



AS Citadele Banka

Financial Results Presentation

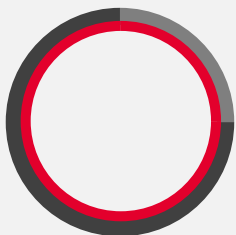
Q2 2024

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



74.2%
Ripplewood and co-investors

24.7%
EBRD

1.1%
Management and employees

Moody's rating

Baa2, positive

/25 January 2024⁽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 million subordinated bonds listed on Nasdaq Riga Stock Exchange Baltic Bond List.

2017

EUR 20 million 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 becomes the **100% owner of SIA UniCredit Leasing**. Following the acquisition Citadele's aggregate leasing portfolio exceeds EUR bn

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%).

2024

Moody's **affirms** Citadele's **Baa2 credit rating**, changing outlook to positive. Citadele completes a **x3 oversubscribed issuance** of EUR 20 million subordinated bonds.

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

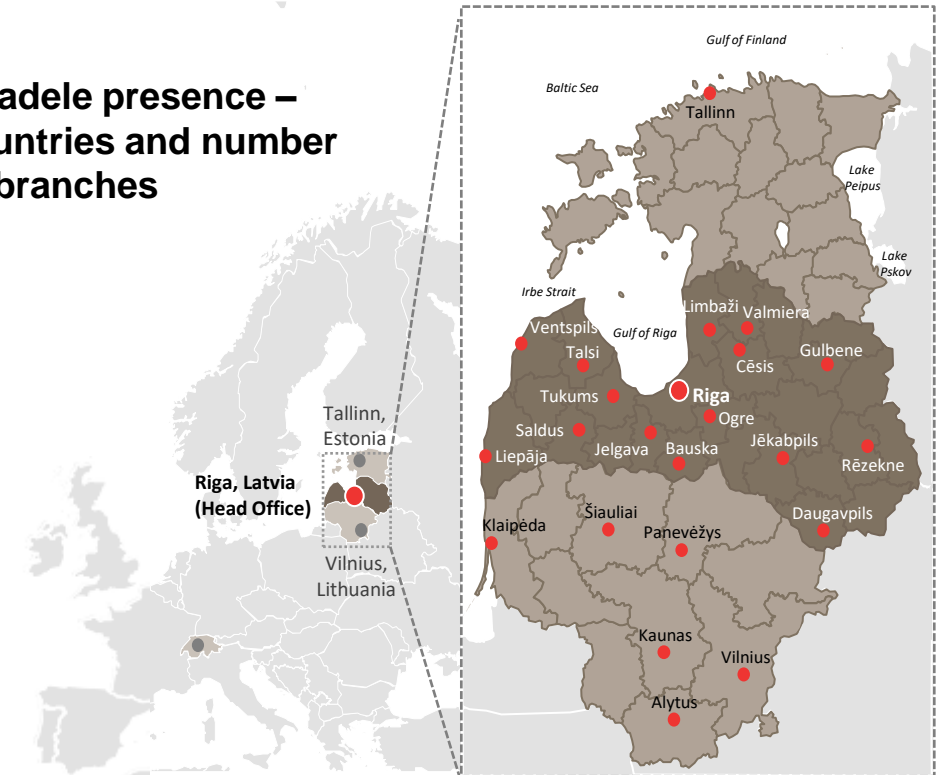
Large customers serviced in Latvia, Lithuania and Estonia. Yearly turnover of the customer is above EUR 5 million or total risk exposure with Citadele Group is above EUR 1 million or the customer needs complex financing solutions.

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 banka has 11 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch with 6 customer service units in Lithuania. Information about branches, client service centres and ATMs is available in the Citadele web page's section "Branches and ATMs". 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



386k
Active
Clients



89%
Active digital
channel users, %
of total customers



258k
MobileApp
users
(+2% 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.

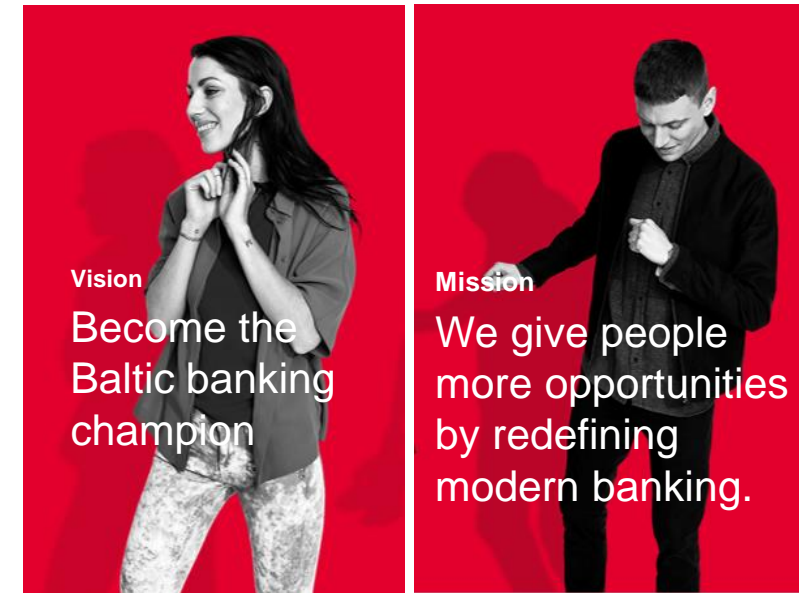
The strategy will be implemented using the following tactical steps:

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

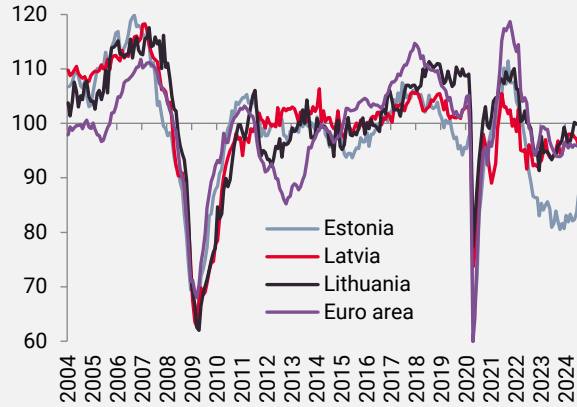
We see people first and add human touch to banking.

Core values

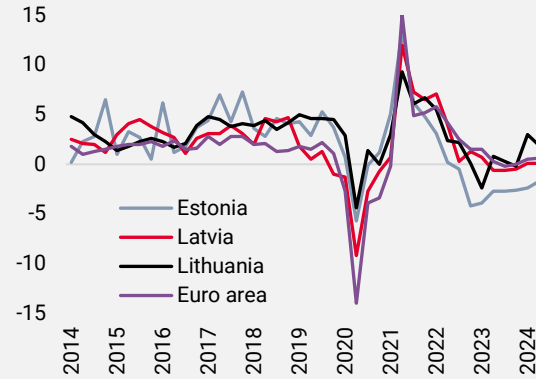
Citadele

Business environment

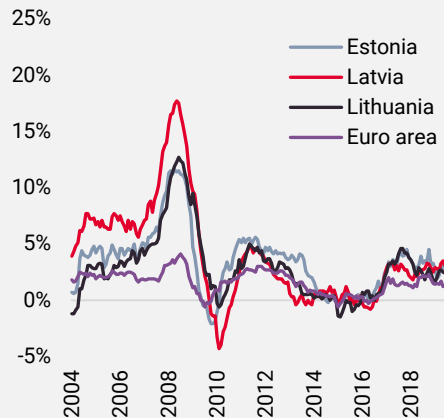
Economic sentiment indicator



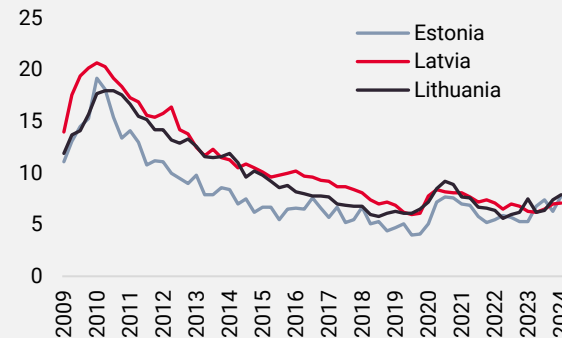
GDP (constant prices, % year-on year)



Inflation (% , year-on-year)



Unemployment rate (%)



The global economy continues to grow despite numerous risks and geopolitical tensions, with the economic outlook in the euro area gradually improving. In July 2024, inflation in the euro area declined to 2.6%, and the ECB began its rate-cutting cycle in June 2024. In the second quarter of 2024, GDP in the euro area grew by 0.6% compared to the same period in the previous year. Meanwhile, signs of economic weakness have emerged in the US, which could potentially undermine global economic growth.

