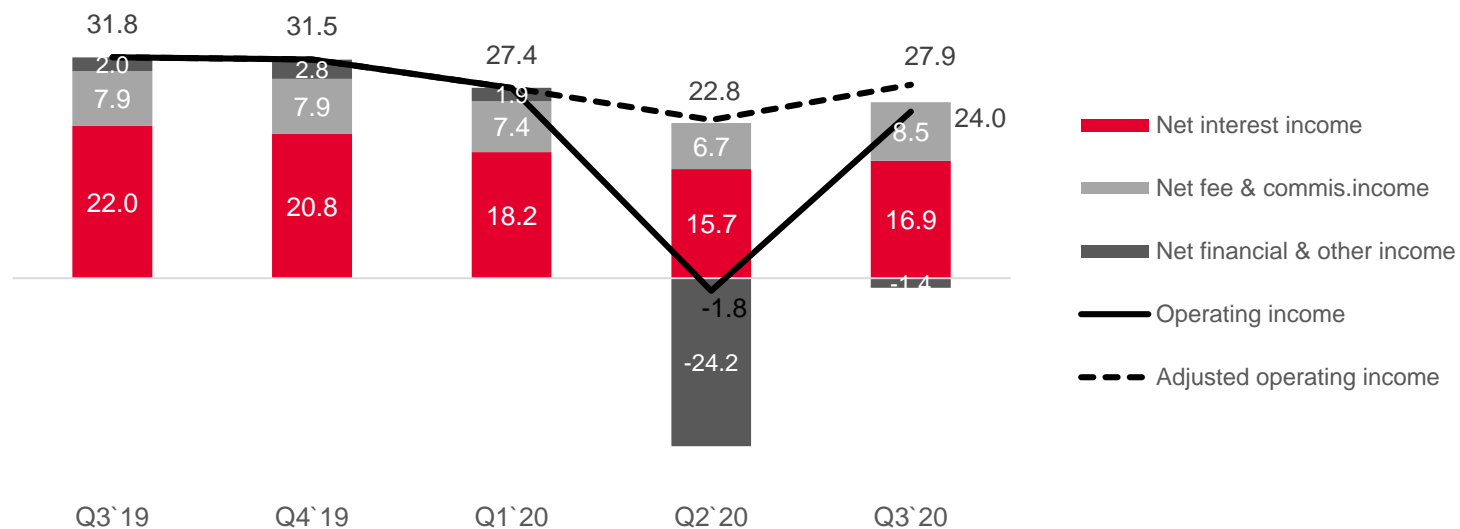
EURm



Operating income by revenue line

Q3 2020 vs. previous periods

EURm



Comment

Operating income in Q3 2020 reached EUR 24 million. When adjusted for one-time losses related to the tail risk management strategy, operating income was EUR 27.9 million, 22% increase q-o-q. In 9 months 2020, operating income adjusted for one-time losses in amount of EUR (28.6) million was EUR 78.2 million, or 15% decrease year-on-year.

