

**"Citadele Leasing" SIA**

**Annual Report for 2023,  
Prepared in Accordance with  
Latvian Statutory Requirements**

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**Table of contents**

<b>Information about the Company</b>	<b>3</b>
<b>Report of Management Board</b>	<b>4</b>
<b>Financial statements:</b>	
<b>Income Statement</b>	<b>5</b>
<b>Balance Sheet</b>	<b>6 - 7</b>
<b>Statement of Cash Flows</b>	<b>8</b>
<b>Statement of Changes in Shareholder's Equity</b>	<b>9</b>
<b>Notes to the Financial Statements</b>	<b>10 - 35</b>
<b>Independent Auditors' Report</b>	<b>36 - 39</b>

## **CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

### **Information about the Company**

Name of the Company	Citadele 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	Republikas laukums 2A Riga, LV-1010 Latvia
Name and address of shareholder	AS Citadele Banka (100%) (from 04.01.2021) Republikas laukums 2A Riga Latvia

### **Names and positions of members of the Management Board**

Girts Glāzers - Chairman of the Management Board (from 07.01.2022)  
Vaidas Zagunis - Member of the Management Board (from 07.01.2022)

Financial year	1 January – 31 December 2023
Previous financial year	1 January – 31 December 2022
The Company's NACE code	6491 "Financial leasing"
Name and address of the auditors	KPMG Baltics AS Roberta Hirša str. 1 Riga, LV -1045 Latvia

## Report of the Management Board

### Principal activities

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

### Performance of the Company during the reporting year

In 2023, the Company continued to work on the development of leasing products in order to promote better customer and Company partner satisfaction. In 2023, digital solutions were improved, and now legal entities have the opportunity to visit the portal, where it is possible to find out current amount of leasing obligations, make a payment, and also find out how big a CO2 footprint they make every year, taking into account the car's technical data. In addition, improvements were made to the partner system to ensure faster information flow and simplify contract signing with digital tools. At the end of 2022, the Company concluded an agreement with the European Investment Bank on support for financing companies, which enabled the Company's customers to reduce their costs if the financed asset and the customer met the criteria of the support program. The program was actively used during 2023 and made a significant contribution to the amount of new lending. In 2023, the volume of new financing decreased compared to 2022. The decrease can be explained by a more cautious approach in the evaluation of new transactions taking into account the macroeconomic situation. Also, the Company continued to work on more efficient use of resources by reviewing and improving existing processes. The total assets of the company reached EUR 1041,19 million. The profitability of the company worsened, which is due to the fact that the financing costs increased, including contributed by a sharp rise in the EURIBOR rate. In the fourth quarter of 2023, changes were introduced in the Latvian corporate income tax legislation, determining the payment of a corporate income tax surcharge (advance payment), which is calculated as 20% of the uncorrected accounting profit of Latvian banks and leasing operations. The company's net profit was around EUR 4.53 million.

### Financial risk management

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

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

### Regulatory requirements

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

### The future development of the Company and operations of branches

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

### Distribution of profit proposed by the Management Board

The Board encourages its shareholders to approve the financial statements for the reporting year, according to which the Company's total assets are EUR 1 041 187 792 and net profit is EUR 4 527 382, respectively. The Board recommends leaving the profit for the year undistributed.

---

Ģirts Glāzers  
Chairman of the Management Board

---

Vaidas Žagūnis  
Member of the Management Board

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

Riga, 18 April 2024

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**COMPANY'S INCOME STATEMENT FOR THE YEAR ENDED**

	Notes	Company 2023 EUR	Company 2022 EUR
Interest, fee and rental income	1	68 366 106	37 526 387
Interest expense	2	(48 673 802)	(21 587 090)
Depreciation of fixed assets under operating lease	9	(1 034 669)	(1 343 446)
<b>Gross profit</b>		<b>18 657 635</b>	<b>14 595 851</b>
Change in allowance for doubtful receivables	14	(437 152)	1 566 917
Personnel expenses	3	(6 868 869)	(6 586 138)
Other operating income	4	1 024 248	1 301 664
Other operating expense	5	(3 315 087)	(969 378)
General administrative expenses	6	(3 558 957)	(3 833 377)
Net loss on foreign exchange		300	(1 237)
<b>Profit before tax</b>		<b>5 502 118</b>	<b>6 074 302</b>
Income tax expense	7	(959 701)	(1 386 353)
<b>Profit after corporate income tax</b>		<b>4 542 417</b>	<b>4 687 949</b>
Deferred income tax expense	7,23	(15 035)	49 236
<b>Profit for the year</b>		<b>4 527 382</b>	<b>4 737 185</b>

The accompanying notes on pages 10 to 35 are an integral part of the financial statements.

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

The financial statements on pages 5 to 35 has been authorized for issue by the Management Board on 18 April 2024 and signed on their behalf by:

\_\_\_\_\_  
 Ģirts Glāzers  
 Chairman of the Management Board

\_\_\_\_\_  
 Vaidas Žagūnis  
 Member of the Management Board

Prepared by:

\_\_\_\_\_  
 Artjoms Nurmuhmatovs  
 Chief Accountant

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**COMPANY'S BALANCE SHEET**

	Notes	Company 2023 EUR	Company 2022 EUR
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	8	<b>1 737 205</b>	<b>1 664 148</b>
<b>Fixed assets:</b>			
Fixed assets for own use	8	218 359	172 496
Rights of use assets	8	110 233	219 097
Fixed assets under operating lease terms	9	3 210 945	5 065 362
<b>Total fixed assets</b>		<b>3 539 537</b>	<b>5 456 955</b>
<b>Non-current financial investments</b>			
Investment in subsidiary	11	15 080	15 080
Non-current investment in finance leases	12	702 342 699	703 108 895
Non-current loans	12, 13	14 145 277	14 309 898
<b>Total long-term financial investments</b>		<b>716 503 056</b>	<b>717 433 873</b>
<b>Deferred tax asset</b>	23	<b>34 201</b>	<b>49 236</b>
<b>Total non-current assets</b>		<b>721 813 999</b>	<b>724 604 212</b>
<b>Current assets</b>			
<b>Debtors</b>			
Trade receivables	12	14 008 953	7 790 613
Other receivables from affiliated companies	16	3 515	3 280
Other receivables	17	2 460 012	1 883 676
Corporate income tax asset	18	58 231	1 791 067
Other tax assets	18	979 863	1 159 572
Prepaid expenses	19	201 523	135 052
Short-term investments in finance leases	12	294 081 993	280 488 227
Short-term loans	12, 13	7 542 467	8 232 341
<b>Total debtors</b>		<b>319 336 557</b>	<b>301 483 828</b>
<b>Cash and bank</b>	20	<b>37 236</b>	<b>32 540</b>
<b>Total current assets</b>		<b>319 373 793</b>	<b>301 516 368</b>
<b>Total assets</b>		<b>1 041 187 792</b>	<b>1 026 120 580</b>

The accompanying notes on pages 10 to 35 are an integral part of the financial statements.

The financial statements have been signed with a secure electronic signature which contains a timestamp.