Economic growth in the Baltics is improving, but the recovery remains slow. Preliminary estimates for Q2 2024 show that GDP in Latvia grew by 0.1% compared to Q2 2023, while it declined by 1.7% in Estonia and increased by 1.9% in Lithuania. Manufacturing in the Baltics remains in recession due to weak external demand, and high interest rates have reduced private sector construction activity. In Lithuania, retail sales have been rising since the end of 2023, driven by stronger wage growth compared to Baltic peers in recent years, while consumer demand in Estonia is weighed down by higher debt levels.

Despite weak economic growth, unemployment in the Baltics remains near historical lows, which continues to drive strong wage growth. In Q1 2024, the average wage in Latvia rose by 11% compared to the previous year, while wages increased by 10.3% in Lithuania and 8.8% in Estonia. Rising incomes are expected to contribute to stronger consumption growth going forward.

Key figures and events

- Citadele's operating income in H1 2024 reached EUR 116.1 million, representing a 2% increase year-over-year. Return on equity reached 19.8%, and the cost-to-income ratio (CIR) was 48.8%. Q2 2024 operating income was EUR 58.3 million, 1% increase quarter-over-quarter.
- Citadele's ambition for growth has materialized in H1 2024, as evidenced by the growing loan book. In H1 2024, the loan portfolio increased by 7% and reached EUR 3,049 million as of 30 June 2024. EUR 621 million was issued in new financing to support Baltic private, SME, and corporate customers in H1 2024. EUR 366 million were issued in Q2 2024, 43% increase quarter-over-quarter.
- The overall credit quality of the loan book was good. The Stage 3 loans to public gross ratio was 2.2% as of 30 June 2024, compared to 2.1% as of 31 December 2023.
- Citadele's deposit base totalled EUR 3,694 million as of 30 June 2024, reflecting a 4% decrease since year end 2023.
- Citadele's active customers increased by 2% y-o-y, reaching 386 thousand as of 30 June 2024. The number of active mobile app users reached 258 thousand, growing by 8% y-o-y. Active digital channel users accounted for 88.9% of total customers.
- Citadele continues to operate with adequate capital and liquidity ratios. The Group's CAR was 22.7%, CET1 was 19.7%, and the LCR was 170% as of 30 June 2024.
- As of 30 June 2024, Citadele had 1,378 full-time employees, of which 31 were associated with discontinued operations.
- In spite of some economic and geopolitical uncertainty, the bank continues to assess various strategic options, including the possibility of an IPO.

*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.

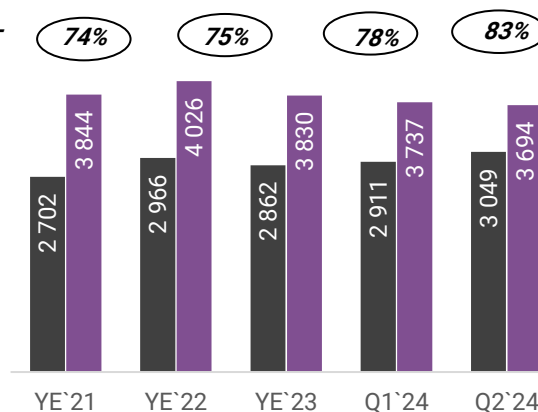
Continuous operations*

<i>EUR millions</i>	6m 2024	6m 2023	Q2 2024	Q1 2024
Net interest income	95.6	88.0	48.6	47.0
Net fee and commission income	17.2	21.0	8.3	8.9
Net financial and other income	3.3	4.7	1.4	1.9
Operating income	116.1	113.7	58.3	57.8
Operating expense	(56.6)	(48.9)	(28.9)	(27.7)
Net credit losses and impairments	7.0	3.7	4.1	2.9
Net profit from continuous operations (after tax)	50.9	64.5	25.4	25.6
Return on average assets (ROA)	2.2%	2.6%	2.2%	2.2%
Return on average equity (ROE)	19.8%	29.2%	19.2%	19.4%
Cost to income ratio (CIR)	48.8%	43.0%	49.6%	48.0%
Cost of risk ratio (COR)	(0.5%)	(0.2%)	(0.5%)	(0.4%)

