



AS “Citadele banka”

FINANCIAL RESULTS

Q3 and 9M 2023

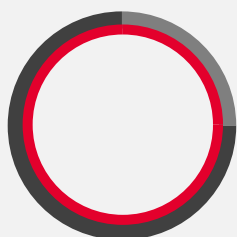


About us

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 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

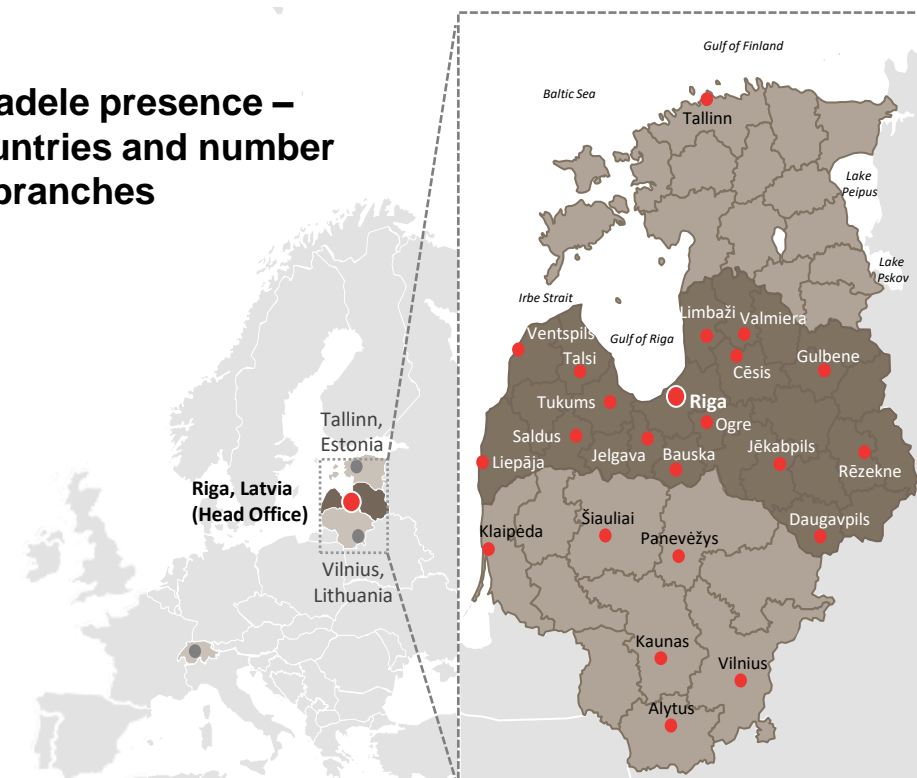
Large customers serviced in Latvia, Lithuania and Estonia. Yearly turnover of the customer is above EUR 5 million or total risk exposure with Citadele Group is above EUR 1 million or the customer needs complex financing solutions.

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 11 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. The Lithuanian branch has 6 customer service units in Lithuania. Citadele is present also in Switzerland through AG Kaleido Privatbank (31 Employees), currently in a sales process*

Citadele presence – countries and number of branches



Branches*
11 in Latvia
6 in Lithuania
1 in Estonia



1,332
Employees



374k
Active
Clients



252.5k
MobileApp
users

(+14% 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

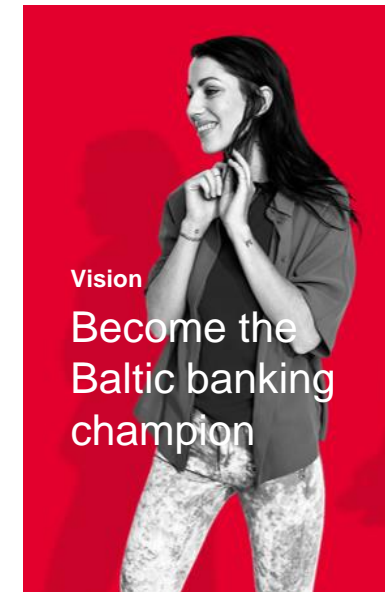
We find solution for every client to support local economy.

Innovate

We set the standard through innovative experience.

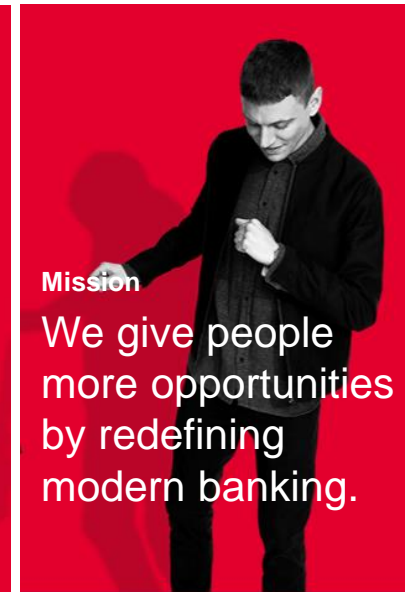
Personalize

We see people first and add human touch to banking.



Vision

Become the
Baltic banking
champion



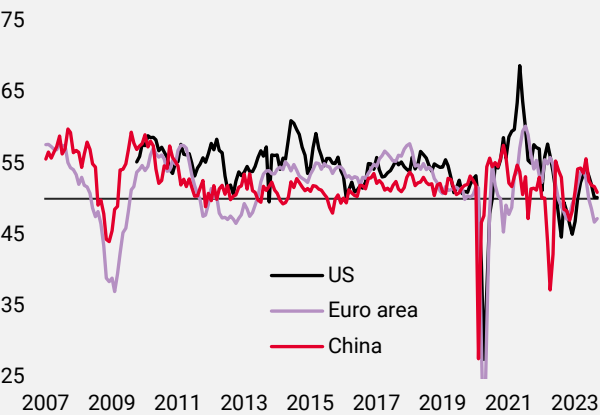
Mission

We give people
more opportunities
by redefining
modern banking.

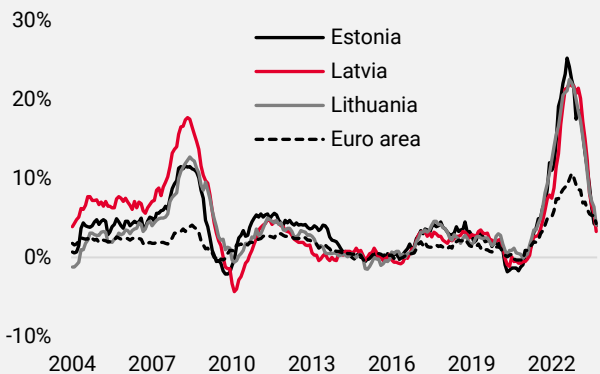
Citadele

Business environment

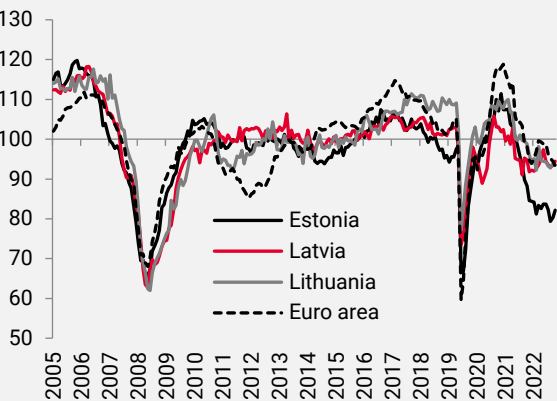
IHS Markit Composite PMI
(Values above 50 indicate expansion)



