



Citadele banka

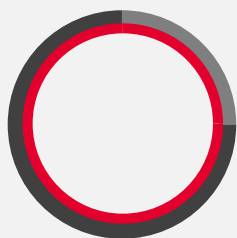
Results presentation
Q1 2023

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, Credit opinion updated on May 2023. 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 Moody's, assigning Baa3 rating with stable outlook.

2021

Citadele has become the **100% owner of SIA UniCredit Leasing**. Following the acquisition Citadele's aggregate leasing portfolio exceeds EUR 1 billion.

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 was expected by YE 2022. Long stop date has since been extended and closing is still pending 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).

2022

The European Central Bank (ECB) has concluded the Asset Quality Review (AQR) of Citadele. The result of ECB's exercise highlights the quality of Citadele's asset base and risk underwriting. CET1 ratio post-AQR is 16.03% (pre-AQR ratio being 16.31%).

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

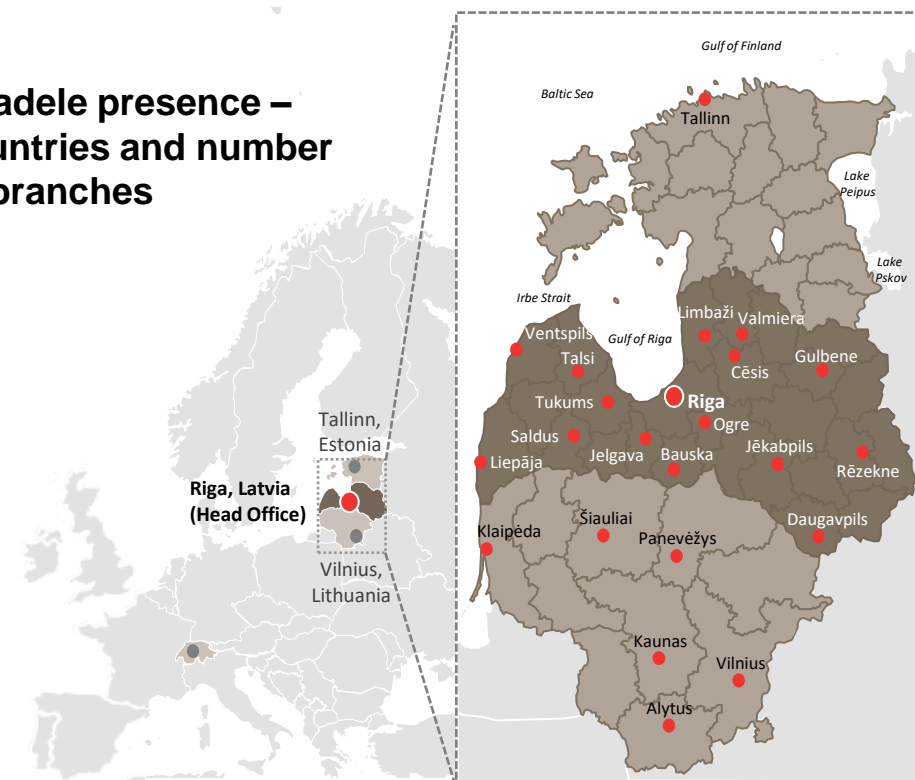
Large customers serviced in Latvia, Lithuania and Estonia. Yearly turnover of the customer is above EUR 5 million or total risk exposure with Citadele Group is above EUR 1 million or the customer needs complex financing solutions.

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.

**AS Citadele banka has 15 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. AS Citadele banka has no client consultation centres in Latvia. The Lithuanian branch has 6 customer service units in Lithuania. 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*
15 in Latvia
6 in Lithuania
1 in Estonia



1,352
Employees



374k
Active
Clients

(+3% y-o-y)



234k
MobileApp
users

(+11% y-o-y)

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.

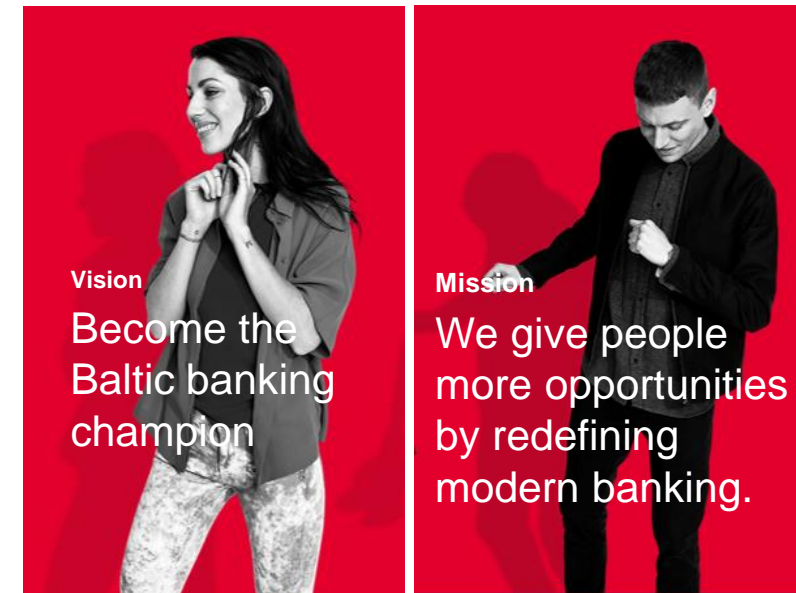
The strategy will be implemented using the following tactical steps:

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

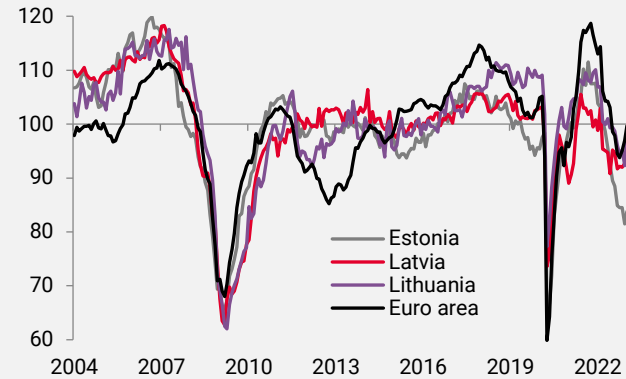
We see people first and add human touch to banking.