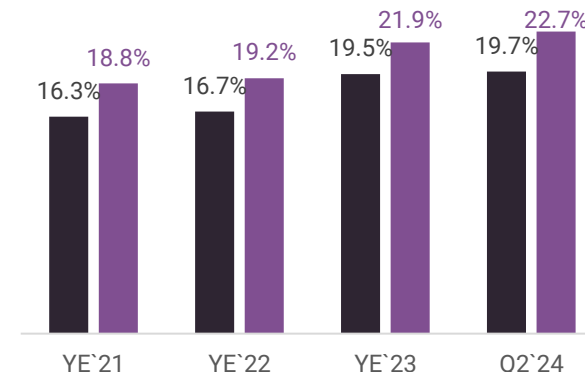
Loans to and deposits from the public

EURm

Loan-to-deposit ratio



CET1 and CAR ratios**



■ Loans ■ Deposits

■ CET1 ■ CAR

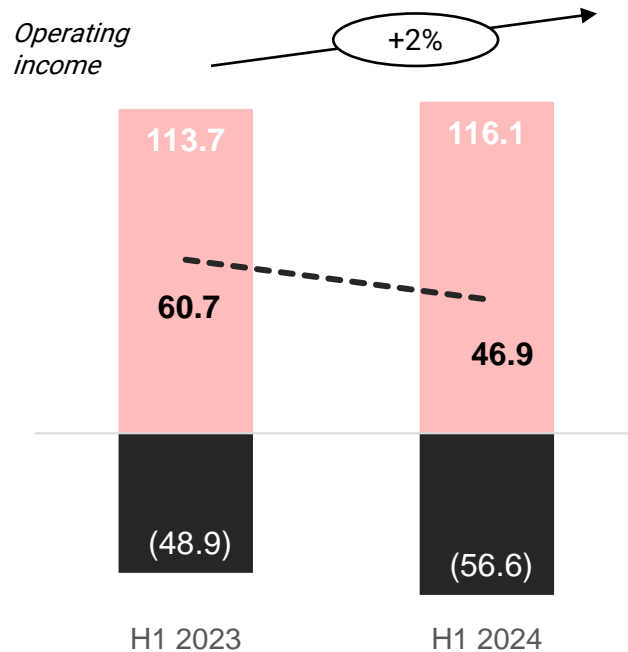
Financial Highlights



Financial result development

H1 2024 vs. H1 2023

EURm

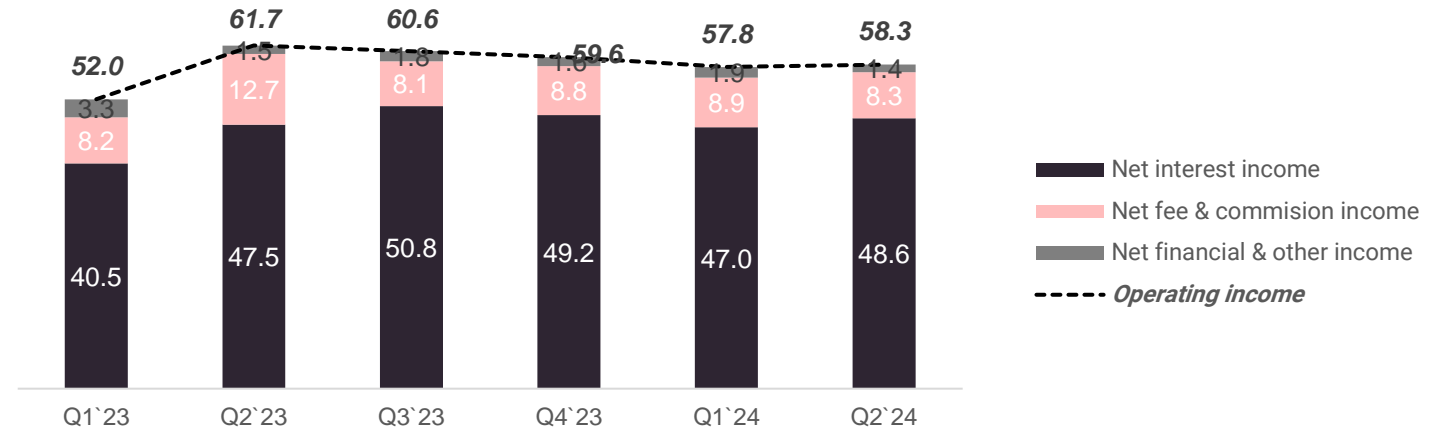


■ Operating income
■ Operating expense
--- Net profit

Operating income by revenue line

Q2`2024 vs. previous periods

EURm



■ Net interest income
■ Net fee & commission income
■ Net financial & other income
--- Operating income

Comment

Strong financial performance with **operating income** for Q2 2024 reaching EUR 58.3 million, as compared to EUR 57.8 million in Q1 2024. Operating income for the first half of 2024 totalled EUR 116.1 million, a 2% increase compared to the same period a year ago.

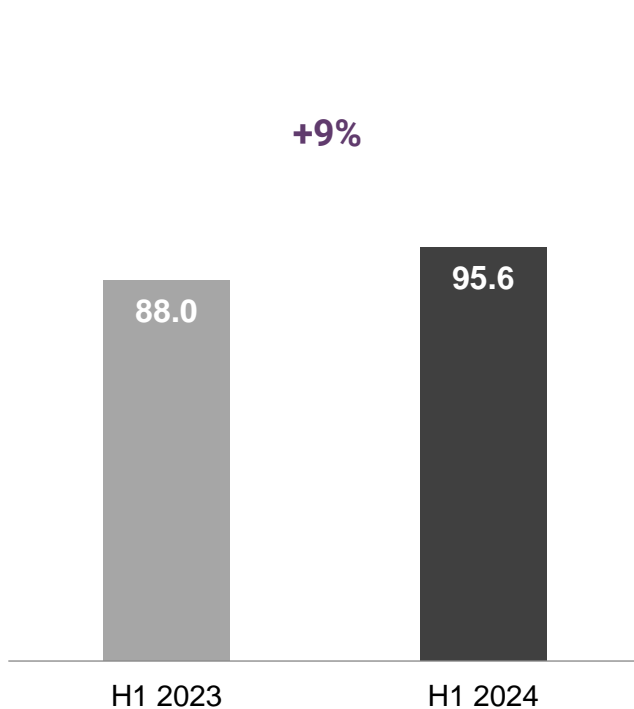
Net interest income



Net interest income

H1 2024 vs. H1 2023

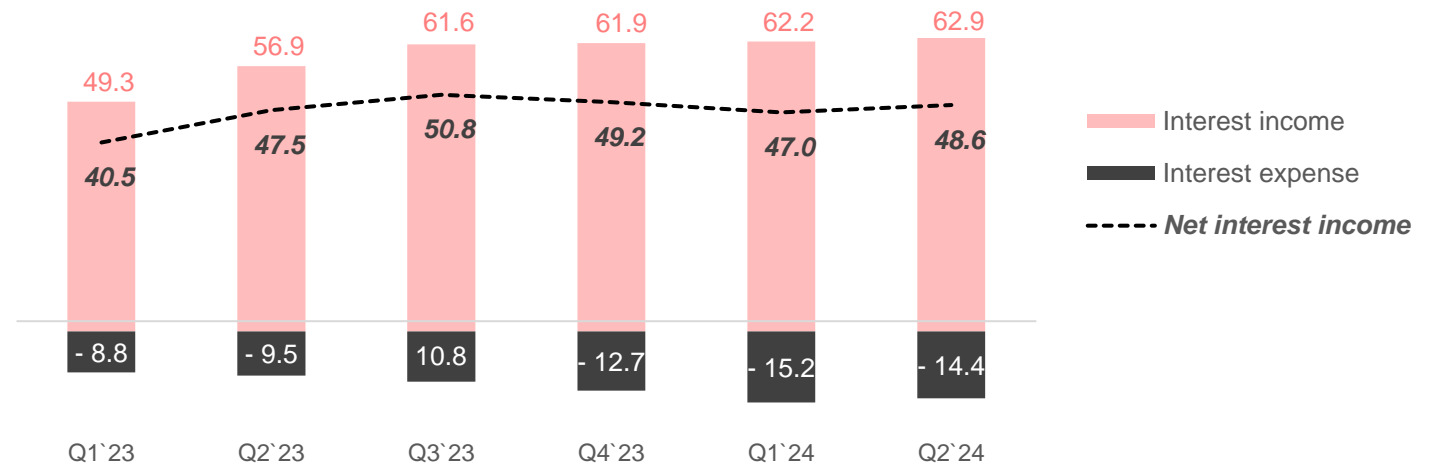
EURm



Net interest income development

Q2`2024 vs. previous periods

EURm



Comment

Strong **net interest income**, which reached EUR 48.6 million in Q2 2024 (EUR 47.0 million in Q1 2024). Net interest income for H1 2024 amounted to EUR 95.6 million, a 9% increase compared to H1 2023, mainly driven favourable interest rate environment and increase in loan book.

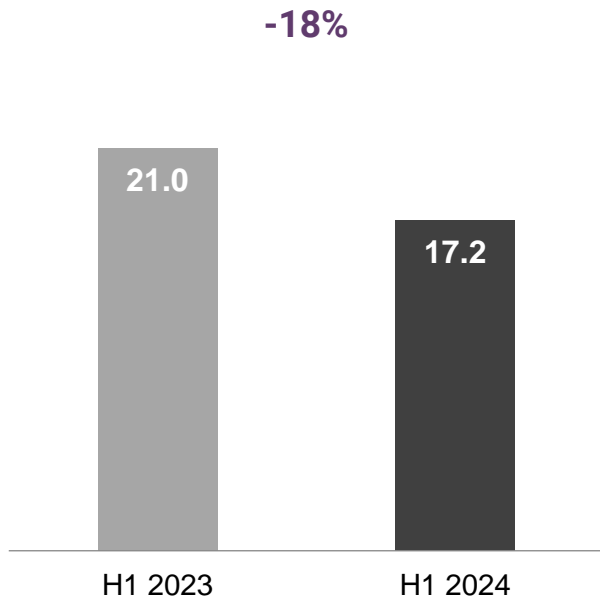
Net fee and commission income development



