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**"Citadele Leasing" SIA
(previously "UniCredit Leasing" SIA)**

**Annual Report for 2021,
Prepared in Accordance with
Latvian Statutory Requirements**

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

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CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Information about the Company and the Group

Name of the Company	UniCredit Leasing (till 04.02.2021) Citadele Leasing (from 05.02.2021)
Legal status of the Company	Limited liability company
Number, place and date of registration	40003423085 Riga, 14 December 1998 Re-registered in Commercial Register 9 August 2004
Legal and business address	Republikas laukums 2A Riga, LV-1010 Latvia
Name and address of shareholder	UniCredit S.p.A (100%) (till 04.01.2021) Via A.Specchi 16 00186 Rome Italy AS Citadele Banka (100%) (from 04.01.2021) Republikas laukums 2A Riga Latvia
Names and positions of members of the Supervisory Board	Martin Klauzer - Chairman of the Supervisory Board (till 04.01.2021) Giovanni Battista Avanzi, Deputy Chairman of the Supervisory Board (till 04.01.2021) Manuela Pachoinig - Member of the Supervisory Board (till 04.01.2021) Marco Lotteri - Member of the Supervisory Board (till 04.01.2021) Giovanni Luigi Lucini - Member of the Supervisory Board (till 04.01.2021)
Names and positions of members of the Management Board	Girts Glāzers - Chairman of the Management Board (from 07.01.2022) Girts Glāzers - Member of the Management Board (from 07.01.2021 till 07.01.2022) Vaidas Zagunis - Member of the Management Board (from 07.01.2022) Valdis Vasiļevskis - Member of the Management Board (from 07.01.2021) Valdis Vasiļevskis - Valdes priekšsēdētājs (from 07.01.2021 till 12.05.2021) Laimonas Belickas - Member of the Management Board (till 07.01.2021) Veronica Tomasoni - Member of the Management Board (till 07.01.2021)
Financial year	1 January – 31 December 2021
Previous financial year	1 January – 31 December 2020
The Company's NACE code	6491 "Financial leasing"
Name and address of the auditors	KPMG Baltics AS Vesetas str. 7 Riga, LV -1013 Latvia

Report of the Management Board

Principal activities

SIA Citadele Leasing (hereinafter - the "Company") is a company of the Citadele Group with branches in Estonia and Lithuania, which has been offering a full range of leasing services to individuals and companies in the Baltic States for more than 20 years. In recent years, the company has become one of the leading players in the movable asset leasing business. Funding is provided to both individuals and legal entities.

Performance of the Company during the reporting year

As per January 4 SIA UniCredit Leasing and its subsidiary SIA UniCredit Insurance Broker have become part of the Citadele Group, completing the acquisition that was signed in December 2019. Since 5 February 2021 the Company has been renamed to SIA Citadele Leasing and SIA Unicredit Insurance Broker renamed to SIA CL Insurance Broker. Daily operations were successfully adjusted to ensure business continuity in the integration process with the Citadele Group. Continuing the successful development of the leasing product and providing the best customer and partner service in the Baltics, the company promoted the growth of the local economy. In order to support private individuals, small and medium-sized enterprises that want to use environmentally friendly solutions, the Company continued to support the transition to "green assets" by offering more favorable financing conditions to customers. The Company's total assets amounted to EUR 891.5 million. The Company's profitability improved, with net profit rising to 13.98 million. EUR.

Financial risk management

The main financial risks related to the Company's financial risk are liquidity risk and credit risk. The Company adheres to prudent liquidity risk management, ensuring that adequate financing is available for the execution of leasing transactions, as well as for the fulfillment of liabilities within agreed payment schedules.

The Company is exposed to credit risk related to its customers debts. The Company controls its credit risk by constantly assessing the customers' solvency and granting financing based on the customer risk profile. The Company continuously monitors changes in the quality of the leasing portfolio to reduce the possibility of bad debts. The Company applies a conservative and prudent credit policy, which is based on the developed credit policy and guidelines for credit risk management.

Regulatory requirements

Company regularly improves its AML/compliance and risk management methodologies, and Company's management and responsible unit heads regularly communicate to its employees about credit risk appetite level and "zero tolerance" policy towards any potential money-laundering and terrorist financing cases, thus setting "tone from the top".

The future development of the Company and operations of branches

The Company plans to further strengthen its position and significantly increase its market share in the Baltic leasing market, continuing the successful development of the leasing product and ensuring the best customer and partner service in the Baltics. The company will continue to expand the range of digital solutions available to its customers.

Distribution of profit proposed by the Management Board

The Board encourages its shareholders to approve the financial statements for the reporting year, according to which the Company's total assets are EUR 891 546 441 and net profit is EUR 13 982 936, respectively. The Board recommends leaving the profit for the year undistributed.

Girts Glāzers
Chairman of the Management Board

Vaidas Žagūnis
Member of the Management Board

The financial statement has been signed with a secure electronical signature which contains a timestamp.

Riga, 07 April 2022

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

COMPANY'S INCOME STATEMENT FOR THE YEAR ENDED

	Notes	Company 2021 EUR	Company 2020 EUR
Interest, fee and rental income	1	33 973 192	33 889 510
Interest expense	2	(13 673 854)	(3 687 085)
Depreciation of fixed assets under operating lease	9	(1 577 457)	(1 057 473)
Gross profit		18 721 881	29 144 952
Change in allowance for doubtful receivables	15	5 307 455	(18 798 558)
Personnel expenses	3	(6 715 739)	(6 088 085)
Other operating income	4	1 311 833	1 218 995
Other operating expense	5	(1 183 601)	(986 876)
General administrative expenses	6	(2 766 222)	(2 685 388)
Net profit/(loss) on foreign exchange		(296)	(4 636)
Profit before tax		14 675 311	1 800 404
Income tax expense	7	(575 798)	(1 414 935)
Profit after corporate income tax		14 099 513	385 469
Deferred income tax expense	7,23	(116 577)	(56 568)
Profit for the year		13 982 936	328 901

The accompanying notes on pages 10 to 37 are an integral part of the financial statements.

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The financial statements on pages 5 to 37 has been authorized for issue by the Management Board on 07 April 2022 and signed on their behalf by:

Ģirts Glāzers
Chairman of the Management Board

Vaidas Žagūnis
Member of the Management Board

Prepared by:

Artjoms Nurmuhamatovs
Chief Accountant

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

COMPANY'S BALANCE SHEET

	Notes	Company 2021 EUR	Company 2020 EUR
Assets			
Non-current assets			
Intangible assets	8	1 601 252	1 320 900
Fixed assets:			
Fixed assets for own use	8	237 080	468 127
Rights of use assets	8	293 092	853 480
Fixed assets under operating lease terms	9	7 595 308	9 198 681
Total fixed assets		8 125 480	10 520 288
Non-current financial investments			
Investment in subsidiary	11	15 080	15 080
Non-current investment in finance leases	12, 14a	599 725 817	551 839 019
Non-current loans	13, 14a	13 183 750	18 742 823
Total long-term financial investments		612 924 647	570 596 922
Deferred tax asset	23	-	116 577
Total non-current assets		622 651 379	582 554 687
Current assets			
Debtors			
Trade receivables	14, 14a	7 972 576	7 379 904
Other receivables from affiliated companies	17	2 947	5 721
Other receivables	18	2 878 490	1 921 585
Tax assets		1 124 289	1 544 165
Other assets	19	69 009	81 480
Prepaid expenses	12, 14a	250 468 887	229 684 192
Short-term investments in finance leases	13, 14a	5 883 011	6 522 672
Short-term loans		268 399 209	247 139 719
Total debtors	20	495 853	23 347 022
Cash and bank		268 895 062	270 486 741
Total current assets			
Total assets		891 546 441	853 041 428

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CITADELE LEASING SIA ANNUAL REPORT FOR 2021

COMPANY'S BALANCE SHEET

	Notes	Company 2021 EUR	Company 2020 EUR
Liabilities and shareholders' equity			
Equity			
Share capital	21	15 569 120	15 569 120
Reserves	21	637 447	637 447
Accumulated profit		40 297 991	26 315 055
Total equity		56 504 558	42 521 622
Provisions			
Total provisions	22	640 342	930 034
Liabilities			
Non-current liabilities			
Loans from affiliated companies	26	-	233 585 665
Loans from credit institutions	29	-	32 363 902
Lease liabilities	25	209 352	592 189
Deferred income	28	695 811	983 813
Total non-current liabilities		905 163	267 525 569
Current liabilities			
Trade payables	24	19 276 730	11 519 081
Short term lease liabilities	25	83 741	277 788
Short-term loans and accounts payable to affiliated companies	27	810 190 924	517 193 853
Short-term loans and accounts payable to credit institutions	29	-	9 912 624
Taxes and social insurance contributions		320 024	605 537
Other payables		117 112	367 894
Accrued liabilities	30	773 098	472 934
Deferred income	28	329 882	345 928
Customer advances received		2 404 867	1 368 564
Total current liabilities		833 496 378	542 064 203
Total liabilities		834 401 541	809 589 772
Total provisions, liabilities and shareholders' equity		891 546 441	853 041 428

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CITADELE LEASING SIA ANNUAL REPORT FOR 2021

