



Citadele Group

Results presentation
Q2 2022

**More
opportunities**

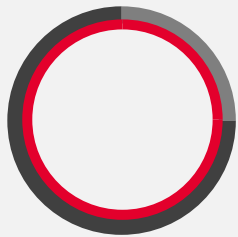
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About us

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⁾/

History – key highlights

- 2010** • Citadele was **registered** in Latvia as a joint stock company on 30 June and commenced operations on 1 August 2010.
- 2015** • **Change of ownership** - Ripplewood Advisors LLC and co-investors acquired a 75% +1 share. EBRD holds a 25% -1 share. **European Commission's restrictions removed.**
- 2016** • EUR 40,000,000 Subordinated Bonds listed on Nasdaq Riga Stock Exchange Baltic Bond List.
- 2017** • EUR 20,000,000 Subordinated Bonds listed on Nasdaq Riga Stock Exchange Baltic Bond List.
- 2020** • Citadele's **credit rating** upgraded to **investment grade** by Moodys, assigning Baa3 rating with stable outlook.

Citadele has become the **100% owner of SIA UniCredit Leasing**. Following the acquisition Citadele's aggregate leasing portfolio exceeds EUR 1 billion.
- 2021** • Citadele's **credit rating** upgraded by Moody's to **Baa2 with stable outlook** (13 September 2021).

Citadele has entered into a binding agreement with Trusted Novus Bank regarding the **sale of its Swiss subsidiary**. The closing of the acquisition is expected by year end 2022, subject to regulatory approvals.

Citadele issues EUR 200 million of senior unsecured preferred bonds. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL).

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Citadele overview

Complete portfolio of banking services

PRIVATE CUSTOMERS

Private individuals are serviced in Latvia, Lithuania and Estonia. The segment includes universal banking offer provided through branches, internet bank and mobile banking application.

LEASING

Leasing and factoring services provided to private individuals and companies in Latvia, Lithuania and Estonia.

WEALTH MANAGEMENT

Private banking, advisory, investment and wealth management services provided to high net-worth individuals serviced in Latvia, Lithuania and Estonia.

SME

Micro, Small and medium-sized companies in Latvia, Lithuania and Estonia serviced through branches, internet bank and mobile banking application. Focus on POS.

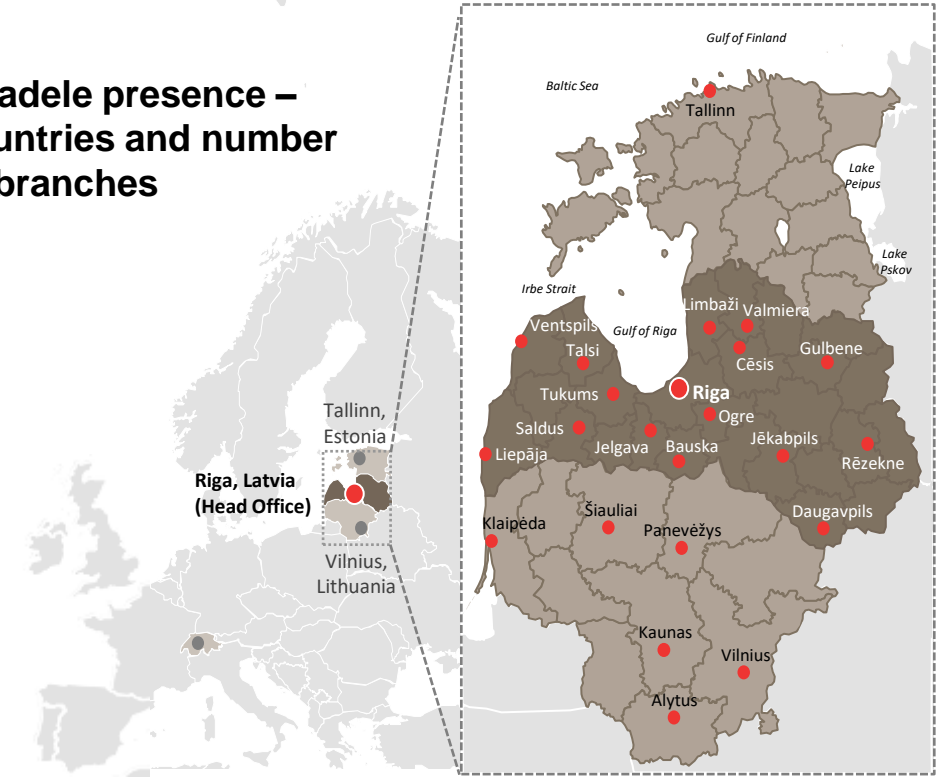
CORPORATES

Large customers serviced in Latvia, Lithuania and Estonia. Yearly turnover of the customer is above EUR 5 million or total risk exposure with Citadele Group is above EUR 1 million or the customer needs complex financing solutions.

INVESTMENT MANAGEMENT

CBL Asset Management is one of the leading investment management companies in the Baltic area serving state-funded pension plans, corporations and other institutional clients.

Citadele presence – countries and number of branches



Branches*
18 in Latvia
6 in Lithuania
1 in Estonia



1,358
Employees



368k
Active Clients
(+5% y-o-y)



220k
MobileApp users
(+36% y-o-y)

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*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

Values and strategy

Strategic focus

Citadele aims to become a modern banking platform for the Baltics. Increasingly digital bank with a wide product suite and unique offerings for its private and business clients, complemented by innovative stand-alone solutions with unique value proposition.

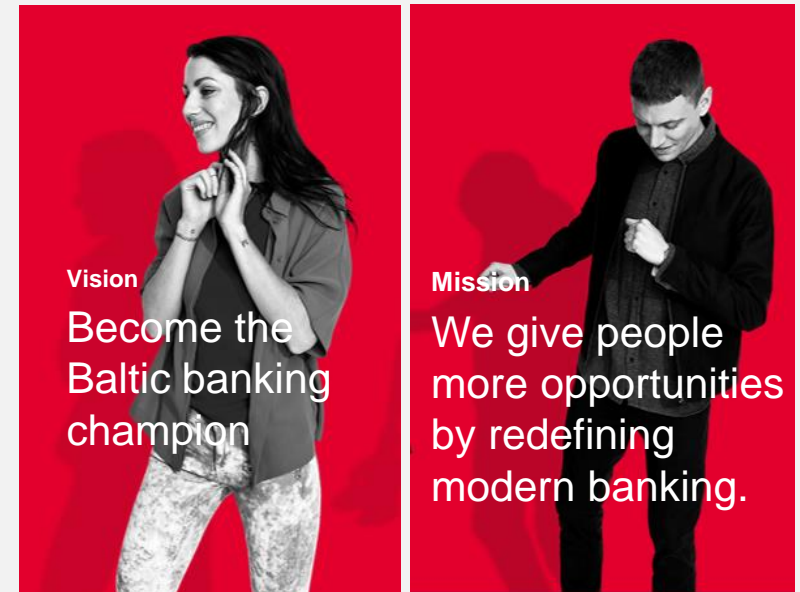
The strategy will be implemented using the following tactical steps:

