



# Citadele Group

Results presentation  
H1 2021

**More  
opportunities**

**=  
Citadele**

# About us

## Citadele Group – pan-Baltic full-service financial group

- Universal bank offering a wide range of banking products to our retail, SME and corporate customer base. The bank also provides wealth management, asset management, life insurance, pension, leasing and factoring products.
- Alongside traditional banking services, Citadele offers a range of services based on next-generation financial technology, incl. a modern MobileApp, contactless and instant payments, modern client onboarding practices and technologically-enabled best-in-class customer service.

### Shareholders



75% (+1 share)  
Ripplewood and co-investors

25% (-1 share)  
EBRD

### Moody's

**Baa3, positive**

/17 February 2021, Moody's<sup>(1)</sup>/

## Group presence – countries and number of branches



**Branches**  
23 in Latvia  
6 in Lithuania  
1 in Estonia



**1,349**  
**Employees**



**351k**  
**Active Clients**  
(+12% y-o-y)



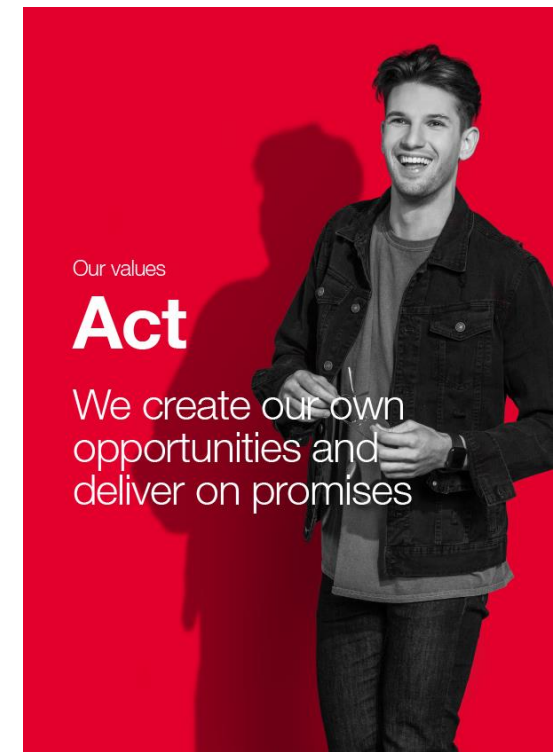
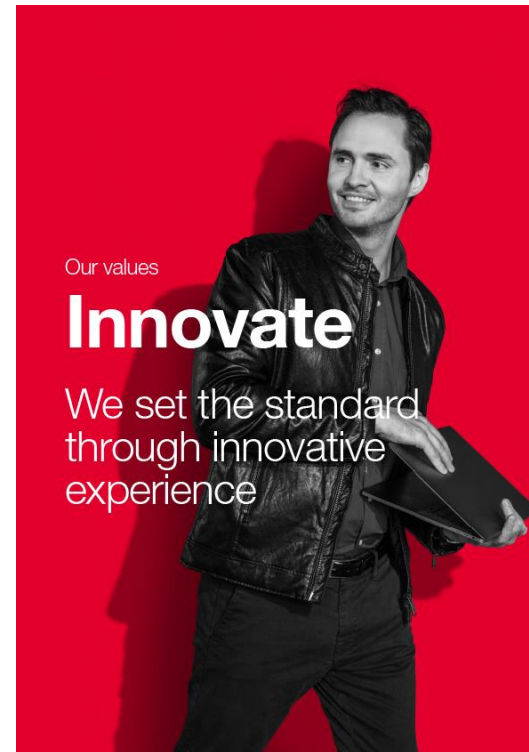
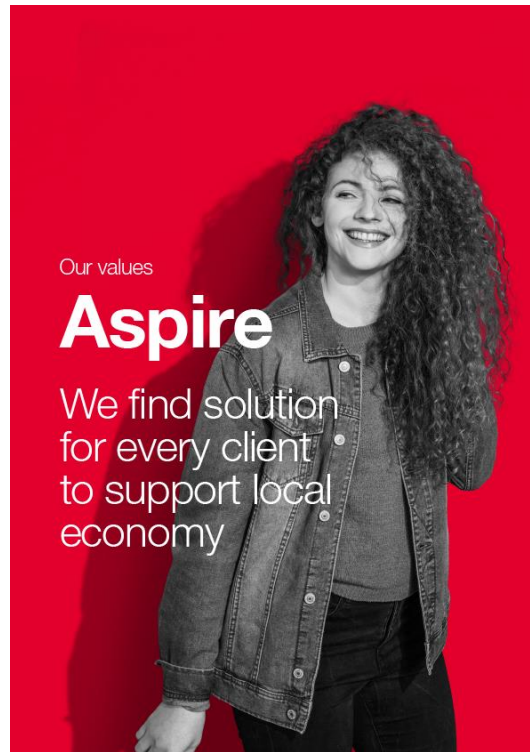
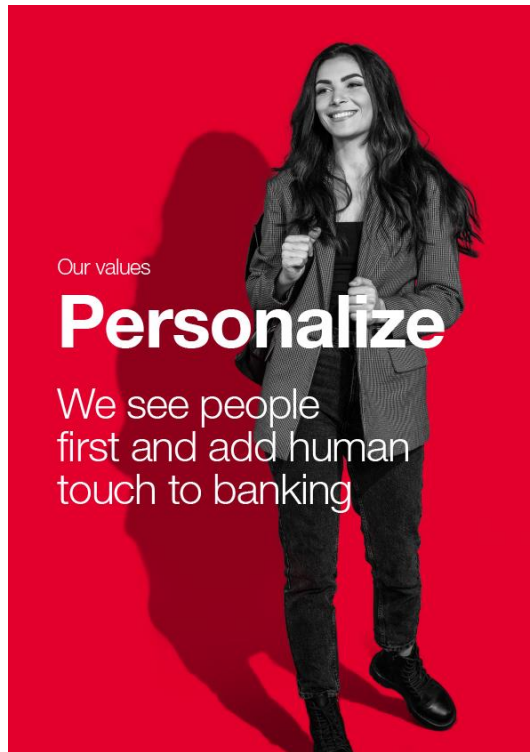
**176k**  
**MobileApp users**  
(+28% y-o-y)

**More  
opportunities**

**=  
Citadele**

(1) Detailed information about ratings can be found on the web page of the rating agency [www.moody.com](http://www.moody.com)

# Our values



## Vision

Become the Baltic banking champion.

## Mission

We give people more opportunities by redefining modern banking.

**More  
opportunities**

**=  
Citadele**

# Business environment

The world economy continues to recover from the recession caused by Covid-19 pandemic as gradual lifting of restrictions in advanced economies is leading to recovery in service sectors. At the same time global demand for goods remains strong even as supply chains continue struggle with high demand that is leading to supply chain delays and rising prices.

