



# Citadele Group

Results presentation  
9M 2021

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# 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.
- The Group's main market is the Baltics (Latvia, Lithuania and Estonia).

## Shareholders



75%  
Ripplewood and co-investors

25%  
EBRD

## Moody's

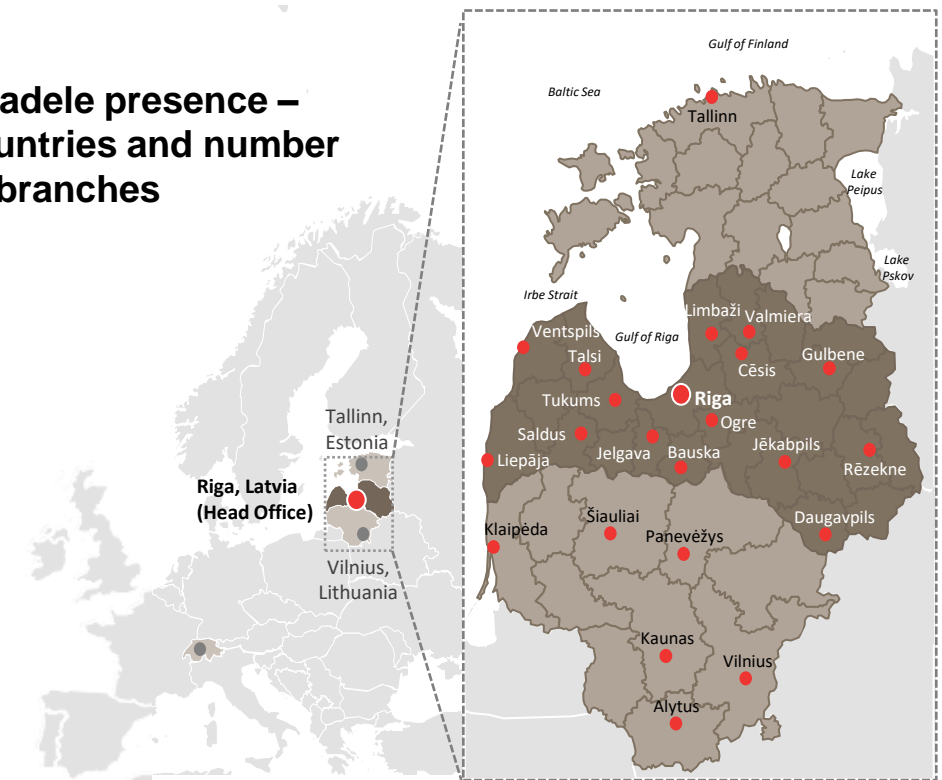
**Baa2, stable**

/13 September 2021, Moody's<sup>(1)</sup>/

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

\*Citadele has 19 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch with 5 customer service units in Lithuania  
Citadele is present also in Switzerland through AG Kaleido Privatbank (26 Employees)

## Citadele presence – countries and number of branches



**Branches\***

19 in Latvia  
6 in Lithuania  
1 in Estonia



**1,360**  
Employees



**358k**  
Active  
Clients  
(+11% y-o-y)



**191k**  
MobileApp  
users  
(+38% y-o-y)

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# Values and strategy

## Strategic focus

Citadele aims to become the primary bank of choice for aspiring retail and small business customers across the Baltics and will continue to improve products and services for clients in the corporate and leasing segments. We see significant growth potential in the Baltics and will align our strategy to the local market dynamics in each country.

The strategy will be implemented using the following tactical steps:

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Becoming Bank in the Pocket for mass and affluent retail customers by increasing new and existing customers that use Citadele as their primary bank

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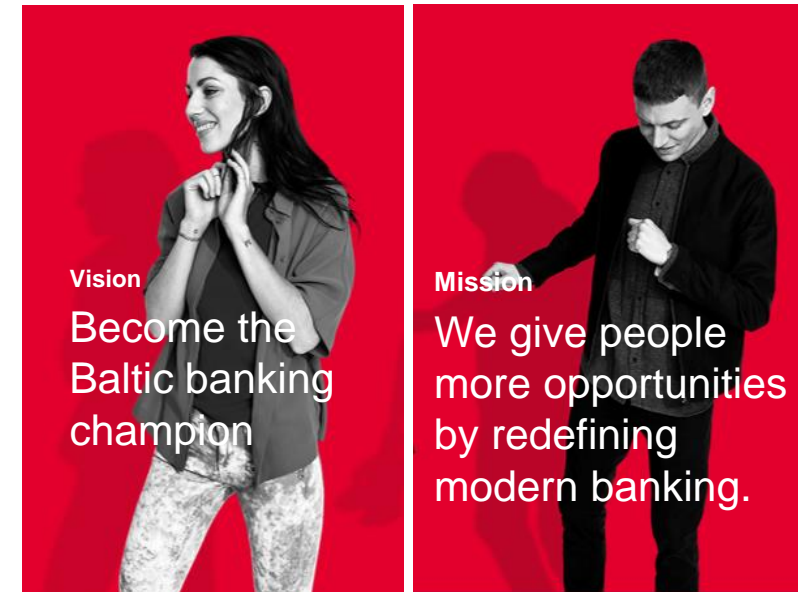
Driving growth in the underserved SMEs and micro-SMEs segments by offering most competitive proposition and digital tools to retailers in the region

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Supporting growing Baltic Corporates, aiming for the leading roles in their industries

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Establishing Citadele Leasing as flexible, digital and most trustful vendor finance player in the Baltics



## Act

We create our own opportunities and deliver on promises.

## Aspire

We find solution for every client to support local economy.

## Innovate

We set the standard through innovative experience.

## Personalize

We see people first and add human touch to banking.

Core values

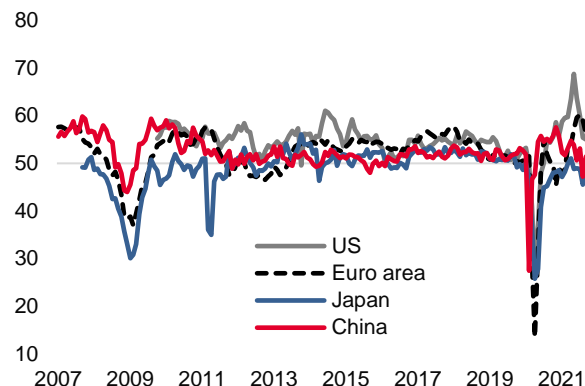
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# Business environment

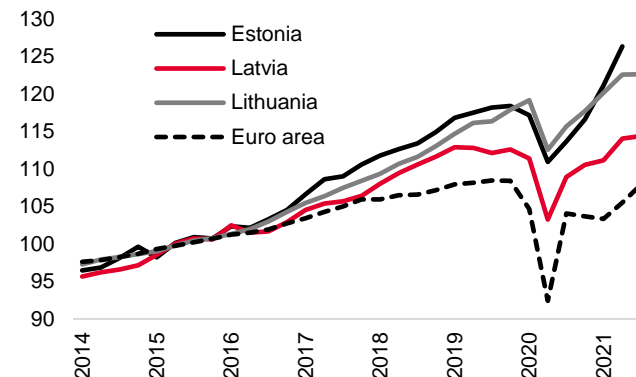
## IHS Markit Composite PMI

(Values above 50 indicate expansion)