**More
opportunities**

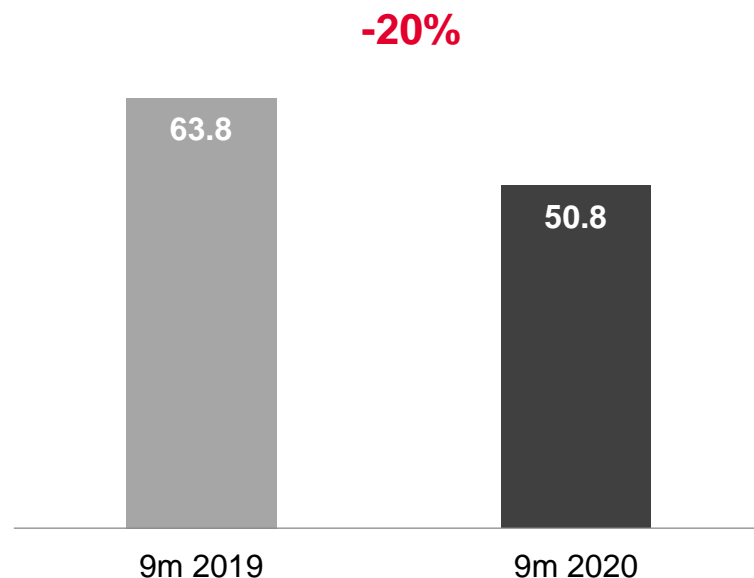
**=
Citadele**

Net interest income development

Net interest income

9m 2020 vs. 9m 2019

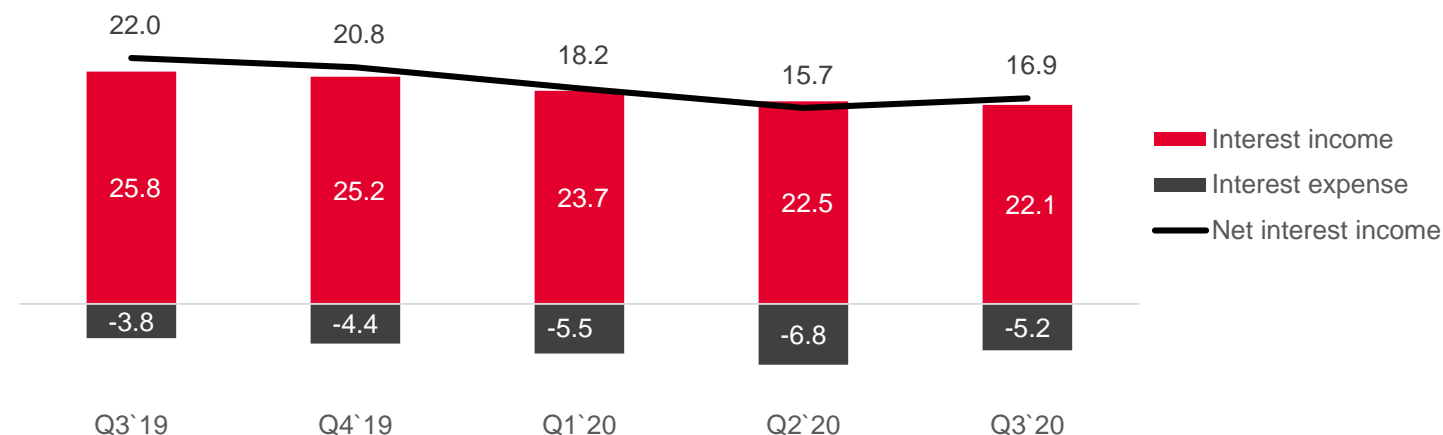
EURm



Net interest income development

Q3 2020 vs. previous periods

EURm



Comment

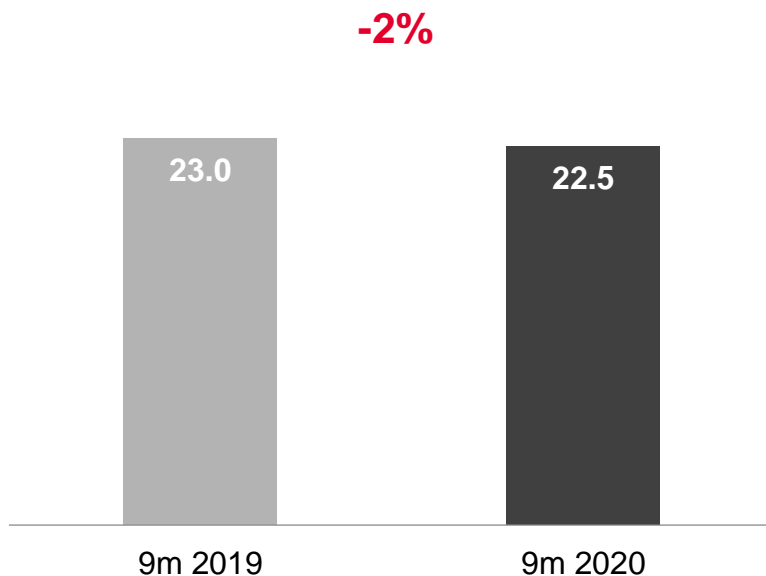
Net interest income reached EUR 16.9 million in Q3 2020, translating into 8% increase vs Q2 2020. 9 months 2020 net interest income was EUR 50.8 million, 20% decrease year-on-year, primarily driven by significantly higher interest expense (+51%) resulting from liquidity buffer ahead of the planned acquisition of UniCredit Leasing.