Net fees and commissions

H1 2024 vs. H1 2023

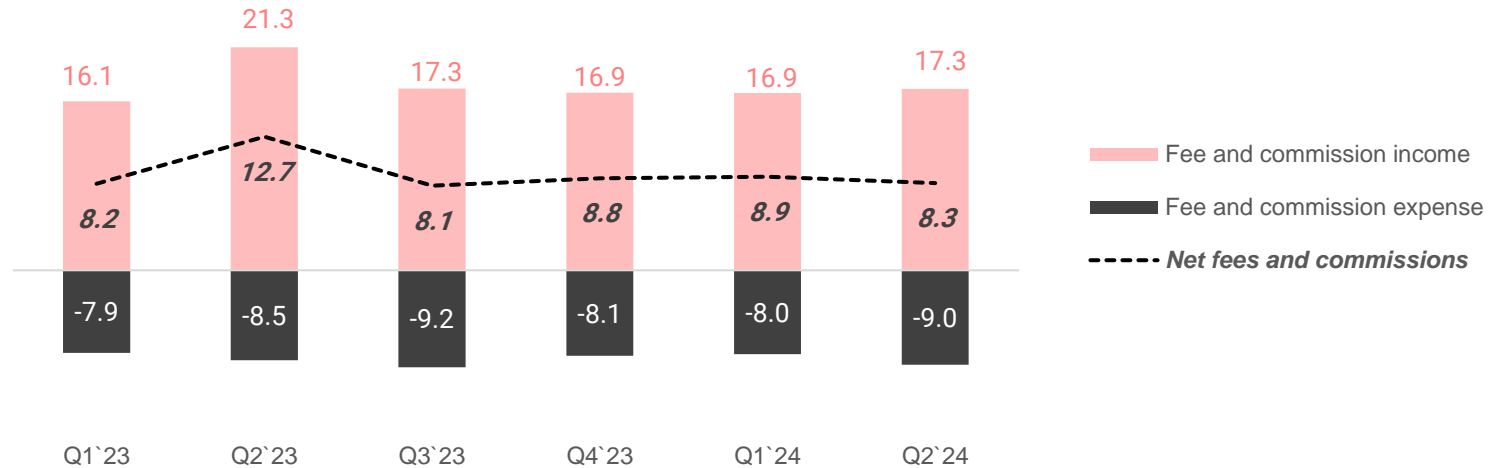
EURm



Net fee and commission income development

Q2`2024 vs. previous periods

EURm



Comment

The Group's **net fee and commission income** reached EUR 8.3 million in Q2 2024, decreasing by 7% quarter-over-quarter. Net fee and commission income for H1 2024 was EUR 17.2 million, an 18% decrease compared to H1 2023, mainly impacted by decrease in income from cards.