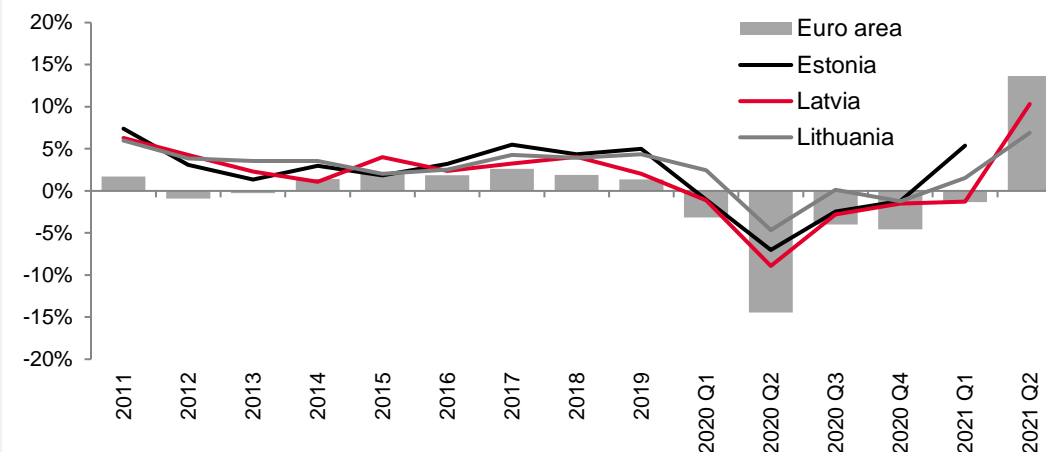
According to the July 2021 forecasts of the International Monetary Fund, the world economy is expected to grow 6.0% in 2021 and 4.9% in 2022.

Strong external manufacturing demand and growing global trade, partial lifting of Covid-19 related restrictions and substantial government stimulus spending has supported economic recovery in the Baltic region. Business sentiment in the Baltics is strong and GDP in Baltic region is already above pre-Covid level.

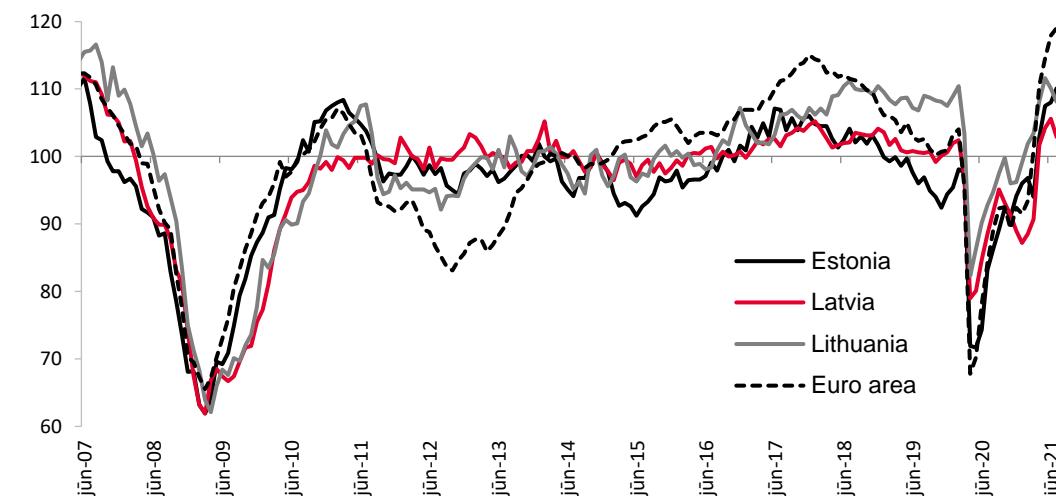
In Q2 2021 GDP in Latvia grew by 10.3% compared to previous year. As a result Latvian economy has returned to pre-Covid-19 highs despite falling behind Lithuania and Estonia in Q1 2021. However, some service sectors remain affected by some restriction and vaccinations rates in the Baltic are below EU average.

Economic recovery has led to higher inflation, however inflation remains moderate and mostly driven by external factors such as energy and food prices.

Real GDP, % YoY



Economic Sentiment Indicator



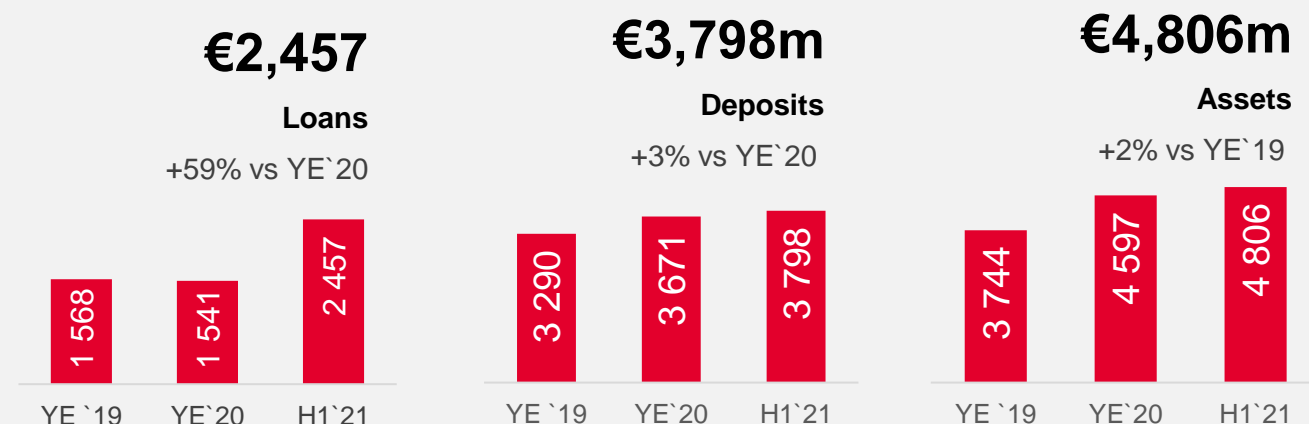
More  
opportunities

==  
Citadele

# Key figures and events

- Strong financial performance with net profit reaching EUR 32.6 million in H1 2021, which translated into 18.1% annualised return on equity.
- The number of active customers reached 351 thousand clients as of 30 June 2021, 12% growth y-o-y.
- EUR 551 million issued in new financing to Baltic private, SME, corporate and leasing customers in H1 2021, 198% growth y-o-y.
- Baltic deposits continued to increase by EUR 269 million in H1 2021, or 8% growth vs. year-end 2020.
- The Bank continues to operate with adequate capital and liquidity ratios. Group's CAR (including period's result) was 19.4% and LCR of 187% as of 30 June 2021.
- The first phase of the agreement between Citadele and ABLV for the purchase of the majority of ABLV's mortgage portfolio has been completed as of beginning of July, increasing Citadele's mortgage portfolio by almost 20%. The second phase of the transaction is expected to be completed by the end of the year.