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

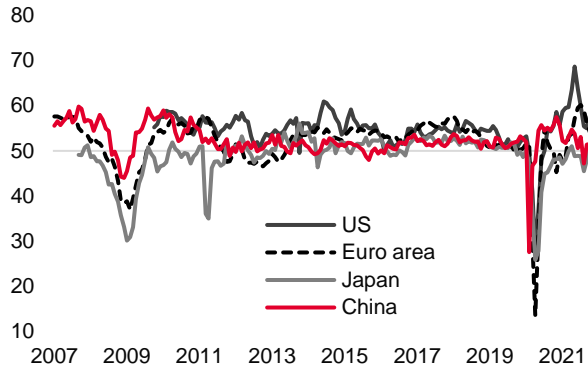
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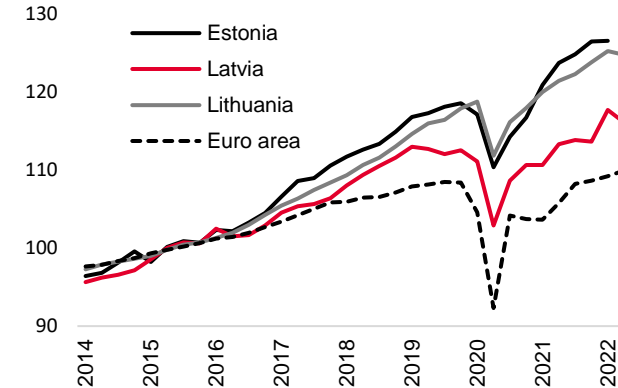
Business environment

IHS Markit Composite PMI

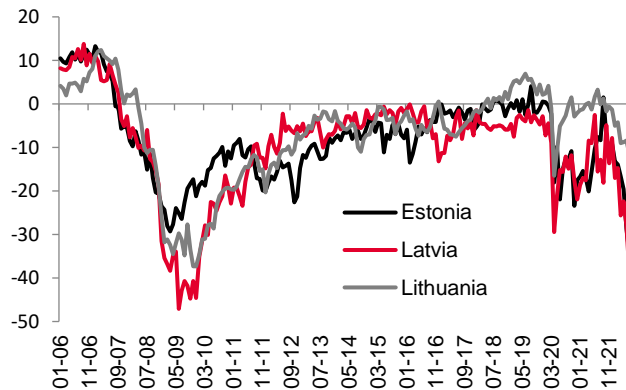
(Values above 50 indicate expansion)



Economic sentiment indicator

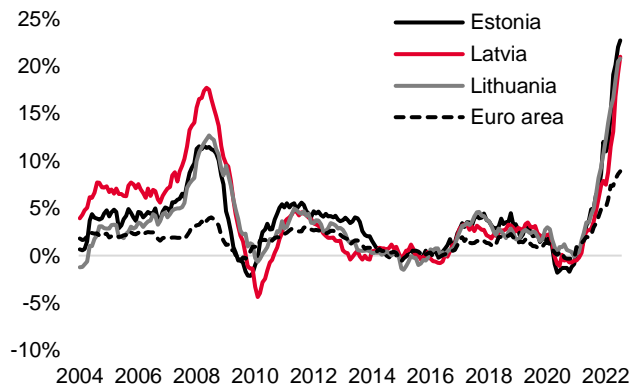


Consumer sentiment



Inflation

(% year-on-year)



Economic situation in the Baltic region in H1 2022 remained positive despite war in Ukraine and high inflation

Since the beginning of 2022 situation in the global economy has deteriorated as unexpectedly high inflation amplified by Russia's invasion of Ukraine and China's zero Covid-19 policy has become the main challenge for the global economy. Central banks have responded to high inflation by starting to increase interest rates. Business and consumer sentiment in euro area and US has deteriorated, and growth forecasts are being reduced. Economic situation in the Baltic region in H1 2022 remained positive despite war in Ukraine and high inflation, however in Q2 2022 GDP growth has begun to slow and overall uncertainty has increased. Russia's actions related to gas supply have resulted in energy prices in Europe that are several times more expensive than in US and will probably remain elevated for some time. Debt levels across all sectors of the economy in the Baltics is low and companies in the Baltics in previous crises have demonstrated the ability to adapt quickly to changing market circumstances.

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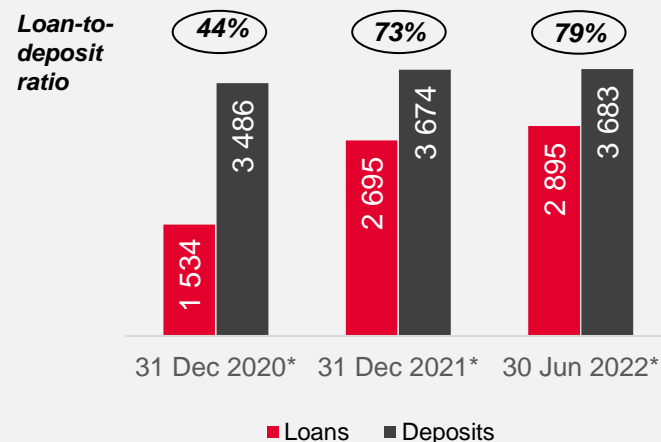
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Key figures and events

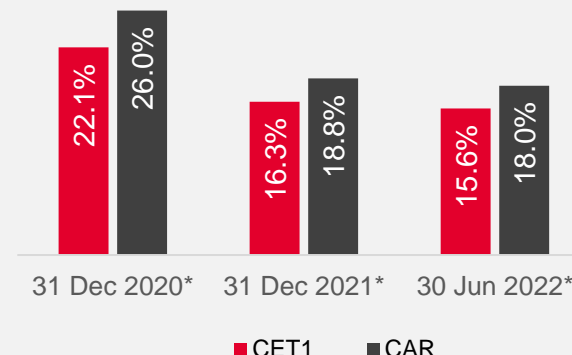
- Strong financial performance with a record high income in both Q2 and H1 2022. In H1 Operating income (Baltics) reached EUR 79.6 million, 8% growth year over year. Q2 operating income was EUR 40.3 million, 4% growth year over year.
- Baltic operations profit before impairment was EUR 34.8 million in the first 6 months of 2022, 6% higher than in the same period last year. Profit before impairment in Q2 reached EUR 16.2 million.
- Taking a prudent approach towards more uncertain macroeconomic outlook, the bank has recognised net credit losses in amount of EUR (12.7) million in H1 2022 (EUR (6.6) million in Q2 2022). Baltic operations net profit reached EUR 21.4 million in H1 2022, which translated into 10.7% return on equity. Q2 net profit was EUR 9.3 million.
- On the back of attractive digital solutions and services the bank's active customers reached an all time high of 368 thousand active clients as of 30 June 2022, 5% growth y-o-y.
- In H1 2022, the bank issued EUR 646 million in new financing to support Baltic private, SME and corporate customers. EUR 349 million were disbursed in Q2 2022.
- The deposit base remained stable and Baltic deposits constituted EUR 3,582 million as of 30 June 2022, or 97% from total deposits. The Bank continues to operate on the back of adequate capital and liquidity ratios. Group's CAR, transitional (including period's result) was 18.0% and LCR of 167% as of 30 June 2022.

