



Citadele Group

Results presentation
Year 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

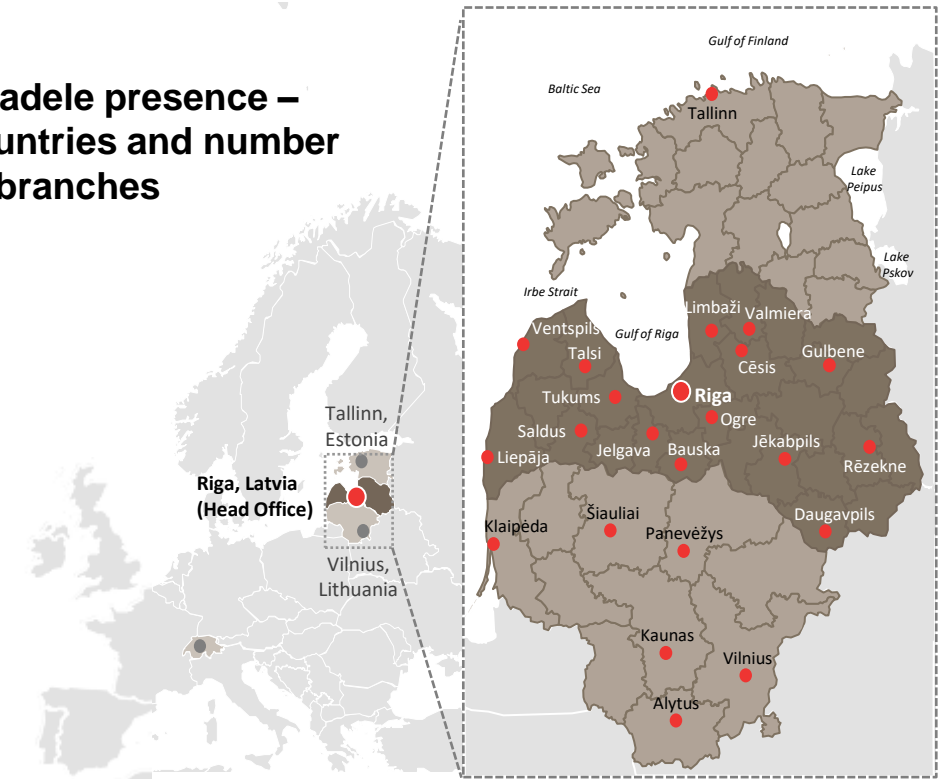
Baa2, stable

/13 September 2021, Moody's⁽¹⁾/

⁽¹⁾ Detailed information about ratings can be found on the web page of the rating agency www.moodys.com

*Citadele banka has 19 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch with 6 customer service units in Lithuania. AS Citadele banka has 4 client consultation centres in Latvia. Citadele is present also in Switzerland through AG Kaleido Privatbank (26 Employees), currently in a sales process

Citadele presence – countries and number of branches



Branches*

19 in Latvia
6 in Lithuania
1 in Estonia



1,335
Employees



361k
Active
Clients
(+11% y-o-y)



207k
MobileApp
users
(+41% 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.

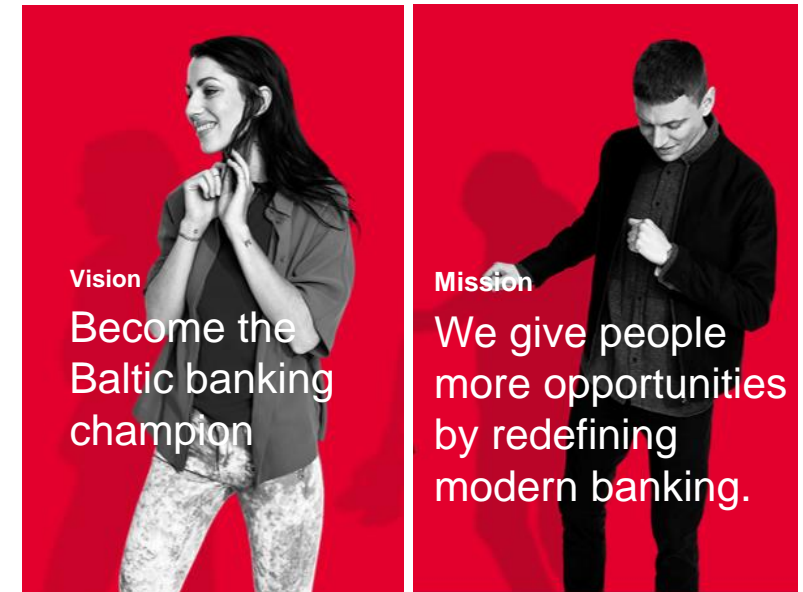
The strategy will be implemented using the following tactical steps:

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

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

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

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

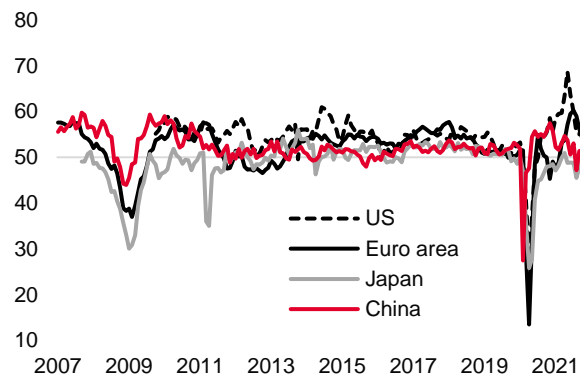
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Business environment

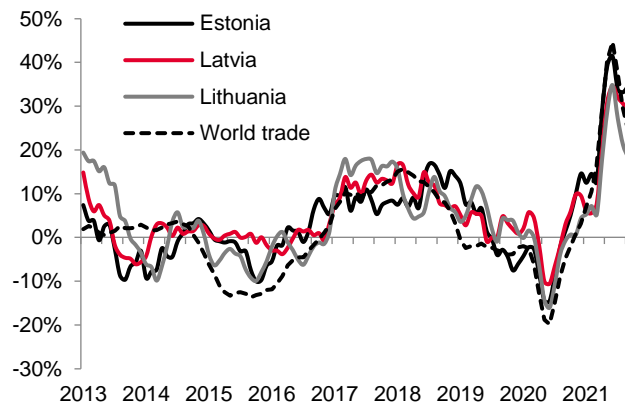
IHS Markit Composite PMI

(Values above 50 indicate expansion)



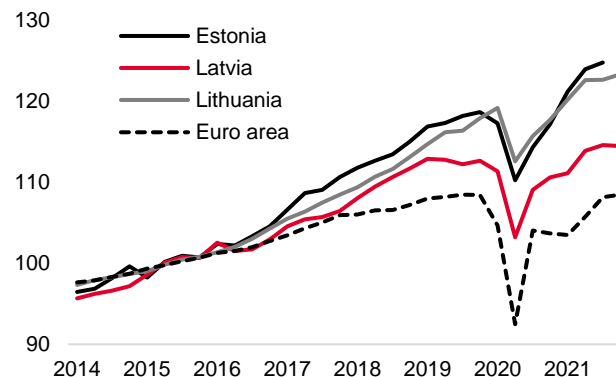
Export of goods

(% year-on-year)