The financial statements on pages 5 to 35 has been authorized for issue by the Management Board on 18 April 2024 and signed on their behalf by:

\_\_\_\_\_  
Ģirts Glāzers  
Chairman of the Management Board

\_\_\_\_\_  
Vaidas Žagūnis  
Member of the Management Board

Prepared by:

\_\_\_\_\_  
Artjoms Nurmuhamatovs  
Chief Accountant

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**COMPANY'S BALANCE SHEET**

	Notes	Company 2023 EUR	Company 2022 EUR
<b>Liabilities and shareholders' equity</b>			
<b>Equity</b>			
Share capital	21	15 569 120	15 569 120
Reserves	21	637 447	637 447
Accumulated profit		40 878 582	36 351 200
<b>Total equity</b>		<b>57 085 149</b>	<b>52 557 767</b>
Provisions*		-	-
<b>Total provisions</b>	22	-	-
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	25	37 583	131 461
Deferred income	27	120 192	370 668
<b>Total non-current liabilities</b>		<b>157 775</b>	<b>502 129</b>
<b>Current liabilities</b>			
Trade payables	24	10 609 568	13 069 882
Short term lease liabilities	25	74 087	87 639
Short-term loans and accounts payable to affiliated companies	26	967 698 318	954 283 169
Taxes and social insurance contributions	28	779 085	1 369 667
Other payables		75 340	113 464
Accrued liabilities*	29	2 513 945	1 787 763
Deferred income	27	192 336	249 012
Customer advances received		2 002 189	2 100 088
<b>Total current liabilities</b>		<b>983 944 868</b>	<b>973 060 684</b>
<b>Total liabilities</b>		<b>984 102 643</b>	<b>973 562 813</b>
<b>Total provisions, liabilities and shareholders' equity</b>		<b>1 041 187 792</b>	<b>1 026 120 580</b>

\* - In 2023, the balance sheet accounts and the transactions contained in them were reclassified. Detailed information can be found in the appendix of the report, in the section "The most important accounting policies", in the subsection "Reclassification of the reflection of accounting data".

The accompanying notes on pages 10 to 35 are an integral part of the financial statements.

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

The financial statements on pages 5 to 35 has been authorized for issue by the Management Board on 18 April 2024 and signed on their behalf by:

\_\_\_\_\_  
Ģirts Glāzers  
Chairman of the Management Board

\_\_\_\_\_  
Vaidas Žagūnis  
Member of the Management Board

Prepared by:

\_\_\_\_\_  
Artjoms Nurmuhamatovs  
Chief Accountant

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**COMPANY'S STATEMENT OF CASH FLOWS**

	<b>Notes</b>	<b>Company 2023 EUR</b>	<b>Company 2022 EUR</b>
<b>Cash flows from operating activities</b>			
Profit before taxation		5 502 118	6 074 302
Adjustments for:			
Depreciation of fixed assets for own use and equipment under operating lease terms and amortisation of intangible assets	8,9	1 907 381	2 116 245
Depreciation of right-of-use assets	8	74 668	87 639
Increase (decrease) of other provisions	22	634 031	318 346
Interest and similar expenses	2	48 673 802	21 587 090
Loss/(profit) from write offs of fixed assets for own use and intangible assets		31 055	237 447
Expenses from sale of fixed assets of operating leasing agreements		88 853	251 468
Loss/(profit) from write offs of rights to use leased assets		34 196	7 337
<b>Cash from operating activities before changes in working capital</b>		<b>56 946 104</b>	<b>30 679 874</b>
Adjustments for:			
Decrease / (increase) in trade receivables		(4 948 837)	(715 953)
Increase / (decrease) in trade and other payables		(2 797 299)	(6 841 588)
(Increase) in net investment in finance leases and loans		(11 973 075)	(136 877 894)
<b>Total cash used in operating activities</b>		<b>37 226 893</b>	<b>(113 755 561)</b>
Corporate income tax paid		(1 595 919)	(384 761)
<b>Net cash used in operating activities</b>		<b>35 630 974</b>	<b>(114 140 322)</b>
<b>Cash flows (used in)/from investing activities</b>			
Purchase of fixed assets for own use and leasehold improvements	8	(130 305)	(75 475)
Purchase of intangible assets	8	(892 382)	(954 064)
Purchase of fixed assets under operating lease	9	(191 195)	(146 429)
Proceeds from sale of fixed assets for own use and leased out under operating lease		922 090	1 081 461
<b>Net cash flow (used in) investing activities</b>		<b>(291 792)</b>	<b>(94 507)</b>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	25	(75 832)	(88 486)
Loans received		13 415 148	144 131 068
Loans repaid			-
Profit distribution	21	-	(8 683 976)
Interest paid		(48 673 802)	(21 587 090)
<b>Net cash from financing activities</b>		<b>(35 334 486)</b>	<b>113 771 516</b>
<b>Net increase in cash and cash equivalents</b>		<b>4 696</b>	<b>(463 313)</b>
Cash and cash equivalents at the beginning of reporting year	20	32 540	495 853
<b>Cash and cash equivalents at the end of reporting year</b>	<b>20</b>	<b>37 236</b>	<b>32 540</b>

The accompanying notes on pages 10 to 35 are an integral part of the financial statements.

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

The financial statements on pages 5 to 35 has been authorized for issue by the Management Board on 18 April 2024 and signed on their behalf by:

\_\_\_\_\_  
 Ģirts Glāzers  
 Chairman of the Management Board

\_\_\_\_\_  
 Vaidas Žagūnis  
 Member of the Management Board

Prepared by:

\_\_\_\_\_  
 Artjoms Nurmuhamatovs  
 Chief Accountant



**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**

	Share capital EUR	Reserves EUR	Retained earnings EUR	Company Total EUR
<b>Balance as at 31 December 2021</b>	<b>15 569 120</b>	<b>637 447</b>	<b>40 297 991</b>	<b>56 504 558</b>
Payment of dividends	-	-	(8 683 976)	<b>(8 683 976)</b>
Net profit for the year	-	-	4 737 185	<b>4 737 185</b>
<b>Balance as at 31 December 2022</b>	<b>15 569 120</b>	<b>637 447</b>	<b>36 351 200</b>	<b>52 557 767</b>
Net profit for the year	-	-	4 527 382	<b>4 527 382</b>
<b>Balance as at 31 December 2023</b>	<b>15 569 120</b>	<b>637 447</b>	<b>40 878 582</b>	<b>57 085 149</b>

The accompanying notes on pages 10 to 35 are an integral part of the financial statements.

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

The financial statements on pages 5 to 35 has been authorized for issue by the Management Board on 18 April 2024 and signed on their behalf by:

\_\_\_\_\_  
Girts Glāzers  
Chairman of the Management Board

\_\_\_\_\_  
Vaidas Žagūnis  
Member of the Management Board

Prepared by:

\_\_\_\_\_  
Artjoms Nurmuhamatovs  
Chief Accountant

## **Notes to the Financial Statement**

### **GENERAL INFORMATION**

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

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

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

As at 31 December 2023, the Company is a Citadele Group company that has been operating in the Latvian market since 1998 and offers asset financing products (financial and operating leases) to customers in Latvia, Estonia and Lithuania.

On January 4, 2021, following the transaction between AS Citadele banka and UniCredit SpA, AS Citadele banka became the owner of 100% of SIA Citadele Leasing in the Baltics, including its subsidiary SIA CL Insurance Broker, upon completion of the acquisition process initiated in December 2019. As at 31 December 2023, 100% control of the Company over the Company belongs to AS Citadele banka.

### **BASIS OF PREPARATION**

#### **Statement of compliance**

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

In 2023 and 2022 the Company applied the derogation provided in the Law On the Annual Financial Statements and Consolidated Financial Statements allowing to apply certain IFRS/IAS, if that results in improved reporting. The Company has applied IAS 12, IFRS 9, IFRS 16.

The financial statements were authorized for issue by the Board of Management on 18 April 2024. The shareholders have the power to reject the financial statements prepared and presented by the management and the right to request that new financial statements be prepared.

#### **Accounting principles applied**

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

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

#### **Basis of measurement**

The financial statements of the Company have been prepared on the historical cost basis. The Company does not have financial instruments at fair value through profit or loss and fair value through other comprehensive income as at 31 December 2023 and 2022.

#### **Use of estimates and judgments**

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

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

## **CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

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

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

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

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

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

## CITADELE LEASING SIA ANNUAL REPORT FOR 2023

### *Parameters and risk definitions used in determining impairment*

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

- PD (probability of default) represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag, that depends from IFRS 9 stage;
- LGD (losses due to default) is the percentage of estimated loss and therefore the expected recoverable amount in the event of a credit exposure default;
- EAD (exposure value in the event of default) is the exposure value at the time of default.