EUR millions	Q2	Q1	Q2	Jan-Jun	
	2022*	2022*	2021*	2022*	2021*
Net interest income	26.6	27.4	26.9	54.0	52.5
Net fee and commission income	11.1	10.3	8.2	21.4	15.7
Net financial and other income	2.6	1.7	3.8	4.3	5.7
Operating income	40.3	39.4	38.8	79.6	73.9
Operating expense	(24.0)	(20.8)	(21.0)	(44.9)	(41.0)
Net credit losses and impairments	(6.6)	(6.1)	6.9	(12.7)	3.8
Net profit from continuous operations (after tax)	9.3	12.2	23.4	21.4	35.4
Return on average assets (ROA)	0.75%	0.99%	2.09%	0.87%	1.56%
Return on average equity (ROE)	9.2%	12.2%	26.4%	10.7%	19.7%
Cost to income ratio (CIR)	59.6%	52.9%	54.0%	56.3%	55.5%
Cost of risk ratio (COR)	0.9%	0.9%	(1.1%)	0.9%	(0.4%)

Loans to and deposits from the public EURm



CET1 and CAR ratios**



*Only continuous operations shown. Comparatives represented for discontinued operations of Kaleido Privatbank AG (Swiss subsidiary bank of the Group) which is committed for sale and thus excluded from the presented key figures. **Common equity Tier 1 (CET1) capital ratio, transitional (including period's result) and Total capital adequacy ratio (CAR), transitional (including period's result)

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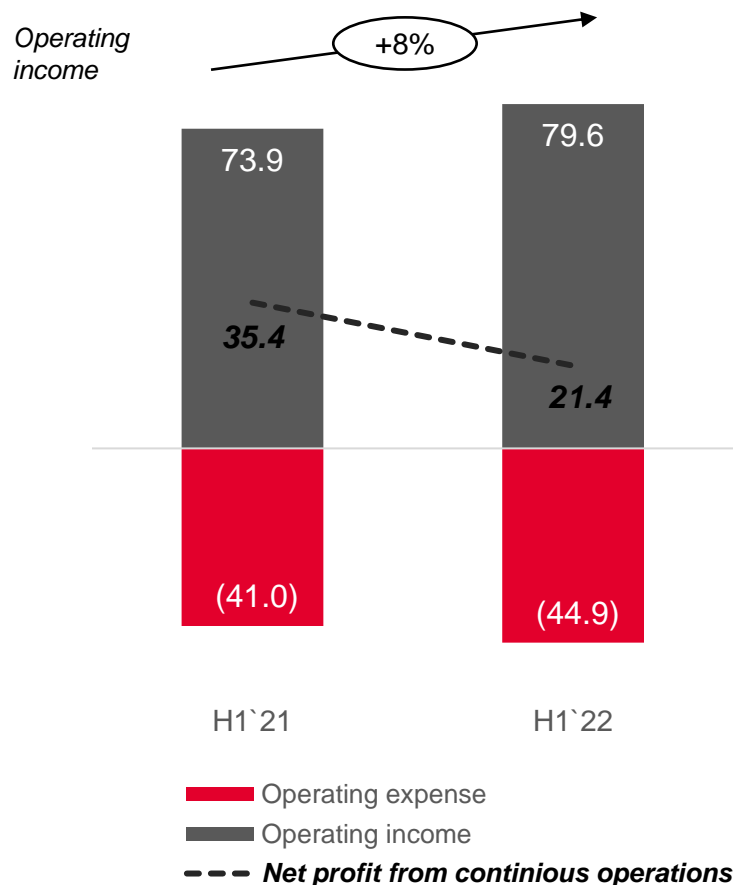
Financial highlights

Continuous operations

Financial result development

H1`2022 vs previous periods

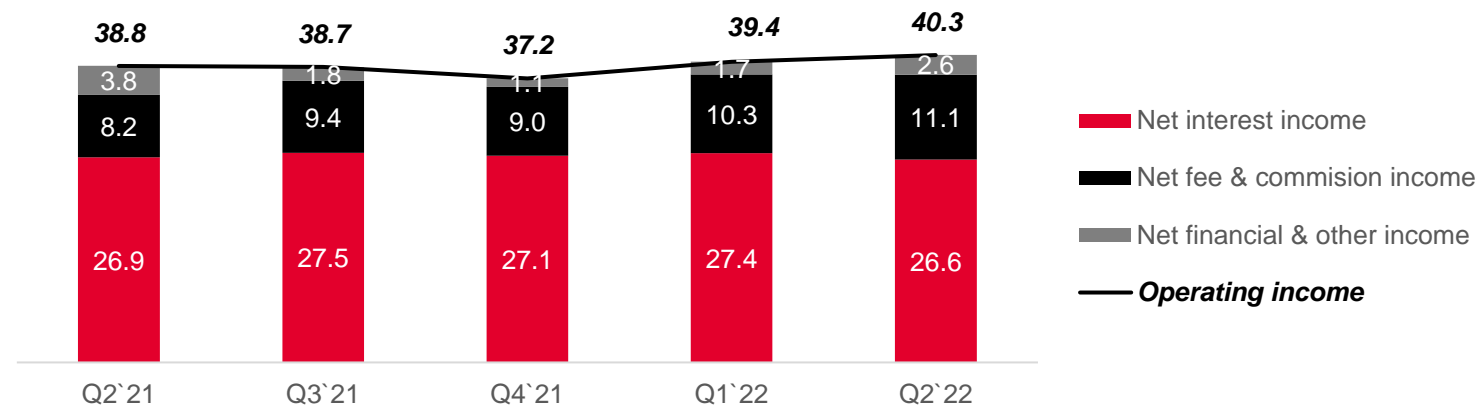
EURm



Operating income by revenue line

Q2`2022 vs. previous periods

EURm



Comment

Operating income in Q2 2022 reached EUR 40.3 million, 2% higher than in Q1 2022, supported by strong cards income. H1 2022 operating income was EUR 79.6 million, 8% higher than in H1 2021.