Core values

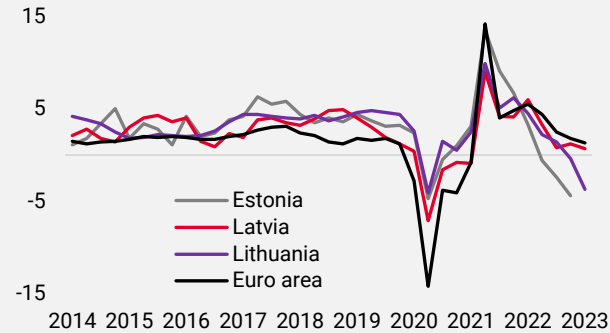
Citadele

Business environment

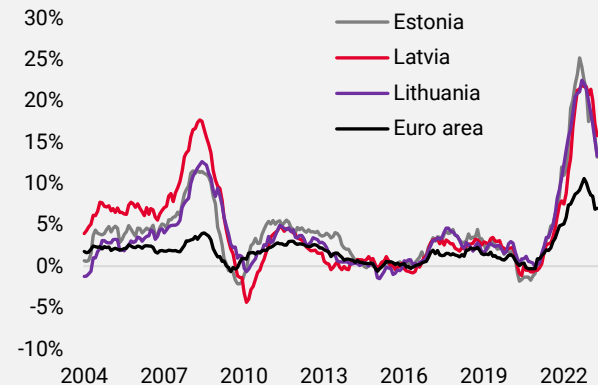
Economic sentiment indicator



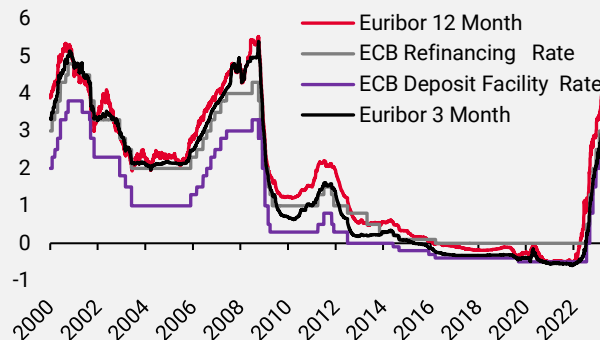
GDP (constant prices, 2015=100)



Inflation (% , year-on-year)



ECB and Euribor rates (%)



Economic situation in the Baltics remains challenging

Economic situation in the Baltic region remains challenging and outlook is quite uncertain. On the positive side Europe has avoided energy crisis and euro area economy has been surprisingly resilient. At the same time, Baltic consumers have been hit by one of the highest inflation rates in euro area and waning of post pandemic demand for goods has caused noticeable slowdown in export sectors. Global economic growth is forecasted to slow in 2023 as central banks increase interest rates to combat persistent inflation. Despite this, recovery in the service sectors continues, and labour markets in the Baltics have so far remained resilient. The housing market and construction sector in the Baltics are feeling the impact of higher interest rates as mortgage lending has slowed noticeably and activity in real estate markets have decreased. However, the negative impact on construction will be offset by a significant increase in EU fund investments planned for the Baltics in 2023 and 2024.

Recent turmoil in the banking sector is a reminder that global economic risks remain elevated. Financial market stress is not directly affecting the Baltic region. As energy-related risks have eased, business and consumer sentiment has improved slightly. These developments suggest that the overall economy so far remains resilient to interest rate hikes.

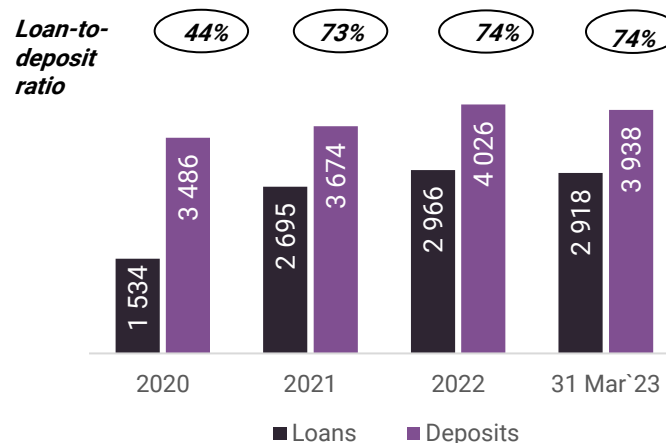
Key figures and events

- Strong start of the year. Q1 2023 Operating income (Baltics) reached EUR 52 million, 37% growth year over year.
- Profit before impairment (Baltics) in Q1 2023 was EUR 28 million, as compared to EUR 17 million in Q1 2022.
- In Q1 2023, the bank issued EUR 190 million in new financing to support Baltic private, SME and corporate customers.
- The European Central Bank (ECB) has concluded the Asset Quality Review (AQR) of Citadele. The result of ECB's exercise highlights the quality of Citadele's asset base and risk underwriting. CET1 ratio post-AQR is 16.03% (pre-AQR ratio being 16.31%).
- On the back of attractive digital solutions and services the bank's active customers reached an all-time high of 374.4 thousand active clients as of 31 March 2023, 3% growth year over year.
- The deposit base remained stable and Baltic deposits constituted EUR 3,854 million as of 31 March 2023, or 98% from total deposits.
- Volatility in global markets has not been felt in the Baltics. The Bank continues to operate on the back of more than adequate capital and liquidity ratios. Group's CAR, (including period's result, excluding EUR 20.0 million proposed dividends) was 20.7% and LCR of 169% as of 31 March 2023.

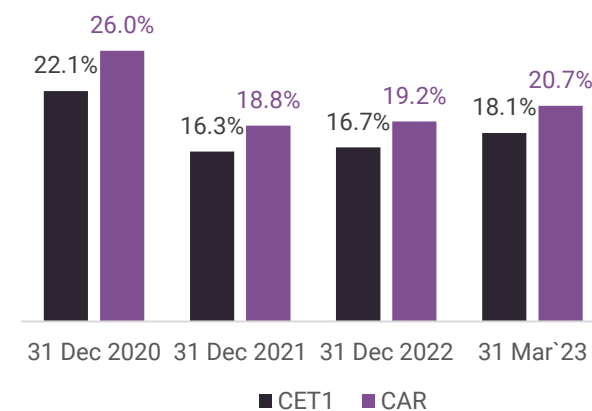
<i>EUR millions</i>	Continuous operations*				
	Q1`23	Q1`22	2022	2021	2020
Net interest income	40.5	27.5	118.8	107.0	65.3
Net fee and commission income	8.2	10.3	37.6	34.1	27.5
Net financial and other income	3.3	0.0	11.7	8.6	(2.1)
Operating income	52.0	37.9	168.2	149.7	90.6
Operating expense	(23.7)	(20.8)	(91.6)	(84.1)	(72.5)
Net credit losses and impairments	(1.3)	(6.1)	(23.8)	(1.6)	(10.5)
Net profit from continuous operations	26.0	10.6	50.8	62.2	7.1
Return on average assets (ROA)	1.76%	0.79%	1.00%	1.33%	0.18%
Return on average equity (ROE)	21.5%	10.1	12.4%	16.8%	2.1%
Cost to income ratio (CIR)	45.6%	55.1%	54.45%	56.19%	79.99%
Cost of risk ratio (COR)	0.2%	0.9%	0.8%	0.1%	0.7%

Loans to and deposits from the public

EURm



CET1 and CAR ratios**



*Only continuous operations shown. Comparatives restated 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. Q1`22 Comparative figures have been restated due to the adoption of IFRS 17.