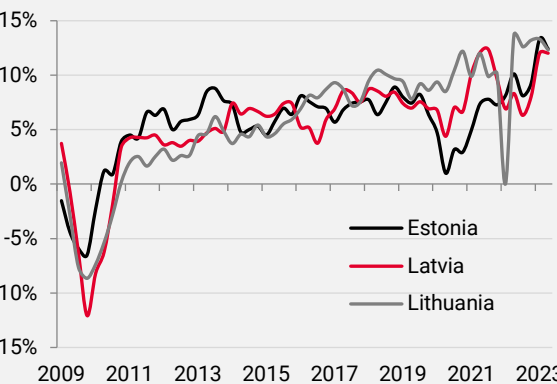
Inflation (% , year-on-year)



Economic sentiment indicator



ECB and Euribor rates (%)



Economic situation in the Baltics remains challenging

Geopolitical and macroeconomic uncertainty remained elevated during the third quarter of 2023. Central banks continued their monetary tightening and policy rate hikes and the inflation rate started to decrease from high levels. While this was accompanied by a continued slowdown in the economy, a major recession has likely been avoided. Nevertheless, growth in the euro area remains weak. After a period of rapid monetary policy tightening, ECB interest rates have reached their highest level since 1999 and are expected to remain high. Interest rate cuts are not expected until mid-2024 and growth outlook remains uncertain as a result. The war in Ukraine continues and the Middle East is also experiencing regional conflict; regional and global geopolitical tensions remain high. China's economy continues to struggle with a crisis in the property sector, while in Europe, natural gas prices have surged by more than 50% since July as energy markets remain tight. The Baltic region has been notably affected by monetary policy tightening due to the widespread use of variable interest rate loans. As a result, GDP in the Baltics declined in the first half of 2023. However, the expected mid-2024 interest rate cuts will support Baltic economic recovery, along expected real wage growth in 2024. In manufacturing, business surveys suggest that inventory levels have peaked in the euro area and the Baltics, and de-stocking could lead to a gradual recovery in manufacturing at the beginning of 2024. Finally, EU-financed public sector investments are set to increase in 2024, which could help offset weak private sector demand in construction and support economic growth.

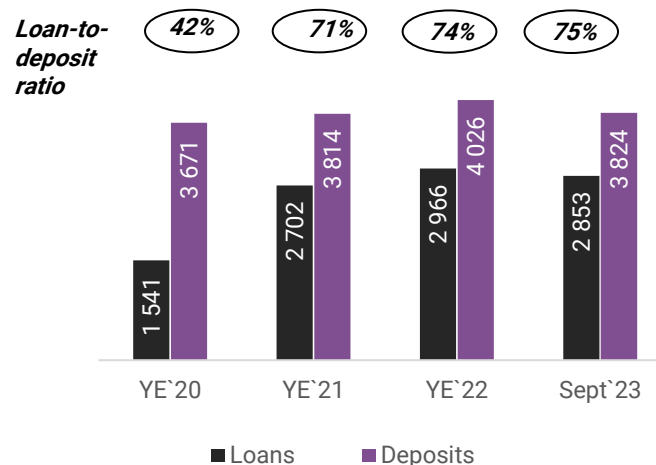
Key figures and events

- Citadele's Baltic operations net profit for the first 9 months of 2023 reached EUR 100.2 million, representing a 29.0% return on equity and CIR of 42.2%; Q3 2023 Baltic operations net profit reached EUR 35.7 million, representing a return on equity of 29.6% and CIR of 40.6%
- In the 9 months, ended 30 September 2023, Citadele issued EUR 621 million in new financing to support Baltic private, SME and corporate customers. EUR 192 million was issued in Q3 2023
- Citadele's customer deposit base remained stable at EUR 3 824 million as of 30 September 2023
- Citadele continues to operate with more than adequate capital and liquidity ratios. The Group's CAR (including net result for the period) was 24.8%, CET1 22.2% and LCR of 209% as of 30 September 2023
- The review of strategic alternatives has been progressing and the bank has appointed advisors to support the work. Citadele is in the process of evaluating the options where a potential IPO (Initial Public Offering) is one strong consideration.

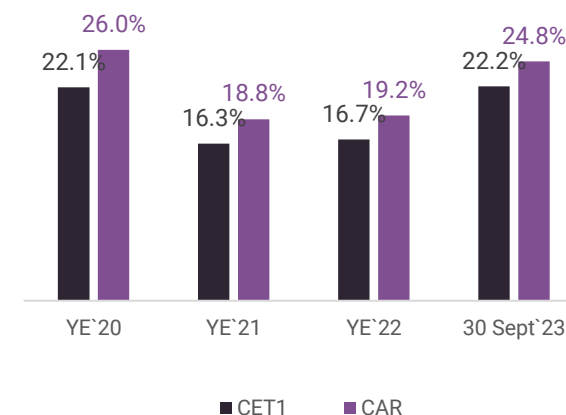
**Only continuous operations shown. Comparatives are restated for discontinued operations of Kaleido Privatbank AG (Swiss subsidiary bank of the Group) which is committed for sale and thus excluded from the presented key figures. Comparative figures for 2022 have been restated due to the adoption of 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*			
	9m 2023	9m 2022	Q3 2023	Q3 2022
Net interest income	138.8	83.3	50.8	29.1
Net fee and commission income	29.0	30.4	8.1	9.0
Net financial and other income	6.5	3.5	1.8	2.4
Operating income	174.3	117.3	60.6	40.5
Operating expense	(73.5)	(67.6)	(24.6)	(22.7)
Net credit losses and impairments	6.5	(15.0)	2.8	(2.3)
Net profit from continuous operations (after tax)	100.2	34.1	35.7	15.2
Return on average assets (ROA)	2.7%	0.9%	3.0%	1.2%
Return on average equity (ROE)	29.0%	11.3%	29.6%	15.0%
Cost to income ratio (CIR)	42.2%	57.6%	40.6%	56.0%
Cost of risk ratio (COR)	(0.3%)	0.7%	(0.4%)	0.3%