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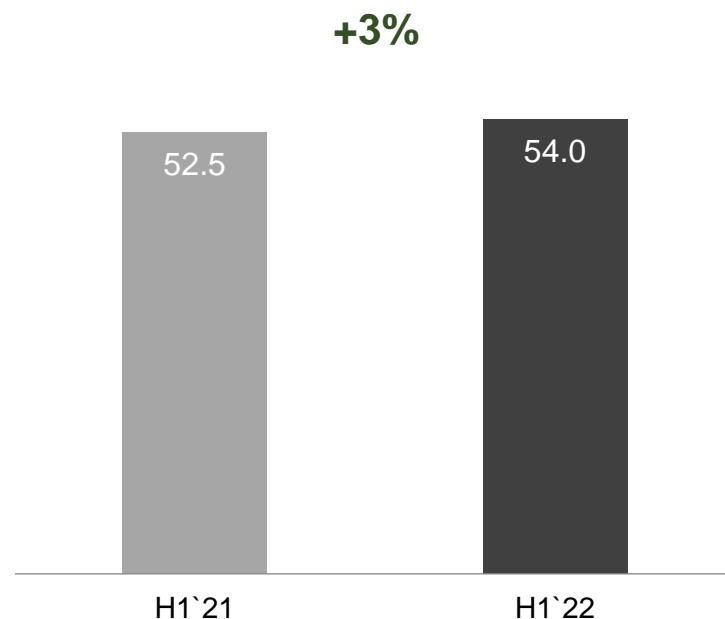
Net interest income development

Continuous operations

Net interest income

H1`2022 vs H1`2021

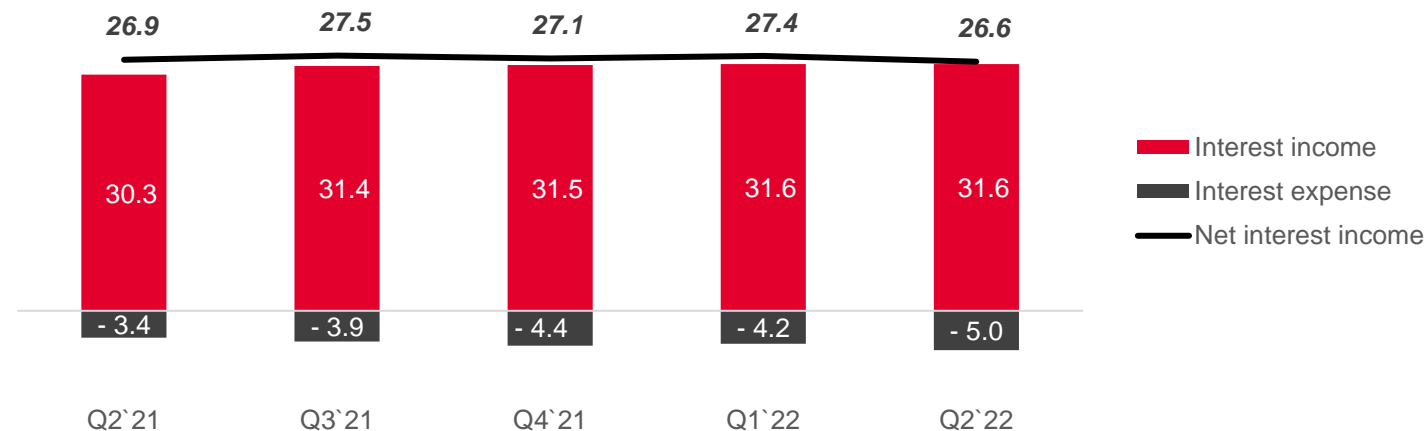
EURm



Net interest income development

Q2`2022 vs previous periods

EURm



Comment

Net interest income reached EUR 26.6 million in Q2 2022, a 3% decrease as compared to Q1 2022, mainly impacted by higher interest expense driven by mandatory government deposit insurance cost. H1 2022 net interest income was EUR 54.0 million, 3% higher than in H1 2021.

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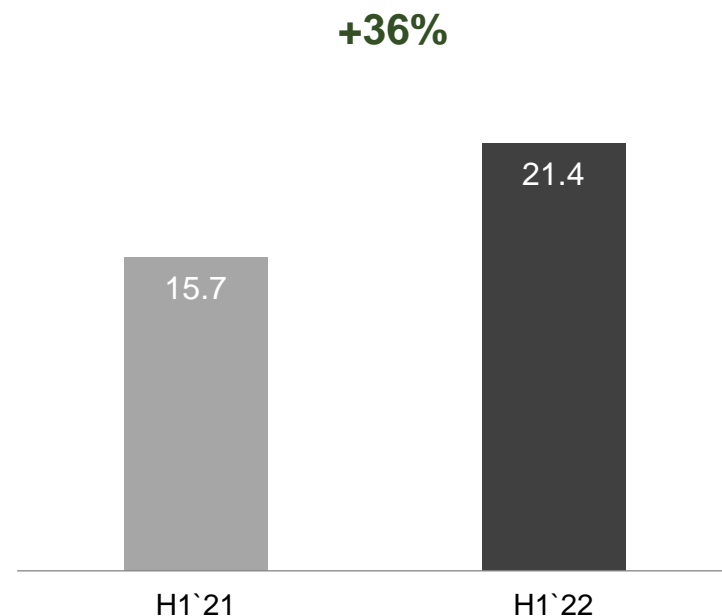
Net fee and commission income development

Continuous operations

Net fees and commissions

H1`2022 vs H1`2021

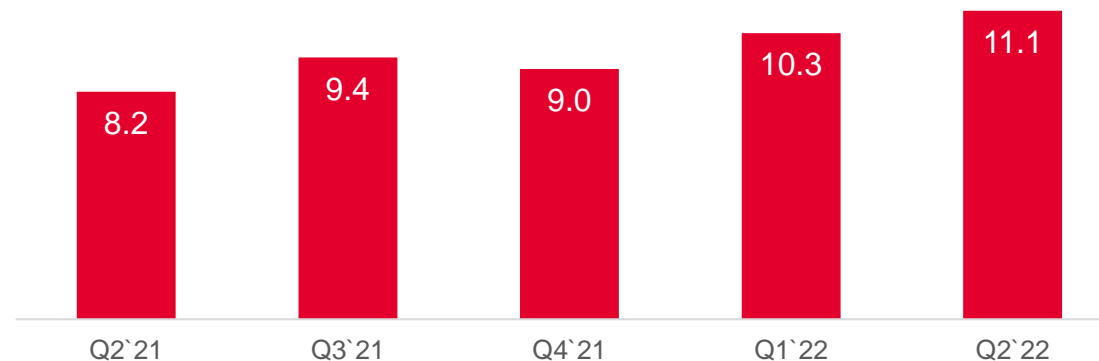
EURm



Net fee and commission income development

Q2`2022 vs previous periods

EURm



Comment

The Group's **net fee and commission income** in Q2 2022 reached EUR 11.1 million, which translates into an 8% increase q-o-q, mainly due to recovered customer consumption and income from cards. H1 2022 net fee and commissions income reached EUR 21.4 million, 36% growth y-o-y.