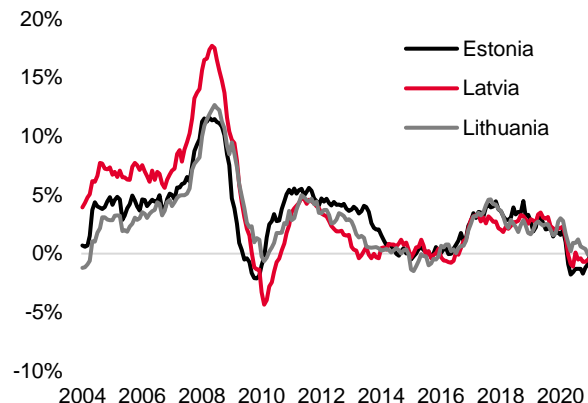
GDP

(constant prices, 2015=100)



Inflation

(% year-on-year)



Russia's invasion into Ukraine significantly changes world's political and economic situation

Economic recovery in the Baltics in 2021 has been faster than anticipated and less than two years after beginning start of the Covid-19 pandemic, GDP in the Baltic countries has already exceeded pre-pandemic levels.

Growth in the global economy also remains strong, but inflation in the Baltics has risen sharply in 2021 and is the highest in the EU. Rising prices will impact consumption, but situation in labour market is good, wages continue to increase, and unemployment is declining. Inflation is notable challenge in the global economy, Covid-19 pandemic is not yet over, and high energy costs are risk to economic growth in the Baltic region.

Russia's invasion into Ukraine has significantly changed the political and economic situation in the world, and it will certainly affect the economies of the Baltic States. Sanctions and trade restrictions against Russia, as well as Belarus, will affect Baltic exporters, while higher energy prices will reduce the purchasing power of the households. Consumer and investor sentiment could also become more cautious, while rising prices for metals, food and other natural resources is also a risk to the global economy. However, exact impact of the Russian invasion of Ukraine on the Baltic economies is currently difficult to assess, as the situation is changing and will depend on the further development of the conflict.

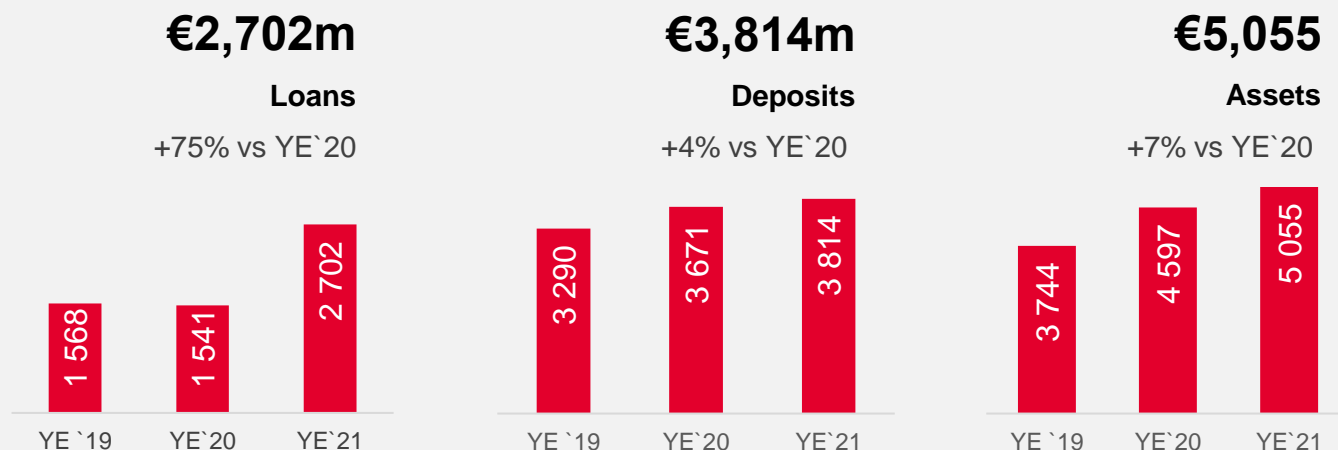
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Key figures and events

- Strong financial performance with net profit reaching EUR 55.0 million in 2021 and 14.8% return on equity.
- The number of active customers continued to grow and reached an all-time high of 361 thousand clients as of 31 December 2021, 11% growth y-o-y.
- In 2021 EUR 1.1 billion in new financing was issued to private, SME, corporate and leasing customers, 2.3 times higher than 2020.
- Baltic deposits continued to increase by EUR 363 million in 2021, or 11% 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 18.8% and LCR of 207% as of 31 December 2021.
- Citadele has completed the 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 40 million bonds were issued under the Fourth Unsecured Subordinated Bonds Programme and listed on the Baltic Bond List of Nasdaq Riga in December 2021.
- Citadele Banka's credit rating upgraded to Baa2 with stable outlook by Moody's.
- Citadele has entered into a binding agreement with Trusted Novus Bank Limited regarding the sale of its Swiss subsidiary - Kaleido Privatbank AG. The closing of the acquisition is expected by year end 2022, subject to regulatory approvals.

EUR millions	2019	2020	2021
Net interest income	84.6	67.5	108.1
Net fee and commission income	30.9	30.2	36.5
Net financial and other income	8.4	(3.1)	9.2
Operating income	123.9	94.7	153.7
Operating expense	(82.8)	(80.0)	(95.0)
Net credit losses and impairments	(3.7)	(10.5)	(1.8)
Net profit	36.5	3.6	55.0
Return on average equity (ROE)	11.5%	1.05%	14.8%
Cost to income ratio (CIR)	66.8%	84.5%	61.8%
<i>Adjusted for one-time item *:</i>			
Operating income	123.9	106.0	153.7
Net profit	36.5	14.9	55.0
Return on average equity (ROE)	11.5%	4.4%	14.8%
Cost to income ratio (CIR)	66.8%	75.5%	61.8%



* 2020 is adjusted for one-time losses related to the tail risk defensive measures in the amount of EUR (28.8)m, included in "Net financial and other income" and one-time gain of EUR 17.5m from leaseback sale of HQ building in Latvia and sale of building in Lithuania.