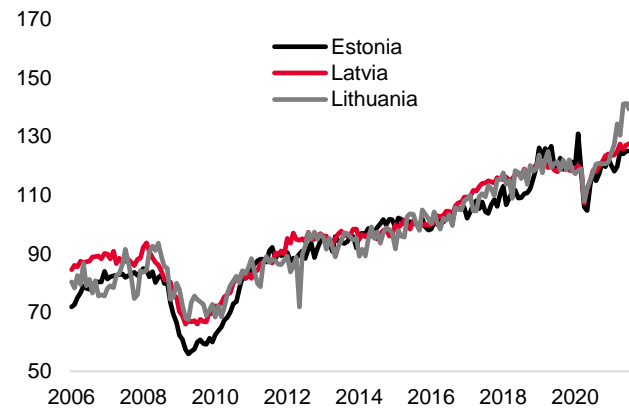
## GDP

(constant prices, 2015=100)



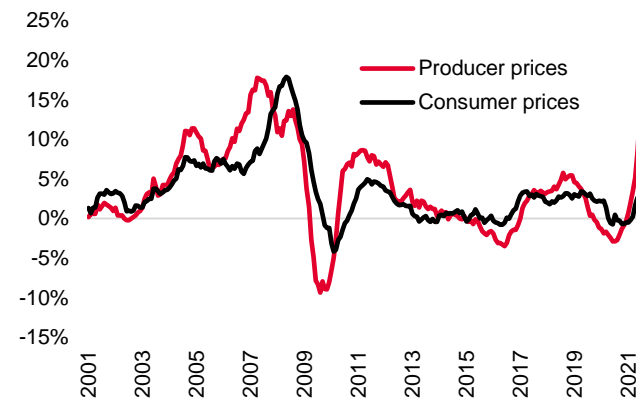
## Manufacturing

(constant prices, 2015=100)



## Inflation in Latvia

(% year-on-year)



## Baltic region continues promising recovery

Baltic region continued successful recovery from Covid-19 pandemic supported by strong external demand, pick up in new lending and accommodative government policies. Recovery in the Baltic region so far has been stronger than in many other euro area countries and GDP has increased above pre-Covid-19 level. At the same time, recent surge in Covid-19 is a reminder that pandemic is not yet over and will most likely have a negative effect on economic growth in the last months of 2021.

On the positive side we can clearly see that business has already adapted to remote working and the shift to e-commerce continues. There is also a positive development in vaccination rates in the Baltics and governments will help to limit economic losses with additional stimulus measures.

In the world economy demand for goods remains strong, consequently driving manufacturing and export growth in the Baltics. As a result, unemployment is declining, wages continue to increase, and domestic demand is growing. Globally the strong demand has strained supply chains, led to shortages in some sectors, caused delivery delays as well as resulted in rapidly rising commodity, energy and transport prices. Inflationary risks are evident also in the Baltics as inflation has already exceeded 6% and is now at the highest level since 2008-2009 adding new uncertainty to economic outlook.

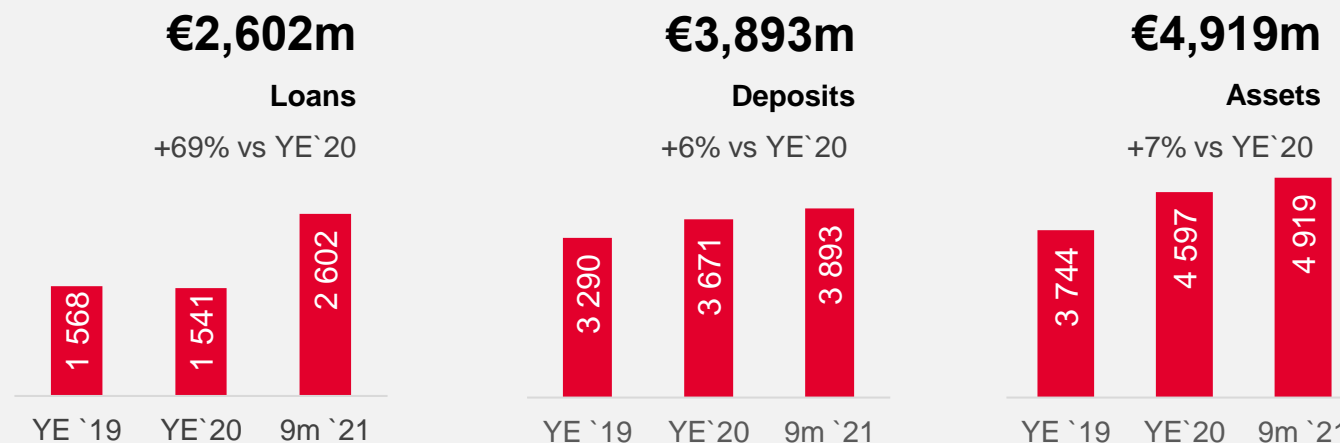
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# Key figures and events

- Strong financial performance with net profit reaching EUR 44.7 million in 9 months 2021, which translated into 16.3% annualised return on equity. Net profit in Q3 2021 was EUR 12.2 million.
- The number of active customers reached an all-time high of 358 thousand clients as of 30 September 2021, 11% growth y-o-y.
- EUR 812 million issued in new financing to Baltic private, SME, corporate and leasing customers in 9 months 2021, 148% growth y-o-y. New financing in Q3 reached EUR 261 million, 11% growth q-o-q.
- Baltic deposits continued to increase by EUR 413 million in 9 months 2021, or 13% growth vs. year-end 2020.
- The Bank continues to operate on the back of prudent capital and liquidity ratios. Group's CAR (including period's result) was 19.0% and LCR of 161% as of 30 September 2021.
- Moody's upgraded Citadele Banka's credit rating to Baa2 with stable outlook.
- Citadele has completed issuance of EUR 200 million of senior unsecured preferred bonds in November 2021, rated Baa3 by Moody's. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL).

EUR millions	9M 2019	9M 2020	9M 2021
Net interest income	63.8	50.8	80.9
Net fee and commission income	23.0	22.5	26.8
Net financial and other income	5.6	(23.7)	9.0
<b>Operating income</b>	<b>92.4</b>	<b>49.6</b>	<b>116.7</b>
Operating expense	(61.4)	(59.6)	(70.3)
Net credit losses and impairments	(2.7)	(10.3)	(0.1)
<b>Net profit</b>	<b>27.2</b>	<b>(20.5)</b>	<b>44.7</b>
Return on average equity (ROE)	11.55%	(8.26%)	16.30%
Cost to income ratio (CIR)	66.5%	120.2%	60.3%
<i>Adjusted for one-time item *:</i>			
Operating income	92.4	78.2	116.7
Net profit	27.2	8.1	44.7
Return on average equity (ROE)	11.6%	3.2%	16.3%
Cost to income ratio (CIR)	66.5%	76.3%	60.3%



