

CL INSURANCE BROKER SIA

(previous name
UniCredit Insurance Broker SIA)

Annual Accounts
For the year
ended on 31 December 2020



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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	41 Mukusalas street Riga, LV-1004 Latvia
Names and addresses of shareholders	SIA „Citadele Leasing” (100%) (previous name - SIA “UniCredit Leasing”) 41 Mukusalas street Riga, LV-1004 Latvia
Names and positions of Board members	Jānis Mūrnieks – Chairman of the Management Board (starting from 25.07.2014) Inga Pečule – Member of the Management Board (starting from 08.09.2016)
Financial year	1 January – 31 December 2020

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” (previous name - SIA “UniCredit Leasing”).

Performance of the Company in the reporting year

In order to ensure business continuity and security in COVID-19 conditions, the Company's operations were successfully adjusted and since March most employees have been working remotely. The company has also managed to provide customers with high quality services in remote working conditions. Although protection and other proactive measures were taken during the Covid-19 outbreak, the situation in 2020 significantly affected the company's operations. During the reporting year, the number of insurance policies concluded by the Company has decreased by 5% compared to the previous year. However, due to the decrease in CASCO premiums in the Latvian insurance market, the Company's written premium was 1 694 778.99 EUR, which is 16% less than in the previous reporting year, while the net profit decreased to EUR 91 368.18 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 1 694 778.99 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 the reporting year	Life insurance	Non – life insurance
Insurance companies registered in the Republic of Latvia	-	727 357
Branches of foreign insurers registered in the Republic of Latvia	-	967 422
Insurance companies not registered in the Republic of Latvia	-	-

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.

Post balance sheet events and future development

On January 4, 2021, after completion of a transaction between AS Citadele banka and UniCredit SpA, AS Citadele banka became the owner of 100% shares of SIA UniCredit Leasing in the Baltics, including its subsidiary SIA UniCredit Insurance Broker, this finishing the acquisition process started in December 2019. Since February 5, 2021, the name of SIA UniCredit Leasing is SIA Citadele Leasing and the name of the Company is SIA CL Insurance Broker, thus becoming part of the Citadele brand.

In future the Management Board is planning to continue working on development of insurance products and increasing of number of insurance deals. In order 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 385278 and net profit is EUR 91368. 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.

Jānis Mūrnieks
Chairman of the Management Board

Inga Pečule
Member of the Management Board

Riga, 12th of April 2021

Profit and loss accounts for the year ended 31 December 2020

	Note	2020 EUR	2019 EUR
Incomes from insurance broker intermediary	1	265419	311286
Gross profit		265419	311286
Increase in expected credit loss with banks		(33)	(68)
Personnel expenses	2	(120602)	(116610)
Other operating income	3	22514	32
Other operating expenses	4	(15)	-
Administrative expenses	5	(75915)	(73383)
Income (loss) before taxes		91368	121257
Corporate income tax for the reporting year	6	-	-
Current year's profit/(losses)		91368	121257

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

Jānis Mūrnieks
Chairman of the Management Board

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Rīga, 12th of April 2021

Balance sheet as at 31 December 2020

	Note	31.12.2020 EUR	31.12.2019 EUR
Assets			
Long-term investments		-	-
Total long –term investments			
Intangible assets		-	-
Intangible assets		-	-
Property and equipment:			
Property and equipment for own use	7	1899	2657
Total property and equipment		1899	2657
Current assets			
Debtors			
Trade debtors	8	19625	22518
Other debtors		-	-
Overpaid taxes		-	-
Prepaid expenses	9	1533	1659
Total debtors		21158	24177
Cash and bank			
Total cash and bank	10	362221	295329
Total current assets		383379	319506
Total assets		385278	322163

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Jānis Mūrnieks
Chairman of the Management Board

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Rīga, 12th of April 2021

Balance sheet as at 31 December 2020

	Note	31.12.2020 EUR	31.12.2019 EUR
Liabilities			
Shareholders' funds			
Share capital	11	15080	15080
Current year's profit/(loss)	12	331240	239872
Total shareholder's funds		346320	254952
Provisions			
Total provisions	13	19935	36872
Creditors			
Long-term creditors			
Total long-term creditors		-	-
Short-term creditors			
Trade creditors	14	6495	10098
Accounts payable to affiliated companies	15	4930	7218
Taxes and social insurance			-
Other creditors		385	370
Accrued liabilities	16	7212	12653
Total short-term creditors		19023	30339
Total creditors		19023	30339
Total liabilities and shareholders' funds		385278	322163