EUR millions	H1 2020	H2 2020	H1 2021
Net interest income	33.9	33.7	53.2
Net fee and commission income	14.0	16.1	16.9
Net financial and other income	(22.3)	19.3	6.6
<b>Operating income</b>	<b>25.6</b>	<b>69.1</b>	<b>76.8</b>
Operating expense	(40.4)	(39.5)	(46.7)
Net credit losses and impairments	14.0	3.6	3.7
<b>Net profit</b>	<b>(29.0)</b>	<b>32.6</b>	<b>32.6</b>
<i>Adjusted for one-time item *:</i>			
<b>Operating income</b>	<b>50.2</b>	<b>55.5</b>	<b>76.8</b>
<b>Net profit</b>	<b>(4.4)</b>	<b>19.4</b>	<b>32.6</b>



\* 2020 is adjusted for one-time losses related to the tail risk defensive measures in the amount of EUR (24.6)m for H1 and EUR (4.2)m for H2, and one-time gain of EUR 17.5m in H2 from leaseback sale of headquarters buildings in Latvia and Lithuania.

**More  
opportunities**

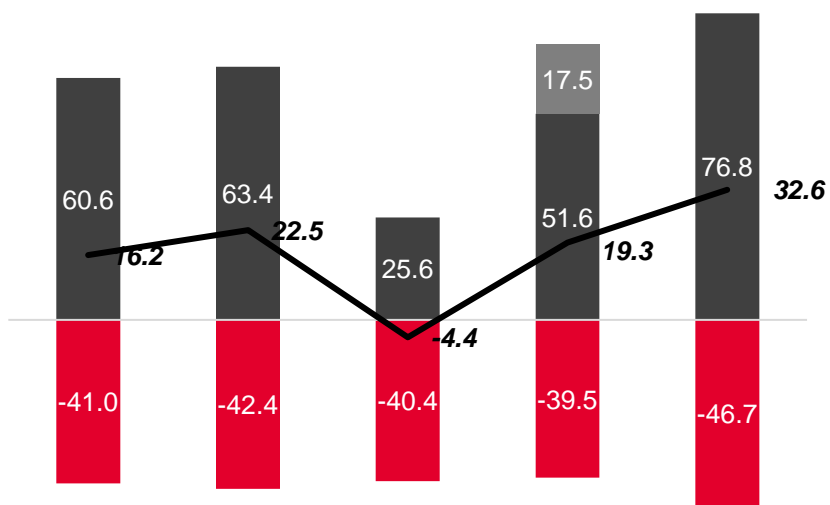
**==  
Citadele**

# Financial highlights

## Financial result development

H1 2021 vs previous periods

EURm



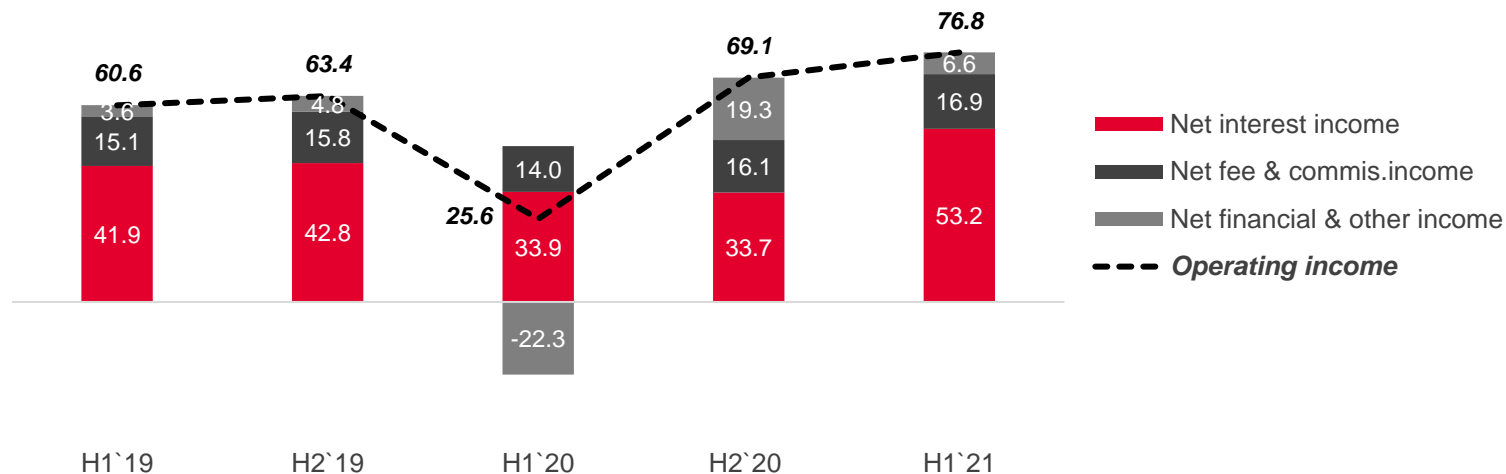
H1'19 H2'19 H1'20 H2'20 H1'21

- Operating expense
- One-time gain from sale of HQ buildings in LV and LT
- Operating income
- Net profit

## Operating income by revenue line

H1 2021 vs. previous periods

EURm



## Comment

**Operating income** in H1 2021 reached EUR 76.8 million, of which EUR 40.1 million was related to the second quarter (+9% q-o-q).