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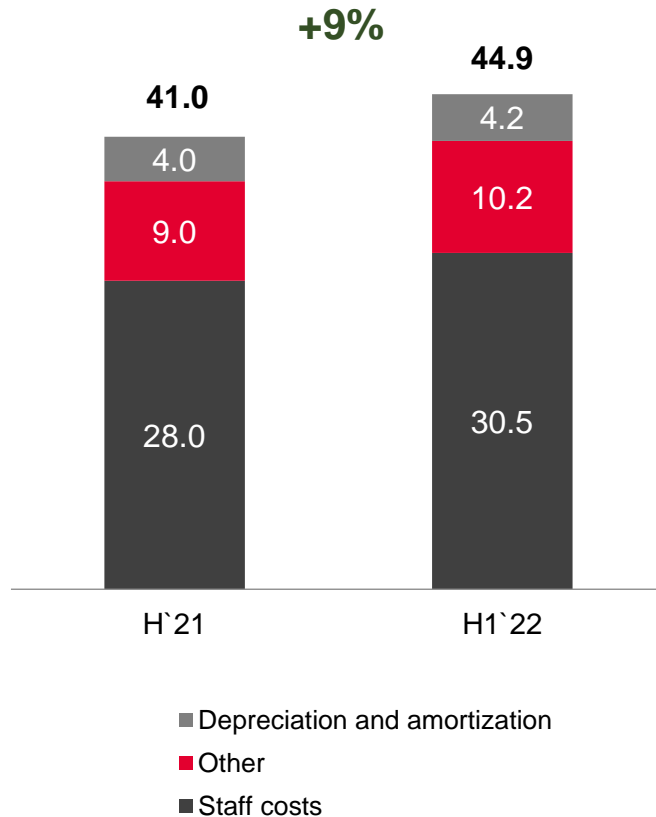

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Operating expenses development

