Kvalificēts elektroniskais paraksts
KRISTĪNE ŽUROMSKA
2021-02-15 16:30:26 GMT+2
Mērķis: Paraksts

Kvalificēts elektroniskais paraksts
ĢIRTS GLĀZERS
2021-02-15 16:31:45 GMT+2
Mērķis: Paraksts

Kvalificēts elektroniskais paraksts
VALDIS VASIĻEVSKIS
2021-02-15 18:24:04 GMT+2
Mērķis: Paraksts

Kvalificēts elektroniskais paraksts
LAIMONAS BELICKAS
2021-02-15 18:34:45 GMT+2
Mērķis: Paraksts

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

Company Separate and Group Consolidated Annual report for 2020, Prepared in Accordance with Latvian Statutory Requirements

Table of contents

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	Mukusalas iela 41 Riga, LV–1004 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 Supervisory board members

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 Management board members

Jevgenijs Belezjaks - Chairman of the Management Board (till 15.01.2020)
Valdis Vasilevskis - Chairman of the Management Board (starting 24.01.2020)
Valdis Vasilevskis - Member of the Management Board (till 24.01.2020)
Ģirts Glāzers - Member of the Management Board (starting 07.01.2021)
Veronica Tomasoni - Member of the Management Board (till 30.12.2021)
Laimonas Belickas - Member of the Management Board

Consolidated subsidiary	CL Insurance Broker SIA (100%) (from 14.01.2021) (previously SIA UniCredit Insurance Broker (100%) till 13.01.2021)) Mukusalas iela 41, Riga, Latvia
Financial year	1 January – 31 December 2020
Previous financial year	1 January – 31 December 2019
The Company's NACE code	6491 "Financial leasing"
Name and address of the auditors	KPMG Baltics AS Vesetas str. 7 Riga, LV -1013 Latvia Certified auditor Rainers Vilāns Licence No. 200

Report of the Management Board

Principal activities

During more than 20 years of existance SIA UniCredit Leasing (hereinafter - "the Company") has grown substantially, becoming one of the leading leasing companies in Latvia, as well as strengthening its presence in Lithuania and Estonia, providing products for financing of moveable assets (financial and operational leasing services).

The Company's consolidated annual report was prepared by consolidating SIA UniCredit Insurance Broker, a subsidiary established on 14 January 2008, (hereinafter - "the subsidiary"; together with the Company referred to as “the Group”). The subsidiary provides insurance brokerage services mainly with the purpose to insure leased objects for its clients.

Performance of the Company during the reporting year

Daily operations were successfully adjusted to ensure business continuity and safety under Covid-19 conditions. Most of employees have been working remotely since March, however, this have not worsened the quality of services to end clients.

Although the defensive and proactive measures taken during Covid-19 outbreak, Company's daily operations has been significantly affected during the year 2020. Gross profit growth up to 29 Mio EUR, what is by 6.1 % more than in year 2019 whereas net profit drop to 0.329 Mio EUR. Total assets are in amount of 853 Mio EUR.

Company supports local economies not only by own investments, but also by promoting EU programs for assisting different enterprises (through Invega in Lithuania, Kredex in Estonia and Altum in Latvia) supporting to withstand the crisis, enabling financing to the local economies, which are especially important under Covid-19 economic downturn.

Financial risk management

As the Company is focusing on sustainable and long-term relationships with its customers, Company supports its customers also during current Covid-19 related economical downturn as much as possible. Part of Company's clients, which were substantially negatively affected by Covid-19 crisis, were not able to meet regular payments, that is why Company restructured lease obligations of more than 1000 customers, ensuring many Covid-19 affected clients can continue its operations. Most of these customers have successfully reorganised their businesses thanks to payment holidays granted by the Company, and during 3rd and 4th quarter of Y2020 went back on track to meet regular leasing payments in full amount.

Company has also regularly reassessed the quality of its assets and made adequate loan-loss provisions given the further uncertainties of Covid-19 further development.

Regulatory requirements

The last years brought a high number of new rules and regulations for Financial institutions and their subsidiaries, which requires permanent observation and changes. Mostly, the functions affected by these regulations are mainly anti money-laundering and compliance. 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

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. Company plans include continuing the successful development of our leasing products, becoming the leading leasing player, and providing the best client and partner service in the Baltics. It is planned that during 2021 the Company will transform it's visual identify and will become part of Citadele brand. Since 5 February 2021 the Company has been renamned to SIA Citadele Leasing and SIA Unicredit Insurance Broker renamed to SIA CL Insurance Broker.

Distribution of profit proposed by the Management Board

The Board proposes to its shareholder to approve the Financial Statements of the reporting year according to which the Company’s and the Group’s total assets are EUR 853,041,428 and EUR 853,406,310 respectively and net profit EUR 328,901 and EUR 420,269 respectively. The profit of the Company for the reporting financial period of Year 2020 in the amount of EUR 328,901 should be fully retained.

Valdis Vasiļevskis	Laimonas Belickas
Chairman of the Management Board	Member of the Management Board

Ģirts Glāzers
Member of the Management Board

These financial statements have been signed with the secure electronical signature which contains a timestamp.

Riga, 15 February 2021

COMPANY'S SEPARATE AND GROUP'S CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Interest, fee and rental income	1	33 889 510	34 154 929	32 359 563	32 670 849
Interest expense	2	(3 687 085)	(3 687 085)	(4 652 744)	(4 652 744)
Depreciation of property and equipment under operating lease	9	(1 057 473)	(1 057 473)	(249 160)	(249 160)
Gross profit		**29 144 952**	**29 410 371**	**27 457 659**	**27 768 945**
Change in allowance for doubtful receivables	15	(18 798 558)	(18 798 591)	(3 432 740)	(3 432 808)
Personnel expenses	3	(6 088 085)	(6 208 687)	(6 249 839)	(6 366 449)
Other operating income	4	1 218 995	1 195 681	1 009 327	968 291
Other operating expense	5	(986 876)	(986 830)	(636 734)	(636 734)
General administrative expenses	6	(2 685 388)	(2 715 536)	(2 639 919)	(2 672 266)
Net profit/(loss) on foreign exchange		(4 636)	(4 636)	2 279	2 279
Profit before tax		**1 800 404**	**1 891 772**	**15 510 033**	**15 631 258**
Income tax expense	7	(1 414 935)	(1 414 935)	(1 931 241)	(1 931 210)
Profit after corporate income tax		**385 469**	**476 837**	**13 578 792**	**13 700 048**
Deferred income tax expense	7,23	(56 568)	(56 568)	(15 806)	(15 806)
Profit for the year		**328 901**	**420 269**	**13 562 986**	**13 684 242**

The accompanying notes on pages 11 to 38 are an integral part of these financial statements.

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The financial statements on pages 5 to 38 have been authorized for issue by the Management Board on 15 February 2021 and signed on their behalf by:

Valdis Vasiļevskis
Chairman of the Management Board

Laimonas Belickas
Member of the Management Board

Prepared by:

Ģirts Glāzers
Member of the Management Board

Kristine Zuromska
Chief accountant

COMPANY'S SEPARATE AND GROUP'S CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Assets					
Non-current assets					
Intangible assets	8	**1 320 900**	**1 320 900**	**996 117**	**996 117**
Property and equipment:					
Property and equipment for own use	8	468 127	470 026	465 576	468 233
Rights of use assets	8	853 480	853 480	995 796	995 796
Property and equipment under operating lease terms	9	9 198 681	9 198 681	2 621 059	2 621 059
Total property and equipment		**10 520 288**	**10 522 187**	**4 082 431**	**4 085 088**
Non-current financial investments					
Investment in subsidiary	11	15 080	-	15 080	-
Non-current investment in finance leases	12, 14a	551 839 019	551 839 019	568 298 741	568 298 741
Non-current loans	13, 14a	18 742 823	18 742 823	25 184 206	25 184 206
Total long-term financial investments		**570 596 922**	**570 581 842**	**593 498 027**	**593 482 947**
Deferred tax asset	23	**116 577**	**116 577**	**173 145**	**173 145**
Total non-current assets		**582 554 687**	**582 541 506**	**598 749 720**	**598 737 297**
Current assets					
Debtors					
Trade receivables	14, 14a	7 379 904	7 379 904	8 673 601	8 673 601
Other receivables from affiliated companies	17	5 721	791	78 217	70 999
Other receivables	18	1 921 585	1 940 824	2 548 333	2 570 481
Tax assets		1 544 165	1 544 165	259 774	259 774
Other assets		-	-	124 542	124 542
Prepaid expenses	19	81 480	83 013	645 926	647 585
Short-term investments in finance leases	12, 14a	229 684 192	229 684 192	222 021 615	222 021 615
Short-term loans	13, 14a	6 522 672	6 522 672	11 663 082	11 663 082
Total debtors		**247 139 719**	**247 155 561**	**246 015 090**	**246 031 679**
Cash and bank	20	**23 347 022**	**23 709 243**	**44 728 494**	**45 023 823**
Total current assets		**270 486 741**	**270 864 804**	**290 743 584**	**291 055 502**
Total assets		**853 041 428**	**853 406 310**	**889 493 304**	**889 792 799**

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Kristine Zuromska
Chief accountant