Financial Highlights

Continuous operations

Citadele

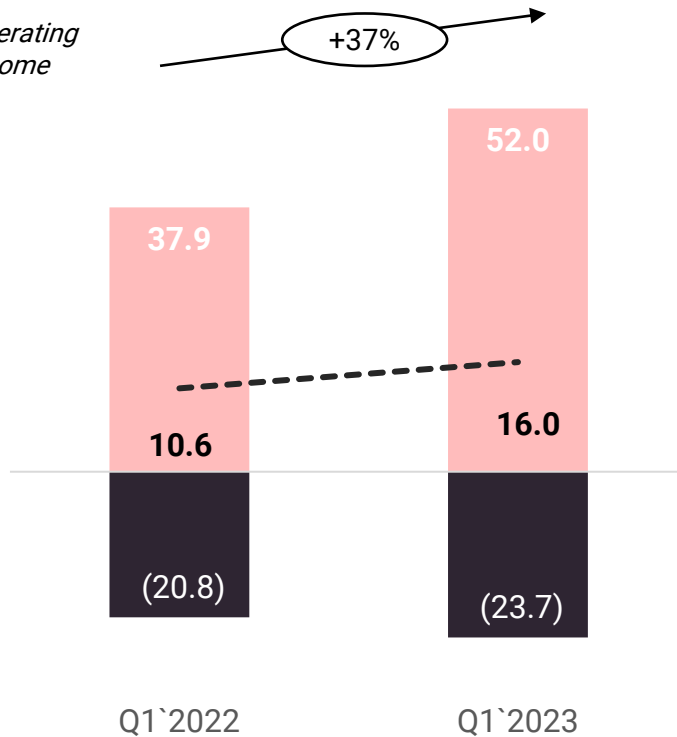
Financial result development

Q1`2023 vs previous period

EURm

Operating income

+37%

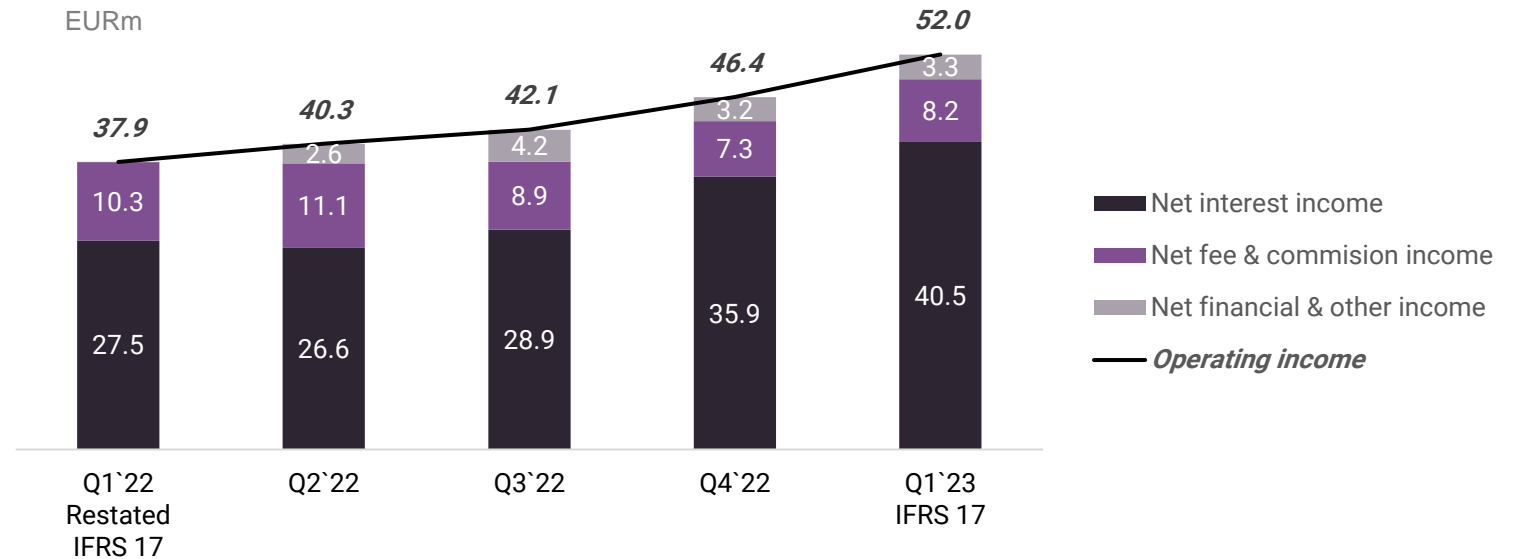


- Operating expense
- Operating income
- - - Net profit from continuous operations

Operating income by revenue line

Q1`2023 vs. previous periods

EURm



Comment

Strong financial performance with Q1 2023 **operating income** reaching EUR 52.0 million, 37% growth year over year.

