



AS “Citadele banka”

INVESTOR PRESENTATION

H1 2023

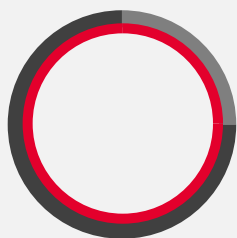


About us

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 Moodys, 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

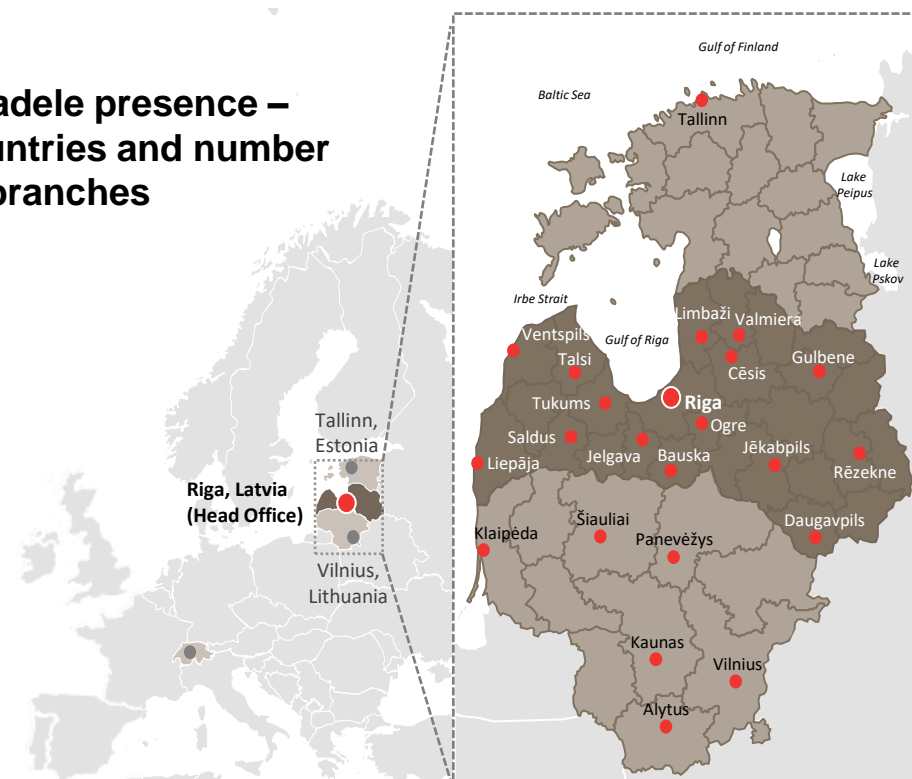
Large customers serviced in Latvia, Lithuania and Estonia. Yearly turnover of the customer is above EUR 5 million or total risk exposure with Citadele Group is above EUR 1 million or the customer needs complex financing solutions.

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 (27 Employees), currently in a sales process*

Citadele presence – countries and number of branches



Branches*
15 in Latvia
6 in Lithuania
1 in Estonia



1,329
Employees



374k
Active
Clients

(+2% y-o-y)



240k
MobileApp
users

(+10% 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

Core values

Act

We create our own opportunities and deliver on promises.

Aspire

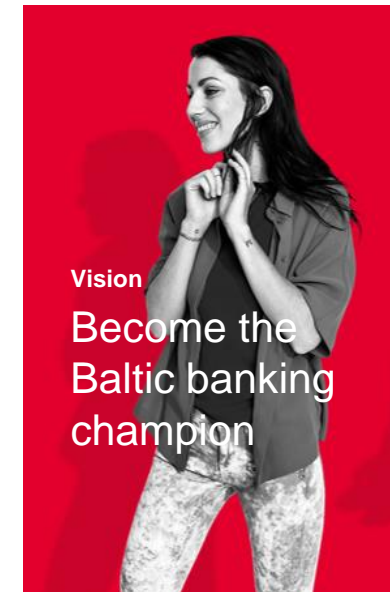
We find solution for every client to support local economy.

Innovate

We set the standard through innovative experience.

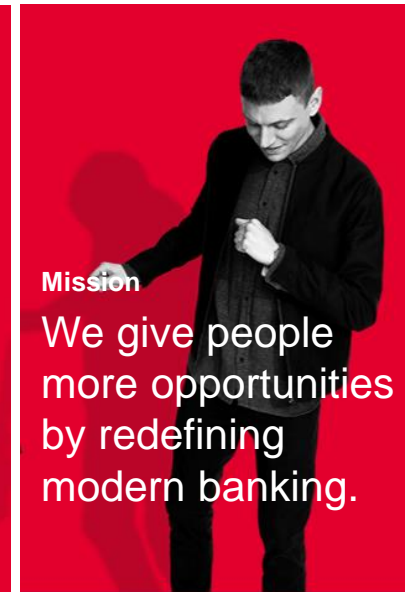
Personalize

We see people first and add human touch to banking.



Vision

Become the
Baltic banking
champion



Mission

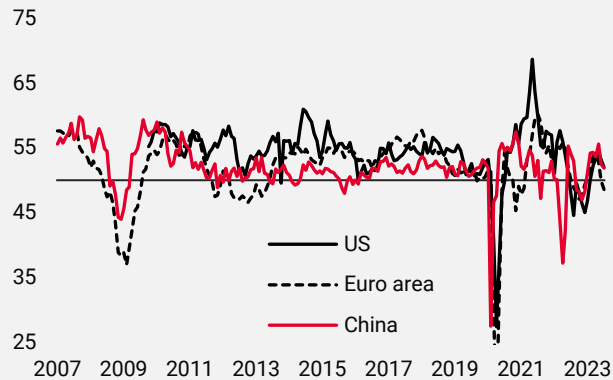
We give people
more opportunities
by redefining
modern banking.

Citadele

Business environment

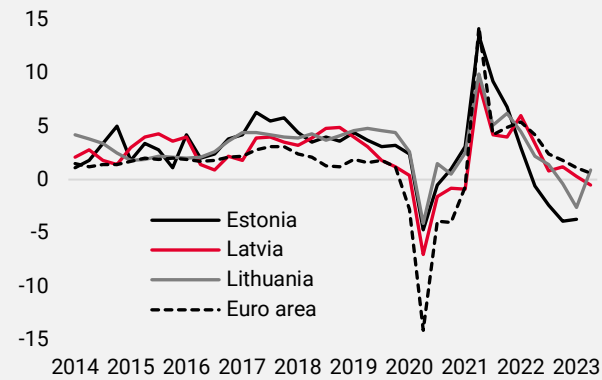
IHS Markit Composite PMI

(Values above 50 indicate expansion)