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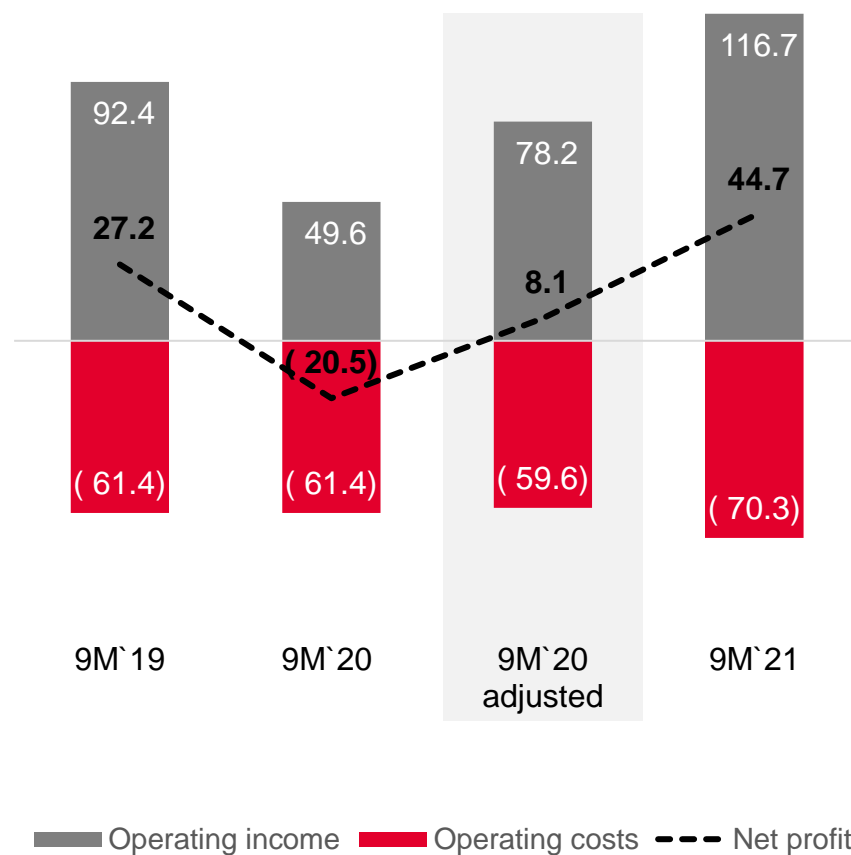
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# Financial highlights

## Financial result development

9M 2021 vs previous periods

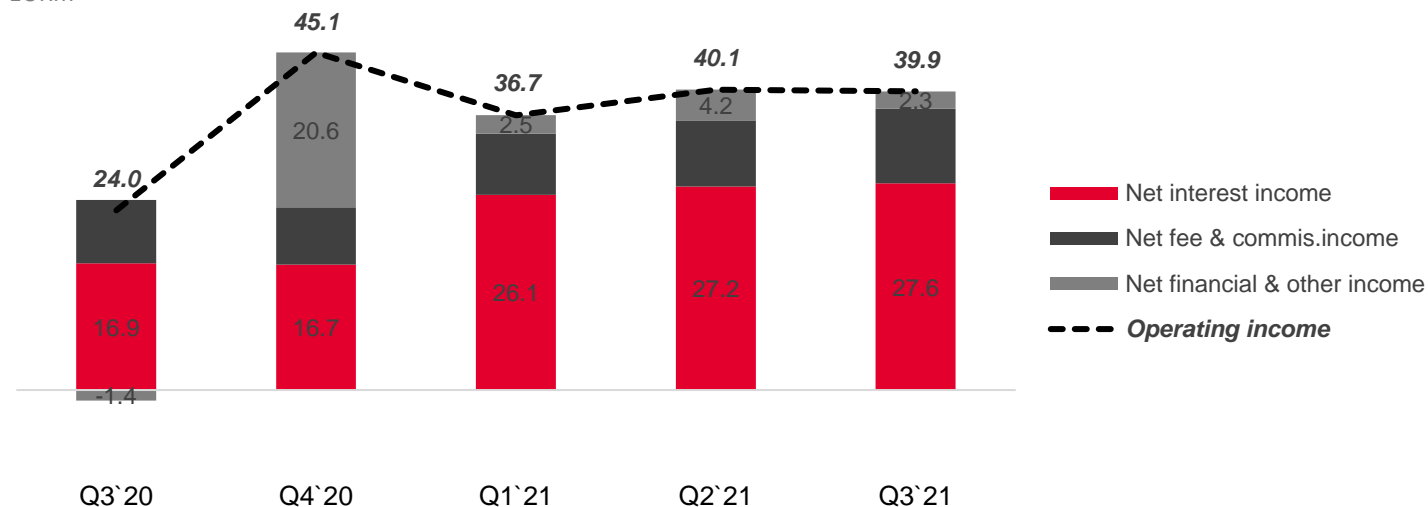
EURm



## Operating income by revenue line

Q3 2021 vs. previous periods

EURm



## Comment

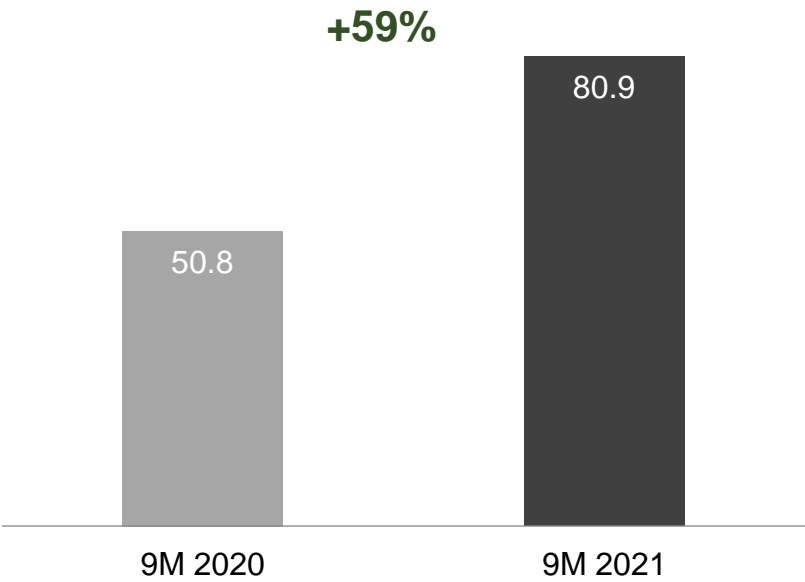
**Operating income** in 9 months 2021 reached EUR 116.7 million, of which EUR 39.9 million relates to the second quarter (-1% q-o-q).

