IPAS CBL Asset Management

Annual Report

for 2020

Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

CONTENTS

GENERAL INFORMATION

Name of the Company	CBL Asset Management
Legal status	Joint stock investment management company
Registration number with the Register of Enterprises, place and date	40003577500 Riga, 11 January 2002
Legal address	Republikas laukums 2a, Riga, Latvia, LV-1010
Shareholder	AS Citadele banka (100%) Republikas laukums 2a Riga, Latvia, LV-1522
Investments in companies	OOO Mizush Asset Management Ukraina (100%) Gorkogo 172, Kiev, Ukraine AAS CBL Life (100%) Republikas laukums 2a, Riga, Latvia
Members of the Board and their positions	Chairman of the Board – Kārlis Purgailis – appointed on 08.09.2017. Member of the Board – Zigurds Vaikulis – appointed on 19.04.2018 Member of the Board – Andris Kotāns – appointed on 11.05.2015. Member of the Board – Lolita Sičeva – appointed on 11.05.2015.
Members of the Council and their positions	Chairman – Vladimirs Ivanovs – appointed on 10.08.2020. Deputy Chairman – Vladimirs Ivanovs – appointed on 15.09.2016, released on 10.08.2020. Member of the Council – Peter Meier – appointed on 30.09.2015. Member of the Council – Vaidas Žagūnis – appointed on 10.08.2020. Chairman - Juris Jākobsons, appointed on 15.09.2016, released on 10.08.2020.
Reporting year	1 January 2020 – 31 December 2020
Auditors	Rainers Vilāns Certified Auditor Certificate No. 200 AS KPMG Baltics Vesetas iela 7 Riga, Latvia, LV-1013 Licence No. 55

MANAGEMENT REPORT

Line of business

IPAS CBL Asset Management (hereinafter – the Company) was established on 11 January 2002. The legal and postal address of the Company is Republikas laukums 2A, Riga, LV-1010, unified registration No. 40003577500. License to provide investment management services was issued on 15 February 200 and re-registered on 10 December 2004, 30 September 2005, 5 December 2005, 5 August 2010, 19 February 2014 and 19 January 2015 under No. 06.03.07.098/367. Licence for operation of alternative investment fund manager issued on 10 January 2014 and re-registered on 19 January 2015 with a No.06.13.08.098/369. Licence for managing state funded pension scheme funds issued on 20 September 2002.

The Company's operating activity in 2020 was related to the management of state-funded pension scheme funds, establishment and management of investment funds, individual management of customer financial instruments portfolios as well as management of private pension fund pension scheme funds.

The officials of the Company – the management and the council is presented in the general information section of these financial statements.

Key events in 2020

It is undeniable that the key topic and event globally in 2020 was Covid-19 (hereinafter also referred to as the virus) and its impact on everything from our daily lives, economies to financial markets, and it is likely to remain that also in 2021.

In the spring, the spread of the virus in the western Europe triggered unprecedented movement restrictions throughout the world. Economies entered the free fall as did prices of financial assets and resources. Governments and central banks responded to developments in economics and financial markets with fiscal and monetary support measures of an unprecedented scale. As governments introduced downtime benefits, the so-called helicopter money to natural persons, loans, guarantees, tax benefits etc. central banks helped finance all that with unprecedented quantitative easing programmes or money printing and also ensured liquidity of financial markets.

In the summer months of 2020 as the virus receded the existing movement and gathering restrictions were gradually loosened. It resulted in rapid improvements in the economic activity worldwide. The flow of economic data in the US, Eurozone, China and elsewhere changed the temperature rapidly and publications of economic indicators were dominated by positive news from the mid year. The economic support programmes were still continued and even improved. The outcome of the US presidential election laid the foundation for new support measures in the future and the vaccine development was reported as success in the late autumn. There was no end to good news and the recovery of financial markets in terms of prices of risk assets and raw materials that began in the spring transformed into a comprehensive price rally in the second half of the year.

The next and incomparably stronger wave of infections that began in the autumn did not have a significant impact on the optimistic outlook prevailing among economists, businesses and investors. Firstly, the public and the companies saw through these new complications and relied on the upcoming global vaccination and a neverending flow of government support funds. Secondly, by that time the economies had adapted to the new virus reality. As consumption was refocussed from services to goods it helped grow production volumes throughout the world. Many service sectors had managed to adapt to remote operations. For example, despite viral outbreaks in the autumn and winter, the trajectory of the US GDP growth was constantly revised upward. In 2021, the financial markets also entered the price rally.

The Company has historically been active in its investment management. It means that in parallel to the fixed long-term strategy the manager makes tactical decisions on significant deviations from the structural guidance if considered necessary depending on the economic situation or that in financial markets. In 2020, this approach resulted in a timely risk mitigation in the spring and using the investment opportunities during the following drop in the prices of financial assets. As a result, many of the pension plans, funds and portfolios managed by the Company performed better in 2020 than benchmark indicators and products offered by competitors.

Under the impact of Covid-19, in 2020 the economic activity in the Baltics reduced for the first time since 2009, however, GDP reduced notably slower than that of other European countries. According to preliminary data, in 2020 GDP of Latvia reduced by 3.5%, that of Lithuanian by 0.8% while that of Estonia, in the first three quarters of 2020, reduced by 3.2% (here and further: data on Latvia are sourced from CSP, others from Eurostat). The overall reduction in GDP in the Eurozone in 2020 was 6.8%. The relatively poor performance of the Latvian economy compared to that of Lithuania and Estonia is related to the rapid decline in transit cargo and the large impact of aviation on the economy. Due to Covid-19 related restrictions in 2020 the share of services in the consumption pattern reduced and the demand for goods increased. Consequently, retail turnover in 2020 increased by 1.5% in 2020. In 2020, manufacturing output decreased only by 1.2% and exports of goods exceeded EUR 13 million for the first time. At the same time, the decline in transport, hotel and restaurant sectors in 2020 exceeded 20%. Unemployment was also on the rise, however, at a notably slower pace than expected. In the third quarter, unemployment in Latvia was 8.4% while the average salary in Latvia increased by 5.9% compared to the third quarter of 2019. However, the actual growth in income is lower than indicated by the average salary as employment indicator decreased and so did the number of hours worked in 2020 in Latvia.

In 2020, the Company managed the following investment funds:

CBL Equity Funds:
CBL European Leaders Equity Fund
CBL Russian Equity Fund

CBL Bond Funds:
CBL Eastern European Bond Fund Klase R Acc USD
CBL Eastern European Bond Fund Klase R Acc EUR (hedged)
CBL Global Emerging Markets Bond Fund R Acc USD
CBL Global Emerging Markets Bond Fund R Acc EUR (hedged)

CBL Funds of Funds:
CBL Prudent Opportunities Fund - EUR
CBL Optimal Opportunities Fund - EUR
CBL Optimal Opportunities Fund - USD

CBL Alternative Investment Fund:
SAIF Baltic Pearl Real Estate Fund

From 1 January 2020, CBL Baltic Sea Equity Fund changed its name to CBL European Leaders Equity Fund. Alongside change of the name, the fund's investment region was also changed to include all European countries. In addition, the share selection process is further improved and systematized.