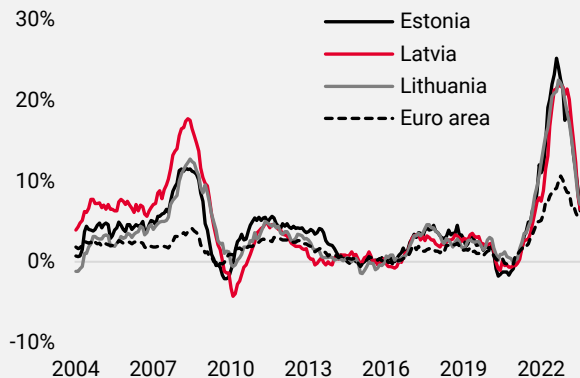


GDP

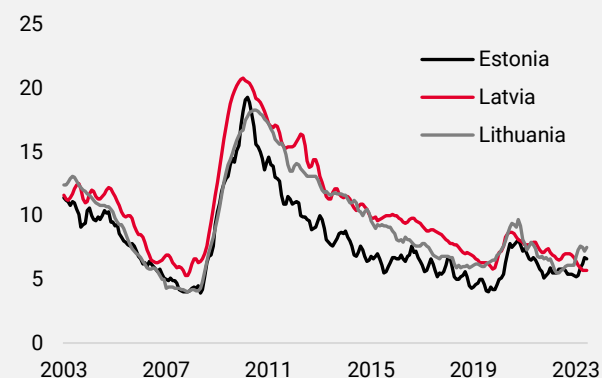
(constant prices, % year-on year)



Inflation (% year-on-year)



ECB and Euribor rates (%)



Economic situation in the Baltics remains challenging

Inflation and high energy prices have hit economic growth in the Baltics and 2023 started with moderate economic downturn. At the same time Europe has avoided energy crisis, energy prices have fallen significantly since the fall of 2022 and economic forecasts for 2023 have improved.

Weak demand in manufacturing has been offset by ongoing recovery in service sectors, and labour markets in the Baltic remain strong despite slight decline in GDP. Unemployment is low and wages in the Baltic region are growing by more than 10% per annum. And yet, significant risks remain to the economic outlook. The war in Ukraine continues, inflation remains too high and rapidly rising interest rates have cooled the housing markets. In Europe despite rapidly falling inflation and energy prices business sentiment has worsened since April, downturn in manufacturing is deepening and economic recovery in China is also slower than expected. These factors will continue to weigh on economic prospects in the Baltic region in the short term. However, inflation is falling, and household real income is set to grow again in the second half of 2023. Significant EU funded investments will continue to flow in the economies of the Baltic countries and in 2024 the Baltic region is forecasted to return to positive growth.

Key figures and events

In H1 2023, Citadele issued EUR 429 million in new financing to support Baltic private, SME and corporate customers; EUR 239 million were disbursed to such customers in Q2 2023.

Citadele's deposit base remained stable at EUR 3 872 million as of 30 June 2023.

On the back of attractive digital solutions and services, Citadele's active customers reached 374 thousand active clients as of 30 June 2023, a 2% growth year over year.

Citadele's Baltic operations net profit for H1 2023 reached EUR 64.5 million, representing 29.2% return on equity and C/I of 43.0%; Q2 2023 Baltic operations net profit reached EUR 38.5 million, representing return on equity of 33.8% and C/I of 40.8%.

Asset quality improved with NPL of 2.4% and positive CoR on the back of credit loss reversals.

The Bank continues to operate with more than adequate capital and liquidity ratios. Group's CAR (including net result for the period) was 22.5%, CET1 20.0% and LCR of 182% as of 30 June 2023.

The focus on customer services and digital solutions resulted in continued strong Retail NPS results of 43% in Latvia and 41% in Lithuania. As of 30 June 2023, Citadele had 1,329 full time employees

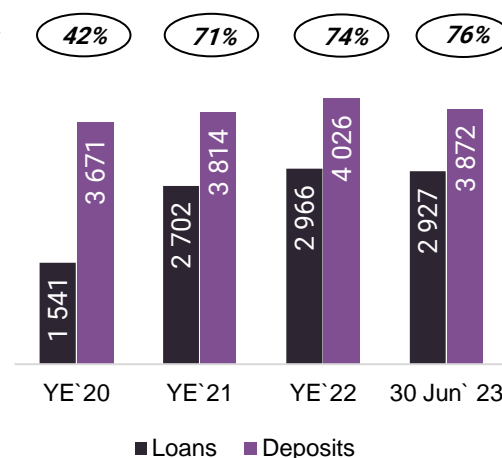
**Only continuous operations shown. Comparatives are restated for discontinued operations of Kaleido Privatbank AG (Swiss subsidiary bank of the Group) which is committed for sale and thus excluded from the presented key figures. Comparative figures for 2022 have been restated due to the adoption of IFRS 17, earlier comparative figures are not restated for IFRS 17. ** Common equity Tier 1 (CET1) capital ratio and Total capital adequacy ratio (CAR), (including net result for the period)*

| <i>EUR millions</i> | Continuous operations* | |
|--|------------------------|-------------|
| | 6m 2023 | 6m 2022 |
| Net interest income | 88.0 | 54.2 |
| Net fee and commission income | 21.0 | 21.5 |
| Net financial and other income | 4.7 | 1.1 |
| Operating income | 113.7 | 76.8 |
| Operating expense | (48.9) | (44.9) |
| Net credit losses and impairments | 3.8 | (12.8) |
| Net profit from continuous operations (after tax) | 64.5 | 18.9 |
| Return on average assets (ROA) | 2.51% | 0.75% |
| Return on average equity (ROE) | 29.2% | 9.5% |
| Cost to income ratio (CIR) | 43.0% | 58.4% |
| Cost of risk ratio (COR) | (0.2%) | 0.9% |