Loans to and deposits from the public *EURm*



CET1 and CAR ratios**



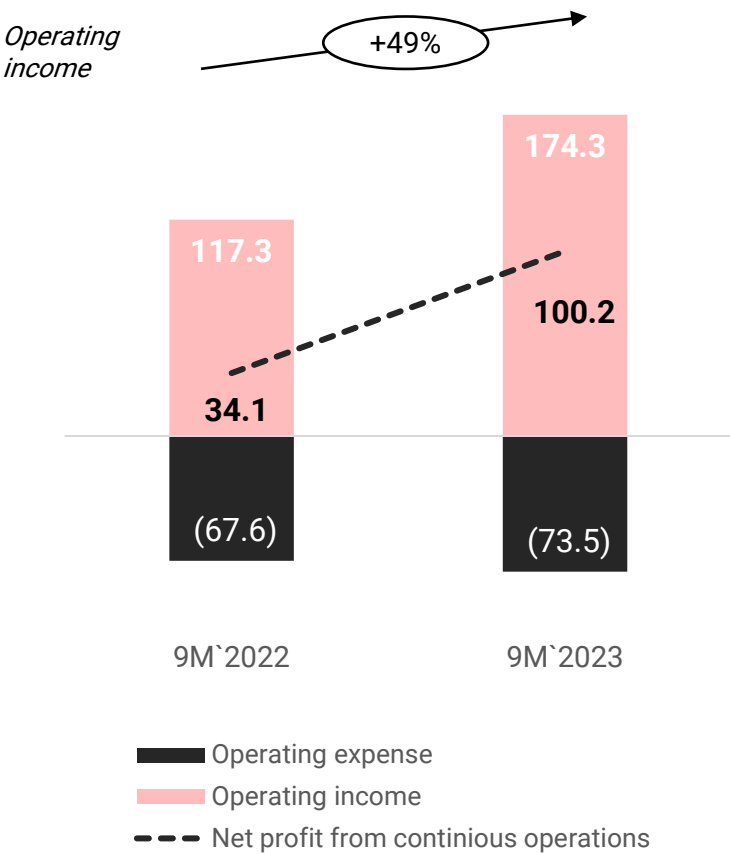
Financial Highlights



Financial result development

9M`2023 vs previous period

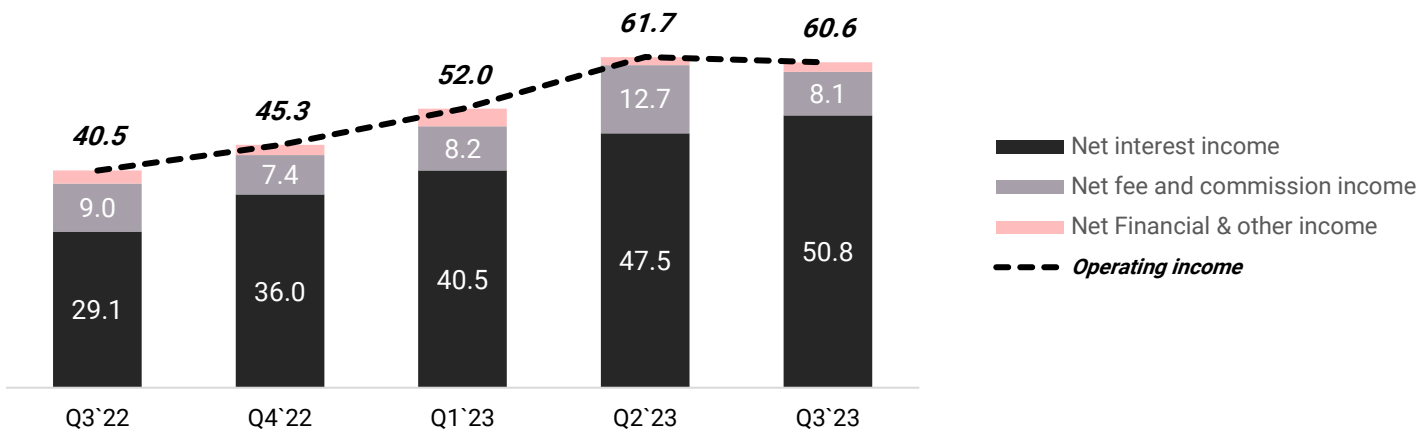
EURm



Operating income by revenue line

Q3`2023 vs. previous periods

EURm



Comment

Strong financial performance with **operating income** for the 9 months ending 30 September 2023 reaching EUR 174.3 million, representing 49% growth year-over-year. Q3 2023 operating income reached EUR 60.6 million, representing 50% growth year-over-year.

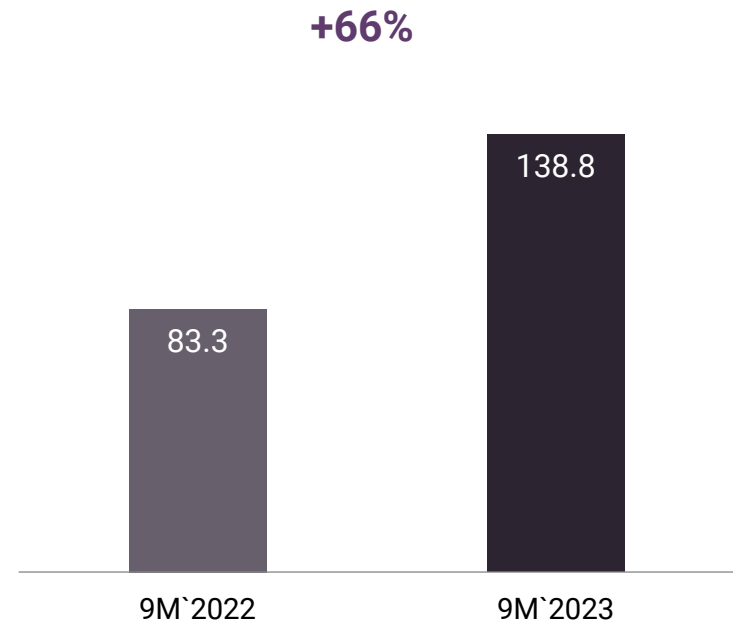
Net interest income

Continuous operations



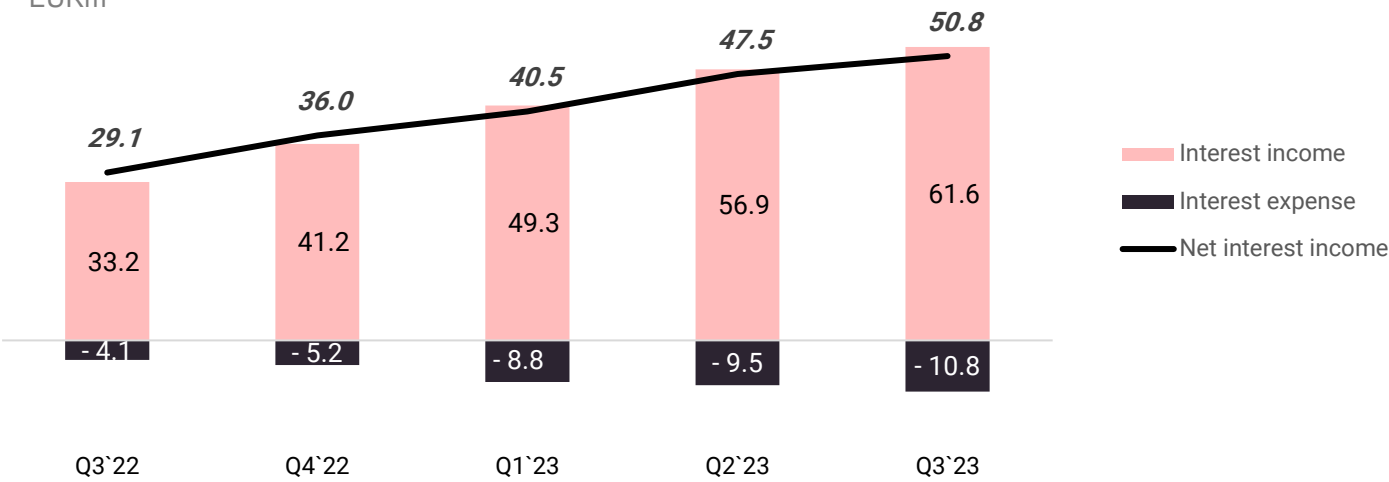
Net interest income 9M`2023 vs previous period

EURm



Net interest income development Q3`2023 vs. previous periods

EURm



Comment

Strong **net interest income**, which reached EUR 138.8 million in the 9 months ended 30 September 2023 (EUR 50.8 million in Q3 2023), a 66% (75% in Q3 2023) increase year-over-year, mainly impacted by rising interest rates.