In the reporting year the funds managed by the Company continued to receive high-grade international awards. The internationally renowned financial research company Morningstar, as at the period end rated the performance of 'CBL Eastern European Bond Fund R Acc USD' with the highest possible rating – five stars (overall rating), while the performance of 'CBL Global Emerg Mkts Bond R Acc EUR Hdg', 'CBL Prudent Opportunities Fund' and 'CBL Optimal Opportunities EUR' was rated with three stars.

After the reporting date, in January 2021 the Company created a new investment fund CBL US Leaders Equity Fund. The objective of the investment fund is to achieve long-term capital appreciation from investments made primarily in a portfolio of diversified shares of US companies. The investment plan has two investment certificate classes R Acc USD and R Acc EUR.

In the reporting period the Company acquired Tier 2 pension investment plans from subsidiary of PNB banka in liquidation, PNB Asset Management - PNB conservative investment plan 'DAUGAVA', PNB balanced investment plan 'VENTA' and PNB active investment plan 'GAUJA'. As at the reporting date, the Company managed seven investment plans for state funded pensions: IP 'CBL Aktīvais ieguldījumu plāns', IP 'CBL Universālais ieguldījumu plāns', IP 'CBL dzīves cikla plāns Millennials', IP 'CBL Ilgtspējīgu iespēju ieguldījumu plāns', IP 'Gauja', IP 'Daugava' and IP 'Venta', with total assets as at 31 December 2020 amounting to EUR 745 million.

Financial results

The customer base of the Company is diversified as our services are used by both private individuals and companies from Latvia and other countries. At the reporting date, total assets under management by the Company amounted to EUR 1 057 million, and the largest share of them, 70% or EUR 745 million, were funds of the state funded pension scheme while net assets of the investment funds managed by the Company amounted to EUR 106 million or 10% of total net assets. Other assets under management were assets of private individuals, legal persons and insurance companies; in total 234 customer portfolios with a total value of net assets of EUR 155 million and net assets of private pension funds with a total value of EUR 50 million.

Compared to 2019, in 2020 commission income increased by 4% and amounted to EUR 5.1 million primarily due to increased total assets under management. Commission expenses increased by 2% and amounted to EUR 0.87 million mainly due to increased commission fee for customer acquisition under state funded pension plans. As a result, net commission income increased by 3% and amounted to EUR 4.1 million.

The financial result of the reporting year is a profit of EUR 2.36 million (2019: EUR 1.83 million).

The Company does not plan to distribute dividends.

As concerns customer acquisition and servicing, the Company maintains close cooperation with parent company AS Citadele banka. A number of operating processes of the Company are outsourced to the parent company. This approach has contributed to highly satisfactory financial performance in 2020 and it will be continued in the future.

Subsequent events

No significant subsequent events have occurred that would materially impact the financial statement presentation or which require disclosures to be added to the notes thereto.

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Kārlis Purgailis
Chairman of the Board

For the date refer to the time stamp.

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES

The Board (hereinafter - the Management) of the Company is responsible for the preparation of the financial statements of JSC Citadele Asset Management in accordance with the laws and regulations of the Republic of Latvia which require that the financial statements of asset management companies be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial statements on pages 8 to 28 are prepared based on source documents and present fairly the financial position of the Company as at 31 December 2020 and the results of its operations, and cash flows for the year then ended.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union on a going concern basis. Appropriate accounting methods have been consistently applied in the reporting period.

Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statement.

The management of the Company is responsible for the maintenance of a proper accounting system, safeguarding the Company's assets, and the prevention and detection of fraud and other irregularities in the Company. The company is responsible for the fulfilment of the legislation of the Republic of Latvia and regulations by the FCMC applicable to the Company.

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Kārlis Purgailis
Chairman of the Board

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SEPARATE INCOME STATEMENT

	Note	2020 EUR	2019 EUR
Fee and commission income	3	5 130 318	4 950 208
Commission and fee expense	4	(868 013)	(884 303)
Net fee and commission income		**4 262 305**	**4 065 905**
Interest income		-	17
Interest expenses		(1 235)	(2 737)
Net interest income		**(1 235)**	**(2 720)**
Net foreign exchange transaction result	5	(6 554)	325
Other income	6	240 000	-
Other expenses	7	(181 766)	(125 501)
Net operating income		**4 312 750**	**3 938 009**
Personnel expenses	9	(1 560 834)	(1 651 831)
Administrative and other expenses	8	(288 242)	(360 993)
Amortisation of intangible assets, right-of-use assets and fixed assets	12	(103 335)	(99 689)
Profit before tax		**2 360 339**	**1 825 496**
Corporate income tax for the reporting year		-	-
Profit for the reporting year		**2 360 339**	**1 825 496**
Total comprehensive income for the reporting year attributable to shareholders		**2 360 339**	**1 825 496**

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

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Vladimirs Ivanovs
Chairman of the Council

Kārlis Purgailis
Chairman of the Board

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SEPARATE BALANCE SHEET

	Note	EUR 31/12/2020	EUR 31/12/2019
<u>Assets</u>			
Non-current assets			
Investments in subsidiaries	11	4 268 615	4 268 615
Right-of-use assets	12	120 817	220 315
Intangible assets	12	37 503	71 603
Fixed assets	12	1 623	1 714
Prepaid expenses	13	2 596 674	-
Total long term assets		**7 025 232**	**4 562 247**
Short term assets			
Balances due from credit institutions	10	5 348 690	6 141 535
Deferred expenses and accrued income	13	754 005	451 762
Other assets	14	33 461	8 776
Total short term assets		**6 136 156**	**6 602 073**
Total assets		**13 161 388**	**11 164 320**
<u>Equity and liabilities</u>			
Share capital	19	5 904 918	5 904 918
Retained earnings		6 702 412	4 342 073
Total equity and reserves		**12 607 330**	**10 246 991**
Accrued liabilities	15	168 256	137 968
Provisions	16	242 615	539 618
Liabilities for leased tangible assets	17	120 872	221 467
Other liabilities	18	22 315	18 276
Total liabilities		**554 058**	**917 329**
Total liabilities		**13 161 388**	**11 164 320**
Off balance sheet items			
Assets under management	25	1 056 676 705	830 546 797

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Vladimirs Ivanovs Chairman of the Council	Kārlis Purgailis Chairman of the Board

For the date refer to the time stamp.

SEPARATE STATEMENT OF CASH FLOWS

	Note	EUR 2020	EUR 2019
Cash flows from operating activities			
Profit before income tax		2 360 339	1 825 496
Adjustments for			
Amortisation and depreciation	12	36 375	26 251
Amortization of right-of-use assets	12	66 960	73 438
Interest expenses on lease liabilities		1 235	2 737
Cash flow from operating activities before changes in assets and liabilities		**2 464 909**	**1 927 922**
Decrease in provisions and accrued expenses		(266 715)	(86 730)
Increase in prepaid expenses and accrued income		(2 898 917)	(20 726)
Increase in other assets		(24 685)	(2 025)
Increase in other liabilities		4 039	7 902
Increase/(decrease) in cash and cash equivalents from operating activities before corporate income tax and received and paid interest		**(721 369)**	**1 826 343**
Corporate income tax received/paid		-	250 988
Increase/(decrease) in net cash flows from operating activities		**(721 369)**	**2 077 331**
Cash flow from investing activities			
Acquired fixed and intangible assets	12	(2 184)	(33 844)
Net cash used in investing activities		(2 184)	**(33 844)**
Cash flows from financing activities			
Dividends paid		-	(1 547 0 57)
Lease payments	17	(69 292)	(75 023)
Net cash flows from financing activities		**(69 292)**	**(1 622 080)**
Increase/(decrease) in net cash flows for the reporting period		**(792 845)**	**42 14 07**
Cash and cash equivalents at the beginning of the year		6 141 535	5 720 128
Cash and cash equivalents at the end of the year	**10**	**5 348 690**	**6 141 535**

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

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Vladimirs Ivanovs Chairman of the Council	Kārlis Purgailis Chairman of the Board

For the date refer to the time stamp.