COMPANY'S STATEMENT OF CASH FLOWS

	Notes	Company 2021 EUR	Company 2020 EUR
Cash flows from / (used in) operating activities			
Profit before taxation		14 675 311	1 800 404
<u>Adjustments for:</u>			
Depreciation of fixed assets for own use and equipment under operating lease terms and amortisation of intangible assets	8,9	2 238 637	1 474 273
Depreciation of right-of-use assets	8	227 513	496 508
Increase (decrease) of other provisions	22	(289 692)	(767 696)
Interest and similar expenses	2	13 673 854	3 687 085
Loss/(profit) from write offs of fixed assets for own use		121 118	25 361
Expenses from sale of fixed assets of operating leasing agreements		507 433	-
Loss/(profit) from write offs of rights to use leased assets		653 881	36 613
Cash from operating activities before changes in working capital		31 808 055	6 752 548
<u>Adjustments for:</u>			
Decrease / (increase) in trade receivables		(1 114 456)	1 466 065
Increase / (decrease) in trade and other payables		8 462 933	1 269 038
(Increase) in net investment in finance leases and loans		(62 472 759)	20 378 938
Total cash used in operating activities		(23 316 227)	29 866 589
Corporate income tax paid		(873 407)	(1 252 696)
Net cash used in operating activities		(24 189 634)	28 613 893
Cash flows (used in)/from investing activities			
Purchase of fixed assets for own use and leasehold improvements	8	(367 377)	(190 305)
Purchase of intangible assets	8	(785 231)	(579 190)
Purchase of fixed assets under operating lease	9	(1 107 505)	(8 636 036)
Proceeds from sale of fixed assets for own use and leased out under operating lease		625 987	988 982
Net cash flow (used in) investing activities		(1 634 126)	(8 416 549)
Cash flows from financing activities			
Repayment of lease liabilities		(219 644)	(503 381)
Loans received		810 152 101	330 164 566
Loans repaid		(793 267 059)	(358 739 961)
Profit distribution		-	(8 800 000)
Interest paid		(13 692 807)	(3 700 040)
Net cash from financing activities		2 972 591	(41 578 816)
Net increase in cash and cash equivalents		(22 851 169)	(21 381 472)
Cash and cash equivalents at the beginning of reporting year	20	23 347 022	44 728 494
Cash and cash equivalents at the end of reporting year	20	495 853	23 347 022

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Artjoms Nurmuhmatovs
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CITADELE LEASING SIA ANNUAL REPORT FOR 2021

COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital EUR	Reserves EUR	Retained earnings EUR	Company Total EUR
Balance as at 31 December 2019	15 569 120	637 447	25 986 154	42 192 721
Net profit for the year	-	-	328 901	328 901
Balance as at 31 December 2020	15 569 120	637 447	26 315 055	42 521 622
Net profit for the year	-	-	13 982 936	13 982 936
Balance as at 31 December 2021	15 569 120	637 447	40 297 991	56 504 558

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Member of the Management Board

Prepared by:

Artjoms Nurmuhamatovs
Chief Accountant

Notes to the Financial Statement

GENERAL INFORMATION

SIA Citadele Leasing (hereinafter - the Company), registered in Republikas laukums 2A, Riga, LV-1010, Latvia. The Company was registered in the Register of Enterprises of the Republic of Latvia on December 14, 1998 under No. 40003423085 and re-registered in the Commercial Register on August 9, 2004. On February 4, 2021, the legal name of SIA UniCredit Leasing was changed to SIA Citadele Leasing. The main activity of the Company is the provision of leasing services. According to NACE RED.2 classification 64.91 financial leasing.

The sole shareholder of the Company is AS Citadele banka, which owns 100% of the Company's share capital. AS „Citadele banka”, registered in Republikas laukums 2A, Riga, LV-1010, Latvia, prepares the consolidated annual report, where the Company is included as its subsidiary.

A copy of the Citadele consolidated annual report, on condition that it is available, can be obtained from the Register of Enterprises of the Republic of Latvia or on the Internet, where it is publicly available at <https://www.cblgroup.com/lv/investors/financial-reports/>.

As at 31 December 2021, the Company is a Citadele Group company that has been operating in the Latvian market since 1998 and offers asset financing products (financial and operating leases) to customers in Latvia, Estonia and Lithuania.

As at 31 December 2020, the Company's shareholding is held by UniCredit S.p.A., which owns 100% of the shares. As at 31 December 2020, control of the Company was vested in the listed company UniCredit S.p.A.

On January 4, 2021, following the transaction between AS Citadele banka and UniCredit SpA, AS Citadele banka became the owner of 100% of SIA Citadele Leasing in the Baltics, including its subsidiary SIA CL Insurance Broker, upon completion of the acquisition process initiated in December 2019. As at 31 December 2021, 100% control of the Company over the Company belongs to AS Citadele banka.

BASIS OF PREPARATION

Statement of compliance

The financial statement has been prepared in accordance with the Laws of the Republic of Latvia On Accounting and On the Annual Financial Statements and Consolidated Financial Statements.

In 2021 and 2020 the Company applied the derogation provided in the Law On the Annual Financial Statements and Consolidated Financial Statements allowing to apply certain IFRS/IAS, if that results in improved reporting. The Company has applied IAS 12, IFRS 9, IFRS 16.

The financial statements were authorized for issue by the Board of Management on 05 April 2022. The shareholders have the power to reject the financial statements prepared and presented by the management and the right to request that new financial statements be prepared.

Accounting principles applied

Items in the financial statement have been valued in accordance with the following accounting principles:

- a) It is assumed that the Company will continue as a going concern.
- b) The same valuation methods were used as in the previous year.
- c) The assessment has been carried out with due care:
 - only the profit earned up to the balance sheet date is included in the report;
 - all expected risk amounts and losses incurred in the reporting year or previous years have been taken into account, even if they became known in the period between the balance sheet date and the date of preparation of the financial statements;
 - All impairment and depreciation amounts have been calculated and taken into account, regardless of whether they are accounted for year is closed with a profit or loss.
- d) Revenues and expenses related to the reporting year are taken into account regardless of the date of payment and the date of receipt or issue of the invoice. Costs are reconciled with revenues during the reporting period.
- e) The components of assets and liabilities are valued separately.
- f) The opening balance sheet of the reporting year coincides with the closing balance sheet of the previous year.
- (g) All items that have a material effect on the assessment or decision-making of users of the financial statements are disclosed, insignificant items are aggregated and detailed in the notes.
- (h) Economic transactions are accounted for by reference to their economic substance rather than their legal form.

Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis. The Company does not have financial instruments at fair value through profit or loss and fair value through other comprehensive income as at 31 December 2021 and 2020.

Use of estimates and judgments

The preparation of financial statement in conformity with the Laws of the Republic of Latvia requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty and key areas of judgment include:

(i) Impairment of investments in finance lease, loans issued and trade receivables

Investments in finance leases, loans and receivables classified as financial assets carried at amortized cost are assessed for impairment in accordance with IFRS 9 and are determined based on expected credit losses. By way of derogation from the Law on Annual Accounts and Consolidated Annual Accounts, receivables are recognized, measured and disclosed in accordance with International Financial Reporting Standard No. 9 "Financial Instruments" requirements. Expected credit losses are determined by reference to the stage at which each financial asset is located at the reporting date. Stages are classified as stage 1, 2 or 3 on the basis of the absolute or relative quality of the assets at the time of initial recognition. In particular:

- Stage 1: includes (i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition;
- Stage 2: includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition;
- Stage 3: includes impaired credit exposures.

For exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year. For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Parameters and risk definitions used in determining impairment

To comply with IFRS 9, the Company has developed specific models to calculate expected credit losses based on Probability of Default, Loss Given Default and Exposure at Default. Parameters used for regulatory purposes and adjusted to comply with accounting requirements. In this context, "forward-looking" information is included in the development of specific scenarios, and in particular:

- PD (probability of default) represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (i.e., 1 year);
- LGD (losses due to default) is the percentage of estimated loss and therefore the expected recoverable amount in the event of a credit exposure default;
- EAD (exposure value in the event of default) is the exposure value at the time of default.

The risk parameters PD (probability of default) and LGD (loss given default) have been adjusted using forward-looking macroeconomic assessment information. Future macroeconomic forecasts are management's best estimates, so actual credit losses may differ from expected credit losses. Uncertainties include factors such as international and domestic economic conditions, borrower-specific factors, industry and market trends, interest rates, unemployment rates and other external factors.

The Company has introduced the use of future information in estimating expected credit losses. The assessment of credit losses includes two economic scenarios with different economic consequences: a baseline scenario that includes a possible future economic development and a less likely adverse scenario. Both scenarios are weighted based on expert judgment and management's best estimates of future developments. Macroeconomic indicators, combining internal and external macroeconomic forecasts, are summarized below:

Latvia	Base case scenario		Adverse scenario	
	2022	2023	2022	2023
GDP (annual change)	4.0	3.4	0.9	3.4
Unemployment rate	6.8	6.2	8.4	7.8
Inflation (annual rate)	5.3	2.3	5.9	2.7
Average gross wage (annual change)	4.9	5.4	2.1	4.2
Real estate prices (annual change)	6.5	5.6	1.6	4.1

Lithuania	Base case scenario		Adverse scenario	
	2022	2023	2022	2023
GDP (annual change)	4.0	3.4	0.5	3.4
Unemployment rate	7.0	6.8	8.6	8.4
Inflation (annual rate)	5.9	2.3	6.5	2.6
Average gross wage (annual change)	5.3	4.5	2.8	3.3
Real estate prices (annual change)	5.7	4.5	1.7	3.8

Estonia	Base case scenario		Adverse scenario	
	2022	2023	2022	2023
GDP (annual change)	4.3	3.8	0.8	3.8
Unemployment rate	5.8	5.1	7.4	6.7
Inflation (annual rate)	5.9	2.3	6.5	2.7
Average gross wage (annual change)	4.1	4.3	1.9	3.2
Real estate prices (annual change)	4.6	3.8	0.4	2.9

A 60% versus 40% weighted combined scenario is used for forward-looking adjustments (2020: 55% and 45%). If the probability of fulfillment of the adverse scenario increased to 45%, the Company's expected loan loss provisions as at 31 December 2021 would increase by 0.5 million euros. If the probability of fulfillment of the baseline scenario increased to 100%, the Company's expected loan loss provisions as at 31 December 2021 would decrease by 4.0 million euros.

The main factors that led to a decrease in allowance for impairment losses in 2021 were:

- the Company's active work with customers in Phases 2 and 3, which resulted in a significant reduction in financial assets in stage 2 and 3 stage during 2021;
- Revision of the projected macroeconomic indicators to a more positive one compared to December 2020.
- Adaptation of the Company's ECL methodology to the Group's methodology.