Net fee and commission income development

Net fees and commissions

9m 2020 vs. 9m 2019

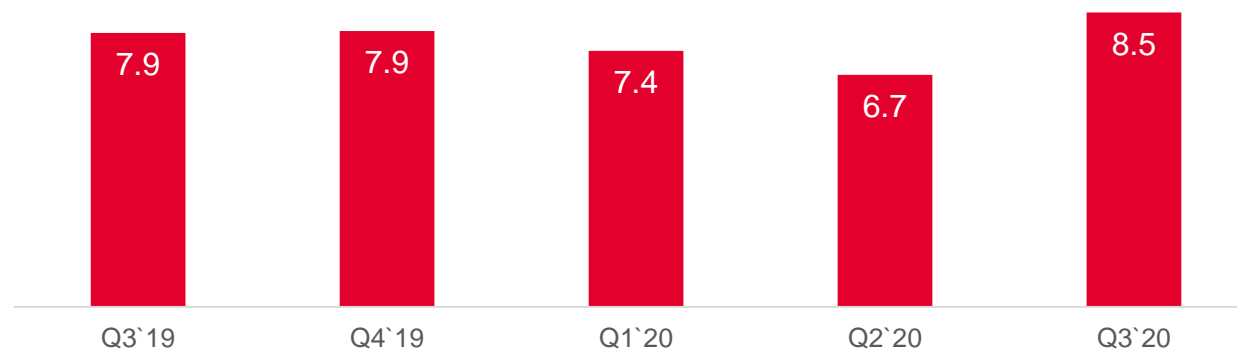
EURm



Net fee and commission income development

Q3 2020 vs. previous periods

EURm



Comment

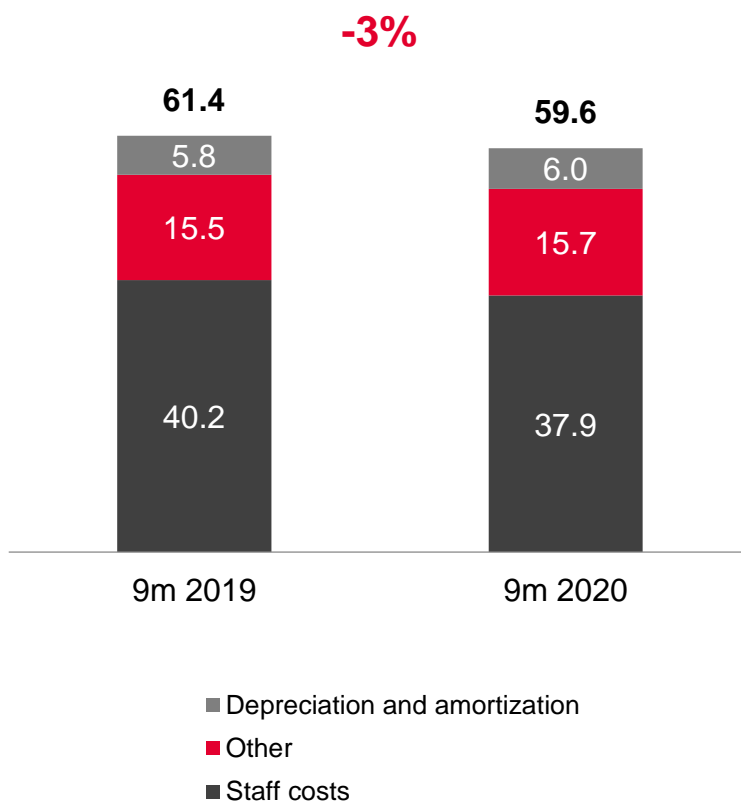
The Group's net fee and commission income in Q3 2020 reached EUR 8.5 million, which translates into 27% increase vs Q2 2020, mainly due to higher income from cards and payments and transactions. Net fee and commission income in 9 months 2020 was EUR 22.5 million, 2% decrease year-on-year, mainly due lower client activity during the first half of the year due to Covid-19.