Net interest income

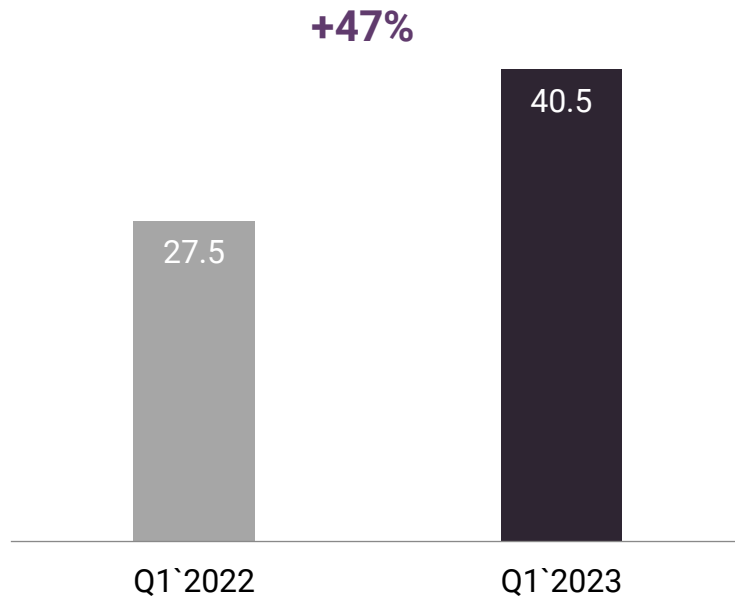
Continuous operations

Citadele

Net interest income

Q1`2023 vs previous period

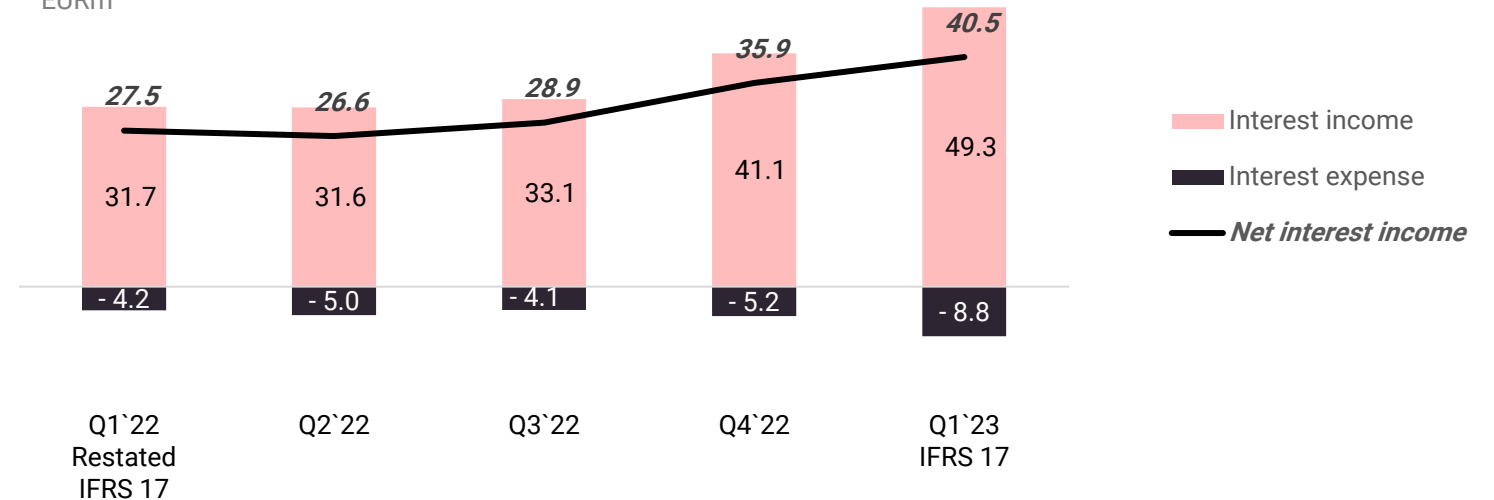
EURm



Net interest income development

Q1`2023 vs. previous periods

EURm



Comment

Performance driven by strong **net interest income** which reached EUR 40.5 million in Q1 2023, a 47% increase as compared to Q1 2022, mainly impacted by rising interest rates.