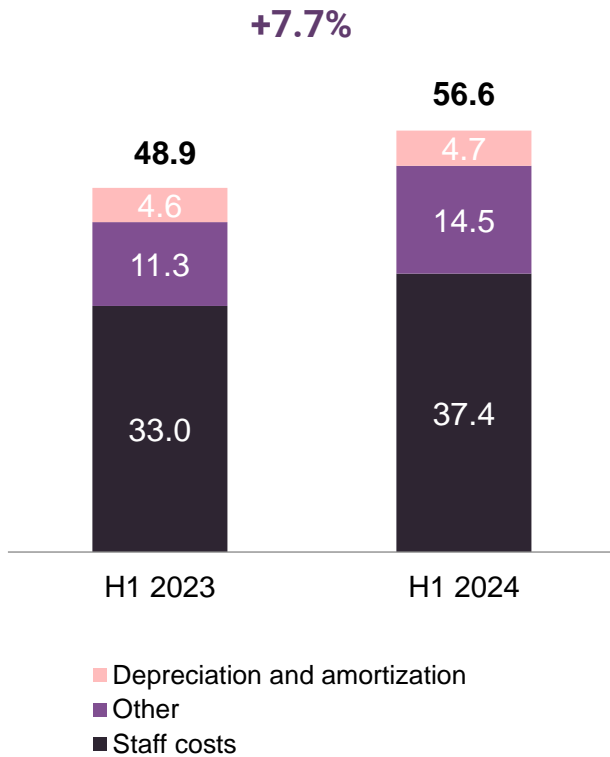
Operating expenses development



Operating expenses

H1 2024 vs. H1 2023

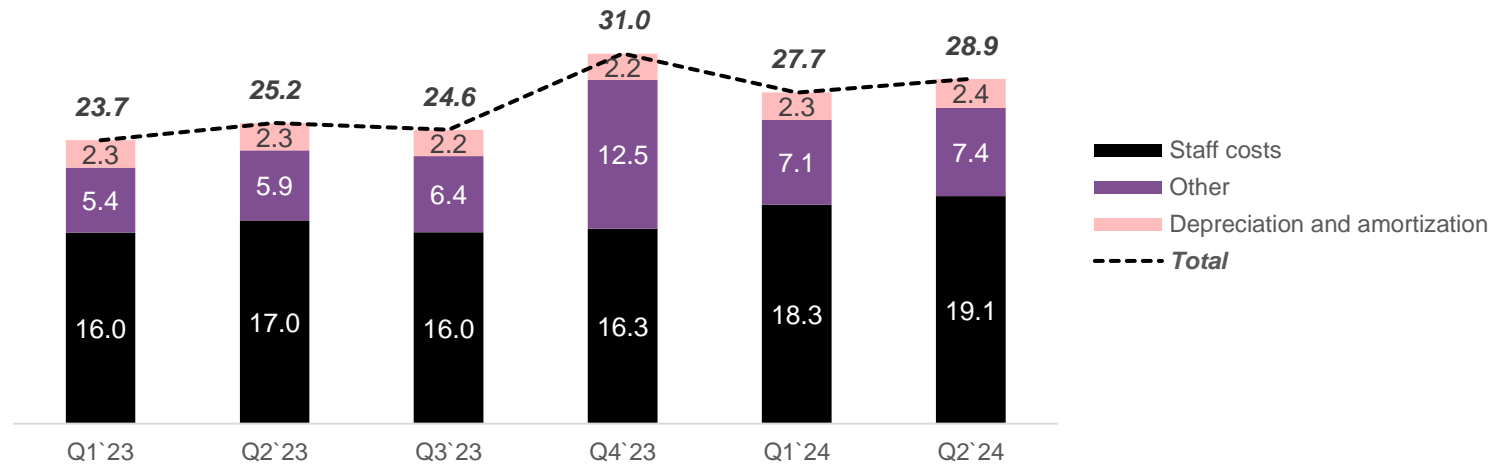
EURm



Operating expenses development

Q2`2024 vs. previous periods

EURm



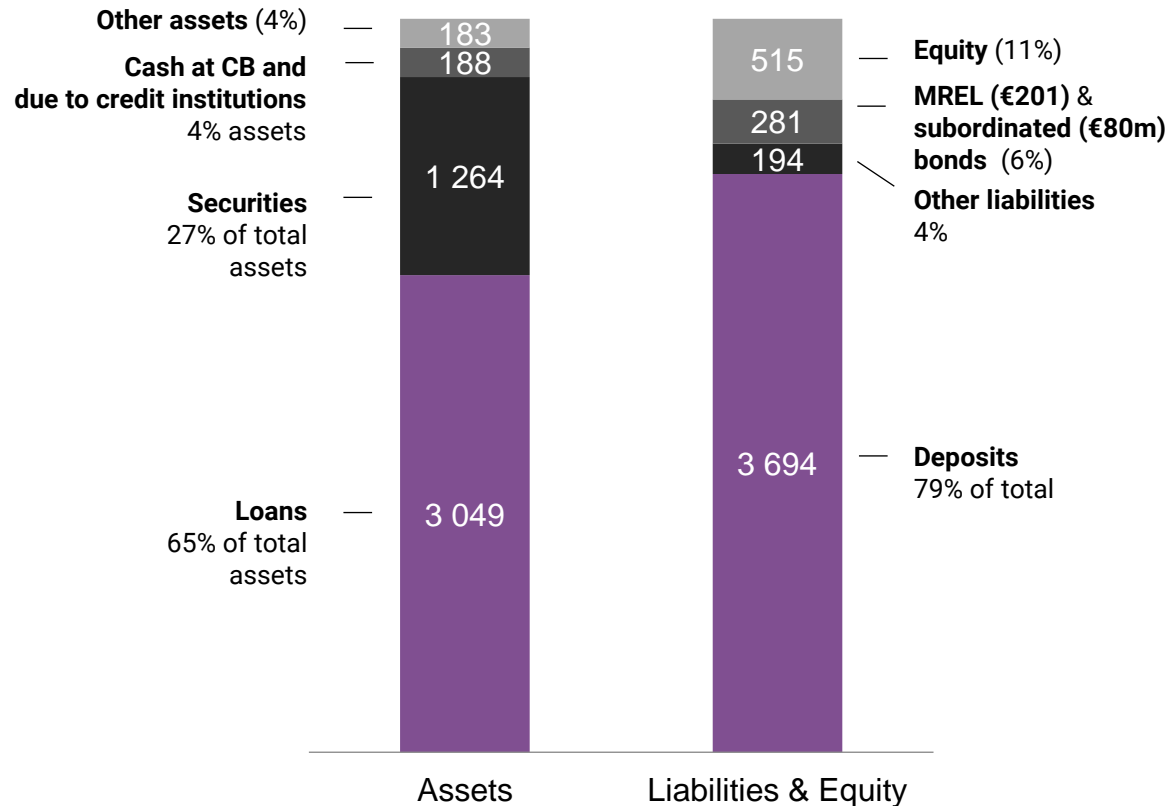
Comment

Operating expenses in Q2 2024 reached EUR 28.9 million, representing a 4% increase q-o-q. Operating expenses for the first half of 2024 totalled EUR 56.6 million, a 16% increase compared to the same period a year ago. **Staff costs** increased by 4% to EUR 19.1 million in Q2 2024. H1 2024 Staff costs were 37.4 million, 13% increase as compared to H1 2023. The number of full-time employees was 1,378 (2023: 1,329), of which 31 (2023: 28) were with discontinued operations. Other operating expenses were EUR 7.4 million, representing a 4% increase q-o-q, mainly driven by an 18% increase in consulting expenses and a 28% increase in advertising and marketing expenses, driven by new product launches and planned seasonal campaigns. Depreciation and amortization expenses stood at EUR 2.4 million, representing a 5% increase q-o-q. Other operating expenses for the first half of 2024 totalled EUR 14.5 million, as compared to EUR 11.3 million in H1 2023, mainly driven by 49% increase in consulting expenses and 39% increase in advertising and marketing expenses.

Stable asset quality and strong balance sheet



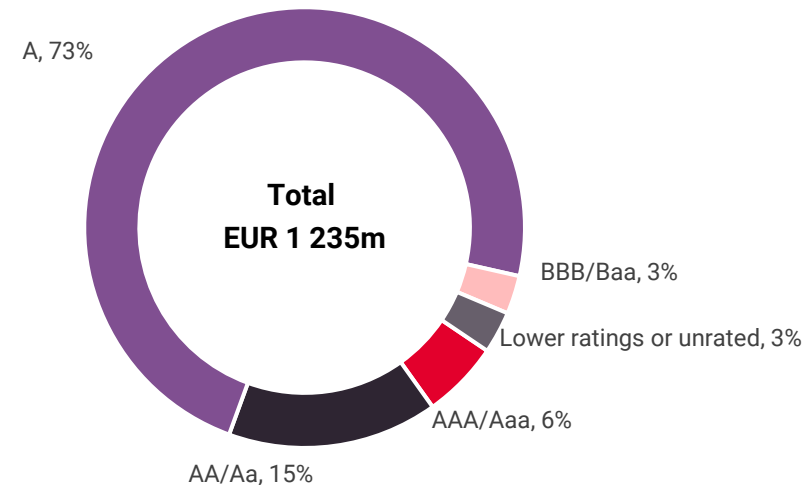
€4 684m Total assets | **€4 169m** Liabilities | **€515m** Equity



Securities

The Group's **securities portfolio** forms a part of its liquidity resources and in Q2 2024 increased by 1% vs. the year-end 2023. 94% of the securities portfolio consist of securities with a rating of A and higher. The largest changes were in AA/Aa rated bonds, which decreased by 34% or EUR 191 million since year end 2023.

Debt securities by credit rating grade



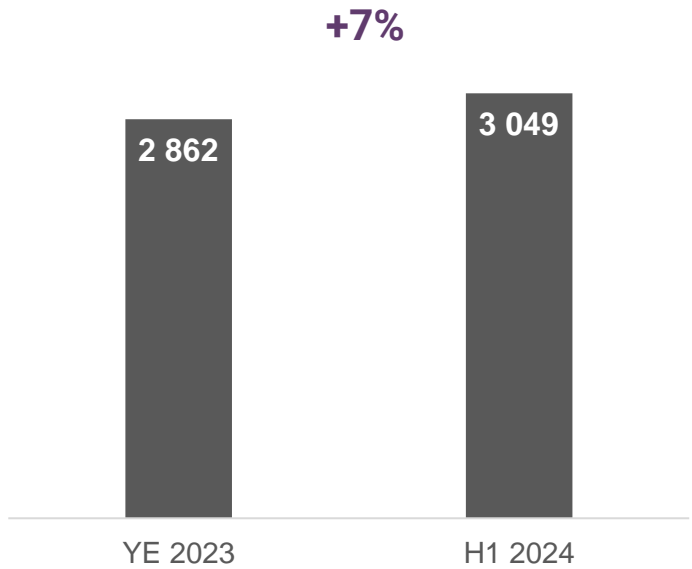
Balance sheet overview - loans



Loans

H1 2024 vs. YE 2023

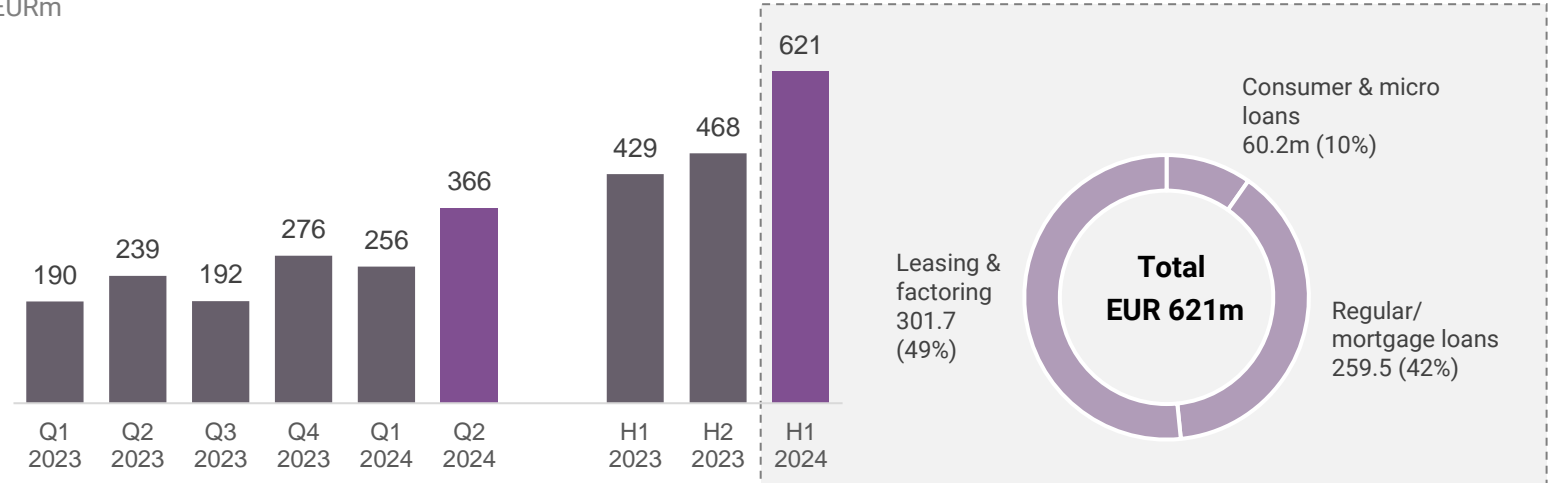
EURm



New financing

Q2 2024 vs. previous periods

EURm



Comment

The **net loan portfolio** was EUR 3 049 million as of 30 June 2024 (7% increase vs YE 2023). The overall credit quality of the loan book was good. **Stage 3 loans to public** gross ratio was 2.2% as of 30 June 2024 (31.12.2023: 2.1%). **New financing** in Q2 2024 totalled EUR 365.6 million, representing a 43% increase q-o-q, driven by improving macroeconomic conditions and interest rate expectations. EUR 120.8 million was issued to private customers (25% increase q-o-q), EUR 134.8 million to SMEs (18% increase q-o-q) and EUR 110.0 million to corporate customers (2.4 times more q-o-q). In terms of products, EUR 160.6 million was disbursed in regular or mortgage loans (62% increase q-o-q), EUR 169.7 million leasing and factoring (29% increase q-o-q) and EUR 35.5 million consumer and micro loans (42% increase q-o-q).