In response to the significant uncertainty surrounding the duration of the Covid-19 situation and its consequences in 2020, as well as possible disturbances in the Baltic economies and in the operations of the Company's customers. As a precautionary measure, additional provisions for impairment were created, which is an additional provision for modeled expected credit losses. At the end of 2021, this approach to determining additional reserves was reviewed based on the actual performance of the Company's loan portfolio in 2021. These additional impairment losses for the entire portfolio amounted to EUR 2.9 million as of December 2021 (EUR 2.9 million as of December 2020).

The Stage Allocation model differentiates between three stages depending on severity of credit risk deterioration since the time of origination. Stage 1 comprises all new contacts and contracts with no significant increase in credit risk at the reporting date compared to inception date. Stage 2 comprises all contracts with significantly increased credit risk since the date of origination. Finally, Stage 3 comprises all credit impaired contracts (equivalent to non-performing exposures).

In the Company, the following transfer criteria are defined for the migrations between Stage 1 and Stage 2:

- overdue days more than 25 days
- PD has increased significantly since initial recognition
- forbore performing classification;
- result of individual screening for corporate exposures, where significantly increased credit risk since the date of origination. Increased credit risk is captured through analysis of available information in terms of early warning signals' review at client level. Early warning signals include external factors, which may impact the client's payment capability, existing credit standing of the client, list of internally observed clients' behavioural triggers.

Since this year, Stage 2 foresees an additional healing period for migrated clients: 3 months probation for overdue clients and 24 months for forbore performing clients.

During 2021, the Company introduced a number of improvements to its credit loss methodology, including the introduction of the Merton-Vasicek framework in the Company's macroeconomic model, which quantifies changes in PDs, improvements in the identification of significant increases in credit risk since initial recognition, changes in the restructuring model and other criteria.

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest. In determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used.

The amount of the loss on impaired exposures is the difference between the carrying amount and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed rate positions, the interest rate thus determined is kept constant in subsequent financial years, while for floating rate positions the interest rate is updated according to contractual terms.

Significant increase in credit risk

Expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable information.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information in IFRS 9 PD and LDG that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Companies' debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Companies' core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Stage 1 applies to all items (since initial recognition) as long as there is no significant deterioration in credit quality, i.e. includes all performing customers with overdue days up to 25 days and without active performing forbearance mark (or with active forbearance mark after the 12 months staying in Stage 2);
- Stage 2 applies to all performing customers with overdue days more than 25 days, with Performing Forbearance mark or as a result of individual review for corporate exposures;
- Stage 3 includes all financial asset for which a credit-impaired trigger has occurred and is harmonized with Default Methodology of the Company. Probation period in stage 3 starts after closure of Default event and foresees 3 months probation period for events, which are not related to forbearance measures and 12 months to events, which are related to forbearance measures.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Calculation of recoverable amount

The recoverable amount of the Company's loans and finance lease and other receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset.

Impairment of assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Principles of accounting for operating leases, as well as accounting for other fixed assets are in details described in Accounting Procedure of the Company. However, if regular rental payment for an operating lease contract is overdue, the overdue amount is treated as a debt receivable and impairment for this part is measured in accordance with IFRS 9.

Recognition of provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. As at 31 December 2021 and 31 December 2020 the Company has created provisions for administrative and operating expenses.

SIGNIFICANT ACCOUNTING POLICIES

Leases

Classification of leases

Only risks and rewards incidental to ownership of the leased asset during the lease period should be considered when determining lease classification. Relevant risks include the possibility of losses from idle capacity or technological obsolescence and from a decreases in the value of the asset; relevant rewards may include the gain from the increase in value of the asset or realization of the residual value at the end of the lease. Conversely, risks associated with construction of the asset prior to lease commencement, financing such construction and the costs of providing services using the leased asset, are not incidental to ownership of the leased asset during the lease period and, in our view generally should be disregarded in evaluating the classification of the lease. The classification of a lease is determined at the inception of the lease and is not revised unless the lease agreement is modified.

Lessor

Lease contracts shall be classified by the lessor in finance leases and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

When assets are held subject to finance lease, the present value of the net minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

All other leases are classified as operating leases. Operating leases do not transfer all the risks and benefits of ownership of an asset to the lessee which are therefore retained by the lessor.

Assets that are leased under operating lease terms are recorded within property and equipment at historical cost less accumulated depreciation and impairment loss, if any. Depreciation of property and equipment lease out under operation lease is calculate on a straight-line basis to write down each asset to its residual value over the lease term.

The minimum lease payments consist of the aggregate amount of all payments, which the Company or the Group expect to receive during the lifetime of the leasing agreement as well as of the guaranteed amount of the residual value of the leased asset.

Lessee

The lessee recognises an asset representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract. As allowed by the standard, the management has decided not to recognise any right of use nor lease liability with reference to the following lease contracts: leases of intangible assets; short term leases, lower than 12 months; low value assets leases.

For this purpose an asset is considered as "low value" when its fair value as new is equal to or lower than EUR 5 000.

Lease Liabilities

The lease liability is determined by discounting the future lease payments to be due over the lease term at the proper discount rate.

Future lease payments subject to discounting are determined based on contractual provisions and net of VAT. If the lease payments foreseen by the contracts include additional services beside the mere rental of the asset, the right of use and the associated lease liability are calculated considering also these components.

To perform the mentioned calculation, lease payments have to be discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The latter is determined on the basis of the cost of funding for liabilities of similar duration and similar security of those implicit in the lease contract.

In order to determine the lease term it is necessary to consider the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset. An option for the lessee to extend the contract or to terminate the contract also should be assessed.

The amount of the lease liability is reassessed in case of changes in the lease term or in the lease payments, either coming from a change in an index or rate used to determine these payments or as a result of the amount expected to be payable under a residual value guarantees.

In these cases, the carrying value of the lease liability is calculated by discounting lease payments over the lease term using the original or a revised discount rate as applicable.

Changes in the amount of the lease liability resulting from the reassessment are recognised as an adjustment of the right of use.

In case of modification of a lease contracts, the lessee recognises an additional separate lease if the modification increases the scope of the lease adding to the right of use one or more assets and the consideration to be paid for such increase is commensurate with the stand-alone price of the increase.

For other types of modifications the lease liability is recalculated by discounting the lease payments for the revised lease term using a revised discount rate.

Changes in the Lease liabilities also adjust the carrying value of the corresponding right of use with the exception of gains/losses relating to the partial or full termination of the lease that are recognised in the income statement.

Interests accrue on the lease liability at the interest rate implicit in the contract and are recognised in item "Interest expense".

Rights of use assets

The right of use is initially recognised in item "Property and equipment" on the basis of the initial recognition amount of the associated lease liability, adjusted to consider, if applicable, lease payments made at or before the commencement of the lease, initial direct costs and estimates of costs required to restore the assets to the conditions requested by the terms of the lease contract. The right of use is depreciated over the lease term.

Financial instruments

IFRS 9 highlights the following:

- significant changes to classification and measurement of loans based on the "business model" and on the characteristics of the cash flows of the financial instrument (SPPI - Solely Payments of Principal and Interests criteria) introduced;
- new accounting model for impairment, based on (i) expected losses approach substituting the current approach based on the incurred losses, and (ii) the concept of "lifetime" expected losses, and consequently an anticipation and a structural increase of the provisioning with particular reference to credit losses are introduced.

Classification

The analysis of the business model has been performed by mapping the business areas composing the Company and by attributing them a specific business model. In this regard, a "held to collect" business model has been attributed to the business areas composing the Company's portfolio in relation to the reasons why the instrument has been acquired or originated and to the expected turnover of financial instruments.

In this context, possible sales of financial instruments are considered as compliant with a "held to collect" business model in case of (i) securitization transactions that do not achieve the derecognition of the underlying loans, (ii) sales determined by adverse change in the credit risk of the counterparty, (iii) sales that are infrequent or not significant to be evaluated case by case.

For the classification of financial assets in the new IFRS 9 categories, the analysis of the business model is complemented by the analysis of the contractual cash flows ("SPPI Test").

In this regard, the Company has established processes aimed at analyzing the portfolio so to assess whether the features of their contractual cash flows allows their measurement at amortized cost ("held to collect" portfolio) or at fair value through profit and loss statement.

This analysis is performed either contract by contract or by clusters, defined on the basis of the features of the asset in order to analyze the feature of the contracts in comparison with IFRS 9 requirements.

As a result of SPPI Test the Company's and the Group's financial assets and liabilities have been classified as follows:

Financial assets measured at amortized cost include leases, loans and receivables:

A financial asset is classified as financial asset measured at amortised cost if:

- its business model is held to collect;
- its cash flows are solely the payment of principal and interest.

These items also include the net value of finance leases of assets under construction or awaiting lease, provided the leases have the characteristics of contracts entailing the transfer of risk.

Financial liabilities measured at amortised cost include loans and balances to banks.

These financial liabilities are recognised at settlement date initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest method.

During 2021 and 2020, the Company and the Group did not apply hedge accounting.

Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Company or the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Fees and commission income and expenses that are integral part to the effective interest rate on financial assets and liabilities are included in the measurement of the effective interest rate.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Company and the Group transfer substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Company and the Group also derecognise certain assets when they write off balances pertaining to the assets deemed to be uncollectible.

Offsetting

Financial assets and liabilities are offset and the net amount reported in in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Recognition of income and expenses

Net revenue represents interest income from finance leases, rental income from operating leases and income recognised in the reporting year out of administration fees and down payments.

Fees and commission income is recognised as the related services are performed.

Rental income from operating leases and advance payments received on operating leases are recognised on a straight-line basis over the lease term.

All interest income and expenses are recognised on an accrual basis.

Penalties are recognised when the cash has been received. Other income and expense items are recognized when the corresponding service has been provided.

Foreign currency

The financial statement is presented in Euro (EUR) being the functional currency of the Company and the Group, unless otherwise stated. Functional currency for branches in Lithuania and Estonia are Euro.

