

IPAS CBL Asset Management

# Annual Report

for 2022

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



**CBL ASSET  
MANAGEMENT**

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## GENERAL INFORMATION

<b>Name of the Company</b>	CBL Asset Management
<b>Legal status</b>	Joint stock investment management company
<b>Registration number with the Enterprise Register, place and date</b>	40003577500 Rīga, 11 January 2002
<b>Registered office</b>	Republikas laukums 2a, Rīga, Latvia, LV-1010
<b>Shareholder</b>	AS Citadele banka (100%) Republikas laukums 2a Rīga, Latvia, LV-1522
<b>Equity investments</b>	OOO Mizush Asset Management Ukraina (100%) Gorkogo 172, Kiev, Ukraine AAS CBL Life (100%) Republikas laukums 2a, Rīga, Latvia
<b>Members of the Board and their positions</b>	Chairman of the Board – Kārlis Purgailis – appointed on 08.09.2017 Member of the Board – Zīgurds 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
<b>Council members and their positions</b>	Chairman of the Council – Vaidas Žagūnis – appointed on 03.08.2021 Deputy Chairman of the Council – Vladimirs Ivanovs – appointed on 03.08.2021 Member of the Council – Blohmé Nils Magnus Göran – appointed on 03.08.2021
<b>Reporting year</b>	1 January 2022 to 31 December 2022
<b>Auditors</b>	Rainers Vilāns Certified Auditor Certificate No. 200  SIA KPMG Baltics Roberta Hirša iela 1 Rīga, Latvia, LV-1045 Licence No. 55

## MANAGEMENT REPORT

### Line of business

CBL Asset Management IPAS (the Company) was established on 11 January 2002. The registered and office address 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. The license to operate as an alternative investment fund was issued on 10 January 2014 and re-registered on 19 January 2015 under No. 06.13.08.098/369. The license to manage state funded pension scheme funds was issued on 20 September 2002.

The Company's operating activity in 2022 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.

For the list of members of the Board and Council refer to section 'General information'.

### Highlights of 2022

Interest rates were the main driver of global financial market developments over the past year. The interest rate hike campaign by the US Federal Reserve was one of the fastest in US history – within a year, the dollar base rate rose from zero to the range of 4.25 to 4.50%. The ECB also started to raise base rates in the middle of the year, raising them by 2.5 base points by the end of the year. Resource prices declined steadily in the second half of 2022, and towards the end of the year Western inflation dynamics showed clear signs of deceleration. However, price pressures are still seen as high, and the FRS and the ECB are determined to keep raising rates in the first half of 2023.

Despite the backdrop of high inflation and existential geopolitical stresses, there was no crisis in Western household spending (even in real terms – excluding inflationary effects). Additional savings during the pandemic, sustained wage increases, as well as significant support measures in Europe, also in the context of rising energy prices, have helped maintain a relatively high spending intensity. The labour market remained strong in both the US and Europe. Closer to the end of the year, warmer weather, lower gas prices and the opening up of China after almost three years of isolation helped improve sentiment in the Euro area. Certain previously red-flashing indicators and economists' views turned positive.

Global equity markets spent most of 2022 in a "bear market", or downtrend, with upswings that were short-lived and gains that could not be sustained. Investor nervousness was fuelled by uncertainty about the duration of interest rate hikes and the future trajectory of inflation and the economy. Aggressive base rate hikes combined with rising risk premia pushed up yields on bonds already on the market, pushing down their prices significantly. In November 2022, with the first signs of a peak in US inflation, the rise in long-term interest rates, important for markets, came to an end and even started to fall in the US. This marked the low point for both stock and bond markets.

Global financial markets recovered towards the end of the year, but ended the year broadly in deep negative territory. In 2022, stock markets in Western and emerging countries registered a decline of around 18% in euro-hedged terms. Safe US corporate bonds, Eurozone investment-grade bond indices and emerging market debt ended the year with similar losses of around 17-18%. Western speculative-grade bonds registered falls in the 10-15% range in euro-hedged terms. The sharp downward revaluation of portfolio securities reduced the amount of funds under management by the Company and had a negative impact on the level of fee income and performance, which were significantly below those forecast previously. Despite the unfavourable investment backdrop (with a few exceptions), the client base remained broadly stable, thanks to active communication during the year as well as a generally increased awareness of investment principles among clients.