The risk parameters PD (Probability of Default) and LGD (Loss Given Default) are adjusted by applying forward-looking macroeconomic assessment information. Future macroeconomic projections are management's best estimates, so actual credit losses may differ from expected credit losses. Uncertainties exist in factors such as international and domestic economic conditions, borrower-specific factors, industry and market trends, interest rates, unemployment rates and other external factors. The Company has introduced the use of future information in the assessment of expected credit losses. The assessment of credit losses includes three economic scenarios with different economic consequences: the base scenario, which includes the possible future economic development, the less likely adverse scenario, as well as the positive scenario. The scenarios are weighted based on expert judgment and management's best estimates of future developments. Macroeconomic indicators, combining internal and external macroeconomic forecasts, are summarized below:

<b>Latvia</b>	<b>Base case scenario</b>			<b>Adverse scenario</b>			<b>Positive scenario</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
GDP (annual change)	2.0	2.8	2.7	-0.9	2.8	3.0	4.1	2.8	2.5
Unemployment rate	6.5	5.6	5.1	8.4	6.9	6.2	5.1	4.7	4.4
Average gross wage (annual change)	7	5.2	5.2	4.8	5.0	5.2	8.6	5.4	5.2

<b>Lithuania</b>	<b>Base case scenario</b>			<b>Adverse scenario</b>			<b>Positive scenario</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
GDP (annual change)	2.0	3	2.8	-0.9	3	3	4.1	3	2.6
Unemployment rate	6.0	5.2	4.8	7.9	6.6	5.8	4.6	4.3	4.1
Average gross wage (annual change)	7	5.4	5.3	4.7	5.2	5.3	8.5	5.6	5.3

<b>Estonia</b>	<b>Base case scenario</b>			<b>Adverse scenario</b>			<b>Positive scenario</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
GDP (annual change)	2.3	3.0	2.8	-0.6	3	3	4.4	3.0	2.6
Unemployment rate	6.7	5.4	5.0	8.6	6.9	6.1	5.3	4.7	4.3
Average gross wage (annual change)	6.1	5.7	5.4	3.9	5.4	5.4	7.6	5.8	5.3

	<b>Base case scenario</b>			<b>Adverse scenario</b>			<b>Positive scenario</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
6m Euribor	3.1	2.4	2.3	4.2	3.7	3.5	2.7	1.9	1.8

### **Macroeconomic forecasts used as of December 2022:**

<b>Latvia</b>	<b>Base case scenario</b>			<b>Adverse scenario</b>			<b>Positive scenario</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
GDP (annual change)	-1.5	3.4	2.8	-4.4	3.8	3.9	2.1	3.4	2.9
Unemployment rate	7.2	6.3	5.5	8.5	7.7	6.9	6.7	5.9	5.0
Average gross wage (annual change)	6.2	5.5	4.4	5.0	5.0	4.6	7.0	6.3	5.2

<b>Lithuania</b>	<b>Base case scenario</b>			<b>Adverse scenario</b>			<b>Positive scenario</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
GDP (annual change)	-1.5	3.3	3	-5.3	3.7	3.1	1.6	3.3	3.1
Unemployment rate	6.5	6.2	5.4	8.5	7.6	6.7	6.1	5.8	5.0
Average gross wage (annual change)	7.1	4.4	4.9	4.8	4.5	4.8	7.2	5.2	5.5

<b>Estonia</b>	<b>Base case scenario</b>			<b>Adverse scenario</b>			<b>Positive scenario</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
GDP (annual change)	-0.9	4.0	3.1	-4.8	3.7	3.2	1.7	4.0	3.2
Unemployment rate	6.6	5.6	4.9	8.0	7.4	6.5	5.9	5.2	4.4
Average gross wage (annual change)	4.9	4.6	5.0	3.7	4.7	4.5	5.4	5.4	5.5

	<b>Base case scenario</b>			<b>Adverse scenario</b>			<b>Positive scenario</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
6m Euribor	3.0	2.6	2.4	3.2	3.2	3.0	3.0	2.8	2.7

## **CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

During 2023, in response to improvements in macroeconomic indicators, but maintaining conservatism in the calculations of expected credit losses, the company has adjusted the applied weights in forward-looking adjustment weights. A weighted combined scenario is used for forward-looking adjustments: 50% weight for the base scenario, 45% weight for the unfavorable scenario, 5% weight for the positive scenario. (In 2022: 55% weight for the base scenario, 35% for the unfavorable scenario, 10% for the positive scenario). If the probability of execution of the negative scenario increased to 50%, the Company's provisions for expected credit losses would increase by 0.2 million euros on December 31, 2023 (in 2022, a +5% increase in the probability of the negative scenario resulted in an increase in provisions by 0.15 million euros). If the probability of execution of the basic scenario increased to 100%, the Company's provisions for expected credit losses would decrease by 1.7 million euros on December 31, 2023 (in 2022 it would decrease by 0.9 million euros). If all the LGD indicators used would change by 500 basis points, the Company's provisions for expected credit losses would change by +2.2/-2.2 million euros on December 31, 2023 (in 2022 it would change by +2.2/-2.2 million euros). If the 12-month PD indicators increase by 100 basis points, the Company's provisions for expected credit losses would change by +2.3/-2.3 million euros on December 31, 2023 (it would change by +2.2/-2.2 million euros in 2022).

In 2023, as economic and geopolitical uncertainty remained, the savings reserves created in 2022 were preserved. In addition to these, in 2023, additional provisions were added for the decrease in value, which refers to the economic conditions and uncertainty of the agricultural sector, as well as additional provisions were made for customers whose economic activity is subject to economic uncertainty. These additional provisioning reserves are the main factor that has led to the increase in provisions for impairment losses. These additional impairment losses for the entire portfolio as of December 2023 were 5.4 million euros (2.8 million euros as of December 2022).

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

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

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

In the 2nd stage, customers are listed for another 3 months after covering overdue payments, and 24 months if the payment schedule was restructured as a result of the deterioration of solvency.

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

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

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

### *Significant increase in credit risk*

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

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

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

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

*Definition of default*

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

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

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

***(ii) Calculation of recoverable amount***

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

**Impairment of assets**

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

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

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

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

**Recognition of provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. As at 31 December 2023 and 31 December 2022 the Company has created provisions for administrative and operating expenses.

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

*Classification of leases*

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

*Lessor*

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

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

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

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

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

*Lessee*

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

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

#### *Lease Liabilities*

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

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

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

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

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

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

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

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

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

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

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

#### *Rights of use assets*

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

#### **Financial instruments**

IFRS 9 highlights the following:

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

#### **Classification**

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

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

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

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

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

As a result of SPPI Test the Company's 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 2023 and 2022, the Company did not apply hedge accounting.

**Recognition**

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

**Measurement**

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

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

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

**Derecognition**

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Company 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 also derecognise certain assets when they write off balances pertaining to the assets deemed to be uncollectible.



### **Offsetting**

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

### **Recognition of income and expenses**

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

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

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

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

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

### **Foreign currency**

The financial statement is presented in Euro (EUR) being the functional currency of the Company, 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 ex022 it would decrease by 0.9 million eu

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:

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>EUR</b>	<b>EUR</b>
1 USD	1.105	1.0666
1 JPY	156.33	140.66

### **Accruals for vacations**

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

### **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus of profit sharing plans if the Company 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, 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:

	<b>% per annum</b>
Licences	20-33
Software	20-35

### **Fixed assets**

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

	<b>% per annum</b>
Office equipment	20-35
Computers	35
Vehicles	20
Others	20

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

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

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

## **CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

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

### **Investments in subsidiaries**

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

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

### **Exemption from the obligation to draw up the consolidated financial report**

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

### **Dividends**

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

### **Reposessed assets**

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

### **Nodokļi**

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 2023, changes were made to the Latvian corporate income tax, which stipulates that credit institutions and consumer lending service providers, which is also the Company, must pay a corporate income tax surcharge every year, calculated at 20% of the profit after taxes in the reporting year. Tax is paid monthly for expenses equivalent to distribution of profits. In respected of deemed distributions the tax is paid on monthly basis.

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

### **Cash and cash equivalents**

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

### **Related parties**

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

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

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

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

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

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

## **Risk and risk management**

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The Company's management seeks to minimize potential adverse effects of financial risk on the financial performance of the Company. The management of the Company'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 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 take on exposure to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. The Company 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. The risk arises because of the differences in the maturity terms of the Company'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 assets and liabilities.