Net fee and commission income development

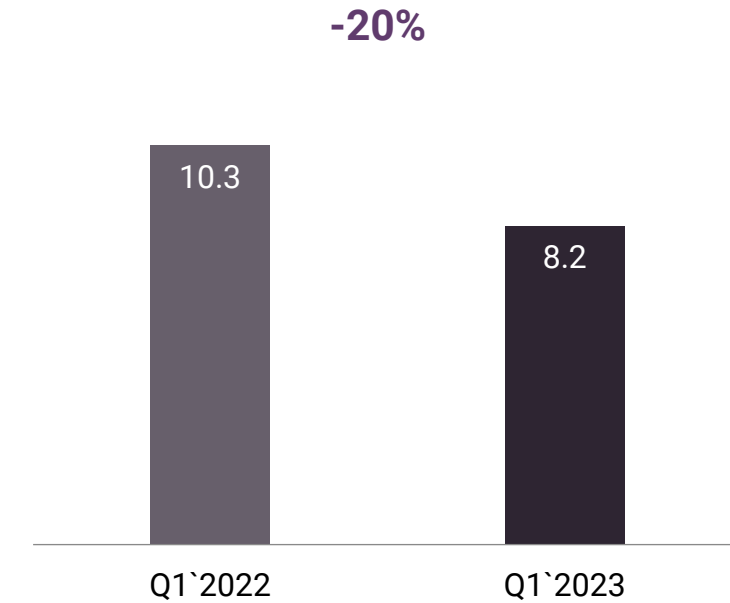
Continuous operations

Citadele

Net fees and commissions

Q1`2023 vs previous period

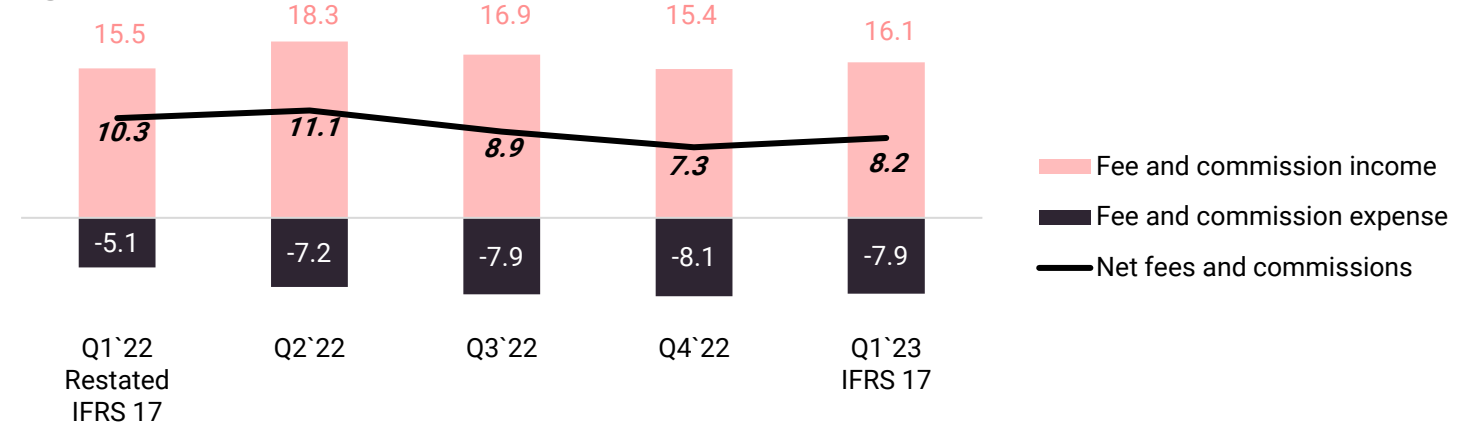
EURm



Net fee and commission income development

Q1`2023 vs. previous periods

EURm



Comment

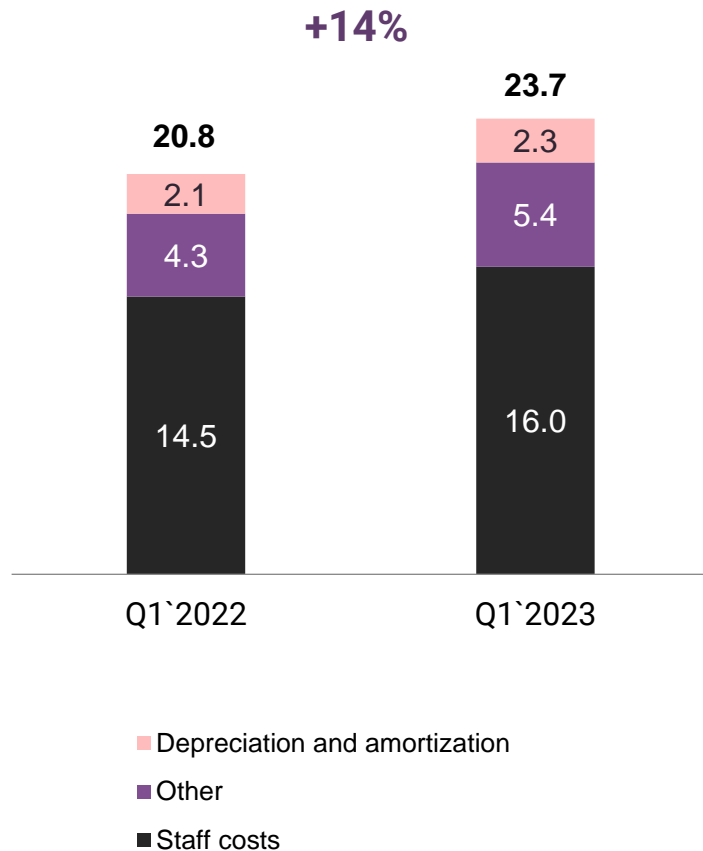
The Group's **net fee and commission income** in Q1 2023 reached EUR 8.2 million, which translates into 20% decrease year over year, mainly due lower income from cards on the back of lower turnover (12% decrease year over year) and fee and commission expense (EUR 0.9 million) for securitization, representing an expense on a multi-year financial guarantee contract issued by the EIB Group to Citadele in December 2022. The deal will provide capital relief for the bank and enable it to grant at least EUR 460 million in additional loans and leases to businesses in the Baltics over the next three years, of which at least 20% going to Climate Action projects, helping to reduce overall greenhouse gas emissions.

Operating expenses development

Continuous operations

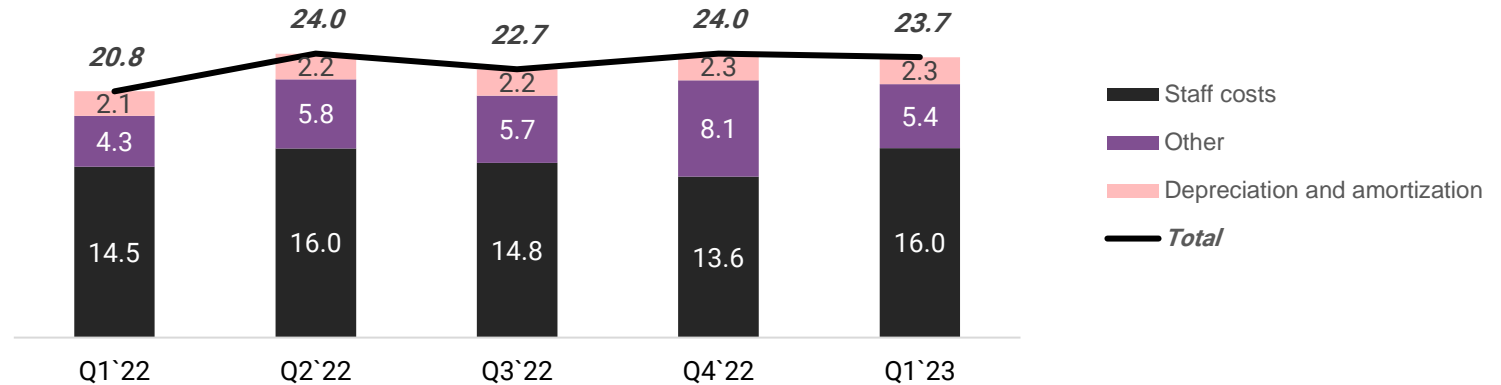
Operating expenses Q1`2023 vs previous period

EURm



Operating expenses development Q1`2023 vs previous period

EURm

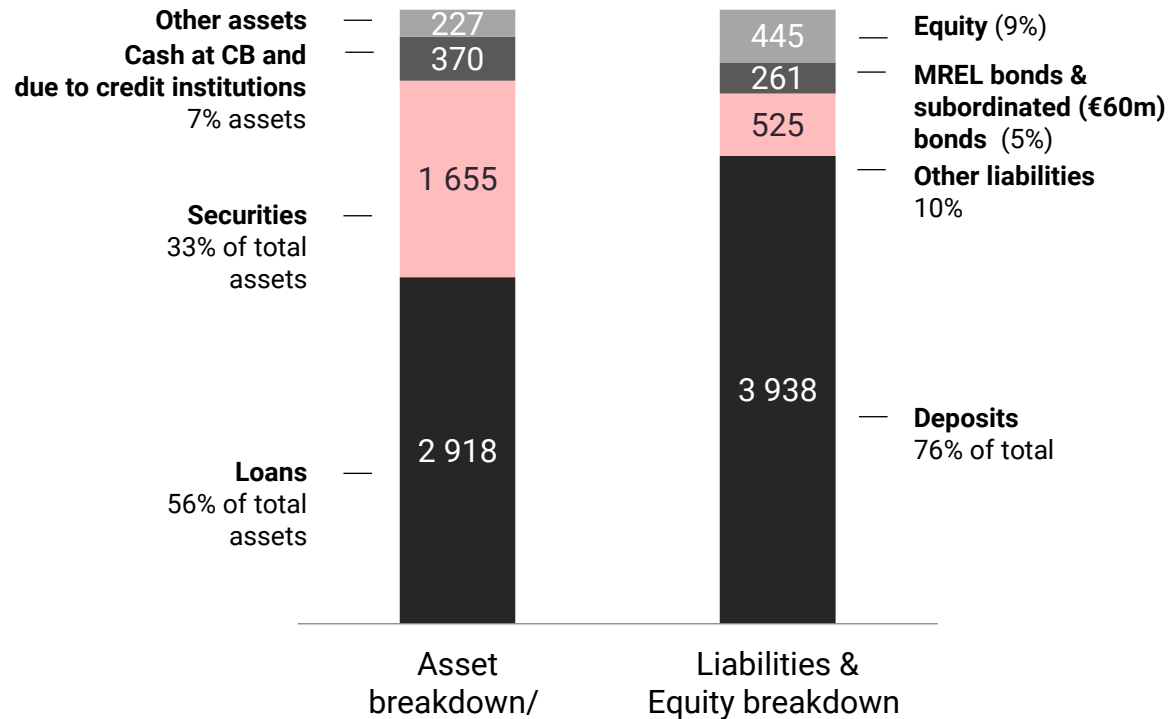


Comment

Operating expenses in Q1 2023 were EUR 23.7 million, or 14% increase year over year. Staff costs increased by 11% to EUR 16.0 million. The number of full-time employees was 1,355 vs. 1,352 as of 31 March 2023. Other costs were EUR 5.4 million 26% increase year over year, mainly impacted by investments in IT and communications. Depreciation and amortization expenses stood at EUR 2.3 million (10% increase year over year).