SEPARATE STATEMENT OF CHANGES TO THE SHAREHOLDER'S EQUITY

	EUR		
	Share capital	**Retained earnings**	**Total equity**
Balance as at 31 December 2018	**5 904 918**	**4 063 634**	**9 968 552**
Profit of the reporting year	-	1 825 496	1 825 496
Dividends paid	-	(1 547 057)	(1 547 057)
Balance as at 31 December 2019	**5 904 918**	**4 342 073**	**10 246 991**
Profit of the reporting year		2 360 339	2 360 339
Balance as at 31 December 2020	**5 904 918**	**6 702 412**	**12 607 330**

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

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Vladimirs Ivanovs
Chairman of the Council

Kārlis Purgailis
Chairman of the Board

For the date refer to the time stamp.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE COMPANY

Joint stock investment management company Citadele Asset Management (the 'Company') was established on 11 January 2002.

The Company manages securities portfolios on behalf of its customers, issues investment fund certificates and manages those funds, manages state funded pension scheme capital as well as provides customers with investment consulting. The sole shareholder of the Company is AS Citadele banka, the registered office of the joint stock investment management company IPAS CBL Asset Management is Republikas laukums 2a, Riga, LV - 1010, Latvia.

These separate financial statements of IPAS 'CBL Asset Management' were approved for issue by the Board on 30 March 2020.

2. NOTES TO THE FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU, which includes standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) approved by the International Accounting Standards Committee (IASC) and interpretations of the Standing Interpretations Committee (IFRIC). Certain notes have been prepared in accordance with the requirements of the Financial and Capital Market Commission (FCMC).

The financial statements are prepared on a historical cost basis.

These notes disclose the accounting policies consistently applied in 2019 and 2020, as well as the new standards and interpretations adopted by the Company except as indicated in section 'Changes in classification'.

Changes in classification

During 2020, the Company evaluated the classification of quarterly payments to the supervisory authority and reclassified them from Administration and other expenses to Other expenses. Supervisory fee is paid to the Financial and Capital Market Commission and it is directly dependant on the scope of operation of the Company, i.e. the average quarterly value of investments funds and alternative investment funds managed by the Company and its quarterly commission fees for investment services. Similarly, after careful assessment several other types of expenses were reclassified from Administrative and other expenses to Other expenses, as these expenses were related to operating expenses rather than administrative efficiencies. Also, after assessment of Fee and Commission Expenses a part of these expenses was reclassified to Other expenses.

Staff training expenses were reclassified out of Administrative and other expenses to Personnel costs.

Interest expenses on lease liabilities were reclassified out of Administrative and other expenses to Net interest expenses.

Interest income on account balance in USD was reclassified from Other income to Net interest expenses.

	EUR		
	2019		
	After reclassification	**Reclassification**	**Before reclassification**
Net interest income	(2 720)	(2 720)	-
Commission expenses	(884 303)	13 561	(897 864)
Other expenses	(125 501)	(125 501)	-
Other income	-	(17)	17
Personnel expenses	(1 651 831)	(40 520)	(1 611 311)
Administrative and other expenses	(360 993)	155 197	(516 190)

New standards and interpretations

New accounting and financial reporting standards, interpretations and amendments which were not applicable to the previous annual financial statements have been issued. Certain standards became effective in 2020, while others will become effective in subsequent reporting periods. This section describes the standards applicable to the Company. Where the implementation impact was or is expected to be reasonably material it is disclosed.

New requirements effective for 2020 without a material impact on the Company

Amendments to references to the conceptual framework of IFRSs

Amendments to IFRS 3 – Definition of a Business

Amendments to IAS 1 and 8 – Definition of material

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

Future requirements that have no impact on the financial data for 2020

A number of new standards, interpretations and amendments to existing standards have become effective for the financial periods beginning on or after 1 January 2020 which are not yet endorsed by the EU. These standards were not applied in the preparation of these financial statements. The Company does not plan to adopt these standards early. The Company is in the process of evaluating the potential effect, if any, of changes arising from these new standards and interpretations.

IFRS 17 - Insurance Contracts. Effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied. The upcoming standard combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. IFRS 17 does not impact the Company's financial statements but is applicable to subsidiary CBL Life.
Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract
Amendments to IFRS 16 – COVID-19-Related Rent Concessions
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3 –Reference to Conceptual Framework
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Reporting currency

Items included in the financial statements of the investment company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in euro (EUR), which is the Company's presentation and functional currency.

Consolidation

Since the parent company AS Citadele Banka prepares consolidated financial statements comprising also the financial statements of the Company and its subsidiaries, the Company does not prepare its consolidated financial statements. The consolidated financial statements of the parent company AS Citadele Banka are available at the headquarters of AS Citadele Banka at Republikas laukums 2a, Riga and www.citadele.lv.

Recognition of income and expenses

Interest income and expense items are recognised on an accrual basis using the effective interest rate.

Commission and fee income related to asset management and trading with fund shares is charged to the income statement as earned.

The Company determines the commission fee for the management of each UCITS (Undertakings Collective Investment in Transferable Securities) investment fund, alternative investment fund and state funded pension scheme, considering the investment policy, region and complexity of transactions of each fund and/or plan. Commission fees and their calculation is established and published in prospectuses of state funded pension schemes, which are approved and registered with FCMC. To determine the commission fees for the management of state funded pension schemes, the Company considers the maximum contribution as set by the Cabinet Regulations No 765 (until 31.12.2017 Cabinet Regulations No 615).

For the service – individual management of investors' financial instruments portfolios in accordance with the investors' authorisation (Portfolio management service), contribution to the company for individual management of portfolio is determined in accordance with the General price list of the company published on the website www.cblam.lv. Upon individual agreement, the Company and the Client may establish their special price list in the contract on investment portfolio management. Calculation and payment of contribution for the management of investment portfolios is determined in the General investment portfolio managements regulations published on the website www.cblam.lv

Commission fee for the management of private pension funds established by the Company is included in the individual Pension Plan regulations, considering the investment policy, region and complexity of transactions of each plan. Amount and calculation of contributions to the Company as the pension plan manager is established and published in the Pension plan regulation, approved and registered with FCMC.