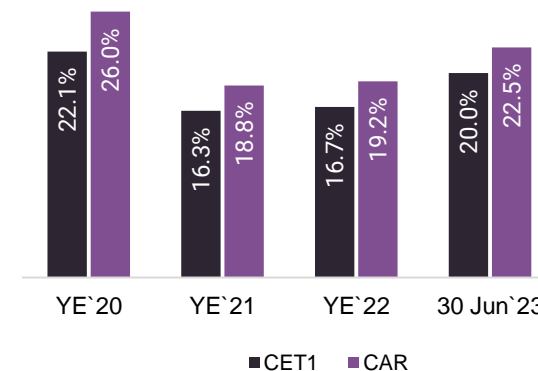
Loans to and deposits from the public

EURm

Loan-to-deposit ratio



CET1 and CAR ratios**



Financial Highlights

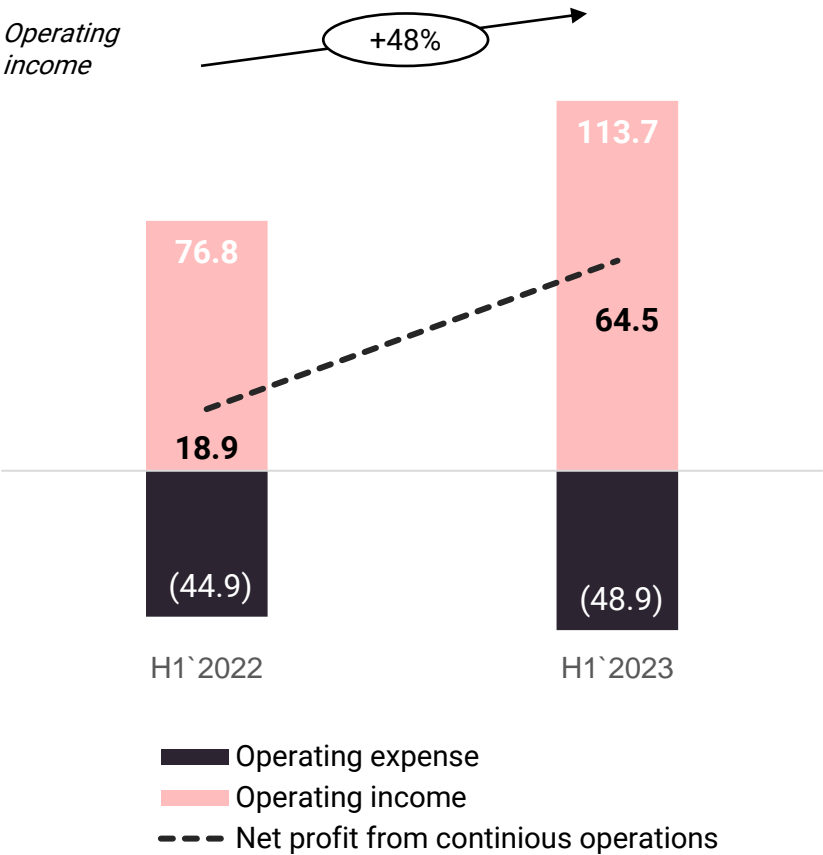
Continuous operations

Citadele

Financial result development

H1`2023 vs previous period

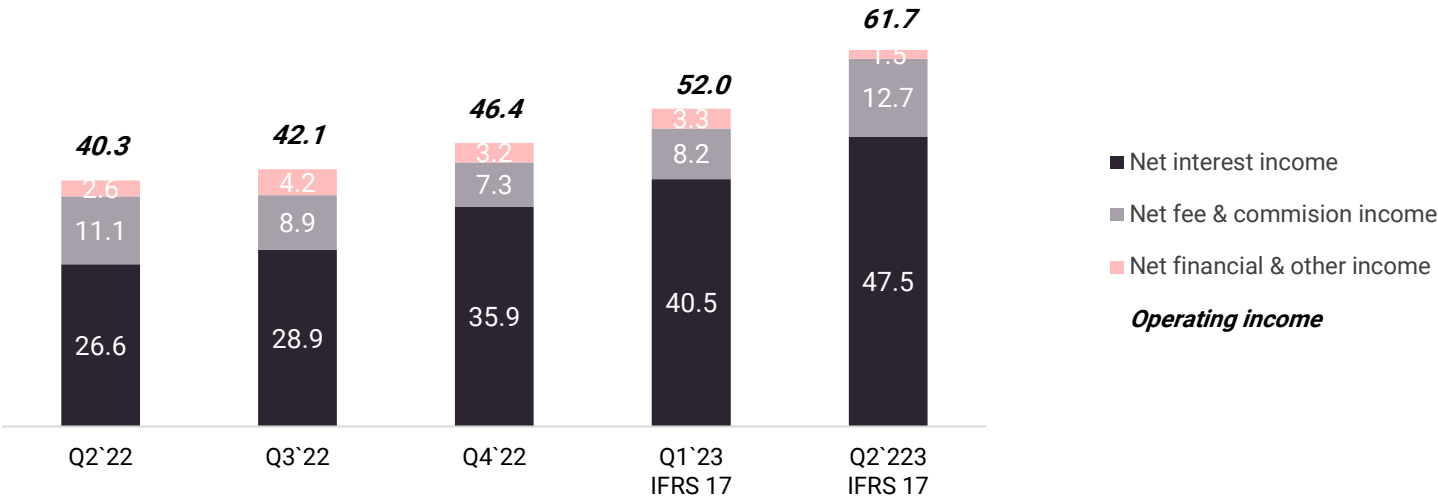
EURm



Operating income by revenue line

Q2`2023 vs. previous periods

EURm



Comment

Strong financial performance with H1 2023 **operating income** reaching EUR 113.7 million, 48% growth year over year. Q2 2023 operating income was EUR 61.7 million, 19% growth quarter over quarter.

Net interest income

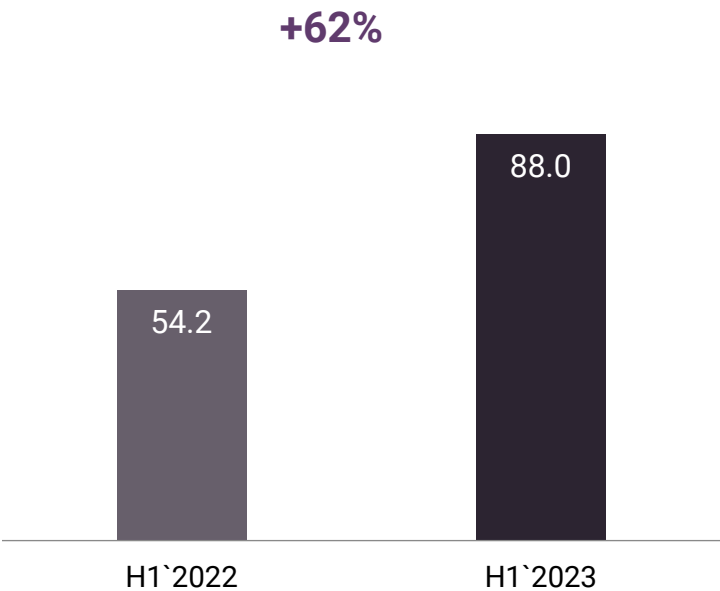
Continuous operations



Net interest income

H1`2023 vs previous period

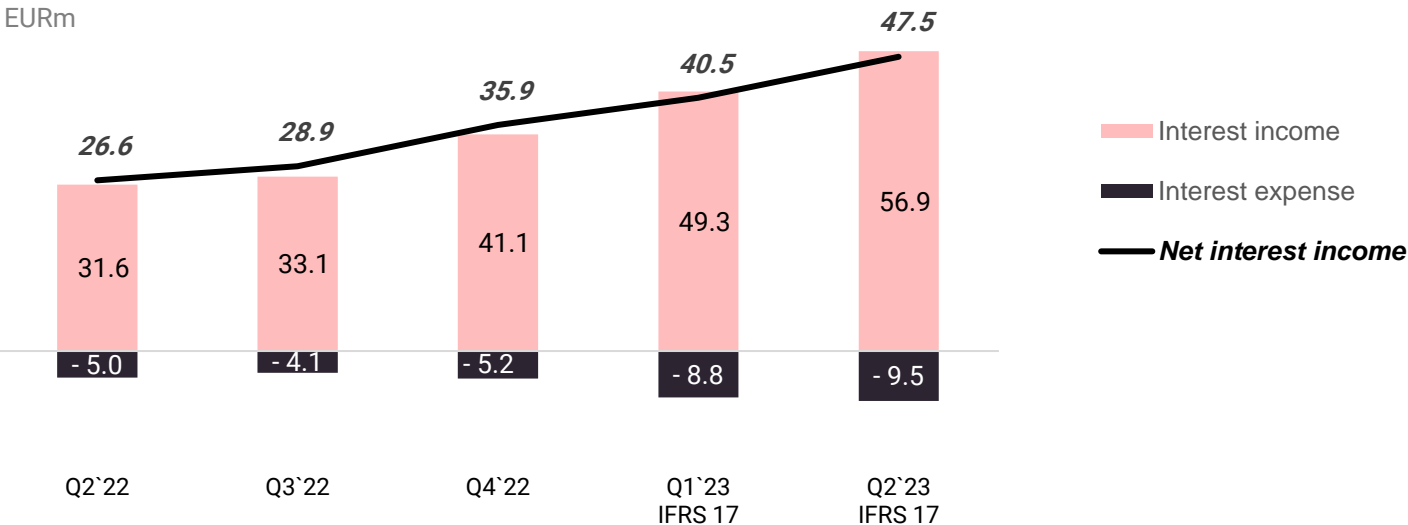
EURm



Net interest income development

Q2`2023 vs. previous periods

EURm



Comment

Performance driven by strong **net interest income** which reached EUR 88.0 million in H1 2023, a 62% increase year over year. Q2 2023 net interest income reached EUR 47.5 million, a 17% increase as compared to Q1 2023, mainly impacted by rising interest rates.