Stable asset quality and strong balance sheet

€5,169m Total assets | €4,724m Liabilities | €445m Equity

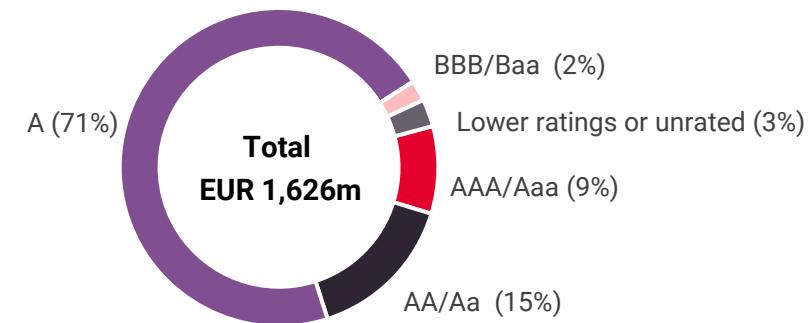


Comment

In Q1 2023 Group's **securities portfolio** increased by 2% vs. year end 2022 as relatively stable EUR interest rate dynamic and outlook allowed to add high quality sovereign and municipal issuer securities to the portfolio. Securities portfolio in the Group forms a part of its liquidity resources that can be easily accessed in case that would be needed.

In Q1 2023 Group repaid EUR 180 million of TLTRO III program loans early that lead to decrease of liabilities from central banks. TLTRO III is a program that ECB utilized to stimulate lending during COVID-19 but in the current inflationary environment, early repayment helps ECB to tighten its monetary policy and thus combat inflationary pressures.

Debt securities by credit rating grade

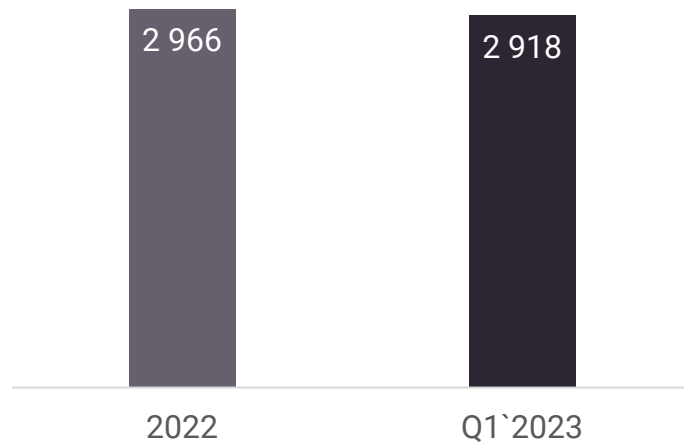


Balance sheet overview

Loans Q1`2023 vs. YE 2022

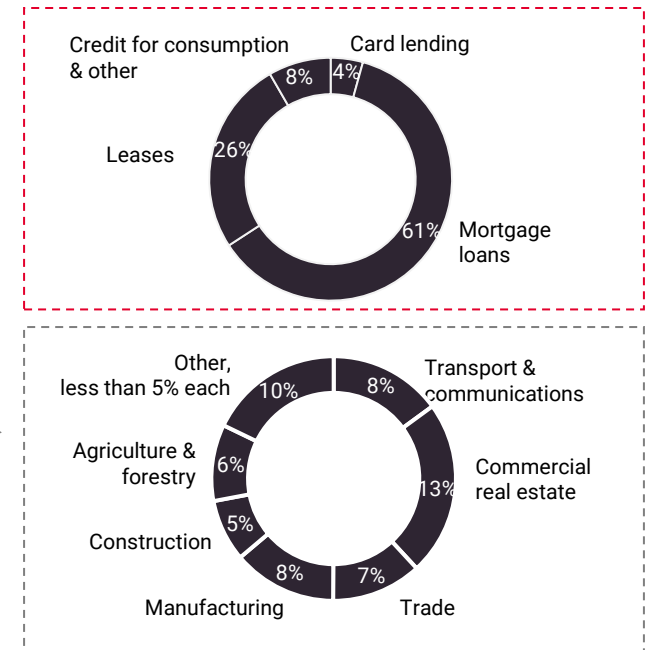
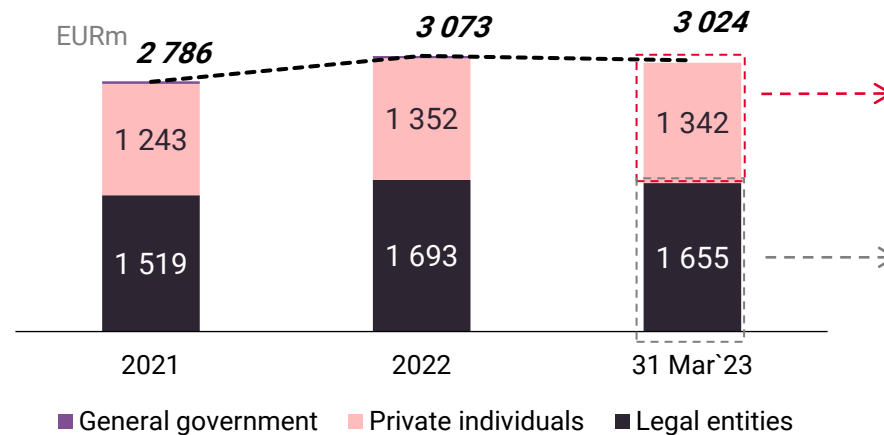
EURm

-2%



Gross loans by customer profile

31 March 2023 vs. previous periods



Comment

New financing in Q1 2023 constituted EUR 190.5 million. EUR 59 million were issued to private customers, EUR 67 million to SMEs and EUR 65 million to corporate customers. In terms of loan **portfolio's geographical profile**, Latvia accounted for 45.7% of the portfolio, followed by Lithuania at 37.5% and Estonia at 16.4. 0.5% of the portfolio was issued to EU and other countries. **Loans to Households** represented 44% of the portfolio (44% as of YE`22). Mortgages have remained flat vs. YE`22 (1% decrease) and constituted EUR 825m. Finance leases reached EUR 348m (vs. EUR 350m as of YE`22). Consumer lending decreased by 3% vs. YE`22 (EUR 92m). Card lending has slightly increased by 1% as of 31 March 2023 and was EUR 58m. Overall, the main industry concentrations were Real estate purchase and management (13% of total gross loans), Transport and Communications (8%), Manufacturing (7%) and Trade (6%).