If the return on investment exceeds the plan's benchmark (12 months EURIBOR, USD 12 months LIBOR for the active plan), the fund manager may be provided with additional or variable consideration of up to 10% of the excess profit on investment of the pension plan assets. Excess profit can be withheld only if all the following conditions are met:
-the return on investment exceeds the performance of the adjustments to comparatives in the relevant reporting period (month);
-the return on investment exceeds the performance of the adjustments to comparatives since the start of the plan;
-in the total (cumulative) profit of the plan during the reporting period is above the highest total (cumulative) profit ever recorded (High Watermark principle). Additional or variable consideration is calculated once a month. The fee for investment management services is treated as variable consideration as the amount is based on the value of net assets of managed investments and pension plans. Revenue from variable consideration is recognised only when it is highly probable that the related uncertainty will be resolved and the amount of recognised cumulative revenue will not be decreased substantially.
The fixed part of the fee for investment management services is calculated and accrued daily and under effective laws and regulations is paid once a month as the uncertainty related to the variable part is resolved. Revenue from the fixed part of consideration is recognised over time as the related performance obligation is satisfied and no significant judgement is to be made to determine the transaction price or the fact that the performance obligation has been satisfied.Accrued revenue or contract assets are disclosed at each reporting date under Accrued revenue.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract with a customer are recognised by the Company as an asset if it expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. Such directly re-invoiced costs are recognised by the Company as contract costs under assets on the balance sheet. Where the amortisation period of the potential contract cost asset is expected to be one year or less the cost of obtaining a contract is recognised by the Company directly in the profit and loss statement of the year to which it relates. Contract cost assets are carried at historical cost less accumulated depreciation and impairment. Accumulated depreciation is recognised systemically based on how services are provided under the contract over its expected duration by reference to the expected dynamics of generating revenue.

Foreign currency revaluation

The official currency unit of the Republic of Latvia Euro (EUR) is the functional currency of the Company which is used in these financial statements. Foreign currency transactions are revalued into euros at the official exchange rate set by the Bank of Latvia at the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to EUR according to the exchange rate of the ECB on the last day of the reporting year. Non-monetary items of assets and liabilities , are revalued to euros in accordance with the reference exchange rate published by the European Central Bank on the transaction date. Differences arising on payments in currencies or disclosures of assets and liabilities using exchange rates other than those used for initial booking of transactions are recognized in the profit and loss statement at net amount.

Taxes

Corporate income tax

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 assets and liabilities are determined to the extent they are expected to be recovered from or paid to tax authorities. Profits tax is paid only upon profit distribution (dividends). Profits tax is recognised by the Company upon profit distribution, as dividends are declared.

The tax rate in the Republic of Latvia is 20% from the taxable base determined by dividing the value of the amount taxable with corporate income tax by coefficient 0.8, includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends), and

- conditionally distributed profit (such as non-operating expenses , and other specific cases provided for by the law).

Intangible assets

Intangible assets are carried at historical cost amortized over the useful life of the asset on a straight line basis. The annual rate of amortization is 33%.

Term deposits

Term deposits are initially recognised at fair value and subsequently carried at amortised cost determined in line with the amount of cash placed as a term deposit plus capitalised and accrued interest income using the effective interest rate.

Interest income on term deposits is recognised on an accrual basis, i.e. in proportion to the period of time from the date of placement of the deposit to the reporting date.

Investments in subsidiaries and associates

Investments in subsidiaries (i.e. an entity in which the Company holds more than 50% of share capital or which is controlled in any other way) are carried at cost. Subsequent to initial recognition, investments in subsidiaries are recognized at cost net of impairment losses. Should any events or changes in circumstances indicate that the carrying amount of investments in subsidiaries and associates could not be recoverable the respective investments in subsidiaries and associates assets are reviewed for impairment. Dividends received from the subsidiaries and associates are recognized when the legal right to receive them has been established.

Property and equipment

Property and equipment is recorded at historical cost less accumulated depreciation less any impairment losses. Should the recoverable amount of an asset become lower than its carrying amount for circumstances other than temporary the asset is written down to its recoverable amount.

Depreciation is calculated on a straight-line basis over the useful life of the asset. Depreciation rates range from 20% to 50% p.a.

Maintenance and repair expenses are charged to the income statement as incurred.

Profit or loss from disposal of an asset is calculated as the difference between the carrying amount of the asset and proceeds from sale, and is recognised in the income statement as incurred.

Assets under management

Assets managed by the Company on behalf of customers, funds and other institutions are not regarded as assets of the Company. As such these assets are not reflected on the Company's balance sheet. Assets under management are presented in these financial statements only for disclosure purposes.

Fair value of financial assets and liabilities

Financial assets of the Company are carried at amortised cost. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables and cash and cash equivalents. Financial liabilities that include trade accounts payable and other financial liabilities arising from the operating activities of the Company are classified as other liabilities measured at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company have access at that date. The fair value of liabilities represents the risk of default.

IFRS introduces a fair value hierarchy for the measurement of financial assets and liabilities, based on whether or not observable market data are used in the measurement of the fair value of financial assets and liabilities. The balance sheet of the Company does not include assets and liabilities at fair value. Fair values of financial assets and liabilities not measured at fair value may be classified in the following fair value hierarchy levels:

The Company believes that the fair value of these financial assets matches their initial nominal value and the carrying amount at any future date.

Given the short term nature of settlements the carrying amounts of financial assets and liabilities are not materially different from their fair values.

Cash and cash equivalents

Cash and cash equivalents represent cash in bank and short-term deposits with initial maturities below three months.

Employee benefits

Employee entitlements to the annual leave are recognized when the vacation days have been accrued to the employees. Accruals for employees' annual leave pay are estimated based on days of unused annual leave of the employees up to the reporting date. The Company pays social security contributions to the state funded pension scheme on behalf of its employees in accordance with the laws and regulations of Latvia. The state funded pension scheme is a defined contribution plan under which the Company is to pay fixed contributions determined by law. The Company has no additional legal or constructive obligations to pay further contributions if the state funded pension scheme is unable to honour its liabilities towards the employees. State social security contributions are accrued in the year in which the associated services are rendered by the employees of the Company.

Other receivables

Trade receivables are recognized and carried at contractual amounts less allowances for doubtful receivables. Doubtful debt allowances are recognised when recovery of the entire amount of the receivable is no longer reasonably expected. Receivables are written off when their recoverability is considered impossible.

Lease - the Company as a lessee

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are accounted under IFRS 16. For qualifying lease assets, upon lease commencement, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs. Subsequently the right-of-use asset is measured using a cost model. A right-of-use asset is measured at cost less any accumulated depreciation and impairment. The lease liability is initially measured as a discounted value of payments agreed over the lease term. An incremental borrowing rate which discounts future payments to estimated present value is applied. The Company presents right-of-use assets in the same line items in which it presents assets of the same nature that it owns. Lease liabilities are presented within other liabilities. Operating lease expenses are disclosed as ‘Depreciation of leased fixed assets’. Similarly the implied interest expense on lease liabilities is presented as interest expense.

The three year lease term applied to the rent of the Company’s office is linked to the business planning horizon of AS Citadele banka. The incremental borrowing rate derived from the deposit rate of AS Citadele banka adjusted for a risk spread to account for the absence of deposit guarantees for leases is used for transactions.

Use of judgments and estimates in preparation of the financial statements

In the preparation of the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and as adopted by the EU, the management has relied on certain estimates and assumptions that impact certain balance sheet and income statement items, and the amount of potential liabilities. The significant areas of judgement and estimation used in the preparation of the accompanying financial statements relate to the measurement of recoverable amounts of investments, provision for the liquidation of the Ukrainian subsidiary, in relation to determining the lease term.