2022 has been a challenging year in the Baltic States. Although the COVID-19 pandemic is over, new risks have emerged - Russia's invasion of Ukraine, the energy crisis in Europe, the highest inflation in 30 years and soaring interest rates. These factors have had a relatively stronger impact on the Baltic region, causing economic growth to stall in the second half of the year. According to preliminary data, in 2022 GDP of Latvia grew by 1.8%, that of Lithuanian by 2.2% while that of Estonia reduced by 1.3% (here and further: data on Latvia are sourced from CSP, others from Eurostat). GDP growth in Latvia was mainly driven by a reasonably strong first half of the year. At the same time, high energy and resource prices contributed to a sharp rise in inflation - in 2022, consumer prices rose by 17.3% on average in Latvia, 18.9% in Lithuania, and 19.4% in Estonia. Post-pandemic high demand for commodities has subsided and industrial orders in the Baltics have fallen. In December 2022, manufacturing output in Latvia was 2.6% lower than a year earlier, while in Estonia and Lithuania the decline was just over 10%. But overall, the Baltic states managed to avoid the worst-case scenarios. Natural gas imports from Russia have been replaced by other suppliers, a new LNG import terminal in Finland has been built in the Baltic region, and natural gas consumption has fallen by more than 30%. The labour market in the Baltic states also remains resilient, with low unemployment rates (around 6-7%) and wage growth ranging from 6% in Latvia to 13% in Lithuania (Q3, year-on-year). Government support measures eased the burden of high energy prices, allowing retail turnover to grow by more than 20% in 2022. As in the previous year, Latvia and the Baltics as a whole continue to be characterised by high levels of household and corporate cash holdings in banks.

In 2022, the Company managed the following investment funds:

CBL Equity Funds:

CBL European Leaders Equity Fund  
CBL US Leaders Equity Fund Klase R Acc EUR (hedged)  
CBL US Leaders Equity Fund Klase R Acc USD

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 Fund Funds:

CBL Prudent Opportunities Fund - EUR  
CBL Optimal Opportunities Fund - EUR  
CBL Optimal Opportunities Fund - USD  
CBL Alternative Investment Fond:  
SAIF Baltic Pearl Real Estate Fund

In the reporting year the funds managed by the Company continued to receive high-grade international awards. CBL Eastern European Bond Fund R Acc USD and CBL Global Emerging Markets Bond Fund R Acc USD were rated four stars at the end of the reporting period by the internationally recognised financial research company Morningstar. At the end of the reporting period, CBL US Leaders Equity Fund R Acc USD and CBL US Leaders Equity Fund R Acc EUR (hedged) received the highest sustainability rating of five globes.

In February 2022, the Company created a new Tier 2 passively managed investment fund CBL Indeksu plāns. The objective of the investment fund is to achieve long-term capital appreciation from up to 100% of investments made primarily in world equity markets (equity securities of companies).

### 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 1,008 million, and the largest share of them, 70% or EUR 707 million, were funds of the state funded pension scheme. Net assets of the investment funds managed by the Company amounted to EUR 83 million or 8% of total net assets under management. Other assets under management were assets of private individuals, legal persons and insurance companies; in total 218 customer portfolios with a total value of net assets of EUR 171 million and net assets of private pension funds with a total value of EUR 47 million.

In 2022, commission income decreased by 31% and amounted to EUR 4.84 million primarily due to decreased total assets under management and the variable commission fee, effective in 2021 for state funded pension plans, Tier 3 pension plans and individual customer portfolios. Commission expenses decreased by 33% and amounted to EUR 0.44 million mainly due to increased commission fee for customer acquisition under state funded pension plans in 2021. As a result, net commission income decreased by 30% and amounted to EUR 4.41 million.

The total comprehensive income of the reporting year is EUR 1.83 million (2021: EUR 4.12 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 outsourcing strategy has further improved financial performance in 2022 and it will be continued in the future.