### *Credit risk*

The Company take on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts when due. The Company 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 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 have developed a set of credit policies and guidelines for the management of credit exposures and the Company'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 activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Company adheres to prudent liquidity risk management, ensuring that adequate resources are available to settle liabilities within the set deadlines. At the end of the reporting year, the Company's working capital was negative in the amount of EUR 663 136 131, however, current liabilities mainly consist of liabilities to related companies in the amount of EUR 967 698 318 as at 31 December 2023 (EUR 954 283 169 as at 31 December 2022). Consequently, the Company's management believes that negative working capital does not pose a risk to the Company's operations.

### *Capital management*

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

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

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**Reclassification of accounting accounting data reflection**

The Company evaluated the balance sheet item "Provisions" and concluded that the accounts included in it and their transactions more closely correspond to the definition of "Accrued liabilities" in terms of nature and purpose. Therefore, in 2023, a decision was made to reclassify accounts and their transactions from the balance sheet item "Provisions" to the balance sheet item "Accrued liabilities".

<b>Note</b>	<b>Balance sheet item</b>	<b>Balance item in 2022 in the Annual Report for 2022</b>	<b>Correction</b>	<b>Balance item in 2022 in the Annual Report for 2023</b>
		<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>22</b>	Provisions	958 688	(958 688)	-
<b>29</b>	Accrued liabilities	829 075	958 688	1 787 763

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**Notes (continued)**

**(1) INTEREST, FEE AND RENTAL INCOME**

	Company	Company
	2023	2022
	EUR	EUR
Interest income from finance leases	64 165 198	32 811 763
Administration fee income	2 805 722	3 050 291
Rental income from operating leases	1 395 186	1 664 333
<b>Total interest, fee and rental income</b>	<b>68 366 106</b>	<b>37 526 387</b>

**(2) INTEREST EXPENSE**

	Company	Company
	2023	2022
	EUR	EUR
Interest charges on loan from Citadele banka AS	48 671 204	21 586 268
Interest charges for rights to use leased assets	2 598	822
<b>Total interest expense</b>	<b>48 673 802</b>	<b>21 587 090</b>

**(3) PERSONNEL EXPENSES**

	Company	Company
	2023	2022
	EUR	EUR
Salary expenses	5 584 566	4 917 909
Bonuses	113 527	691 451
Social insurance	1 048 908	863 198
Other personnel expenses	(6 790)	103 258
Unused annual leave	128 658	10 322
<b>Total personnel expenses</b>	<b>6 868 869</b>	<b>6 586 138</b>

**(4) OTHER OPERATING INCOME**

	Company	Company
	2023	2022
	EUR	EUR
Penalties received	662 176	927 375
Other income	362 072	374 289
<b>Total other operating income</b>	<b>1 024 248</b>	<b>1 301 664</b>

**(5) OTHER OPERATING EXPENSE**

	Company	Company
	2023	2022
	EUR	EUR
Net loss on disposal of leased assets	36 167	87 728
Net loss on disposal of fixed assets held under operating leases and own property	88 853	111 861
Commission expense for received guarantees	2 613 431	281 262
Other expenses*	576 636	488 527
<b>Total other operating expenses</b>	<b>3 315 087</b>	<b>969 378</b>

\* - this position mainly includes various commissions and fees for informational services for leasing contracts

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

Notes (continued)

**(6) GENERAL ADMINISTRATIVE EXPENSES**

	Company	Company
	2023	2022
	EUR	EUR
Depreciation of fixed assets for own use (rights to use assets) (Note 8)	74 668	87 639
IT services	552 174	343 371
Professional fees*	1 484 216	2 001 212
Communication expenses	63 552	66 605
Amortization of intangible assets (Note 8)	788 270	655 374
Office maintenance costs	55 712	34 416
Transport expenses	10 443	11 345
Depreciation of fixed assets for own use and leasehold improvements (Note 8)	84 442	117 425
VAT expensed	75 785	56 344
Advertising	45 417	124 732
Bank charges	16 025	15 714
Other expenses	308 253	319 200
<b>Total other administrative expenses</b>	<b>3 558 957</b>	<b>3 833 377</b>

\* - significant increase in 2022 is due to the fact that an outsource was engaged in the development of new services.

**(7) INCOME TAX**

	Company	Company
	2023	2022
	EUR	EUR
Current tax charge	(959 701)	(1 386 353)
Deferred income tax (expense) (Note 23)	(15 035)	49 236
<b>Corporate tax expense</b>	<b>(974 736)</b>	<b>(1 337 117)</b>

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

Notes (continued)

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

As at 31 December 2023, the right to use the leased assets includes the lease agreement for the Lithuanian branch office. The term of the agreement is 2 years (2022: 3).

Company 2023	Software and licenses/ Total intangible assets EUR	Property and equipment for own use EUR	Rights of use leased assets EUR	Total EUR
<b>Cost</b>				
31 December 2022	3 112 782	1 146 309	334 650	4 593 741
Additions	892 382	130 305	-	1 022 687
Disposal	(272 326)	(63 668)	(34 196)	(370 190)
<b>31 December 2023</b>	<b>3 732 838</b>	<b>1 212 946</b>	<b>300 454</b>	<b>5 246 238</b>
<b>Depreciation</b>				
31 December 2022	1 448 634	973 813	115 553	2 538 000
Charge for 2023	788 270	84 442	74 668	947 380
Disposal	(241 271)	(63 668)	-	(304 939)
<b>31 December 2023</b>	<b>1 995 633</b>	<b>994 587</b>	<b>190 221</b>	<b>3 180 441</b>
<b>Net book value</b>				
<b>31 December 2022</b>	<b>1 664 148</b>	<b>172 496</b>	<b>219 097</b>	<b>2 055 741</b>
<b>31 December 2023</b>	<b>1 737 205</b>	<b>218 359</b>	<b>110 233</b>	<b>2 065 797</b>

Company 2022	Software and licenses/ Total intangible assets EUR	Property and equipment for own use EUR	Rights of use leased assets EUR	Total EUR
<b>Cost</b>				
31 December 2021	2 750 990	1 128 575	321 006	4 200 571
Additions	954 064	54 494	20 981	1 029 539
Disposal	(592 272)	(36 760)	(7 337)	(636 369)
<b>31 December 2022</b>	<b>3 112 782</b>	<b>1 146 309</b>	<b>334 650</b>	<b>4 593 741</b>
<b>Depreciation</b>				
31 December 2021	1 149 738	891 495	27 914	2 069 147
Charge for 2022	655 374	117 425	87 639	860 438
Disposal	(356 478)	(35 107)	-	(391 585)
<b>31 December 2022</b>	<b>1 448 634</b>	<b>973 813</b>	<b>115 553</b>	<b>2 538 000</b>
<b>Net book value</b>				
<b>31 December 2021</b>	<b>1 601 252</b>	<b>237 080</b>	<b>293 092</b>	<b>2 131 424</b>
<b>31 December 2022</b>	<b>1 664 148</b>	<b>172 496</b>	<b>219 097</b>	<b>2 055 741</b>

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

Company 2023	Total property and equipment under operating lease terms EUR
<b>Cost</b>	
31 December 2022	7 950 687
Additions	191 195
Disposal	(1 874 224)
<b>31 December 2023</b>	<b>6 267 658</b>
<b>Depreciation</b>	
31 December 2022	2 885 325
Charge for 2023	1 034 669
Disposal	(863 281)
<b>31 December 2023</b>	<b>3 056 713</b>
<b>Net book value</b>	
<b>31 December 2022</b>	<b>5 065 362</b>
<b>31 December 2023</b>	<b>3 210 945</b>

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

Notes (continued)

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

Company 2022	Total property and equipment under operating lease terms EUR
<b>Cost</b>	
31 December 2021	10 076 981
Additions	146 429
Disposal	(2 272 723)
<b>31 December 2022</b>	<b>7 950 687</b>
<b>Depreciation</b>	
31 December 2021	2 481 673
Charge for 2022	1 343 446
Disposal	(939 794)
<b>31 December 2022</b>	<b>2 885 325</b>
<b>Net book value</b>	
<b>31 December 2021</b>	<b>7 595 308</b>
<b>31 December 2022</b>	<b>5 065 362</b>