Net fee and commission income development

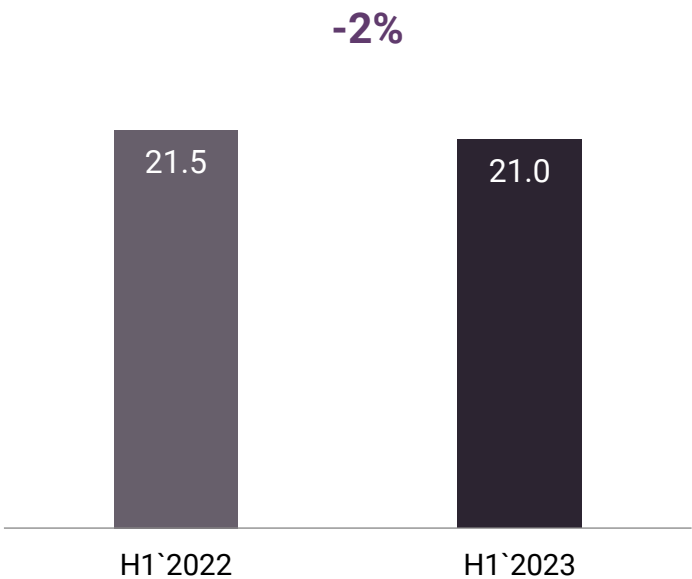
Continuous operations



Net fees and commissions

H1`2023 vs previous period

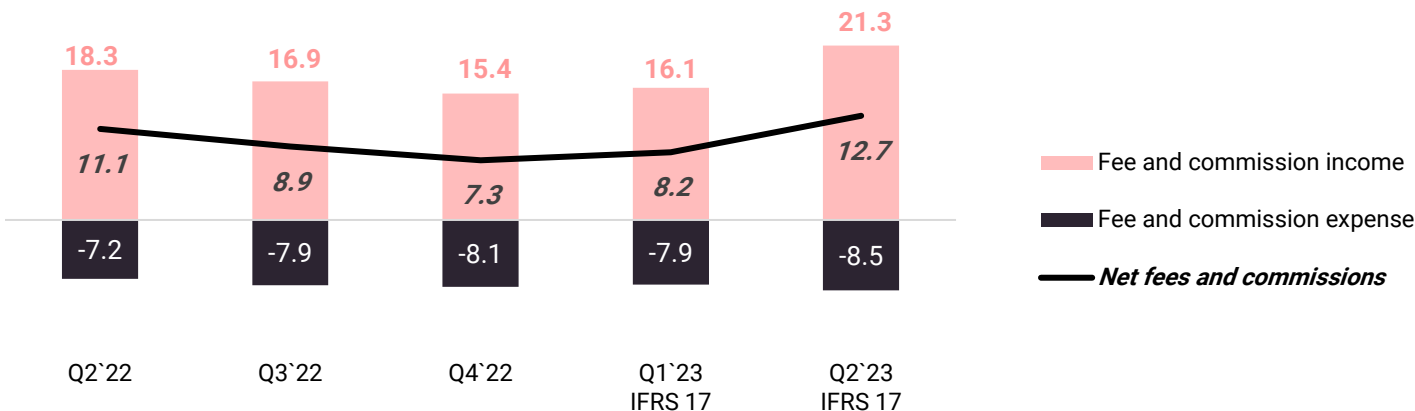
EURm



Net fee and commission income development

Q2`2023 vs. previous periods

EURm



Comment

The Group's **net fee and commission income** in H1 2023 reached EUR 21.0 million, which translates into 2% decrease y-o-y, mainly due lower income from cards on the back of lower turnover (20% decrease y-o-y) and fee and commission expense (EUR 1.8 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. Q2 2023 net fee and commission income was EUR 12.7 million, vs EUR 8.2 million in Q1 2023.

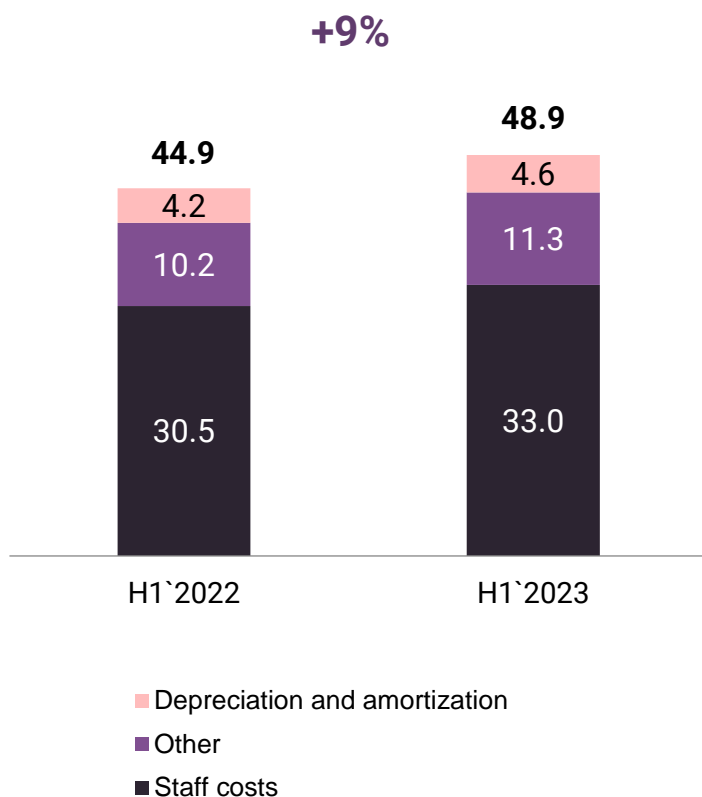
Operating expenses development

Continuous operations

Citadele

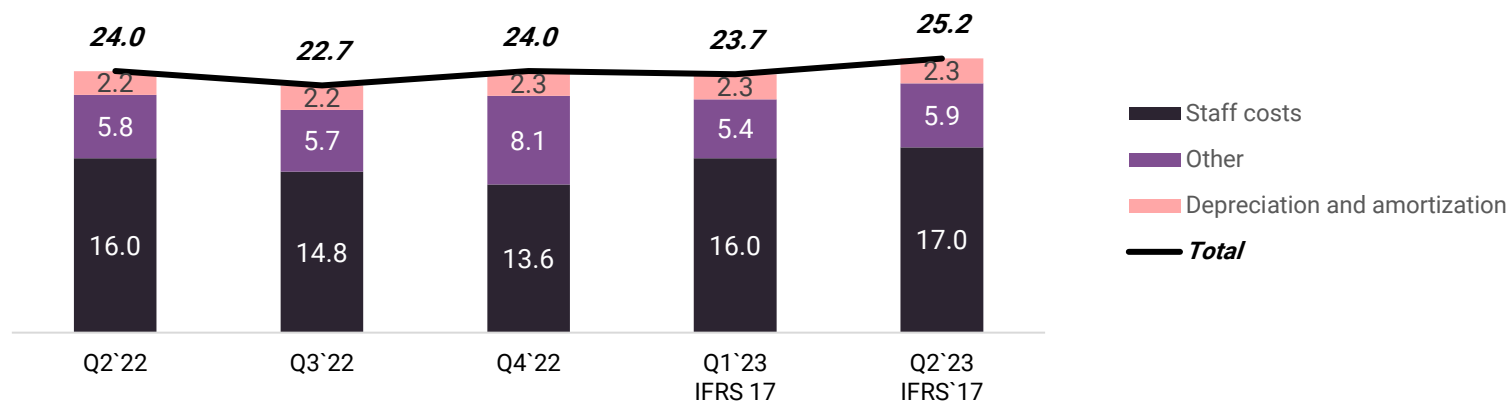
Operating expenses H1`2023 vs previous period

