

CL Insurance Broker SIA

ANNUAL ACCOUNTS

For the year ended 31 December 2022

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Information on the Company

Name of the Company	SIA „UniCredit Insurance Broker” (till 13.01.2021) SIA „CL Insurance Broker” (from 14.01.2021)
Legal status of the Company	Limited liability company
Number, place and date of registration	40003983430 Riga, 14 January 2008
Address	Republikas laukums 2A Riga, LV–1010 Latvia
Names and addresses of shareholders	SIA „Citadele Leasing” (100%) (previous name - SIA “UniCredit Leasing”) Republikas laukums 2A Riga, LV–1010 Latvia
Names and positions of Board members	Kārlis Purgailis – Chairman of the Management Board (starting from 23.08.2021.-25.01.2023.) Inga Pečule – Member of the Management Board (starting from 08.09.2016)
Financial year	1 January – 31 December 2022

Report of the Management

Principal activities

From the moment of its establishment in 2008 SIA „CL Insurance Broker” (hereinafter – the Company) the main activity of the Company is providing of services of an insurance intermediary at Latvian market. The Company is a subsidiary of SIA “Citadele Leasing”.

Performance of the Company in the reporting year

In 2022 after overcoming the difficulties caused by the Covid-19 pandemic, the Company faced new challenges caused first and foremost by the geopolitical situation in the region – the war started by Russia in Ukraine and its negative consequences in the macroeconomic context. Rapidly rising inflation caused also increase of insurance premiums, as a result clients after evaluation of their possibilities to buy insurance products made a decision not buy CASCO insurance, leaving just compulsory insurance products (MTPL).

During the reporting year the Company expanded its operations, increasing the number of employees as well as implementing new and updating existing IT solutions. Continuing development of insurance product the Company ensures the best insurance service and quality of products to its clients. During the reporting year the number of insurance policies concluded by the Company has increased by 7%, but written premium increased by 23% reaching 2 261 482 EUR. The net profit increased to 123 987 EUR.

During the reporting year, the Company has continued to develop successful cooperation with the largest insurance companies, thus offering all non-life insurance products available on the Latvian market. The main goal of the Company is to provide insurance services to the customers of SIA Citadele Leasing, but the opportunity is also sought to serve customers not related to SIA Citadele Leasing. During the reporting year the Company continued to improve the insurance products introduced in the previous reporting years, as well as supplemented and improved IT solutions for optimizing administrative work. In the next reporting period the Company plans to continue working on the improvement of IT solutions.

The Company provides only non – life insurance intermediary services. During the reporting period the Company concluded insurance policies with the total written premium in amount of 2 261 482 EUR.

The premium written by the Company during the reporting year, broken down by insurance companies registered in the Republic of Latvia, branches of foreign insurers registered in the Republic of Latvia and insurance companies not registered in the Republic of Latvia:

The premium written by the Company during 2022, EUR	Life insurance	Non – life insurance
Insurance companies registered in the Republic of Latvia	-	992 104
Branches of foreign insurers registered in the Republic of Latvia	-	1 269 380
Insurance companies not registered in the Republic of Latvia	-	-

Risk management

In terms of financial risks the Company's cash flow from operating activities is positive. Delays of payments from the Company's clients do not exceed a period of 1 month.

The Company has insured its civil liability in accordance with the Insurance and Reinsurance Distribution Law for the amount of EUR 2 000 000.00.

Post balance sheet events and future development

In future the Management Board is planning to continue working on development of insurance products and increasing of number of insurance deals. To reach this aim the Company will invest in IT solutions. Main attention will be paid to development and improvement of the solutions developed and implemented during previous reporting periods which ensure insurance for the whole lease period.

Distribution of profit / covering of losses proposed by the Management Board

The Board proposes to the Company's shareholders to approve the Financial Statements for the reporting year according to which the Company's total assets are EUR 602 632 and net profit is EUR 123 987. The Company's Management Board suggests to approve the profit of the Company and to retain it within the Company to ensure activities and development of the Company.

Inga Pečule
Member of the Management Board

Riga, 5th of April 2023

Profit and loss accounts for the year ended 31 December 2022

	Note	2022 EUR	2021 EUR
Incomes from insurance broker intermediary	1	350851	259777
Gross profit		350851	259777
Increase in expected credit loss with banks		-	175
Personnel expenses	2	(170596)	(105038)
Administrative expenses	3	(56267)	(69198)
Net (loss)/profit on foreign exchange		(1)	-
Income (loss) before taxes		123987	85716
Corporate income tax for the reporting year		-	-
Current year's profit/(losses)		123987	85716

Notes on pages from 11 to 17 are integral part of these financial statements.