More opportunities

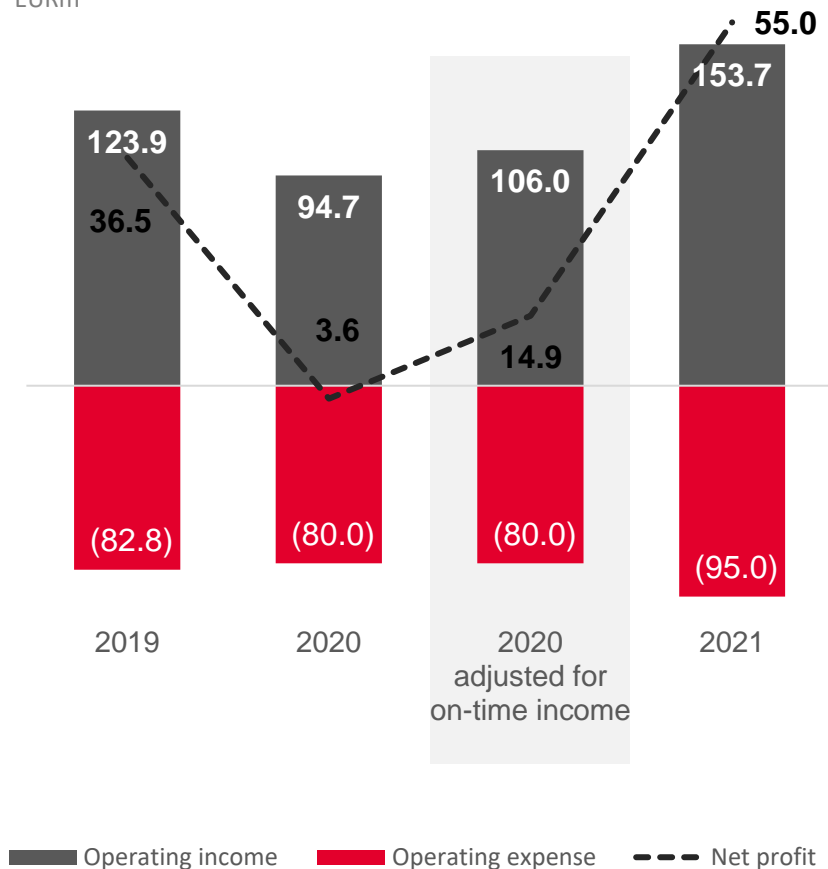
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Financial highlights

Financial result development

2021 vs previous years

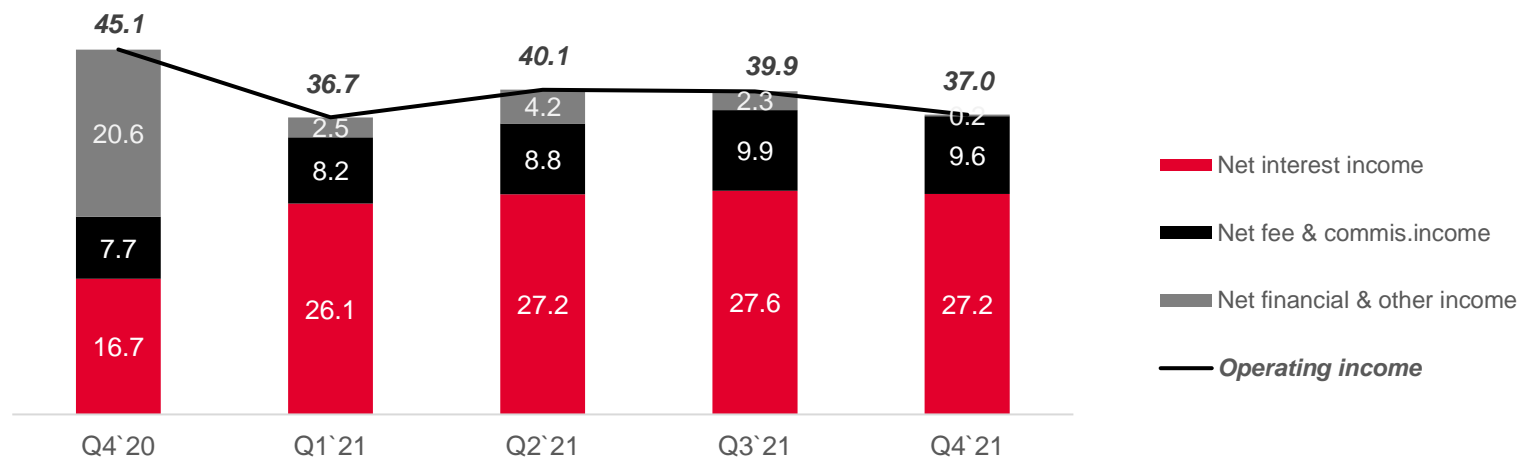
EURm



Operating income by revenue line

2021 vs. previous periods

EURm



Comment

Operating income in 2021 reached EUR 153.7 million, a 45% increase as compared to adjusted 2020* operating income.

* 2020 is adjusted for one-time losses related to the tail risk defensive measures in the amount of EUR (28.8)m, included in "Net financial and other income" and one-time gain of EUR 17.5m from leaseback sale of headquarters building in Latvia and sale of building in Lithuania.

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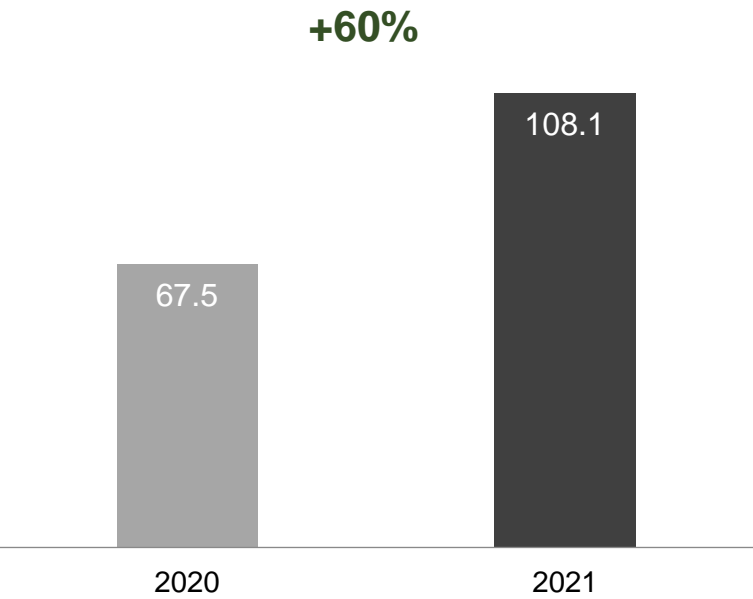
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Net interest income development