## Notes (continued)

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

	Company 2023 EUR	Company 2022 EUR
Minimum lease payments up to 1 year	1 059 216	1 078 011
Minimum lease payments up to 2 years	1 531 338	2 857 576
Minimum lease payments up to 3 years	141 339	263 748
Minimum lease payments up to 4 years	81 790	152 625
Minimum lease payments up to 5 years	30 527	56 965
Minimum lease payments over 5 years	18 666	10 675
<b>Total minimum lease payments</b>	<b>2 862 876</b>	<b>4 419 600</b>

## (11) INVESTMENT IN SUBSIDIARY

The participation in the capital of the subsidiary in the amount of EUR 15 080 reflects the investment in the share capital of SIA CL Insurance Broker. The share capital of the subsidiary SIA CL Insurance Broker consists of 754 (seven hundred and fifty four) shares. The nominal value of one share is equivalent to EUR 20.00. The number of shares in the subsidiary as at 31 December 2023 and 2022 is 100%.

## (12) NET INVESTMENT IN FINANCE LEASES, LOANS AND TRADE RECEIVABLES

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

Company 2023	Individuals			Total EUR
	1.stage	2.stage	3.stage	
Gross investment in finance lease up to 1 year	77 364 815	4 947 827	96 892	82 409 534
Gross investment in finance lease up to 2 years	65 107 125	4 138 554	56 288	69 301 967
Gross investment in finance lease up to 3 years	60 866 460	3 708 908	54 580	64 629 948
Gross investment in finance lease up to 4 years	54 747 578	3 082 666	23 398	57 853 642
Gross investment in finance lease up to 5 years	35 109 089	3 242 490	7 604	38 359 183
Gross investment in finance lease over 5 years	6 923 825	483 290	406 894	7 814 009
<b>Gross investment in finance lease</b>	<b>300 118 892</b>	<b>19 603 735</b>	<b>645 656</b>	<b>320 368 283</b>
Unearned finance income up to 1 year	(15 133 476)	(1 018 792)	(19 493)	(16 171 761)
Unearned finance income up to 2 years	(11 181 191)	(753 395)	(12 640)	(11 947 226)
Unearned finance income up to 3 years	(7 597 844)	(522 715)	(7 357)	(8 127 916)
Unearned finance income up to 4 years	(4 173 195)	(328 011)	(2 456)	(4 503 662)
Unearned finance income up to 5 years	(1 494 641)	(147 150)	(784)	(1 642 575)
Unearned finance income over 5 years	(349 817)	(27 109)	(12)	(376 938)
<b>Net investment in finance leases before allowances</b>				
Not past due	260 148 113	13 556 227	74 127	273 778 467
Past due ≤30 days	40 615	10 941	-	51 556
Past due >30 and ≤90 days	-	3 239 395	32 294	3 271 689
Past due >90 days	-	-	496 493	496 493
Impairment allowance	(2 126 003)	(762 399)	(306 560)	(3 194 962)
<b>Net investment in finance lease</b>	<b>258 062 725</b>	<b>16 044 164</b>	<b>296 354</b>	<b>274 403 243</b>
<b>Gross loans</b>				
Not past due	1 357 084	465 307	81 891	1 904 282
Past due ≤30 days	214 257	-	110 818	325 075
Past due >30 and ≤90 days	-	138 036	-	138 036
Past due >90 days	-	-	1 041	1 041
Impairment allowance	(28 140)	(59 014)	(103 764)	(190 918)
<b>Net loans</b>	<b>1 543 201</b>	<b>544 329</b>	<b>89 986</b>	<b>2 177 516</b>
<b>Gross trade receivables</b>				
Not past due	1 425 582	153 195	9 978	1 588 755
Past due ≤30 days	6 392	413	717	7 522
Past due >30 and ≤90 days	-	241 610	17 090	258 700
Past due >90 days	-	-	421 186	421 186
Impairment allowance	(10 214)	(29 675)	(293 606)	(333 495)
<b>Net trade receivables</b>	<b>1 421 760</b>	<b>365 543</b>	<b>155 365</b>	<b>1 942 668</b>
<b>Total portfolio</b>	<b>261 027 686</b>	<b>16 954 036</b>	<b>541 705</b>	<b>278 523 427</b>

## Notes (continued)

Company 2023	Corporate entities			Total EUR
	1.stage	2.stage	3.stage	
Gross investment in finance lease up to 1 year	233 371 432	37 965 952	1 711 008	273 048 392
Gross investment in finance lease up to 2 years	166 855 719	32 726 781	1 065 396	200 647 896
Gross investment in finance lease up to 3 years	137 800 782	26 048 130	587 383	164 436 295
Gross investment in finance lease up to 4 years	99 730 349	17 519 940	357 839	117 608 128
Gross investment in finance lease up to 5 years	57 947 930	7 435 610	71 526	65 455 066
Gross investment in finance lease over 5 years	9 078 127	1 678 432	4 275 079	15 031 638
<b>Gross investment in finance lease</b>	<b>704 784 339</b>	<b>123 374 845</b>	<b>8 068 231</b>	<b>836 227 415</b>
Unearned finance income up to 1 year	(34 551 855)	(6 540 491)	(278 324)	(41 370 670)
Unearned finance income up to 2 years	(23 338 552)	(4 413 778)	(131 497)	(27 883 827)
Unearned finance income up to 3 years	(14 476 884)	(2 539 429)	(64 394)	(17 080 707)
Unearned finance income up to 4 years	(7 290 452)	(1 153 989)	(23 869)	(8 468 310)
Unearned finance income up to 5 years	(2 389 309)	(344 991)	(4 879)	(2 739 179)
Unearned finance income over 5 years	(650 360)	(98 810)	(1 596)	(750 766)
<b>Net investment in finance leases before allowances</b>				
Not past due	621 774 699	97 202 613	3 310 166	722 287 478
Past due ≤30 days	312 228	7 603	-	319 831
Past due >30 and ≤90 days	-	11 073 141	463 777	11 536 918
Past due >90 days	-	-	3 789 729	3 789 729
Impairment allowance	(9 484 505)	(4 054 128)	(2 373 874)	(15 912 507)
<b>Net investment in finance lease</b>	<b>612 602 422</b>	<b>104 229 229</b>	<b>5 189 798</b>	<b>722 021 449</b>
<b>Gross loans</b>				
Not past due	16 515 970	1 849 253	3 080 326	21 445 549
Past due ≤30 days	-	-	-	-
Past due >30 and ≤90 days	-	243 011	38 212	281 223
Past due >90 days	-	-	955 625	955 625
Impairment allowance	(584 012)	(150 169)	(2 437 988)	(3 172 169)
<b>Net loans</b>	<b>15 931 958</b>	<b>1 942 095</b>	<b>1 636 175</b>	<b>19 510 228</b>
<b>Gross trade receivables</b>				
Not past due	6 315 082	2 569 269	105 871	8 990 222
Past due ≤30 days	192 428	4 352	-	196 780
Past due >30 and ≤90 days	-	1 704 148	82 786	1 786 934
Past due >90 days	-	-	2 336 643	2 336 643
Impairment allowance	(97 791)	(191 462)	(955 041)	(1 244 294)
<b>Net trade receivables</b>	<b>6 409 719</b>	<b>4 086 307</b>	<b>1 570 259</b>	<b>12 066 285</b>
<b>Total portfolio</b>	<b>634 944 099</b>	<b>110 257 631</b>	<b>8 396 232</b>	<b>753 597 962</b>