Operating expenses development

Operating expenses

9m 2020 vs. 9m 2019

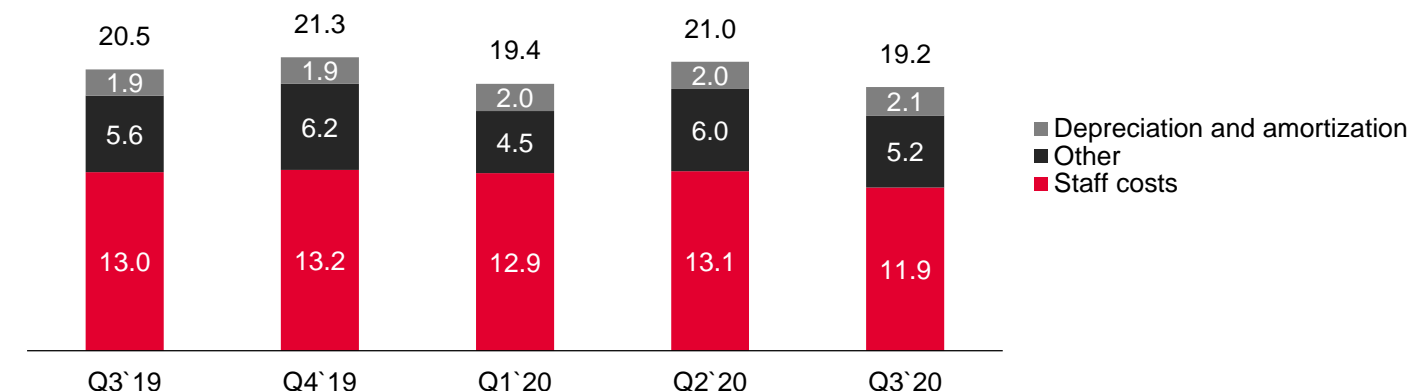
EURm



Operating expenses development

Q3 2020 vs. previous periods

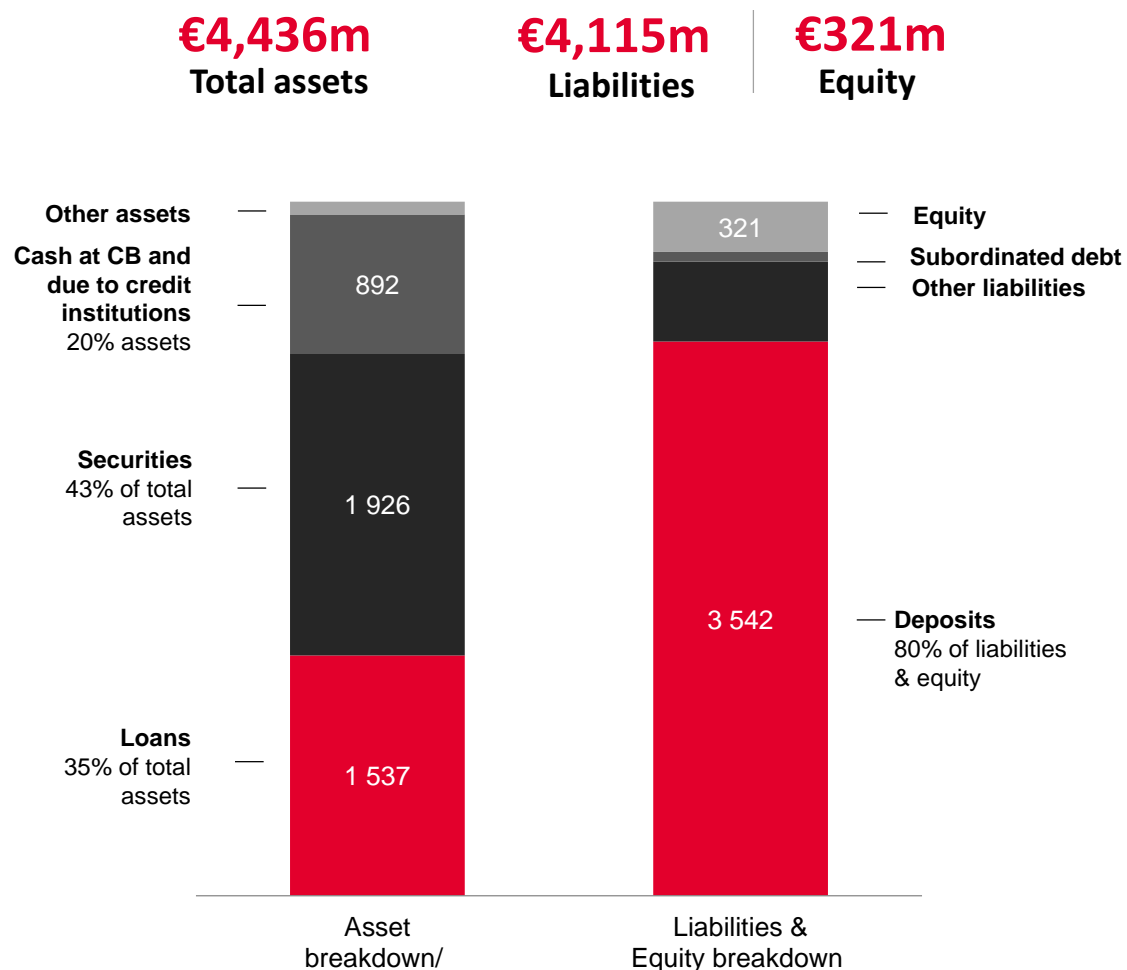
EURm



Comment

Operating expenses in **Q3 2020** decreased by 9% q-o-q and constituted EUR 19.2 million. Staff costs decreased by 9% to EUR 11.9 million. The number of full-time employees was 1,241 vs. 1,405 as at 30 September 2019, reflecting the progress of ongoing efficiency initiatives. Other costs were EUR 5.2 million (12% decrease q-o-q). Depreciation and amortisation expenses stood at EUR 2.0 million. **Operating expenses** in **9 months 2020** was 59.6 million, decrease by 3% compared to the same period in 2019. Citadele's adjusted **cost to income ratio** in Q3 2020 was 63.5% versus 64.2% in Q3 2019.