The three year lease term applied to the lease transactions is linked to the business planning horizon of AS Citadele banka.

The impairment of investment in subsidiaries is calculated on the basis of the recoverable amount of the investment. Where the recoverable amount is less than the carrying amount, an impairment loss is recognized for the investment.

Future events may impact assumptions that were used as the basis for estimates. Any impact from changes in the estimates is reflected in the financial statements as determined. Taking into account the decision made by the AS “Citadele banka” group on the liquidation of the subsidiary in Ukraine, the process is started, as a result of which the Ukrainian subsidiary has no income that would cover the expenses of this company during the liquidation. Consequently, the liquidation expenses are reimbursed by the Company by investing in the capital of the subsidiary. As it will not be possible to recover these investments, a 100% allowance was recognised for the amount of these investments (see Note 9 and Note 15).

Financial risk management

The Company has approved a risk management policy that forms the basis for the management and hedging of risks.

The conditions that underlie stress testing of capital adequacy were revised in light of instability in the global and Latvian financial markets and economy. The calculation of market risk relies on increasing the reliability of the models.

The key financial risks related to the Company’s financial instruments are currency risk, interest rate risk, credit risk, liquidity risk and capital adequacy risk.

Currency risk

Financial assets and liabilities of the Company that are exposed to currency risk include cash and cash equivalents, other receivables and other liabilities. The Company is primarily exposed to currency risk in relation to the US dollar (see Note 22).

The following table demonstrates the sensitivity to a reasonably possible change in the USA dollar exchange rate, with all other variables held constant, of the Company’s profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company’s equity.

	EUR			
	2020		**2019**	
Increase/decrease in USD exchange	11%	-11%	11%	-11%
Effect on profit/loss before tax	7 054	(7 054)	5 727	(5 727)
Effect on equity	**7 054**	**(7 054)**	**5 727**	**(5 727)**

Liquidity risk

Liquidity risk relates to the Company's ability to settle its payment liabilities according to the investment management policy. The Company manages liquidity risk by maintaining appropriate amounts of cash and cash equivalents. In order to maintain sufficient cash balances the Company plans its cash flow and analyses the actual performance on a regular basis.

The maturity profile of the Company's financial assets and liabilities as at 31 December 2020 is disclosed in Note 22.

Credit risk

Credit risk is the likelihood of incurring losses if a client fails to meet its contractual liabilities. The Company is exposed to credit risk in relation to receivables, accrued income, cash and cash equivalents. The maximum credit risk exposure as at 31 December 2020 on these assets was EUR 5 931 222 (2019: EUR 6 568 535). The Company has no assets that are impaired or past due. It should be noted that although the Company applies IFRS 9 and its expected credit loss model, the Company's management estimates that the impact of expected credit risk losses would be insignificant.

In accordance with the Company's investment policy, funds are placed in term deposits based on the credit institution's credit rating and the interest rate offered.

Credit risk is managed by the Company by monitoring receivables on an ongoing basis to ensure that the Company's exposure to bad debts is minimized.

Interest rate risk

The Company is not exposed to a significant interest rate risk. The Company generates interest income from cash in term deposits at fixed interest rates.

Capital adequacy

The Company maintains sufficient equity to be able to compensate losses incurred by customers due to the Company's fault. The amount of required capital is determined according to Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013. As at 31 December 2020, the minimum ratio of equity against risk weighted assets and memorandum items as determined by the FCMC is disclosed in Note 20.

3. FEE AND COMMISSION INCOME

	EUR	
	2020	**2019**
Management of investment funds	3 863 250	3 456 225
Management of individual portfolios	1 231 361	1 465 918
Commission income from investment consultations	29 292	27 382
Issuance of investment certificates	6 415	683
Total	**5 130 318**	**4 950 208**

4. FEE AND COMMISSION EXPENSES

	EUR	
	2020	**2019**
Distribution of investment certificates and other products	845 691	882 788
Servicing of accounts	20 656	1 037
Custodian bank fees	1 666	478
	868 013	**884 303**

5. FOREIGN EXCHANGE TRANSACTION RESULT, NET

	EUR	
	2020	**2019**
Profit/(loss) from revaluation of foreign currency	(5 825)	344
(Loss) from foreign exchange transactions, net	(729)	(19)
Total	**(6 554)**	**325**

6. OTHER INCOME

After evaluation of the liquidation process of the 100% subsidiary OOO Mizush Asset Management Ukraina and based on the information received from PricewaterhouseCoopers Ukraine, the liquidator of Mizush, that third parties other than government authorities could no longer raise claims against Mizush in liquidation as the creditor application deadline had expired it was decided to release allowances of EUR 240 000 recognised for potential claims against Mizush or its shareholder.

7. OTHER EXPENSES

	EUR	
	2020	**2019**
FCMC charges	(106 323)	(98 623)
Other expenses	(75 443)	(26 878)
Total	**(181 766)**	**(125 501)**

8. ADMINISTRATIVE AND OTHER EXPENSES

	EUR	
	2020	**2019**
IT and communication expenses	167 108	130 700
Professional services *	51 559	45 416
Non-deductible VAT	31 547	33 240
Rent of premises	23 309	25 144
Business trips	6 777	35 268
Advertisement and representation expenses	6 270	63 656
Other expenses	1 672	27 569
Total	**288 242**	**360 993**

*Professional services include the fee paid for the annual report for 2020 of EUR 18 957 (2019: EUR 12 213) and a fee of EUR 3 500 (2019: EUR 3 500) paid for other assurance services in relation to the financial instruments and market requirements, provided by the Company’s annual report auditors.

9. PERSONNEL COSTS

	EUR	
	2020	**2019**
Remuneration	838 042	938 465
Remuneration to the board members	420 648	355 142
Compulsory state social security contributions	285 944	307 213
Business risk state duty	182	198
Other personnel costs	16 018	50 813
Total	**1 560 834**	**1 651 831**

10. BALANCES DUE FROM CREDIT INSTITUTIONS

	EUR	
	31/12/2020	**31/12/2019**
Demand deposits with credit institutions*	5 348 690	6 141 535
Balances due from credit institutions (cash and cash equivalents)	**5 348 690**	**6 141 535**

* Interest is not calculated on cash deposits on demand with AS Citadele banka.

11. INVESTMENTS IN SUBSIDIARIES

Related parties	Holding 31/12/2020 %	31/12/2020 EUR	Holding 31/12/2019 %	31/12/2019 EUR
OOO Mizush Asset Management Ukraina (Ukraine)	100%	2 124 105	100%	2 124 105
Provision recognized OOO Mizush Asset Management Ukraina (Ukraine)		(2 124 105)		(2 124 105)
AAS CBL Life (Latvia)	100%	4 268 615	100%	4 268 615
Total related parties	**100%**	**4 268 615**	**100%**	**4 268 615**

During the reporting period, allowances for investments in subsidiaries did not change.
In February 2019, final settlements were made with all OOO "Mizush Asset Management Ukraina "investors of the funds, the liquidation of all funds was completed and the liquidation process of the Company was started. The Company hired AA PricewaterhouseCoopers Legal for liquidation. The Company has recognised provisions for liquidation expenses (refer to Note 15). Total assets are below EUR 10 000, business activities have been discontinued and all expenses in 2020 were related to liquidation.