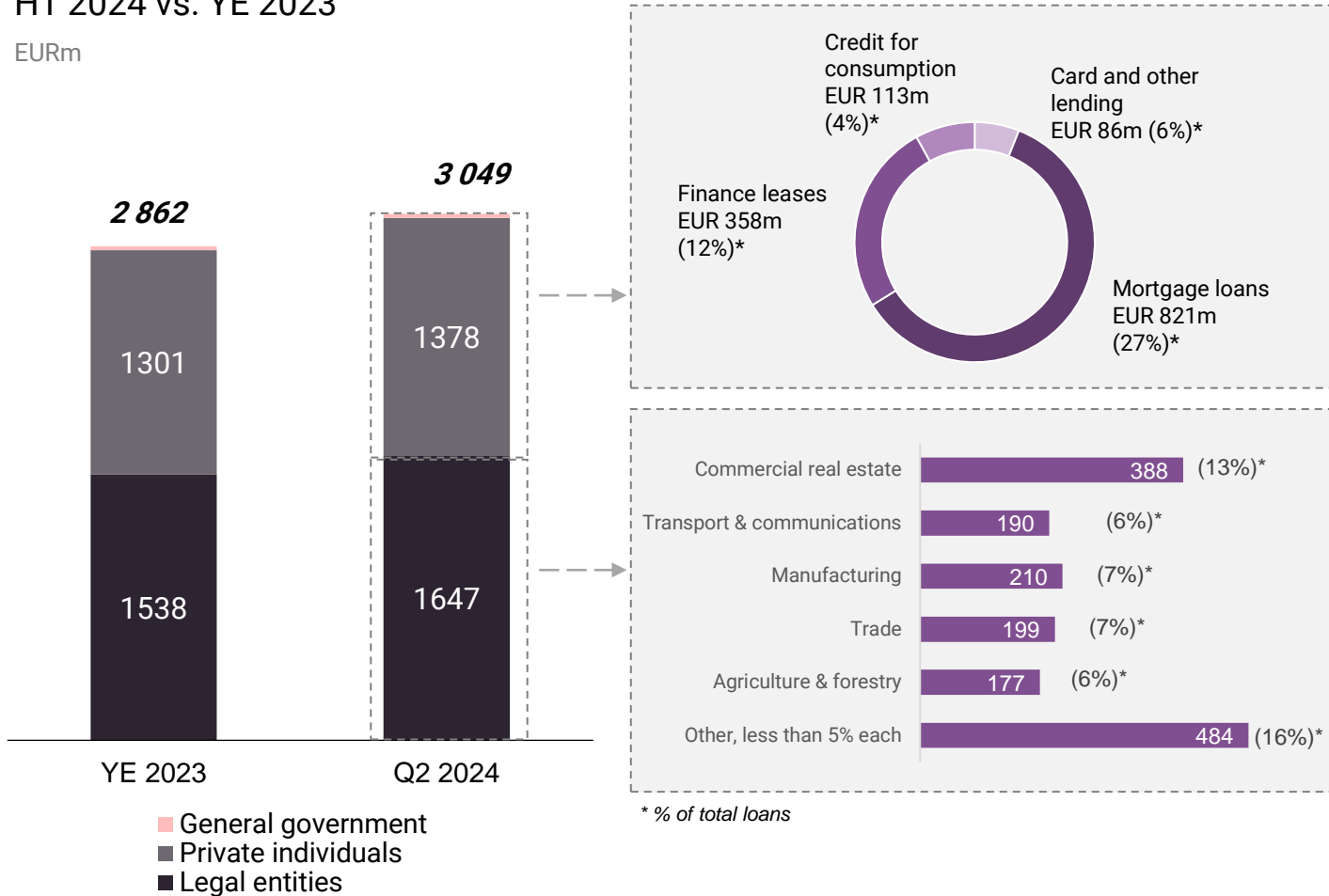
Balance sheet overview - loans



Gross loans by customer profile

H1 2024 vs. YE 2023

EURm



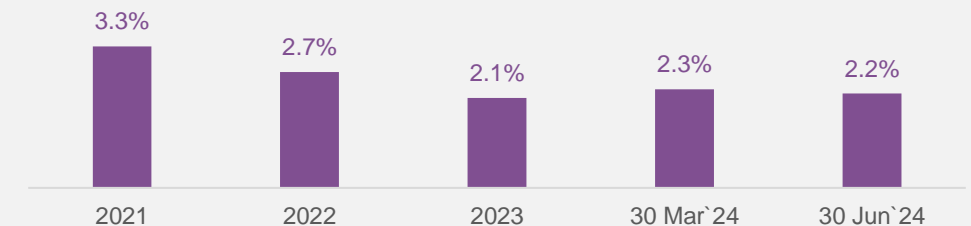
Loan portfolio's geographical profile

30 June 2024



Non-performing loans, % of total gross loans

30 June 2024 vs. previous periods



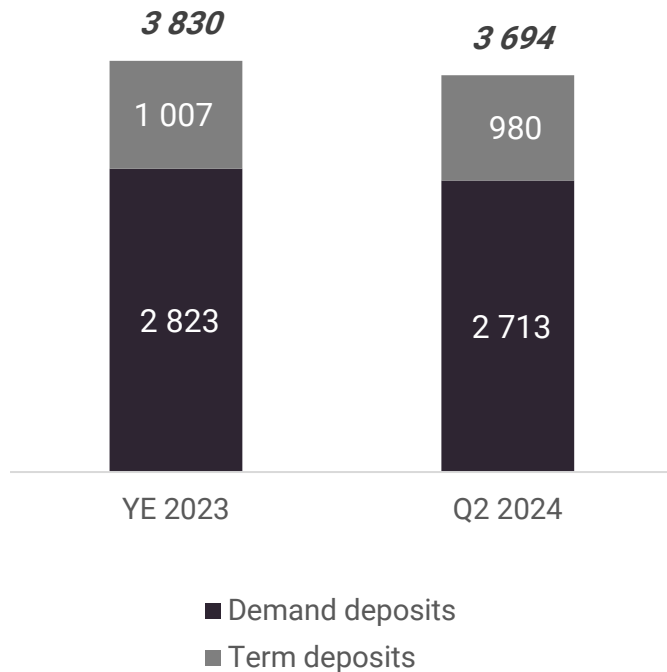
Stable funding structure



Deposits

H1 2024 vs. YE 2023

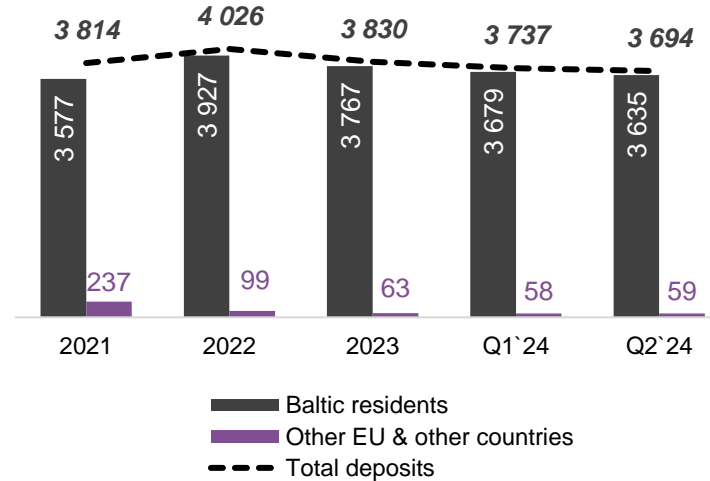
EURm



Domestic deposits – 98% of total

Q1 2024 vs. previous periods*

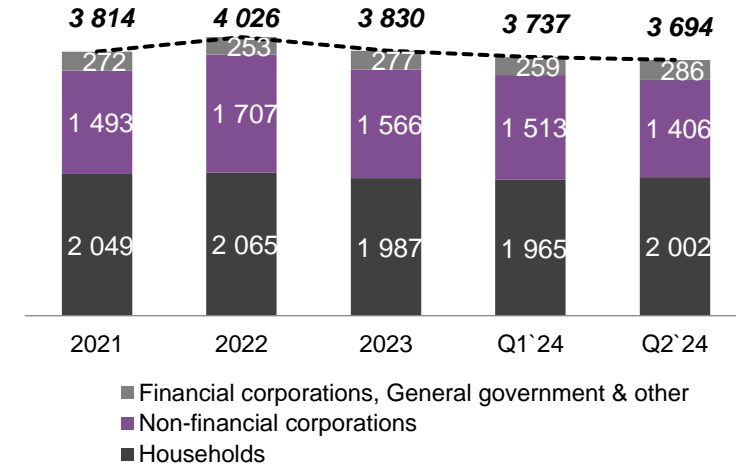
EURm



Deposits by customer profile

Q1 2024 vs. previous periods*

EURm



Comment

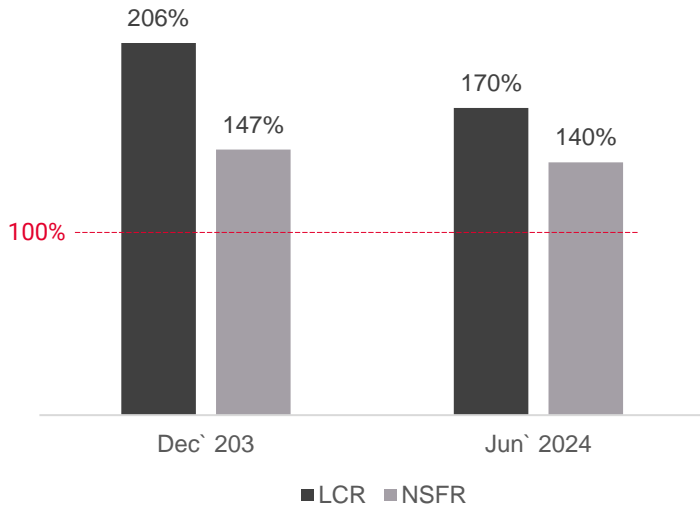
The main source of Citadele’s funding, **customer deposits** decreased by 4% to EUR 3,694 million in Q2 2024 compared to year-end 2023. Given the large cash position at the beginning of the year, as reflected by high LCR ratios, management has focused on the cost of funds. The outflow has helped stabilize the cost of funds while maintaining prudent LCR levels. Term deposits share out of total deposits stood at 27% as of 30 June 2024, as compared to 26% as of end of year 2023. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,635 million (compared to 98% as of year-end 2023).