Stable asset quality and strong balance sheet

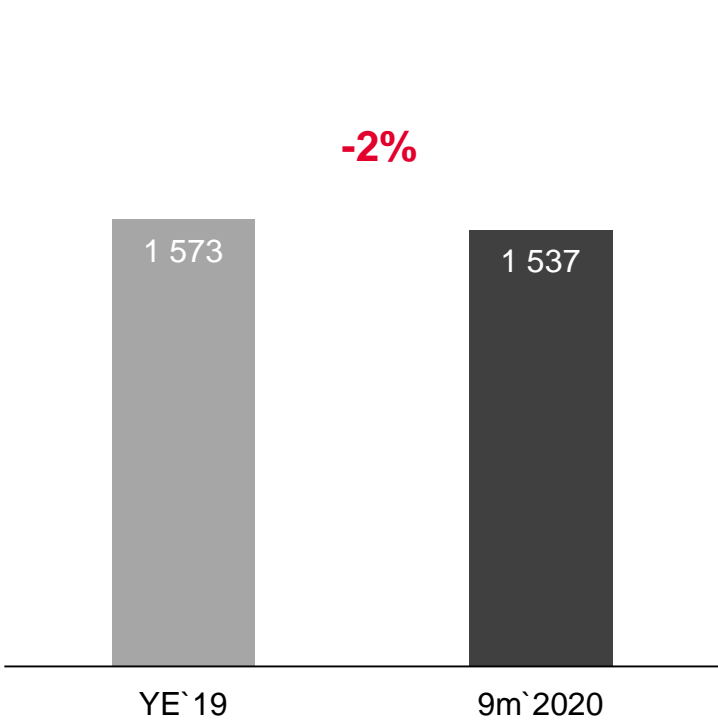


Comment

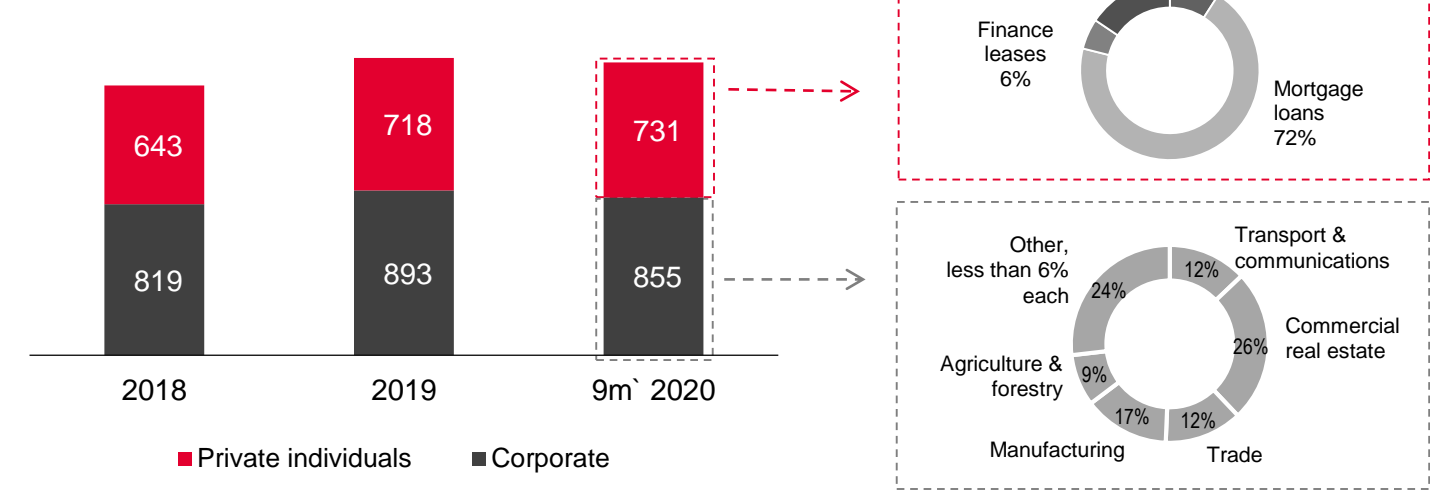
- The **net loan portfolio** stood at EUR 1,537m as of 30 September 2020, decreasing by EUR 35m (2%) from year end 2019. The largest decrease in the amount of EUR 33m was seen in the corporate loan book mainly due to portfolio amortisation and lower new lending in H1 2020. In terms of segments, Private customers represented 38% of the portfolio followed by Corporates (34%), Leasing (14%) and SMEs (10%).
- New lending** in Q3 2020 reached EUR 141m, two times more than in Q2 2020. New lending in 9 months reached EUR 327m, of which EUR 116m were issued to retail customers and EUR 211m to Corporate customers.
- Overall credit quality continued to improve. The **Stage 3 loans to public ratio** decreased to 3.7% as of 30 September 2020, compared to 4.8% at the end of 2019, mostly due to legacy loan workouts.
- In Q1 2020 **securities portfolio** was reduced in preparation for the UCL transaction and to mitigate potential credit risks stemming from the Covid-19 outbreak. With delayed closing of UCL transaction and lower uncertainty related to Covid-19, portfolio size grew by 38% during Q2 and 37% in Q3. Main rationale behind portfolio growth was short term liquidity management that helps to reduce negative interest rate charges for keeping cash balances with ECB. 98% of debt securities held were rated A or higher.
- The main source of funding, **customer deposits**, grew by 8% vs. year-end 2019. Baltic residents' deposits increased by EUR 258m. As of 30 September 2020, total Group customer deposits were EUR 3,542m.