# Net interest income development

## Net interest income

9M 2021 vs. 9M 2020

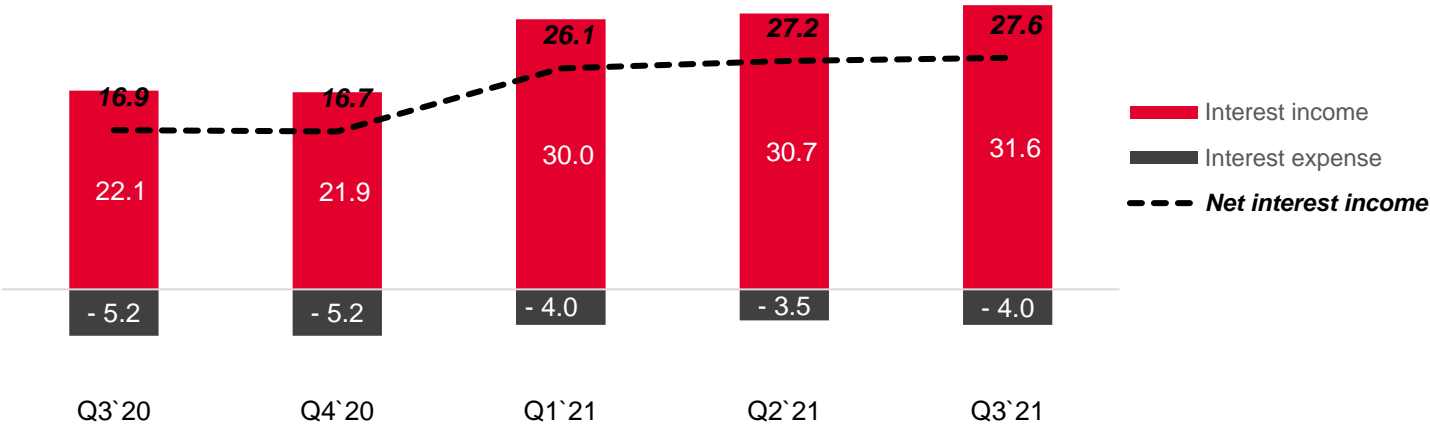
EURm



## Net interest income development

Q3 2021 vs. previous periods

EURm



## Comment

**Net interest income** reached EUR 80.9 million in 9 months 2021, a 59% 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 Q3 2021 reached EUR 27.6 million, a 2% increase q-o-q.

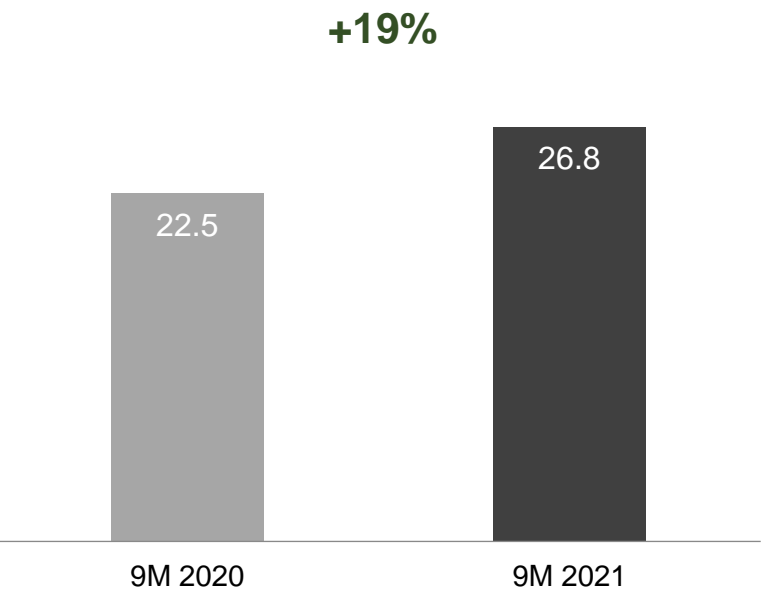


# Net fee and commission income development

## Net fees and commissions

9M 2021 vs. 9M 2020

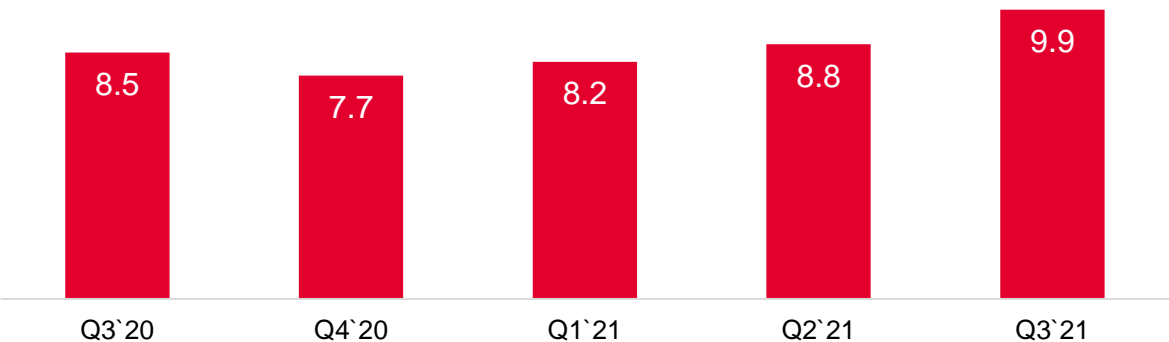
EURm



## Net fee and commission income development

Q3 2021 vs. previous periods

EURm



## Comment

The Group's **net fee and commission income** in 9 months 2021 reached EUR 26.8 million, which translates into a 19% increase vs. 9 months 2020, mainly due to recovered customer confidence and interest in savings products. Q3 2021 experienced an increasing net fee and commission income of EUR 9.9 million (+14% q-o-q).

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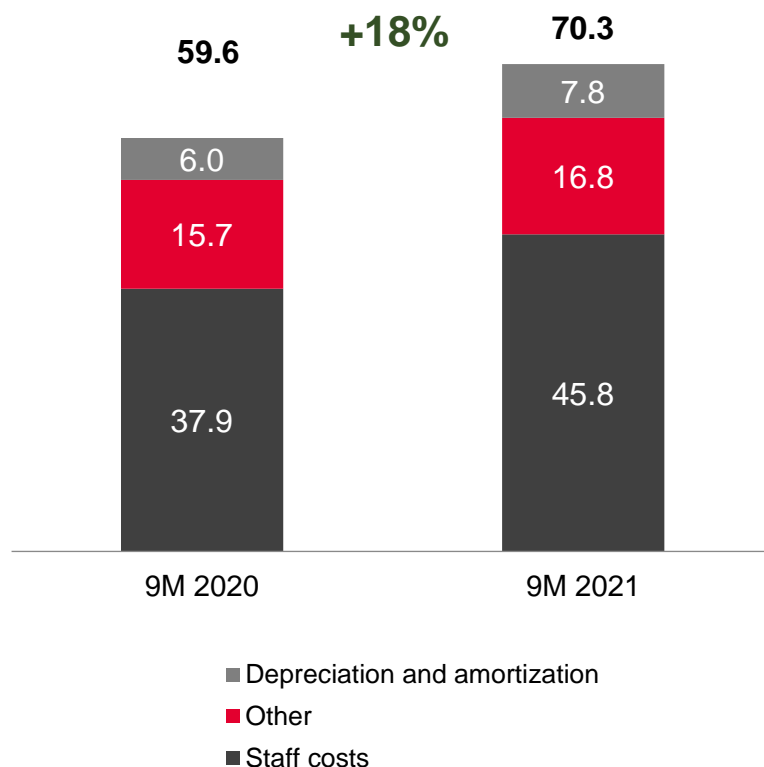