Transactions in foreign currencies are translated into the respective functional currency of the operation at the exchange rate set by Central banks at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value is determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exclude external factors, which may impact

All transactions denominated in foreign currencies are translated into the EUR at the European Central Bank rate of exchange prevailing on the transaction day. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the European Central Bank rate of exchange prevailing on 31 December. The exchange rates established by the European Central Bank are as follows:

	31 December 2021	31 December 2020
	EUR	EUR
1 USD	1.1326	1.2271
1 JPY	130.38	126.49

Accruals for vacations

Accruals for unused vacations are calculated at the end of each reporting year based on actual unused vacation days for each employee at the balance sheet date and average salary for the previous 6 months in Latvia and Estonia and average salary for the previous 3 months in Lithuania. Accruals for unused vacations includes social security contributions and unemployment insurance.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus of profit sharing plans if the Company or the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Intangible assets

Intangible assets, which are acquired by the Company or the Group, are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated on a straight-line basis over its useful life, applying the following rates set by the management:

	% per annum
Licences	20-33
Software	20-35

Fixed assets

Fixed assets are recorded at historical cost net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life using following rates set by management:

	% per annum
Office equipment	20-35
Computers	35
Vehicles	20
Others	20

Depreciation of fixed assets leased out under operation lease is calculate on a straight-line basis to write down each asset to its residual value over the lease term.

Repairs and maintenance are charged to the profit and loss during the period in which they are incurred. The cost of major renovation is included in the carrying amount of the asset and is depreciated over the remaining useful life of the related asset.

Gains or losses on disposals are determined by comparing carrying amounts with proceeds and are charged to the profit and loss account during the period in which they are incurred/ earned.

The useful lives, depreciation rates and method of depreciation are reviewed at each financial reporting date.

Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost. If the carrying amount of an interest at the balance sheet date is less than its cost or measurement in the previous year's balance sheet and the impairment is expected to be permanent, it is measured at the lower of cost. If the value of an interest at the balance sheet date is significantly higher than its acquisition cost or its valuation in the previous year's balance sheet, it is revalued to the higher value if the increase in value can be assumed to be lasting.

The Company holds an investment in its subsidiary "CL Insurance broker" SIA carried at cost of EUR 15 080.

Exemption from the obligation to draw up the consolidated financial report

In accordance with the provisions of the Law on Consolidated Annual Accounts, the Company is released from the obligation to prepare consolidated financial statements, which at the same time is a subsidiary of another group, and its parent company with a 100% participation is a company registered in the Republic of Latvia or another Member State of the European Union.

Dividends

Proposed dividends are recognised in the financial statement only when approved by the shareholders.

Reposessed assets

In the regular course of business the Company from time to time takes possession of assets that originally were leased out under finance lease terms. When the Company acquires an asset in this way, the asset is not accounted for separately; however the debt is offset or reduced by the value of the sold asset. The residual is impaired completely and the debt still exist legally.

Taxes

Income tax expense comprises current tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Corporate income tax at the rate of 15% is calculated in accordance with Lithuanian tax regulations and is based on the taxable profit reported for the taxation period. Corporate income tax on the profit gained in the Republic of Lithuania is calculated and paid in Lithuania.

In Estonia already for a number of years and in Latvia starting from 1 January 2018 – corporate income tax is calculated and paid based on cash-flow taxation model which provides that Corporate Income tax is payable at the moment of profit distribution decision and deemed profit distribution. In case of reinvestment of profit - tax shall not be applied. In respected of deemed distributions the tax is paid on monthly basis.

Based on International Accounting Standard No 12 "Income Taxes" requirements, which Company applies in accordance to Article 13 of the law "On the Annual Reports and Consolidated Annual Reports", income tax are payable at a higher or lower rate if part or all of the net profit or retained earnings is paid out as a dividend to shareholders of the entity then current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%. Therefore, in the financial statement the related deferred tax assets and liabilities for Latvia and Estonia are not recognised. There are no deferred taxes recognized in Lithuania from temporary differences.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company and the Group in the management of short-term liabilities and commitments.

Related parties

Related parties are legal and private persons related to the Company, in accordance with the following provisions.

(a) A person or a close member of that person's family is related to the reporting entity if:

- i. that person has control or joint control over the reporting entity;
- ii. that person has significant influence over the reporting entity; or
- iii. that person is a member of the senior management of the reporting entity or its parent.

(b) An entity is related to a reporting entity if it meets the following conditions:

- i. the company and the reporting entity belong to the same group of companies (which means that the parent company, the subsidiary and the sister companies are related parties to each other);
- ii. one company is an associate or joint venture of the other company (or an associate or joint venture of a group company to which the other company belongs);
- iii. the two companies are joint ventures with the same third party;
- iv. one company is a joint venture of a third party and the other company is an associate of the same third party;
- v. the company is a post-employment benefit plan for the employees of the reporting company or the employees of the company related to the reporting company; If the reporting entity itself has such a plan, the related parties are also the sponsoring employers.
- vi. the company is controlled or jointly controlled by a person identified in point (a);
- vii. the person identified in (a) (i) has significant influence over the company or is a member of the senior management of the company (or its parent company);
- viii. the company, or any member of a group of which the company is a member, provides management personnel services to the company or to the company's parent company.

Related party transactions - transfers of resources, services or liabilities between the reporting entity and its related party, whether or not remunerated

Risk and risk management

The Company's and the Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The Company's and the Group's management seeks to minimize potential adverse effects of financial risk on the financial performance of the Company and the Group. The management of the Company's and the Group's risks includes basic principles and provisions for the identification, evaluation, prevention and effective management of risks.

Currency risk

Currency risk is defined as a risk arising from the differences in the currency structure of the Company's and the Group's assets and liabilities. Changes in currency exchange rates cause changes in the value of assets and liabilities as well as the amount of revenue and expenses calculated in local currency.

The Company and the Group take on exposure to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. The Company and the Group seek to match assets, liabilities and memorandum items denominated in foreign currencies in order to avoid significant foreign currency exposures.

Interest rate risk

Interest rate risk ("IRR") is defined as a risk of sudden unfavourable changes in interest rates that might affect the revenue generated by the Company and the Group. The risk arises because of the differences in the maturity terms of the Company's and the Group's assets and liabilities, or because of the adjustment of the interest rates thereof on a regular basis. Interest risk management includes analysis and management of the interest risk of all of the Company's and Group's assets and liabilities.

Credit risk

The Company and the Group take on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts when due. The Company and the Group structure the levels of credit risk undertaken by placing limits on the amount of risk accepted in relation to one borrower, or groups of related borrowers, and to industry segments. Such risks are monitored on a regular basis and are subject to monthly, quarterly and annual reviews. The Company and the Group have strict limits set in respect of different levels of authorisation for lease approvals together with approvals of any changes in the existing lease contracts.

Credit risk exposures are monitored through regular assessments of the borrowers' ability to meet interest payments and principal repayments and changing the limits set as appropriate.

For the proper risk mitigation techniques implementation, the Company and the Group have developed a set of credit policies and guidelines for the management of credit exposures and the Company's and the Group's credit policy establishes:

- Procedures for review and approval of loan/ credit applications;
- Methodology for the credit assessment of borrowers;
- Methodology for the assessment of counterparties, appraisal and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

These policies include the provisions of necessity to pay attention to such important factors when analyzing the lessee as external ratings, if available, bank references and similar. In order to satisfy the credit process successfully, each particular deal has to be in compliance with the benchmarks set by the credit policies and other methodological documentation.

Liquidity risk

Liquidity risk arises in the general funding of the Company's and the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Company adheres to prudent liquidity risk management, ensuring that adequate resources are available to settle liabilities within the set deadlines. At the end of the reporting year, the Company's working capital was negative in the amount of EUR 564 601 316, however, current liabilities mainly consist of liabilities to related companies in the amount of EUR 810 190 924 as at 31 December 2021 (EUR 517 193 853 as at 31 December 2020). Consequently, the Company's management believes that negative working capital does not pose a risk to the Company's operations.

Capital management

There are no capital regulatory requirements for leasing companies in Latvia; however, capital adequacy and the use of capital are monitored by the Company's and the Group's shareholders management centrally.

The Company's policy is to operate on a going concern basis so that it can provide return of shareholders, to maintain the strong capital base to support the development of its business.

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(1) INTEREST, FEE AND RENTAL INCOME

	Company	
	2021	2020
	EUR	EUR
Interest income from finance leases	29 340 948	30 055 454
Administration fee income	1 882 711	2 591 490
Rental income from operating leases	2 749 533	1 242 566
Total interest, fee and rental income	33 973 192	33 889 510

(2) INTEREST EXPENSE

	Company	
	2021	2020
	EUR	EUR
Interest charges on loan from Citadele banka AS	13 435 701	-
Interest charges on loans from other credit institutions	209 000	460 238
Interest charges on loans from UniCredit S.p.A	20 528	3 199 154
Interest charges for rights to use leased assets	8 625	13 381
Interest charges on loans from UniCredit Bank Austria AG	-	14 312
Total interest expense	13 673 854	3 687 085

(3) PERSONNEL EXPENSES

	Company	
	2021	2020
	EUR	EUR
Salary expenses	4 746 465	3 919 185
Bonuses	671 602	753 808
Social insurance	814 274	711 724
Leased personnel costs	221 426	473 278
Other personnel expenses	236 033	128 413
Unused annual leave	25 939	101 677
Total personnel expenses	6 715 739	6 088 085

(4) OTHER OPERATING INCOME

	Company	
	2021	2020
	EUR	EUR
Penalties received	780 670	814 144
Other income	531 163	396 294
Net profit on disposal of property and equipment leased under operating lease terms	-	8 557
Total other operating income	1 311 833	1 218 995

(5) OTHER OPERATING EXPENSE

	Company	
	2021	2020
	EUR	EUR
Net loss on disposal of leased assets	49 999	27 529
Net loss on disposal of fixed assets held under operating leases and own property	91 789	-
Expenses for lost litigations	-	124 224
Commission expense for received guarantees	353 182	475 904
Commission expense for servicing funding	473 718	226 495
Other expenses	214 913	132 724
Total other operating expenses	1 183 601	986 876

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(6) GENERAL ADMINISTRATIVE EXPENSES

	Company	Company
	2021	2020
	EUR	EUR
Depreciation of fixed assets for own use (rights to use assets) (Note 8)	227 513	496 508
IT services	549 644	384 026
Professional fees	491 093	300 348
Communication expenses	91 311	276 051
Amortization of intangible assets (Note 8)	504 880	253 028
Office maintenance costs	216 473	168 986
Transport expenses	89 479	166 957
Depreciation of fixed assets for own use and leasehold improvements (Note 8)	156 300	163 772
VAT expensed	59 814	69 597
Advertising	65 090	59 365
Bank charges	38 892	33 532
Other expenses	275 733	313 218
Total other administrative expenses	2 766 222	2 685 388

(7) INCOME TAX

	Company	Company
	2021	2020
	EUR	EUR
Current tax charge	(575 798)	(1 414 935)
Deferred income tax (expense) (Note 23)	(116 577)	(56 568)
Corporate tax expense	(692 375)	(1 471 503)

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(8) INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT FOR OWN USE

As at 31 December 2021, the right to use the leased assets includes the lease agreement for the Lithuanian branch office. The term of the agreement is 4 years (2020: 5).