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Jānis Mūrnieks
Chairman of the Management Board

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Riga, 12th of April 2021

Statement of changes in equity for the year ended 31 December 2020

	Share capital EUR	Retained earnings EUR	Total EUR
Balance as at 31 December 2018	15 080	118615	133695
Current year's profit/(losses)	-	121257	121257
Dividends paid out	-	-	-
Balance as at 31 December 2019	15 080	239872	254952
Current year's profit/(losses)	-	91368	91368
Dividends paid out	-	-	-
Balance as at 31 December 2020	15 080	331240	346320

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

Jānis Mūrnieks
Chairman of the Management Board

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Riga, 12th of April 2021

Cash flow statement for the year ended 31 December 2020

	Note	2020 EUR	2019 EUR
Cash flows from operating activities			
Profit/(Loss) before taxation		91368	121257
Adjustments for:		-	-
Depreciation of property and equipment for own use	7	1247	1001
Creation of provisions and allowances	13	(16937)	(3193)
Loss/(profit) from disposal of property and equipment for own use		111	59
Income from UniCredit Insurance Broker intermediary	1	(265419)	(311286)
Foreign currency recalculation reserves			
Profit from operating activities before changes in working capital		(189631)	(192193)
Adjustments for:		-	-
Trade debtor's decrease/(increase)		3019	4619
Trade and other creditor's (decrease)/increase		(11316)	8185
Commission fee (decrease)/increase		265419	311286
Gross cash flows from operating activities		67492	131928
Corporate income tax paid		-	-
Net cash from operating activities		67492	131928
Cash flows from investing activities			
Purchase of property and equipment for own use		(600)	(3241)
Purchase of intangible assets		-	(217)
Net cash flows from investing activities		(600)	(3459)
Cash flows from financing activities			
Dividends paid out		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		66892	128469
Cash and cash equivalents at the beginning of reporting year		295329	166860
Cash and cash equivalents at the end of reporting year	10	362221	295329

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

Jānis Mūrnieks
Chairman of the Management Board

Inga Pečule
Member of the Management Board

Ina Orska
Accountant

Riga, 12th of April 2021

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 2020. 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 2020 and 2019 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 2020 and 2019.

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. Income is recognized when they are realized or realizable, and are earned. All income and expenses are recognized on an accrual basis.

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

	2020 EUR	2019 EUR
Income from CL Insurance Broker intermediary	265419	311286
Total net revenue	265419	311286

(2) PERSONNEL EXPENSES

	2020 EUR	2019 EUR
Salary expenses	(81863)	(78289)
Social insurance	(20247)	(19187)
Provision for unused annual leave (see note 13 and 16)	4762	(3008)
Provision for annual bonuses (see note 13)	(19935)	(12753)
Other personnel expenses	(3319)	(3373)
Total personnel expenses	120602	(116610)

(3) OTHER OPERATING INCOME

	2020 EUR	2019 EUR
Other income	22452	32
Net income from sold assets	62	-
Total	22514	32

(4) OTHER OPERATING EXPENSES

	2020 EUR	2019 EUR
Other expenses	(15)	-
Total	(15)	-

(5) ADMINISTRATIVE EXPENSES

	2020 EUR	2019 EUR
Professional fees	(9813)	(9856)
Office expenses	(11949)	(10763)
Communication expenses	(1494)	(1357)
Bank charges	(378)	(372)
Business trip expenses	44	(1130)
Transport expenses	(12000)	(13738)
Professional action insurance	(2402)	(2388)
Fee for the participation in associations	(1418)	(1427)
Expenses related to the professional IT services	(29043)	(27186)
Forms and blanks	-	(16)
State duties for company needs	-	(18)
Office cleaning and sewage	(609)	(665)

Office maintenance	(1015)	(868)
Expenses not related to the regular activities	(1102)	(1718)
Depreciation of property and equipment for own use	(1247)	(1001)
Training expenses	(448)	(213)
Software maintenance and servicing expenses	(3041)	(642)
Representation expenses	-	(25)
Total other operating expenses	(75915)	(73383)

(6) CORPORATE INCOME TAX

	2020 EUR	2019 EUR
Corporate income tax	-	-
Total corporate income tax	-	-

(7) 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 2019	217	10971	11188
Additions 2020	-	600	600
Disposals 2020	-	(111)	(111)
Reclassification 2020	-	-	-
31 December 2020	217	11460	11677
Depreciation			
31 December 2019	25	8506	8531
Charge for 2020	44	1203	1247
Disposal 2020	-	-	-
31 December 2020	148	1751	1899
Net book value			
31 December 2019	192	2465	2657
31 December 2020	148	1751	1899