Balance sheet overview

Loans
9m 2020 vs. YE 2019
EURm



Gross loans by customer profile
30 September 2020 vs. previous periods
EURm



Comment

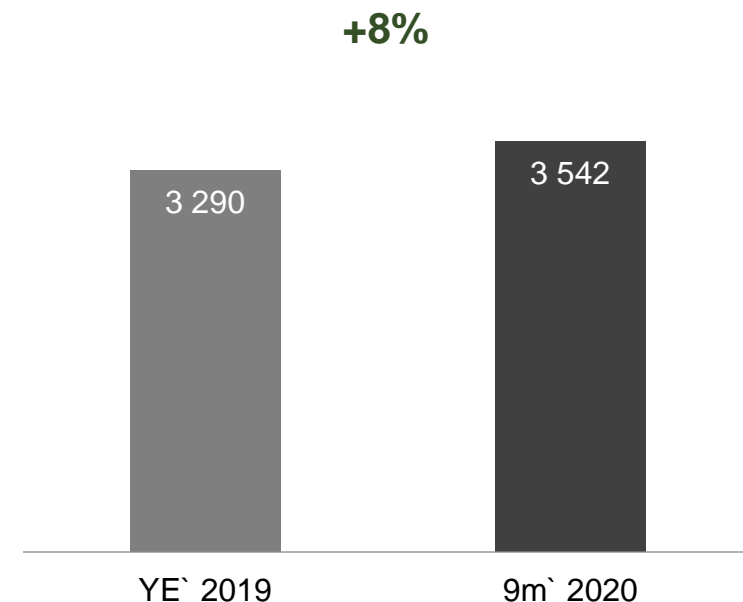
No major changes in industry concentrations occurred during Q3 2020. Loans to Households represented 46% of the portfolio. The largest increases in 9 months were seen in Finance leases (7%) and mortgages (5%). Consumer and card lending decreased by 17% and 5%, respectively, since year end 2019. Overall, the main industry concentrations were Commercial real estate (26% of gross loans), Manufacturing (17%), Transport and Communications (12%) and Trade (12%).

Balance sheet overview

Deposits

9m 2020 vs. YE 2019

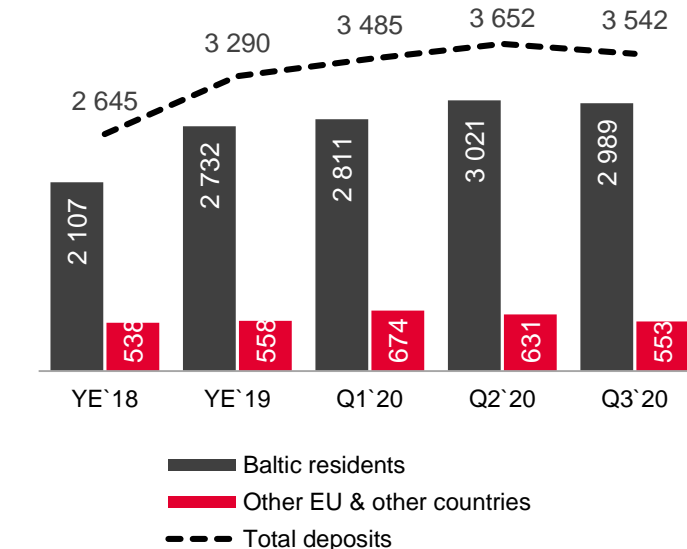
EURm



Increase of domestic deposits

30 September 2020 vs. previous periods

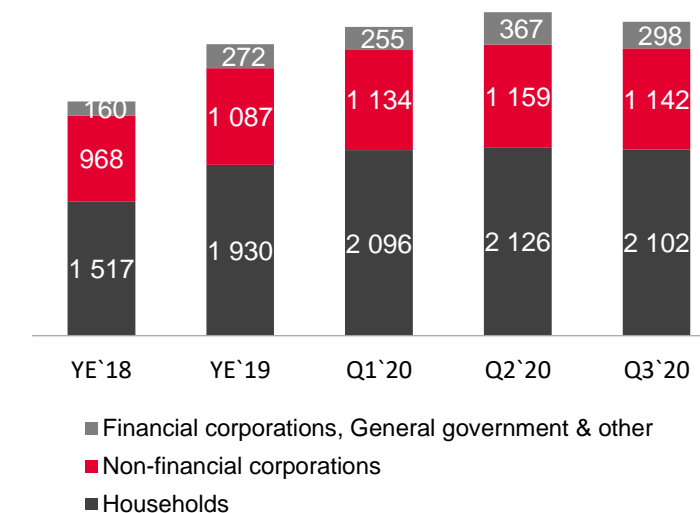
EURm



Deposits by customer profile

30 September 2020 vs. previous periods

EURm



Comment

The main source of funding, customer deposits, grew by 8% vs. year-end 2019. Baltic residents' deposits increased by EUR 258 million. As of 30 September 2020, total Group customer deposits were EUR 3,542 million.