Continuous operations

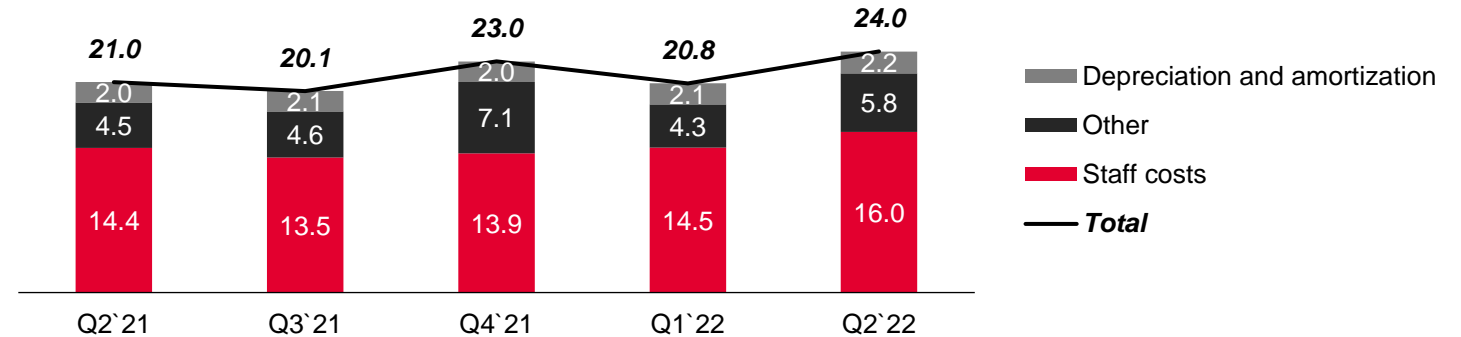
Operating expenses H1`2022 vs H1`2021

EURm



Operating expenses development Q2`2022 vs. previous periods

EURm



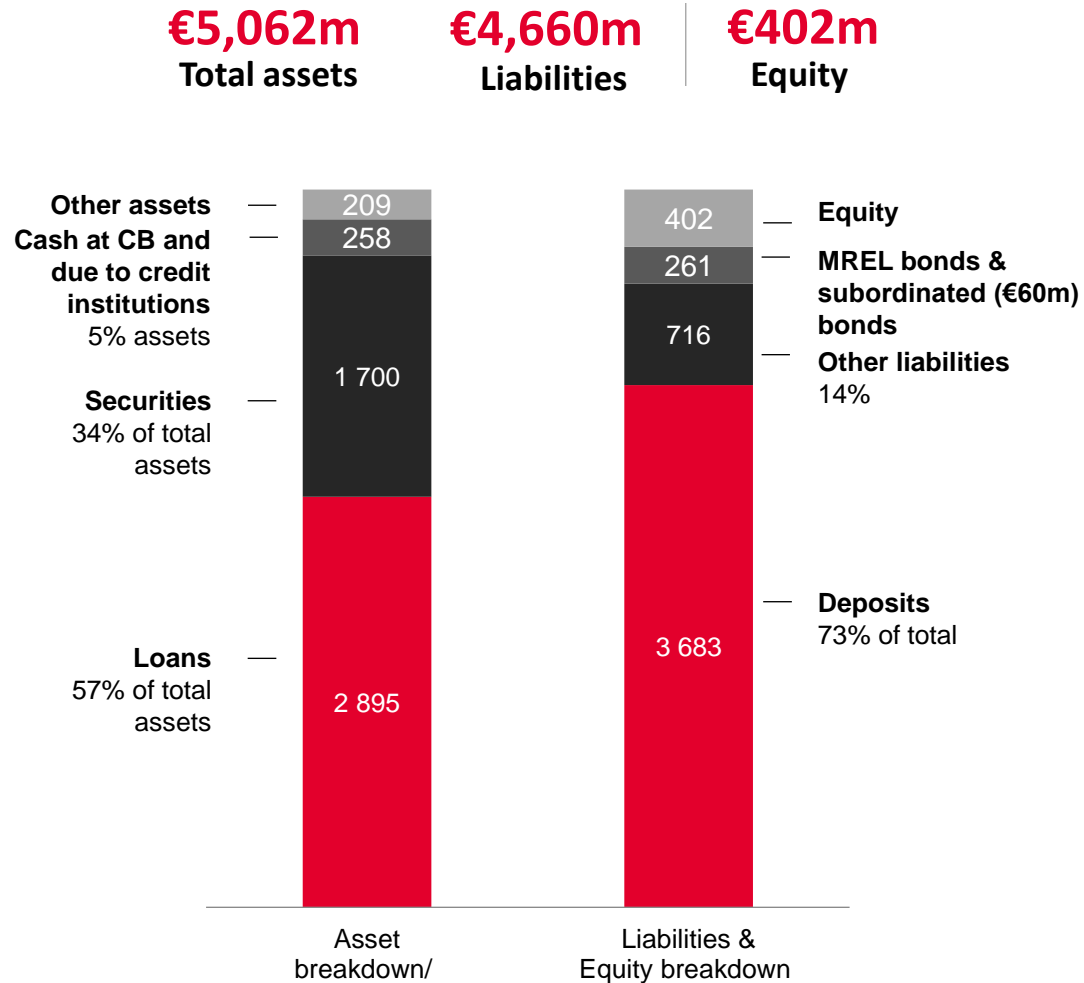
Comment

Cost base impacted by major investments made to ensure continuous development of attractive services and digital solutions, benefits of which to be released in the following periods. Expense base also impacted by European Central Bank onboarding costs. **Operating expenses** in Q2 2022 were EUR 24.0 million, or 15% increase q-o-q. Staff costs increased by 11% to EUR 16.0 million, due to average wages increase impacted by inflation. Other costs were EUR 5.8 million (35% increase q-o-q). Depreciation and amortization expenses stood at EUR 2.2 million (5% increase q-o-q). H1 2022 operating expenses were EUR 44.9 million vs. EUR 41.0 million in H1 2021.

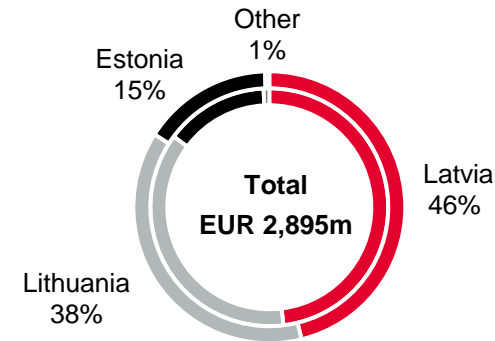
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Stable asset quality and strong balance sheet



Loan portfolio by country
Q2`22 (outer circle) vs. YE`21 (inner circle)



In Q2 2022 Group's **securities portfolio** increased by 1% q-o-q. Credit quality remained largely unchanged as holdings of AAA/Aaa and A rated bonds increased by EUR 15.2 million and EUR 17.6 million respectively while AA/Aa rated bonds decreased by EUR 8.3 million. In terms of issuers, the biggest increases have been government bonds of Latvia (EUR 23.6 million), Sweden (EUR 10 million) and Lithuania (EUR 5.8 million) as well as non-government bonds from Canada (EUR 4.1 million). Largest decreases have occurred in nongovernment bonds from the Netherlands (EUR 6.9 million) and other countries government bonds (EUR 7.7 million).

The main source of funding, **customer deposits** of continuing operations, remained flat vs. the year end 2021 and were EUR 3,683 million. Baltic domestic customer deposits formed 97% of total deposits or EUR 3,582 million (vs. 94% as of YE 2021).

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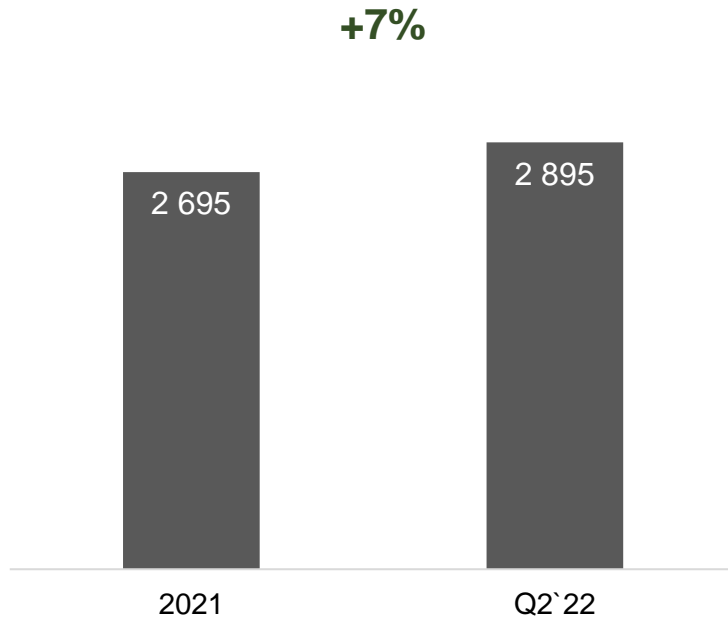
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Balance sheet overview

Loans

H1`2022 vs. YE 2021

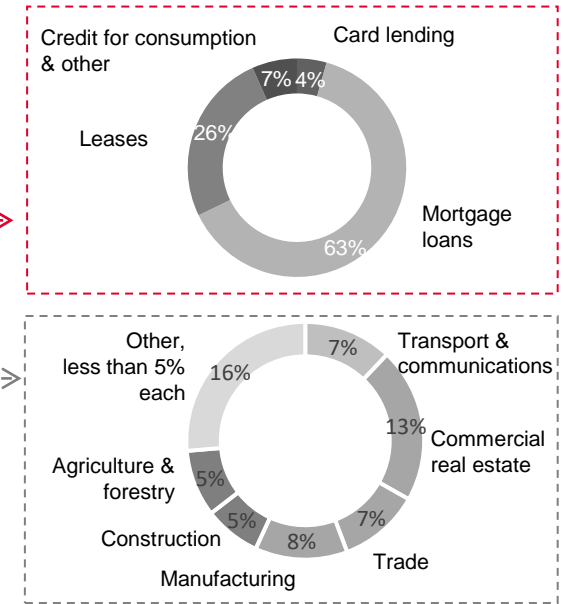
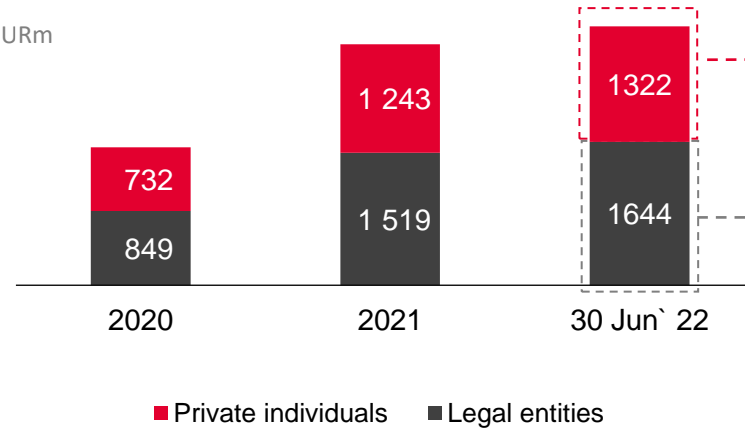
EURm



Gross loans by customer profile

30 June 2022 vs. previous periods

EURm



Comment

Loans to Households represented 44% of the portfolio (vs. 45% as of the year end 2021). Mortgages have increased by 6% since the year end 2021, and constituted EUR 831 million. Finance leases increased by 9% and reached EUR 334 million. Increase seen also in consumer lending - 22% vs. the year end 2021 (EUR 87 million). Card lending has slightly increased by 3% in Q2 2022 and was EUR 57 million. Overall, the main industry concentrations were Real estate purchase and management (13% of total gross loans), Manufacturing (8%), Transport and Communications (7%) and Trade (7%).