Net interest income

2021 vs. 2020

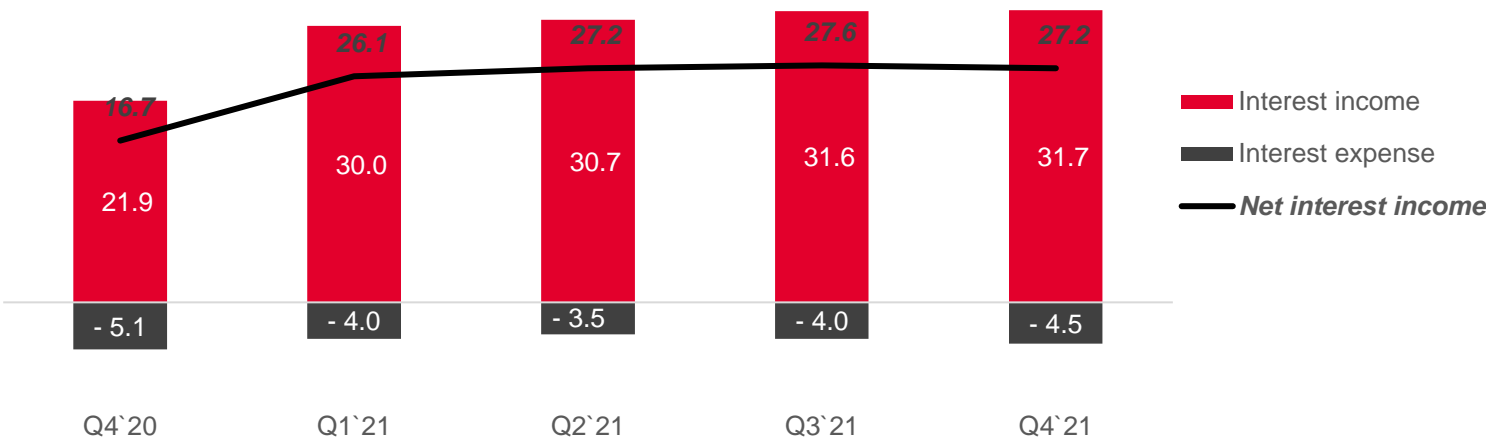
EURm



Net interest income development

2021 vs. previous periods

EURm



Comment

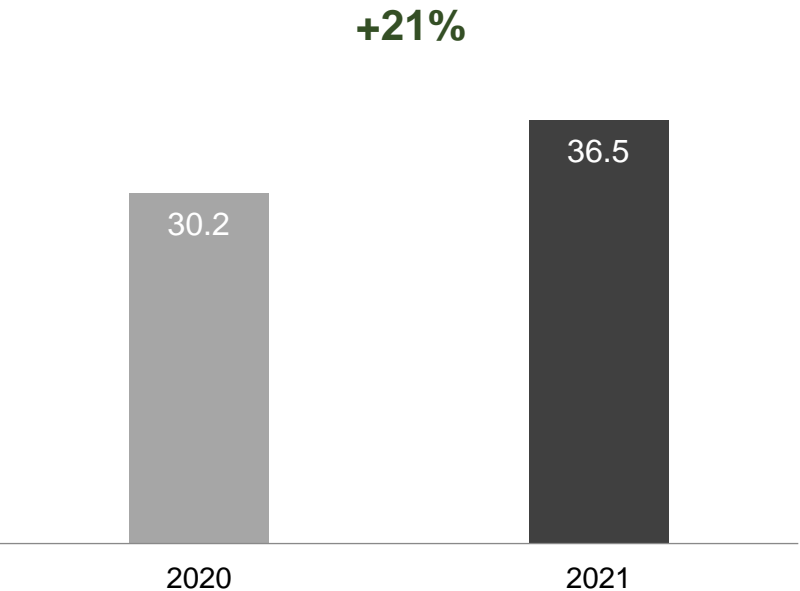
Net interest income reached EUR 108.1 million in 2021, a 60% increase as compared to the respective period last year, primarily driven by higher interest income from SIA Citadele Leasing book and lower interest expenses resulting from optimised cash balances.

Net fee and commission income development

Net fees and commissions

2021 vs. 2020

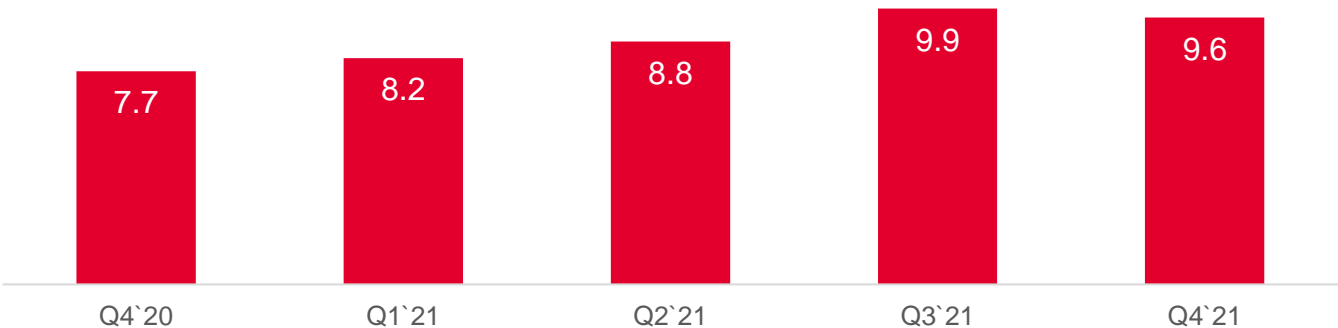
EURm



Net fee and commission income development

2021 vs. previous periods

EURm



Comment

The Group's **net fee and commission income** in 2021 reached EUR 36.5 million, which translates into a 21% increase vs. year 2020, mainly due to recovered customer confidence and interest in savings products.

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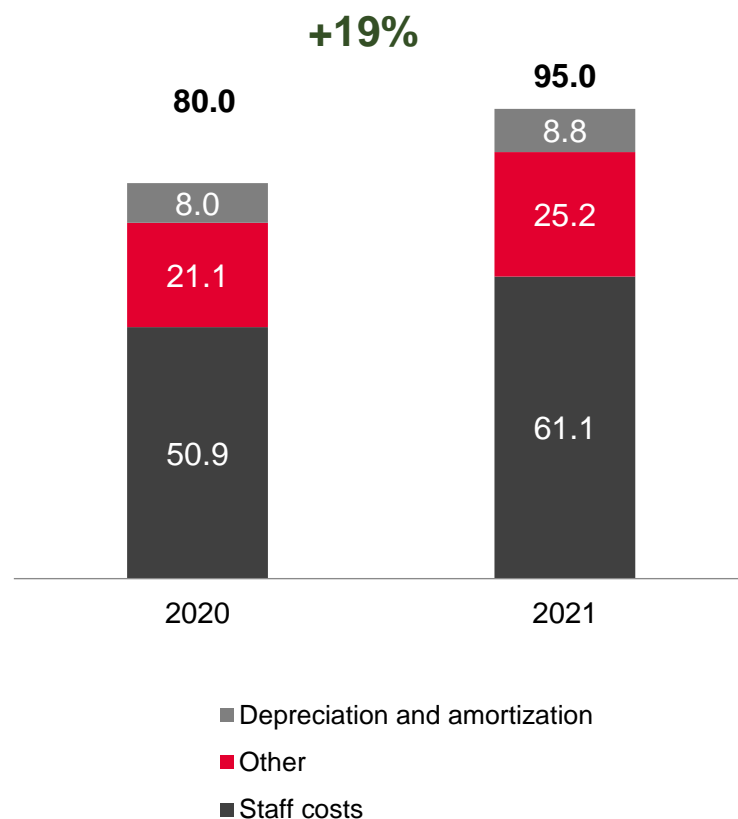
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Operating expenses development