Company 2022	Individuals			Total EUR
	1.stage	2.stage	3.stage	
Gross investment in finance lease up to 1 year	66 223 252	4 479 771	174 815	70 877 838
Gross investment in finance lease up to 2 years	68 852 605	4 273 769	115 924	73 242 298
Gross investment in finance lease up to 3 years	54 986 469	3 287 037	96 945	58 370 451
Gross investment in finance lease up to 4 years	50 065 000	2 735 072	64 848	52 864 920
Gross investment in finance lease up to 5 years	42 297 661	3 127 817	38 700	45 464 178
Gross investment in finance lease over 5 years	7 395 668	521 123	336 773	8 253 564
<b>Gross investment in finance lease</b>	<b>289 820 655</b>	<b>18 424 589</b>	<b>828 005</b>	<b>309 073 249</b>
Unearned finance income up to 1 year	(11 353 304)	(736 189)	(23 008)	(12 112 501)
Unearned finance income up to 2 years	(8 463 600)	(543 745)	(14 948)	(9 022 293)
Unearned finance income up to 3 years	(5 715 813)	(366 970)	(9 853)	(6 092 636)
Unearned finance income up to 4 years	(3 375 236)	(230 164)	(6 374)	(3 611 774)
Unearned finance income up to 5 years	(1 293 754)	(103 584)	(2 897)	(1 400 235)
Unearned finance income over 5 years	(283 416)	(22 725)	(2 292)	(308 433)
<b>Net investment in finance leases before allowances</b>	<b>259 335 532</b>	<b>16 421 212</b>	<b>768 633</b>	<b>276 525 377</b>
Not past due	259 288 178	13 601 016	240 184	273 129 378
Past due ≤30 days	47 354	3 476	-	50 830
Past due >30 and ≤90 days	-	2 816 720	40 631	2 857 351
Past due >90 days	-	-	487 818	487 818
Impairment allowance	(2 265 375)	(734 518)	(388 466)	(3 388 359)
<b>Net investment in finance lease</b>	<b>257 070 157</b>	<b>15 686 694</b>	<b>380 167</b>	<b>273 137 018</b>
<b>Gross loans</b>	<b>1 955 283</b>	<b>766 017</b>	<b>317 475</b>	<b>3 038 775</b>
Not past due	1 613 402	599 633	145 944	2 358 979
Past due ≤30 days	341 881	166 384	66 320	574 585

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

Past due >30 and ≤90 days	-	-	67 288	67 288
Past due >90 days	-	-	37 923	37 923
Impairment allowance	(35 090)	(50 566)	(168 760)	(254 416)
<b>Net loans</b>	<b>1 920 193</b>	<b>715 451</b>	<b>148 715</b>	<b>2 784 359</b>
<b>Gross trade receivables</b>	<b>1 229 320</b>	<b>399 428</b>	<b>503 461</b>	<b>2 132 209</b>
Not past due	1 203 648	249 412	26 336	1 479 396
Past due ≤30 days	25 672	4 678	824	31 174
Past due >30 and ≤90 days	-	145 338	18 590	163 928
Past due >90 days	-	-	457 711	457 711
Impairment allowance	(11 522)	(24 482)	(331 070)	(367 074)
<b>Net trade receivables</b>	<b>1 217 798</b>	<b>374 946</b>	<b>172 391</b>	<b>1 765 135</b>
<b>Total portfolio</b>	<b>260 208 148</b>	<b>16 777 091</b>	<b>701 273</b>	<b>277 686 512</b>

Company 2022	Corporate entities			Total EUR
	1.stage	2.stage	3.stage	
Gross investment in finance lease up to 1 year	219 222 713	28 130 238	8 759 385	256 112 336
Gross investment in finance lease up to 2 years	175 310 747	22 103 024	4 165 092	201 578 863
Gross investment in finance lease up to 3 years	129 727 846	15 936 225	1 442 747	147 106 818
Gross investment in finance lease up to 4 years	98 991 455	10 357 385	663 635	110 012 475
Gross investment in finance lease up to 5 years	61 215 799	7 529 959	61 112	68 806 870
Gross investment in finance lease over 5 years	8 671 119	1 078 343	4 425 726	14 175 188
<b>Gross investment in finance lease</b>	<b>693 139 679</b>	<b>85 135 174</b>	<b>19 517 697</b>	<b>797 792 550</b>
Unearned finance income up to 1 year	(26 513 151)	(3 418 241)	(681 629)	(30 613 021)
Unearned finance income up to 2 years	(17 873 591)	(2 164 638)	(294 770)	(20 332 999)
Unearned finance income up to 3 years	(10 918 157)	(1 269 384)	(117 995)	(12 305 536)
Unearned finance income up to 4 years	(5 628 952)	(632 003)	(19 355)	(6 280 310)
Unearned finance income up to 5 years	(1 786 239)	(222 136)	(3 887)	(2 012 262)
Unearned finance income over 5 years	(444 270)	(36 467)	(743)	(481 480)
<b>Net investment in finance leases before allowances</b>	<b>629 975 319</b>	<b>77 392 305</b>	<b>18 399 318</b>	<b>725 766 942</b>
Not past due	629 786 495	71 473 821	14 119 816	715 380 132
Past due ≤30 days	188 824	8 550	-	197 374
Past due >30 and ≤90 days	-	5 909 934	1 329 843	7 239 777
Past due >90 days	-	-	2 949 659	2 949 659
Impairment allowance	(9 171 936)	(2 142 294)	(3 992 608)	(15 306 838)
<b>Net investment in finance lease</b>	<b>620 803 383</b>	<b>75 250 011</b>	<b>14 406 710</b>	<b>710 460 104</b>
<b>Gross loans</b>	<b>16 273 330</b>	<b>1 679 940</b>	<b>4 968 068</b>	<b>22 921 338</b>
Not past due	16 273 330	1 163 048	4 912 554	22 348 932
Past due ≤30 days	-	-	-	-
Past due >30 and ≤90 days	-	516 892	-	516 892
Past due >90 days	-	-	55 514	55 514
Impairment allowance	(490 928)	(194 738)	(2 477 792)	(3 163 458)
<b>Net loans</b>	<b>15 782 402</b>	<b>1 485 202</b>	<b>2 490 276</b>	<b>19 757 880</b>
<b>Gross trade receivables</b>	<b>3 887 278</b>	<b>1 672 298</b>	<b>1 796 191</b>	<b>7 355 767</b>
Not past due	3 879 356	1 032 929	385 669	5 297 954
Past due ≤30 days	7 922	1 064	-	8 986
Past due >30 and ≤90 days	-	638 305	244 131	882 436
Past due >90 days	-	-	1 166 391	1 166 391
Impairment allowance	(53 248)	(71 546)	(1 205 495)	(1 330 289)
<b>Net trade receivables</b>	<b>3 834 030</b>	<b>1 600 752</b>	<b>590 696</b>	<b>6 025 478</b>
<b>Total portfolio</b>	<b>640 419 815</b>	<b>78 335 965</b>	<b>17 487 682</b>	<b>736 243 462</b>

## Notes (continued)

## (13) LOANS BY THE TYPE OF BORROWER

Credit exposure of loans by industries:

	Company 2023 EUR	Company 2022 EUR
Manufacturing	5 449 095	6 243 039
Real estate activities	24 637	842 120
Agriculture	14 800 966	13 239 839
Loans to individuals	2 292 618	3 038 774
Electricity and gas supply	889 152	1 142 337
Trade	407 662	168 534
Construction	341 677	391 919
Administrative and support services	138 801	236 574
Professional, scientific and technical activities	169 588	361 936
Transport and storage	521 947	264 449
Other	14 688	30 590
<b>Gross loans total</b>	<b>25 050 831</b>	<b>25 960 111</b>
Specific impairment allowance	(2 541 751)	(2 646 551)
Collective assessment impairment allowance	(821 336)	(771 321)
<b>Net loans total</b>	<b>21 687 744</b>	<b>22 542 239</b>

Geographical analysis of the loan portfolio:

	Company 2023 EUR	Company 2022 EUR
Latvia	11 822 665	12 785 633
Lithuania	8 857 784	10 046 279
Estonia	4 235 899	2 951 261
EU countries	1 041	1 041
Non EU countries	133 442	175 897
<b>Gross loans total</b>	<b>25 050 831</b>	<b>25 960 111</b>
Specific impairment allowance	(2 541 751)	(2 646 551)
Collective assessment impairment allowance	(821 336)	(771 321)
<b>Net loans total</b>	<b>21 687 744</b>	<b>22 542 239</b>