# Operating expenses development

## Operating expenses

9M 2021 vs. 9M 2020

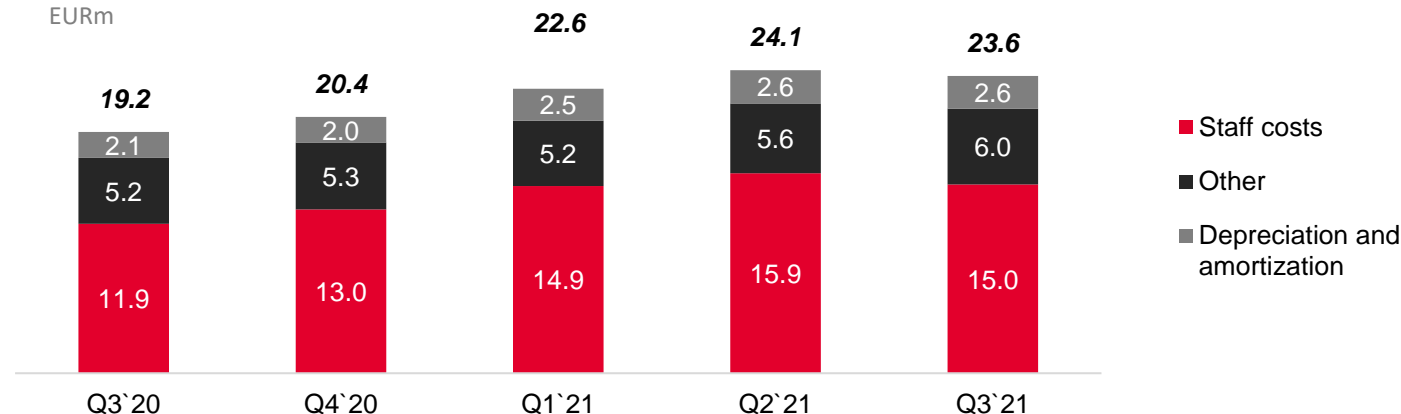
EURm



## Operating expenses development

Q3 2021 vs. previous periods

EURm



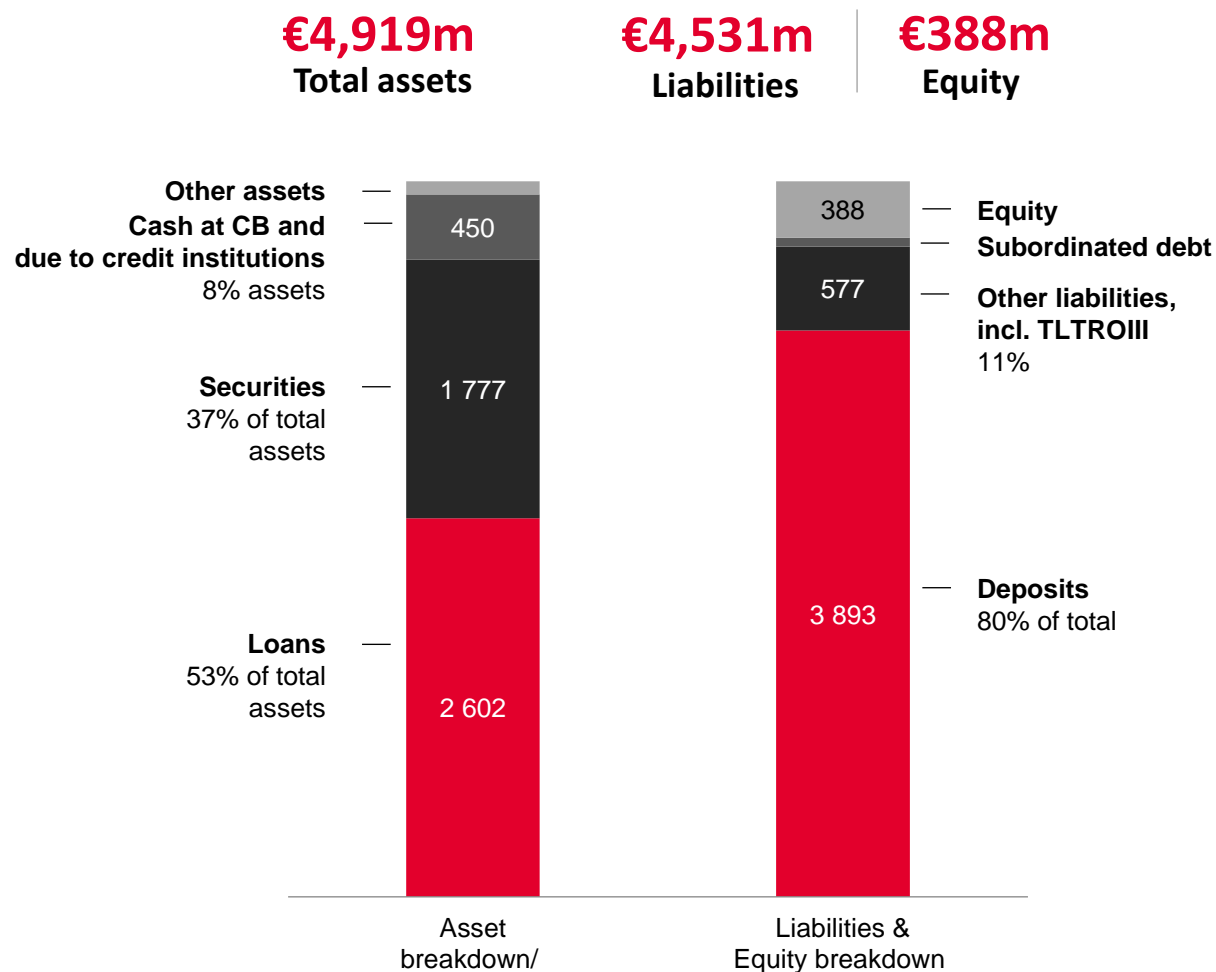
## Comment

**Operating expenses** in 9 months 2021 increased to EUR 70.3 million, or 18% compared to 9 months 2020 reflecting the recent SIA UniCredit Leasing acquisition. Staff costs increased by 21% to EUR 45.8 million. The number of full-time employees was 1,360 vs. 1,230 as of 31 December 2020. Other costs were EUR 16.8 million (7% increase y-o-y). Depreciation and amortization expenses stood at EUR 7.8 million. Citadele's **cost to income ratio** in 9 months 2021 improved to 60.3% versus 65% in 2020.

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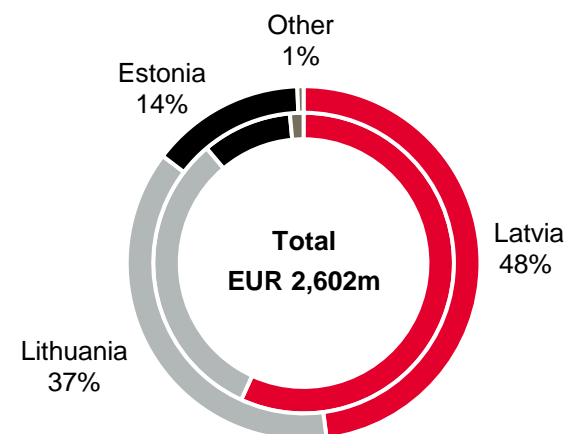
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# Stable asset quality and strong balance sheet



## Loan portfolio by country

30 Sept 2021 (outer circle) vs. 2020 (inner circle)



The Bank has optimized cash balances that allowed keeping the **securities portfolio** at a relatively stable level throughout 2021. Portfolio size increased by 3% over the first nine months that reflects growth of deposit portfolio.