Company 2021	Software and licenses/ Total intangible assets EUR	Property and equipment for own use EUR	Rights of use leased assets EUR	Total EUR
Cost				
31 December 2020	2 097 637	1 599 818	1 704 245	5 401 700
Additions	785 232	46 371	321 006	1 152 609
Disposal	(131 879)	(517 614)	(1 704 245)	(2 353 738)
31 December 2021	2 750 990	1 128 575	321 006	4 200 571
Depreciation				
31 December 2020	776 737	1 131 691	850 765	2 759 193
Charge for 2021	504 880	156 300	227 513	888 693
Disposal	(131 879)	(396 496)	(1 050 364)	(1 578 739)
31 December 2021	1 149 738	891 495	27 914	2 069 147
Net book value				
31 December 2020	1 320 900	468 127	853 480	2 642 507
31 December 2021	1 601 252	237 080	293 092	2 131 424

AS "Citadele banka" has subleased furnished workplaces in Estonian and Latvian offices. Thereby, the Company terminated the existing lease agreements in Estonia and Latvia, as a result the right to use the leased asset and lease obligations was derecognized.

Company 2020	Software and licenses/ Total intangible assets EUR	Property and equipment for own use EUR	Rights of use leased assets EUR	Total EUR
Cost				
31 December 2019	1 545 404	1 480 721	1 366 550	4 392 675
Additions	579 190	190 305	390 805	1 160 300
Disposal	(26 957)	(71 208)	(53 110)	(151 275)
31 December 2020	2 097 637	1 599 818	1 704 245	5 401 700
Depreciation				
31 December 2019	549 287	1 015 145	370 754	1 935 186
Charge for 2020	253 028	163 772	496 508	913 308
Disposal	(25 578)	(47 226)	(16 497)	(89 301)
31 December 2020	776 737	1 131 691	850 765	2 759 193
Net book value				
31 December 2019	996 117	465 576	995 796	2 457 489
31 December 2020	1 320 900	468 127	853 480	2 642 507

(9) PROPERTY AND EQUIPMENT LEASED OUT UNDER OPERATING LEASE TERMS

Company 2021	Vehicles EUR	Total property and equipment under operating lease terms EUR
Cost		
31 December 2020	10 407 874	10 407 874
Additions	1 107 505	1 107 505
Disposal	(1 438 398)	(1 438 398)
31 December 2021	10 076 981	10 076 981
Depreciation		
31 December 2020	1 209 193	1 209 193
Charge for 2021	1 577 457	1 577 457
Disposal	(304 977)	(304 977)
31 December 2021	2 481 673	2 481 673
Net book value		
31 December 2020	9 198 681	9 198 681
31 December 2021	7 595 308	7 595 308

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(9) PROPERTY AND EQUIPMENT LEASED OUT UNDER OPERATING LEASE TERMS (continued)

Company 2020	Vehicles EUR	Total property and equipment under operating lease terms EUR
Cost		
31 December 2019	2 932 439	2 932 439
Additions	8 636 036	8 636 036
Disposal	(1 160 601)	(1 160 601)
31 December 2020	10 407 874	10 407 874
Depreciation		
31 December 2019	311 380	311 380
Charge for 2020	1 057 473	1 057 473
Disposal	(159 660)	(159 660)
31 December 2020	1 209 193	1 209 193
Net book value		
31 December 2019	2 621 059	2 621 059
31 December 2020	9 198 681	9 198 681

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(10) FUTURE MINIMUM LEASE PAYMENTS FOR FIXED ASSETS LEASED OUT UNDER OPERATING LEASE TERM

	Company 2021 EUR	Company 2020 EUR
Minimum lease payments up to 1 year	1 643 584	1 409 083
Minimum lease payments 1 to 5 years	4 908 083	6 406 979
Minimum lease payments over 5 years	106 460	179 674
Total minimum lease payments	6 658 127	7 995 736

(11) INVESTMENT IN SUBSIDIARY

The participation in the capital of the subsidiary in the amount of EUR 15 080 reflects the investment in the share capital of SIA CL Insurance Broker. The share capital of the subsidiary SIA CL Insurance Broker consists of 754 (seven hundred and fifty four) shares. The nominal value of one share is equivalent to EUR 20.00. The number of shares in the subsidiary as at 31 December 2021 and 2020 is 100%

(12) NET INVESTMENT IN FINANCE LEASES

Amounts below represent the maximum credit exposure of finance lease contracts.

Company 2021	Short-term, EUR			Long-term, EUR			Total, EUR
	1.stage	2.stage	3.stage	1.stage	2.stage	3.stage	
Gross investment in finance lease	228 217 568	39 073 965	15 432 510	564 983 341	61 660 486	15 600 173	924 968 043
Unearned finance income	(19 667 137)	(2 824 370)	(832 564)	(28 517 262)	(2 714 673)	(776 758)	(55 332 764)
Net investment in finance leases before allowances	208 550 431	36 249 595	14 599 946	536 466 079	58 945 813	14 823 415	869 635 279
Impairment allowance	(3 662 916)	(735 940)	(4 532 227)	(6 618 366)	(1 152 225)	(2 738 899)	(19 440 573)
Net investment in finance lease as at 31 December 2021	204 887 515	35 513 655	10 067 719	529 847 713	57 793 588	12 084 516	850 194 706

Company 2020	Short-term, EUR			Long-term, EUR			Total, EUR
	1.stage	2.stage	3.stage	1.stage	2.stage	3.stage	
Gross investment in finance lease	188 462 640	51 831 847	26 183 781	475 827 658	98 056 567	24 206 294	864 568 787
Unearned finance income	(17 704 847)	(4 431 789)	(1 423 579)	(26 183 465)	(5 095 051)	(1 703 419)	(56 542 150)
Net investment in finance leases before allowances	170 757 793	47 400 058	24 760 202	449 644 193	92 961 516	22 502 875	808 026 637
Impairment allowance	(2 257 486)	(2 186 820)	(8 789 555)	(4 683 871)	(4 478 472)	(4 107 222)	(26 503 426)
Net investment in finance lease as at 31 December 2020	168 500 307	45 213 238	15 970 647	444 960 322	88 483 044	18 395 653	781 523 211

	Company 2021 EUR	Company 2020 EUR
Unearned finance income up to 1 year	23 324 070	23 560 215
Unearned finance income 1 to 5 years	31 591 048	32 518 048
Unearned finance income over 5 years	417 646	463 887
Total unearned finance income	55 332 764	56 542 150

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Notes (continued)

(13) LOANS BY THE TYPE OF BORROWER

Amounts below represent the maximum credit exposure of loans:

Company 2021	Short-term, EUR			Long-term, EUR			Total, EUR
	1.stage	2.stage	3.stage	1.stage	2.stage	3.stage	
Gross loans to individuals	762 657	72 394	84 140	2 261 099	338 860	234 072	3 753 222
Impairment allowance	(7 983)	(3 186)	(49 877)	(28 654)	(13 252)	(122 107)	(225 059)
Net loans to individuals	754 674	69 208	34 263	2 232 445	325 608	111 965	3 528 163
Gross loans to corporate entities	3 924 338	468 976	1 333 578	8 177 565	419 856	4 943 605	19 267 918
Impairment allowance	(133 827)	(16 868)	(551 331)	(317 135)	(32 162)	(2 677 997)	(3 729 320)
Net loans to corporate entities	3 790 511	452 108	782 247	7 860 430	387 694	2 265 608	15 538 598
Gross loans total	4 686 995	541 370	1 417 718	10 438 664	758 716	5 177 677	23 021 140
Impairment allowance	(141 810)	(20 054)	(601 208)	(345 789)	(45 414)	(2 800 104)	(3 954 379)
Net loans total	4 545 185	521 316	816 510	10 092 875	713 302	2 377 573	19 066 761

Company 2021	Long-term 2-5 years, EUR			Long-term over 5 years, EUR			Long-term total, kopā EUR
	1.stage	2.stage	3.stage	1.stage	2.stage	3.stage	
Gross loans to individuals	1 355 596	305 224	168 423	905 503	33 636	65 648	2 834 031
Impairment allowance	(19 502)	(11 524)	(79 357)	(9 152)	(1 728)	(42 750)	(164 013)
Net loans to individuals	1 336 094	293 700	89 066	896 351	31 908	22 899	2 670 018
Gross loans to corporate entities	7 602 537	410 639	3 770 185	575 028	9 217	1 173 420	13 541 026
Impairment allowance	(279 869)	(31 974)	(2 198 135)	(37 266)	(188)	(479 862)	(3 027 294)
Net loans to corporate entities	7 322 668	378 665	1 572 050	537 762	9 029	693 558	10 513 732
Gross loans total	8 958 134	715 863	3 938 608	1 480 530	42 853	1 239 069	16 375 057
Impairment allowance	(299 371)	(43 498)	(2 277 492)	(46 418)	(1 916)	(522 612)	(3 191 307)
Net loans total	8 658 762	672 365	1 661 116	1 434 112	40 937	716 457	13 183 750