(8) TRADE DEBTORS

	2020 EUR	2019 EUR
Balta AAS	5602	7193
BTA Baltic Insurance Company	2310	1680
ERGO Insurance SE Latvijas filiāle	3737	3630
Gjensidige Akcine draudimo bendrove Latvijas filiāle	2545	2541
IF P&C Insurance AAS Latvijas filiāle	2664	4308
GF Forsakringsaktiebolag filiāle	31	31
Seesam Insurance AS Latvijas filiāle	-	35
Baltijas Apdrošināšanas Nams AAS	47	62

Compensa Vienna Insurance Group ADB Latvijas filiāle.	2690	1080
Truck & Trailer Centre SIA	-	100
LIDIJA L Sabiedrība ar ierobežotu atbildību	-	1529
Vomer SIA	-	226
Andrejs Mihailovs	-	48
Jānis Krontāls	-	35
Sanita Dombrovska	-	22
Pārējie	(1)	(1)
Pircēju un pasūtītāju parādi kopā	19625	22518

(9) PREPAID EXPENSES

	2020 EUR	2019 EUR
Insurance expenses	1533	1659
Total prepaid expenses	1533	1659

(10) CASH AND BANK

	2020 EUR	2019 EUR
Cash at bank	362396	295471
Expected credit loss with banks (Stage 1)	-175	-142
Total cash and bank	362221	295329

(11) SHARE CAPITAL

The share capital of the Company as at 31 December 2020 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 2020 was Citadele Leasing SIA.

	2020 %	2019 %
SIA Citadele Leasing	100%	100%
Total	100%	100%

(12) RETAINED EARNINGS

	2020 EUR	2019 EUR
Undistributed profit of the previous periods at the end of the Period	239872	118615*
Current year's profit at the end of the Period	91368	121257
Total	331240	239872

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

(13) PROVISIONS

	Provision for annual bonuses EUR	Total EUR
At the beginning of the reporting year	36872	36872
Increase	19935	19935
Decrease	(36872)	(36872)
At the end of the reporting year	19935	19935

(14) TRADE CREDITORS

	2020 EUR	2019 EUR
Balta AAS	1407	947
BTA Baltic Insurance Company	405	2884
ERGO Insurance SE Latvijas filiāle	821	952
Gjensidige Akcine draudimo bendrove Latvijas filiāle	675	3052
IF P&C Insurance AAS Latvijas filiāle	420	314
Latvijas Mobilais Telefons SIA	105	134
Seesam Insurance AS Latvijas filiāle	-	148
Baltijas Apdrošināšanas Nams AAS	785	1026
Compensa Vienna Insurance Group ADB Latvijas filiāle	1877	641
Parādi piegādātājiem un darbuzņēmējiem	6495	10098

(15) SHORT TERM ACCOUNTS PAYABLE TO AFFILIATED COMPANIES

	2020 EUR	2019 EUR
Accounts payable SIA Citadele Leasing	4930	7218
Total short term accounts payable to affiliated companies	4930	7218

(16) ACCRUED LIABILITIES

	2020	2019
Provision for unused annual leave	6789	11550
Provisions for administrative expenses	424	1102
Total other creditors	7212	12653

Movement of accrued liabilities for unused annual vacations	2020	2019
At the beginning of the reporting year	11550	8543
Increase	-	3008
Decrease	(4761)	-
At the end of the reporting year	6789	11550

(17) AVERAGE NUMBER OF EMPLOYEES

	2020	2019
Average number of employees during the reporting year	5	5
Total	5	5

(18) RELATED PARTY TRANSACTIONS

The Company has signed a loan agreement with SIA Citadele Leasing. Expenses for services provided and cost allocation was EUR EUR 55498 (2019: EUR 49653).

(19) POST BALANCE SHEET EVENTS

On January 4, 2021, after completion of a transaction between AS Citadele banka and UniCredit SpA, AS Citadele banka became the owner of 100% shares of SIA UniCredit Leasing in the Baltics, including its subsidiary SIA UniCredit Insurance Broker, this finishing the acquisition process started in December 2019. Since February 5, 2021, the name of SIA UniCredit Leasing is SIA Citadele Leasing and the name of the Company is SIA CL Insurance Broker, thus becoming part of the Citadele brand.