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

Liquidity, capital and MREL



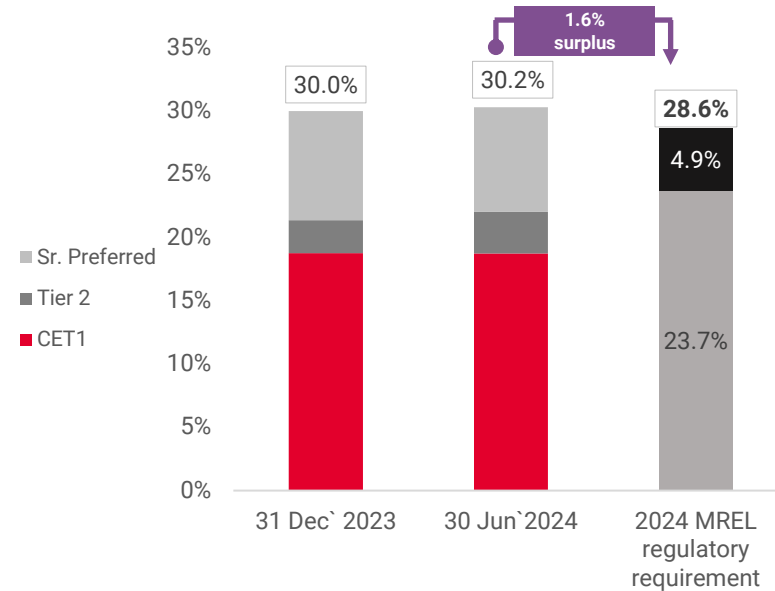
LCR and NSFR Q2 2024 vs. YE 2023



Comment

LCR and NSFR comfortably above minimum regulatory requirement of 100%.

MREL Q2 2024 vs. YE 2023

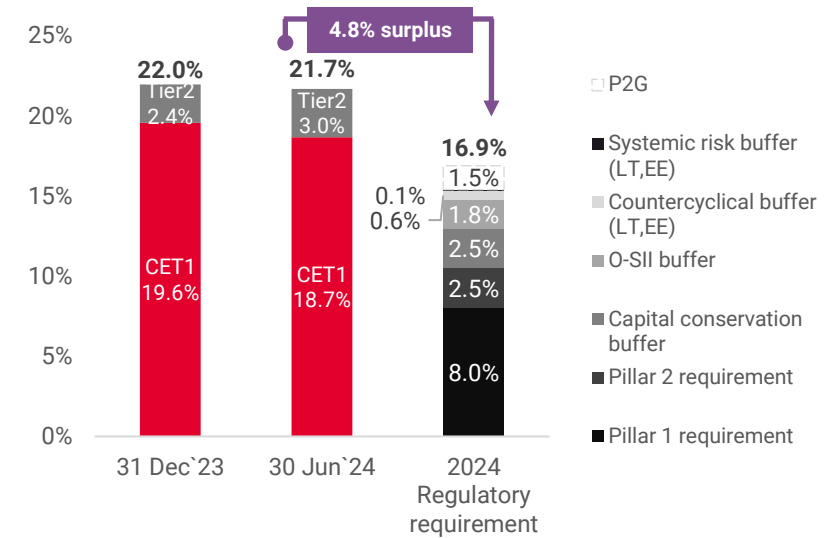


Comment

MREL requirement as of June 2024 was 23.70% of risk-weighted assets (RWA) or 5.91% leverage ratio exposure (LRE). A Combined Buffer Requirement (CBR) is maintained above the MREL-RWA requirement in compliance with the SRMR and BRRD regulations. The ratio as of 30 June 2024 was 30.2%, up by 0.2 percentage points since 31 December 2023.

Total capital adequacy ratio declined by 0.3 percentage points from December 2023 to June 2024 and remains comfortably above regulatory requirement.

Capital Q2 2024 vs. YE 2023



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 in Lithuania
- ✓ NPS Mobile Apps – 2nd place in Latvia and 3rd in Lithuania



Awards

1st place in Latvia and Lithuania, 2nd place in Estonia for servicing clients remotely

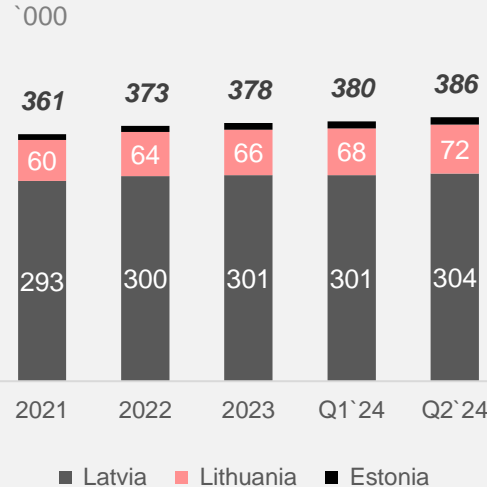
1st place in Latvia and 2nd place in Lithuania and Estonia for servicing clients in-person