Operating expenses

2021 vs. 2020

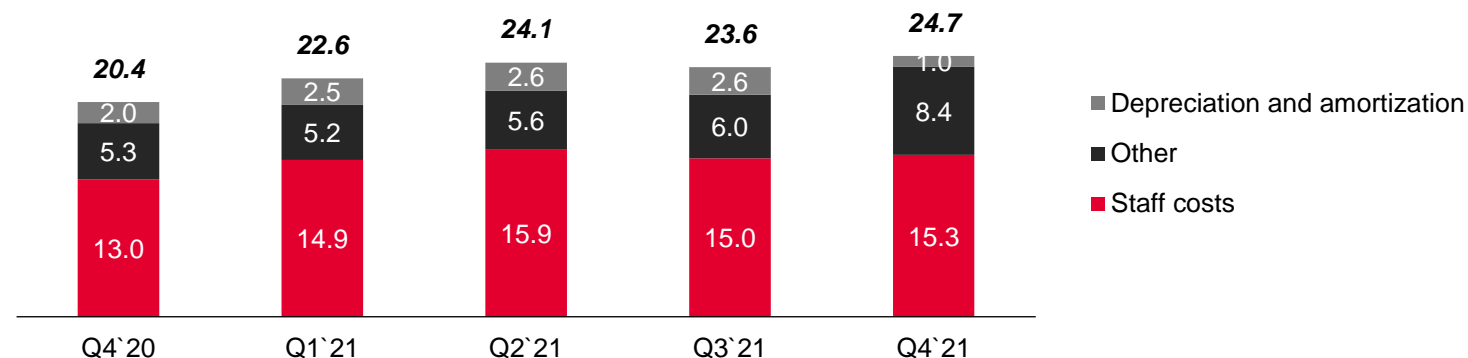
EURm



Operating expenses development

2021 vs. previous periods

EURm



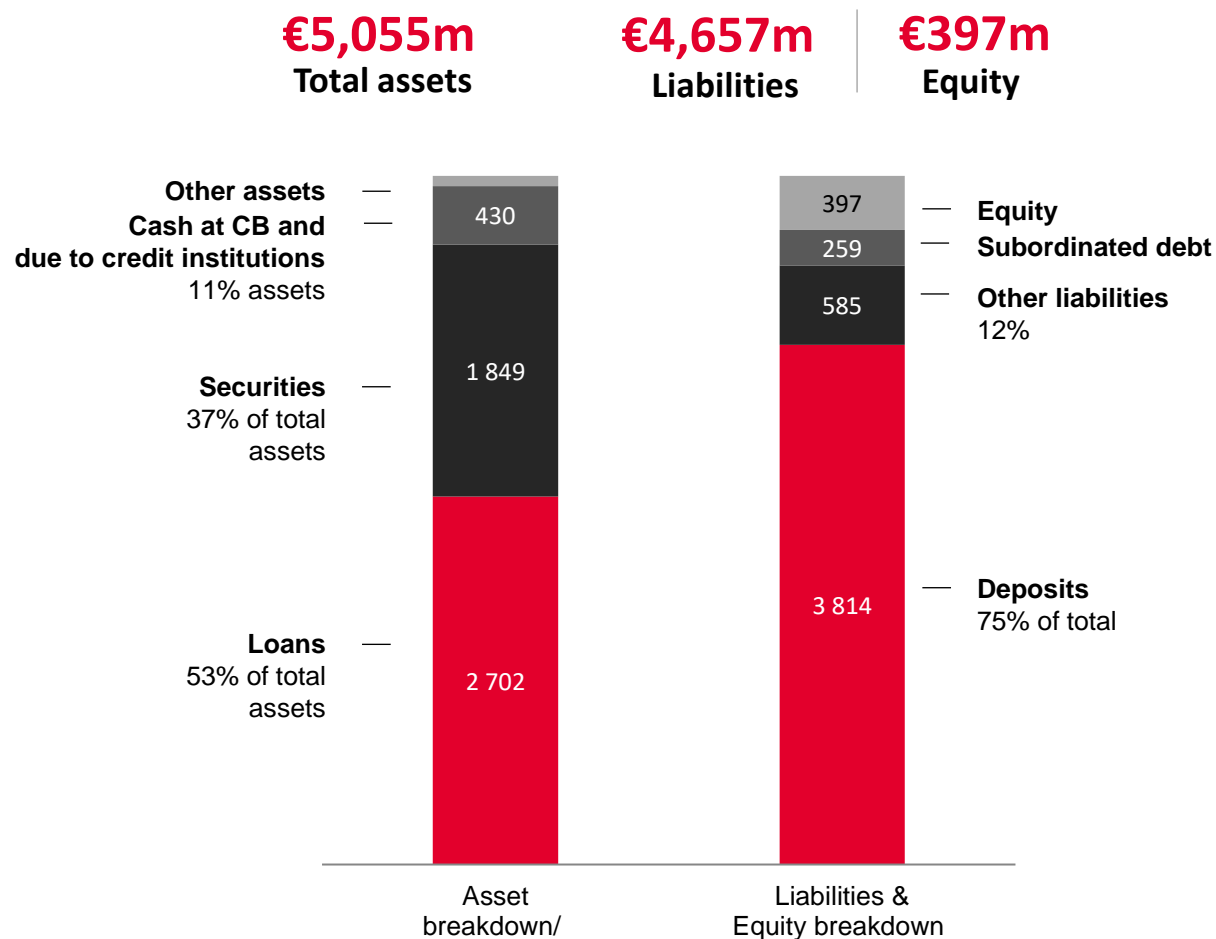
Comment

Operating expenses in 2021 increased to EUR 95.0 million, or 19% increase compared to 2020 reflecting the SIA UniCredit Leasing acquisition. Staff costs increased by 20% to EUR 61.1 million. The number of full-time employees was 1,335 vs. 1,230 as of 31 December 2020. Other costs were EUR 25.2 million (19% increase y-o-y). Depreciation and amortization expenses stood at EUR 8.8 million.