### Subsequent events

The recovery in risk asset segments continued in the early part of 2023. The signs of an inflation slowdown that emerged towards the end of 2022 continued to fuel the view that monetary restraints could end relatively soon without triggering the global economic recession that had been expected throughout the last year. However, the rhetoric of the US and Eurozone central banks underlined the persistence of risks of continued inflation and confirmed their commitment to keep raising rates. In a context of soaring interest rates, there were risks of "market accidents", which few doubted. And such risks materialised in March 2023, when liquidity and financial problems of some banks raised concerns about the stability of the financial sector in Western countries. The cases of the US and Swiss banks are specific, they were dealt with swiftly and efficiently, and there are no grounds to speak about a growing systemic financial crisis. At the same time, more prudent banks, and consumers, may have a negative impact on the global economic growth. Even without the recent developments in the financial sector, apart from the factor of a China "liberated" from pandemic restrictions and falling energy prices, the world economy lacks clear growth drivers. Overall, this year promises to be no walk in the park for the financial markets - it cannot be ruled out that financial market volatility may cause the Company's assets under management and commission fee income to differ from the financial plan.

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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 of the Company (hereinafter - management) is responsible for the preparation of the financial statements of the Company in accordance with the laws and regulations of the Republic of Latvia which prescribe that investment management companies are to prepare their financial statements according to the International Financial Reporting Standards as adopted by the European Union.

The financial statements on pages 7 to 28 are prepared based on source documents and present fairly the financial position of the Company as at 31 December 2022 and the results of its operations and cash flows for the year then ended.

The financial statements are prepared on a going concern basis in accordance with the International Financial Reporting Standards as adopted by the European Union. 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 statements.

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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## STAND-ALONE INCOME STATEMENT

	Note	EUR	
		2022	2021
Commission and fee income	3	4 844 184	6 983 453
Commission and fee expense	4	(436 740)	(648 388)
<b>Net fee and commission income</b>		<b>4 407 444</b>	<b>6 335 065</b>
Interest expenses		(26 971)	(5 715)
<b>Net interest income</b>		<b>(26 971)</b>	<b>(5 715)</b>
Foreign exchange transaction result, net		(504)	3 105
Other income	5	-	50 000
Other expenses	6	(460 200)	(511 932)
<b>Net operating income</b>		<b>(460 704)</b>	<b>(458 827)</b>
Personnel expenses	8	(1 693 567)	(1 522 650)
Administrative and other expenses	7	(343 014)	(156 247)
Amortisation of intangible assets, right-of-use assets and fixed assets	11	(58 155)	(70 175)
<b>Profit before corporate income tax</b>		<b>1 825 033</b>	<b>4 121 451</b>
Corporate income tax for the reporting year		-	-
<b>Profit for the reporting year</b>		<b>1 825 033</b>	<b>4 121 451</b>
<b>Total comprehensive income for the reporting year attributable to shareholders</b>		<b>1 825 033</b>	<b>4 121 451</b>

The accompanying notes on pages 11 to 28 form an integral part of these financial statements.

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\_\_\_\_\_  
Vaidas Žagūnis  
Chairman of the Supervisory Board

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Kārlis Purgailis  
Chairman of the Board

For the date refer to the time stamp.

## STAND-ALONE BALANCE SHEET

		EUR	
		31/12/2022	31/12/2021
<b>Assets</b>			
	<i>Note</i>		
<b>Long-term investments</b>			
Investments in subsidiaries	10	4 268 615	4 268 615
Right-of-use assets	11	41 604	80 545
Intangible assets	11	6 912	19 514
Property and equipment	11	638	872
Prepaid expenses	12	2 134 745	2 367 026
<b>Total non-current assets</b>		<b>6 452 514</b>	<b>6 736 572</b>
<b>Short term assets</b>			
Balances due from credit institutions	9	11 901 478	8 967 126
Deferred expenses and accrued income	12	626 362	1 432 108
Other assets	13	78 272	49 599
<b>Total short term assets</b>		<b>12 606 112</b>	<b>10 448 833</b>
<b>Total assets</b>		<b>19 058 626</b>	<b>17 185 405</b>
<b>Equity and Liabilities</b>			
Share capital	18	5 904 918	5 904 918
Retained earnings		12 648 896	10 823 863
<b>Total equity and reserves</b>		<b>18 553 814</b>	<b>16 728 781</b>
Accrued liabilities	14	147 439	164 124
Provisions	15	298 435	192 346
Liabilities for leased tangible assets	16	41 847	80 802
Other liabilities	17	17 091	19 352
<b>Total liabilities</b>		<b>504 812</b>	<b>456 624</b>
<b>Total liabilities</b>		<b>19 058 626</b>	<b>17 185 405</b>