EURm



Operating expenses development Q2`2023 vs previous period

EURm



Comment

Operating expenses in H1 2023 were EUR 48.9 million, or 9% increase year over year. Staff costs increased by 8% to EUR 33.0 million. The number of full-time employees was 1,329 vs. 1,355 as of YE 2022. Other costs were EUR 11.3 million 11% increase year over year, mainly impacted by investments in IT and communications. Depreciation and amortization expenses stood at EUR 4.6 million (8% increase year over year). Q2 2023 operating expenses reached EUR 25.2 million, 6% increase quarter over quarter.

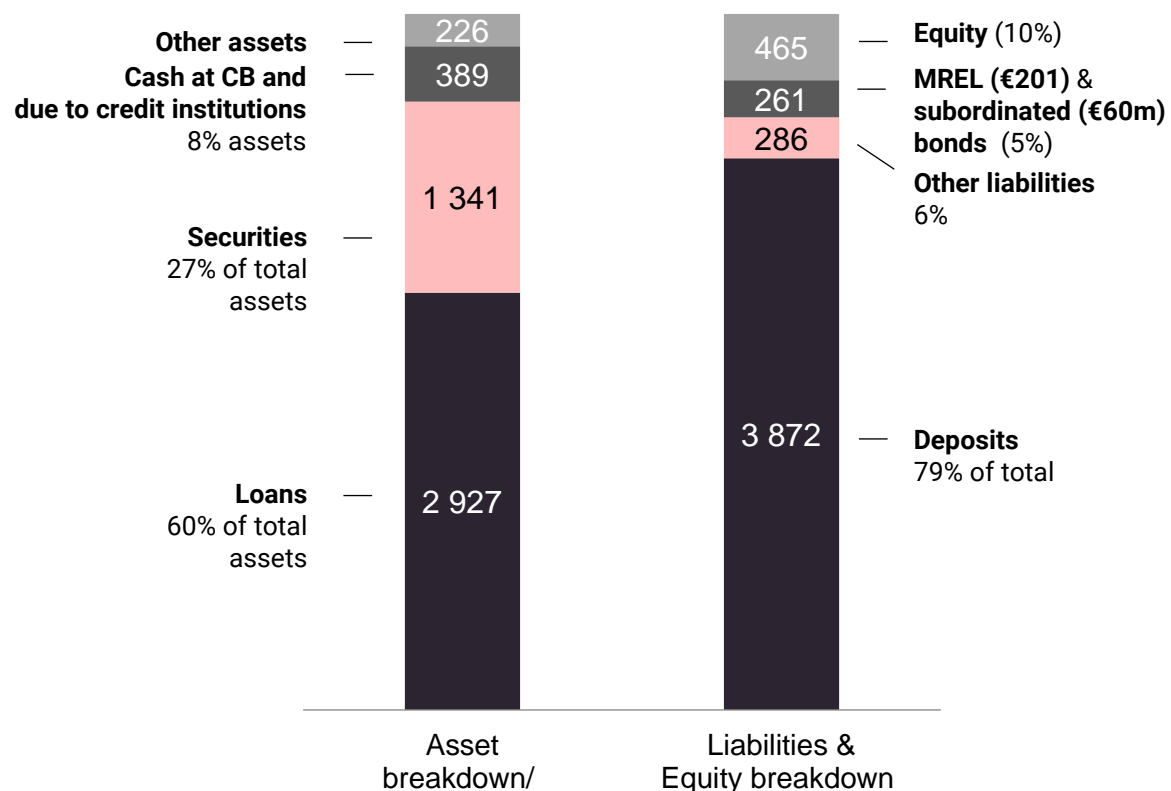
Stable asset quality and strong balance sheet

Citadele

€4,884m Total assets

€4,419m Liabilities

€465m Equity

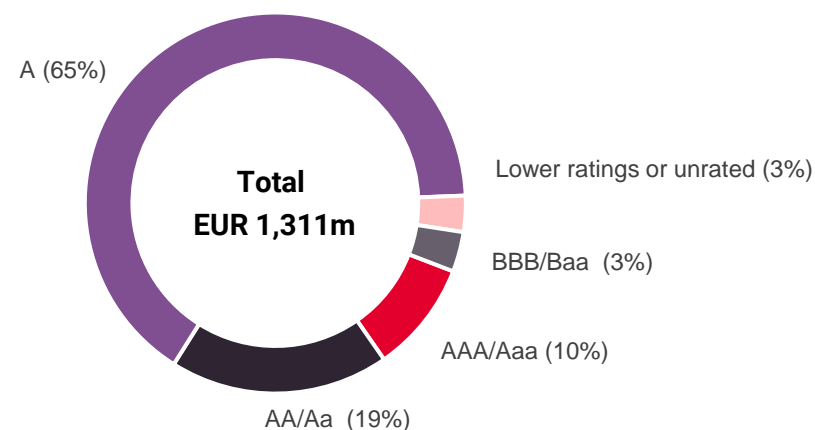


Comment

The Group's **securities portfolio** forms a part of its liquidity resources and in H1 2023 decreased by 15% vs. year end 2022 in line with portfolio maturity profile.

In H1 2023 Group repaid EUR 430 million of TLTRO III program loans 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