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Riga, 5th of April 2023

Balance sheet as at 31 December 2022

	Note	31.12.2022 EUR	31.12.2021 EUR
Assets			
Long-term investments		-	-
Total long –term investments			
Intangible assets		-	-
Intangible assets		-	-
Property and equipment:			
Property and equipment for own use	4	327	793
Total property and equipment		327	793
Current assets			
Debtors			
Trade debtors	5	509	44
Accrued income		25150	17060
Overpaid taxes		6062	4691
Prepaid expenses	6	1143	1013
Total debtors		32865	22808
Cash and bank			
Total cash and bank	7	569440	441981
Total current assets		602305	464789
Total assets		602632	465583

Notes on pages from 11 to 17 are integral part of these financial statements.

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Riga, 5th of April 2023

Balance sheet as at 31 December 2022

	Note	31.12.2022 EUR	31.12.2021 EUR
Liabilities			
Shareholders' funds			
Share capital	8	15080	15080
Current year's profit/(loss)	9	540943	416956
Total shareholder's funds		556023	432036
Provisions			
Total provisions	10	14918	11405
Creditors			
Long-term creditors			
Total long-term creditors		-	-
Short-term creditors			
Trade creditors	11	11515	6219
Accounts payable to affiliated companies	12	3280	2947
Taxes and social insurance		6062	4691
Other creditors		-	-
Accrued liabilities	13	10835	8284
Total short-term creditors		31691	22141
Total creditors		31691	22141
Total liabilities and shareholders' funds		602632	465583

Notes on pages from 11 to 17 are integral part of these financial statements.

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Riga, 5th of April 2023

Statement of changes in equity for the year ended 31 December 2022

	Share capital EUR	Retained earnings EUR	Total EUR
Balance as at 31 December 2020	15 080	331240	346320
Current year's profit/(losses)	-	85716	85716
Dividends paid out	-	-	-
Balance as at 31 December 2021	15 080	416956	432036
Current year's profit/(losses)	-	123987	123987
Dividends paid out	-	-	-
Balance as at 31 December 2022	15 080	540943	556023

Notes on pages from 11 to 17 are integral part of these financial statements.

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Riga, 5th of April 2023

Cash flow statement for the year ended 31 December 2022

	Note	2022 EUR	2021 EUR
Cash flows from operating activities			
Profit/(Loss) before taxation		123987	85716
<u>Adjustments for:</u>		-	-
Depreciation of property and equipment for own use	4	466	1106
Creation of provisions and allowances	10	3513	(8530)
Loss/(profit) from disposal of property and equipment for own use		-	-
Income from UniCredit Insurance Broker intermediary	1	(350851)	(259777)
Foreign currency recalculation reserves			
Profit from operating activities before changes in working capital		(222885)	(181484)
<u>Adjustments for:</u>		-	-
Trade debtor's decrease/(increase)		(10057)	(1650)
Trade and other creditor's (decrease)/increase		9550	3118
Commission fee (decrease)/increase		350851	259777
Gross cash flows from operating activities		127460	79760
Corporate income tax paid			
Net cash from operating activities		127460	79760
Cash flows from investing activities		-	-
Purchase of property and equipment for own use		-	-
Purchase of intangible assets			
Net cash flows from investing activities			
		-	-
Cash flows from financing activities		-	-
Dividends paid out		-	-
Net cash flow from financing activities			
Net increase in cash and cash equivalents		127460	79760
Cash and cash equivalents at the beginning of reporting year		441981	362221
Cash and cash equivalents at the end of reporting year	7	569440	441982

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Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Riga, 5th of April 2023

Notes

ACCOUNTING POLICIES

Company details

SIA CL Insurance Broker (previous name SIA UniCredit Insurance Broker) (hereinafter – „the Company”) is a member of the UniCredit group at 31st December 2022. The Company was established in 2008. The Company provides insurance mediation services. Company’s shareholder is SIA Citadele Leasing (previous name SIA UniCredit Leasing) with 100% owned capital.

Financial statement principles

Annual accounts are prepared in accordance with the law of the Republic of Latvia „On Accounting” and „On Annual Reports”.

The profit and loss accounts are prepared in accordance with the turnover method. The cash flow statement has been prepared using indirect cash flow method. The annual accounts for the year have been prepared in euro (EUR).

In 2022 and 2021 Company applied opportunity prescribed in the Law On the Annual Financial Statements and Consolidated Financial Statements allowing to apply certain IFRS/IAS, if that results in improved reporting. Company applied IFRS 9.

Summary of IFRS 9:

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

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

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

As a result of the first time adoption of the new accounting standard IFRS9 and the choice made by the management not to restate the previous period, the Explanatory notes have been integrated with additional items in order to allow comparisons with the previous period that has been prepared according to Laws of the Republic of Latvia. Opening balances shown in tables of Explanatory notes are the ones coming from the first time adoption of the IFRS9.