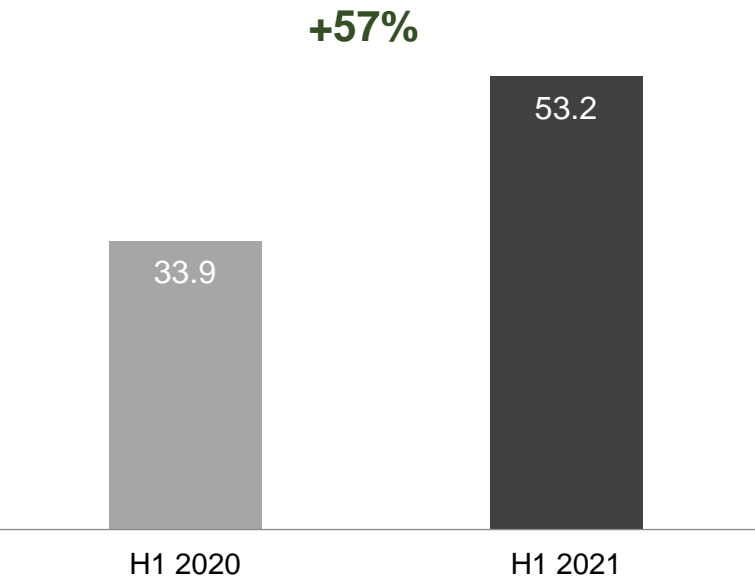
More  
opportunities

=  
Citadele

# Net interest income development

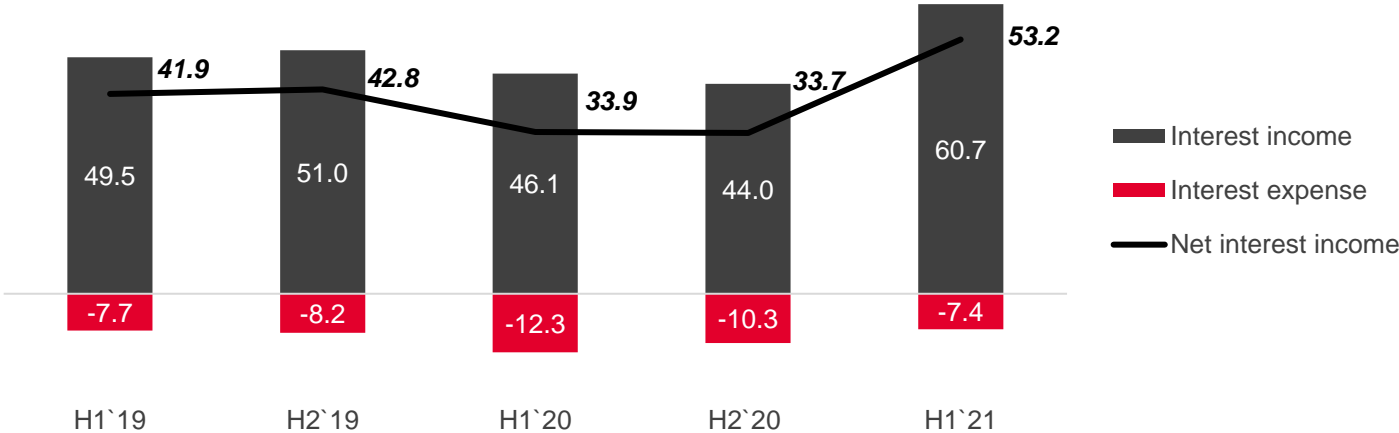
## Net interest income H1 2021 vs. H1 2020

EURm



## Net interest income development H1 2021 vs. previous periods

EURm



## Comment

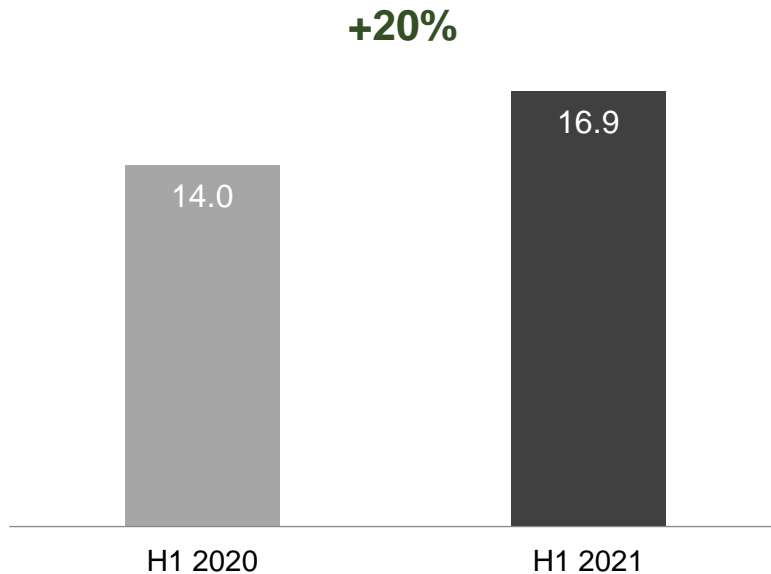
**Net interest income** reached EUR 53.2 million in H1 2021, a 57% increase as compared to the respective period last year, primarily driven by higher interest income from SIA Citadele Leasing book and lower interest expenses resulting from optimised cash balances. Net interest income in Q2 2021 reached EUR 27.2 million, a 4% increase q-o-q.

# Net fee and commission income development

## Net fees and commissions

H1 2021 vs. H1 2020

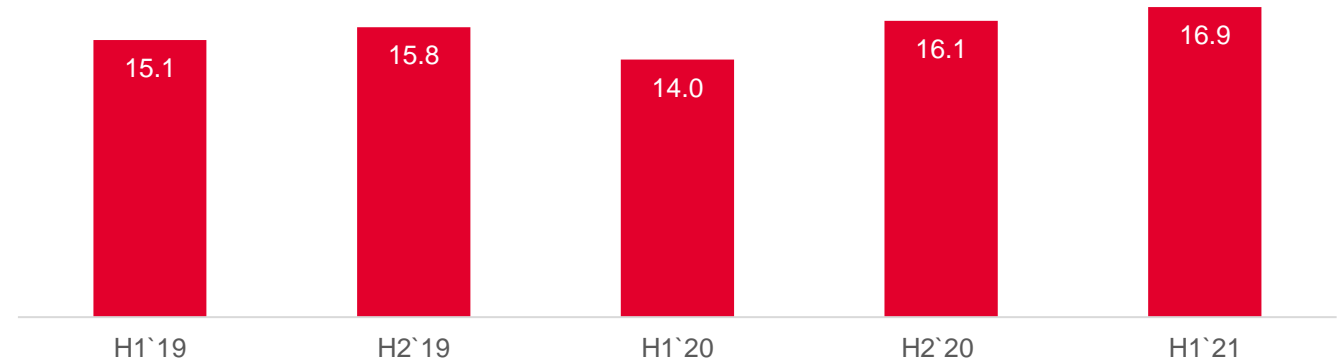
EURm



## Net fee and commission income development

H1 2021 vs. previous periods

EURm



## Comment

The Group's **net fee and commission income** in H1 2021 reached EUR 16.9 million, which translates into a 20% increase vs. H1 2020, mainly due to recovered customer consumption and interest in savings products. Q2 2021 net fee and commission income was EUR 8.8 million (+8% q-o-q).