The main source of funding, **customer deposits**, grew by 6% v.s. year end 2020. Baltic domestic customer deposits increased by EUR 413 million (+13%). As of 30 September 2021, total Group customer deposits were EUR 3,893 million

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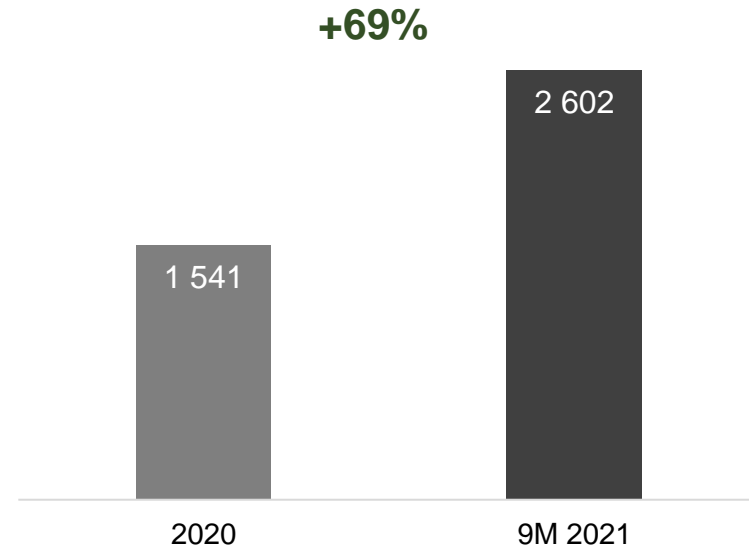
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# Balance sheet overview

## Loans

30 September 2021 vs. YE 2020

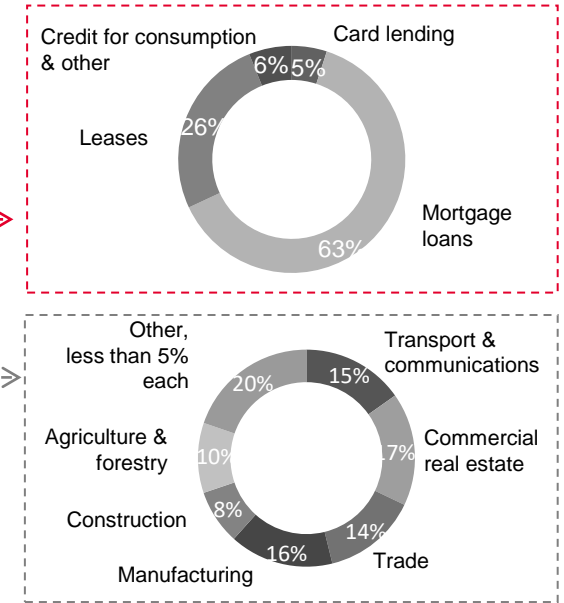
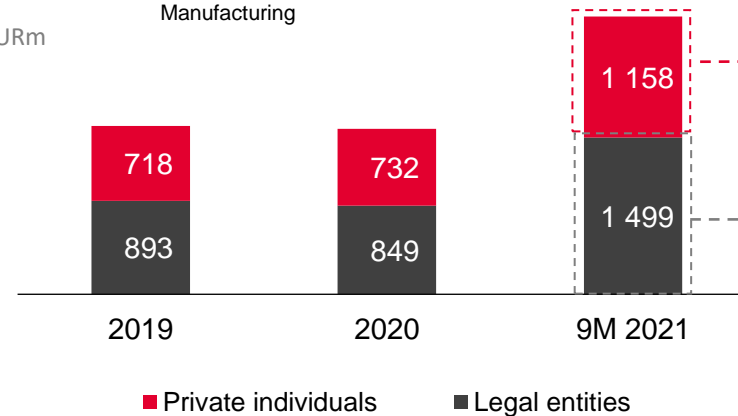
EURm



## Gross loans by customer profile

30 Sept 2021 vs. previous periods

EURm



## Comment

Loans to Households represented 43% of the portfolio (vs. 46% as of year end 2020). Mortgages have increased by 32% since year end 2020, mainly due to ABLV portfolio acquisition. Consumer lending has remained flat and card lending has slightly decreased by 1% since year end 2020 impacted by increased savings by customers. Finance leases have increased seven times after the UniCredit Leasing loan book acquisition. Overall, the main industry concentrations were Real estate purchase and management (17% of gross loans), Transport and Communications (15%), Manufacturing (15%) and Trade (14%).

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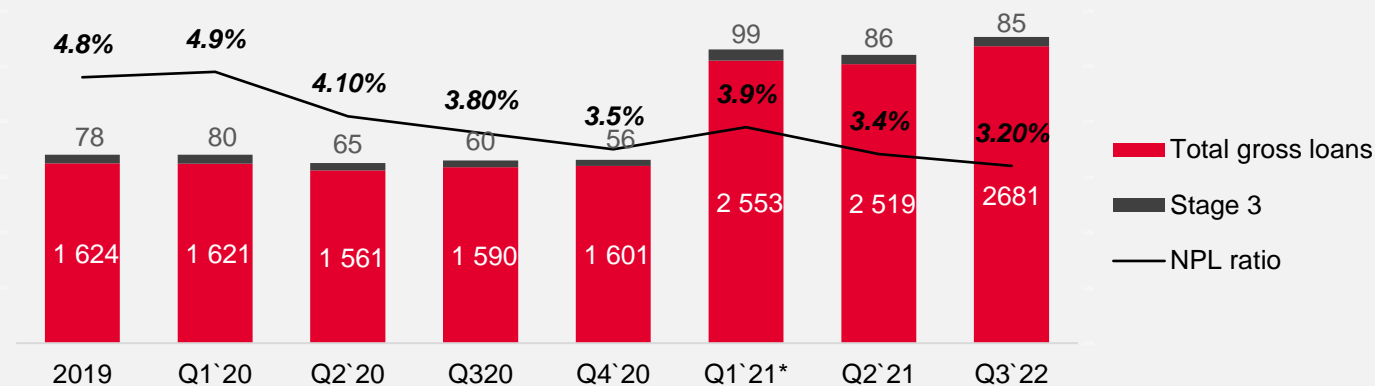
# Credit losses & NPLs

## Improving credit quality

Portfolio quality continued to improve in 9M 2021, **Stage 3 loans to public**, gross ratio has decreased to **3.2%** as of 30 September 2021, compared to 3.5% at the end of 2020, benefiting from improvement of asset quality within the leasing portfolio and recoveries from several legacy cases.