Insurance joint-stock company CBL Life offers life insurance services.

Unaudited performance of related companies for 2020 is as follows:

Related parties	EUR Total assets	Total liabilities	Total operating income	Profit for the reporting year
AAS CBL Life (Latvia)				
2019	61 780 605	55 947 309	1 030 039	479 244
2020	75 225 282	69 164 989	720 038	194 396

12. FIXED ASSETS, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	EUR 2020 Right-of-use assets	Other fixed assets and inventory	Intangible assets	Total
Historical cost				
As at the beginning of the year	**293 753**	**21 456**	**176 673**	**491 882**
Additions	127 529	865	1 319	**129 713**
Disposals	(293 753)	-	-	**(293 753)**
Year-end	**127 529**	**22 321**	**177 992**	**327 842**
Accumulated depreciation				
As at the beginning of the year	**73 438**	**19 742**	**105 070**	**198 250**
Depreciation	66 960	956	35 419	**103 335**
Disposals	(133 686)	-	-	**(133 686)**
Year-end	**6 712**	**20 698**	**140 489**	**167 899**
Carrying amount				
As at the beginning of the year	**220 315**	**1 714**	**71 603**	**293 632**

Year-end	**120 817**	**1 623**	**37 503**	**159 943**

	EUR			
	2019			
	Right-of-use assets	**Other fixed assets and inventory**	**Intangible assets**	**Total**
Historical cost				
As at the beginning of the year	**221 467**	**19 584**	**144 701**	**385 752**
Additions	72 286	1 872	31 972	**106 130**
Year-end	**293 753**	**21 456**	**176 673**	**491 882**
Accumulated depreciation				
As at the beginning of the year	**-**	**19 163**	**79 398**	**98 561**
Depreciation	73 438	579	25 672	**99 689**
Year-end	**73 438**	**19 742**	**105 070**	**198 250**
Carrying amount				
As at the beginning of the year	**221 467**	**421**	**65 303**	**287 191**
Year-end	**220 315**	**1 714**	**71 603**	**293 632**

13. DEFERRED EXPENSES AND ACCRUED INCOME

	EUR	
	31/12/2020	**31/12/2019**
Current assets		
Accrued commission and fee income	549 071	418 042
Prepaid expenses	204 934	33 720
Long-term investments		
Prepaid expenses	2 596 674	-
Total	**3 350 679**	**451 762**

Accrued commission and fee income was received shortly after the end of the period, therefore the impairment provision was assessed as not significant.

Prepaid expenses for the reporting period include the purchase transaction of PNB pension plans to be amortised according to the calculation.

Purchase of Tier 2 pension plans of PNB

Prepaid expenses for the reporting period include the amount of the transaction to purchase the management rights of PNB pension plans to be amortised according to the calculation.

In the reporting period, the Company purchased the state funded pension plans managed by a subsidiary of PNB banka, conservative Daugava, balanced Venta and active Gauja.

The transaction resulted in an increase of assets under management by the Group by more than EUR 100 million. In order to increase effectiveness the above PNB pension plans will be merged with existing CBL pension investment plans in 2021 after all regulator approvals have been received. The management right asset was recognised at cost. The asset will be expensed in proportion to revenue flows from management of acquired assets. The estimated amortisation period is 20 years. Initially in the first five years after the change of the manager the volume of assets under management is expected to increase followed by the subsequent five years of reduction based on estimated reaching of the retirement age and retiring of plan participants (38% of capital participants of the PNB portfolios are born before 30 June 1971). Description of the transaction and disclosures under IFRS 15 Revenue from Contracts with Customers

The monetary impact of the transaction is disclosed in the table below:

	EUR
Total contract amount of PNB managed plans	**2 830 333**
2020 amortisation of the PNB transaction	(32 852)
Impairment of the PNB transaction in 2020	-
Cost of acquiring PNB managed plans in the reporting period	**(32 852)**
Asset balance as at 31/12/2020	**2 797 481**

14. OTHER ASSETS

	EUR	
	31/12/2020	**31/12/2019**
Financial assets		
Guarantee deposits	249	249
Other receivables	-	230
Non-financial assets		
Prepayments	33 212	7 585
Overpaid social security contributions, personal income tax	-	712
Total financial and non-financial assets	**33 461**	**8 776**

15. ACCRUED LIABILITIES

	EUR	
	31/12/2020	**31/12/2019**
Financial liabilities		
Professional services	83 715	80 394
Non-financial liabilities		
Accrued liabilities for vacations	84 541	57 574
Total	**168 256**	**137 968**

16. PROVISIONS

	EUR		
	Provision for liquidation of subsidiary	**Provision for the flexible part of remuneration**	**Total provisions**
Provisions as at 31.12.2019	**365 305**	**174 313**	**539 618**
Increase of provisions	**-**	**129 498**	**129 498**
Variable part of remuneration for 2020	-	129 498	129 498
Decrease of provisions	**283 517**	**142 984**	**426 501**
Variable part of remuneration paid out for 2018/2019	-	142 984	142 984
Liquidation expenses of the subsidiary used	43 517	-	43 517
Reversed provisions for liquidation of the subsidiary*	240 000	-	240 000
Provisions as at 31.12.2020	**81 788**	**160 827**	**242 615**

* the transaction is described in Note 6 Other income.

17. LIABILITIES FOR LEASED TANGIBLE ASSETS

	EUR
Liabilities for leased tangible assets at 01/01/2020	**221 467**
Calculated interest	(1 235)
Initiation/termination of lease agreements (net)	(30 068)
Lease payments	(69 292)
Liabilities for leased tangible assets at 31/12/2020	**120 872**

18. NOTE OTHER LIABILITIES

	EUR	
	31/12/2020	**31/12/2019**
Financial liabilities		
Accounts payable to suppliers and other companies	15 737	915
Non-financial liabilities		
Value added tax	6 578	17 361
Total financial and non-financial liabilities	**22 315**	**18 276**

19. SHARE CAPITAL

As at 31 December 2020, share capital of the Company amounted to EUR 5 904 918 and consisted of 5 904 918 ordinary name shares. The nominal value of one share is EUR 1. AS Citadele banka is the sole shareholder of the Company. All shares are fully paid up.

20. TAXES AND STATE SOCIAL SECURITY CONTRIBUTIONS

	EUR				
	Value added tax	**Compulsory state social security contributions**	**Personal income tax**	**Business risk duty**	**Total**
Payable/(overpaid) 31.12.2019	**17 361**	**(711)**	**(1)**	**-**	**16 649**
Calculated for 2020	103 712	431 548	226 163	182	761 605
Paid in 2020	(114 495)	(430 837)	(226 162)	(182)	(771 676)
Payable/(overpaid) 31.12.2020	**6 578**	**-**	**-**	**-**	**6 578**

Assets and liabilities of compulsory state social security contributions and personal income tax paid in Latvia and other jurisdictions are presented separately.