## (14) ALLOWANCE FOR DOUBTFUL RECEIVABLES

Changes in specific and collective impairment are:

Company 2023	Stage 1	Stage 2	Stage 3	Total, EUR
Impairment allowance as at the beginning of the reporting year	12 028 098	3 218 144	8 564 191	23 810 433
Expected credit loss with banks as at the beginning of the reporting year	-	-	-	-
<b>Total impairment allowance as at the beginning of the reporting year</b>	<b>12 028 098</b>	<b>3 218 144</b>	<b>8 564 191</b>	<b>23 810 433</b>
Increase (decrease) in expected credit loss with customers	301 497	2 028 704	(1 893 049)	437 152
<b>Change in allowance for doubtful receivables</b>	<b>301 497</b>	<b>2 028 704</b>	<b>(1 893 049)</b>	<b>437 152</b>
Impairment allowance as at the beginning of the reporting year	(2)	-	(2 699)	(2 701)
Expected credit loss with banks as at the beginning of the reporting year	1 072	-	-	1 072
<b>Total</b>	<b>302 567</b>	<b>2 028 704</b>	<b>(1 895 748)</b>	<b>435 523</b>
Write-off of lost loans	-	-	(196 195)	(196 195)
<b>Changes in impairment allowance</b>	<b>302 567</b>	<b>2 028 704</b>	<b>(2 091 943)</b>	<b>239 328</b>

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

Impairment allowance as at the end of the reporting year	12 329 593	5 246 848	6 470 833	24 047 274
Expected credit loss with banks as at the end of the reporting year	1 072	-	-	1 072
<b>Total impairment allowance as at the end of the reporting year</b>	<b>12 330 665</b>	<b>5 246 848</b>	<b>6 470 833</b>	<b>24 048 346</b>

<b>Company 2022</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total, EUR</b>
Impairment allowance as at the beginning of the reporting year	10 831 437	2 028 156	12 572 684	25 432 277
Expected credit loss with banks as at the beginning of the reporting year	-	-	-	-
<b>Total impairment allowance as at the beginning of the reporting year</b>	<b>10 831 437</b>	<b>2 028 156</b>	<b>12 572 684</b>	<b>25 432 277</b>
Increase (decrease) in expected credit loss with customers	1 196 702	1 189 988	(3 953 607)	(1 566 917)
<b>Change in allowance for doubtful receivables</b>	<b>1 196 702</b>	<b>1 189 988</b>	<b>(3 953 607)</b>	<b>(1 566 917)</b>
Impairment allowance as at the beginning of the reporting year	(41)	-	(3 353)	(3 394)
Expected credit loss with banks as at the beginning of the reporting year	-	-	-	-
<b>Total</b>	<b>1 196 661</b>	<b>1 189 988</b>	<b>(3 956 960)</b>	<b>(1 570 311)</b>
Write-off of lost loans	-	-	(51 533)	(51 533)
<b>Changes in impairment allowance</b>	<b>1 196 661</b>	<b>1 189 988</b>	<b>(4 008 493)</b>	<b>(1 621 844)</b>
Impairment allowance as at the end of the reporting year	12 028 098	3 218 144	8 564 191	23 810 433
Expected credit loss with banks as at the end of the reporting year	-	-	-	-
<b>Total impairment allowance as at the end of the reporting year</b>	<b>12 028 098</b>	<b>3 218 144</b>	<b>8 564 191</b>	<b>23 810 433</b>

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

## Notes (continued)

## (15) ANALYSIS OF COLLATERALS

The Company 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 2023 EUR	Company 2022 EUR
Passenger cars	608 450 555	586 097 740
Commercial transport	147 687 577	163 531 938
Industrial machinery	197 904 002	185 669 131
Manufacturing equipment	37 731 256	39 392 518
Air, water transport	2 003 340	2 432 737
Other equipment	15 878 243	13 254 509
Rail transport	487 121	834 032
Other	291 551	175 129
<b>Net portfolio</b>	<b>1 010 433 645</b>	<b>991 387 734</b>

## (16) OTHER RECEIVABLES WITH AFFILIATED COMPANIES

	Company 2023 EUR	Company 2022 EUR
Accounting receivables with CL Insurance Broker SIA	3 515	3 280
<b>Total accounts receivables with affiliated companies</b>	<b>3 515</b>	<b>3 280</b>

## (17) OTHER RECEIVABLES

	Company 2023 EUR	Company 2022 EUR
VAT asset	1 371 925	1 639 459
Safety deposits	2 608	2 608
Advance payments for administrative services	422 538	106 418
Other receivables	662 941	135 191
<b>Total other debtors</b>	<b>2 460 012</b>	<b>1 883 676</b>

## (18) TAX ASSETS

	Company 2023 EUR	Company 2022 EUR
CIT advance payments	58 231	1 791 067
Other advance paid taxes	979 863	1 159 572
<b>Total tax assets</b>	<b>1 038 094</b>	<b>2 950 639</b>

## (19) PREPAID EXPENSES

	Company 2023 EUR	Company 2022 EUR
Insurance, subscription of periodicals, administrative expenses	201 085	132 218
Other	438	2 834
<b>Total prepaid expenses</b>	<b>201 523</b>	<b>135 052</b>

## (20) CASH AND BANK

	Company 2023 EUR	Company 2022 EUR
Cash at bank	37 236	32 540
<b>Total cash and bank</b>	<b>37 236</b>	<b>32 540</b>

## Notes (continued)

**(21) SHAREHOLDERS' EQUITY**

Share capital of the Company as at 31 December 2023 amounts to EUR 15 569 120 (31.12.2022: EUR 15 569 120) and consists of 1 556 912 shares with a nominal value of 10 EUR each (31.12.2022: 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 2023 was AS Citadele banka (31.12.2022: AS Citadele banka).

*Reserve*

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

*Dividends*

In 2022, dividends were paid from the profit generated by the Latvian structural unit in the amount of EUR 8,683,976, for which tax had to be paid at the reduced rate of EUR 1,085,497 for the transitional period. This was done in order to fully use the corporate income tax relief available in Latvia, the deadline of which was 2022.

**(22) PROVISIONS**

The Company evaluated the balance sheet item "Provisions" and concluded that the accounts included in it and their transactions more closely correspond to the definition of "Accrued liabilities" in terms of nature and purpose. Therefore, in 2023, a decision was made to reclassify accounts and their transactions from the balance sheet item "Provisions" to the balance sheet item "Accrued liabilities". Detailed information can be found in the appendix of the report, in the section "The most important accounting policies", in the subsection "Reclassification of the reflection of accounting data".

**(23) DEFERRED TAX ASSET**

	Company	Company
	2023	2022
	EUR	EUR
Deferred tax at the beginning of the reporting year	49 236	-
Recognized deferred income tax (expense)/income on other items (Note 7)	(15 035)	49 236
<b>Deferred income tax asset at year-end</b>	<b>34 201</b>	<b>49 236</b>

Deferred tax assets are formed from Lithuanian savings for bonuses.

**(24) TRADE PAYABLES**

Trade payables as at 31 December 2023 for the Company amount to EUR 10 609 568 (2022: EUR 13 069 882). There are no overdue trade payables for the Company as at 31 December 2023 and 2022. Trade payables mainly represent balances due to lease object suppliers.

**(25) LEASE LIABILITIES**

The average lease term is 2 years (2022: 3). The movement of lease liabilities is as follows:

	Company	Company
	2023	2022
	EUR	EUR
<b>At the beginning of reporting year</b>	<b>219 100</b>	<b>293 093</b>
Lease payments	(75 832)	(88 486)
Lease interest payments	2 598	850
Lease liability increase, recognizing the lease asset	-	13 643
Lease liability decrease, excluding the leased asset	(34 196)	-
<b>At the end of the reporting year</b>	<b>111 670</b>	<b>219 100</b>

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

	Company	Company
	2023	2022
	EUR	EUR
Up to 1 year	74 087	87 639
1 to 5 years	37 583	131 461
<b>Total</b>	<b>111 670</b>	<b>219 100</b>

**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

Notes (continued)

**(26) SHORT TERM LOANS AND ACCOUNTS PAYABLE TO AFFILIATED COMPANIES**

	Company	Company
	2023	2022
	EUR	EUR
Loan from AS Citadele banka*	967 698 318	954 283 169
<b>Total short-term-loans</b>	<b>967 698 318</b>	<b>954 283 169</b>

\* - in the end of March 2024 loan was prolonged till April 2025

**(27) DEFERRED INCOME**

	Company	Company
	2023	2022
	EUR	EUR
<b>Long-term</b>		
Deferred income from advance payments	117 137	370 668
Deferred income from subsidy	3 055	-
<b>Total</b>	<b>120 192</b>	<b>370 668</b>
<b>Short-term</b>		
Deferred income from advance payments	191 669	249 012
Deferred income from subsidy	667	-
<b>Total</b>	<b>192 336</b>	<b>249 012</b>
<b>Total</b>	<b>312 528</b>	<b>619 680</b>

**(28) TAXES AND STATE SOCIAL INSURANCE CONTRIBUTIONS**

	Company	Company
	2023	2022
	EUR	EUR
Settlements for corporate income tax	449 279	1 085 497
Settlements for VAT	166 567	123 843
Settlements for state social insurance contributions	105 451	84 336
Settlements for personal income tax	57 788	75 991
<b>Total</b>	<b>779 085</b>	<b>1 369 667</b>

**(29) ACCRUED LIABILITIES**

In 2023, part of the provisions were reclassified as accrued liabilities, the comparative table for 2022 with data before and after reclassification, as well as comparative data for 2023 and 2022 (after reclassification) is attached.

	Company	Company
	2022 after reclassification	2022 before reclassification
	EUR	EUR
Accrued liabilities for unused annual vacations	452 428	452 428
Other accrued liabilities	443 577	376 647
Accruals for bonuses	755 003	-
Accrued liabilities for EIF guarantee	136 755	-
<b>Total</b>	<b>1 787 763</b>	<b>829 075</b>

Detailed information can be found in the appendix of the report, in the section "The most important accounting policies", in the subsection "Reclassification of the reflection of accounting data".



**CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

**Notes (continued)**

	Company	Company
	2023	2022
	EUR	EUR
Accrued liabilities for unused annual vacations	448 567	452 428
Other accrued liabilities	509 006	443 577
Accruals for bonuses	868 529	755 003
Accrued liabilities for EIF guarantee	687 843	136 755
<b>Total</b>	<b>2 513 945</b>	<b>1 787 763</b>

\* - At the end of 2022, with the participation of Citadele banka, an agreement was concluded with the European Investment Bank (EIB) on attracting the guarantee of the European Investment Fund (EIF).

Movement of accrued liabilities for unused annual vacations	Company	Company
	2023	2022
	EUR	EUR
At the beginning of reporting period	452 428	442 549
Increase	(3 861)	9 879
At the end of reporting period	448 567	452 428

**(30) AVERAGE NUMBER OF EMPLOYEES**

	Company	Company
	2023	2022
	EUR	EUR
Average number of employees during the reporting year in Latvia	73	75
Average number of employees during the reporting year in Estonia	32	31
Average number of employees during the reporting year in Lithuania	45	53
<b>Total</b>	<b>150</b>	<b>159</b>

**(31) RELATED PARTY TRANSACTIONS**

The loan balances outstanding as at 31 December 2023 and 2022 were as follows:

	Company	Company
	2023	2022
	EUR	EUR
Loan from Citadele banka	967 698 318	954 283 169
<b>Total</b>	<b>967 698 318</b>	<b>954 283 169</b>

The interest charges on the loans from affiliated companies for year 2023 and year 2022 were as follows:

	Company	Company
	2023	2022
	EUR	EUR
Interest charges on loans from AS Citadele banka	48 671 204	21 586 268
<b>Total</b>	<b>48 671 204</b>	<b>21 586 268</b>

In 2023, the Company has issued a financial lease to a related party AS Citadele banka Lithuanian branch

	Company	Company
	2023	2022
	EUR	EUR
Short-term investments in finance leases	5 798	5 713
Long-term investments in finance leases	28 819	34 617
<b>Total</b>	<b>34 617</b>	<b>40 330</b>

Accounts receivables with affiliated companies are receivables for secondment and administrative cost reimbursement. Accounts receivables with affiliated companies as at 31 December 2023 and 2022 were as follows:

	Company	Company
	2023	2022
	EUR	EUR
Accounting receivables with CL Insurance Broker SIA	3 515	3 280
<b>Total</b>	<b>3 515</b>	<b>3 280</b>

# **CITADELE LEASING SIA ANNUAL REPORT FOR 2023**

## **Notes (continued)**

### **(31) RELATED PARTY TRANSACTIONS (continued)**

Incomes and expenses with affiliated companies as at 31 December 2023 and 2022 were as follows:

	Company	Company
	2023	2022
	EUR	EUR
<b>Expense:</b>		
Purchases of goods or services from, AS Citadele banka	2 922 348	703 546
Purchases of goods or services from, AS Citadele banka Eesti filiaal	400 948	298 982
Purchases of goods or services from, SIA CL Insurance Broker	4 988	122
Purchases of goods or services from, AS Citadele banka Lithuanian branch	671 058	543 174
Purchases of goods or services from, SIA Citadele Factoring*	594 348	513 005
Purchases of goods or services from, OÜ Citadele Factoring*	60 027	18 671
<b>Total</b>	<b>4 653 717</b>	<b>2 077 500</b>
<b>Income:</b>		
Sales of goods or services to, CL Insurance Broker SIA	41 008	37 718
Sales of goods or services to, AS Citadele banka	33 734	638
Sales of goods or services to, SIA Citadele Factoring	120 590	178 284
Sales of goods or services to, AS Citadele banka Lithuanian branch	12 529	11 444
Sales of goods or services to, OÜ Citadele Factoring	13 790	38 554
Sales of goods or services to, UAB Citadele Factoring	46 429	77 859
<b>Total</b>	<b>268 080</b>	<b>344 497</b>

\* - the majority is attributable to the refinancing of leases, without direct impact on the calculation of profit and loss.

Bank account balances as at 31 December 2023 and 2022:

	Company	Company
	2023	2022
	EUR	EUR
<b>Bank account balances:</b>		
AS Citadele banka	8 815	1 709
AS Citadele banka Lithuanian branch	402	5 399
AS Citadele banka Eesti filiaal	15 019	25 432
<b>Total</b>	<b>24 236</b>	<b>32 540</b>
<b>Credit card account balances:</b>		
AS Citadele banka Lithuanian branch	13 000	-
<b>Total</b>	<b>13 000</b>	<b>-</b>

According to management's assessment, related party transactions in 2023 were based on market prices.

Management remuneration amounts to the following:

	Company	Company
	2023	2022
	EUR	EUR
Salaries	125 790	102 954
Social insurance	29 674	24 287
<b>Total</b>	<b>155 464</b>	<b>127 241</b>

### **(32) COMMITMENTS AND CONTINGENCIES**

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

	Company	Company
	2023	2022
	EUR	EUR
EUR	1 130 757	4 500 890
<b>Total</b>	<b>1 130 757</b>	<b>4 500 890</b>

**Notes (continued)**

**(33) SUBSEQUENT EVENTS**

In the time period since the last day of the reporting year, there have been no events that would significantly affect the Company's financial report for the year ending on December 31, 2023.

The accompanying notes on pages 10 to 35 are an integral part of the financial statements.

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

The financial statements on pages 5 to 35 has been authorized for issue by the Management Board on 18 April 2024 and signed on their behalf by:

---

Ģirts Glāzers  
Chairman of the Management Board

---

Vaidas Žagūnis  
Member of the Management Board

Prepared by:

---

Artjoms Nurmuhamatovs  
Chief Accountant