More  
opportunities

=  
Citadele

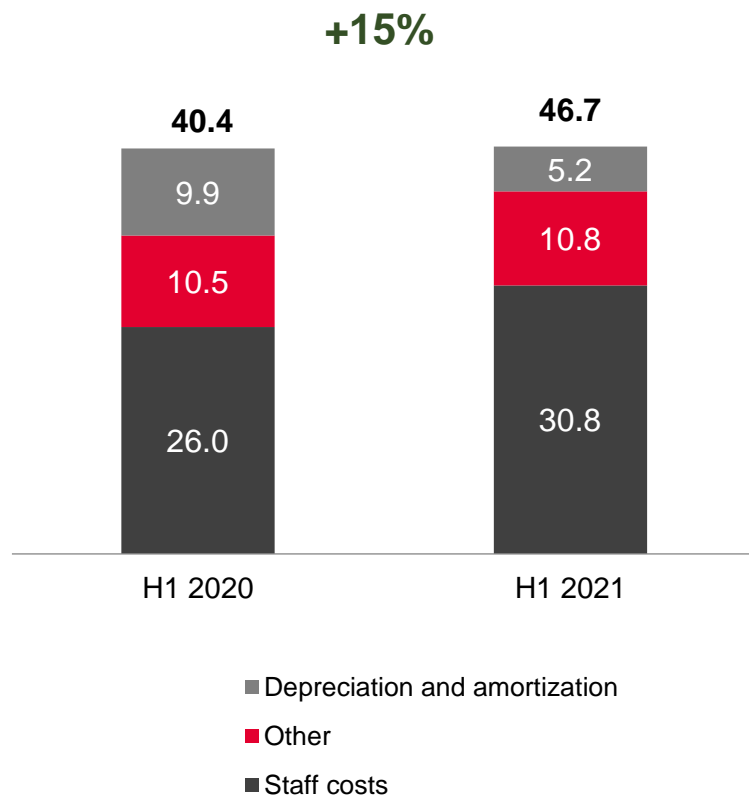


# Operating expenses development

## Operating expenses

H1 2021 vs. H1 2020

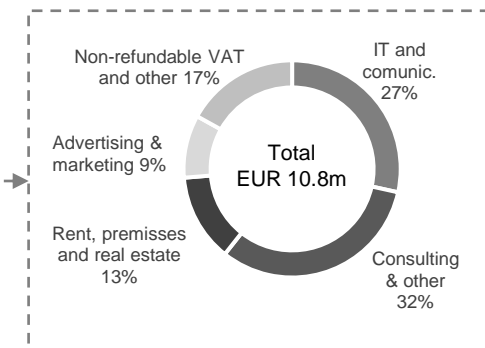
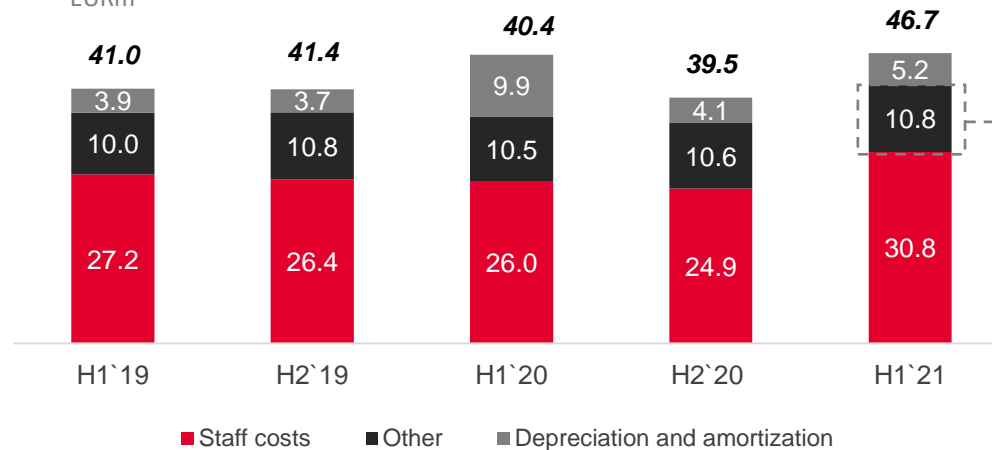
EURm



## Operating expenses development

H1 2021 vs. previous periods

EURm



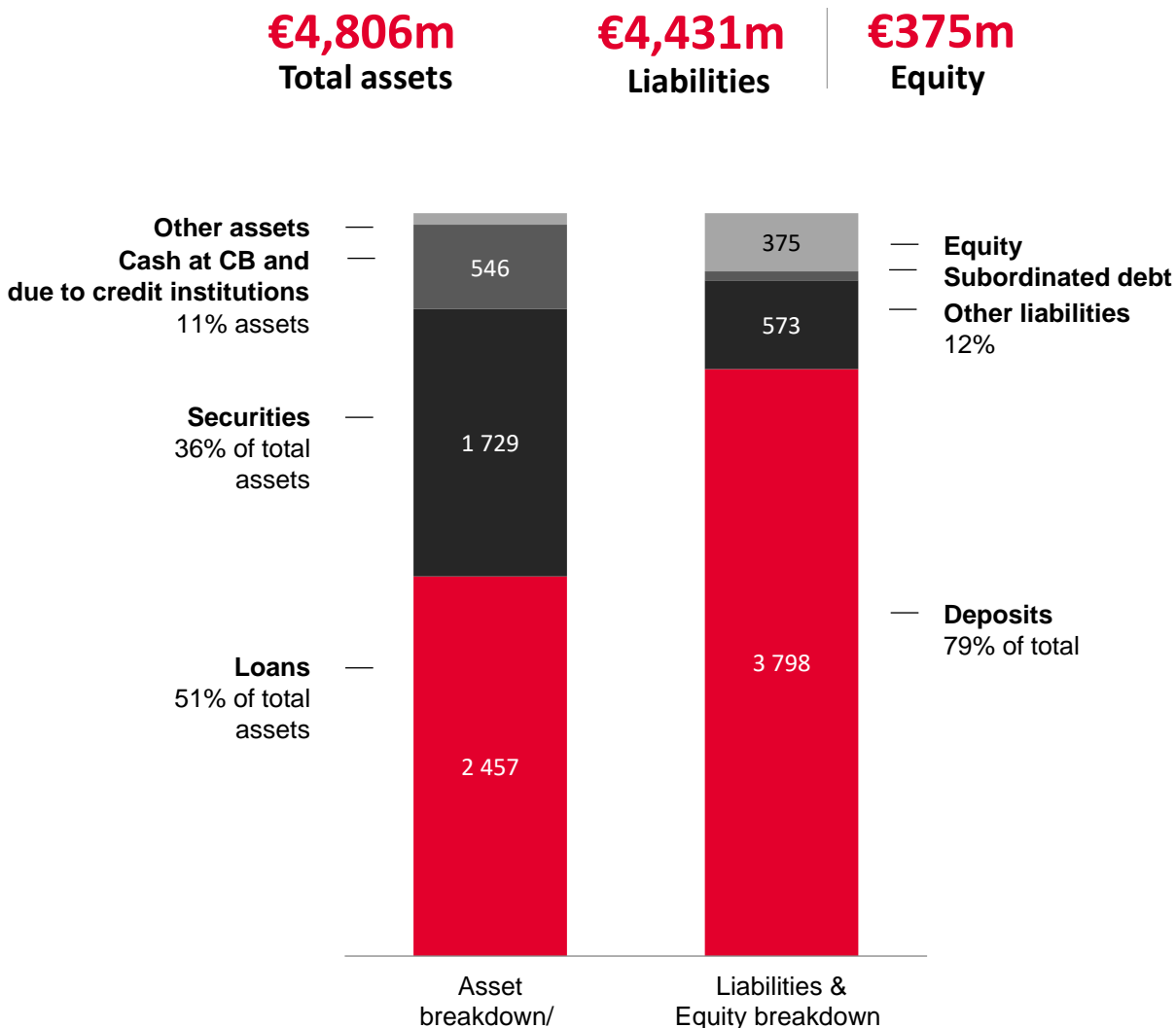
## Comment

**Operating expenses** in H1 2021 was EUR 46.7 million, a 15% increase compared to H1 2020. Staff costs increased by 18% to EUR 30.8 million. The number of full-time employees was 1,349 vs. 1,230 as of 31 December 2020, reflecting the recent SIA UniCredit Leasing acquisition. Other costs were EUR 10.8 million (3% increase y-o-y). Depreciation and amortization expenses stood at EUR 5.2 million.