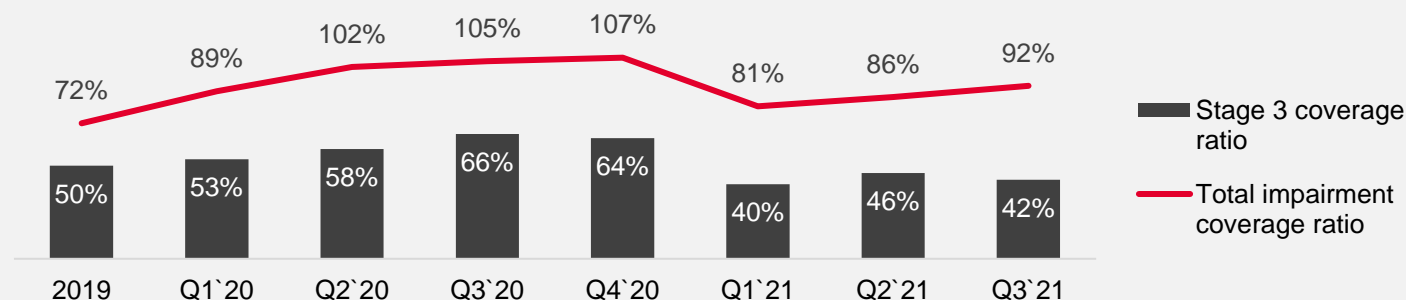
## Non-performing loans, % of total gross loans

30 September 2021 vs. previous periods



## Impairment coverage ratio

30 September 2021 vs. previous periods

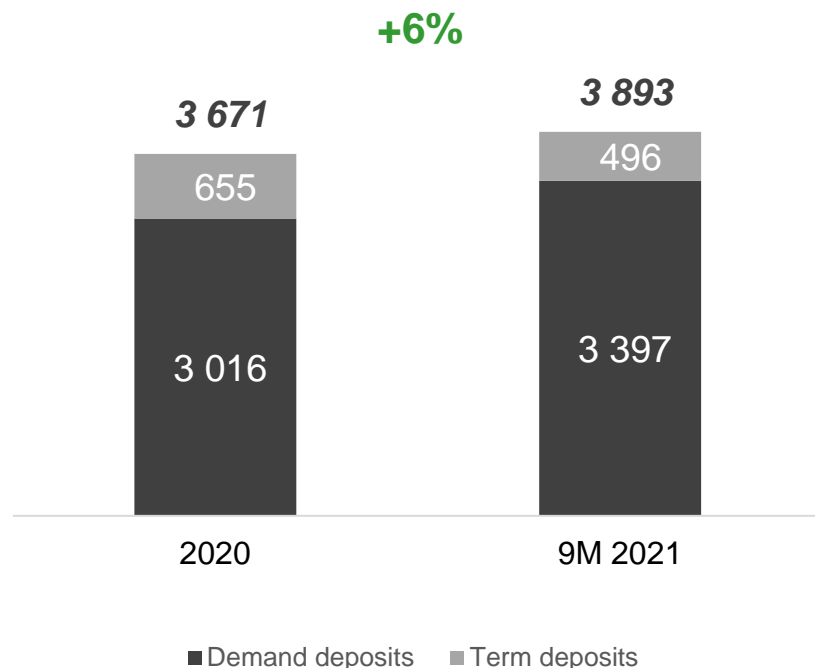


# Stable Funding structure

## Deposits

30 September 2021 vs. YE 2020

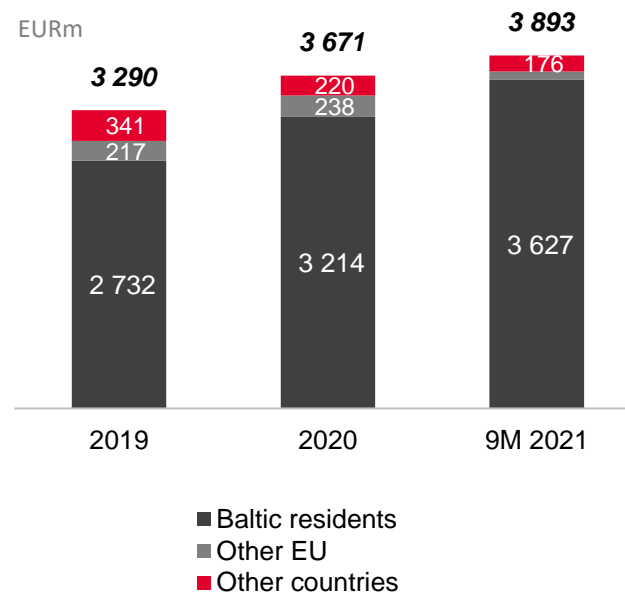
EURm



## Increase of domestic deposits

9M 2021 vs. previous periods

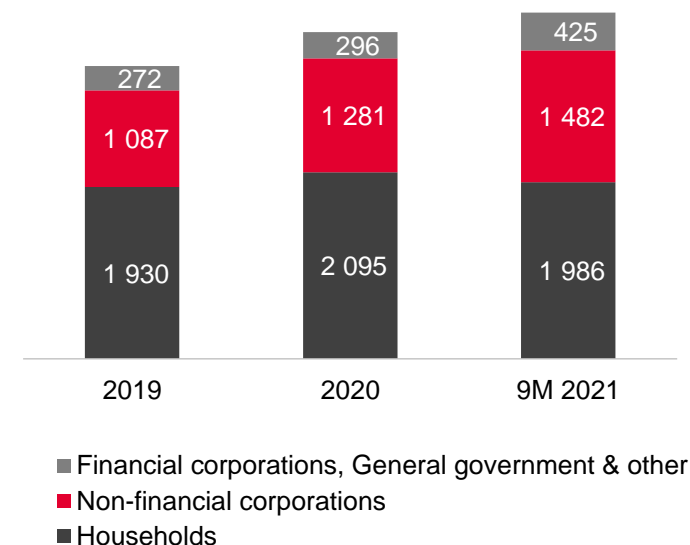
EURm



## Deposits by customer profile

9M 2021 vs. previous periods

EURm



## Comment

The main source of funding, **customer deposits**, grew by 6% v.s. year end 2020. Baltic domestic customer deposits increased by EUR 413 million (+13%). As of 30 September 2021, total Group customer deposits were EUR 3,893 million.

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# Customer overview

- ✓ Increasing customer base and user experience
- ✓ Bank with the best customer service in Latvia
- ✓ Highest NPS of Latvian banks

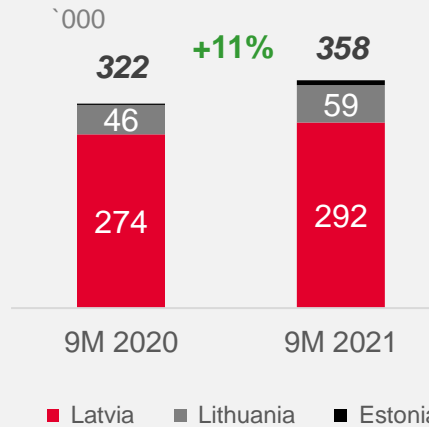


## Awards

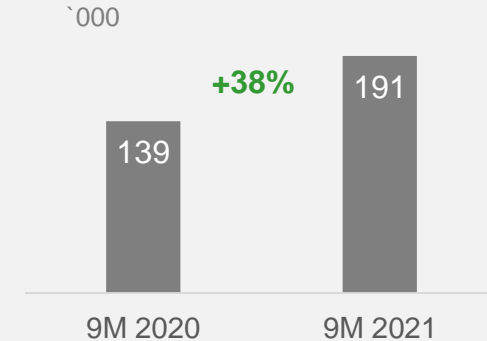
Bank with the best customer service in Latvia