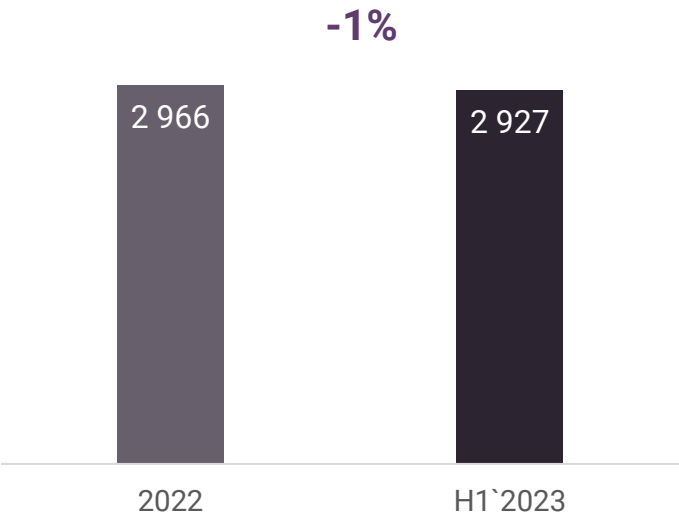


Balance sheet overview - loans

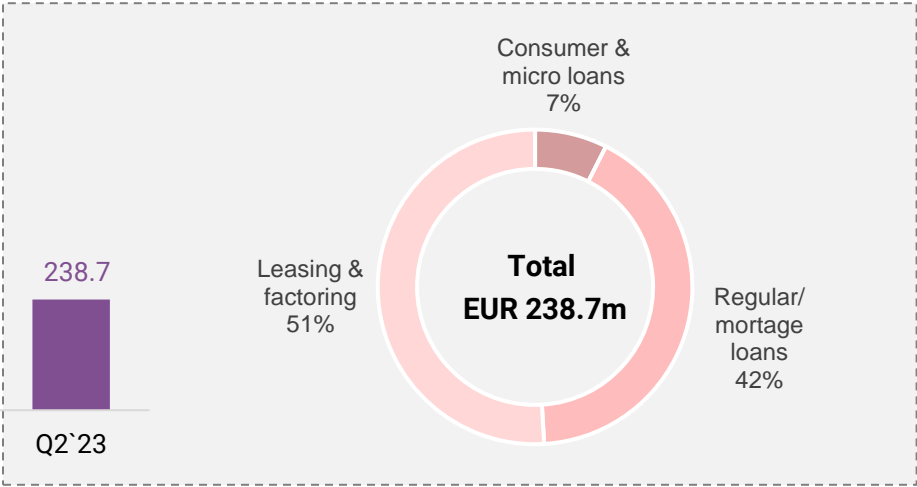
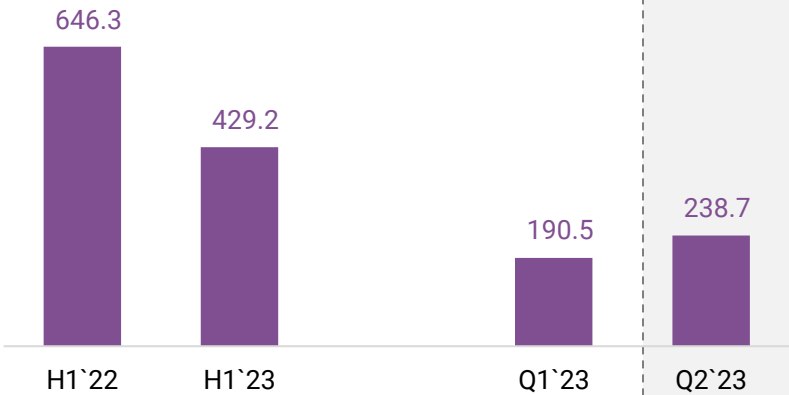


Loans H1`2023 vs. YE 2022

EURm



New financing H1 2023 vs. previous periods



Comment

The **net loan portfolio** of continuing operations was EUR 2,927 million as of 30 June 2023, slightly decreasing by EUR 39 million (1%) from the year end 2022.

New financing in Q2 2023 constituted EUR 238.7 million, 25% increase q-o-q. EUR 72.0 million were issued to private customers, EUR 86.6 million to SMEs and EUR 80.1 million to corporate customers.

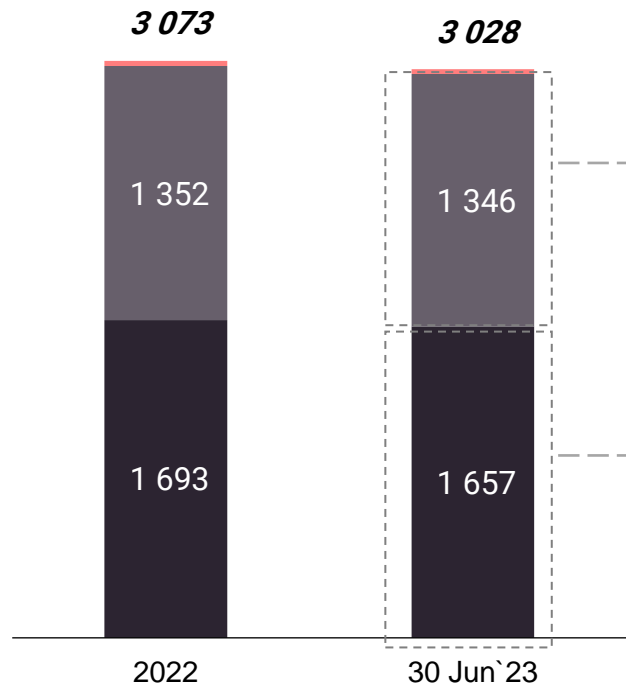
Balance sheet overview - loans



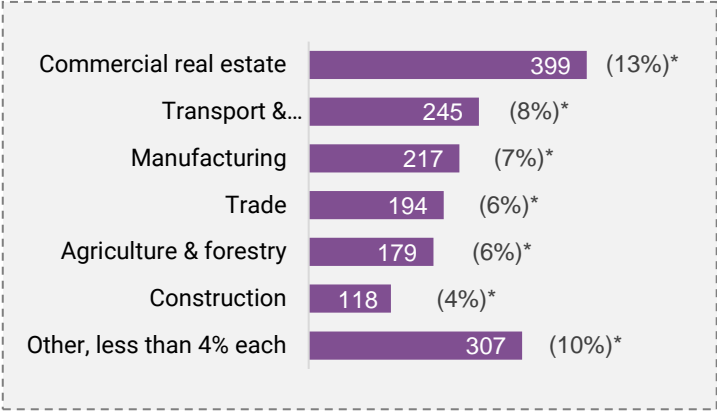
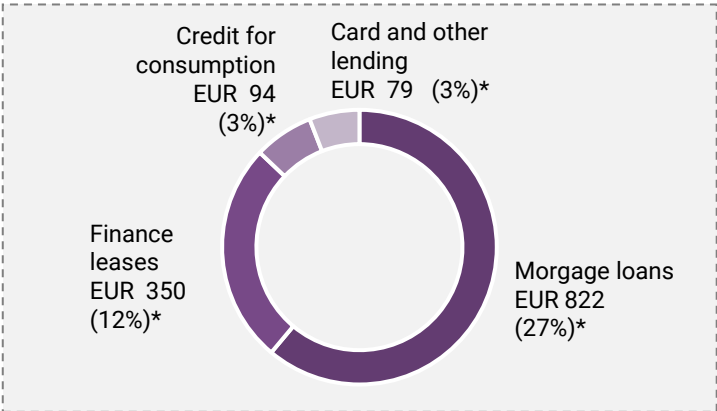
Gross loans by customer profile

H1`2023 vs. YE 2022

EURm



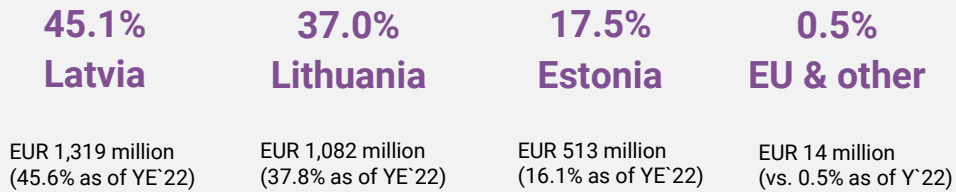
- General government
- Private individuals
- Legal entities