**More  
opportunities**

**=  
Citadele**

# Stable asset quality and strong balance sheet



## Comment

The **Group's assets** stood at EUR 4,806 million as of 30 June 2021 representing a 5% increase from year end 2020 (EUR 4,597 million).

The **net loan portfolio** stood at EUR 2,457 million as of 30 June 2021, increasing by EUR 916 million (59%) from year end 2020, mainly impacted by SIA UniCredit Leasing portfolio acquired at the beginning of year.

Strong growth also seen in **new lending** in H1 2021 reached EUR 551 million, almost twice higher than in H2 2020. EUR 149 million were issued to retail customers, EUR 211 million to corporate customers and EUR 191 million to SIA Citadele Leasing clients.

Settlement of UniCredit Leasing transaction at the beginning of Q1 2021 returned the Bank to **optimal cash balances**, that allowed keeping the securities portfolio at a relatively stable level throughout the first half of the year. Portfolio size declined by 2% over the first six months as funds from maturing securities were accumulated for ABLV portfolio acquisition.

The main source of funding, **customer deposits**, grew by 3% vs. year-end 2020. Baltic residents' deposits increased by EUR 269 million (+8%).

**More  
opportunities**

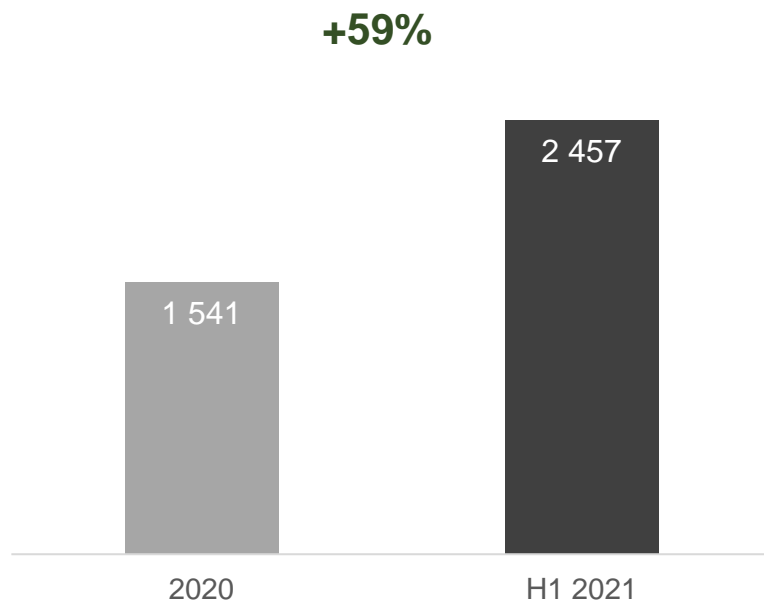
**=  
Citadele**

# Balance sheet overview

## Loans

30 June 2021 vs. YE 2020

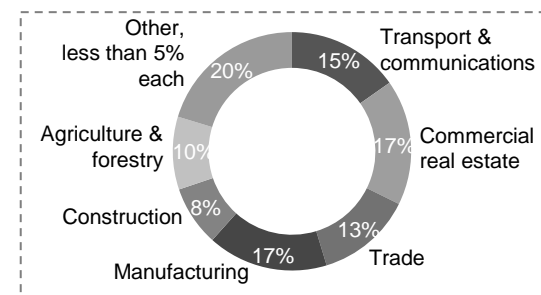
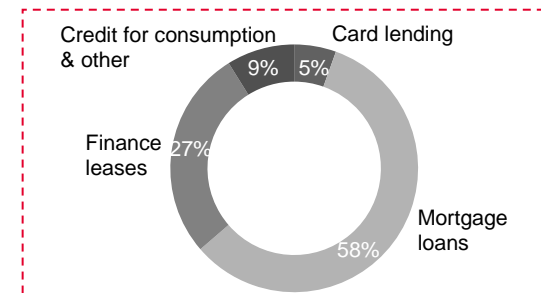
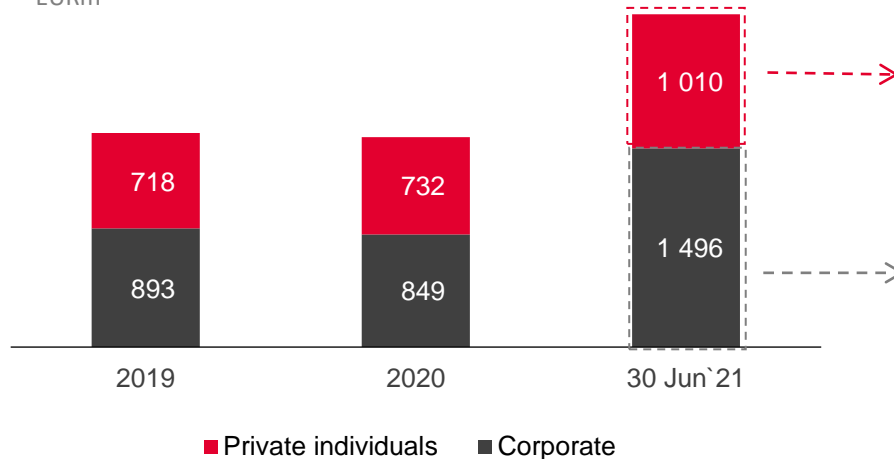
EURm



## Gross loans by customer profile

30 June 2021 vs. previous periods

EURm



## Comment

As a result of the SIA UniCredit Leasing portfolio acquisition, changes seen in the loan portfolio's **geographical profile** and **industry concentrations**. As of 30 June 2021, Latvia accounted for 46% of the portfolio (vs. 57% as of YE 2020), followed by Lithuania at 39% (vs. 32% as of YE 2020) and Estonia at 14% (vs. 10% as of YE 2020). Finance leases have increased six times after the UniCredit Leasing loan book acquisition. An increase is also seen in mortgages (9% since YE 2020). Consumer and card lending has slightly decreased by 3% and 5%, respectively, since YE 2020 impacted by increased savings by customers.