More opportunities

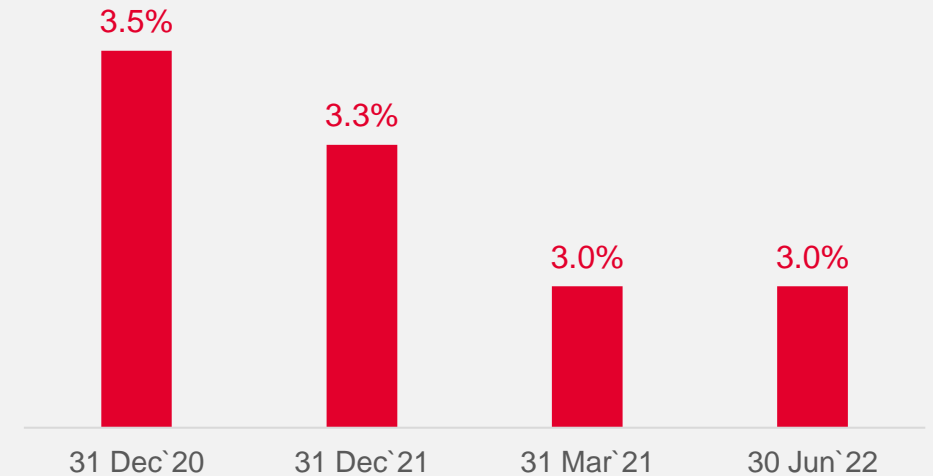
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Credit losses & NPLs

- ✓ Taking a prudent approach towards more uncertain macroeconomic outlook, the bank has recognised net credit losses in amount of EUR (12.7) million in H1 2022 (EUR (6.6) million in Q2 2022).
- ✓ The overall **credit quality of the loan book continued to improve** and Stage 3 loans to public, gross ratio has decreased to 3.0% as of 30 June 2022, compared to 3.3% at the end of 2021, benefiting from recoveries from several legacy cases.

Non-performing loans, % of total gross loans

Q2'22 vs. previous periods



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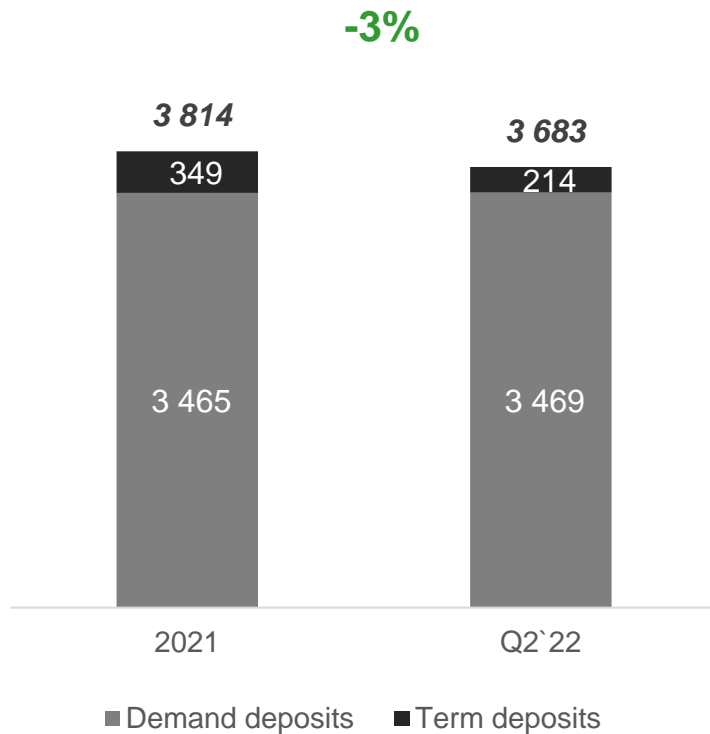

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Stable Funding structure

Deposits

H1`22 vs. YE 2020

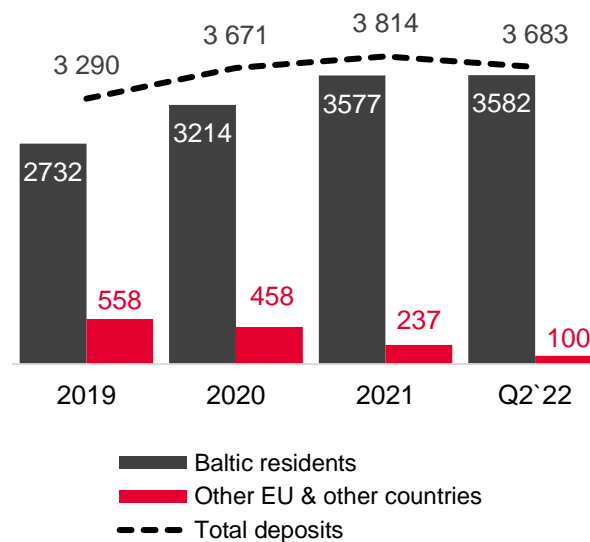
EURm



Increase of domestic deposits

Q2`22 vs. previous periods*

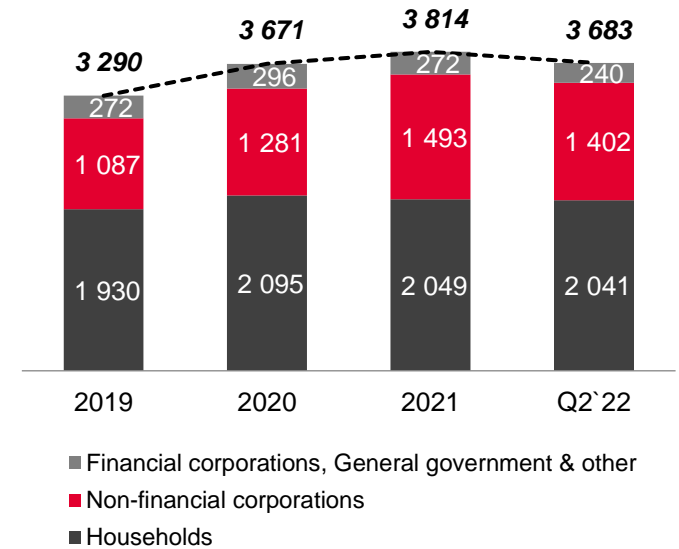
EURm



Deposits by customer profile

Q2`22 vs. previous periods*

EURm



Comment

The main source of funding, customer deposits of continuing operations, remained flat vs. the year end 2021 and were EUR 3,683 million. Baltic domestic customer deposits formed 97% of total deposits or EUR 3,582 million (vs. 94% as of the year end 2021).