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Notes (continued)

(13) LOANS BY THE TYPE OF BORROWER (continued)

Company 2020	Short-term, EUR			Long-term, EUR			Total, EUR
	1.stage	2.stage	3.stage	1.stage	2.stage	3.stage	
Gross loans to individuals	424 247	105 786	362 638	3 006 634	539 909	330 094	4 769 308
Impairment allowance	(1 095)	(24 738)	(340 245)	(8 170)	(124 155)	(184 994)	(683 397)
Net loans to individuals	423 152	81 048	22 393	2 998 464	415 754	145 100	4 085 911
Gross loans to corporate entities	4 692 316	608 295	1 499 358	11 471 722	804 514	6 087 055	25 163 260
Impairment allowance	(100 507)	(51 141)	(652 242)	(352 184)	(77 621)	(2 749 981)	(3 983 676)
Net loans to corporate entities	4 591 809	557 154	847 116	11 119 538	726 893	3 337 074	21 179 584
Gross loans total	5 116 563	714 081	1 861 996	14 478 356	1 344 423	6 417 149	29 932 568
Impairment allowance	(101 602)	(75 879)	(992 487)	(360 354)	(201 776)	(2 934 975)	(4 667 073)
Net loans total	5 014 961	638 202	869 509	14 118 002	1 142 647	3 482 174	25 265 495

Company 2020	Long-term 2-5 years, EUR			Long-term over 5 years, EUR			Long-term total, kopā EUR
	1.stage	2.stage	3.stage	1.stage	2.stage	3.stage	
Gross loans to individuals	1 882 209	385 579	251 647	1 124 425	154 330	78 447	3 876 637
Impairment allowance	(4 741)	(95 215)	(137 936)	(3 429)	(28 940)	(47 058)	(317 319)
Net loans to individuals	1 877 468	290 364	113 711	1 120 996	125 390	31 389	3 559 318
Gross loans to corporate entities	10 881 422	804 514	4 159 835	590 300	-	1 927 220	18 363 291
Impairment allowance	(251 733)	(77 621)	(1 894 369)	(100 451)	-	(855 612)	(3 179 786)
Net loans to corporate entities	10 629 689	726 893	2 265 466	489 849	-	1 071 608	15 183 505
Gross loans total	12 763 631	1 190 093	4 411 482	1 714 725	154 330	2 005 667	22 239 928
Impairment allowance	(256 474)	(172 836)	(2 032 305)	(103 880)	(28 940)	(902 670)	(3 497 105)
Net loans total	12 507 157	1 017 257	2 379 177	1 610 845	125 390	1 102 997	18 742 823

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(13) LOANS BY THE TYPE OF BORROWER (continued)

Credit exposure of loans by industries:

	Company 2021	Company 2020
	EUR	EUR
Manufacturing	8 222 872	13 116 673
Real estate activities	1 061 875	1 281 331
Agriculture	6 468 297	6 248 198
Loans to individuals	3 753 222	4 769 308
Electricity and gas supply	1 406 271	1 719 907
Trade	724 078	1 434 351
Construction	735 739	470 542
Administrative and support services	72 387	242 055
Professional, scientific and technical activities	458 017	585 970
Transport and storage	71 281	-
Other	47 102	64 233
Gross loans total	23 021 141	29 932 568
Specific impairment allowance	(3 401 312)	(3 927 462)
Collective assessment impairment allowance	(553 068)	(739 611)
Net loans total	19 066 761	25 265 495

Geographical analysis of the loan portfolio:

	Company 2021	Company 2020
	EUR	EUR
Latvia	10 791 674	12 038 514
Lithuania	9 198 659	13 914 123
Estonia	2 744 563	2 995 054
EU countries	67 937	570 019
Non EU countries	218 308	414 858
Gross loans total	23 021 141	29 932 568
Specific impairment allowance	(3 401 312)	(3 927 462)
Collective assessment impairment allowance	(553 068)	(739 611)
Net loans total	19 066 761	25 265 495

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Notes (continued)

(14) TRADE RECEIVABLES

	Company 2021			Total, EUR
	Stage 1	Stage 2	Stage 3	
Individuals				
Not past due	1 210 336	211 069	43 601	1 465 006
Past due 1-30 days	430	415	2 605	3 450
Past due 31-90 days	6 753	118 052	19 294	144 099
Past due 91-180 days	-	-	13 202	13 202
More than 180 days	-	-	422 744	422 744
Gross individuals	1 217 519	329 536	501 446	2 048 501
Impairment allowance	(5 053)	(9 731)	(347 910)	(362 694)
Net individuals	1 212 466	319 805	153 536	1 685 807
Corporate entities				
Not past due	3 589 132	890 406	312 680	4 792 218
Past due 1-30 days	363	5 656		6 019
Past due 31-90 days	17 719	965 439	642 238	1 625 396
Past due 91-180 days	-	-	314 849	314 849
More than 180 days	-	-	1 222 916	1 222 916
Gross corporate entities	3 607 214	1 861 501	2 492 683	7 961 398
Impairment allowance	(57 500)	(64 793)	(1 552 336)	(1 674 629)
Net corporate entities	3 549 714	1 796 708	940 347	6 286 769
Total trade receivables	4 762 180	2 116 513	1 093 883	7 972 576

	Company 2020			Total, EUR
	Stage 1	Stage 2	Stage 3	
Individuals				
Not past due	739 288	208 856	39 985	988 129
Past due 1-30 days	3 564	32 515	833	36 912
Past due 31-90 days	1 370	175 219	50 998	227 587
Past due 91-180 days	-	2 921	27 366	30 287
More than 180 days	-	-	346 721	346 721
Gross individuals	744 222	419 511	465 903	1 629 636
Impairment allowance	-	-	(275 376)	(275 376)
Net individuals	744 222	419 511	190 527	1 354 260
Corporate entities				
Not past due	2 163 906	1 874 928	381 352	4 420 186
Past due 1-30 days	29 032	3 620	78 806	111 458
Past due 31-90 days	6 945	808 734	738 356	1 554 035
Past due 91-180 days	-	19 473	355 697	375 170
More than 180 days	-	-	2 439 627	2 439 627
Gross corporate entities	2 199 883	2 706 755	3 993 838	8 900 476
Impairment allowance	-	-	(2 874 832)	(2 874 832)
Net corporate entities	2 199 883	2 706 755	1 119 006	6 025 644
Total trade receivables	2 944 105	3 126 266	1 309 533	7 379 904

Long-term and short-term investments in finance leases represent the part of the total exposure of finance lease portfolio not yet invoiced and not yet due.

Trade receivables represent the part of the total exposure of finance lease portfolio that is invoiced and includes overdue payments on operating and finance lease agreements, as well as payments of finance and operating lease agreements due to be settled after the reporting period.

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(14)a LEASE AND LOAN PORTFOLIO

Company as at 31 December 2021	Total, short term and long term			Total, EUR
	Stage 1	Stage 2	Stage 3	
Net investment in finance leases before allowances	745 016 510	95 195 408	29 423 361	869 635 279
Impairment allowance	(10 281 285)	(1 888 164)	(7 271 126)	(19 440 575)
Net investment in finance leases	734 735 225	93 307 244	22 152 235	850 194 704
Gross loans	15 125 659	1 300 086	6 595 395	23 021 140
Impairment allowance	(487 599)	(65 468)	(3 401 312)	(3 954 379)
Net Loans	14 638 060	1 234 618	3 194 083	19 066 761
Gross trade receivables	4 824 733	2 191 037	2 994 129	10 009 899
Impairment allowance	(62 553)	(74 524)	(1 900 246)	(2 037 323)
Net Trade receivables	4 762 180	2 116 513	1 093 883	7 972 576
Total Portfolio	754 135 465	96 658 375	26 440 201	877 234 041

Company as at 31 December 2021	Short term, EUR			Total, EUR
	Stage 1	Stage 2	Stage 3	
Net investment in finance leases before allowances	208 550 431	36 249 595	14 599 946	259 399 972
Impairment allowance	(3 662 919)	(735 939)	(4 532 227)	(8 931 085)
Net investment in finance leases	204 887 512	35 513 656	10 067 719	250 468 887
Gross loans	4 686 995	541 370	1 417 718	6 646 083
Impairment allowance	(141 810)	(20 054)	(601 208)	(763 072)
Net Loans	4 545 185	521 316	816 510	5 883 011
Gross trade receivables	4 824 733	2 191 037	2 994 129	10 009 899
Impairment allowance	(62 553)	(74 524)	(1 900 246)	(2 037 323)
Net Trade receivables	4 762 180	2 116 513	1 093 883	7 972 576
Total Portfolio	214 194 877	38 151 485	11 978 112	264 324 474

Company as at 31 December 2021	Long term, EUR			Total, EUR
	Stage 1	Stage 2	Stage 3	
Net investment in finance leases before allowances	536 466 079	58 945 813	14 823 415	610 235 307
Impairment allowance	(6 618 366)	(1 152 225)	(2 738 899)	(10 509 490)
Net investment in finance leases	529 847 713	57 793 588	12 084 516	599 725 817
Gross loans	10 438 664	758 716	5 177 677	16 375 057
Impairment allowance	(345 789)	(45 414)	(2 800 104)	(3 191 307)
Net Loans	10 092 875	713 302	2 377 573	13 183 750
Gross trade receivables	-	-	-	-
Impairment allowance	-	-	-	-
Net Trade receivables	-	-	-	-
Total Portfolio	539 940 588	58 506 890	14 462 089	612 909 567

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(14)a LEASE AND LOAN PORTFOLIO (continued)