More  
opportunities

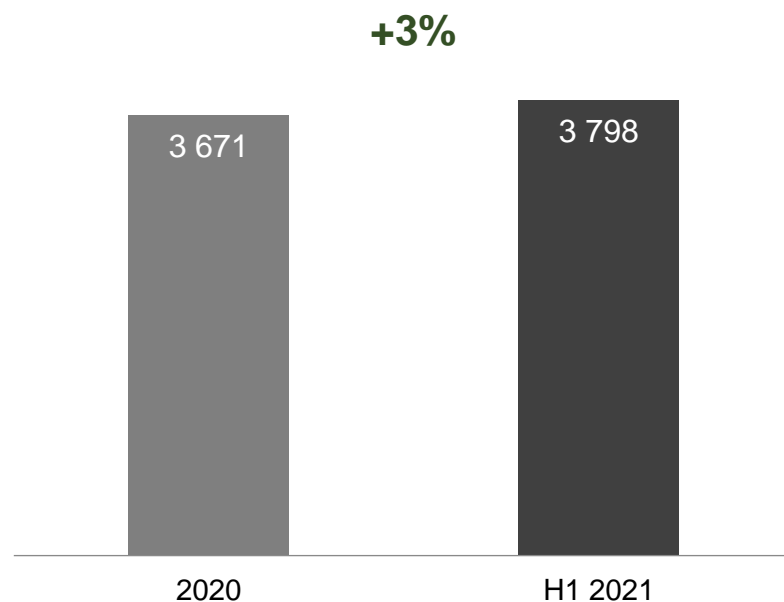
=  
Citadele

# Balance sheet overview

## Deposits

30 June 2021 vs. YE 2020

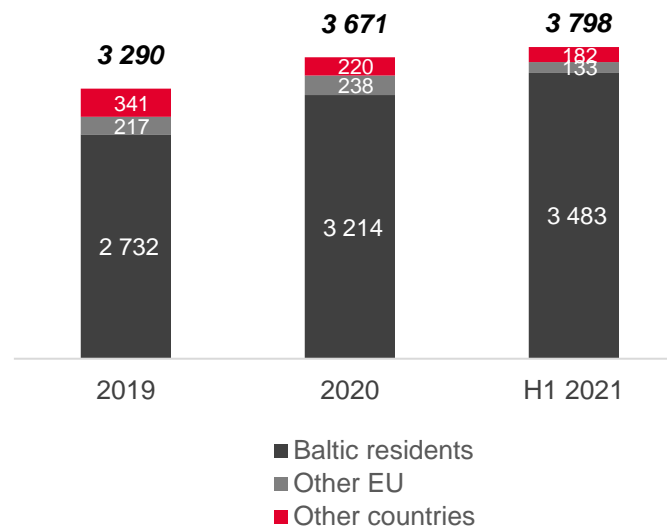
EURm



## Increase of domestic deposits

H1 2021 vs. previous periods

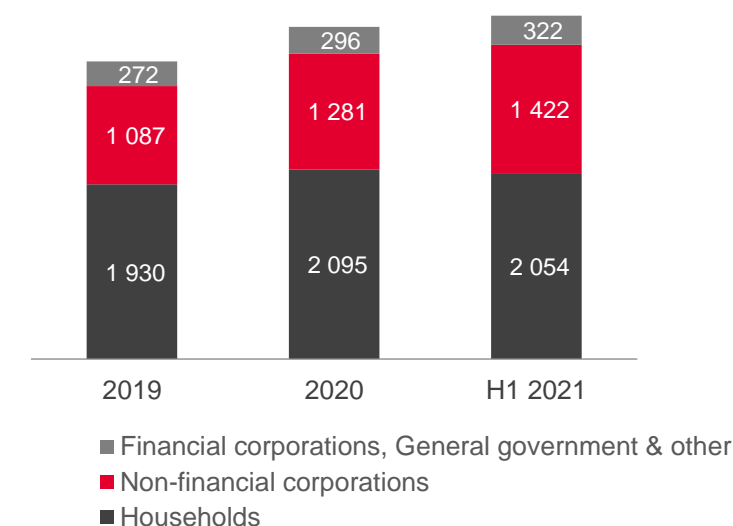
EURm



## Deposits by customer profile

H1 2021 vs. previous periods

EURm



## Comment

The main source of funding, **customer deposits**, grew by 3% vs. year end 2020. Baltic domestic customer deposits increased by EUR 269 million (+8%). As of 30 June 2021, total Group customer deposits were EUR 3,798 million.