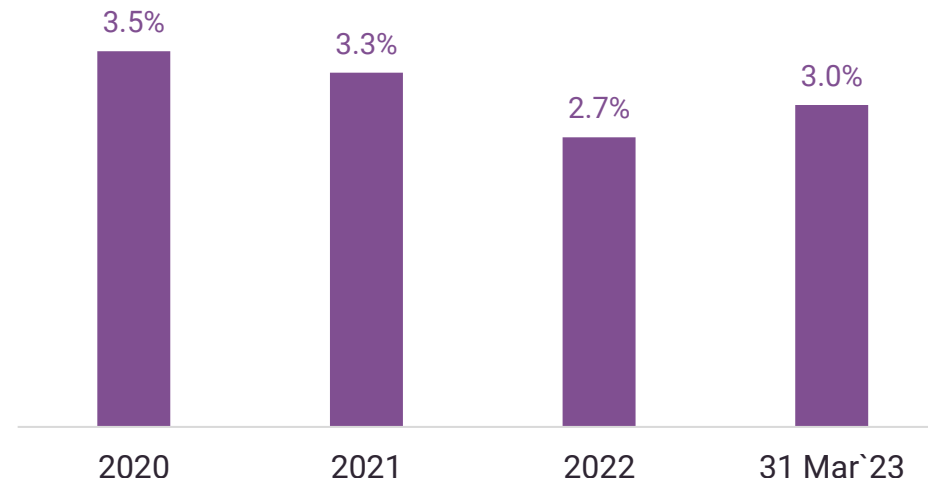
Credit losses & NPLs

Net credit losses and impairments were EUR 1.3 million in Q1 2023 (vs. EUR 6.1 million in Q1 2022).

The overall credit quality of the loan book was good. **Stage 3 loans to public**, gross ratio was 3.0% compared to 2.7% as of 31 December 2022.

Non-performing loans, % of total gross loans

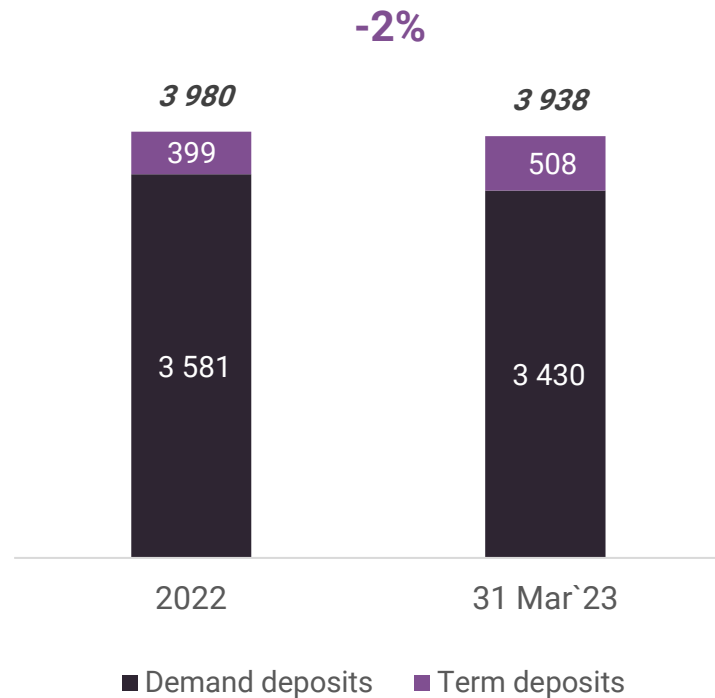
Q1`23 vs. previous periods



Stable Funding structure

Deposits Q1`23 vs. YE 2022

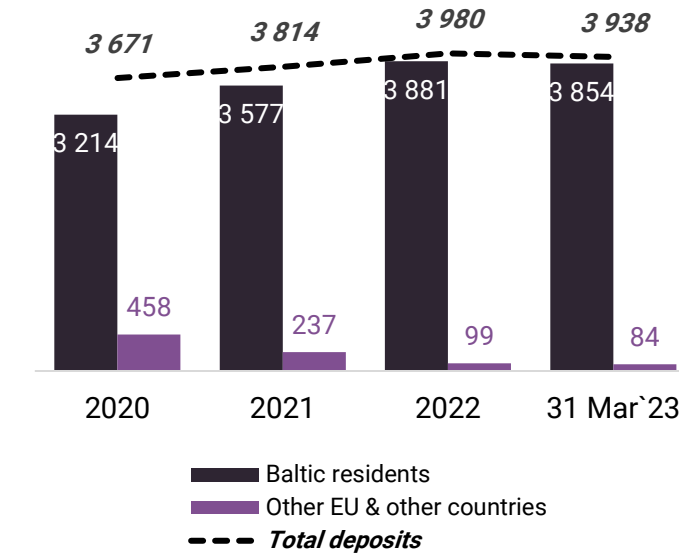
EURm



Increase of domestic deposits

Q1`23 vs. previous periods*

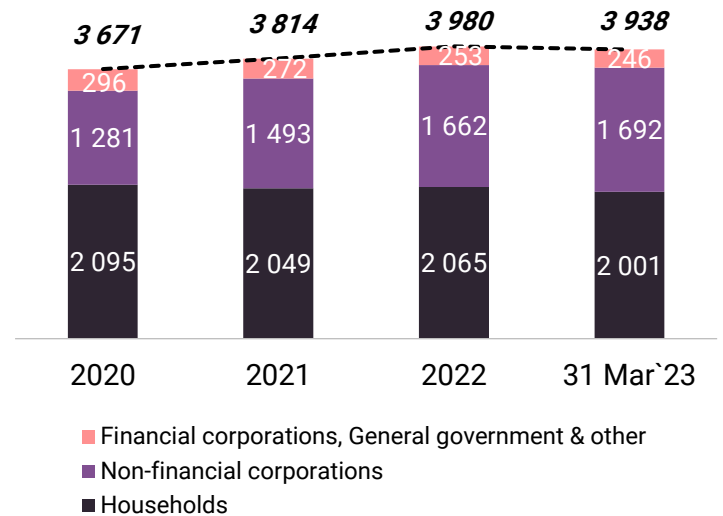
EURm



Deposits by customer profile

Q1`23 vs. previous periods*

EURm



Comment

The main source of funding, **customer deposits** of continuing operations, decreased by 2% vs. the year end 2022 and were EUR 3,938 million. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,854 million (vs. 98% as of the year end 2021). This is largely in line with developments in the Baltic deposit market.