*(%) of total gross loans

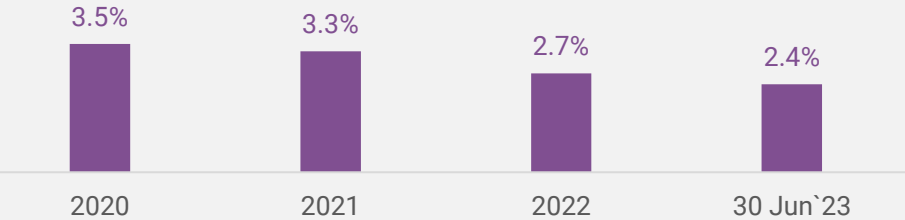
Loan portfolio's geographical profile

30 Jun 2023



Non-performing loans, % of total gross loans

30 Jun 2023 vs. previous periods



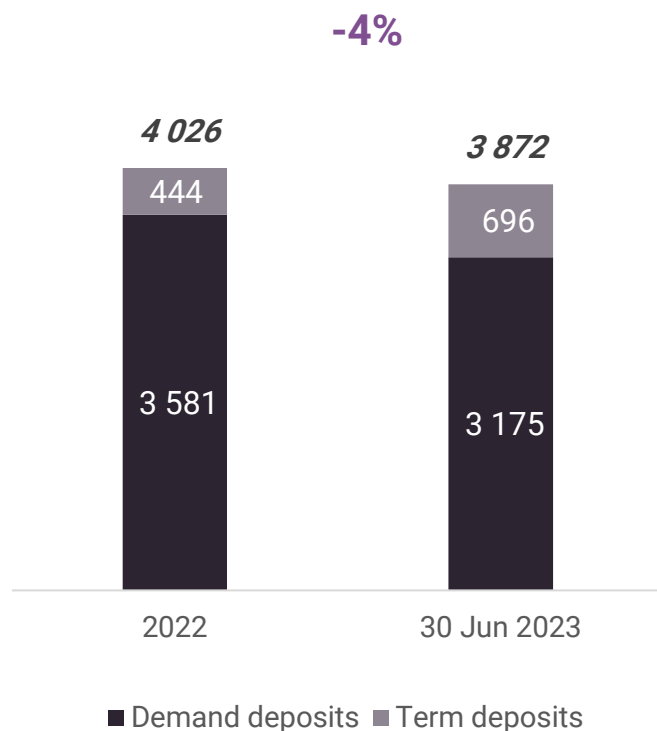
Stable Funding structure

Citadele

Deposits

H1`23 vs. YE 2022

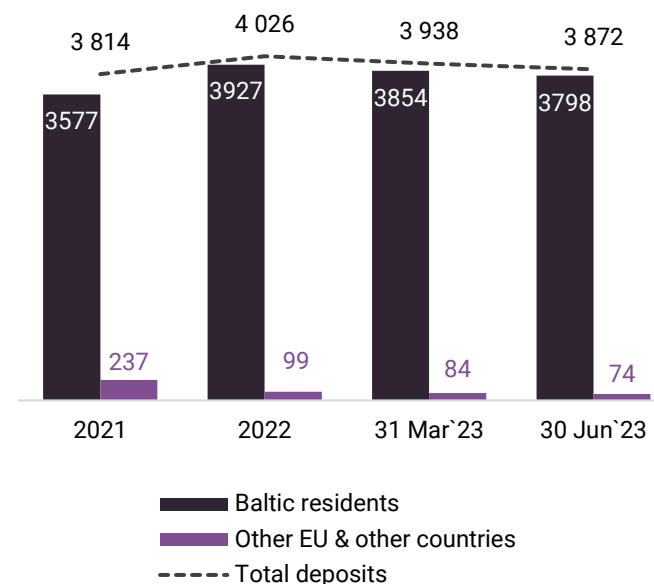
EURm



Increase of domestic deposits

Q2`23 vs. previous periods*

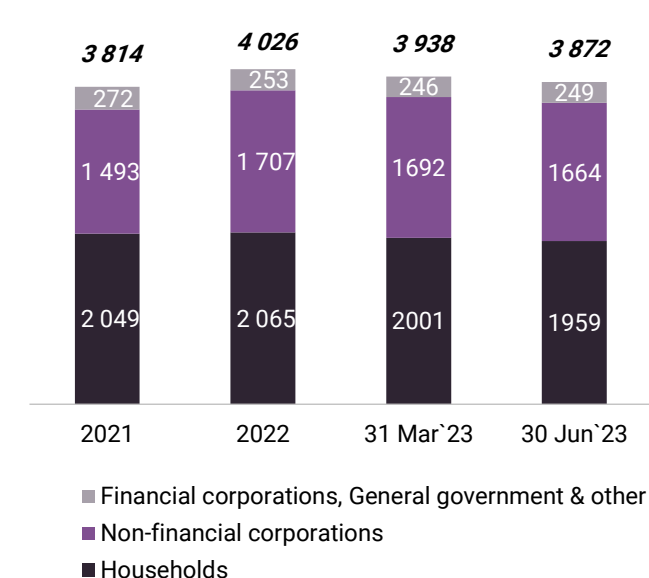
EURm



Deposits by customer profile

Q2`23 vs. previous periods*

EURm



Comment

The main source of funding, **customer deposits** of continuing operations, decreased by 4% vs. the year end 2022 and were EUR 3,872 million. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,798 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 in Lithuania
- ✓ NPS Mobile Apps – shared 2nd place in Latvia and Lithuania



Awards

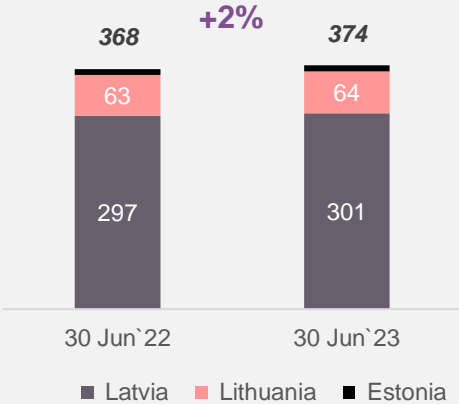
Citadele was announced as the bank with the best customer service in Latvia for the 7th time and TOP3 in Lithuania and Estonia.



Active customers

H1 2023 vs. H1 2022

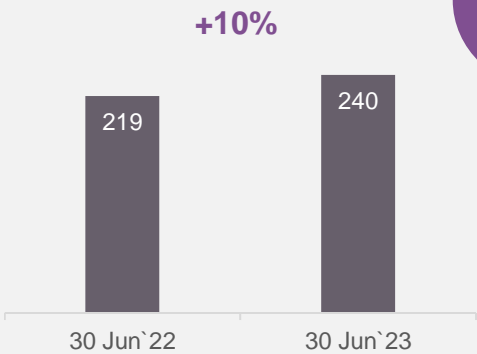
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Mobile App active users