More  
opportunities

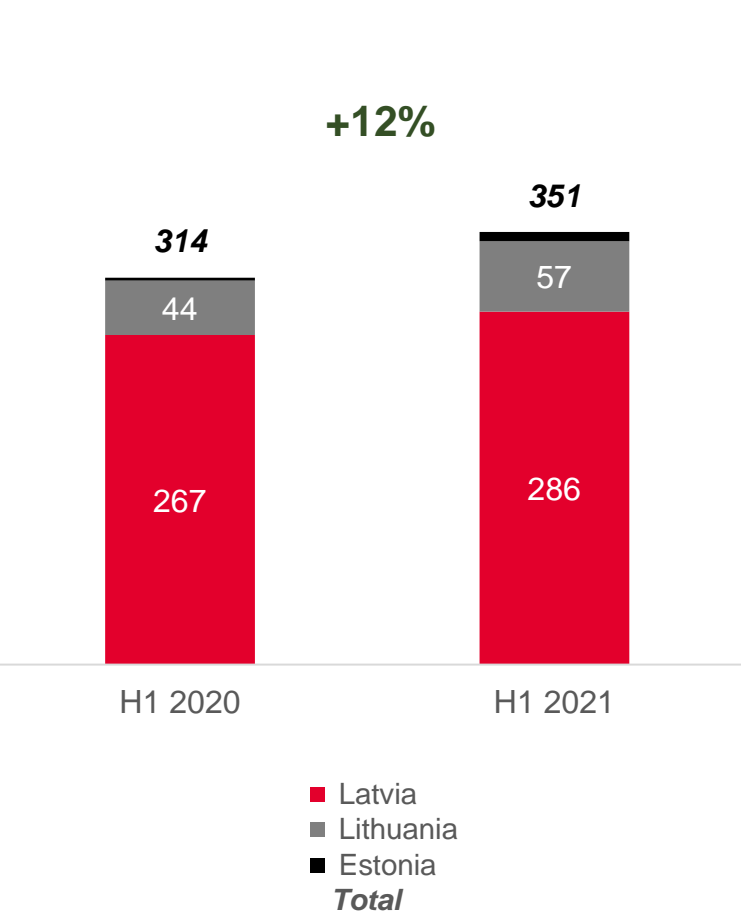
=  
Citadele

# Customer overview

## Active customers

H1 2021 vs. H1 2020

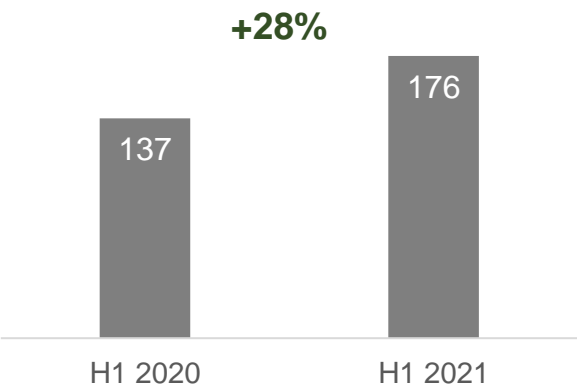
`thousands



## Mobile App active users

H1 2021 vs. H1 2020

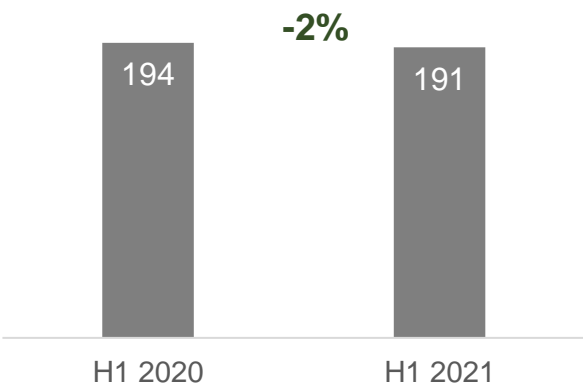
`thousands



## Internet bank active customers

H1 2021 vs. H1 2020

`thousands



## Comment

The number of **active customers** reached **351 thousand** clients as of 30 June 2021, 12% growth y-o-y. The number of active **Mobile App users** reached **176 thousand**, a 28% increase y-o-y. The number of active **Internet bank customers** were **191 thousand** clients, slight decrease mainly impacted by changes in client behavior and more private individuals switching to MobileApp usage.

More  
opportunities

=  
Citadele

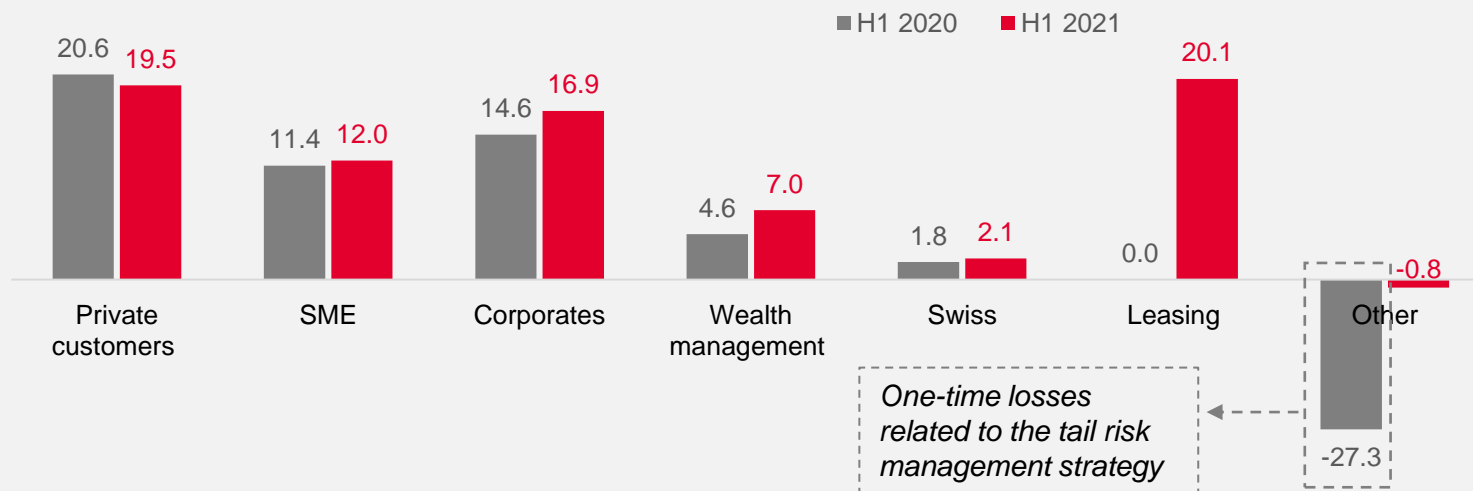
# Segment overview

H1 2021, EURm	Private customers	SME	Corpo-rates	Wealth	Swiss	Leasing	Other*	Total
Net interest income	17.0	7.4	12.7	0.4	0.8	18.6	-3.5	53.2
Net fee & commission income	3.0	3.5	2.4	5.8	1.2	0.6	0.4	16.9
Net financial and other income	-0.4	1.06	1.8	0.7	0.2	1.0	2.3	6.6
<b>Operating income</b>	<b>19.5</b>	<b>12.0</b>	<b>16.9</b>	<b>7.0</b>	<b>2.1</b>	<b>20.1</b>	<b>-0.8</b>	<b>76.8</b>

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

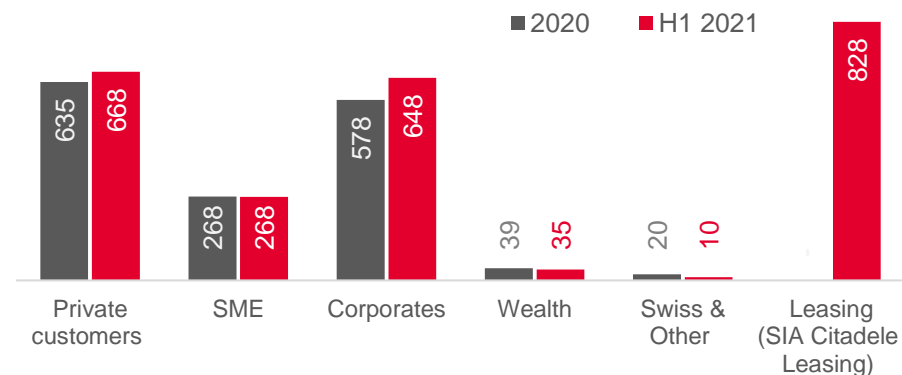
## Operating income by segment

H1 2021 vs. H1 2020, EURm



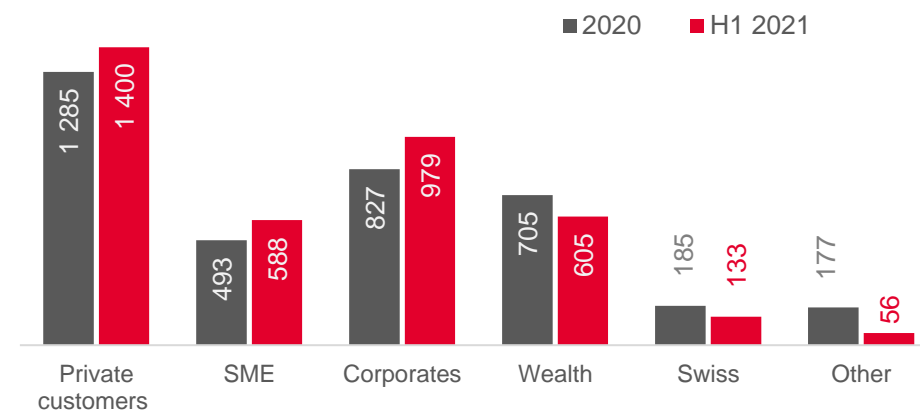
## Loans

H1 2021 vs. YE 2020, EURm



## Deposits

H1 2021 vs. YE 2020, EURm



More  
opportunities

||  
Citadele