21. CAPITAL ADEQUACY

Capital adequacy ratio calculated in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the European Council of 26 June 2013 and the requirements of the FCMC as at 31 December 2020 and 2019 was as follows:

	EUR	
	31/12/2020	**31/12/2019**
Tier I capital		
Paid-in share capital	5 904 918	5 904 918
Audited retained earnings (not subject to dividend payment)	4 342 073	2 516 577
Audited profit of the reporting year (not to be distributed as dividends)	2 360 339	1 825 496
Intangible assets	(37 503)	(71 603)
Total Tier I capital	**12 569 827**	**10 175 388**
(Decrease) in equity		
Significant investments in other credit and financial institutions, insurance companies	(4 268 615)	(4 268 615)
Total (Decrease) in equity	**(4 268 615)**	**(4 268 615)**
Equity to be utilised in the capital adequacy ratio calculation	**8 301 212**	**5 906 773**
Summary of calculations		
Capital requirement equal to 25% of total recurring expenses of the previous year	**(556 798)**	**(584 703)**
Cover of capital requirement	**7 744 414**	**5 322 070**
Capital adequacy ratio %	**119.3%**	**80.8%**
FCMC minimum capital adequacy ratio requirement %	8.0%	8.0%

22. CURRENCY ANALYSIS

The following table presents certain balance sheet items by currency as at 31 December 2020:

	EUR	**USD**	**Other currencies**	**Total**
Assets				
Balances due from credit institutions	5 346 452	-	2 238	**5 348 690**
Deferred expenses and accrued income	489 597	58 630	844	**549 071**
Other assets	71	-	178	**249**
Total financial assets	**5 836 120**	**58 630**	**3 260**	**5 898 010**
Liabilities				
Accrued liabilities	(83 715)	-	-	(83 715)
Other liabilities	(15 737)	-	-	(15 737)
Total financial liabilities	**(99 452)**	-	-	**(99 452)**
Net long/(short) position	**5 736 668**	**58 630**	**3 260**	**5 798 558**

The following table presents certain balance sheet items by currency as at 31 December 2019:

	EUR	USD	Other currencies	Total
Assets				
Balances due from credit institutions	6 137 916	979	2 640	**6 141 535**
Deferred expenses and accrued income	367 346	50 696	-	**418 042**
Other assets	301	178	-	**479**
Total financial assets	**6 505 563**	**51 853**	**2 640**	**6 560 056**
Liabilities				
Accrued liabilities	(80 395)	-	-	**(80 395)**
Other liabilities	(914)	-	-	**(914)**
Total financial liabilities	(81 309)	-	-	**(81 309)**
Net long/(short) position	**6 424 254**	**51 853**	**2 640**	**6 478 747**

23. ASSETS AND LIABILITIES' CONTRACTUAL MATURITY STRUCTURE

The following table presents balance sheet items by their remaining maturity as at 31 December 2020:

	EUR				
	To 1 month	1 – 6 months	6 – 12 months	1 – 5 years	Total
Assets					
Balances due from credit institutions	5 348 690	-	-	-	**5 348 690**
Deferred expenses and accrued income	549 071	-	-	-	**549 071**
Other assets	-	71	-	178	**249**
Total financial assets	**5 897 761**	**71**	**-**	**178**	**5 898 010**
Liabilities					
Accrued liabilities	(43 715)	(40 000)	-	-	(83 715)
Other liabilities	(15 737)	-	-	-	(15 737)
Total financial liabilities	**(59 452)**	**(40 000)**	**-**	**-**	**(99 452)**
Liabilities for leased tangible assets	(3 331)	(16 676)	(20 062)	(80 803)	**(120 872)**
Net long/(short) position	**5 834 978**	**(56 605)**	**(20 062)**	**(80 625)**	**5 677 686**

The following table presents balance sheet items by their remaining maturity as at 31 December 2019:

	EUR					
	To 1 month	**1 – 6 months**	**6 – 12 months**	**1 – 5 years**	**Over 5 years and with unlimited term**	**Total**
Assets						
Balances due from credit institutions	6 141 535	-	-	-	-	**6 141 535**
Deferred expenses and accrued income	418 042	-	-	-	-	**418 042**
Other assets	230	178	-	-	71	**479**
Total financial assets	**6 559 807**	**178**	**-**	**-**	**71**	**6 560 056**
Liabilities						
Accrued liabilities	(40 395)	-	-	(40 000)	-	**(80 395)**
Other liabilities	(914)	-	-	-	-	**(914)**
Total financial liabilities	**(41 309)**	**-**	**-**	**(40 000)**	**-**	**(81 309)**
Liabilities for leased tangible assets	(6 152)	(30 759)	(36 911)	(147 645)	-	(221 467)
Net long/(short) position	**6 512 346**	**(30 581)**	**(36 911)**	**(187 645)**	**71**	**6 257 280**

24. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of AS Citadele banka. Other companies referred to as related parties are Citadele Group companies.

Amounts due from and to related parties

	EUR	
	31/12/2020	**31/12/2019**
Assets		
Due from AS Citadele banka	5 348 690	6 141 535
Due from SIA Citadeles moduļi (Right-of-use asset under IFRS 16)	-	220 315
Due from AS Citadele banka (Right-of-use asset under IFRS 16)	120 817	-
Due to AAS CBL Life	7 654	4 196
Total	**5 477 161**	**6 366 046**
Liabilities		
Due to AS Citadele banka	-	1 773
Due to AAS CBL Life	11 668	11 000
Due to SIA Citadeles moduļi (lease liabilities under IFRS 16)	-	221 467
Due to AS Citadele banka (lease liabilities under IFRS 16)	120 872	-
Total liabilities	**132 540**	**234 240**

Income and expenses from related parties

	EUR	
Income	**2020**	**2019**
Other income from AS Citadele banka	-	17
Commission income from AAS CBL Life	68 759	47 241
Total income	**68 759**	**47 258**
Expenses		
Interest expenses to AS Citadele banka	115	-
Interest expenses to SIA Citadeles moduļi	1 120	2 737
Commission expenses to AS Citadele banka	784 322	829 675
Commission expenses to AAS CBL Life	49 922	45 884
Other expenses to AS Citadele banka	50 489	50 489
Lease and maintenance of premises expenses to AS Citadele banka	2 276	-
Lease and maintenance of premises expenses to SIA Citadeles moduļi	20 953	101 321
Amortisation AS Citadele banka (Right-of-use asset under IFRS 16)	6 712	-
Amortisation SIA Citadeles moduļi (Right-of-use asset under IFRS 16)	60 248	73 438
Total expenses	**976 157**	**1 103 544**

Assets under management from related parties

	EUR	
	31/12/2020	**31/12/2019**
AAS CBL Life	47 145 157	26 142 204
Total	**47 145 157**	**26 142 204**

25. ASSETS UNDER MANAGEMENT

The table below provides an analysis of total assets under management (including investment funds and pension plans managed by the Company) on behalf of customers by investment type.