**More
opportunities**

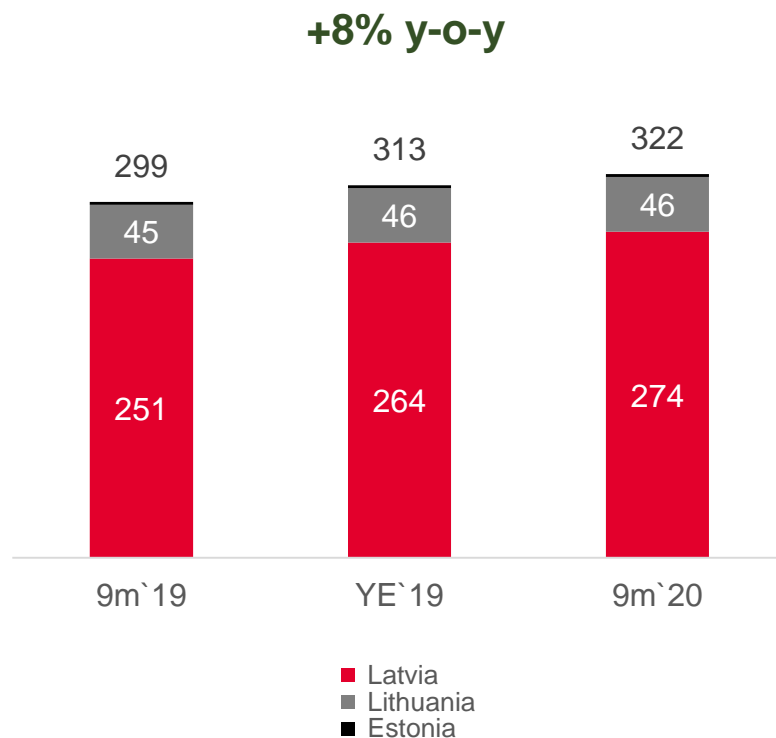
**=
Citadele**

Customer overview

Active customers

9m 2020 vs. 9m 2019

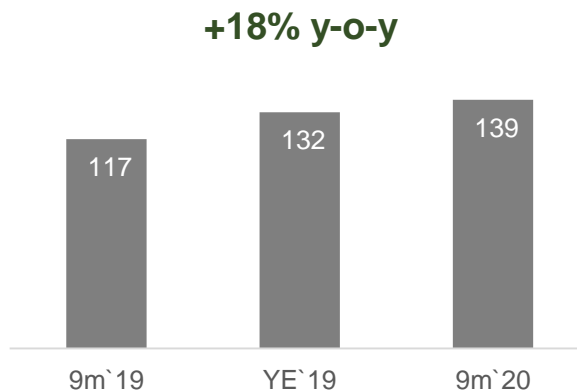
`thousands



Mobile App users

9m 2020 vs. 9m 2019

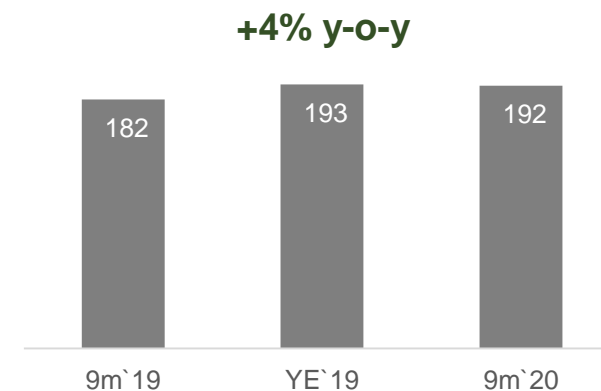
`thousands



Internet bank customers

9m 2020 vs. 9m 2019

`thousands



Comment

Customer activity increased in Q3 2020 and number of new customers onboarded reached almost 5 thousand new clients, 55% increase q-o-q. **Active customers** reached 322 thousand clients as of 30 September 2020, or 8% growth y-o-y. Retail primary customers continued to grow reaching 148 thousand clients, 8% increase since year end 2019. **Mobile App users** and **Internet bank customers** increased by 18% and 4% y-o-y, respectively, reaching 139 thousand active Mobile App users and 192 thousand active Internet Bank customers.