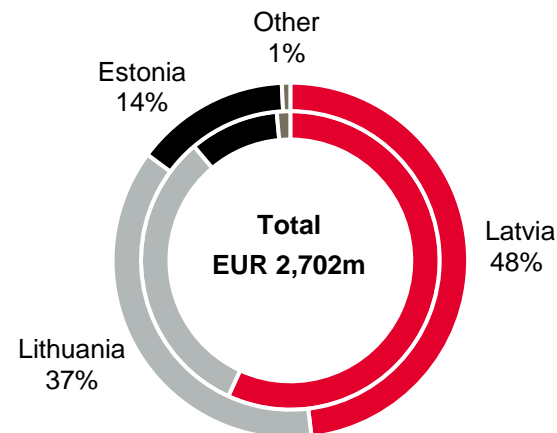
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Stable asset quality and strong balance sheet



Loan portfolio by country
2021 (outer circle) vs. 2020 (inner circle)



The Bank optimised cash balances post UniCredit Leasing transaction that allowed it to minimize amount of negative interest charged by the Central Bank and to keep **the securities portfolio** at a relatively stable level throughout the year. Portfolio size increased by 2% over 2021 that reflects the overall balance sheet growth.

The main source of funding, **customer deposits**, grew by 4% v.s. year-end 2020. Baltic domestic customer deposits increased by EUR 363 million (+11%). As of 31 December 2021, total Group customer deposits were EUR 3,814 million.

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Balance sheet overview

Loans

2021 vs. YE 2020

EURm

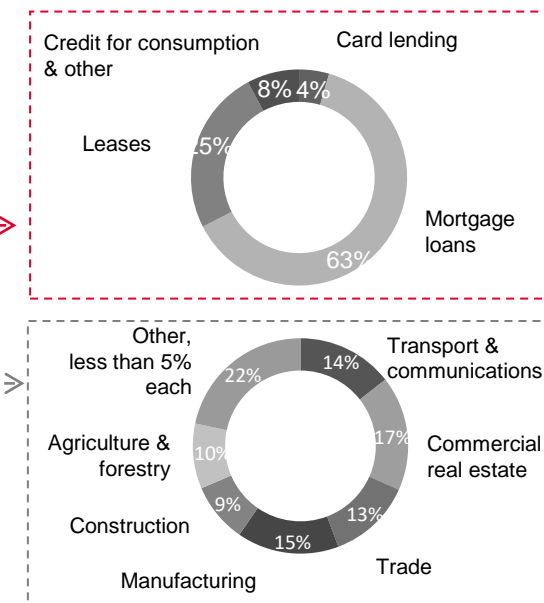
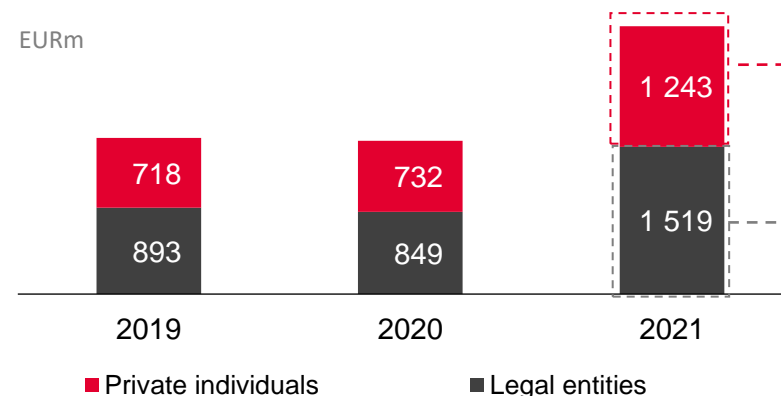
+75%



Gross loans by customer profile

30 Sept 2021 vs. previous periods

EURm



Comment

Loans to Households represented 45% of the portfolio (vs. 46% as of year-end 2020). Mortgages have increased by 45% since year end 2020, mainly due to ABLV portfolio acquisition. Consumer lending has increased by 6%. Card lending has slightly decreased by 4% 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 (14%), Manufacturing (15%) and Trade (13%).

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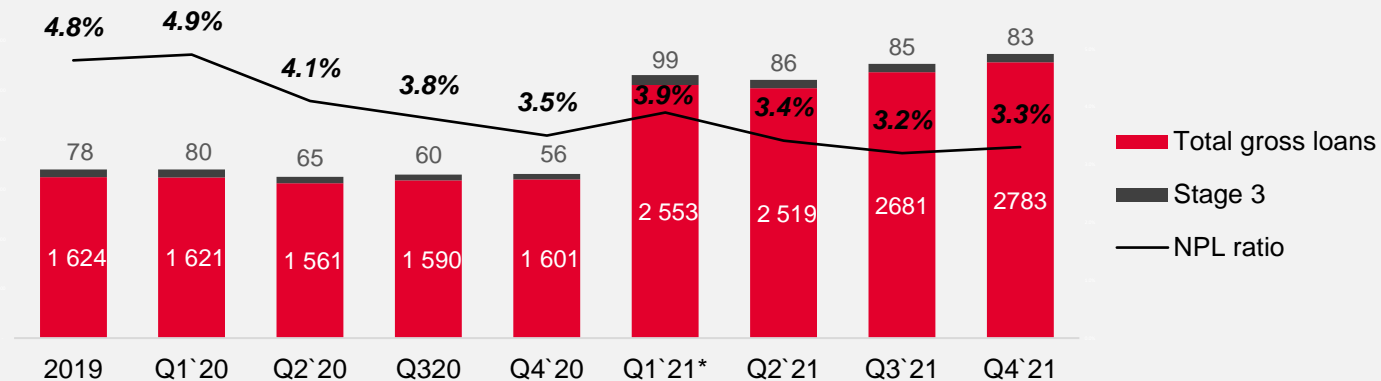
Credit losses & NPLs

Improving credit quality

Stage 3 loans to public, gross ratio has decreased to 3.3% as of 31 December 2021, compared to 3.5% at the end of 2020, benefiting from improvement of asset quality within the leasing portfolio, allocation of gains arising from asset purchase accounting and recoveries from several legacy cases.

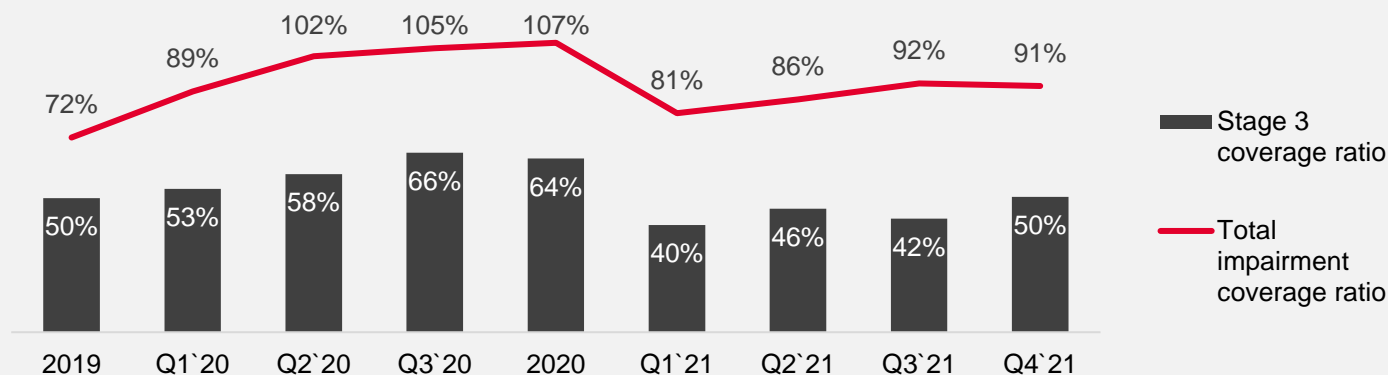
Non-performing loans, % of total gross loans