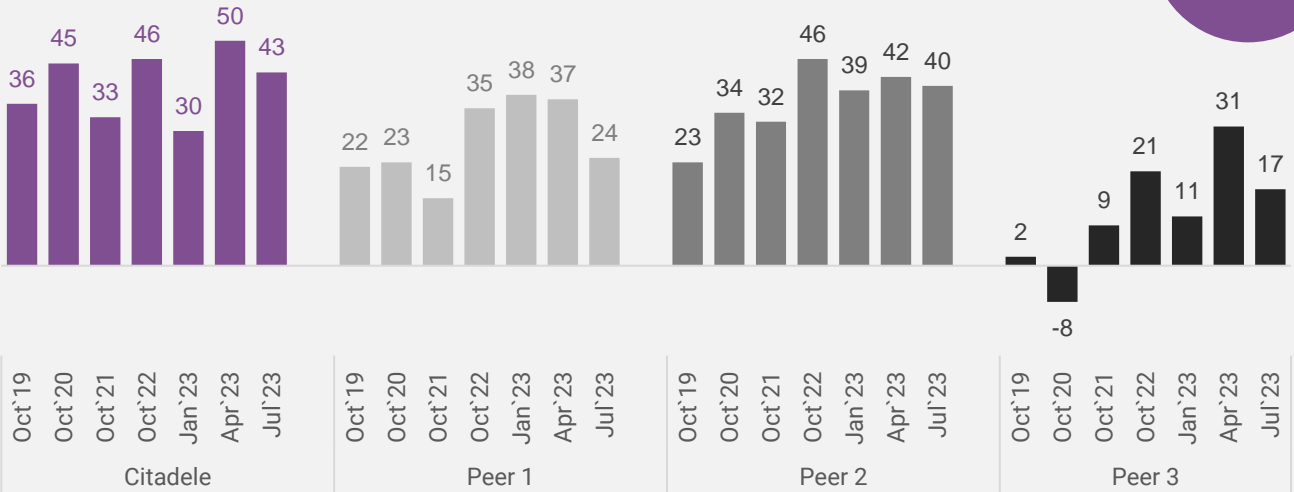
H1 2023 vs. H1 2022

`000



LV 65 /
LT 54
Mobile App
NPS

Net Promoter Scores of individual banks in Latvia



LV 43 /
LT 41
NPS Retail

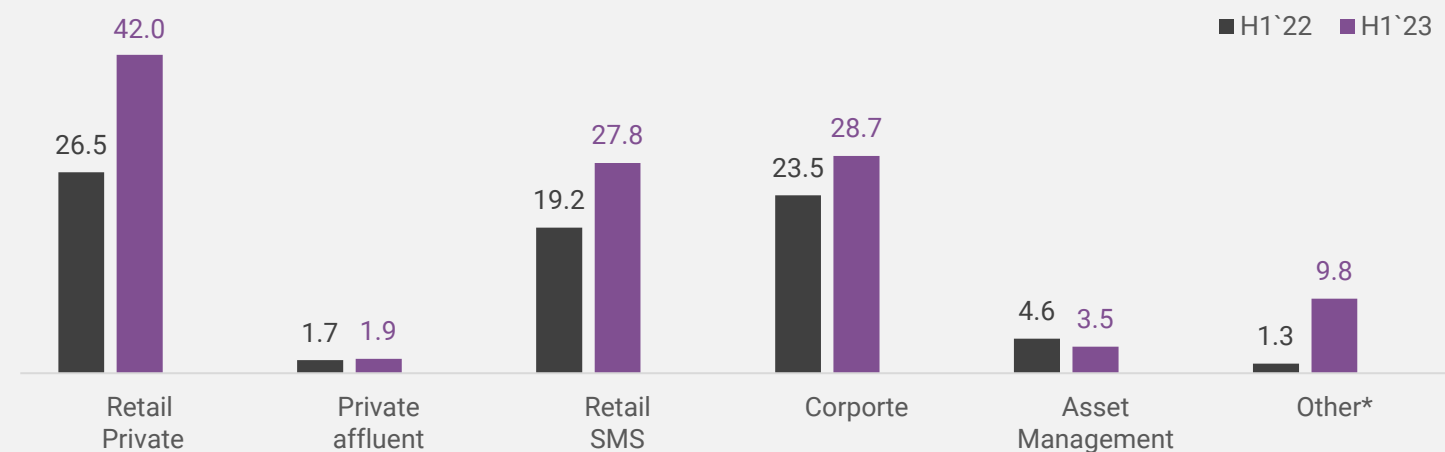
Segment overview

| H1 2023 | Retail Private | Private affluent | Private SME | Corporate | AM | Other* | Total |
|--------------------------------|----------------|------------------|-------------|-------------|------------|------------|--------------|
| Net interest income | 34.1 | 0.5 | 21.7 | 26.0 | 0.4 | 5.5 | 88.0 |
| Net fee & commission income | 8.3 | 1.2 | 5.0 | 2.4 | 2.9 | 1.1 | 21.0 |
| Net financial and other income | -0.4 | 0.3 | 1.1 | 0.3 | 0.2 | 3.3 | 4.7 |
| Operating income | 42.0 | 1.9 | 27.8 | 28.7 | 3.5 | 9.8 | 113.7 |

Operating income by segment

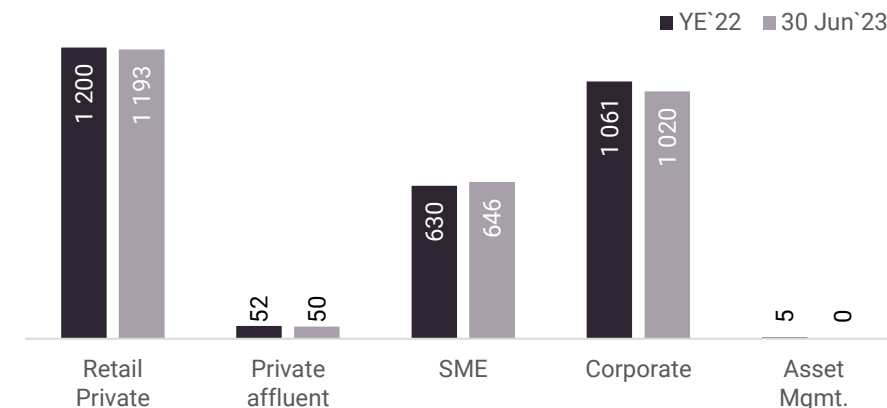
H1`23 vs. H1`22

EURm



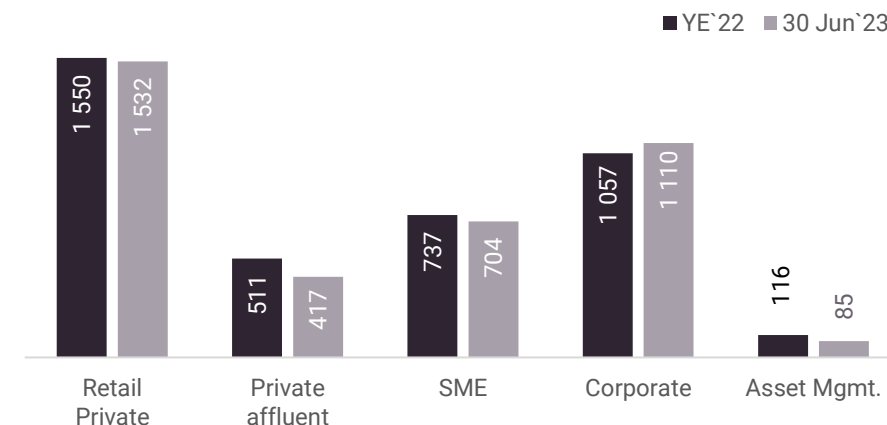
Loans

H1`23 vs. YE 2021, EURm



Deposits

H1`23 vs. YE 2021, EURm



Citadele

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



Citadele

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