**More
opportunities**

**=
Citadele**

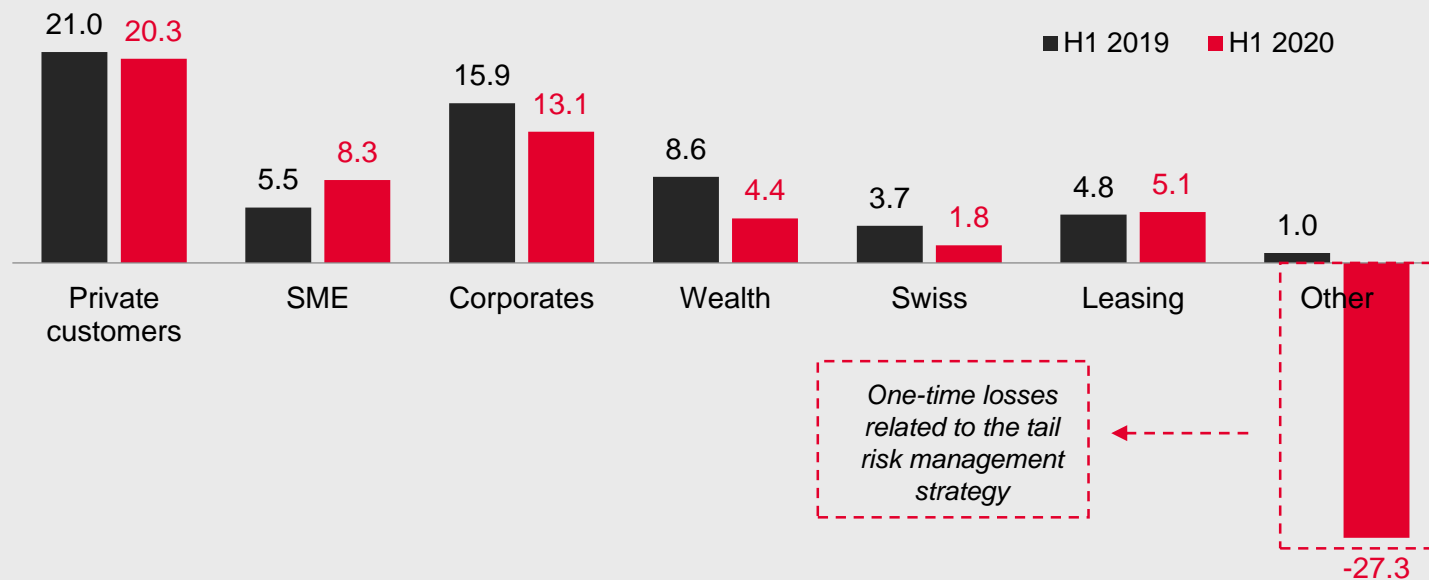
Segment overview

9m 2020, EURm	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other*	Total
Net interest income	26.5	7.4	17.1	-1.0	1.7	7.7	-8.5	50.8
Net fee & commission income	3.8	4.5	2.8	8.0	2.1	0.1	1.2	22.5
Net financial and other income	-0.6	0.9	0.0	0.8	-0.8	-0.1	-23.9	-23.6
Operating income	29.7	12.7	19.9	7.8	3.0	7.7	-31.2	49.7

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

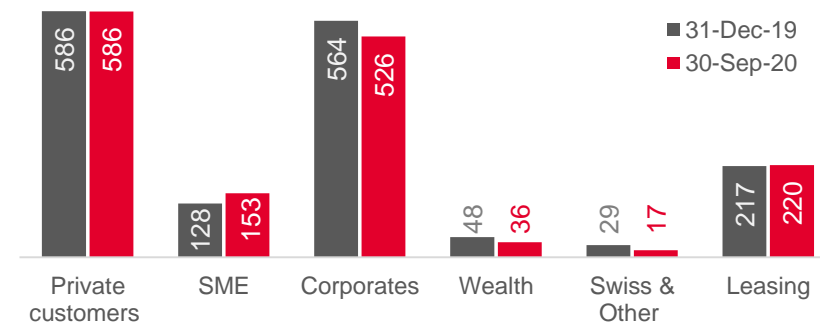
Operating income by segment

9m 2020 vs. 9m 2019, EURm



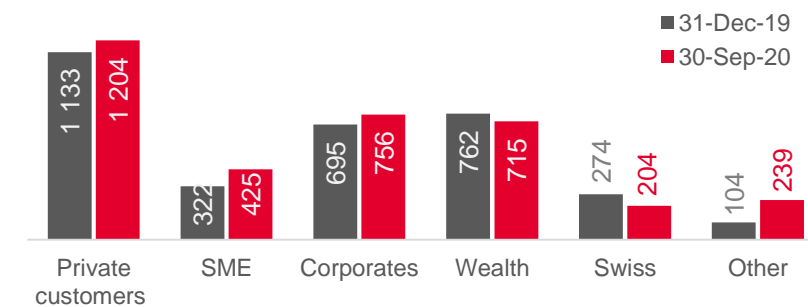
Loans

30 September 2020 vs. YE 2019, EURm



Deposits

30 September 2020 vs. YE 2019, EURm



More
opportunities

==
Citadele

About us



Branches

23 in Latvia
6 in Lithuania
1 in Estonia



1,241
Employees



322k
Active
Clients
(+8% y-o-y)



192k
I-bank
Customers
(+4% y-o-y)



139k
Mobile App
users
(+18% y-o-y)



24/7
Access to
SkyBranch



>12.0k
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

IR@citadele.lv