Bank with the best customer service in Latvia



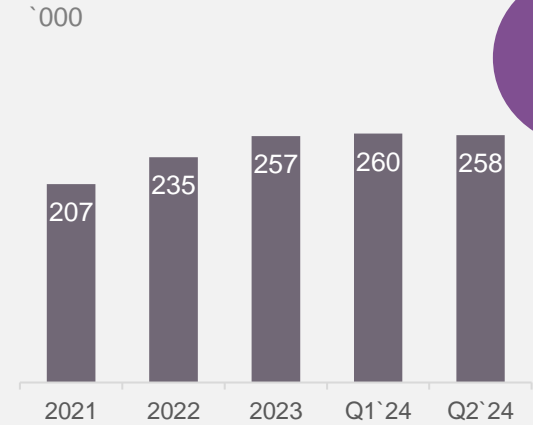
Active customers

Q2 2024 vs. previous years



Mobile App active users

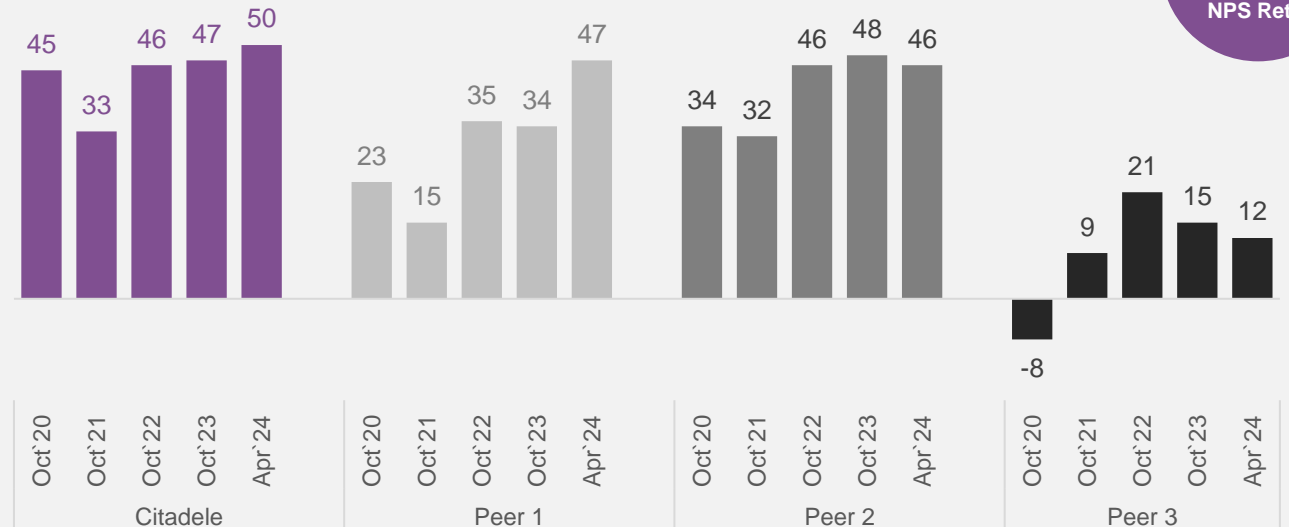
Q2 2024 vs. previous years



LV 58 / LT 51

Mobile App NPS

Net Promoter Scores of individual banks in Latvia



LV 50 / LT 35

NPS Retail

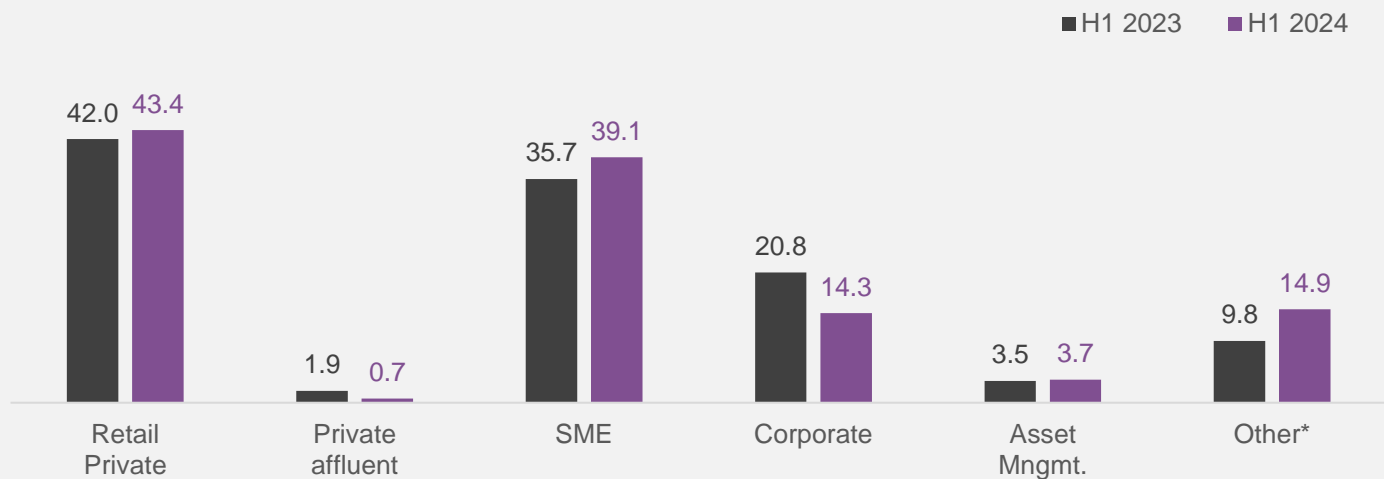
Segment overview

H1 2024, EURm	Retail Private	Private affluent	SME	Corporate	AM	Other*	Total
Net interest income	38.0	-0.6	32.9	13.4	0.2	11.7	95.6
Net fee & commission income	6.3	1.2	5.1	1.3	3.1	0.2	17.2
Net financial and other income	-0.9	0.1	1.1	-0.4	0.4	3.0	3.3
Operating income	43.4	0.7	39.1	14.3	3.7	14.9	116.1

Operating income

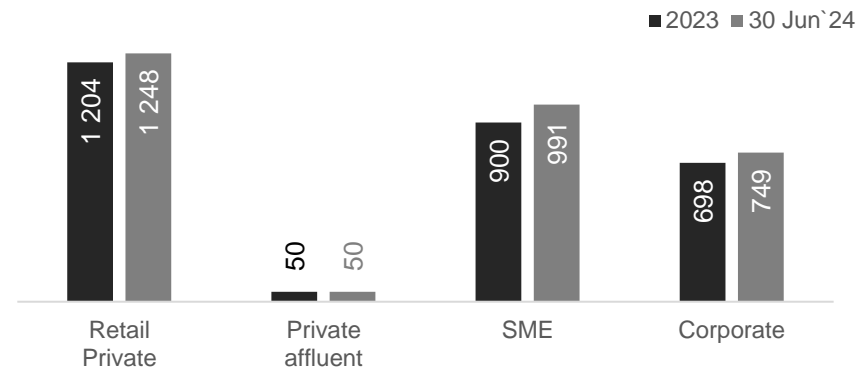
H1 2024 vs. H1 2023

EURm



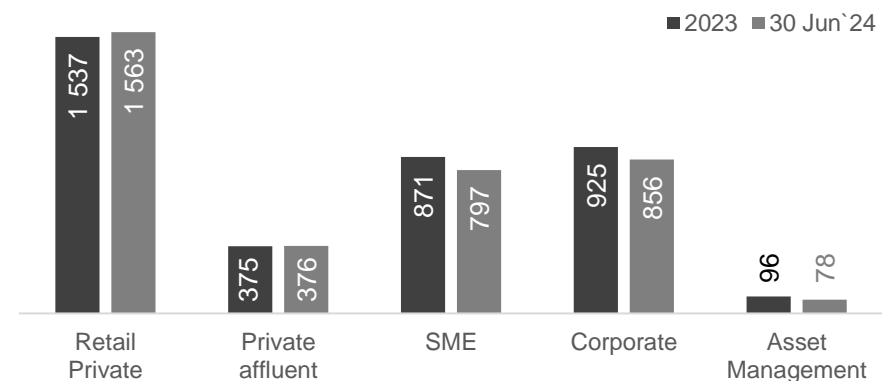
Loans

H1 2024 vs. YE 2023, EURm



Deposits

H1 2024 vs. YE 2023, EURm



Citadele

¹⁷ *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.

Medium Term Targets

Metrics	Targets	Commentary
Loan Growth	5-10%	Achieve at least 5-10% annual growth over the medium term
Customer Growth	5-10%	At least 5-10% 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% (or lower than 44% excluding extraordinary items)
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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