Company as at 31 December 2020	Total, short term and long term			Total, EUR
	Stage 1	Stage 2	Stage 3	
Net investment in finance leases before allowances	620 401 986	140 361 574	47 263 077	808 026 637
Impairment allowance	(6 941 357)	(6 665 292)	(12 896 777)	(26 503 426)
Net investment in finance leases	613 460 629	133 696 282	34 366 300	781 523 211
Gross loans	19 594 919	2 058 504	8 279 145	29 932 568
Impairment allowance	(461 956)	(277 655)	(3 927 462)	(4 667 073)
Net Loans	19 132 963	1 780 849	4 351 683	25 265 495
Gross trade receivables	2 944 105	3 126 266	4 459 741	10 530 112
Impairment allowance	-	-	(3 150 208)	(3 150 208)
Net Trade receivables	2 944 105	3 126 266	1 309 533	7 379 904
Total Portfolio	635 537 697	138 603 397	40 027 516	814 168 610

Company as at 31 December 2020	Short term, EUR			Total, EUR
	Stage 1	Stage 2	Stage 3	
Net investment in finance leases before allowances	170 757 793	47 400 058	24 760 202	242 918 053
Impairment allowance	(2 257 486)	(2 186 820)	(8 789 555)	(13 233 861)
Net investment in finance leases	168 500 307	45 213 238	15 970 647	229 684 192
Gross loans	5 116 563	714 081	1 861 996	7 692 640
Impairment allowance	(101 602)	(75 879)	(992 487)	(1 169 968)
Net Loans	5 014 961	638 202	869 509	6 522 672
Gross trade receivables	2 944 105	3 126 266	4 459 741	10 530 112
Impairment allowance	-	-	(3 150 208)	(3 150 208)
Net Trade receivables	2 944 105	3 126 266	1 309 533	7 379 904
Total Portfolio	176 459 373	48 977 706	18 149 689	243 586 768

Company as at 31 December 2020	Long term, EUR			Total, EUR
	Stage 1	Stage 2	Stage 3	
Net investment in finance leases before allowances	449 644 193	92 961 516	22 502 875	565 108 584
Impairment allowance	(4 683 871)	(4 478 472)	(4 107 222)	(13 269 565)
Net investment in finance leases	444 960 322	88 483 044	18 395 653	551 839 019
Gross loans	14 478 356	1 344 423	6 417 149	22 239 928
Impairment allowance	(360 354)	(201 776)	(2 934 975)	(3 497 105)
Net Loans	14 118 002	1 142 647	3 482 174	18 742 823
Gross trade receivables	-	-	-	-
Impairment allowance	-	-	-	-
Net Trade receivables	-	-	-	-
Total Portfolio	459 078 324	89 625 691	21 877 827	570 581 842

Provision for debtors is assessed as part of provision assessment for the total client exposure.

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Notes (continued)

(15) ALLOWANCE FOR DOUBTFUL RECEIVABLES

Changes in specific and collective impairment are:

Company 2021	Stage 1	Stage 2	Stage 3	Total, EUR
Impairment allowance as at the beginning of the reporting year	7 403 313	6 942 947	19 974 447	34 320 707
Expected credit loss with banks as at the beginning of the reporting year	9 166	-	-	9 166
Total impairment allowance as at the beginning of the reporting year	7 412 479	6 942 947	19 974 447	34 329 873
Increase (decrease) in expected credit loss with customers	3 428 174	(4 914 791)	(3 811 672)	(5 298 289)
Increase (decrease) in expected credit loss with banks	(9 166)	-	-	(9 166)
Change in allowance for doubtful receivables	3 419 008	(4 914 791)	(3 811 672)	(5 307 455)
Impairment allowance foreign currency fluctuation result*	(50)	-	(1 436)	(1 486)
Expected credit loss with customers foreign currency fluctuation*	-	-	-	-
Total	3 418 958	(4 914 791)	(3 813 108)	(5 308 941)
Write-off of lost loans			(3 588 655)	(3 588 655)
Changes in impairment allowance	3 418 958	(4 914 791)	(7 401 763)	(8 897 596)
Impairment allowance as at the end of the reporting year	10 831 437	2 028 156	12 572 684	25 432 277
Expected credit loss with banks as at the end of the reporting year	-	-	-	-
Total impairment allowance as at the end of the reporting year	10 831 437	2 028 156	12 572 684	25 432 277

Company 2020	1.stage	2.stage	3.stage	Total, EUR
Impairment allowance as at the beginning of the reporting year	1 279 237	909 818	19 443 717	21 632 772
Expected credit loss with banks as at the beginning of the reporting year	15 169	-	-	15 169
Total impairment allowance as at the beginning of the reporting year	1 294 406	909 818	19 443 717	21 647 941
Increase (decrease) in expected credit loss with customers	6 124 078	6 033 129	6 647 354	18 804 561
Increase (decrease) in expected credit loss with banks	(6 003)	-	-	(6 003)
Change in allowance for doubtful receivables	6 118 075	6 033 129	6 647 354	18 798 558
Impairment allowance foreign currency fluctuation result*	(2)	-	(1 794)	(1 796)
Total	6 118 073	6 033 129	6 645 560	18 796 762
Write-off of lost loans			(6 114 830)	(6 114 830)
Changes in impairment allowance	6 118 073	6 033 129	530 730	12 681 932
Impairment allowance as at the end of the reporting year	7 403 313	6 942 947	19 974 447	34 320 707
Expected credit loss with banks as at the end of the reporting year	9 166	-	-	9 166
Total impairment allowance as at the end of the reporting year	7 412 479	6 942 947	19 974 447	34 329 873

*Foreign currency fluctuation result to income statement is due to the loans which are denominated in the USD, JPY currency.

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Notes (continued)

(16) ANALYSIS OF COLLATERALS

The Company and the Group hold collateral against leases in the form of items financed under lease agreement terms. The total net exposure of investments in financial leases and trade receivables are split by types of collaterals as shown below:

	Company 2021 EUR	Company 2021 EUR
Passenger cars	488 975 086	414 789 397
Commercial transport	155 308 427	186 077 375
Industrial machinery	158 734 489	130 903 183
Manufacturing equipment	44 266 701	47 050 211
Air, water transport	2 487 444	3 278 882
Other equipment	6 796 124	4 348 034
Rail transport	1 378 752	2 153 259
Other	220 258	302 774
Net portfolio	858 167 281	788 903 115

(17) OTHER RECEIVABLES WITH AFFILIATED COMPANIES

	Company 2021 EUR	Company 2020 EUR
Accounting receivables with CL Insurance Broker SIA	2 947	4 930
Accounts receivable with Uctam Baltics SIA	-	791
Total accounts receivables with affiliated companies	2 947	5 721

(18) OTHER RECEIVABLES

	Company 2021 EUR	Company 2020 EUR
VAT asset	2 526 421	1 683 603
Safety deposits	21 122	50 585
Advance payments for administrative services	7 967	20 499
Other receivables	322 980	166 898
Total other debtors	2 878 490	1 921 585

(19) PREPAID EXPENSES

	Company 2021 EUR	Company 2020 EUR
Insurance, subscription of periodicals, administrative expenses	67 609	79 908
Other	1 400	1 572
Total prepaid expenses	69 009	81 480

(20) CASH AND BANK

	Company 2021 EUR	Company 2020 EUR
Cash at bank	495 853	23 356 188
Expected credit loss with banks (Stage 1)	-	(9 166)
Total cash and bank	495 853	23 347 022

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Notes (continued)

(21) SHAREHOLDERS' EQUITY

Share capital of the Company as at 31 December 2021 amounts to EUR 15 569 120 (31.12.2020: EUR 15 569 120) and consists of 1 556 912 shares with a nominal value of 10 EUR each (31.12.2020: 1 556 912 shares with a nominal value of EUR 10 each).

All shares carry an equal right to vote at the shareholders' meeting, an equal right to receive dividends as declared from time to time and an equal right in the residual assets of the Company.

The sole shareholder as at 31 December 2021 was AS Citadele banka (31.12.2020: UniCredit S.p.A.).

Reserve

The reserve of EUR 637 447 represents amounts which were received from the shareholder in 2002 as a subsidy with the purpose of increasing shareholders' equity. The shareholder has all rights to decide on reserves made in accordance with shareholder resolution.

(22) PROVISIONS

Items in other provisions for administrative costs amounted to EUR 72 241 (2020: EUR 124 928).

Company 2021	Provisions for bonuses EUR		Other provisions EUR	Total EUR
At the beginning of reporting year	805 106		124 928	930 034
Provisions made during the year	937 364		46 282	983 646
Provisions used during the year	(813 709)		(98 969)	(912 678)
Provisions reversed during the year	(360 660)		-	(360 660)
At the end of the reporting year	568 101		72 241	640 342

Company 2020	Provisions for bonuses EUR	Provisions for share options EUR	Other provisions EUR	Total EUR
At the beginning of reporting year	1 423 137	15 758	258 835	1 697 730
Provisions made during the year	753 808	-	247 822	1 001 630
Provisions used during the year	(1 261 174)	(15 758)	(381 729)	(1 658 661)
Provisions reversed during the year	(110 665)	-	-	(110 665)
At the end of the reporting year	805 106	-	124 928	930 034

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Notes (continued)

(23) DEFERRED TAX ASSET

	Company	Company
	2021	2020
	EUR	EUR
Deferred tax at the beginning of the reporting year	116 577	173 145
Recognized deferred income tax (expense)/income on other items (Note 7)	(116 577)	(56 568)
Deferred income tax asset at year-end	-	116 577

	Company	Company
	2021	2020
	EUR	EUR
Provisions for bonuses and other provisions	-	116 577
Recognized deferred income tax asset	-	116 577

(24) TRADE PAYABLES

Trade payables as at 31 December 2021 for the Company amount to EUR 19 276 730 (2020: EUR 11 519 081). There are no overdue trade payables for the Company as at 31 December 2021 and 2020. Trade payables mainly represent balances due to lease object suppliers.