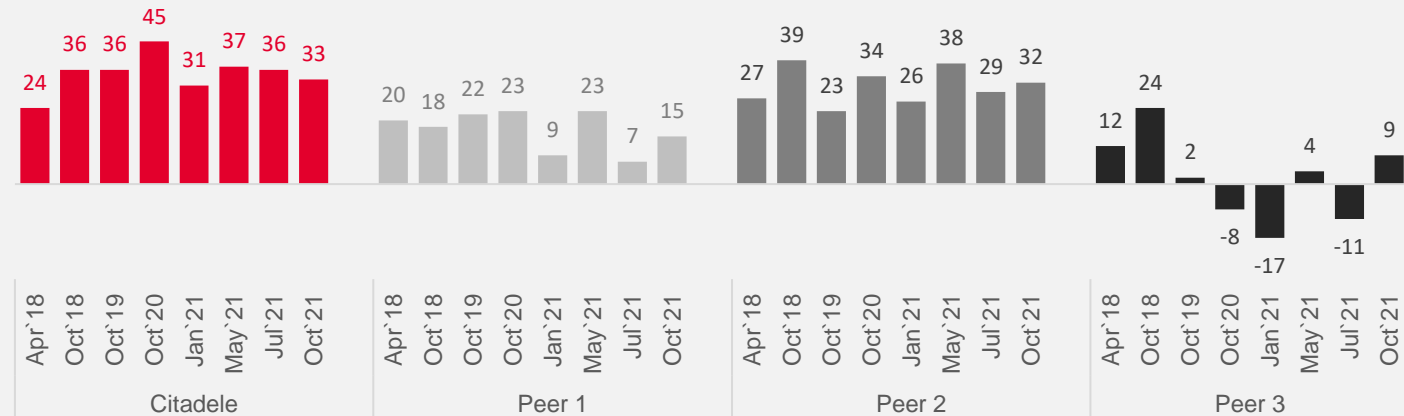
## Active customers 9M 2021 vs. 9M 2020



## Mobile App active users 9M 2021 vs. 9M 2020



## Net Promoter Scores of individual banks in Latvia



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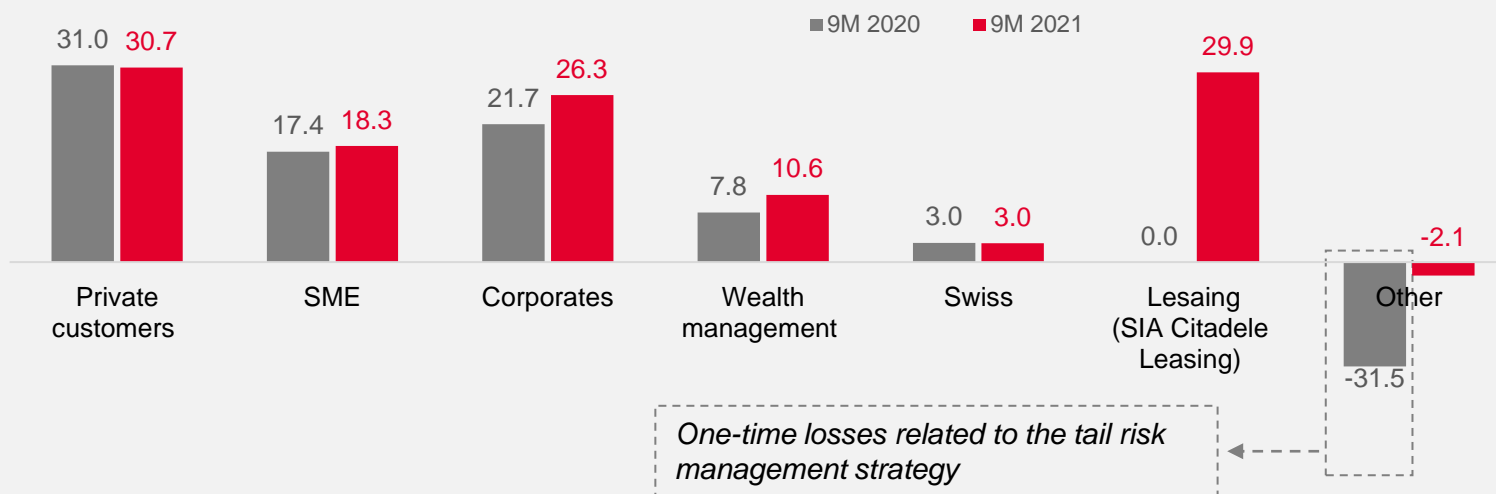
# Segment overview

9M 2021, EURm	Private customers	SME	Corporates	Wealth	Leasing	Other	Total
Net interest income	26.1	11.0	20.0	0.6	27.7	-4.5	80.9
Net fee & commission income	5.2	5.7	4.3	8.8	0.7	2.1	26.8
Net financial and other income	-0.6	1.6	2.1	1.2	1.5	3.2	9.0
<b>Operating income</b>	<b>30.7</b>	<b>18.3</b>	<b>26.3</b>	<b>10.6</b>	<b>29.9</b>	<b>0.8</b>	<b>116.7</b>

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

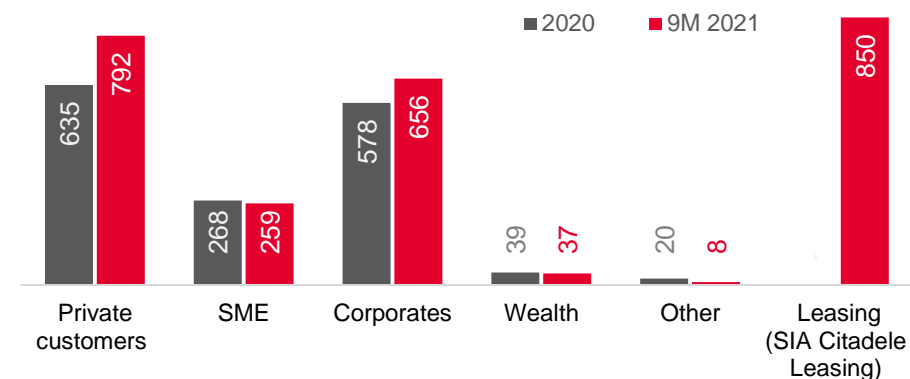
## Operating income by segment

9M 2021 vs. 9M 2020, EURm



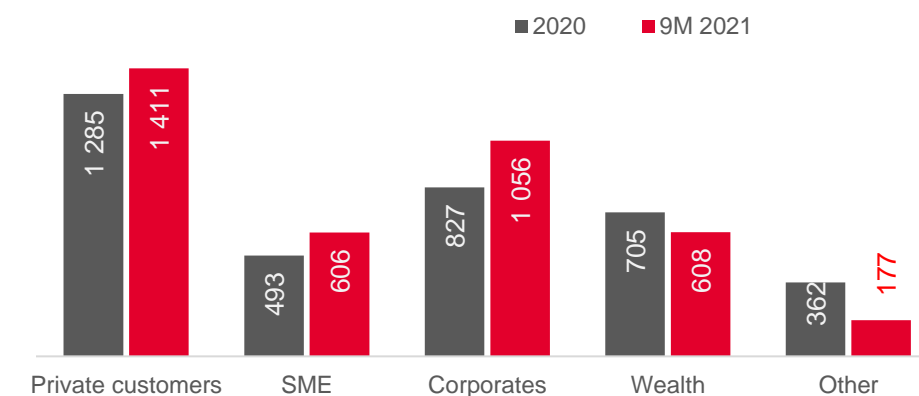
## Loans

9M 2021 vs. YE 2020, EURm



## Deposits

9M 2021 vs. YE 2020, EURm



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