COMPANY'S SEPARATE AND GROUP'S CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Liabilities and shareholders' equity					
Equity					
Share capital	21	15 569 120	15 569 120	15 569 120	15 569 120
Reserve	21	637 447	637 447	637 447	637 447
Accumulated profit		26 315 055	26 646 295	25 986 155	26 226 026
Total equity		**42 521 622**	**42 852 862**	**42 192 722**	**42 432 593**
Provisions					
Total provisions	22	**930 034**	**949 969**	**1 697 730**	**1 734 603**
Liabilities					
Non-current liabilities					
Loans from affiliated companies	26	233 585 665	233 585 665	446 392 058	446 392 058
Loans from credit institutions	29	32 363 902	32 363 902	42 500 000	42 500 000
Lease liabilities	25	592 189	592 189	563 770	563 770
Deferred income	28	983 813	983 813	250 794	250 794
Total non-current liabilities		**267 525 569**	**267 525 569**	**489 706 622**	**489 706 622**
Current liabilities					
Trade payables	24	11 519 081	11 525 576	9 829 500	9 839 599
Short term lease liabilities	25	277 788	277 788	431 738	431 738
Short-term loans and accounts payable to affiliated companies	27	517 193 853	517 193 853	284 177 253	284 177 253
Short-term loans and accounts payable to credit institutions	29	9 912 624	9 912 624	57 506 111	57 506 111
Taxes and social insurance contributions		605 537	605 537	1 404 831	1 404 831
Other payables		367 894	367 894	413 890	413 890
Accrued liabilities	30	472 934	480 146	453 475	466 127
Deferred income	28	345 928	345 928	247 196	247 196
Customer advances received		1 368 564	1 368 564	1 432 236	1 432 236
Total current liabilities		**542 064 203**	**542 077 910**	**355 896 230**	**355 918 981**
Total liabilities		**809 589 772**	**809 603 479**	**845 602 852**	**845 625 603**
Total provisions, liabilities and shareholders' equity		**853 041 428**	**853 406 310**	**889 493 304**	**889 792 799**

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Member of the Management Board

Kristine Zuromska
Chief accountant

COMPANY'S SEPARATE AND GROUP'S CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Cash flows from / (used in) operating activities					
Profit before taxation		1 800 404	1 891 772	15 510 033	15 631 258
Adjustments for:					
Depreciation of property and equipment for own use and equipment under operating lease terms and amortisation of intangible assets	8,9	1 474 273	1 475 522	537 850	538 850
Depreciation of rights of use assets	8	496 508	496 508	376 832	376 832
Increase (decrease) of other provisions	22	(767 696)	(784 634)	(704 144)	(707 337)
Interest and similar expenses	2	3 687 085	3 687 085	4 652 744	4 652 744
Loss from write offs of property and equipment for own use		25 361	25 473	34 436	34 495
Loss from write offs of rights to use leased assets		36 613	36 613	51 807	51 807
Cash from operating activities before changes in working capital		**6 752 548**	**6 828 339**	**20 459 558**	**20 578 649**
Adjustments for:					
Decrease / (increase) in trade receivables		1 466 065	1 466 810	1 809 229	1 816 419
Increase / (decrease) in trade and other payables		1 269 038	1 259 994	5 926 086	5 931 734
(Increase) in net investment in finance leases and loans		20 378 938	20 378 938	(189 397 002)	(189 397 002)
Total cash used in operating activities		**29 866 589**	**29 934 081**	**(161 202 130)**	**(161 070 201)**
Corporate income tax paid		(1 252 696)	(1 252 696)	(204 997)	(204 997)
Net cash used in operating activities		**28 613 893**	**28 681 385**	**(161 407 126)**	**(161 275 197)**
Cash flows (used in)/from investing activities					
Purchase of property and equipment for own use and leasehold improvements	8	(190 305)	(190 905)	(213 539)	(216 998)
Purchase of intangible assets	8	(579 190)	(579 190)	(594 013)	(594 013)
Purchase of property and equipment under operating lease	9	(8 636 036)	(8 636 036)	(2 524 945)	(2 524 945)
Proceeds from sale of property and equipment for own use and leased out under operating lease		988 982	988 982	539 351	539 351
Net cash flow (used in) investing activities		**(8 416 549)**	**(8 417 149)**	**(2 793 146)**	**(2 796 605)**
Cash flows from financing activities					
Repayment of lease liabilities		(503 381)	(503 381)	(428 927)	(428 927)
Loans received		330 164 566	330 164 566	556 000 000	556 000 000
Loans repaid		(358 739 961)	(358 739 961)	(371 798 716)	(371 798 716)
Profit distribution		(8 800 000)	(8 800 000)	-	-
Interest paid		(3 700 040)	(3 700 040)	(4 652 744)	(4 652 744)
Net cash from financing activities		**(41 578 816)**	**(41 578 816)**	**179 119 613**	**179 119 613**
Net increase in cash and cash equivalents		**(21 381 472)**	**(21 314 580)**	**14 919 340**	**15 047 810**
Cash and cash equivalents at the beginning of reporting year	20	44 728 494	45 023 823	29 809 154	29 976 013
Cash and cash equivalents at the end of reporting year	**20**	**23 347 022**	**23 709 243**	**44 728 494**	**45 023 823**

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Valdis Vasiļevskis	Laimonas Belickas
Chairman of the Management Board	Member of the Management Board

Prepared by:

Ģirts Glāzers	Kristine Zuromska
Member of the Management Board	Chief accountant

COMPANY'S SEPARATE STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital EUR	Reserves EUR	Company's retained earnings EUR	Company Total EUR
Balance as at 31 December 2018	**15 569 120**	**637 447**	**21 223 169**	**37 429 736**
Profit distribution	-	-	(8 800 000)	**(8 800 000)**
Net profit for the year	-	-	13 562 986	**13 562 986**
Balance as at 31 December 2019	**15 569 120**	**637 447**	**25 986 155**	**42 192 722**
Net profit for the year	-	-	328 900	**328 900**
Balance as at 31 December 2020	**15 569 120**	**637 447**	**26 315 055**	**42 521 622**

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Laimonas Belickas
Member of the Management Board

Prepared by:

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Ģirts Glāzers
Member of the Management Board

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Kristine Zuromska
Chief accountant

GROUP'S STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital EUR	Reserve EUR	Group's retained earnings EUR	Group Total EUR
Balance as at 31 December 2018	**15 569 120**	**637 447**	**21 341 784**	**37 548 351**
Profit distribution	-	-	(8 800 000)	**(8 800 000)**
Net profit for the year	-	-	13 684 242	**13 684 242**
Balance as at 31 December 2019	**15 569 120**	**637 447**	**26 226 026**	**42 432 593**
Net profit for the year	-	-	420 269	**420 269**
Balance as at 31 December 2020	**15 569 120**	**637 447**	**26 646 295**	**42 852 862**

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Member of the Management Board

Prepared by:

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Ģirts Glāzers
Member of the Management Board

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Kristine Zuromska
Chief accountant

Notes to the Financial Statements

GENERAL INFORMATION

The consolidated financial statements include the financial statements of Citadele Leasing SIA (previously UniCredit Leasing SIA), registered in Mukusalas 41, Riga, LV-1004, Republic of Latvia, its branches in Estonia and Lithuania (hereinafter the "Company") and its subsidiary, CL Insurance Broker SIA (previously UniCredit Insurance Broker SIA), registered in Mukusalas 41, Riga, LV-1004, Republic of Latvia and its branch in Estonia (together referred to as the "Group").

The separate financial statements include the financial statements of Citadele Leasing SIA (previously UniCredit Leasing SIA), registered in Mukusalas 41, Riga, LV-1004, Republic of Latvia and its branches in Estonia and Lithuania (hereinafter the "Company").

The Company is a member of the UniCredit Group as at 31 December 2020, which has been operating in the Latvian market since 1998. The Company provides products of financing for assets (finance and operating lease) in Latvia, Estonia and Lithuania.

As of 31 December 2020 the shareholder of the Company is UniCredit S.p.A., which holds 100% of the share capital. The Company's ultimate controlling party as at 31 December 2020 and 2019 was UniCredit S.p.A. which is a listed company.
As of 4 January 2021, transaction between AS Citadele Banka and UniCredit S.p.A. has been completed. AS Citadele Banka has become the 100% owner of Citadele Leasing SIA (previously SIA UniCredit Leasing) including its Estonian and Lithuanian branches, along with its 100% owned subsidiary CL Insurance Broker (previously SIA UniCredit Insurance Broker) including its Estonian branch.

BASIS OF PREPARATION

Statement of compliance

These financial statements have 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 2019 and 2020 Company and Group applied opportunity prescribed in the Law On the Annual Financial Statements and Consolidated Financial Statements allowing to apply certain IFRS/IAS, if that results in improved reporting. Company and Group have applied IFRS 9, IFRS 16 and IAS 12.

The consolidated and separate financial statements were authorized for issue by the Board of Management on 15 February 2021. The shareholders have the power to reject the financial statements prepared and presented by management and the right to request that new financial statements be prepared.

Basis of measurement

The separate and consolidated financial statements of the Company and the Group have been prepared on the historical cost basis. The Company and the Group do not have financial instruments at fair value through profit or loss and fair value though other comprehensive income as at 31 December 2020 and 2019.

Basis of consolidation

For the purposes of the Group consolidated financial statements, subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Intra-group transactions and unrealized profit arising from intra-group transactions are excluded in the course of consolidation. Unrealized losses are eliminated similarly except that such losses are eliminated to the extent that there is no evidence of impairment.

Use of estimates and judgments

The preparation of financial statements in conformity with the 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 financial assets

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

Loans and leases are classified as financial assets at amortised cost, are tested for impairment as required by IFRS 9 and credit impairment provisions are measured based on expected credit losses. Expected credit losses are measured based on the stage to which the individual asset is allocated at each reporting date. In this regard, these instruments are classified in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement.

Specifically:
• 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.

Parametrs and risk definitions used for calculating value adjustments

In order to meet the requirements of the standard, the Company has developed specific models to calculate expected loss based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulation. In particular:
• the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (e.g. 1 year);
• the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
• the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
• the Effective interest rate is the discount rate given by the transaction specific effective interest rate, allowing that exposure is discounted to the reporting date and not to the date of expected default or any other date.

Additionally, risk parameters PD and LGD are adjusted with forward-looking macroeconomic information to arrive to the point in time instead of over the cycle expected credit loss estimates. The forward-looking information is the management's best estimates, thus actual credit losses might differ from expected credit losses. Despite these being the managements best estimates, there are uncertainties in such factors as international and local economic conditions, borrower specific factors, industry and market trends, interest rates, unemployment rates and other external factors.
The Group has implemented forward-looking information in the measurement of expected credit losses. The forward-looking adjustment incorporates two economic scenarios with distinct economic consequences: a base case scenario which comprises most likely future economic development and a less likely adverse scenario. The two scenarios are weighted based on an expert judgement and the managements best estimates of the future developments. Both scenarios take into consideration recent Covid-19 events.
Weighted average PD through the cycle as a result of application of forward looking macroeconomic adjustment for Stage 1 exposures increases by 55%, for stage 2 exposures by 51%.

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;
• forborne 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 waring signals' review at client level. Early waring signals include external factors, which may impact client's payment capability, existing credit standing of the client, list of internally observed clients' behavioural triggers.
Since this year, Stage 2 foresees additional healing period for migrated clients: 3 months probation for overdue clients and 12 months for forborne performing clients.

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.

The Covid-19 pandemic outbreak

The Covid-19 pandemic outbreak triggered a global health crisis and has already had an unprecedented impact on the global economy, including the Baltics states, due to the massive lock-down measures and travel/trade restrictions. It had impact in accelerating the massive digitalization of financial institutions and a shift towards more remote-based in terms of employees working and client servicing. The outlook of the pandemic normalization path in terms of its timeline and further evolution remains highly uncertain, as well as the magnitude of the economic downturn. Company put in place pre-emptive measures to face the Covid-19 emergency, including the tightening of risk monitoring, and continues to proactively manage the evolving situation across all dimensions of its risk profile.

With reference to credit risk, the Company positively sees all the initiatives aimed at supporting the real economy that have been put in place by the EU government and local governments. The potential impact on the Company's risk profile is mitigated with:
• acquisition of public guarantees in line with the mechanisms put in place by the local governments;
• an ex-ante and ongoing evaluation of the client's risk profile.
The Comapny regularly reviews the mains principles for underwriting, monitoring and management in frame of credit risk assessment, in order to cope with the new challenges and to early detect potential signals of asset quality deterioration. Company took decision not to participate in moratoriums.

Following the change in economic environment, composition of forward looking information impact at IFRS 9 models was reviewed. The objective of the forward-looking adjustment is to estimate changes in probability of default given 5 macroeconomic variables: Unemployment Rate, Average Monthly Wage, Inflation, Gross Domestic Product, Real Estate Prices. Forecasted values of macroeconomic variables for the baseline scenario for the next three years are closely alligned with the most recent forecasts of the Latvian, Lithuanina and Estonian central banks adjusted for consensus economic forecasts. For adverse scenario current negative economic trend is assumed to continue with spillover into industries not dirrectly affected by the current Covid-19 containment measures. Forecasted macro indicators are provided for both, baseline and adverse scenarios. The current implementation, based on an expert judgement, weights baseline scenario with 55% likelihood and the adverse scenario at 45% likelihood. The 55% vs. 45% weighted augmented scenario is used for forward-looking adjustment.

According to the baseline scenario improvement in GDP development trend would be observed in 2021, with an increase in GDP by 2.8% in Latvia and 2.4% and 2.1% increase respectively in Estonia and Lithuania. According to the negative scenario GDP would decrease by 12.2% in Latvia, 12.9% in Lithuania and Estonia. Sectors most significantly negatively affected would be hotels, restaurants, and aviation; also transport and to lesser extent trade and real estate.

Sensitivity analysis of stand-alone impact from baseline and negative scenarios to final IFRS9 PD shows the following results:

Stage allocation	Weighted average PDs as of 31 December 2020	
	Delta change	
	Adverse vs Combined	Baseline vs Combined
Stage 1	+27.54%	-25.85%
Stage 2	+27.81%	-26.14%
TOTAL Performing	**+27.63%**	**-25.94%**

*- Combined scenario consists from Baseline 55% and Adverse 45%

Apart of Forward Looking adjustments made at the end of December 2020, Company quantified and booked additional impairment, based on the follwing two types of overlays:

i. Overlay factor as 115% of Expected Credit loss, assuming average dynamics of contracts move between stage 1 and stage 2 will be the same in 2021 as in 2020 thus adjusting longer term average normal historical flow of 5%). This overlay application to the whole performing portfolio amounted to 0,973 Mio EUR of extra impairment as of December 2020;

ii. Additional overlayed PD component for Retail credit process customers with stand alone exposure below EUR 250 000 as of December 2020 in the most affected COVID-19 industries based on internal experts point of view: Automotive, Construction & Wood, Tourism and Real Estate. PD component for customers from selected groups in stage 1 was adjusted to reach weighted average PD of stage 2 in mentioned industries. Application of this overlay component amounted to 1, 9 Mio EUR of extra impairment as of December 2020.

Calculation of recoverable amount

The recoverable amount of the Company's and the Group'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.

(ii) Impairment of non-financial assets

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 Comapny. However, if regular rental payment for an operating lease contact is overdue, the overdue amount is treated as a debt receivable and impairment for this part is measured in accordance with exiting IFRS 9 standard.

(iii) Recognition of provisions

A provision is recognized if, as a result of past event, the Company or the Group 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 2020 and 31 December 2019 the Company and the Group have created provisions for administrative and operation expenses.

(iv) 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 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.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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 classifies 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 installments consist of the aggregate amount of all installments, 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 5000.

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 base.

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
During 2020 and 2019, 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 contr:

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 statements are 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 exchange rate at the date of transaction.

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 2020	31 December 2019
	EUR	EUR
1 USD	1.2271	1.1234
1 JPY	126.49	121.94

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

Property and equipment

Property and equipment 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 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.
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

Subsidiaries are entities controlled by the Company or the Group. Control exists when the Company or the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

Dividends

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

Repossessed assets

As part of the normal 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 (i.e. gains full title to) 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 statements the related deferred tax assets and liabilities for Latvia and Estonia are not recognised, except for deferred tax asset arising from transition related to certain provisions and accruals existing as of 31 December 2017 which will be available to offset against deemed profit distribution in future. 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 defined as shareholders who have significant influence over the Company and the Group, 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.

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 and the Group pursue liquidity risk management, maintaining sufficient credit resources to allow the settlement of liabilities when they fall due. Therefore, management of the Company and the Group considers that the Company and the Group will have cash resources and its liquidity will not be endangered.

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 and the Group'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.

Prior period reclassification

In order to improve presentation and comprehensibility of the financial statements, in 2020 the Company's management changed the classification of certain items of the balance sheet and the statement of profit and loss in these statements. To ensure the comparability of the financial statements for 2020 and 2019, the comparative figures of the financial statements for 2019 have been reclassified as follows:

Statement of Profit and Loss of Company	2019 (as previously reported) EUR	Reclassification EUR	2019 (Reclassified) EUR
Other operating income	1 450 582	(441 255)	1 009 327
Other operating expense	(1 077 989)	441 255	(636 734)

Statement of Profit and Loss of Group	2019 (as previously reported) EUR	Reclassification EUR	2019 (Reclassified) EUR
Other operating income	1 409 546	(441 255)	968 291
Other operating expense	(1 077 989)	441 255	(636 734)

Notes (continued)

(1) INTEREST, FEE AND RENTAL INCOME

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Interest income from finance leases	30 055 454	30 055 454	29 852 009	29 852 009
Administration fee income	2 591 490	2 856 909	2 226 106	2 537 392
Rental income from operating leases	1 242 566	1 242 566	281 448	281 448
Total interest, fee and rental income	**33 889 510**	**34 154 929**	**32 359 563**	**32 670 849**

(2) INTEREST EXPENSE

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Interest charges on loans from UniCredit S.p.A	3 199 154	3 199 154	4 122 256	4 122 256
Interest charges on loans from UniCredit Bank Austria AG	14 312	14 312	403 557	403 557
Interest charges on loans from other credit institutions	460 238	460 238	72 631	72 631
Interest charges for rights to use leased assets	13 381	13 381	54 300	54 300
Total interest expense	**3 687 085**	**3 687 085**	**4 652 744**	**4 652 744**

(3) PERSONNEL EXPENSES

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Salary expenses	3 919 185	4 001 047	4 046 299	4 124 588
Bonuses	753 808	773 743	947 882	960 635
Social insurance	711 724	731 971	770 829	790 016
Leased personnel costs	473 278	473 278	311 826	311 826
Other personnel expenses	128 413	131 733	111 475	114 849
Unused annual leave	101 677	96 915	61 528	64 535
Total personnel expenses	**6 088 085**	**6 208 687**	**6 249 839**	**6 366 449**

(4) OTHER OPERATING INCOME

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Penalties received	814 144	814 144	793 316	793 316
Other income	396 294	372 980	207 169	166 133
Net profit on disposal of property and equipment leased under operating lease terms	8 557	8 557	8 842	8 842
Total other operating income	**1 218 995**	**1 195 681**	**1 009 327**	**968 291**

(5) OTHER OPERATING EXPENSE

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Net loss on disposal of leased assets	27 529	27 529	119 036	119 036
Expenses for lost litigations	124 224	124 224	-	-
Commision expense for received guarantees	475 904	475 904	318 602	318 602
Commision expense for servicing funding	226 495	226 495	69 126	69 126
Other expenses	132 724	132 678	129 970	129 970
Total other operating expenses	**986 876**	**986 830**	**636 734**	**636 734**

Notes (continued)

(6) GENERAL ADMINISTRATIVE EXPENSES

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Depreciation of property and equipment for own use (rights to use assets) (Note 8)	496 508	496 508	376 832	376 832
IT services	384 026	390 114	275 528	280 824
Professional fees	300 348	302 052	293 704	295 468
Communication expenses	276 051	277 102	294 633	295 752
Amortization of intangible assets (Note 8)	253 028	253 028	148 955	148 955
Office maintenance costs	168 986	171 342	178 398	180 554
Transport expenses	166 957	178 957	128 257	141 995
Depreciation of property and equipment for own use and leasehold improvements (Note 8)	163 772	165 019	139 735	140 735
VAT expensed	69 597	69 597	47 535	47 535
Participation in associations	64 054	65 472	52 746	54 173
Advertising	59 365	59 365	140 542	140 542
Recruitment and training	53 636	54 084	76 740	76 954
Bank charges	33 532	33 910	20 633	21 005
Representation costs	30 377	30 377	53 755	53 780
Business trip expenses	15 306	15 262	156 163	157 293
Insurance costs	6 450	8 851	6 088	8 476
Intercompany service charge	-	-	38 644	38 644
Other expenses	143 395	144 496	211 031	212 749
Total other administrative expenses	**2 685 388**	**2 715 536**	**2 639 919**	**2 672 266**

(7) INCOME TAX

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Current tax charge	(1 414 935)	(1 414 935)	(1 931 241)	(1 931 210)
Deferred income tax (expense) (Note 23)	(56 568)	(56 568)	(15 806)	(15 806)
Corporate tax expense	**(1 471 503)**	**(1 471 503)**	**(1 947 047)**	**(1 947 016)**

Notes (continued)

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

The Rights of use assets includes rent agreements for office space and vecihles. Average lease term is 5 years (2019: 5).

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**

Group 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	1 491 907	1 366 550	4 403 861
Additions	579 190	190 905	390 805	1 160 900
Disposal	(26 957)	(71 873)	(53 110)	(151 940)
31 December 2020	**2 097 637**	**1 610 939**	**1 704 245**	**5 412 821**
Depreciation				
31 December 2019	549 287	1 023 674	370 754	1 943 715
Charge for 2020	253 028	165 019	496 508	914 555
Disposal	(25 578)	(47 780)	(16 497)	(89 855)
31 December 2020	**776 737**	**1 140 913**	**850 765**	**2 768 415**
Net book value				
31 December 2019	**996 117**	**468 233**	**995 796**	**2 460 146**
31 December 2020	**1 320 900**	**470 026**	**853 480**	**2 644 406**

Company 2019	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 2018	1 068 722	1 326 822	-	2 395 544
Restated balance as of 1 January 2019	-	-	1 283 221	1 283 221
Additions	594 013	213 426	141 214	948 653
Disposal	(117 331)	(59 527)	(57 885)	(234 743)
31 December 2019	**1 545 404**	**1 480 721**	**1 366 550**	**4 392 675**
Depreciation				
31 December 2018	513 135	905 142	-	1 418 277
Charge for 2019	148 955	139 735	376 832	665 522
Disposal	(112 803)	(29 732)	(6 078)	(148 613)
31 December 2019	**549 287**	**1 015 145**	**370 754**	**1 935 186**
Net book value				
31 December 2018	**555 587**	**421 680**	**-**	**977 267**
Restated balance as of 1 January 2019	**-**	**-**	**1 283 221**	**1 283 221**
31 December 2019	**996 117**	**465 576**	**995 796**	**2 457 489**

Notes (continued)

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

Group 2019	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 2018	1 068 722	1 339 304	-	2 408 026
Restated balance as of 1 January 2019	-	-	1 283 221	1 283 221
Additions	594 013	216 885	141 214	952 112
Disposal	(117 331)	(64 282)	(57 885)	(239 498)
31 December 2019	**1 545 404**	**1 491 907**	**1 366 550**	**4 403 861**
Depreciation				
31 December 2018	513 135	917 367	-	1 430 502
Charge for 2019	148 955	140 735	376 832	666 522
Disposal	(112 803)	(34 428)	(6 078)	(153 309)
31 December 2019	**549 287**	**1 023 674**	**370 754**	**1 943 715**
Net book value				
31 December 2018	**555 587**	**421 937**	**-**	**977 524**
Restated balance as of 1 January 2019	**-**	**-**	**1 283 221**	**1 283 221**
31 December 2019	**996 117**	**468 233**	**995 796**	**2 460 146**

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

Company and Group 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**

Company and Group 2019	Vehicles EUR	Total property and equipment under operating lease terms EUR
Cost		
31 December 2018	1 085 347	1 085 347
Additions	2 524 945	2 524 945
Disposal	(677 853)	(677 853)
31 December 2019	**2 932 439**	**2 932 439**
Depreciation		
31 December 2018	200 380	200 380
Charge for 2019	249 160	249 160
Disposal	(138 160)	(138 160)
31 December 2019	**311 380**	**311 380**
Net book value		
31 December 2018	**884 967**	**884 967**
31 December 2019	**2 621 059**	**2 621 059**

Notes (continued)

(10) FUTURE MINIMUM LEASE PAYMENTS FOR PROPERTY AND EQUIPMENT LEASED OUT UNDER OPERATING LEASE TERM

	Company and Group 2020 EUR	Company and Group 2019 EUR
Minimum lease payments up to 1 year	1 409 083	862 796
Minimum lease payments 1 to 5 years	6 406 979	1 540 960
Minimum lease payments over 5 years	179 674	53 471
Total minimum lease payments	**7 995 736**	**2 457 227**

(11) INVESTMENT IN SUBSIDIARY

The investment in subsidiary amounting to EUR 15,080 represents investment in the share capital of CL Insurance Broker SIA. The holding in the subsidiary share capital amounts to 100% as at 31 December 2020 and 2019. The net assets of the subsidiary as at 31 December 2020 amount to EUR 254,952 (31.12.2019: EUR 133,695). The profit for the year 2020 amounts to EUR 91,369 (2019: EUR 121,256). The profit for the year 2020 and 2019 is fully retained.

(12) NET INVESTMENT IN FINANCE LEASES

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

Company and Group as at 31 December 2020			Short-term, EUR			Long-term, EUR	Total, EUR
	S1	S2	S3	S1	S2	S3	
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**
Specific impairment			(8 789 555)			(4 107 222)	(12 896 777)
Collective assessment impairment allowance	(2 257 486)	(2 186 820)		(4 683 871)	(4 478 472)		(13 606 649)
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 and Group as at 31 December 2019			Short-term, EUR			Long-term, EUR	Total, EUR
	S1	S2	S3	S1	S2	S3	
Gross investment in finance lease	223 976 112	13 358 932	16 997 686	575 382 377	24 762 954	7 273 241	861 751 302
Unearned finance income	(22 674 050)	(1 376 804)	(677 152)	(33 626 883)	(1 666 176)	(820 980)	(60 842 045)
Net investment in finance leases before allowances	**201 302 062**	**11 982 128**	**16 320 534**	**541 755 494**	**23 096 778**	**6 452 261**	**800 909 257**
Specific impairment	-	-	(7 052 419)	-	-	(1 749 906)	(8 802 325)
Collective assessment impairment allowance	(332 139)	(198 551)	-	(752 283)	(503 603)	-	(1 786 576)
Net investment in finance lease as at 31 December 2019	**200 969 923**	**11 783 577**	**9 268 115**	**541 003 211**	**22 593 175**	**4 702 355**	**790 320 356**

	Company and Group 2020 EUR	Company and Group 2019 EUR
Unearned finance income up to 1 year	23 560 215	24 728 006
Unearned finance income 1 to 5 years	32 518 048	35 569 910
Unearned finance income over 5 years	463 887	544 129
Total unearned finance income	**56 542 150**	**63 430 351**

Notes (continued)

(13) LOANS BREAKDOWN BY THE TYPE OF THE BORROWER

Amounts below represent the maximum credit exposure of loans:

Company and Group as at 31 December 2020	Short-term, EUR			Long-term, total EUR			Total, EUR
	S1	S2	S3	S1	S2	S3	
Gross loans to individuals	424 247	105 786	362 638	3 006 634	539 909	330 094	4 769 308
Specific impairment allowance	-	-	(340 245)	-	-	(184 994)	(525 239)
Collective assessment impairment allowance	(1 095)	(24 738)	-	(8 170)	(124 155)	-	(158 158)
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
Specific impairment allowance	-	-	(652 242)	-	-	(2 749 981)	(3 402 223)
Collective assessment impairment allowance	(100 507)	(51 141)	-	(352 184)	(77 621)	-	(581 453)
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**
Specific impairment allowance	-	-	(992 487)	-	-	(2 934 975)	(3 927 462)
Collective assessment impairment allowance	(101 602)	(75 879)	-	(360 354)	(201 776)	-	(739 611)
Net loans total	**5 014 961**	**638 202**	**869 509**	**14 118 002**	**1 142 647**	**3 482 174**	**25 265 495**

Company and Group as at 31 December 2020	Long-term 2-5 years EUR			Long-term over 5 years EUR			Long-term total EUR
	S1	S2	S3	S1	S2	S3	
Gross loans to individuals	1 882 209	385 579	251 647	1 124 425	154 330	78 447	3 876 637
Specific impairment allowance	-	-	(137 936)	-	-	(47 058)	(184 994)
Collective assessment impairment allowance	(4 741)	(95 215)	-	(3 429)	(28 940)	-	(132 325)
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
Specific impairment allowance	-	-	(1 894 369)	-	-	(855 612)	(2 749 981)
Collective assessment impairment allowance	(251 733)	(77 621)	-	(100 451)	-	-	(429 805)
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**
Specific impairment allowance	-	-	(2 032 305)	-	-	(902 670)	(2 934 975)
Collective assessment impairment allowance	(256 474)	(172 836)	-	(103 880)	(28 940)	-	(562 130)
Net loans total	**12 507 157**	**1 017 257**	**2 379 177**	**1 610 845**	**125 390**	**1 102 997**	**18 742 823**

Notes (continued)

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

Company and Group as at 31 December 2019	Short-term, EUR			Long-term, total EUR			Total, EUR
	S1	S2	S3	S1	S2	S3	
Gross loans to individuals	703 042	122 467	273 010	4 262 656	312 945	536 975	6 211 095
Specific impairment allowance	-	-	(146 272)	-	-	(349 329)	(495 601)
Collective assessment impairment allowance	(564)	(20 208)	-	(4 640)	(29 137)	-	(54 549)
Net loans to individuals	**702 478**	**102 259**	**126 738**	**4 258 016**	**283 808**	**187 646**	**5 660 945**
Gross loans to corporate entities	9 835 596	787 492	526 723	18 591 142	1 417 667	1 736 321	32 894 941
Specific impairment allowance	-	-	(306 080)	-	-	(1 054 588)	(1 360 668)
Collective assessment impairment allowance	(66 807)	(45 317)	-	(122 804)	(113 002)	-	(347 930)
Net loans to corporate entities	**9 768 789**	**742 175**	**220 643**	**18 468 338**	**1 304 665**	**681 733**	**31 186 343**
Gross loans total	**10 538 638**	**909 959**	**799 733**	**22 853 798**	**1 730 612**	**2 273 296**	**39 106 036**
Specific impairment allowance	-	-	(452 352)	-	-	(1 403 917)	(1 856 269)
Collective assessment impairment allowance	(67 371)	(65 525)	-	(127 444)	(142 139)	-	(402 479)
Net loans total	**10 471 267**	**844 434**	**347 381**	**22 726 354**	**1 588 473**	**869 379**	**36 847 288**

Company and Group as at 31 December 2019	Long-term 2-5 years EUR			Long-term over 5 years EUR			Long-term total EUR
	S1	S2	S3	S1	S2	S3	
Gross loans to individuals	2 415 462	233 029	395 283	1 847 194	79 916	141 692	5 112 576
Specific impairment allowance	-	-	(298 156)	-	-	(51 173)	(349 329)
Collective assessment impairment allowance	(2 176)	(20 653)	-	(2 464)	(8 484)	-	(33 777)
Net loans to individuals	**2 413 286**	**212 376**	**97 127**	**1 844 730**	**71 432**	**90 519**	**4 729 470**
Gross loans to corporate entities	15 074 240	1 410 931	1 253 062	3 516 902	6 736	483 259	21 745 130
Specific impairment allowance	-	-	(789 980)	-	-	(264 608)	(1 054 588)
Collective assessment impairment allowance	(102 039)	(112 764)	-	(20 764)	(239)	-	(235 806)
Net loans to corporate entities	**14 972 201**	**1 298 167**	**463 082**	**3 496 138**	**6 497**	**218 651**	**20 454 736**
Gross loans total	**17 489 702**	**1 643 960**	**1 648 345**	**5 364 096**	**86 652**	**624 951**	**26 857 706**
Specific impairment allowance	-	-	(1 088 136)	-	-	(315 781)	(1 403 917)
Collective assessment impairment allowance	(104 215)	(133 417)	-	(23 228)	(8 723)	-	(269 583)
Net loans total	**17 385 487**	**1 510 543**	**560 209**	**5 340 868**	**77 929**	**309 170**	**25 184 206**

Notes (continued)

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

Credit exposure of loans by industries:

	Company and Group 2020 EUR	Company and Group 2019 EUR
Manufacturing	13 116 673	14 605 235
Real estate activities	1 281 331	7 620 499
Agriculture	6 248 198	7 200 757
Loans to individuals	4 769 308	6 211 095
Electricity and gas supply	1 719 907	1 679 500
Trade	1 434 351	859 211
Construction	470 542	559 808
Administrative and support services	242 055	340 939
Professional, scientific and technical activities	585 970	-
Transport and storage	-	2 611
Other	64 233	26 381
Gross loans total	**29 932 568**	**39 106 036**
Specific impairment allowance	(3 927 462)	(1 856 269)
Collective assessment impairment allowance	(739 611)	(402 479)
Net loans total	**25 265 495**	**36 847 288**

Geographical analysis of the loan portfolio:

	Company and Group 2020 EUR	Company and Group 2019 EUR
Latvia	12 038 514	20 208 221
Lithuania	13 914 123	14 504 459
Estonia	2 995 054	3 333 442
EU countries	570 019	579 224
Non EU countries	414 858	480 690
Gross loans total	**29 932 568**	**39 106 036**
Specific impairment allowance	(3 927 462)	(1 856 269)
Collective assessment impairment allowance	(739 611)	(402 479)
Net loans total	**25 265 495**	**36 847 288**

Notes (continued)

(14) TRADE RECEIVABLES

	Company and Group 2020			Total,
	S1	S2	S3	EUR
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**
Specific 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**
Specific 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**

	Company and Group 2019			Total,
	S1	S2	S3	EUR
Individuals				
Not past due	891 115	95 715	96 653	1 083 483
Past due 1-30 days	7 622	696	2 467	10 785
Past due 31-90 days	290	231 821	53 886	285 997
Past due 91-180 days	80	7 768	35 260	43 108
More than 180 days	-	-	264 103	264 103
Gross individuals	**899 107**	**336 000**	**452 369**	**1 687 476**
Specific impairment allowance	-	-	(365 266)	(365 266)
Net individuals	**899 107**	**336 000**	**87 103**	**1 322 210**
Corporate entities				
Not past due	3 287 608	406 319	589 944	4 283 871
Past due 1-30 days	20 598	37	336 335	356 970
Past due 31-90 days	84 825	1 898 859	416 814	2 400 498
Past due 91-180 days	2 799	63 657	1 036 203	1 102 659
More than 180 days	-	-	7 627 250	7 627 250
Gross corporate entities	**3 395 830**	**2 368 872**	**10 006 546**	**15 771 248**
Specific impairment allowance	-	-	(8 419 857)	(8 419 857)
Net corporate entities	**3 395 830**	**2 368 872**	**1 586 689**	**7 351 391**
Total trade receivables	**4 294 937**	**2 704 872**	**1 673 792**	**8 673 601**

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.

Notes (continued)

(14)a LEASE AND LOAN PORTFOLIO

Company and Group as at 31 December2020	Total, short term and long term			Total,
	S1	S2	S3	EUR
Net investment in finance leases before allowances	620 401 986	140 361 574	47 263 077	808 026 637
Collective assessment impairment allowance	(6 941 357)	(6 665 292)	-	(13 606 649)
Specific impairment allowance	-	-	(12 896 777)	(12 896 777)
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
Collective assessment impairment allowance	(461 956)	(277 655)	-	(739 611)
Specific impairment allowance	-	-	(3 927 462)	(3 927 462)
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
Specific 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 and Group as at 31 December 2020	Short term, EUR			Total,
	S1	S2	S3	EUR
Net investment in finance leases before allowances	170 757 793	47 400 058	24 760 202	242 918 053
Collective assessment impairment allowance	(2 257 486)	(2 186 820)	-	(4 444 306)
Specific impairment allowance	-	-	(8 789 555)	(8 789 555)
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
Collective assessment impairment allowance	(101 602)	(75 879)	-	(177 481)
Specific impairment allowance	-	-	(992 487)	(992 487)
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
Specific 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 and Group as at 31 December 2020	Long term, EUR			Total,
	S1	S2	S3	EUR
Net investment in finance leases before allowances	449 644 193	92 961 516	22 502 875	565 108 584
Collective assessment impairment allowance	(4 683 871)	(4 478 472)	-	(9 162 343)
Specific impairment allowance	-	-	(4 107 222)	(4 107 222)
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
Collective assessment impairment allowance	(360 354)	(201 776)	-	(562 130)
Specific impairment allowance	-	-	(2 934 975)	(2 934 975)
Net Loans	**14 118 002**	**1 142 647**	**3 482 174**	**18 742 823**
Gross Trade receivables	-	-	-	-
Specific impairment allowance	-	-	-	-
Net Trade receivables	-	-	-	-
Total Portfolio	**459 078 324**	**89 625 691**	**21 877 827**	**570 581 842**

Notes (continued)

(14)a LEASE AND LOAN PORTFOLIO (continued)

Company and Group as at 31 December 2019	Total, short term and long term			Total,
	S1	S2	S3	EUR
Net investment in finance leases before allowances	743 057 556	35 078 906	22 772 795	800 909 257
Collective assessment impairment allowance	(1 084 422)	(702 154)	-	(1 786 576)
Specific impairment allowance	-	-	(8 802 325)	(8 802 325)
Net investment in finance leases	**741 973 134**	**34 376 752**	**13 970 470**	**790 320 356**
Gross loans	33 392 436	2 640 571	3 073 029	39 106 036
Collective assessment impairment allowance	(194 815)	(207 664)	-	(402 479)
Specific impairment allowance	-	-	(1 856 269)	(1 856 269)
Net Loans	**33 197 621**	**2 432 907**	**1 216 760**	**36 847 288**
Gross Trade receivables	4 294 937	2 704 872	10 458 915	17 458 724
Specific impairment allowance	-	-	(8 785 123)	(8 785 123)
Net Trade receivables	**4 294 937**	**2 704 872**	**1 673 792**	**8 673 601**
Total Portfolio	**779 465 692**	**39 514 531**	**16 861 022**	**835 841 245**

Company and Group as at 31 December 2019	Short term, EUR			Total,
	S1	S2	S3	EUR
Net investment in finance leases before allowances	201 302 062	11 982 128	16 320 534	229 604 724
Collective assessment impairment allowance	(332 139)	(198 551)	-	(530 690)
Specific impairment allowance	-	-	(7 052 419)	(7 052 419)
Net investment in finance leases	**200 969 923**	**11 783 577**	**9 268 115**	**222 021 615**
Gross loans	10 538 638	909 959	799 733	12 248 330
Collective assessment impairment allowance	(67 371)	(65 525)	-	(132 896)
Specific impairment allowance	-	-	(452 352)	(452 352)
Net Loans	**10 471 267**	**844 434**	**347 381**	**11 663 082**
Gross Trade receivables	4 294 937	2 704 872	10 458 915	17 458 724
Specific impairment allowance	-	-	(8 785 123)	(8 785 123)
Net Trade receivables	**4 294 937**	**2 704 872**	**1 673 792**	**8 673 601**
Total Portfolio	**215 736 127**	**15 332 883**	**11 289 288**	**242 358 298**

Company and Group as at 31 December 2019	Long term, EUR			Total,
	S1	S2	S3	EUR
Net investment in finance leases before allowances	541 755 494	23 096 778	6 452 261	571 304 533
Collective assessment impairment allowance	(752 283)	(503 603)	-	(1 255 886)
Specific impairment allowance	-	-	(1 749 906)	(1 749 906)
Net investment in finance leases	**541 003 211**	**22 593 175**	**4 702 355**	**568 298 741**
Gross loans	22 853 798	1 730 612	2 273 296	26 857 706
Collective assessment impairment allowance	(127 444)	(142 139)	-	(269 583)
Specific impairment allowance	-	-	(1 403 917)	(1 403 917)
Net Loans	**22 726 354**	**1 588 473**	**869 379**	**25 184 206**
Gross Trade receivables	-	-	-	-
Specific impairment allowance	-	-	-	-
Net Trade receivables	**-**	**-**	**-**	**-**
Total Portfolio	**563 729 565**	**24 181 648**	**5 571 734**	**593 482 947**

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

Notes (continued)

(15) ALLOWANCE FOR DOUBTFUL RECEIVABLES

Changes in specific and collective impairment are:

	Company 2020			Total,
	S1	**S2**	**S3**	**EUR**
Specific impairment allowance as at the beginning of the reporting year	-	-	19 443 717	19 443 717
Expected credit loss with customers as at the beginning of the reporting year	1 279 237	909 818	-	2 189 055
Expected credit loss with banks as at the beginning of the reporting year	15 169	-	-	15 169
Total impairment allowance as at 1 January 2020	**1 294 406**	**909 818**	**19 443 717**	**21 647 941**
Increase in specific impairment allowance	-	-	6 647 354	6 647 354
Increase (decrease) in expected credit loss with customers	6 124 078	6 033 129	-	12 157 207
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**
Specific impairement foreign currency fluctuation result to income statement*	-	-	(1 794)	(1 794)
Expected credit loss with customers foreign currency fluctuation result to income statement*	(2)	-	-	(2)
Total net charge to income statement	**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**
Specific impairment allowance as at 31 December 2020	-	-	19 974 447	19 974 447
Expected credit loss with customers as at 31 December 2020	7 403 313	6 942 947	-	14 346 260
Expected credit loss with banks at 31 December 2020	9 166	-	-	9 166
Total impairment allowance as at 31 December 2020	**7 412 479**	**6 942 947**	**19 974 447**	**34 329 873**

	Group 2020			Total,
	S1	**S2**	**S3**	**EUR**
Specific impairment allowance as at the beginning of the reporting year	-	-	19 443 717	19 443 717
Expected credit loss with customers as at the beginning of the reporting year	1 279 237	909 818	-	2 189 055
Expected credit loss with banks as at the beginning of the reporting year	15 311	-	-	15 311
Total impairment allowance as at 1 January 2020	**1 294 548**	**909 818**	**19 443 717**	**21 648 083**
Increase in specific impairment allowance			6 647 354	6 647 354
Increase (decrease) in expected credit loss with customers	6 124 078	6 033 129		12 157 207
Increase (decrease) in expected credit loss with banks	(5 970)			(5 970)
Change in allowance for doubtful receivables	**6 118 108**	**6 033 129**	**6 647 354**	**18 798 591**
Specific impairement foreign currency fluctuation result to income statement*	-	-	(1 794)	(1 794)
Expected credit loss with customers foreign currency fluctuation result to income statement*	(2)	-	-	(2)
Total net charge to income statement	**6 118 106**	**6 033 129**	**6 645 560**	**18 796 795**
Write-off of lost loans	-	-	(6 114 830)	(6 114 830)
Changes in impairment allowance	**6 118 106**	**6 033 129**	**530 730**	**12 681 965**
Specific impairment allowance as at 31 December 2020	-	-	19 974 447	19 974 447
Expected credit loss with customers as at 31 December 2020	7 403 313	6 942 947	-	14 346 260
Expected credit loss with banks as at 31 December 2020	9 341	-	-	9 341
Total impairment allowance as at 31 December 2020	**7 412 654**	**6 942 947**	**19 974 447**	**34 330 048**

Notes (continued)

(15) ALLOWANCE FOR DOUBTFUL RECEIVABLES (continued)

	Company 2019			**Total,**
	S1	**S2**	**S3**	**EUR**
Specific impairment allowance as at the beginning of the reporting year	-	-	15 668 540	15 668 540
Expected credit loss with customers as at the beginning of the reporting year	2 829 540	700 593	-	3 530 133
Expected credit loss with banks as at the beginning of the reporting year	12 647	-	-	12 647
Total impairment allowance as at 1 January 2019	**2 842 187**	**700 593**	**15 668 540**	**19 211 320**
Increase in specific impairment allowance	-	-	4 771 300	4 771 300
Increase (decrease) in expected credit loss with customers	(1 550 307)	209 225	-	(1 341 082)
Increase in expected credit loss with banks	2 522	-	-	2 522
Change in allowance for doubtful receivables	**(1 547 785)**	**209 225**	**4 771 300**	**3 432 740**
Specific impairement foreign currency fluctuation result to income statement*	-	-	954	954
Expected credit loss with customers foreign currency fluctuation result to income statement*	4	-	-	4
Total net charge to income statement	**(1 547 781)**	**209 225**	**4 772 254**	**3 433 698**
Write-off of lost loans			(997 077)	(997 077)
Changes in impairment allowance	**(1 547 781)**	**209 225**	**3 775 177**	**2 436 621**
Specific impairment allowance as at 31 December 2019	-	-	19 443 717	19 443 717
Expected credit loss with customers as at 31 December 2019	1 279 237	909 818	-	2 189 055
Expected credit loss with banks at 31 December 2019	15 169	-	-	15 169
Total impairment allowance as at 31 December 2019	**1 294 406**	**909 818**	**19 443 717**	**21 647 941**

	Group 2019			**Total,**
	S1	**S2**	**S3**	**EUR**
Specific impairment allowance as at the beginning of the reporting year	-	-	15 668 540	15 668 540
Expected credit loss with customers as at the beginning of the reporting year	2 829 540	700 593	-	3 530 133
Expected credit loss with banks as at the beginning of the reporting year	12 721	-	-	12 721
Total impairment allowance as at 1 January 2019	**2 842 261**	**700 593**	**15 668 540**	**19 211 394**
Increase in specific impairment allowance			4 771 300	4 771 300
Increase (decrease)in expected credit loss with customers	(1 550 307)	209 225	-	(1 341 082)
Increase (decrease) in expected credit loss with banks	2 590	-	-	2 590
Change in allowance for doubtful receivables	**(1 547 717)**	**209 225**	**4 771 300**	**3 432 808**
Specific impairement foreign currency fluctuation result to income statement*	-	-	954	954
Expected credit loss with customers foreign currency fluctuation result to income statement*	4	-	-	4
Total net charge to income statement	**(1 547 713)**	**209 225**	**4 772 254**	**3 433 766**
Write-off of lost loans	-	-	(997 077)	(997 077)
Changes in impairment allowance	**(1 547 713)**	**209 225**	**3 775 177**	**2 436 689**
Specific impairment allowance as at 31 December 2019	-	-	19 443 717	19 443 717
Expected credit loss with customers as at 31 December 2019	1 279 237	909 818	-	2 189 055
Expected credit loss with banks as at 31 December 2019	15 311	-	-	15 311
Total impairment allowance as at 31 December 2019	**1 294 548**	**909 818**	**19 443 717**	**21 648 083**

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

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 and Group 2020 EUR	Company and Group 2019 EUR
Passenger cars	414 789 397	374 401 271
Commercial transport	186 077 375	237 734 147
Industrial machinery	130 903 183	121 328 773
Manufacturing equipment	47 050 211	54 212 114
Air, water transport	3 278 882	5 010 769
Other equipment	4 348 034	3 055 220
Rail transport	2 153 259	2 784 735
Other	302 774	466 928
Net portfolio	**788 903 115**	**798 993 957**

(17) OTHER RECEIVABLES WITH AFFILIATED COMPANIES

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Accounts receivable UniCredit Bank Austria AG	-	-	44 677	44 677
Accounting receivables with UniCredit S.p.A	-	-	25 461	25 461
Accounting receivables with CL Insurance Broker SIA	4 930	-	7 218	-
Accounts receivable with Uctam Baltics SIA	791	791	861	861
Total accounts receivables with affiliated companies	**5 721**	**791**	**78 217**	**70 999**

(18) OTHER RECEIVABLES

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
VAT asset	1 683 603	1 683 603	1 397 593	1 397 593
Advance payments for lease agreements	-	-	912 562	912 562
Safety deposits	50 585	50 585	174 717	174 717
Advance payments for administrative services	20 499	20 499	20 045	20 060
Other receivables	166 898	186 137	43 416	65 549
Total other debtors	**1 921 585**	**1 940 824**	**2 548 333**	**2 570 481**

(19) PREPAID EXPENSES

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Insurance, subscription of periodicals, administrative expenses	79 908	81 441	645 752	647 411
Other	1 572	1 572	174	174
Total prepaid expenses	**81 480**	**83 013**	**645 926**	**647 585**

(20) CASH AND BANK

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Cash at bank (Stage 1)	23 356 188	23 718 584	44 741 284	45 036 755
Expected credit loss with banks (Stage 1)	(9 166)	(9 341)	(15 169)	(15 311)
Deposits with initial maturity of less than 3 months	-	-	2 379	2 379
Total cash and bank	**23 347 022**	**23 709 243**	**44 728 494**	**45 023 823**

Notes (continued)

(21) SHAREHOLDERS' EQUITY

Share capital of the Company as at 31 December 2020 amounts to EUR 15,569,120 (31.12.2019: EUR 15,569,120) and consists of 1,556,912 shares with a nominal value of 10 EUR each (31.12.2019: 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 2020 was UniCredit S.p.A. (31.12.2019: 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 124 928 (2019: EUR 258,835). Share options reserve of EUR 0,00 (31.12.2019: EUR 15,758) is attributed to an incentive plan based on UniCredit S.p.A shares (stock options and performance shares) recognized as an expense with a corresponding increase in liabilities, over the period at which the employees become unconditionally entitled to payment.

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**

Group 2020	**Provisions for bonuses EUR**	**Provisions for share options EUR**	**Other provisions EUR**	**Total EUR**
At the beginning of reporting year	**1 460 010**	**15 758**	**258 835**	**1 734 603**
Provisions made during the year	773 743	-	247 822	**1 021 565**
Provisions used during the year	(1 275 607)	(15 758)	(381 729)	**(1 673 094)**
Provisions reversed during the year	(133 105)	-	-	**(133 105)**
At the end of the reporting year	**825 041**	**-**	**124 928**	**949 969**

Company 2019	**Provisions for bonuses EUR**	**Provisions for share options EUR**	**Other provisions EUR**	**Total EUR**
At the beginning of reporting year	**1 332 333**	**15 186**	**1 054 355**	**2 401 874**
Provisions made during the year	1 110 901	572	966 912	**2 078 385**
Provisions used during the year	(1 020 097)	-	(1 762 432)	**(2 782 529)**
At the end of the reporting year	**1 423 137**	**15 758**	**258 835**	**1 697 730**

Group 2019	**Provisions for bonuses EUR**	**Provisions for share options EUR**	**Other provisions EUR**	**Total EUR**
At the beginning of reporting year	**1 372 399**	**15 186**	**1 054 355**	**2 441 940**
Provisions made during the year	1 123 654	572	966 912	**2 091 138**
Provisions used during the year	(1 036 043)	-	(1 762 432)	**(2 798 475)**
At the end of the reporting year	**1 460 010**	**15 758**	**258 835**	**1 734 603**

Notes (continued)

(23) DEFERRED TAX ASSET

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Deferred tax at the beginning of the reporting year	173 145	173 145	188 951	188 951
Recognized deferred income tax (expense)/income on other items (Note 7)	(56 568)	(56 568)	(15 806)	(15 806)
Deferred income tax asset at year-end	**116 577**	**116 577**	**173 145**	**173 145**

	2020 EUR	2020 EUR	Company 2019 EUR	Group 2019 EUR
Provisions for bonuses and other provisions	116 577	116 577	173 145	173 145
Recognized deferred income tax asset	**116 577**	**116 577**	**173 145**	**173 145**

(24) TRADE PAYABLES

Trade payables as at 31 December 2020 for the Company amount to EUR 11,519,081 (2019: EUR 9,829,500), as at 31 December 2020 for the Group - EUR11,525,576 (2019: EUR 9,839,599). There are no overdue trade payables for the Company and the Group as at 31 December 2020 and 2019. Trade payables mainly represent balances due to lease object suppliers.

(25) LEASE LIABILITIES

The lease liabilities includes future discounted lease payments for office space and vehicles. Average lease term is 5 years (2019: 5). Lease payments 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. Interest charges for rights to use leased assets as at 31 December 2020 are in amount of 13,381 EUR (2019: 54,300). Lease liabilities are classified as short-term and long-term portions as follows:

	Company and Group 2020 EUR	Company and Group 2019 EUR
Up to 1 year	277 788	431 738
1 to 5 years	592 189	563 770
Total	**869 977**	**995 508**

(26) LONG TERM LOANS FROM AFFILIATED COMPANIES

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Loan from UniCredit S.p.A	233 585 665	233 585 665	446 392 058	446 392 058
Total long term loans from affiliated companies	**233 585 665**	**233 585 665**	**446 392 058**	**446 392 058**

The Company has active 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 have different % rates that are agreed for each tranche separately and mainly are based on 3MEUR + additional rate. According to the funding agreement conditions negative EURIBOR is floored to zero.

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

Loans payable to UniCredit S.p.A. are classified as short-term and long-term portions in the original currencies (EUR) as follows:

	Company and Group 2020 EUR	Company and Group 2019 EUR
Up to 1 year	517 181 393	275 220 427
1 to 5 years	233 585 665	446 392 058
Total	**750 767 058**	**721 612 485**

Notes (continued)

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

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Short term (up to 1 year) portion of loan payable to UniCredit Bank Austria AG	-	-	10 497 368	10 497 368
Short term (up to 1 year) portion of loan payable to UniCredit S.p.A.	517 181 393	517 181 393	264 723 059	264 723 059
Total short-term-loans	**517 181 393**	**517 181 393**	**275 220 427**	**275 220 427**

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Accounts payable to UniCredit S.p.A	12 460	12 460	8 806 843	8 806 843
Accounts payable to UniCredit Leasing Austria GmbH	-	-	83 315	83 315
Accounts payable to UniCredit Leasing S.p.A	-	-	38 859	38 859
Accounts payable to UniCredit Leasing Slovakia a.s.	-	-	27 809	27 809
Total accounts payable	**12 460**	**12 460**	**8 956 826**	**8 956 826**

Total short term loans and accounts payable to affiliated companies	**517 193 853**	**517 193 853**	**284 177 253**	**284 177 253**

There are no special covenants under loan agreements with UniCredit S.p.A.

(28) DEFERRED INCOME

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Long-term				
Deferred income from advance payments	983 813	983 813	250 794	250 794
Total	**983 813**	**983 813**	**250 794**	**250 794**
Short-term				
Deferred income from advance payments	345 928	345 928	74 794	74 794
Other	-	-	172 402	172 402
Total	**345 928**	**345 928**	**247 196**	**247 196**
Total	**1 329 741**	**1 329 741**	**497 990**	**497 990**

(29) LOANS FROM OTHER CREDIT INSTITUTIONS

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Long-term part	32 363 902	32 363 902	42 500 000	42 500 000
Short-term part	9 912 624	9 912 624	57 506 111	57 506 111
Total	**42 276 526**	**42 276 526**	**100 006 111**	**100 006 111**

Loan from credit institutions include loans from European Reconstruction and Development Bank with maturity in year 2025. Loan have floating rate.

Notes (continued)

(30) ACCRUED LIABILITIES

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Accrued liabilities for unused annual vacations	76 311	76 734	285 487	297 037
Other accrued liabilities	396 623	403 412	167 988	169 090
Total	**472 934**	**480 146**	**453 475**	**466 127**

Movement of accrued liabilities for unused annual vacations	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
At the beginning of reporting period	**285 487**	**297 037**	**215 717**	**224 260**
Increase	111 136	106 375	69 770	72 777
At the end of reporting period	**396 623**	**403 412**	**285 487**	**297 037**

(31) AVERAGE NUMBER OF EMPLOYEES

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Average number of employees during the reporting year in Latvia	67	71	68	72
Average number of employees during the reporting year in Estonia	27	27	24	24
Average number of employees during the reporting year in Lithuania	49	49	48	48
Total	**143**	**147**	**140**	**144**

(32) RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders who have significant influence over the Company and the Group, 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 assesment, all related party transactions in year 2020 have been carried out in the normal course of business.

The loan balances outstanding as at 31 December 2020 and 2019 were as follows:

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Loan from UniCredit S.p.A.	750 767 058	750 767 058	711 115 117	711 115 117
Loan from UniCredit Bank Austria AG	-	-	10 497 368	10 497 368
Total	**750 767 058**	**750 767 058**	**721 612 485**	**721 612 485**

The interest charges on the loans from affiliated companies for year 2020 and year 2019 were as follows:

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Interest charges on loans from UniCredit Bank Austria AG	14 312	14 312	403 557	403 557
Interest charges on loans from UniCredit S.p.A.	3 417 654	3 417 654	4 131 200	4 131 200
Total	**3 431 966**	**3 431 966**	**4 534 757**	**4 534 757**

Notes (continued)

(32) RELATED PARTY TRANSACTIONS (continued)

Accounts payable to affiliated companies are accrued liabilities for interest payments, IT service costs, secondment. Accounts payable to affiliated companies as at 31 December 2020 and 2019 were as follows:

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Accounts payable to UniCredit S.p.A.	12 460	12 460	8 806 843	8 806 843
Accounts payable to UniCredit Leasing Austria GmbH	-	-	83 315	83 315
Accounts payable to UniCredit Leasing S.p.A	-	-	38 859	38 859
Accounts payable to UniCredit Leasing Slovakia a.s.	-	-	27 809	27 809
Total	**12 460**	**12 460**	**8 956 826**	**8 956 826**

Accounts receivables with affiliated companies are receivables for secondment and administrative cost reimbursement. Accounts receivables with affiliated companies as at 31 December 2020 and 2019 were as follows:

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Accounts receivables UniCredit Bank Austria AG	-	-	44 677	44 677
Accounting receivables with UniCredit S.p.A	-	-	25 461	25 461
Accounting receivables with UniCredit Insurance Broker SIA	4 930	-	7 218	-
Accounts receivables with Uctam Baltics SIA	791	791	861	861
Total accounts receivables with affiliated companies	**5 721**	**791**	**78 217**	**70 999**

Incomes and expenses with affiliated companies as at 31 December 2020 and 2019 were as follows:

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Expense:				
Secondment costs to UniCredit S.p.A	150 100	150 100	132 683	132 683
Secondment costs to UniCredit Leasig Austria GmbH	12 269	12 269	67 317	67 317
IT service costs to UniCredit Services GmbH	44 400	44 400	65 032	65 032
Management fee expenses with UniCredit S.p.A	-	-	38 644	38 644
IT service costs to UniCredit Leasing Slovakia a.s.	-	-	27 809	27 809
Share options expenses to UniCredit S.p.A	-	-	572	572
Expected credit losses with UniCredit Bank Austria AG	1 128	1 128	3 974	3 974
Income:				
Income from secondment with UniCredit S.p.A	-	-	97 118	97 118
Income from secondment with UniCredit Bank Austria AG	-	-	44 677	44 677
Income from service agreement with UniCredit Insurance Broker SIA	45 866	-	41 036	-
Income from service agreement with UCTAM Baltics SIA	6 827	6 827	7 090	7 090

Bank charges for year 2020 and 2019 were as follows:

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Bank charges for loan termination with UniCredit S.p.A	220 000	220 000	20 884	20 884
Bank charges for loan administration and issued guarantee UniCredit Bank Austria AG	2 036	2 036	709	709
Total	**222 036**	**222 036**	**21 593**	**21 593**

Current account balances as at 31 December 2020 with AG UniCredit Bank Austria was EUR 2,397,018 (2019: EUR 16,710,966). Expected credit losses as at 31 December 2020 amount to EUR 1,128 (2019: EUR 3,974)

Notes (continued)

(32) RELATED PARTY TRANSACTIONS (continued)

Management remuneration amounts to the following:

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
Salaries	769 069	808 006	644 804	683 794
Social insurance	102 169	111 549	71 060	80 452
Total	**871 238**	**919 555**	**715 864**	**764 246**

(33) COMMITMENTS AND CONTINGENCIES

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

	Company 2020 EUR	Group 2020 EUR	Company 2019 EUR	Group 2019 EUR
EUR	9 058 670	9 058 670	8 152 981	8 152 981
Total	**9 058 670**	**9 058 670**	**8 152 981**	**8 152 981**

(34) SUBSEQUENT EVENTS

As of 4 January 2021, transaction between AS Citadele Banka and UniCredit S.p.A. has been completed. AS Citadele Banka has become the 100% owner of Citadele Leasing SIA (previousy UniCredit Leasing SIA), along with its 100% owned subsidiary CL Insurance Broker SIA (previously UniCredit Insurance Broker SIA).
The new shareholder changed the structure of the Company, excluding the Supervisory Board from managing institutions of the Company, thus also all Supervisory Board members were recalled from their positions. Also changes in the composition of the Management Board were made, substituting one member of the Management Board – representing UniCredit Group with another one – representing Citadele Group.
After the acquisition transaction has taken place the Company has signed Credit line agreement with the AS Citadele Banka. The loan was granted to repay Company indebtedness owed to the UniCredit S.p.A.

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The accompanying notes on pages 11 to 38 are an integral part of these financial statements.

These financial statements have been signed with the secure electronical signature which contains a timestamp.

The financial statements on pages 5 to 38 have been authorized for issue by the Management Board on 15 February 2021 and signed on their behalf by:

Valdis Vasiļevskis	Laimonas Belickas
Chairman of the Management Board	Member of the Management Board

Prepared by:

Ģirts Glāzers	Kristine Zuromska
Member of the Management Board	Chief accountant

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Independent Auditors' Report

To the shareholder of Citadele Leasing SIA

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of Citadele Leasing SIA ("the Company") (previously UniCredit Leasing SIA) and accompanying consolidated financial statements of the Company and its subsidiaries (together "the Group") set out on pages 5 to 38 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and Group's consolidated balance sheet as at 31 December 2020,
- the separate and Group's consolidated income statements for the year then ended,
- the separate and Group's consolidated statements of changes in shareholder's equity for the year then ended,
- the separate and Group's consolidated statements of cash flows for the year then ended, and
- the notes to the separate and Group's consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group, respectively, as at 31 December 2020, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Baltics AS, a Latvian joint stock company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Other matter

The corresponding figures presented are based on the financial statements of the Company as at and for the year ended 31 December 2019, which were audited by another independent auditors whose report dated 24 February 2020 expressed an unqualified opinion.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company and Group, as set out on page 3 of the accompanying separate and consolidated Annual Report,
- the Management Report, as set out on page 4 of the accompanying separate and consolidated Annual Report.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia* section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics AS
Licence No. 55

Rainers Vilāns

Rainers Vilāns
Partner pp. KPMG Baltics AS
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
15 February 2021

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

Sidevahendid

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