Accounting principles

The financial statements were prepared in accordance with the following policies:

- 1) Going concern assumption that the Company will continue as a going concern.
- 2) Items were valued in accordance with the principle of conservatism, i.e.:
 - a. The financial statement reflect only the profit generated to the date of the balance sheet;
 - b. All incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements;
 - c. All impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
- 3) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses were matched with revenue for the reporting period.
- 4) Assets and liabilities items have been valued separately.

Notes (continued)**ACCOUNTING POLICIES (continued)**

5) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.

6) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

7) The separate 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 2022 and 2021.

8)(i) Impairment of financial assets. Impairment of investments in finance lease, loans issued and trade receivables. Loans classified as financial assets at amortised cost, are tested for impairment as required by IFRS 9 and credit impairment provisions are measured based on expected credit losses. Expected credit losses are measured based on the stage to which the individual asset is allocated at each reporting date. In this regard, these instruments are classified in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement. Specifically:

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

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

Parameters and risk definitions used for calculating value adjustments

In order to meet the requirements of the standard, the Company has developed specific models to calculate expected loss based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulation. In this context "forward looking" information was included through the elaboration of specific scenarios. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (i.e. 1 year);
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure.

Recognition of income and expenses

Net sales represent brokerage income from insurance intermediary services. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. All incomes and expenses are recognized on an accrual basis. Revenue and expenses are recognized by reference to the time in which they are incurred and not to the time the payment is received or issued. Provisions for commission income are established when it is clearly expected that the Company will receive settlement amounts for brokerage services provided during the reporting period for the sale of insurance policies. As at 31 December 2022, the Company has established provisions for the income of insurance policy commissions from insurance companies.

Accounts receivable

Accounts receivable is the amount that customers owe to the Company in accordance with invoice issued by the Company. All accounts receivable are stated at balance sheet as "Accounts receivable".

Notes (continued)**ACCOUNTING POLICIES (continued)****Foreign currency translation into Euro**

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter – EUR), which is the Company's functional and presentation currency. All transactions denominated in foreign currencies are converted into the EUR at the European Central Bank rate of exchange prevailing on the transaction day. Monetary assets and liabilities denominated in foreign currencies are translated into EUR in accordance with the official European Central Bank exchange rate for the last day of the reporting period. The resulting profit or loss is charged to the profit and loss account.

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: software 33.33% per annum.

Property and equipment

Property and equipment are recorded at historical cost net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life.

Prepaid expenses

Prepaid expenses are the type of asset that arises on a balance sheet as a result of business making payments for goods and services to be received in the near future. All prepaid expenses are stated at balance sheet as "Future period expenses for enterprise needs".

Trade Creditors

Trade creditors are suppliers the Company owes money to for insurance services or goods supplied. Trade creditors are stated at balance sheet as "Trade creditors" when insurance premium is transferred from clients into the bank account of the Company. The Company's remuneration of insurance intermediary has to be deducted from the debt to trade creditors.

Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation. In Latvia starting from 1 January 2018 – corporate income tax is calculated and paid based on cash-flow taxation model which provides that Corporate Income tax is payable at the moment of profit distribution decision and deemed profit distribution. In case of reinvestment of profit - tax shall not be applied. In respected of deemed distributions the tax is paid on monthly basis.

Provisions for unused annual leave

Amount of provision for unused annual leave is fixed by multiplying the average wage of employees per day by the amount of accrued but unused annual leave at the end of the reporting year.

Cash and cash equivalents

Cash and cash equivalents for cash flow statement consist of bank account balance. Company applied SFPS9 (IFRS9) for money in bank accounts. Company evaluated the amount of money in bank accounts and after the evaluation Company accumulated provisions according to SFPS9 (IFRS9).

Related parties

Related parties are defined as Company's shareholders, members of UniCredit Group, members of the Board of Directors, their close relatives and companies in which they have a significant influence or control.

Risk management

All types of risks have been evaluated in a proper manner. As a result delays of payments from the Company's clients do not exceed a period of 1 month.

The Company has insured its civil liability in accordance with the Insurance and Reinsurance Distribution Law for the amount of EUR 2 000 000.00.