	31/12/2020		**31/12/2019**	
	THOUS. EUR	**%**	**THOUS. EUR**	**%**
Debt securities				
Securities of credit institutions	33 237	3.15%	24 156	2.91%
Companies' securities	215 544	20.40%	159 906	19.25%
Central government bonds	89 583	8.48%	69 242	8.34%
Financial institution bonds	21 787	2.06%	14 578	1.76%
Municipality bonds	6 286	0.59%		
Total debt securities and other fixed income securities:	**366 437**	**34.68%**	**267 882**	**32.25%**
Other investments				
Investment funds	493 864	46.74%	415 682	50.05%
Shares	71 771	6.79%	37 227	4.48%
Cash	89 885	8.51%	104 752	12.61%
Term deposits	28 512	2.70%	-	0.00%
Real estate property	4 247	0.40%	4 884	0.59%
Derivatives	1 961	0.19%	120	0.01%
Total other investments:	**690 240**	**65.32%**	**562 665**	**67.75%**
Total debt securities and other investments	**1 056 677**	**100.00%**	**830 547**	**100.00%**

Assets managed on behalf of customers (including investment funds and pension plans managed by the Company) by customer profile:

	31/12/2020 THOUS. EUR	%	31/12/2019 THOUS. EUR	%
Residents				
Insurance companies, investment and pension funds	158 711	15.02%	109 451	13.18%
Pension plans	794 947	75.23%	617 926	74.40%
Other companies	2 681	0.25%	2 551	0.30%
Private individuals	75 654	7.16%	69 256	8.34%
Total residents	**1 031 993**	**97.66%**	**799 184**	**96.22%**
Total non-residents	**24 684**	**2.34%**	**31 363**	**3.78%**
Total residents and non-residents	**1 056 677**	**100.00%**	**830 547**	**100.00%**

Investment funds established and managed and state funded pension plans managed by the Company by net assets:

	31/12/2020 THOUS. EUR	%	31/12/2019 THOUS. EUR	%
State funded pension schemes				
CBL Aktīvais ieguldījumu plāns	445 674	52.34%	416 608	64.31%
CBL Universālais ieguldījumu plāns	169 374	19.89%	144 422	22.29%
CBL dzīves cikla plāns “Millennials”	15 720	1.85%	6 816	1.05%
CBL Ilgtspējīgu iespēju ieguldījumu plāns	5 869	0.69%	2 175	0.34%
Investment plan DAUGAVA *	34 211	4.02%	-	-
Investment plan VENTA *	30 003	3.52%	-	-
Investment plan GAUJA *	44 322	5.21%	-	-
Total state funded pension schemes	**745 173**	**87.53%**	**570 021**	**87.99%**
Investment funds				
IF CBL Eastern European Bond Fund R Acc EUR (hedged)	53 248	6.25%	23 507	3.63%
IF CBL Eastern European Bond fund R Acc USD	5 720	0.67%	7 124	1.10%
IF CBL Russian Equity Fund	3 099	0.36%	3 361	0.52%
IF CBL Prudent Opportunities fund EUR	631	0.07%	808	0.12%
IF CBL Optimal Opportunities fund EUR	4 866	0.57%	6 115	0.94%
IF CBL Optimal Opportunities fund USD	187	0.02%	353	0.05%
SAIF Baltic Pearl Real Estate Fund	4 068	0.48%	4 751	0.73%
IF CBL European Leaders Equity Fund **	8 622	1.01%	2 883	0.45%
IF CBL Global Emerging Markets Bond Fund Klase R Acc EUR (hedged)	22 413	2.63%	25 066	3.87%
IF CBL Global Emerging Markets Bond Fund Klase R Acc USD	3 486	0.41%	3 834	0.59%
Total investment funds	**106 340**	**12.47%**	**77 802**	**12.01%**
Total pension plans and investment funds	**851 513**	**100%**	**647 823**	**100.00%**

* In the reporting period, the Company acquired state funded pension plans DAUGAVA, VENTA and GAUJA from IPAS PNB Asset Management, a subsidiary of AS PNB Banka in liquidation. Total assets under management in these plans were EUR 107.5 million and the number of participants at the date of acquisition was 63.6 thousand.
** Name of the fund was changed during the reporting period. Former name was IF CBL Baltic Sea Equity Fund.

26. SUBSEQUENT EVENTS

No significant subsequent events have occurred that would materially impact the financial statement presentation or which require disclosures to be added to the notes thereto.

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Independent Auditors' Report

To the shareholder of IPAS CBL Asset Management

Report on the Audit of the separate Financial Statements

Our Opinion on the separate Financial Statements

We have audited the accompanying separate financial statements of IPAS CBL Asset Management ("the Company") set out on pages 8 to 28 of the accompanying separate Annual Report, which comprise:

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

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of IPAS CBL Asset Management as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Existence and accuracy of revenue

The Company's revenue for the year ended 31 December 2020 amounted to EUR 5 130 318 (2019: EUR 4 950 208).

Reference to the separate financial statements: Note 2 'Income and expense recognition' on page 13 (accounting policy); Note 3 'Commission and fee income' on page 17 (separate notes to the financial statements).

Key Audit Matter	*Our response*
As described in Note 1 to the separate financial statements, the Company provides asset management services for a number of investment funds, state-funded pension schemes and private pension fund pension plans, as well as administers individually managed portfolios for the benefit of third parties. Revenue from this activity is generated as a fixed fee for management services and a variable fee for meeting return criteria. The fixed fee for management services is calculated as a fixed percentage of the net asset value of the managed fund, plan or separately managed portfolios, while the variable fee for meeting certain criteria is calculated using the formula in the fund prospectus and is linked to the growth of fund's asset value. We paid special attention to this area because it involves a large number of day-to-day transactions that affect revenue, as well as operational complexity due to the large number of investments generated and the different fees and conditions that apply to them.	Our audit procedures included, among others: • Documenting, assessing and testing the design, implementation and operating effectiveness of the key internal controls of the Company relating to the calculation and recognition of fee income, and of internal controls over daily revaluation of the net asset values of the investment vehicles under management. • We compared the rates and calculation formulas used in the calculation of fees with those provided in the prospectuses of the funds or plans managed by the Company. • For the year ended 31 December 2020: - we developed an independent forecast of fixed fee income by analytically estimating the fees that should be recognized based on the terms of the contracts and amounts of assets under management according to custodian bank statements; - checked the correctness of the calculation of the variable fee income against the conditions of the fund and plan prospectuses and the value of the assets under

management according to custodian bank statements.

- Reviewed on a sample basis income not from the management of investment funds or plans against the applicable conditions, primarily for individually managed portfolios or commissions applicable to services such as the sale or redemption of fund units.
- Evaluated the accuracy and completeness of disclosures on revenue recognition against the requirements of applicable financial reporting standards.

Reporting on Other Information

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

- General Information about the Company, as set out on page 3 of the accompanying Annual Report,
- Management Report, as set out on pages 4 , 5 and 6 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report.

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

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

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

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of Regulation No. 113 'Regulation on the preparation of annual reports, consolidated annual reports and interim reports of an investment fund and open alternative investment fund' issued by the Financial and Capital Market Commission.

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

- the information given in the Management Report for the separate financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of Regulation No. 113 of the Financial and Capital Market Commission of the Republic of Latvia].

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

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the separate Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 5 August 2020 to audit the separate financial statements of IPAS CBL Asset Management for the year ended 31 December 2020. Our total uninterrupted period of engagement is 8 years, covering the periods ending 31 December 2013 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;

- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Company in addition to the audit, which have not been disclosed in the Management Report or in the separate financial statements of the Company.

KPMG Baltics AS
License No. 55

Rainers Vilāns
Partner pp KPMG Baltics AS
Sworn auditor
Certificate No. 200
Riga, Latvia
30 March 2021

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails