

UniCredit Leasing SIA

**Company Separate and Group Consolidated
Annual report for 2019,
Prepared in Accordance with
Latvian Statutory Requirements**

* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

Table of contents

Information about the Company and Group	3
Report of Management Board	4
Financial statements:	
Income Statement	5
Balance Sheet	6 - 7
Statement of Cash Flows	8
Statement of Changes in Shareholder's Equity	9 - 10
Notes to the Financial Statements	11 - 37
Independent Auditors' Report	38-40

Information about the Company and the Group

Name of the Company	UniCredit Leasing
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%) Via A.Specchi 16 00186 Rome Italy
Names and positions of Supervisory board members	Martin Klauzer - Chairman of the Supervisory Board Algimantas Kundrotas - Deputy Chairman of the Supervisory Board (till 12.08.2019) Giovanni Battista Avanzi, Deputy Chairman of the Supervisory Board (starting 12.08.2019) Manuela Pachoinig - Member of the Supervisory Board Marco Lotteri - Member of the Supervisory Board Giovanni Luigi Lucini - Member of the Supervisory Board
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) Christoph Siegl - Member of the Management Board (till 12.04.2019) Veronica Tomasoni - Member of the Management Board (starting 12.04.2019) Laimonas Belickas - Member of the Management Board
Consolidated subsidiary	SIA UniCredit Insurance Broker (100%) Mukusalas iela 41, Riga, Latvia
Financial year	1 January – 31 December 2019
Previous financial year	1 January – 31 December 2018
The Company's NACE code	6491 "Financial leasing"
Name and address of the auditors	SIA Deloitte Audits Latvia 4a Gredu Street Riga, LV -1019 Latvia Certified auditor Inguna Stasa Licence No.145

Report of the Management Board

Principal activities

UniCredit Leasing SIA (hereinafter - "the Company") is a member of the UniCredit group. During more than 20 years of existence Company has grown substantially, becoming one of the leading leasing company in Latvia, and aiming for leading position in Lithuania and Estonia, providing products for financing of 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

Year 2019 has been successful for all 3 branches of the Company, leading to gross profit growth up to 27,46 Mio EUR, what is by 23.88% more than in year 2018 and net profit grew till 13.56 Mio EUR, resulting in a growth of 26,57% comparing with year 2018. At the same time total assets grew from 684 Mio EUR till 889 Mio EUR, or by 30%. The main basis for the growth has been reached through constant service improvement for vendor partners and direct customers, offering innovative solutions for client onboarding.

The Company continued to be one of the leading financial institutions in Baltics, who are supporting local economies not only by own investments, but also by promoting EU programs for assisting small and medium enterprises (SME), like InnoFin and Cosme, which are financial instruments, enabling financing to the local economies. Additionally, the instruments from local economy support agencies like Invega in Lithuania, Kredex in Estonia and Altum in Latvia are actively used.

Financial risk management

The Company's activities expose it to a variety of risks typical for the financial sector, including credit risk, interest rate risk, liquidity risk and operational risks. The Company's management and relevant departments continuously observe and manage potential negative effects of financial risk. Risk management function is fully integrated into the methodologies and risk management procedures and organizational requirements of UniCredit group.

As far as credit risks are concerned, the Company has adopted a conservative and reasonable credit policy, which is on a regular basis aligned with the guidelines of UniCredit group, while also considering the peculiarities of the local market. Typical for a Leasing company, the activities are accompanied by an expert asset manager team, which assures maximal recovery of the financial outstanding in case of repossession and resale of the leased assets.

The Company mainly finances its customers in local EUR currency, therefore currency risks play no significant role. In line with its internal policies, the funding is highly aligned with the financing tenor of the leased assets, which assures to minimize any liquidity risks. Company is fully embedded into the funding scheme of UniCredit group, which guarantees a stable funding at favorable market rates and also in critical market conditions. Due to its favorable financial standing, the Company proved that it is also capable to raise funding from the market at competitive rates - during Year 2019 funds were raised from European Bank of Reconstruction and Development and European Investment Bank.

Regulatory requirements

The last years brought a high number of new rules and regulations for Financial institutions and its subsidiaries, which requires permanent observation and changes. Mostly, the functions affected by these regulations are mainly anti money-laundering and compliance. Company regularly deals with a constant need for adaption of its compliance and risk management methodologies. As well, company has substantially increased awareness of its employees, as well as improved processes to ensure "zero tolerance" policy towards any potential money-laundering and terrorist financing cases.

The future development of the Company and operations of branches

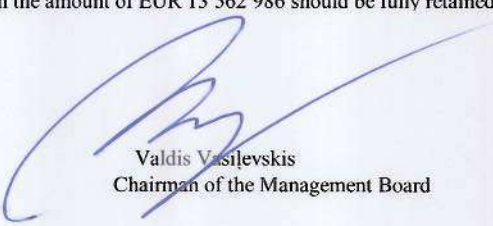
In December 2019 existing shareholders of the Company has announced decision to dispose 100% of shares of the Company to AS Citadele Banka, the transfer process is planned to be finalised during 1Q 2020. Considering this, anyway, the Company continues normal business operations and is looking forward to create synergies with Citadele Banka with the ultimate goal to improve the quality of provided leasing services and maintain strong presence in leasing markets of all 3 Baltic countries.

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 889 493 304 and EUR 889 792 799 respectively and net profit EUR 13 562 986 and EUR 13 684 242 respectively. The profit of the Company for the reporting financial period of Year 2019 in the amount of EUR 13 562 986 should be fully retained.



Martin Klauzer
Chairman of the Supervisory Board



Valdis Vasilevskis
Chairman of the Management Board

Riga, 24 February 2020


UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019


**COMPANY'S SEPARATE AND GROUP'S CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2019**

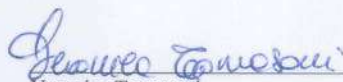
	Notes	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Interest and fee income	1	32,359,563	32,670,849	24,890,943	25,201,681
Interest expense	2	(4,652,744)	(4,652,744)	(2,597,022)	(2,597,022)
Depreciation of property and equipment under operating lease	8	(249,160)	(249,160)	(128,384)	(128,384)
Gross profit		27,457,659	27,768,945	22,165,537	22,476,275
Change in allowance for doubtful receivables	15	(3,432,740)	(3,432,808)	(3,123,018)	(3,123,039)
Personnel expenses	3	(6,249,839)	(6,366,449)	(5,440,260)	(5,564,413)
Other operating income	4	1,450,582	1,409,546	1,342,882	1,200,949
Other operating expense	5	(1,077,989)	(1,077,989)	(667,061)	(667,061)
General administrative expenses	6	(2,639,919)	(2,672,266)	(2,729,709)	(2,762,619)
Net profit/(loss) on foreign exchange		2,279	2,279	2,926	2,926
Profit before tax		15,510,033	15,631,258	11,551,297	11,563,018
Income tax expense	7	(1,931,241)	(1,931,210)	(835,921)	(835,947)
Profit after corporate income tax		13,578,792	13,700,048	10,715,376	10,727,071
Deferred income tax expense	7,23	(15,806)	(15,806)	-	-
Profit for the year		13,562,986	13,684,242	10,715,376	10,727,071

The accompanying notes on pages 11 to 37 are an integral part of these financial statements.


The financial statements on pages 5 to 37 have been authorized for issue by the Management Board on 24 February 2020 and signed on their behalf by:


Martin Klauzer
Chairman of the Supervisory Board


Valdis Vasilevskis
Chairman of the Management Board


Veronica Tomasoni
Board member

Prepared by:


Kristine Zuromska
Chief accountant

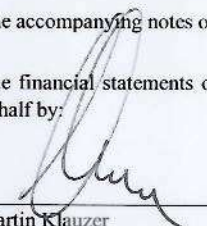
UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019

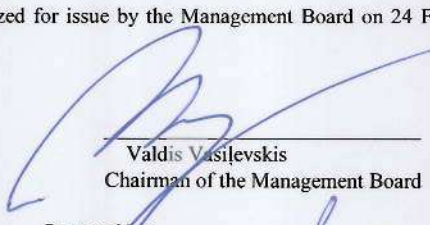
COMPANY'S SEPARATE AND GROUP'S CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Assets					
Non-current assets					
Intangible assets	8	996,117	996,117	555,587	555,587
Property and equipment:					
Property and equipment for own use	8	465,576	468,233	421,680	421,937
Rights of use assets	8	995,796	995,796	-	-
Property and equipment under operating lease terms	9	2,621,059	2,621,059	884,967	884,967
Total property and equipment		4,082,431	4,085,088	1,306,647	1,306,904
Non-current financial investments					
Investment in subsidiary	10	15,080	-	15,080	-
Non-current investment in finance leases	12, 14a	568,298,741	568,298,741	429,266,187	429,266,187
Non-current loans	13, 14a	25,184,206	25,184,206	25,593,519	25,593,519
Total long-term financial investments		593,498,027	593,482,947	454,874,786	454,859,706
Deferred tax asset	23	173,145	173,145	188,952	188,952
Total non-current assets		598,749,720	598,737,297	456,925,972	456,911,149
Current assets					
Debtors					
Trade receivables	14, 14a	8,673,601	8,673,601	8,637,247	8,637,247
Other receivables from affiliated companies	17	78,217	70,999	202,968	198,452
Other receivables	18	2,548,333	2,570,481	1,656,548	1,677,666
Overpaid taxes		259,774	259,774	3,425,065	3,430,805
Other assets		124,542	124,542	124,542	124,542
Prepaid expenses	19	645,926	647,585	77,103	78,540
Short-term investments in finance leases	12, 14a	222,021,615	222,021,615	177,102,156	177,102,156
Short-term loans	13, 14a	11,663,082	11,663,082	5,808,780	5,808,780
Total debtors		246,015,090	246,031,679	197,034,409	197,058,188
Cash and bank	20	44,728,494	45,023,823	29,809,154	29,976,013
Total current assets		290,743,584	291,055,502	226,843,563	227,034,201
Total assets		889,493,304	889,792,799	683,769,535	683,945,350

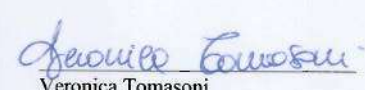
The accompanying notes on pages 11 to 37 are an integral part of these financial statements.


The financial statements on pages 5 to 37 have been authorized for issue by the Management Board on 24 February 2020 and signed on their behalf by:


Martin Klauzer
Chairman of the Supervisory Board


Valdis Vasilevskis
Chairman of the Management Board

Prepared by:


Veronica Tomasoni
Board member


Kristine Zuromska
Chief accountant

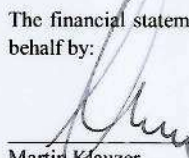
UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019

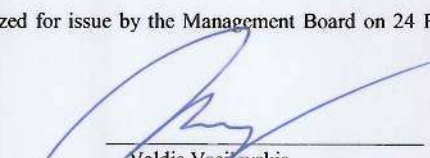
COMPANY'S SEPARATE AND GROUP'S CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 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		25,986,155	26,226,026	21,223,169	21,341,784
Total equity		42,192,722	42,432,593	37,429,736	37,548,351
Provisions					
Total provisions	22	1,697,730	1,734,603	2,401,874	2,441,940
Liabilities					
Non-current liabilities					
Loans from affiliated companies	26	446,392,058	446,392,058	408,774,985	408,774,985
Loans from credit institutions	29	42,500,000	42,500,000	-	-
Lease liabilities	25	563,770	563,770	-	-
Deferred income	28	250,794	250,794	101,397	101,397
Total non-current liabilities		489,706,622	489,706,622	408,876,382	408,876,382
Current liabilities					
Trade payables	24	9,829,500	9,839,599	4,015,877	4,024,254
Short term lease liabilities	25	431,738	431,738	-	-
Short-term loans and accounts payable to affiliated companies	27	284,177,253	284,177,253	219,736,202	219,736,202
Short-term loans and accounts payable to credit institutions	29	57,506,111	57,506,111	9,026,400	9,026,400
Taxes and social insurance contributions		1,404,831	1,404,831	472,796	472,796
Other payables		413,890	413,890	330,867	330,867
Accrued liabilities	30	453,475	466,127	395,173	403,930
Deferred income	28	247,196	247,196	103,790	103,790
Customer advances received		1,432,236	1,432,236	980,438	980,438
Total current liabilities		355,896,230	355,918,981	235,061,543	235,078,677
Total liabilities		845,602,852	845,625,603	643,937,925	643,955,059
Total provisions, liabilities and shareholders' equity		889,493,304	889,792,799	683,769,535	683,945,350

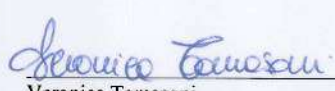
The accompanying notes on pages 11 to 37 are an integral part of these financial statements.


The financial statements on pages 5 to 37 have been authorized for issue by the Management Board on 24 February 2020 and signed on their behalf by:


Martin Klaufzer
Chairman of the Supervisory Board


Valdis Vasiņevskis
Chairman of the Management Board

Prepared by:


Veronica Tomasoni
Board member


Kristine Zuromska
Chief accountant

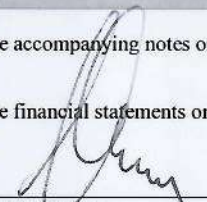
UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019


**COMPANY'S SEPARATE AND GROUP'S CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

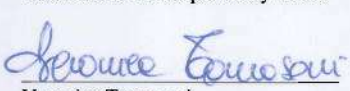
	Notes	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Cash flows from / (used in) operating activities					
Profit before taxation		15,510,033	15,631,258	11,551,297	11,563,018
Adjustments for:					
Depreciation of property and equipment for own use and equipment under operating lease terms and amortisation of intangible assets	8,9	537,850	538,850	323,524	324,445
Depreciation of rights of use assets	8	376,832	376,832	-	-
Increase (decrease) of other provisions	22	(704,144)	(707,337)	276,833	280,200
Interest and similar expenses	2	4,652,744	4,652,744	2,597,022	2,597,022
Loss from disposal of property and equipment for own use		34,436	34,495	1,106	1,106
Loss from disposal of rights to use leased assets		51,807	51,807	-	-
Cash from operating activities before changes in working capital		20,459,558	20,578,649	14,749,782	14,765,791
Adjustments for:					
Decrease / (increase) in trade receivables		1,809,229	1,816,419	(4,752,905)	(4,738,184)
Increase / (decrease) in trade and other payables		5,926,086	5,931,734	(3,446,897)	(3,444,680)
(Increase) in net investment in finance leases and loans		(189,397,002)	(189,397,002)	(206,202,696)	(206,202,749)
Total cash used in operating activities		(161,202,130)	(161,070,201)	(199,652,716)	(199,619,822)
Corporate income tax paid		(204,997)	(204,997)	(894,673)	(910,339)
Net cash used in operating activities		(161,407,126)	(161,275,197)	(200,547,389)	(200,530,161)
Cash flows (used in)/from investing activities					
Purchase of property and equipment for own use and leasehold improvements		(213,539)	(216,998)	(106,745)	(106,745)
Purchase of intangible assets		(594,013)	(594,013)	(521,588)	(521,588)
Purchase of property and equipment under operating lease		(2,524,945)	(2,524,945)	(956,586)	(956,586)
Proceeds from sale of property and equipment for own use		539,351	539,351	107,309	107,309
Net cash flow (used in) investing activities		(2,793,146)	(2,796,605)	(1,477,610)	(1,477,610)
Cash flows from financing activities					
Repayment of lease liabilities		(428,927)	(428,927)	-	-
Loans received, net		184,201,284	184,201,284	236,818,378	236,818,378
Profit distribution		-	-	(14,935,553)	(14,935,553)
Interest paid		(4,652,744)	(4,652,744)	(2,597,022)	(2,597,022)
Net cash from financing activities		179,119,613	179,119,613	219,285,803	219,285,803
Net increase in cash and cash equivalents		14,919,340	15,047,810	17,260,804	17,278,032
Cash and cash equivalents at the beginning of reporting year	20	29,809,154	29,976,013	12,548,350	12,697,981
Cash and cash equivalents at the end of reporting year	20	44,728,494	45,023,823	29,809,154	29,976,013

The accompanying notes on pages 11 to 37 are an integral part of these financial statements.


The financial statements on pages 5 to 37 have been authorized for issue by the Management Board on 24 February 2020 and signed on their behalf by:


Martin Klauzer
Chairman of the Supervisory Board


Valdis Vasilevskis
Chairman of the Management Board


Veronica Tomasoni
Board member

Prepared by:


Kristine Zuromska
Chief accountant

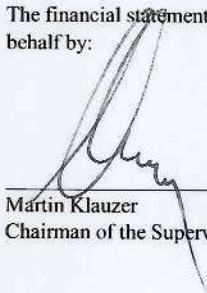
**COMPANY'S SEPARATE STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital EUR	Reserves EUR	Company's retained earnings EUR	Company Total EUR
Balance as at 31 December 2017	15,569,120	637,447	26,427,866	42,634,433
Change in opening balances*	-	-	(984,520)	(984,520)
Restated balance as of 1 January 2018	15,569,120	637,447	25,443,346	41,649,913
Profit distribution	-	-	(14,935,553)	(14,935,553)
Net profit for the year	-	-	10,715,376	10,715,376
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

*The change in opening balances includes the remeasurement effects resulting from the first time adoption of IFRS9.

The accompanying notes on pages 11 to 37 are an integral part of these financial statements.


The financial statements on pages 5 to 37 have been authorized for issue by the Management Board on 24 February 2020 and signed on their behalf by:


Martin Klauzer
Chairman of the Supervisory Board


Valdis Vasiļevskis
Chairman of the Management Board


Veronica Tomasoni
Board member

Prepared by:


Kristine Zuromska
Chief accountant

UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019

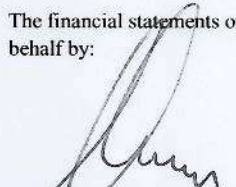
**GROUP'S STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED
31 DECEMBER 2019**

	Share capital EUR	Reserve EUR	Group's retained earnings EUR	Group Total EUR
Balance as at 31 December 2017	15,569,120	637,447	26,534,839	42,741,406
Change in opening balances*	-	-	(984,573)	(984,573)
Restated balance as of 1 January 2018	15,569,120	637,447	25,550,266	41,756,833
Profit distribution	-	-	(14,935,553)	(14,935,553)
Net profit for the year	-	-	10,727,071	10,727,071
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

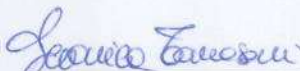
*The change in opening balances includes the remeasurement effects resulting from the first time adoption of IFRS9.

The accompanying notes on pages 11 to 37 are an integral part of these financial statements.


The financial statements on pages 5 to 37 have been authorized for issue by the Management Board on 24 February 2020 and signed on their behalf by:


Martin Klauzcr
Chairman of the Supervisory Board


Valdis Vasilevskis
Chairman of the Management Board


Veronica Tomasoni
Board member

Prepared by:


Kristine Zuremska
Chief accountant

Notes to the Financial Statements

GENERAL INFORMATION

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

UniCredit Leasing SIA is a member of the UniCredit Group, 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.

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 2019 and 2018 was UniCredit S.p.A. which is a listed company.

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 2018 and 2019 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

Summary of IFRS 16

IFRS 16 "Leases", effective starting from 1 January 2019 and subject to the completion of the endorsement process by the European Union on 31 October 2017, modifies the previous set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16 introduces a new definition for leases and confirms the current distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition of 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.

At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right of use will be measured on the basis of the rules set for the assets by IAS16 applying the cost model, less any accumulated depreciation and any accumulated impairment losses, the revaluation model or the fair value model as applicable.

With reference to the First time adoption of IFRS16 the management decided, as allowed by the standard, to calculate the lease liability as the present value of future lease payments as at 1 January 2019 and to determine the right of use on the basis of the value of the lease liability.

As a result of the first time adoption of the new accounting standard IFRS16 and the choice made by the management not to restate the previous period, the Explanatory notes have been integrated with additional items in order to allow comparisons with the previous period that has been prepared according to Laws of the Republic of Latvia. Opening balances shown in tables of Explanatory notes are the ones coming from the first time adoption of the IFRS16.

Summary of IFRS 9

IFRS 9 "Financial Instruments" issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment - IFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

The consolidated and separate financial statements were authorized for issue by the Board of Management on 24 February 2020. 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 through other comprehensive income as at 31 December 2019 and 2018.

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.

Reorganization

In accordance with the strategy of the UniCredit Group, AS UniCredit Bank discontinued providing new banking services and performing operational activities in the whole territory of the Baltics as of 20 September 2013. On 12 December 2013 the Financial and Capital Market Commission allowed the Bank to annul the Credit Institution license from 1 January 2014. Following the de-licensing the Bank's name was changed to "UniCredit Finance". On 14 March 2014 a reorganization agreement was signed concerning the merger of UniCredit Finance and UniCredit Leasing on 1 July 2014, according to Section 335 (2) of the Commercial Law of the Republic of Latvia.

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 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, (iii) exposures having low credit risk (low credit risk exemption);
- 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.

Parameters 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 this context "forward looking" information was included through the elaboration of specific scenarios. 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 (i.e. 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 that expresses of the time value of money.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2 (being Stage 3 equivalent to non-performing exposures). In the Company, the Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the backstops (e.g. 30 days past-due) ;
- additional internal evidence (e.g. Forborne classification).

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's 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 Company's 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 9 month staying in Stage 2);
- Stage 2 applies to all performing customers with overdue days more than 25 days or with Performing Forbearance mark;
- Stage 3 includes all financial asset for which a credit-impaired trigger has occurred and is harmonized with Default Methodology of the Company.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 25 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

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.

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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 2019 and 31 December 2018 the Company and the Group have created provisions for share options, 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.

For more details on accounting for finance lease as a financial instrument classified as Loans and receivables, refer to the accounting policy on financial instruments.

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

Assets that are leased under operating lease terms are recorded within property and equipment at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life, applying the norms applicable for the similar property and equipment of the Company and the Group.

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.

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

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

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

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

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

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

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

Rights of use assets

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

Financial instruments

IFRS 9 highlights the following:

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

Classification

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

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

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

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

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

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

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

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

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

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

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

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

During 2019 and 2018, the Company and the Group did not apply hedge accounting.

Recognition

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

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables that are measured at amortised cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

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.

Fair value measurement principles

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company and the Group have no financial instruments at fair value through profit or loss or at fair value through other comprehensive income.

Derecognition

UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019

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 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. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

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 2019	31 December 2018
	EUR	EUR
1 USD	1.1234	1.1346
1 JPY	121.94	125.85

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 including social security contributions.

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

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 UniCredit 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.

Repossessioned 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 respect 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.

The sensitivity of the income statement is the effect of the assumed changes in the interest rates on the net interest income for one year, following the balance sheet date, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2019 and 31 December 2018.

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 support the Company's and the Group's ability 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.

Change in accounting policy

During 2019 the company in cooperation with Central competence functions has reviewed and re-modelled one of the components in IFRS9 - calculation of PIT/FLI PD curves. As a result of development, the model now includes a new component – days past due buckets, which produces a more granular PD result and considers new cohort formation rules, which includes observations of lifetime Default rate within development of the total portfolio from 01.01.2015 until 31.12.2018, but not limited to issuing period only as before. Updated PD model was launched in December 2019.

UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019

Notes (continued)

(1) INTEREST AND FEE INCOME

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Interest income from finance leases	29,852,009	29,852,009	22,877,816	22,877,816
Administration fee income	2,226,106	2,537,392	1,861,632	2,172,370
Rental income from operating leases	281,448	281,448	151,495	151,495
Total interest and fee income	32,359,563	32,670,849	24,890,943	25,201,681

(2) INTEREST EXPENSE

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Interest charges on loans from UniCredit S.p.A	4,122,256	4,122,256	1,523,979	1,523,979
Interest charges on loans from UniCredit Bank Austria AG	403,557	403,557	939,790	939,790
Interest charges on loans from credit institutions	72,631	72,631	133,253	133,253
Interest charges for rights to use leased assets	54,300	54,300	-	-
Total interest expense	4,652,744	4,652,744	2,597,022	2,597,022

(3) PERSONNEL EXPENSES

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Salary expenses	4,046,299	4,124,588	3,323,676	3,403,684
Provision for bonuses	947,882	960,635	942,687	963,126
Social insurance	770,829	790,016	871,659	891,300
Leased personnel costs	311,826	311,826	151,581	151,581
Other personnel expenses	111,475	114,849	108,424	111,598
Provision for unused annual leave	61,528	64,535	42,233	43,124
Total personnel expenses	6,249,839	6,366,449	5,440,260	5,564,413

(4) OTHER OPERATING INCOME

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Penalties received	793,316	793,316	923,847	923,847
Other income	648,424	607,388	400,696	258,763
Net profit on disposal of property and equipment leased under operating lease terms	8,842	8,842	18,339	18,339
Total other operating income	1,450,582	1,409,546	1,342,882	1,200,949

(5) OTHER OPERATING EXPENSE

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Net loss on disposal of leased assets	560,291	560,291	212,660	212,660
Other expenses	517,698	517,698	454,401	454,401
Total other operating expenses	1,077,989	1,077,989	667,061	667,061

Notes (continued)

(6) GENERAL ADMINISTRATIVE EXPENSES

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Depreciation of property and equipment for own use (rights to use assets) (Note 8)	376,832	376,832	-	-
Communication expenses	294,633	295,752	219,407	220,647
Professional fees	293,704	295,468	295,757	297,999
IT services	275,528	280,824	368,893	373,641
Office rent expenses	178,398	180,554	507,691	509,712
Business trip expenses	156,163	157,293	142,478	143,763
Amortization of intangible assets (Note 8)	148,955	148,955	59,355	59,355
Advertising	140,542	140,542	140,718	140,718
Depreciation of property and equipment for own use and leasehold improvements (Note 8)	139,735	140,735	135,784	136,706
Transport expenses	128,257	141,995	207,215	221,255
Recruitment and training	76,740	76,954	92,564	92,788
Representation costs	53,755	53,780	69,635	69,635
Participation in associations	52,746	54,173	33,879	35,312
VAT expensed	47,535	47,535	42,040	42,040
Intercompany service charge	38,644	38,644	55,997	55,997
Bank charges	20,633	21,005	24,908	25,277
Insurance costs	6,088	8,476	6,580	8,717
Other expenses	211,031	212,749	326,808	329,057
Total other administrative expenses	2,639,919	2,672,266	2,729,709	2,762,619

(7) INCOME TAX

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Current tax charge	(1,931,241)	(1,931,210)	(835,921)	(835,947)
Deferred income tax (expense) (Note 23)	(15,806)	(15,806)	-	-
Corporate tax expense	(1,947,047)	(1,947,016)	(835,921)	(835,947)

Notes (continued)

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

The Rights of use assets includes rent agreements for office space and vehicles. Average lease term is 5 years (2018: 0).

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

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

Company 2018	Software and licenses/ Total intangible assets EUR	Property and equipment for own use EUR	Total intangible assets and property and equipment for own use EUR
Cost			
31 December 2017	548,454	1,299,459	1,847,913
Additions	521,588	106,745	628,333
Disposal	(1,320)	(79,382)	(80,702)
31 December 2018	1,068,722	1,326,822	2,395,544
Depreciation			
31 December 2017	455,100	794,334	1,249,434
Charge for 2018	59,355	135,784	195,139
Disposal	(1,320)	(24,976)	(26,296)
31 December 2018	513,135	905,142	1,418,277
Net book value			
31 December 2017	93,354	505,125	598,479
31 December 2018	555,587	421,680	977,267

Notes (continued)

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

Group 2018	Software and licenses/ Total intangible assets EUR	Property and equipment for own use EUR	Total intangible assets and property and equipment for own use EUR
Cost			
31 December 2017	548,454	1,311,940	1,860,394
Additions	521,588	106,746	628,334
Disposal	(1,320)	(79,382)	(80,702)
31 December 2018	1,068,722	1,339,304	2,408,026
Depreciation			
31 December 2017	455,100	805,637	1,260,737
Charge for 2018	59,355	136,706	196,061
Disposal	(1,320)	(24,976)	(26,296)
31 December 2018	513,135	917,367	1,430,502
Net book value			
31 December 2017	93,354	506,303	599,657
31 December 2018	555,587	421,937	977,524

(9) PROPERTY AND EQUIPMENT UNDER OPERATING LEASE TERMS

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

Company and Group 2018	Vehicles EUR	Total property and equipment under operating lease terms EUR
Cost		
31 December 2017	198,188	198,188
Additions	956,585	956,585
Disposal	(69,426)	(69,426)
31 December 2018	1,085,347	1,085,347
Depreciation		
31 December 2017	87,413	87,413
Charge for 2018	128,384	128,384
Disposal	(15,417)	(15,417)
31 December 2018	200,380	200,380
Net book value		
31 December 2017	110,775	110,775
31 December 2018	884,967	884,967

Notes (continued)

(10) INVESTMENT IN SUBSIDIARY

The investment in subsidiary amounting to EUR 15,080 represents investment in the share capital of UniCredit Insurance Broker SIA. The holding in the subsidiary share capital amounts to 100% as at 31 December 2019 and 2018. The net assets of the subsidiary as at 31 December 2019 amount to EUR 276,744 (31.12.2018: EUR 158,681). The profit for the year 2018 amounts to EUR 121,256 (2018: EUR 118,668).

(11) FUTURE MINIMUM LEASE PAYMENTS UNDER OPERATING LEASE AGREEMENTS

	Company and Group 2019 EUR	Company and Group 2018 EUR
Minimum lease payments up to 1 year	862,796	231,016
Minimum lease payments 1 to 5 years	1,540,960	656,404
Minimum lease payments over 5 years	53,471	4,184
Total minimum lease payments	2,457,227	891,603

(12) NET INVESTMENT IN FINANCE LEASES

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

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 as at 31 December 2018	Short-term, EUR			Long-term, EUR			Total, EUR
	S1	S2	S3	S1	S2	S3	
Gross investment in finance lease	179,088,634	11,292,850	13,184,543	428,544,796	26,668,207	7,325,456	666,104,486
Unearned finance income	(18,506,994)	(1,393,957)	(428,305)	(27,312,656)	(2,011,751)	(436,035)	(50,089,698)
Net investment in finance leases before allowances	160,581,640	9,898,893	12,756,238	401,232,140	24,656,456	6,889,421	616,014,788
Specific impairment	-	-	(5,256,331)	-	-	(1,390,930)	(6,647,261)
Collective assessment impairment allowance	(716,607)	(161,677)	-	(1,655,047)	(465,853)	-	(2,999,184)
Net investment in finance lease as at 31 December 2018	159,865,033	9,737,216	7,499,907	399,577,093	24,190,603	5,498,491	606,368,343

	Company and Group 2019 EUR	Company and Group 2018 EUR
Unearned finance income up to 1 year	24,728,006	20,329,256
Unearned finance income 1 to 5 years	35,569,910	29,300,093
Unearned finance income over 5 years	544,129	460,349
Total unearned finance income	63,430,351	50,089,698

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 2019	Short-term, EUR			Long-term, 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	31,186,341
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 2018	Short-term, EUR			Long-term, EUR			Total, EUR
	S1	S2	S3	S1	S2	S3	
Gross loans to individuals	561,382	22,708	731,558	5,418,485	221,476	946,460	7,902,069
Specific impairment allowance	-	-	(213,448)	-	-	(423,539)	(636,987)
Collective assessment impairment allowance	(2,548)	(369)	-	(24,993)	(2,231)	-	(30,141)
Net loans to individuals	558,834	22,339	518,110	5,393,492	219,245	522,921	7,234,941
Gross loans to corporate entities	4,307,256	384,886	546,799	18,584,674	985,979	665,040	25,474,634
Specific impairment allowance	-	-	(429,660)	-	-	(376,808)	(806,468)
Collective assessment impairment allowance	(81,097)	(18,687)	-	(349,249)	(51,776)	-	(500,809)
Net loans to corporate entities	4,226,159	366,199	117,139	18,235,425	934,203	288,232	24,167,357
Gross loans total	4,868,638	407,594	1,278,357	24,003,159	1,207,455	1,611,500	33,376,703
Specific impairment allowance	-	-	(643,108)	-	-	(800,347)	(1,443,455)
Collective assessment impairment allowance	(83,645)	(19,056)	-	(374,241)	(54,007)	-	(530,949)
Net loans total	4,784,993	388,538	635,249	23,628,918	1,153,448	811,153	31,402,299

Notes (continued)

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

Credit exposure of loans by industries:

	Company and Group 2019	Company and Group 2018
	EUR	EUR
Manufacturing	14,605,235	7,612,051
Real estate activities	7,620,499	8,796,762
Agriculture	7,200,757	4,433,359
Loans to individuals	6,211,095	7,902,069
Electricity and gas supply	1,679,500	1,946,695
Trade	859,211	779,150
Construction	559,808	570,794
Administrative and support services	340,939	488,940
Transport and storage	2,611	4,481
Other	26,381	842,402
Gross loans total	39,106,036	33,376,703
Specific impairment allowance	(1,856,269)	(1,443,455)
Collective assessment impairment allowance	(402,479)	(530,949)
Net loans total	36,847,288	31,402,299

Geographical analysis of the loan portfolio:

	Company and Group 2019	Company and Group 2018
	EUR	EUR
Latvia	20,208,221	20,155,380
Lithuania	14,504,459	8,103,195
Estonia	3,333,442	3,888,141
EU countries	579,224	683,642
Non EU countries	480,690	546,345
Gross loans total	39,106,036	33,376,703
Specific impairment allowance	(1,856,269)	(1,443,455)
Collective assessment impairment allowance	(402,479)	(530,949)
Net loans total	36,847,288	31,402,299

Notes (continued)

(14) TRADE RECEIVABLES

	Company and Group 2019			Total, EUR
	S1	S2	S3	
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

	Company and Group 2018			Total, EUR
	S1	S2	S3	
Individuals				
Not past due	935,736	115,687	128,031	1,179,453
Past due 1-30 days	7,159	597	2,469	10,225
Past due 31-90 days	6	249,945	42,133	292,084
Past due 91-180 days	-	-	16,026	16,026
More than 180 days	-	-	326,437	326,437
Gross individuals	942,901	366,229	515,096	1,824,225
Specific impairment allowance	-	-	(428,954)	(428,954)
Net individuals	942,901	366,229	86,142	1,395,271
Corporate entities				
Not past due	4,140,795	225,213	458,996	4,825,004
Past due 1-30 days	898	-	24,154	25,051
Past due 31-90 days	56,236	1,775,073	503,777	2,335,086
Past due 91-180 days	-	-	149,508	149,508
More than 180 days	-	-	7,056,196	7,056,196
Gross corporate entities	4,197,929	2,000,286	8,192,632	14,390,846
Specific impairment allowance	-	-	(7,148,870)	(7,148,870)
Net corporate entities	4,197,929	2,000,286	1,043,762	7,241,976
Total trade receivables	5,140,829	2,366,515	1,129,904	8,637,248

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 December 2019	Total, short term and long term			Total, EUR
	S1	S2	S3	
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, EUR
	S1	S2	S3	
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, EUR
	S1	S2	S3	
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

Notes (continued)

(14)a LEASE AND LOAN PORTFOLIO (continued)

Company and Group as at 31 December 2018	Total, short term and long term			Total, EUR
	S1	S2	S3	
Net investment in finance leases before allowances	561,813,780	34,555,349	19,645,659	616,014,788
Collective assessment impairment allowance	(2,371,653)	(627,531)	-	(2,999,184)
Specific impairment allowance	-	-	(6,647,261)	(6,647,261)
Net investment in finance leases	559,442,127	33,927,818	12,998,398	606,368,343
Gross loans	28,871,796	1,615,049	2,889,858	33,376,703
Collective assessment impairment allowance	(457,886)	(73,063)	-	(530,949)
Specific impairment allowance	-	-	(1,443,455)	(1,443,455)
Net Loans	28,413,910	1,541,986	1,446,403	31,402,299
Gross Trade receivables	5,140,815	2,366,515	8,707,741	16,215,071
Specific impairment allowance	-	-	(7,577,824)	(7,577,824)
Net Trade receivables	5,140,815	2,366,515	1,129,917	8,637,247
Total Portfolio	592,996,852	37,836,319	15,574,718	646,407,889

Company and Group as at 31 December 2018	Short term, EUR			Total, EUR
	S1	S2	S3	
Net investment in finance leases before allowances	160,581,639	9,898,893	12,756,238	183,236,770
Collective assessment impairment allowance	(716,606)	(161,677)	-	(878,283)
Specific impairment allowance	-	-	(5,256,331)	(5,256,331)
Net investment in finance leases	159,865,033	9,737,216	7,499,907	177,102,156
Gross loans	4,868,638	407,594	1,278,357	6,554,589
Collective assessment impairment allowance	(83,645)	(19,056)	-	(102,701)
Specific impairment allowance	-	-	(643,108)	(643,108)
Net Loans	4,784,993	388,538	635,249	5,808,780
Gross Trade receivables	5,140,815	2,366,515	8,707,741	16,215,071
Specific impairment allowance	-	-	(7,577,824)	(7,577,824)
Net Trade receivables	5,140,815	2,366,515	1,129,917	8,637,247
Total Portfolio	169,790,841	12,492,269	9,265,073	191,548,183

Company and Group as at 31 December 2018	Long term, EUR			Total, EUR
	S1	S2	S3	
Net investment in finance leases before allowances	401,232,141	24,656,456	6,889,421	432,778,018
Collective assessment impairment allowance	(1,655,047)	(465,854)	-	(2,120,901)
Specific impairment allowance	-	-	(1,390,930)	(1,390,930)
Net investment in finance leases	399,577,094	24,190,602	5,498,491	429,266,187
Gross loans	24,003,158	1,207,456	1,611,500	26,822,114
Collective assessment impairment allowance	(374,241)	(54,007)	-	(428,248)
Specific impairment allowance	-	-	(800,347)	(800,347)
Net Loans	23,628,917	1,153,449	811,153	25,593,519
Gross Trade receivables	-	-	-	-
Specific impairment allowance	-	-	-	-
Net Trade receivables	-	-	-	-
Total Portfolio	423,206,011	25,344,051	6,309,644	454,859,706

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 2019			Total, EUR
	S1	S2	S3	
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 impairment 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, EUR
	S1	S2	S3	
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 in expected credit loss with customers	(1,550,307)	209,225	-	(1,341,082)
Increase 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 impairment 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

Notes (continued)

(15) ALLOWANCE FOR DOUBTFUL RECEIVABLES (continued)

	Company 2018			Total, EUR
	S1	S2	S3	
Specific impairment allowance as at the beginning of the reporting year	-	-	16,976,213	16,976,213
Collective impairment allowance as at the beginning of the reporting year	1,689,031	267,571	-	1,956,603
FTA- Expected credit loss with customers	575,491	404,886	-	980,377
FTA- Expected credit loss with banks	4,144	-	-	4,144
Total impairment allowance as at 1 January 2018	2,268,666	672,457	16,976,213	19,917,337
Increase in specific impairment allowance	-	-	2,521,369	2,521,369
Increase in expected credit loss with customers	565,010	28,136	-	593,145
Increase in expected credit loss with banks	8,503	-	-	8,503
Change in allowance for doubtful receivables	573,513	28,136	2,521,369	3,123,017
Specific impairment foreign currency fluctuation result to income statement*	-	-	2,728	2,728
Expected credit loss with customers foreign currency fluctuation result to income statement*	8	-	-	8
Total net charge to income statement	573,521	28,136	2,524,097	3,125,753
Write-off of lost loans	-	-	(3,831,770)	(3,831,770)
Changes in impairment allowance	573,521	28,136	(1,307,673)	(706,017)
Specific impairment allowance as at 31 December 2018	-	-	15,668,540	15,668,540
Expected credit loss with customers as at 31 December 2018	2,829,540	700,593	-	3,530,133
Expected credit loss with banks as at 31 December 2018	12,647	-	-	12,647
Total impairment allowance as at 31 December 2018	2,842,187	700,593	15,668,540	19,211,320

	Group 2018			Total, EUR
	S1	S2	S3	
Specific impairment allowance as at the beginning of the reporting year	-	-	16,976,213	16,976,213
Collective impairment allowance as at the beginning of the reporting year	1,689,031	267,571	-	1,956,603
FTA- Expected credit loss with customers	575,491	404,886	-	980,377
FTA- Expected credit loss with banks	4,197	-	-	4,197
Total impairment allowance as at 1 January 2018	2,268,719	672,457	16,976,213	19,917,390
Increase in specific impairment allowance	-	-	2,521,369	2,521,369
Increase in expected credit loss with customers	565,010	28,136	-	593,145
Increase in expected credit loss with banks	8,524	-	-	8,524
Change in allowance for doubtful receivables	573,534	28,136	2,521,369	3,123,038
Specific impairment foreign currency fluctuation result to income statement*	-	-	2,728	2,728
Expected credit loss with customers foreign currency fluctuation result to income statement*	8	-	-	8
Total net charge to income statement	573,542	28,136	2,524,097	3,125,774
Write-off of lost loans	-	-	(3,831,770)	(3,831,770)
Changes in impairment allowance	573,542	28,136	(1,307,673)	(705,996)
Specific impairment allowance as at 31 December 2018	-	-	15,668,540	15,668,540
Expected credit loss with customers as at 31 December 2018	2,829,540	700,593	-	3,530,133
Expected credit loss with banks as at 31 December 2018	12,721	-	-	12,721
Total impairment allowance as at 31 December 2018	2,842,261	700,593	15,668,540	19,211,394

*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 2019 EUR	Company and Group 2018 EUR
Passenger cars	374,401,271	235,857,271
Commercial transport	237,734,147	217,194,206
Industrial machinery	121,328,773	95,909,221
Manufacturing equipment	54,212,114	56,675,222
Air, water transport	5,010,769	3,153,648
Other equipment	3,055,220	3,516,470
Rail transport	2,784,735	2,248,685
Other	466,928	450,867
Net portfolio	798,993,957	615,005,590

(17) OTHER RECEIVABLES WITH AFFILIATED COMPANIES

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Accounts receivable UniCredit Bank Austria AG	44,677	44,677	5,472	5,472
Accounting receivables with UniCredit S.p.A	25,461	25,461	192,267	192,267
Accounting receivables with UniCredit Insurance Broker SIA	7,218	-	4,516	-
Accounts receivable with Uctam Baltics SIA	861	861	713	713
Total accounts receivables with affiliated companies	78,217	70,999	202,968	198,452

(18) OTHER RECEIVABLES

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Accepted, but not yet deductible VAT	1,397,593	1,397,593	1,451,886	1,451,886
Advance payments for lease agreements	912,562	912,562	-	-
Safety deposits	174,717	174,717	171,832	171,832
Advance payments for administrative services	20,045	20,060	9,734	9,734
Other receivables	43,416	65,549	23,096	44,214
Total other debtors	2,548,333	2,570,481	1,656,548	1,677,666

(19) PREPAID EXPENSES

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Insurance, subscription of periodicals, administrative expenses	645,752	647,411	75,505	76,942
Other	174	174	1,598	1,598
Total prepaid expenses	645,926	647,585	77,103	78,540

(20) CASH AND BANK

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Cash at bank (Stage 1)	44,741,284	45,036,755	29,819,422	29,986,355
Expected credit loss with banks (Stage 1)	(15,169)	(15,311)	(12,647)	(12,721)
Deposits with initial maturity of less than 3 months	2,379	2,379	2,379	2,379
Total cash and bank	44,728,494	45,023,823	29,809,154	29,976,013

Notes (continued)

(21) SHAREHOLDERS' EQUITY

Share capital of the Company as at 31 December 2019 amounts to EUR 15,569,120 (31.12.2018: EUR 15,569,120) and consists of 1,556,912 shares with a nominal value of 10 EUR each (31.12.2018: 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 2019 was UniCredit S.p.A. (31.12.2018: 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.

(22) PROVISIONS

Share options reserve of EUR 15,758 (31.12.2018: EUR 15,186) 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.

Items in other provisions for administrative costs amounted to EUR 258,835 (2018: EUR 258,871) and costs for litigation cases amounted to EUR 0,00 (2018: EUR 795,484).

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
Increase	1,110,901	572	966,912	2,078,385
Decrease	(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
Increase	1,123,654	572	966,912	2,091,138
Decrease	(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

Company 2018	Provisions for bonuses EUR	Provisions for share options EUR	Other provisions EUR	Total EUR
At the beginning of reporting year	1,086,098	13,938	1,025,005	2,125,041
Increase	1,044,373	1,248	675,277	1,720,898
Decrease	(798,138)	-	(645,927)	(1,444,065)
At the end of the reporting year	1,332,333	15,186	1,054,355	2,401,874

Group 2018	Provisions for bonuses EUR	Provisions for share options EUR	Other provisions EUR	Total EUR
At the beginning of reporting year	1,121,856	13,938	1,025,946	2,161,740
Increase	1,064,812	1,248	675,276	1,741,336
Decrease	(814,269)	-	(646,867)	(1,461,136)
At the end of the reporting year	1,372,399	15,186	1,054,355	2,441,940

Notes (continued)

(23) DEFERRED TAX ASSET

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Deferred tax at the beginning of the reporting year	188,952	188,952	188,952	188,952
Recognized deferred income tax (expense)/income on other items (Note 7)	(15,806)	(15,806)	-	-
Deferred income tax asset at year-end	173,145	173,145	188,952	188,952

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Provisions for bonuses and other provisions	173,145	173,145	188,952	188,952
Recognized deferred income tax asset	173,145	173,145	188,952	188,952

(24) TRADE PAYABLES

Trade payables as at 31 December 2019 for the Company amount to EUR 9,829,500 (2018: EUR 4,015,877), as at 31 December 2018 for the Group - EUR 9,839,599 (2018: EUR 4,024,254). There are no overdue trade payables for the Company and the Group as at 31 December 2019 and 2018. 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 (2018: 0). Lease liabilities are classified as short-term and long-term portions as follows:

	Company and Group 2019 EUR	Company and Group 2018 EUR
Up to 1 year	431,738	-
1 to 5 years	563,770	-
Total	995,508	-

(26) LONG TERM LOANS FROM AFFILIATED COMPANIES

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Loan from UniCredit Bank Austria AG	-	-	10,497,368	10,497,368
Loan from UniCredit S.p.A	446,392,058	446,392,058	398,277,617	398,277,617
Total long term loans from affiliated companies	446,392,058	446,392,058	408,774,985	408,774,985

The Company has active loan agreements with UniCredit Bank Austria AG as at 31 December 2019 for loans of EUR 10,49 million with maturities by the year 2020 and loan agreements with UniCredit S.p.A as at 31 December 2019 for loans of EUR 711 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.

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

	Company and Group 2019 EUR	Company and Group 2018 EUR
Up to 1 year	275,220,427	219,636,216
1 to 5 years	446,392,058	408,774,985
Total	721,612,485	628,411,201

UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019

Notes (continued)

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

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Short term (up to 1 year) portion of loan payable to UniCredit Bank Austria AG	10,497,368	10,497,368	36,863,158	36,863,158
Short term (up to 1 year) portion of loan payable to UniCredit S.p.A.	264,723,059	264,723,059	182,773,058	182,773,058
Total short-term-loans	275,220,427	275,220,427	219,636,216	219,636,216

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Accounts payable to UniCredit S.p.A	8,806,843	8,806,843	18,171	18,171
Accounts payable to UniCredit Leasing Austria GmbH	83,315	83,315	-	-
Accounts payable to UniCredit Leasing S.p.A	38,859	38,859	38,858	38,858
Accounts payable to UniCredit Leasing Slovakia a.s.	27,809	27,809	42,957	42,957
Total accounts payable	8,956,826	8,956,826	99,986	99,986

Total short term loans and accounts payable to affiliated companies	284,177,253	284,177,253	219,736,202	219,736,202
----------------------------------------------------------------------------	--------------------	--------------------	--------------------	--------------------

There are no special covenants under loan agreements with UniCredit Bank Austria AG and UniCredit S.p.A.

(28) DEFERRED INCOME

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Long-term				
Deferred income from advance payments	250,794	250,794	101,397	101,397
Total	250,794	250,794	101,397	101,397

Short-term				
Deferred income from advance payments	74,794	74,794	45,401	45,401
Other	172,402	172,402	58,389	58,389
Total	247,196	247,196	103,790	103,790
Total	497,990	497,990	205,187	205,187

(29) LOANS FROM CREDIT INSTITUTIONS

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Long-term part	42,500,000	42,500,000	-	-
Short-term part	57,506,111	57,506,111	9,026,400	9,026,400
Total	100,006,111	100,006,111	9,026,400	9,026,400

Loans from credit institutions include loans from European Reconstruction and Development Bank and European Investment Bank with maturity in year 2025 and 2020 respectively. Loans have floating rate.

Notes (continued)

(30) ACCRUED LIABILITIES

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Accrued liabilities for unused annual vacations	285,487	297,037	215,717	224,260
Other accrued liabilities	167,988	169,090	179,456	179,670
Total	453,475	466,127	395,173	403,930

Movement of accrued liabilities for unused annual vacations	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
At the beginning of reporting period	215,717	224,260	172,230	179,882
Increase	69,770	72,777	43,487	44,378
At the end of reporting period	285,487	297,037	215,717	224,260

(31) AVERAGE NUMBER OF EMPLOYEES

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Average number of employees during the reporting year in Latvia	68	72	70	75
Average number of employees during the reporting year in Estonia	24	24	19	19
Average number of employees during the reporting year in Lithuania	48	48	29	29
Total	140	144	118	123

(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 assessment, all related party transactions in year 2019 have been carried out in the normal course of business.