Notes (continued)**(1) NET REVENUE**

	2022 EUR	2021 EUR
Income from CL Insurance Broker intermediary	350851	259777
Total net revenue	350851	259777

(2) PERSONNEL EXPENSES

	2022 EUR	2021 EUR
Salary expenses	(123837)	(81133)
Social insurance	(29296)	(19272)
Provision for unused annual leave (see note 10 and 13)	(2700)	(1346)
Provision for annual bonuses (see note 10)	(12500)	(1110)
Other personnel expenses	(2263)	(2177)
Total personnel expenses	170596	105038

(3) ADMINISTRATIVE EXPENSES

	2022 EUR	2021 EUR
Professional fees	(5731)	(6812)
Office expenses	(1153)	(10309)
Communication expenses	(1265)	(560)
Bank charges	(170)	(435)
Business trip expenses	(140)	-
Transport expenses	-	(6975)
Professional action insurance	(2206)	(2198)
Fee for the participation in associations	(1532)	(1448)
Expenses related to the professional IT services	(30830)	(32045)
State duties for company needs	(54)	-
Office cleaning and sewage	-	(439)
Office maintenance	-	(622)
Expenses not related to the regular activities	(1332)	(1071)
Depreciation of property and equipment for own use	(466)	(1106)
Training expenses	(390)	(339)
Software maintenance and servicing expenses	(515)	(2230)
Intercompany service charge (Citadele group)	(10483)	(2609)
Total other operating expenses	(56267)	(69198)

(4) PROPERTY AND EQUIPMENT

	Intangible assets EUR	Property and equipment for own use EUR	Total intangible assets and property and equipment for own use EUR
Cost			
31 December 2021	148	10396	10544
Additions 2022	-	-	-
Disposals 2022	-	-	-
Reclassification 2022	-	-	-
31 December 2022	148	10396	10544
Depreciation			
31 December 2021	44	9707	9751
Charge for 2022	44	422	466
Disposal 2022	-	-	-
31 December 2022	60	267	327
Net book value			
31 December 2021	105	688	793
31 December 2022	60	267	327

(5) TRADE DEBTORS

	2022 EUR	2021 EUR
Balta AAS	21	21
GF Forsakringsaktiebolag filiāle	31	31
Baltijas Apdrošināšanas Nams AAS	10	10
SINTEC EU Sabiedrība ar ierobežotu atbildību	465	-
Pārējie	(18)	(18)
Trade debtors	509	44

(6) PREPAID EXPENSES

	2022 EUR	2021 EUR
Insurance expenses	1143	1013
Total prepaid expenses	1143	1013

(7) CASH AND BANK

	2022 EUR	2021 EUR
Cash at bank	569440	441981
Total cash and bank	569440	441981

(8) SHARE CAPITAL

The share capital of the Company as at 31 December 2022 is EUR 15 080 (2015: 15 082 EUR) and consists of 754 equal shares. Because of share capital is not denominated yet in Enterprise Register of the Republic of Latvia, it is assumed that the nominal value of one share in amount of EUR 20.00.

The sole shareholder as at 31 December 2022 was Citadele Leasing SIA.

	2022 %	2021 %
SIA Citadele Leasing	100%	100%
Total	100%	100%

(9) RETAINED EARNINGS

	2022 EUR	2021 EUR
Undistributed profit of the previous periods at the end of the Period	416956	331240
Current year's profit at the end of the Period	123987	85716
Total	540943	416956

(10) PROVISIONS

	Provision for annual bonuses EUR	Total EUR
At the beginning of the reporting year	11405	11405
Increase	12500	12500
Decrease	(8987)	(8987)
At the end of the reporting year	14918	14918

(11) TRADE CREDITORS

	2022 EUR	2021 EUR
Balta AAS	521	555
BTA Baltic Insurance Company	764	895
ERGO Insurance SE Latvijas filiāle	1502	1370
Gjensidige Akcine draudimo bendrove Latvijas filiāle	2497	1272
IF P&C Insurance AAS Latvijas filiāle	656	414
Baltijas Apdrošināšanas Nams AAS	1762	1174
Compensa Vienna Insurance Group ADB Latvijas filiāle	1725	536
Balcia Insurance SE	2088	-
Arhīvu Serviss AS	-	3
Trade creditors	11515	6219

(12) SHORT TERM ACCOUNTS PAYABLE TO AFFILIATED COMPANIES

	2022 EUR	2021 EUR
Accounts payable SIA Citadele Leasing	3280	2947
Total short term accounts payable to affiliated companies	3280	2947

(13) ACCRUED LIABILITIES

	2022	2021
Provision for unused annual leave	10835	8135
Provisions for administrative expenses	-	149
Total other creditors	10835	8284

Movement of accrued liabilities for unused annual vacations	2022	2021
At the beginning of the reporting year	8135	6789
Increase	2700	1346
Decrease	-	-
At the end of the reporting year	10835	8135

(14) AVERAGE NUMBER OF EMPLOYEES

	2022	2021
Average number of employees during the reporting year	8	5
Total	8	5

(15) RELATED PARTY TRANSACTIONS

The Company has signed a loan agreement with SIA Citadele Leasing. Expenses for services provided and cost allocation was EUR 37107 (2021: EUR 50239).

(16) POST BALANCE SHEET EVENTS

During the period between the last day of the financial year and the date of signing of this report there have been no significant events that would have a material effect on the year end results.