Customer overview

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



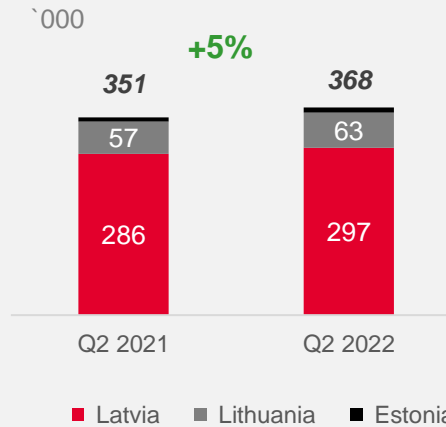
Awards

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

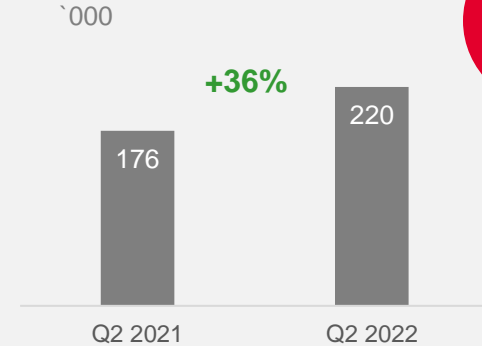
Bank with the best customer service in Latvia



Active customers Q2 2022 vs. Q2 2021

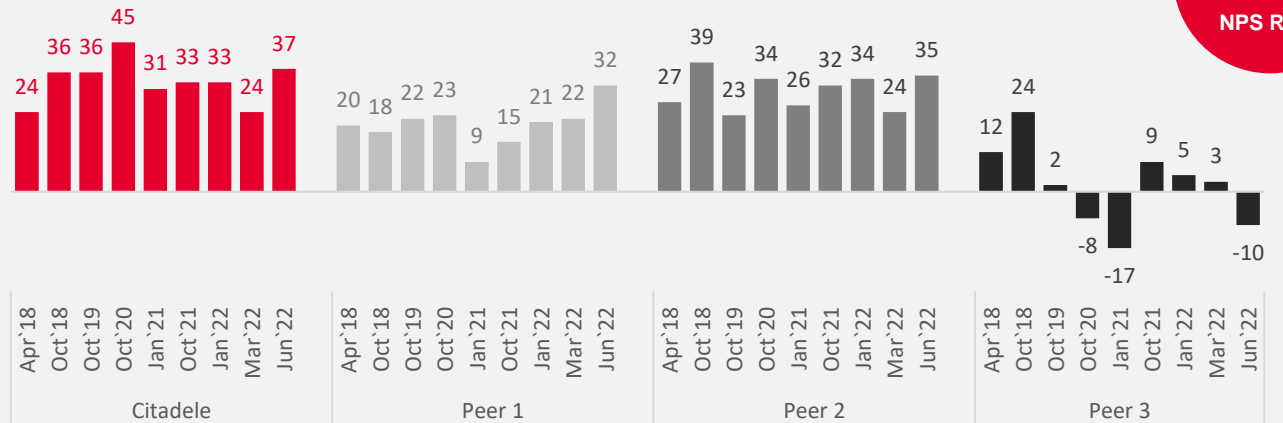


Mobile App active users Q2 2022 vs. Q2 2021



**LV 49 /
LT 66**
Mobile App
NPS

Net Promoter Scores of individual banks in Latvia



**LV 37 /
LT 43**
NPS Retail

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Segment overview

	Retail Private	Private affluent	Private SME	Corporate	AM	Other*	Total
Net interest income	21.6	-0.1	12.9	18.5	0.1	1.1	54.0
Net fee & commission income	5.1	1.4	4.9	3.5	3.2	3.3	21.4
Net financial and other income	-0.2	0.4	1.4	1.5	1.3	-0.2	4.3
Operating income	26.5	1.7	19.2	23.5	4.6	4.1	79.6

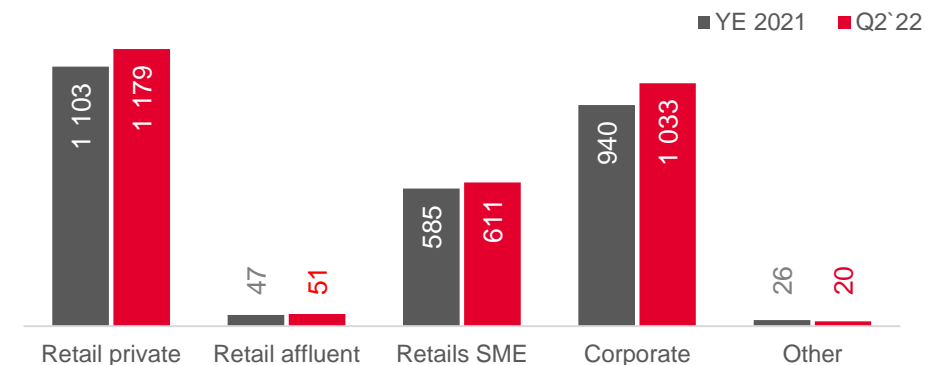
Operating income by segment

Q2'22 vs. Q1'21, EURm



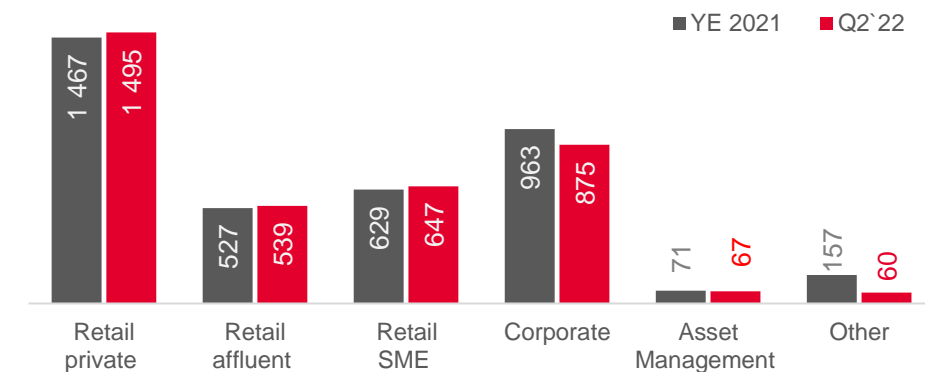
Loans

Q2'22 vs. YE 2021, EURm



Deposits

Q2'22 vs. YE 2021, EURm



*Group's treasury functions and other business support functions, including results of the subsidiaries of the Group operating in non-financial sector. This segment comprises discontinued operations, namely operations of Kaleido Privatbank AG (a Swiss registered banking subsidiary) which Citadele has agreed to sell.

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