2021 vs. previous periods



Impairment coverage ratio

2021 vs. previous periods



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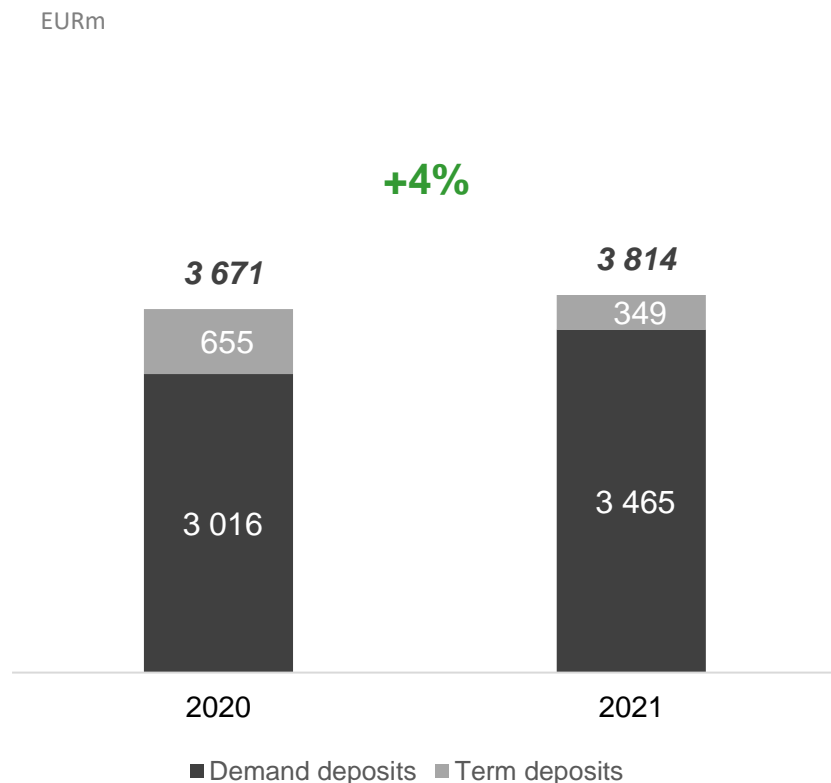
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Stable Funding structure

Deposits

YE 2021 vs. YE 2020

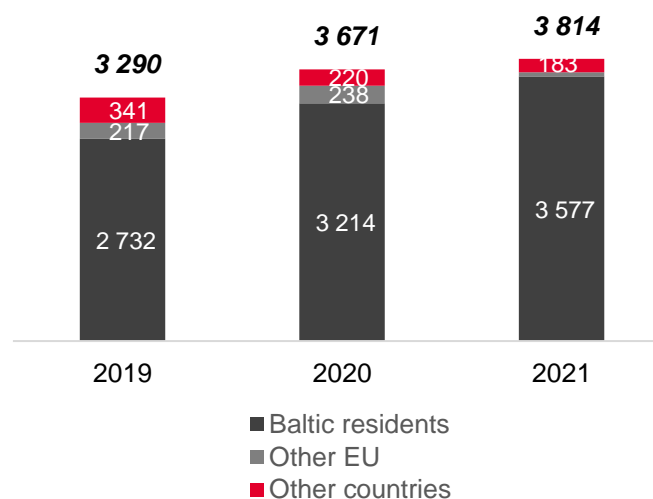
EURm



Increase of domestic deposits

2021 vs. previous periods

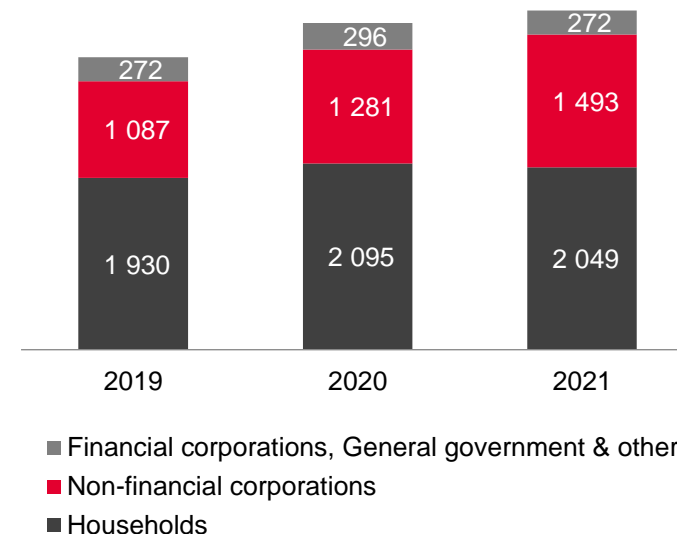
EURm



Deposits by customer profile

2021 vs. previous periods

EURm



Comment

The main source of funding, **customer deposits**, grew by 4% v.s. year-end 2020. Baltic domestic customer deposits increased by EUR 363 million (+11%). As of 31 December 2021, total Group customer deposits were EUR 3,814 million.

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Customer overview

- ✓ Increasing customer base and user experience
- ✓ Bank with one of the best customer service in the Baltics
- ✓ 2nd highest NPS of Latvian banks



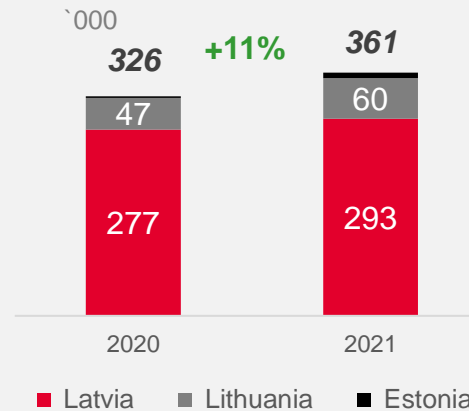
Awards

Citadele was announced as the bank with the best customer service in Latvia for the 7th time and TOP3 in Lithuania and Estonia.