The loan balances outstanding as at 31 December 2019 and 2018 were as follows:

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Loan from UniCredit S.p.A.	711,115,117	711,115,117	581,050,675	581,050,675
Loan from UniCredit Bank Austria AG	10,497,368	10,497,368	47,360,526	47,360,526
Total	721,612,485	721,612,485	628,411,201	628,411,201

The interest charges on the loans from affiliated companies for year 2019 and year 2018 were as follows:

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Interest charges on loans from UniCredit Bank Austria AG	403,557	403,557	939,790	939,790
Interest charges on loans from UniCredit S.p.A.	4,131,200	4,131,200	1,523,979	1,523,979
Total	4,534,757	4,534,757	2,463,769	2,463,769

UNICREDIT LEASING SIA COMPANY SEPARATE AND GROUP CONSOLIDATED ANNUAL REPORT FOR 2019

Notes (continued)

(32) RELATED PARTY TRANSACTIONS (continued)

Accounts payable to affiliated companies are accrued liabilities for interest payments, management services, IT service costs, secondment and dividend payout to UniCredit S.p.A. Accounts payable to affiliated companies as at 31 December 2019 and 2018 were as follows:

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Accounts payable to UniCredit S.p.A.	8,806,843	8,806,843	18,171	18,171
Accounts payable to UniCredit Leasing Austria GmbH	83,315	83,315	-	-
Accounts payable to UniCredit Leasing S.p.A	38,859	38,859	38,858	38,858
Accounts payable to UniCredit Leasing Slovakia a.s.	27,809	27,809	42,957	42,957
Total	8,956,826	8,956,826	99,986	99,986

Accounts receivables with affiliated companies are receivables for secondment and administrative cost reimbursement. Accounts receivables with affiliated companies as at 31 December 2019 and 2018 were as follows:

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Accounts receivables UniCredit Bank Austria AG	44,677	44,677	5,472	5,472
Accounting receivables with UniCredit S.p.A	25,461	25,461	192,267	192,267
Accounting receivables with UniCredit Insurance Broker SIA	7,218	-	4,516	-
Accounts receivables with Uctam Baltics SIA	861	861	713	713
Total accounts receivables with affiliated companies	78,217	70,999	202,968	198,452

Incomes and expenses with affiliated companies as at 31 December 2019 and 2018 were as follows:

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Expense:				
Secondment costs to UniCredit S.p.A	132,683	132,683	-	-
Secondment costs to UniCredit Leasing Austria GmbH	67,317	67,317	230,592	230,592
IT service costs to UniCredit Services GmbH	65,032	65,032	113,844	113,844
Management fee expenses with UniCredit S.p.A	38,644	38,644	55,900	55,900
IT service costs to UniCredit Leasing Slovakia a.s.	27,809	27,809	42,957	42,957
Share options expenses to UniCredit S.p.A	572	572	1,248	1,248
Expected credit losses with UniCredit Bank Austria AG	3,974	3,974	915	915

Income:				
Income from secondment with UniCredit S.p.A	97,118	97,118	192,267	192,267
Income from secondment with UniCredit Bank Austria AG	44,677	44,677	-	-
Income from service agreement with UniCredit Insurance Broker SIA	41,036	-	35,896	-
Income from service agreement with UCTAM Baltics SIA	7,090	7,090	6,104	6,104
Income from cost reimbursement with Schoeler Bank	-	-	1,983	1,983

Bank charges for year 2019 and 2018 were as follows:

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Bank charges for loan administration and issued guarantee UniCredit S.p.A	20,884	20,884	6,290	6,290
Bank charges for loan administration and issued guarantee UniCredit Bank Austria AG	709	709	521	521
Total	21,593	21,593	521	521

Current account balances as at 31 December 2019 with AG UniCredit bank Austria was EUR 16,710,966 (2018: EUR 3,973 423). Expected credit losses as at 31 December 2019 amount to EUR 5,471 (2018: EUR 1,497)

Notes (continued)

(32) RELATED PARTY TRANSACTIONS (continued)

Management remuneration amounts to the following:

	Company 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
Salaries	644,804	683,794	614,570	650,977
Social insurance	71,060	80,452	100,254	109,025
Total	715,864	764,246	714,824	760,002

(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 2019 EUR	Group 2019 EUR	Company 2018 EUR	Group 2018 EUR
EUR	8,152,981	8,152,981	11,185,441	11,185,441
Total	8,152,981	8,152,981	11,185,441	11,185,441

(34) SUBSEQUENT EVENTS

As of the last day of the reporting year until the date of signing these financial statements, there have been no substantial events requiring adjustment of or disclosure in the financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Shareholder of SIA "UniCredit Leasing":

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of SIA "UniCredit Leasing" ("the Company") and accompanying consolidated financial statements of the Company and its subsidiary ("the Group") set out on pages 5 to 37 of the accompanying separate and consolidated annual report, which comprise:

- the separate and consolidated balance sheet as at 31 December 2019,
- the separate and consolidated profit and loss statement for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and 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 financial position of the Company and the Group as at 31 December 2019, and of their financial performance and their 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 *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report.

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

Reporting on Other Information

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

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/lv/about for a more detailed description of DTTL and its member firms.

In Latvia, the services are provided by SIA Deloitte Latvia, SIA Deloitte Audits Latvia and law firm Deloitte Legal (jointly referred to as "Deloitte Latvia") which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Latvia is one of the leading professional services organizations in the country providing services in tax, legal, audit and advisory through over 150 national and specialized expatriate professionals.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2019 Deloitte Audits Latvia SIA

INDEPENDENT AUDITORS' REPORT (Continued)

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:

- 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 auditor's 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 skepticism 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/lv/about for a more detailed description of DTTL and its member firms.

In Latvia, the services are provided by SIA Deloitte Latvia, SIA Deloitte Audits Latvia and law firm Deloitte Legal (jointly referred to as "Deloitte Latvia") which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Latvia is one of the leading professional services organizations in the country providing services in tax, legal, audit and advisory through over 150 national and specialized expatriate professionals.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2019 Deloitte Audits Latvia SIA

INDEPENDENT AUDITORS' REPORT (Continued)

- 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 auditor's 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 auditor's 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.

Deloitte Audits Latvia SIA
Licence No. 43



Inguna Staša
Certified auditor
Certificate No.145
Board member

Riga, Latvia
24 February 2020

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/lv/about for a more detailed description of DTTL and its member firms.

In Latvia, the services are provided by SIA Deloitte Latvia, SIA Deloitte Audits Latvia and law firm Deloitte Legal (jointly referred to as "Deloitte Latvia") which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Latvia is one of the leading professional services organizations in the country providing services in tax, legal, audit and advisory through over 150 national and specialized expatriate professionals.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2019 Deloitte Audits Latvia SIA

Sidevahendid

Liik	Sisu
Telefon	+372 6222100
E-posti aadress	info@unicredit.ee
Veebilehe aadress	www.unicredit.ee