*previous periods include discontinued operations (Kaleido Privatbank AG, Swiss registered banking subsidiary currently in a sales process)

Customer overview

- ✓ Increasing customer base and user experience
- ✓ Bank with one of the best customer service in the Baltics
- ✓ NPS of individual banks – 1st place in Latvia and 2nd place in Lithuania
- ✓ NPS Mobile Apps – shared 2nd place in Latvia and Lithuania



Awards

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

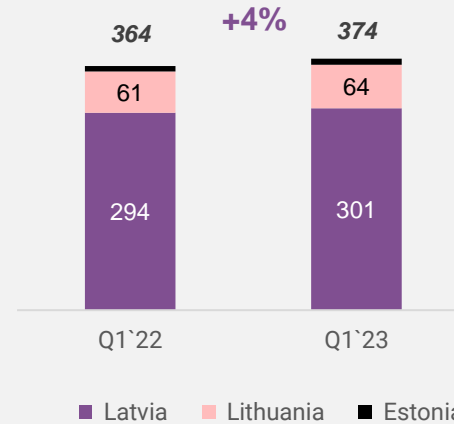
Bank with the best customer service in Latvia



Active customers

Q1 2023 vs. Q1 2022

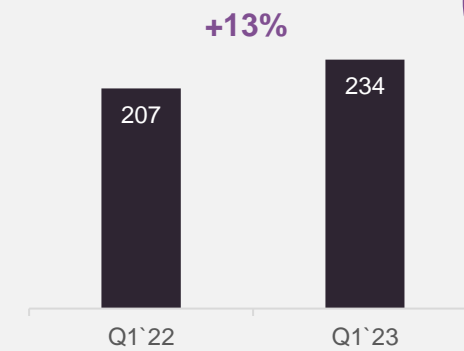
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Mobile App active users

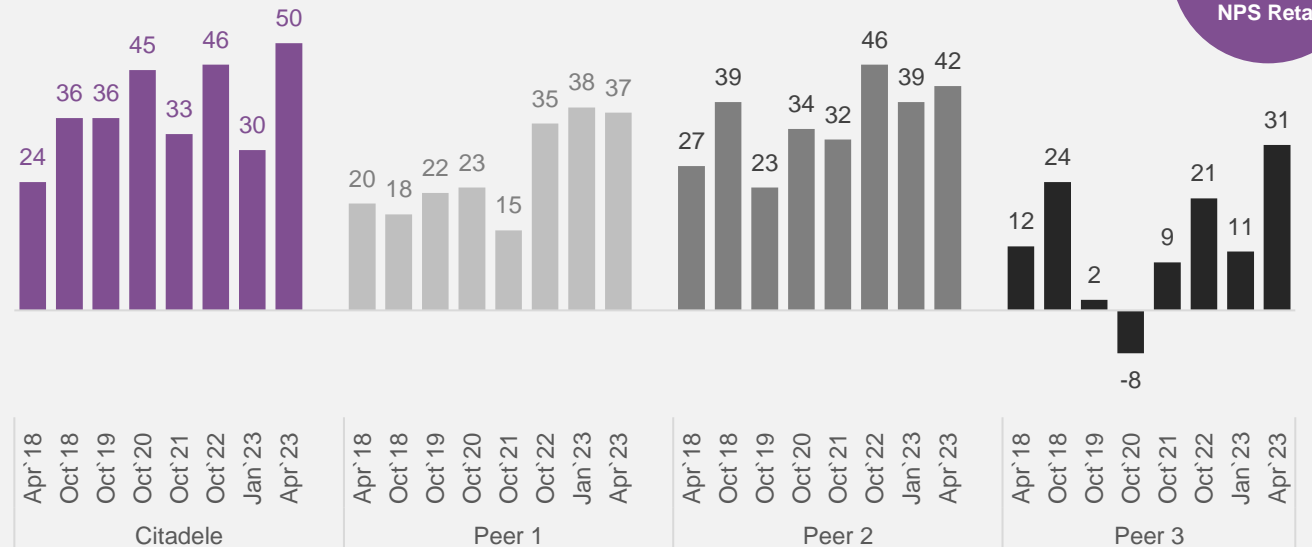
Q1 2023 vs. Q1 2022

`000



LV 63 / LT 65
Mobile App NPS

Net Promoter Scores of individual banks in Latvia



LV 50 / LT 45
NPS Retail

Segment overview

Q1 2023	Retail Private	Private affluent	Private SME	Corporate	AM	Other*	Total
Net interest income	16.0	0.2	10.3	12.2	0.1	1.7	40.5
Net fee & commission income	2.0	0.6	2.3	1.3	1.4	0.5	8.2
Net financial and other income	-0.2	0.1	0.6	0.4	0.1	2.2	3.3
Operating income	17.8	1.0	13.2	13.9	1.7	4.5	52.0

Operating income by segment

3M`23 vs. 3M`22

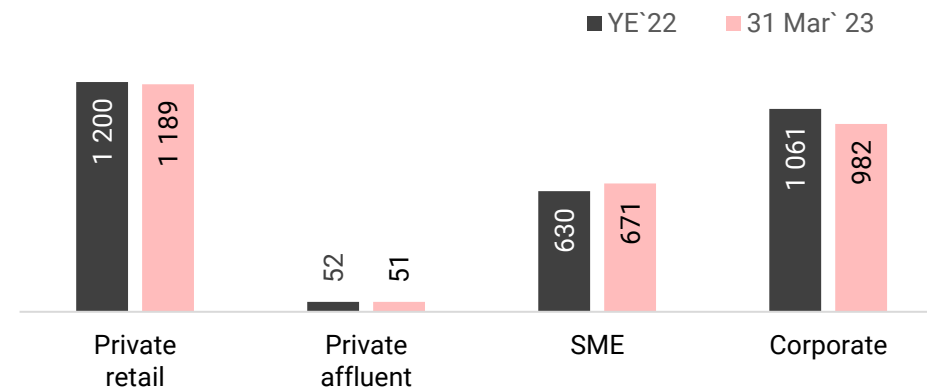
EURm



*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.

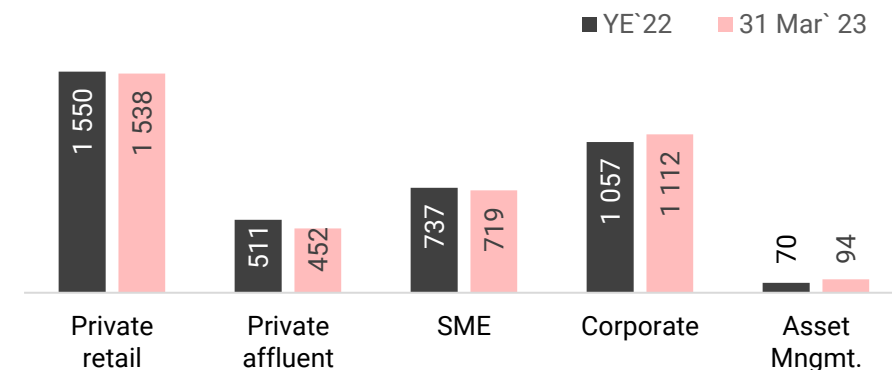
Loans

Q1`23 vs. YE 2021, EURm



Deposits

Q1`23 vs. YE 2021, EURm



Citadele