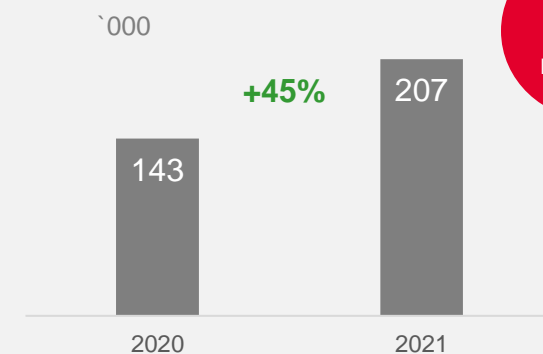
Bank with the best customer service in Latvia



Active customers 2021 vs. 2020

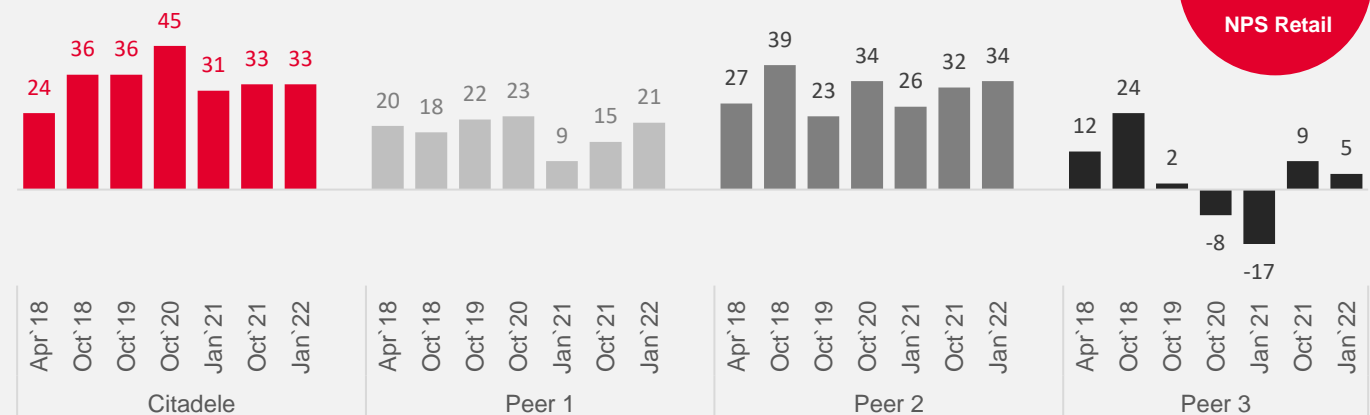


Mobile App active users 2021 vs. 2020



LV 58 /
LT 61
Mobile App
NPS

Net Promoter Scores of individual banks in Latvia



LV 33 /
LT 25
NPS Retail

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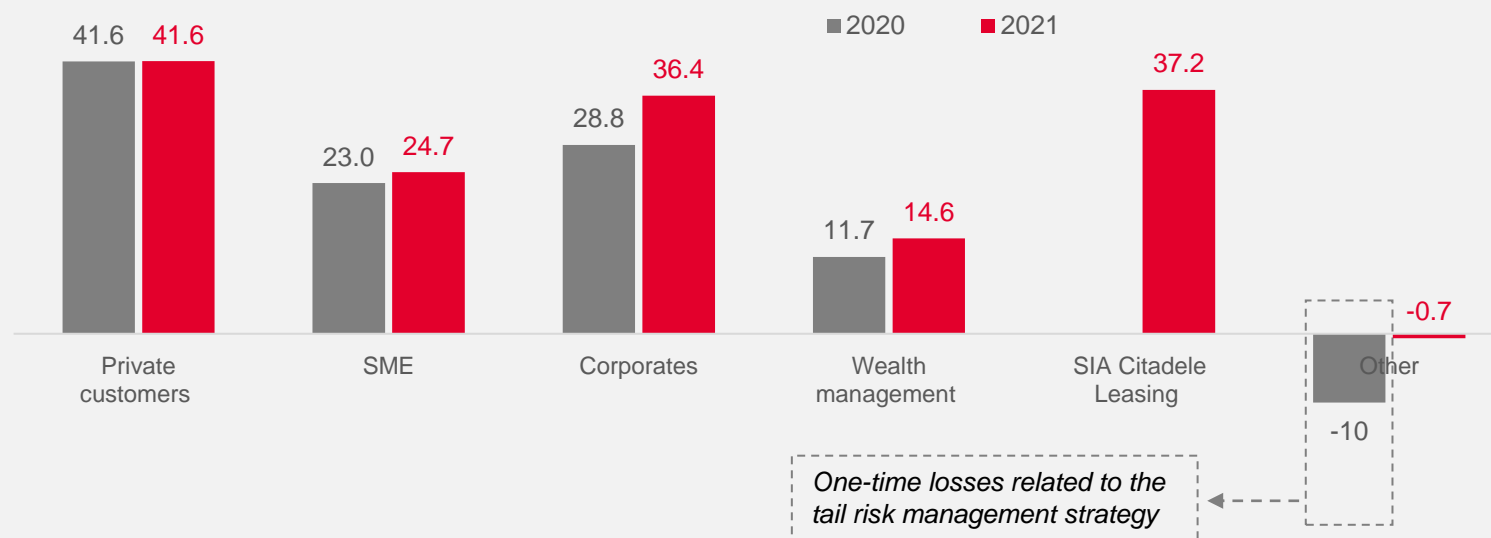
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Segment overview

2021, EURm	Private customers	SME	Corporates	Wealth	Leasing	Other	Total
Net interest income	35.6	14.6	27.6	0.8	36.1	-6.6	108.1
Net fee & commission income	6.7	7.8	5.6	11.7	0.9	3.7	36.5
Net financial and other income	-0.6	2.3	3.1	2.1	0.2	2.2	9.2
Operating income	41.6	24.7	36.4	14.6	37.2	-0.7	153.7

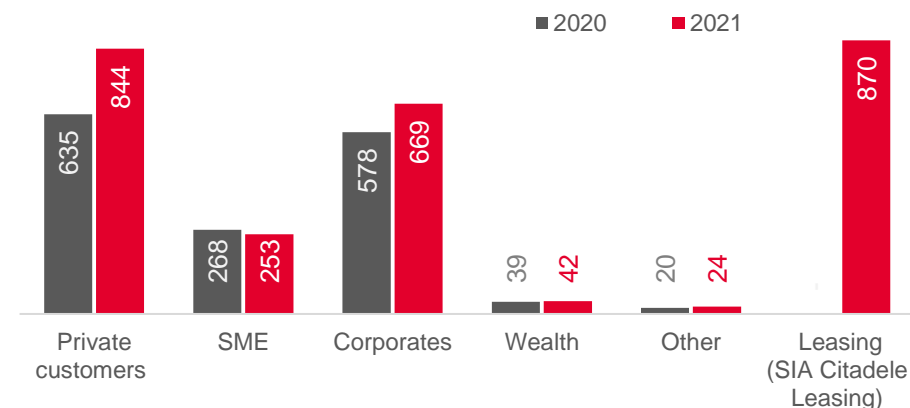
Operating income by segment

2021 vs. 2020, EURm



Loans

2021 vs. YE 2020, EURm



Deposits

2021 vs. YE 2020, EURm