(25) LEASE LIABILITIES

The average lease term is 4 years (2020: 5). The movement of lease liabilities is as follows:

	Company	Company
	2021	2020
	EUR	EUR
At the beginning of reporting year	869 977	995 508
Lease payments	(219 644)	(502 666)
Lease interest payments	8 625	13 381
Lease liability increase, recognizing the lease asset	321 006	390 805
Lease liability decrease, excluding the leased asset	(686 871)	(27 051)
At the end of the reporting year	293 093	869 977

Lease liabilities are classified as short-term and long-term portions as follows:

	Company	Company
	2021	2020
	EUR	EUR
Up to 1 year	83740.56	277 788
1 to 5 years	209352.24	592 189
Total	293 093	869 977

(26) LONG TERM LOANS FROM AFFILIATED COMPANIES

	Company	Company
	2021	2020
	EUR	EUR
Loan from UniCredit S.p.A	-	233 585 665
Total long term loans from affiliated companies	-	233 585 665

The Company had effective loan agreements with UniCredit S.p.A as at 31 December 2020 for loans of EUR 750 million with different maturities by the year 2024. Loans had different % rates that were agreed for each tranche separately and mainly were based on 3MEUR + additional rate. According to the funding agreement conditions negative EURIBOR was floored to zero.

As of 4 January 2021, transaction between AS Citadele Banka and UniCredit S.p.A. had been completed. AS Citadele Banka became the 100% owner of SIA UniCredit Leasing, as a result loan agreements with UniCredit S.p.A were repaid fully on January 2021.

	Company	Company
	2021	2020
	EUR	EUR
Up to 1 year	-	517 181 393
1 to 5 years	-	233 585 665
Total	-	750 767 058

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(27) SHORT TERM LOANS AND ACCOUNTS PAYABLE TO AFFILIATED COMPANIES

	Company	Company
	2021	2020
	EUR	EUR
Loan from AS Citadele banka	810 152 101	-
Short term (up to 1 year) portion of loan payable to UniCredit S.p.A.	-	517 181 393
Total short-term-loans	810 152 101	517 181 393

	Company	Company
	2021	2020
	EUR	EUR
Accounts payable to UniCredit S.p.A	-	12 460
Accounts payable to AS Citadele banka	1 185	-
Accounts payable to AS Citadele banka Eesti filiaal	37 638	-
Total accounts payable	38 823	12 460

Total short term loans and accounts payable to affiliated companies	810 190 924	517 193 853
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(28) DEFERRED INCOME

	Company	Company
	2021	2020
	EUR	EUR
Long-term		
Deferred income from advance payments	695 811	983 813
Total	695 811	983 813
Short-term		
Deferred income from advance payments	329 882	345 928
Total	329 882	345 928
Total	1 025 693	1 329 741

(29) LOANS FROM OTHER CREDIT INSTITUTIONS

	Company	Company
	2021	2020
	EUR	EUR
Long-term part	-	32 363 902
Short-term part	-	9 912 624
Total	-	42 276 526

Loans from credit institutions include loans from European Reconstruction and Development Bank. The Company exercised its contractual right to early repayment of the loan and on 16 December 2021 the loan was repaid in full to the European Reconstruction and Development Bank.

(30) ACCRUED LIABILITIES

	Company	Company
	2021	2020
	EUR	EUR
Accrued liabilities for unused annual vacations	442 549	396 623
Other accrued liabilities	330 549	76 311
Total	773 098	472 934

	Company	Company
	2021	2020
	EUR	EUR
Movement of accrued liabilities for unused annual vacations		
At the beginning of reporting period	396 623	285 487
Increase	45 926	111 136
At the end of reporting period	442 549	396 623

Notes (continued)

(31) AVERAGE NUMBER OF EMPLOYEES

	Company	Company
	2021	2020
	EUR	EUR
Average number of employees during the reporting year in Latvia	71	67
Average number of employees during the reporting year in Estonia	26	27
Average number of employees during the reporting year in Lithuania	46	49
Total	143	143

(32) RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders who have significant influence over the Company, companies in which they have a controlling interest, members of the Council and Board of Directors, key management personnel, their close relatives and companies in which they have a controlling interest, as well as associated companies. Based on management's assessment, all related party transactions in year 2021 have been carried out in the normal course of business.

The loan balances outstanding as at 31 December 2021 and 2020 were as follows:

	Company	Company
	2021	2020
	EUR	EUR
Loan from UniCredit S.p.A.	-	750 767 058
Loan from Citadele banka	810 152 101	-
Total	810 152 101	750 767 058

The interest charges on the loans from affiliated companies for year 2021 and year 2020 were as follows:

	Company	Company
	2021	2020
	EUR	EUR
Interest charges on loans from UniCredit Bank Austria AG	-	14 312
Interest charges on loans from UniCredit S.p.A.	20 528	3 417 654
Interest charges on loans from AS Citadele banka	13 435 701	-
Total	13 456 229	3 431 966

The Company's accounts payables to related parties consist of liabilities for services and goods. Accounts payable to affiliated companies as at 31 December 2021 and 2020 were as follows:

	Company	Company
	2021	2020
	EUR	EUR
Accounts payable to UniCredit S.p.A.	-	12 460
Accounts payable to AS Citadele banka	1 185	-
Accounts payable to AS Citadele banka Eesti filiaal	37 638	-
Total	38 823	12 460

Accounts receivables with affiliated companies are receivables for secondment and administrative cost reimbursement. Accounts receivables with affiliated companies as at 31 December 2021 and 2020 were as follows:

	Company	Company
	2021	2020
	EUR	EUR
Accounting receivables with CL Insurance Broker SIA	2 947	4 930
Accounting receivables with Uctam Baltics SIA	-	791
Total	2 947	5 721

CITADELE LEASING SIA ANNUAL REPORT FOR 2021

Notes (continued)

(32) RELATED PARTY TRANSACTIONS (continued)

Incomes and expenses with affiliated companies as at 31 December 2021 and 2020 were as follows:

	Company	Company
	2021	2020
	EUR	EUR
Expense:		
Purchases of goods or services from, Unicredit S.p.A	-	150 100
Purchases of goods or services from, Unicredit Leasing GmbH	-	56 669
Other expenses, UniCredit Bank Austria AG	-	1 128
Purchases of goods or services from, AS Citadele banka	355 030	-
Fixed assets or Intangibles purchases from, AS Citadele banka	31 773	-
Other expenses, AS Citadele banka	3 835	-
Purchases of goods or services from, AS Citadele banka Eesti filiaal	125 058	-
Other expenses, AS Citadele banka Eesti filiaal	879	-
Purchases of goods or services from, SIA CL Insurance Broker	62	-
Purchases of goods or services from, AS Citadele banka Lithuanian branch	223 757	-
Fixed assets or Intangibles purchases from, AS Citadele banka Lithuanian branch	22 607	-
Other expenses, AS Citadele banka Lithuanian branch	2 686	-
Purchases of goods or services from, SIA Citadele Factoring	491 603	-
Fixed assets or Intangibles purchases from, SIA Citadele Factoring	4 960	-
Other expenses, SIA Citadele Factoring	175	-
Total	1 262 425	207 897
Income:		
Sales of goods or services to, CL Insurance Broker SIA	50 239	45 866
Income from service agreement with UCTAM Baltics SIA	-	6 827
Sales of goods or services to, AS Citadele banka	7 869	-
Fixed assets or Intangibles sales to, AS Citadele banka	400	-
Sales of goods or services to, AS Citadele banka Eesti filiaal	564	-
Other income, SIA CL Insurance Broker	2 568	-
Sales of goods or services to, SIA Citadele Factoring	85 172	-
Other income, SIA Citadele Factoring	25	-
Total	146 837	52 693
	Company	Company
	2021	2020
	EUR	EUR
Bank charges for loan termination with UniCredit S.p.A	-	220 000
Bank charges for loan administration and issued guarantee UniCredit Bank Austria AG	-	2 036
Total	-	222 036
Bank account balances as at 31 December 2021 and 2020:		
	Company	Company
	2021	2020
	EUR	EUR
Bank account balances:		
AG UniCredit Bank Austria	-	2 397 018
AS Citadele banka	14 079	-
AS Citadele banka Lithuanian branch	19 155	-
AS Citadele banka Eesti filiaal	31 311	-
Total	64 545	2 397 018
Credit card account balances:		
AS Citadele banka	(3 768)	-
Total	(3 768)	-

Notes (continued)

(32) RELATED PARTY TRANSACTIONS (continued)

According to management's assessment, related party transactions in 2021 were based on market prices. Management remuneration amounts to the following:

	Company	Company
	2021	2020
	EUR	EUR
Salaries	438 186	769 069
Social insurance	60 008	102 169
Total	498 194	871 238

(33) COMMITMENTS AND CONTINGENCIES

Capital commitments represent lease agreements that have been concluded, but not delivered yet. The capital commitments based on underlying currency are as follows:

	Company	Company
	2021	2020
	EUR	EUR
EUR	10 965 530	9 058 670
Total	10 965 530	9 058 670

(34) SUBSEQUENT EVENTS

Recent events in Ukraine and sanctions against Russia and Belarus

The Company complies with legal requirements regarding the management of the risk of sanctions, including the sanctions imposed on Russia and Belarus. The Company has no exposure to companies domiciled in Russia or another CIS country. Based on the management's assessment, the Company has not been directly affected by the recent events in Ukraine and the sanctions imposed on Russia and Belarus. The indirect effects of these events are monitored as the Company and its customers adjust to the new economic reality.

The accompanying notes on pages 10 to 37 are an integral part of the financial statements.

The financial statement have been signed with a secure electronical signature which contains a timestamp.

The financial statements on pages 5 to 37 has been authorized for issue by the Management Board on 07 April 2022 and signed on their behalf by:

 Ģirts Glāzers
 Chairman of the Management Board

 Vaidas Žagūnis
 Member of the Management Board

Prepared by:

 Artjoms Nurmuhamatovs
 Chief Accountant

Aruande digitaalallkirjad

Aruande lõpetamise kuupäev on: 07.04.2022

SIA Citadele Leasing Eesti filiaal (registrikood: 11453650) 01.01.2021 - 31.12.2021 majandusaasta aruande andmete õigsust on elektrooniliselt kinnitanud:

Allkirjastaja nimi	Allkirjastaja roll	Allkirja andmise aeg
RAINER MOPPEL	Filiaali juhataja	30.06.2022

Sidevahendid

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Veebilehe aadress	www.citadeleleasing.ee