Net fee and commission income development

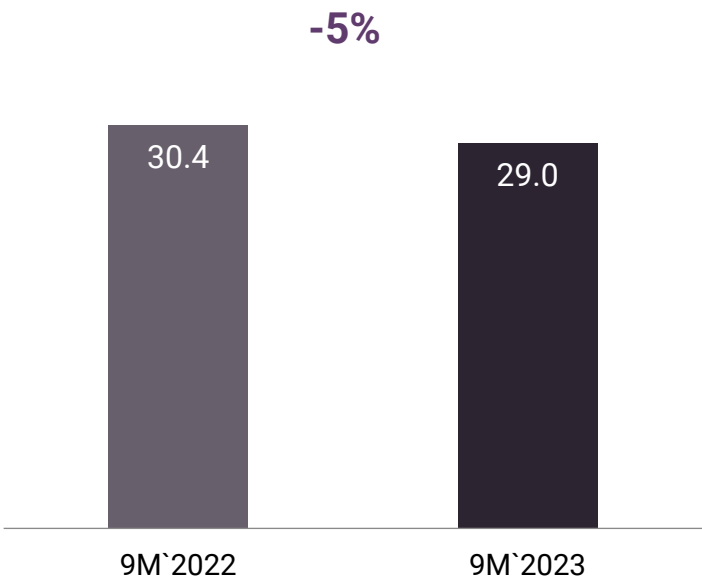
Continuous operations



Net fees and commissions

9M`2023 vs previous period

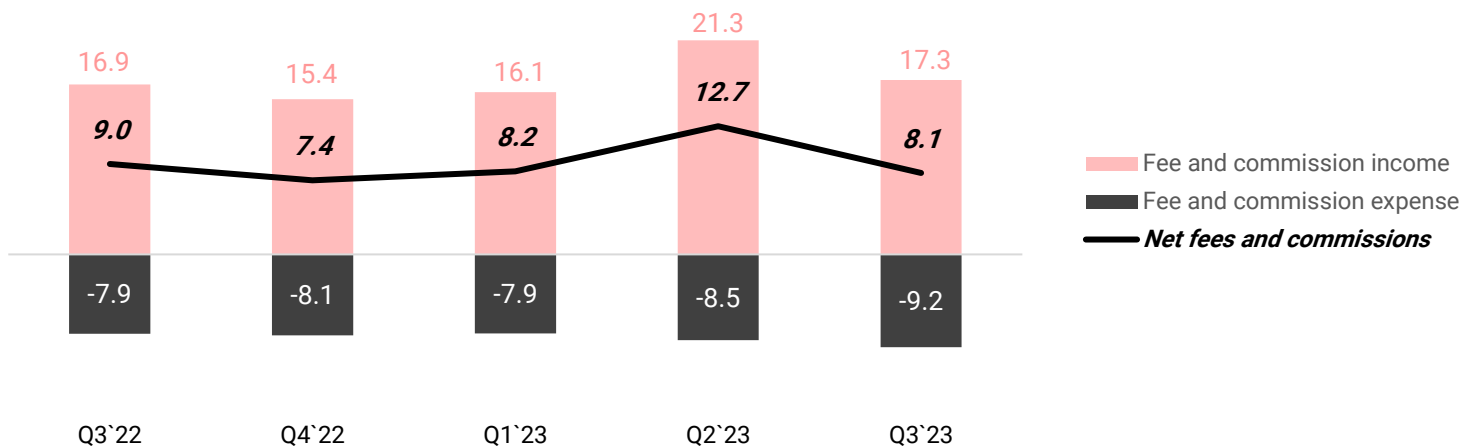
EURm



Net fee and commission income development

Q3`2023 vs. previous periods

EURm



Comment

The Group's **net fee and commission income** reached EUR 29.0 million in the 9 months ended 30 September which translates into a 5% decrease year-over-year, mainly due to fee and commission expense (which amounted to EUR 2.8 million for the period) for securitization, representing an expense on a multi-year financial guarantee contract issued by the EIB Group to Citadele in December 2022. The EIB Group deal will provide capital relief for Citadele 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% will go towards Climate Action projects, helping to reduce overall greenhouse gas emissions. Net fee and commission income in Q3 2023 constituted EUR 8.1 million, representing a 10% decrease year-over-year.

Operating expenses development

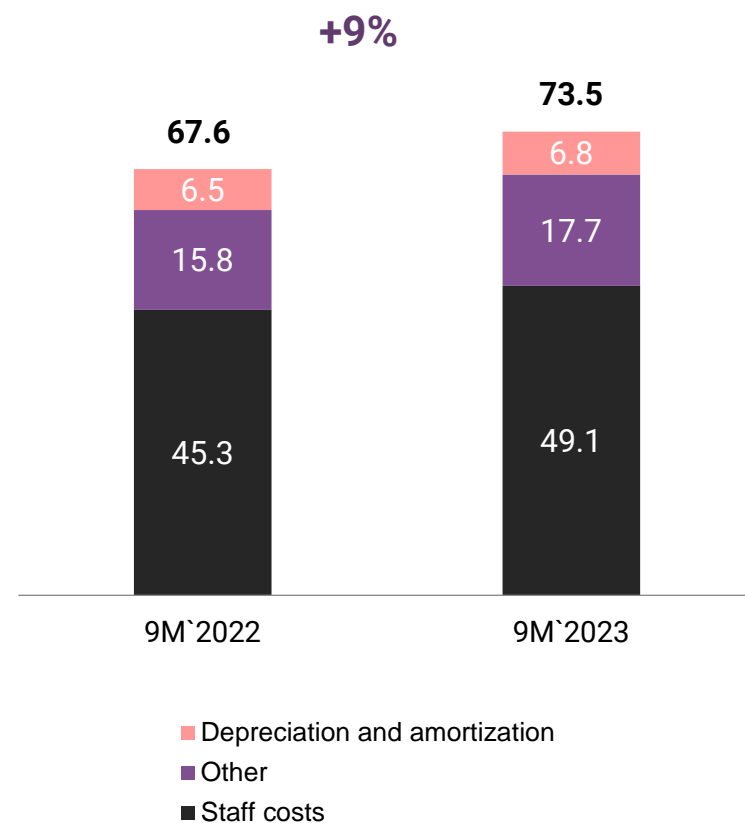
Continuous operations

Citadele

Operating expenses

9M`2023 vs previous period

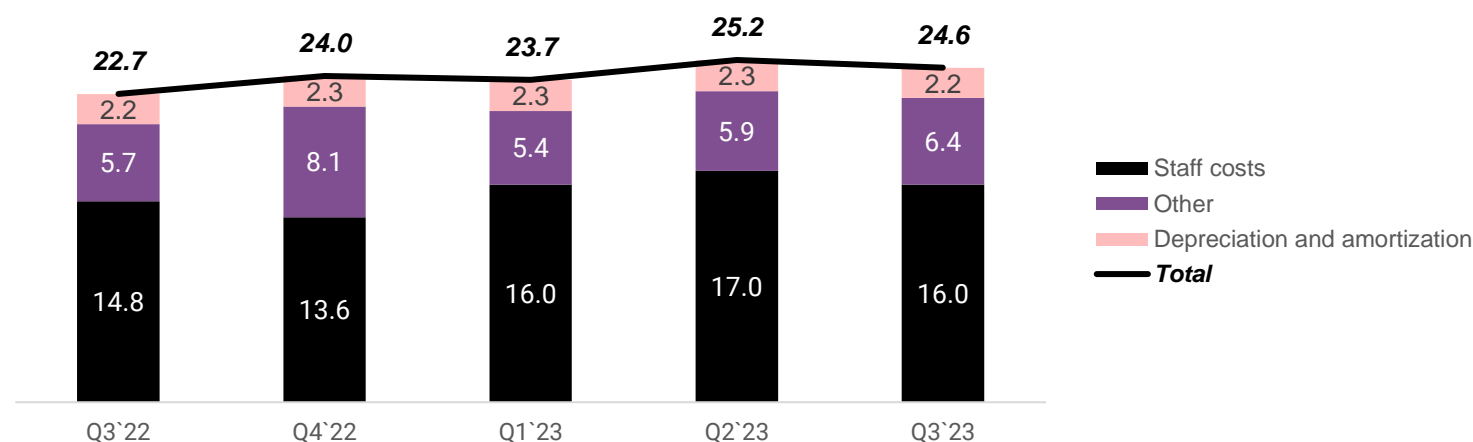
EURm



Operating expenses development

Q3`2023 vs. previous periods

EURm



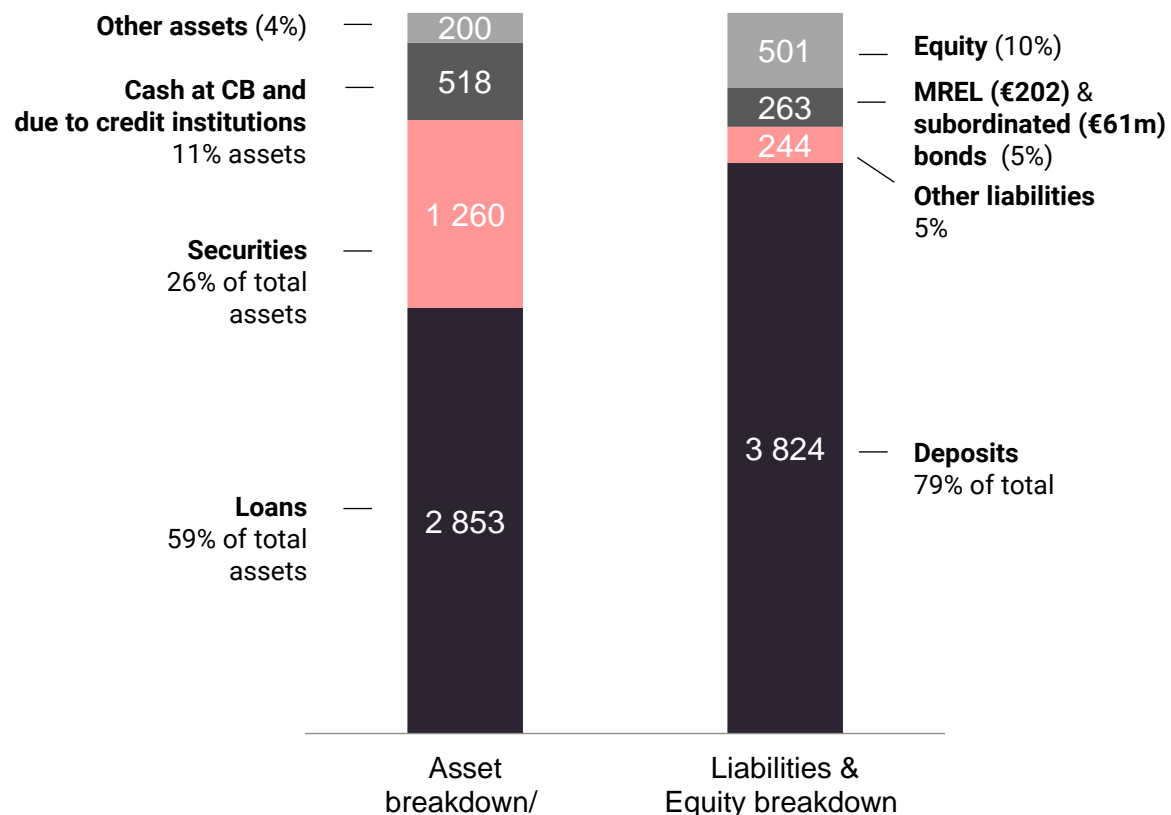
Comment

Operating expenses in the 9 months ended 30 September 2023 were EUR 73.5 million, representing a 9% increase year-over-year. Staff costs increased by 8% to EUR 49.1 million. The number of full-time employees was 1,332, compared to 1,355 as of year-end 2022, of which 31 (2022: 26) were with discontinued operations. Other costs were EUR 17.7 million, representing a 12% increase year-over-year, mainly impacted by investments in IT and communications and consulting expenses. Depreciation and amortization expenses stood at EUR 46.8 million (a 5% increase year-over-year). Q3 2023 operating expenses were EUR 24.6 million, representing an 8% increase year-over-year.

Stable asset quality and strong balance sheet

Citadele

€4 831m Total assets
€4 330m Liabilities
€501m Equity

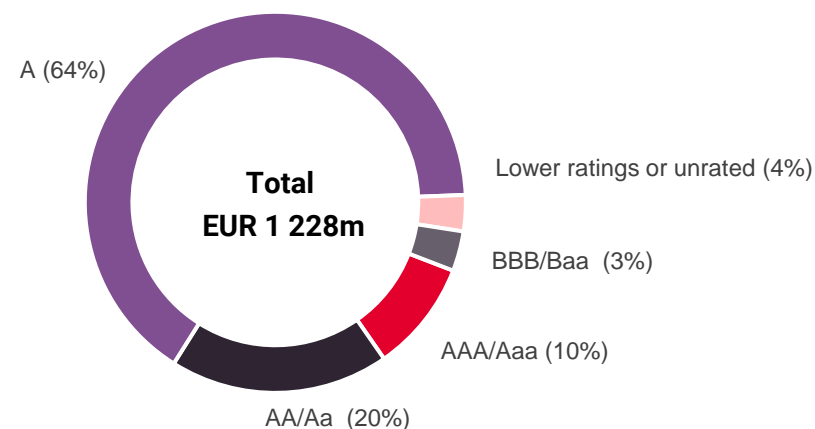


Comment

The Group's **securities portfolio** forms a part of its liquidity resources and in the 9 months ended 30 September 2023 decreased by 23% vs. year end 2022 in line with portfolio maturity profile. 93% of the securities portfolio consist of securities with a rating of A and higher.

In Q3 2023, Citadele introduced IRS as an instrument to hedge interest rate risk associated with newly purchased longer dated fixed income securities. Accounting treatment for both hedged securities and IRS hedges is FVTPL.

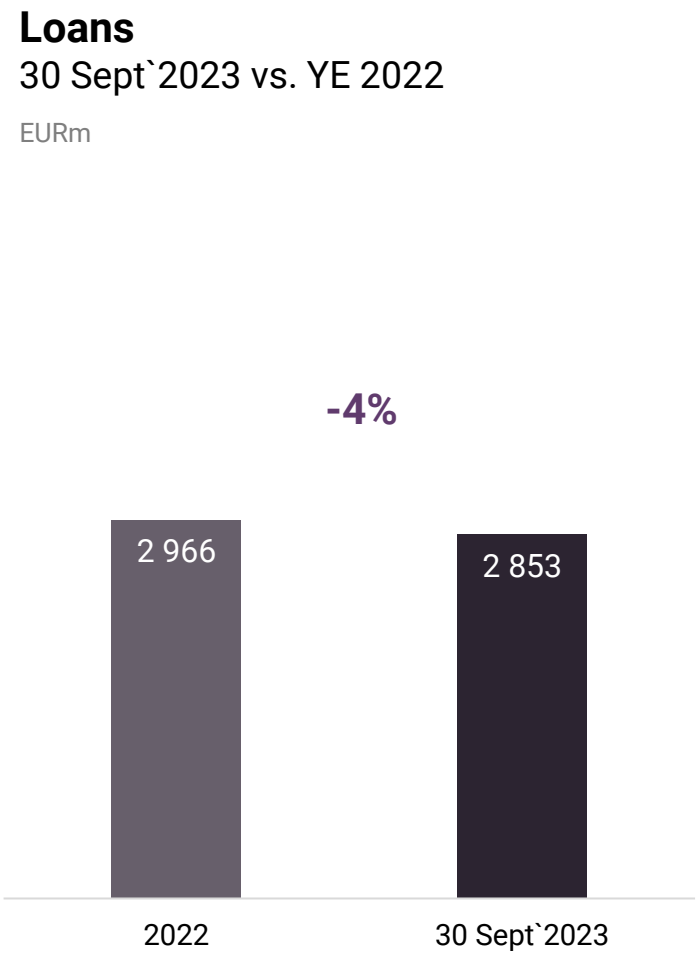
Debt securities by credit rating grade



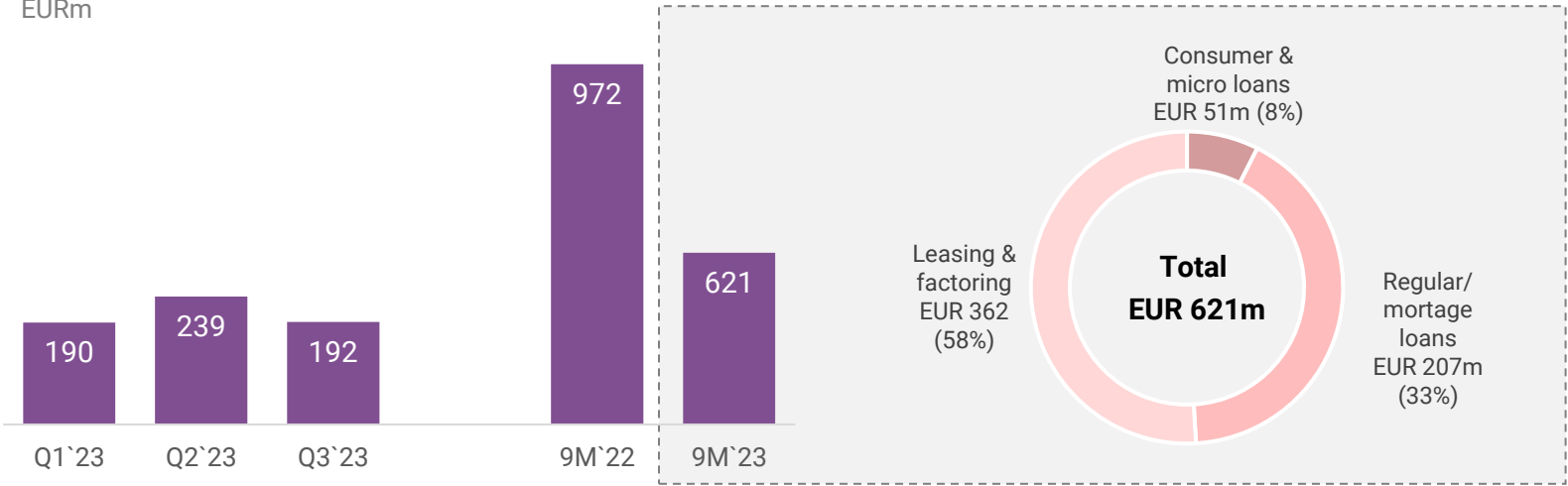
Balance sheet overview - loans



Loans
30 Sept`2023 vs. YE 2022
EURm



New financing
9M 2023 vs. previous periods
EURm



Comment

The **net loan portfolio** of continuing operations was EUR 2 853 million as of 30 September 2023, decreasing by EUR 114 million (4%) from year-end 2022.

New financing in the 9 months ended 30 September 2023 constituted EUR 620.7 million, representing a 36% decrease year over year. EUR 201.7 million was issued to private customers, EUR 226.3 million to SMEs and EUR 192.7 million to corporate customers. EUR 191.5 million were disbursed in Q3 2023.

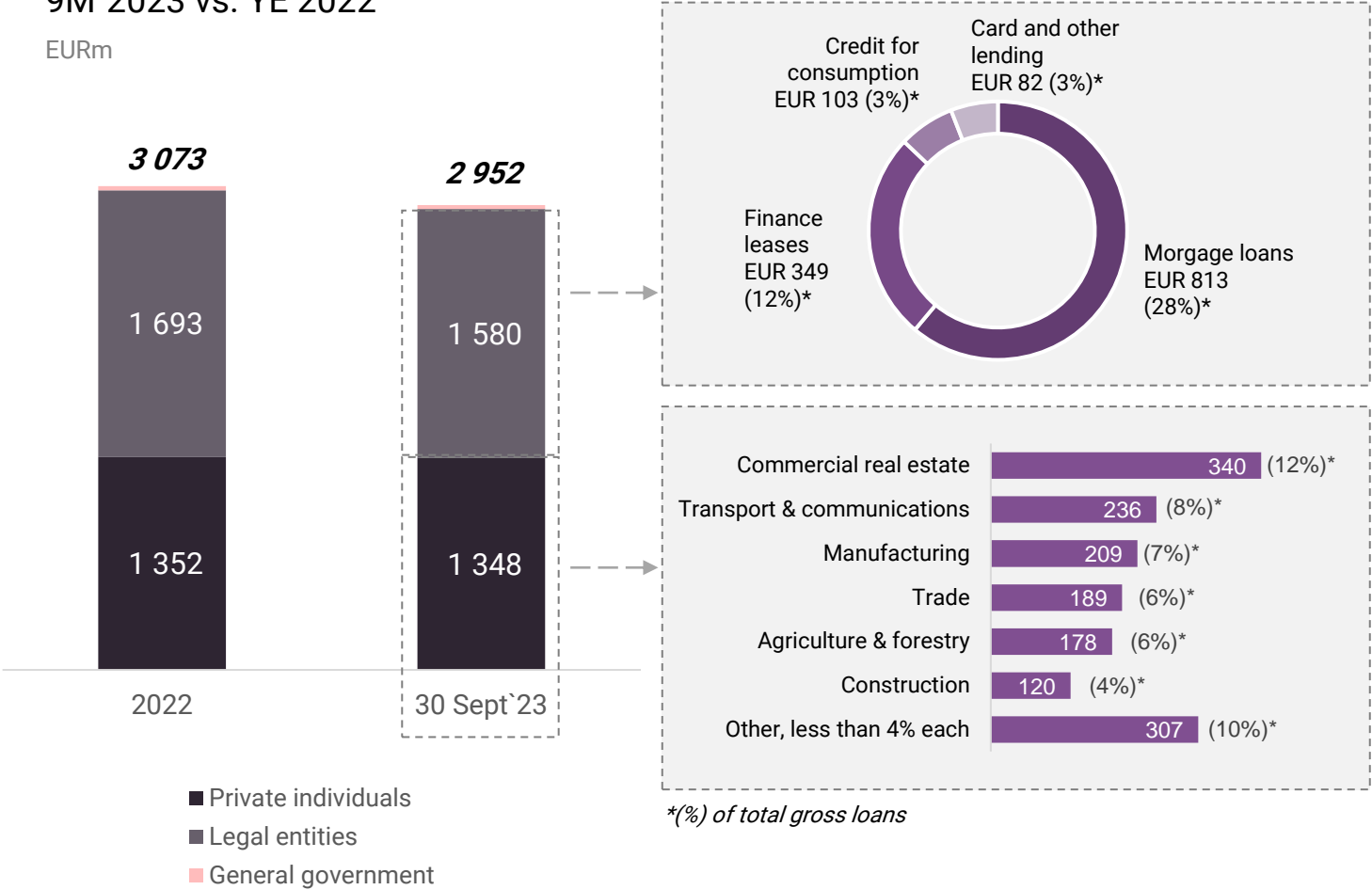
Balance sheet overview - loans



Gross loans by customer profile

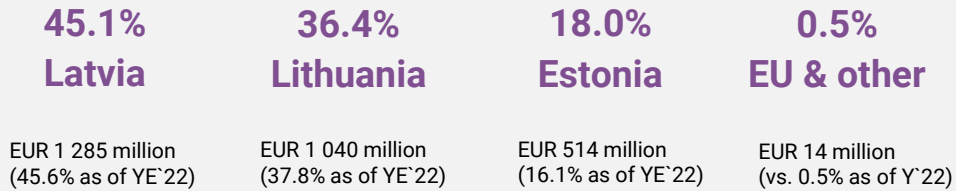
9M`2023 vs. YE 2022

EURm



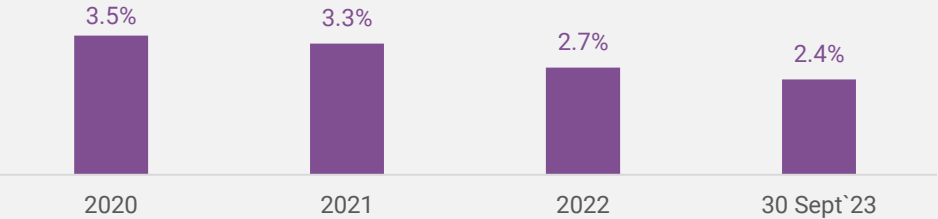
Loan portfolio's geographical profile

30 Sept` 2023



Non-performing loans, % of total gross loans

30 Sept` 2023 vs. previous periods



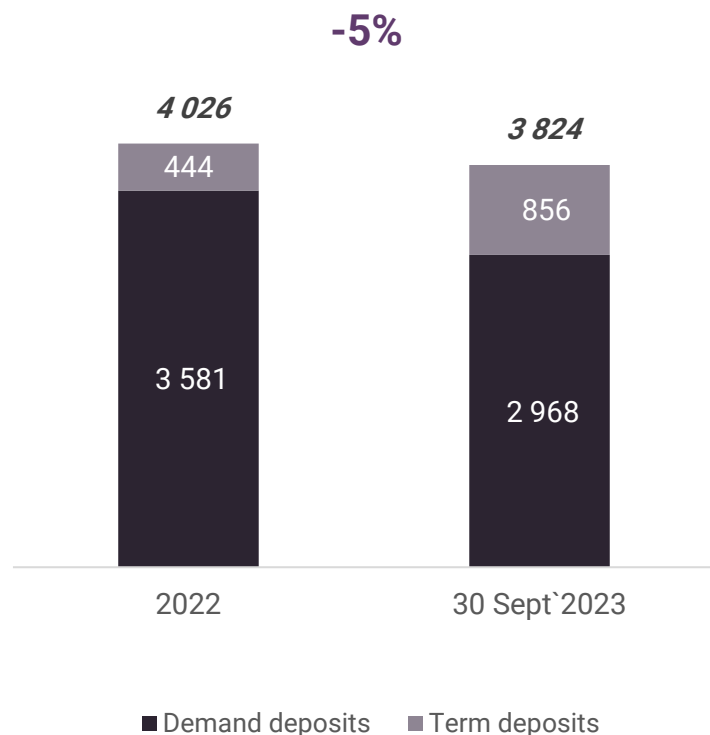
Stable Funding structure

Citadele

Deposits

30 Sept`23 vs. YE 2022

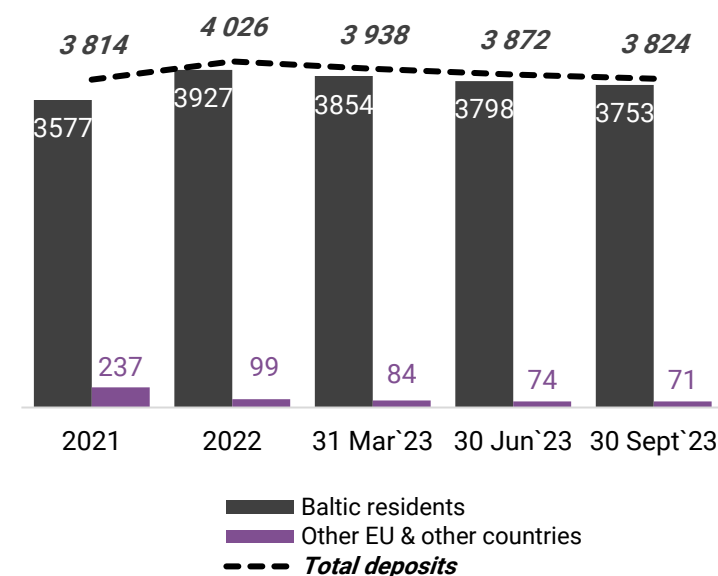
EURm



Domestic deposits – 98% of total

Q3`2023 vs. previous periods*

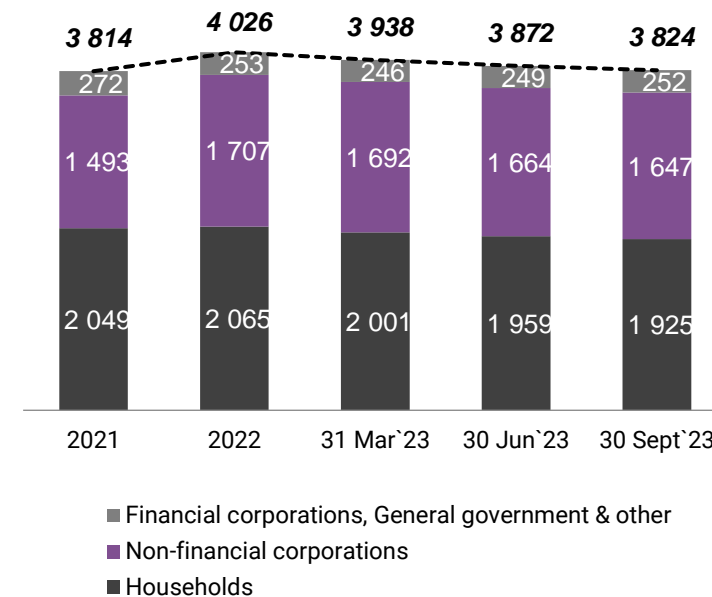
EURm



Deposits by customer profile

Q3`2023 vs. previous periods*

EURm



Comment

The main source of Citadele's funding, **customer deposits** of continuing operations, decreased by 5% to EUR 3 824 million in the 9 months ended 30 September, compared to year-end 2022 . Baltic domestic customer deposits formed 98% of total deposits or EUR 3 753 million (compared to 98% as of year-end 2022). This is consistent 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 – 2nd place in Latvia and in Lithuania
- ✓ NPS Mobile Apps – 2nd place in Latvia and Lithuania



Awards

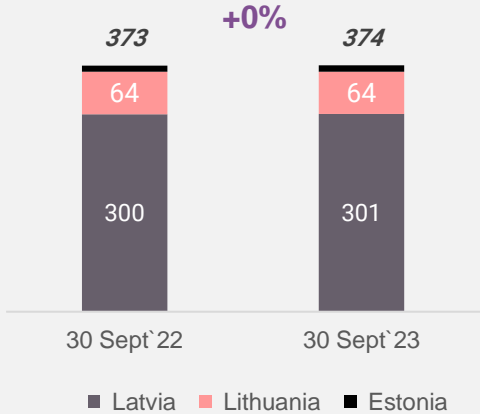
Citadele was announced as the bank with the best customer service in Latvia for the 7th time and TOP3 in Lithuania and Estonia.



Active customers

9M 2023 vs. 9M 2022

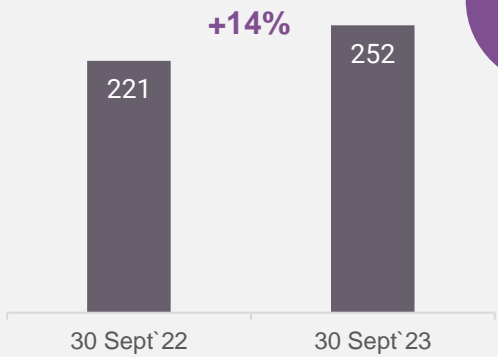
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Mobile App active users

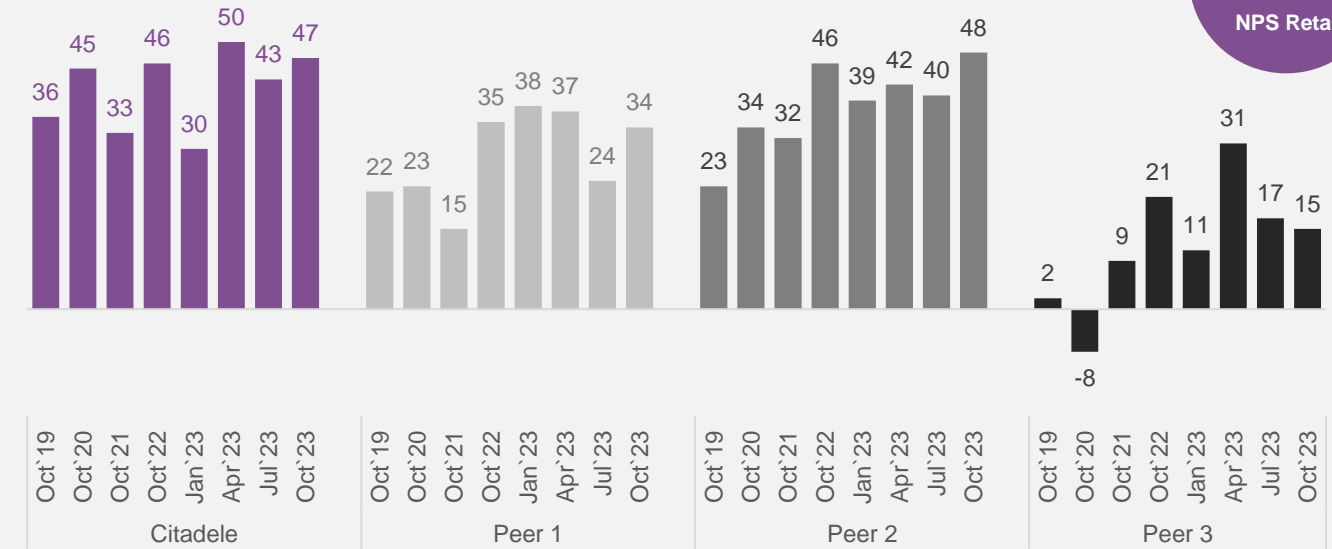
9M 2023 vs. 9M 2022

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LV 58 / LT 56
Mobile App NPS

Net Promoter Scores of individual banks in Latvia



LV 47 / LT 36
NPS Retail

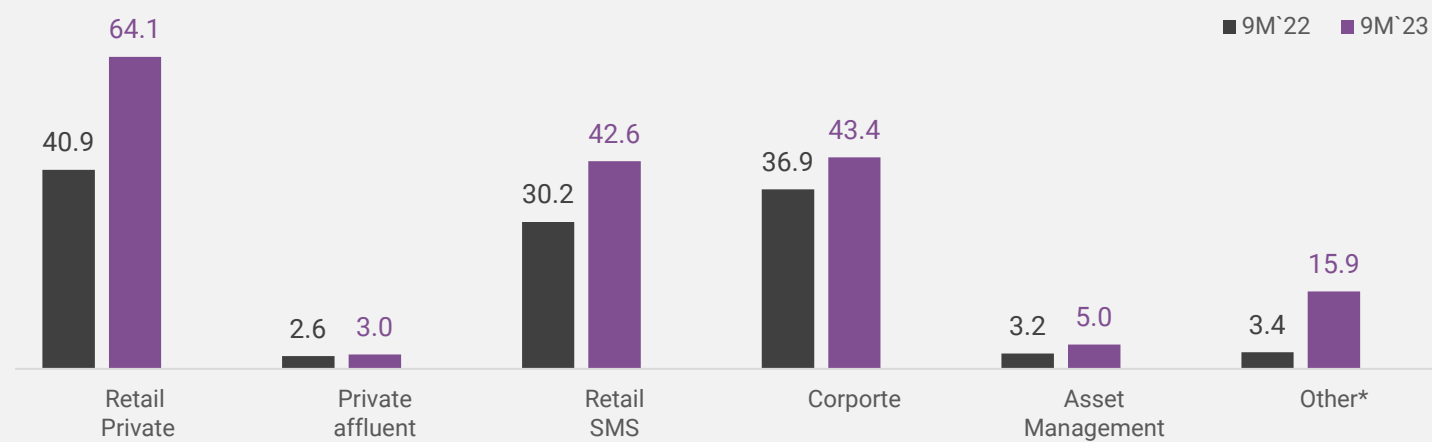
Segment overview

9M 2023	Retail Private	Private affluent	Private SME	Corporate	AM	Other*	Total
Net interest income	53.7	0.7	33.7	39.1	0.5	11.0	138.8
Net fee & commission income	11.2	2.0	7.3	3.5	4.4	0.6	29.0
Net financial and other income	-0.8	0.3	1.6	0.9	0.1	4.3	6.3
Operating income	64.1	3.0	42.6	43.4	5.0	15.9	174.1

Operating income by segment

9M`23 vs. 9M`22

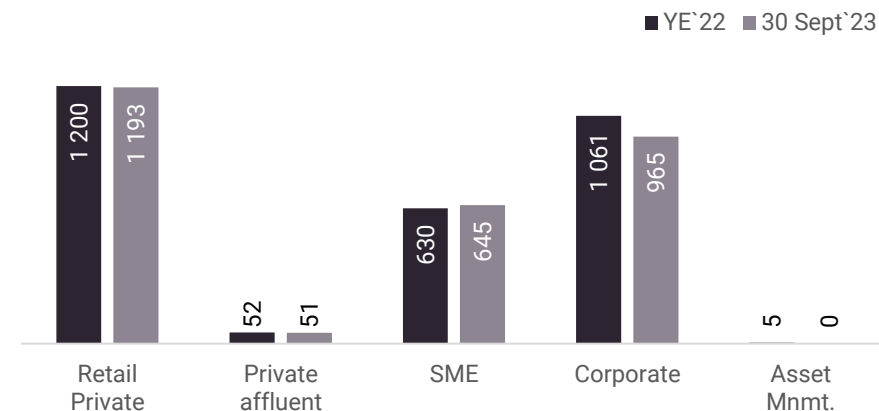
EURm



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

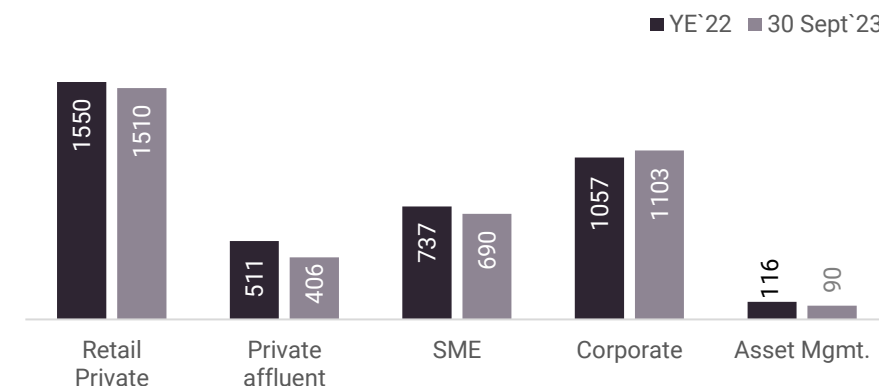
Loans

9M`23 vs. YE 2022, EURm



Deposits

9M`23 vs. YE 2022, EURm



Citadele

Medium Term Targets

Metrics	Targets	Commentary
Loan Growth	≥5%	Achieve at least 5% annual growth over the medium term
Customer Growth	≥5%	At least 5% annual growth in active customers over the medium term (including Klix)
Net Promoter Score	#1 Position >30pts	NPS above 30pts across the Baltics and #1 position in Latvia, Lithuania and Estonia
Cost to Income	<45%	Maintain cost to income ratio lower than 45%
Cost of Risk	<50bps	Maintain cost of risk target of less than 50bps over the cycle, reflecting the evolving business mix
RoAE	High teens <i>(on normalised capital base)</i>	Achieve a return on average equity in the high teens on an adequate capital base
CET1	≥16%	Maintain fully-loaded CET1 ratio of at least 16% over the medium term
Capital Returns	50% payout	<ul style="list-style-type: none">▪ Distribute dividends of 50% of the Group’s profits, inclusive of all relevant taxes, taking into account internal capital targets▪ Excess capital above CET1 target deployed into growth or inorganic M&A opportunities or considered for additional returns



Citadele

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