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Chairman of the Board

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## STAND-ALONE STATEMENT OF CASH FLOWS

	Note	EUR	
		2022	2021
<b>Cash flows from operating activities</b>			
Profit before income tax		1 825 033	4 121 451
Adjustments for			
Amortisation and depreciation	11	16 552	29 903
Amortization of right-of-use assets	11	41 603	40 272
Amortisation of acquisition cost of pension plans	6	216 596	213 859
Interest expenses on lease liabilities		354	564
<b>Cash flow from operating activities before changes in assets and liabilities</b>		<b>2 100 138</b>	<b>4 406 049</b>
Increase/decrease in provisions and accrued expenses		89 404	(54 401)
Increase/decrease in deferred expenses and accrued income		821 431	(662 314)
Increase in other assets		(28 673)	(16 138)
Increase in other liabilities		(2 261)	(2 963)
<b>Increase/(decrease) in cash and cash equivalents from operating activities before corporate income tax and interest income and expenses</b>		<b>2 980 039</b>	<b>3 670 233</b>
Corporate income tax received/paid		-	-
<b>Increase/(decrease) in net cash flows from operating activities</b>		<b>2 980 039</b>	<b>3 670 233</b>
<b>Cash flow from investing activities</b>			
Additions of property plant and equipment and intangible assets	11	(3 716)	(11 163)
<b>Net cash used in investing activities</b>		<b>(3 716)</b>	<b>(11 163)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	-
Lease payments	16	(41 971)	(40 634)
<b>Net cash flows from financing activities</b>		<b>(41 971)</b>	<b>(40 634)</b>
<b>Increase/(decrease) in net cash flows for the reporting period</b>		<b>2 934 352</b>	<b>3 618 436</b>
Cash and cash equivalents at the beginning of the year		8 967 126	5 348 690
<b>Cash and cash equivalents at the end of the year</b>	9	<b>11 901 478</b>	<b>8 967 126</b>

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Chairman of the Supervisory Board

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Kārlis Purgailis  
Chairman of the Board

For the date refer to the time stamp.

## STAND-ALONE STATEMENT OF CHANGES TO THE SHAREHOLDERS' EQUITY

	EUR		
	Share capital	Retained earnings	Total shareholders' equity
<b>As at 31 December 2020</b>	<b>5 904 918</b>	<b>6 702 412</b>	<b>12 607 330</b>
Profit of the reporting year	-	4 121 451	4 121 451
<b>Balance as at 31 December 2021</b>	<b>5 904 918</b>	<b>10 823 863</b>	<b>16 728 781</b>
Profit of the reporting year		1 825 033	1 825 033
<b>Balance as at 31 December 2022</b>	<b>5 904 918</b>	<b>12 648 896</b>	<b>18 553 814</b>

The accompanying notes on pages 11 to 28 form an integral part of these financial statements.

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Vaidas Žagūnis  
Chairman of the Supervisory Board

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Kārlis Purgailis  
Chairman of the Board

For the date refer to the time stamp.

## NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

### NOTE 1 - GENERAL INFORMATION ABOUT THE COMPANY

The investment management joint stock company was established on 11 January 2002 as 'Citadele Asset Management'.

The Company is engaged in individual management of customer financial instruments, issue of investment fund investment certificates and management of these funds, management of pension capital of the state funded pension scheme, and consulting of customers on investment matters. The sole shareholder is AS 'Citadele banka'. The registered address of investment management joint stock company 'CBL Asset Management' is Republikas laukums 2a, Riga, LV-1010, Latvia.

These stand-alone financial statements of IPAS 'CBL Asset Management' were approved for issue by the Board on 27 March 2023.

### NOTE 2 - 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 were prepared in accordance with the requirements set by the Financial and Capital Market Commission.

The financial statements were prepared on the historical cost basis.

These notes disclose the accounting policies consistently applied in 2021 and 2022, as well as the new standards and interpretations adopted by the Company except as indicated in section 'Changes in classification'.

#### 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 2021, 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 2022 without a material impact on the Company

*Amendments to IFRS 16 – COVID-19-Related Rent Concessions*  
*Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract*  
*Annual Improvements to IFRS Standards 2018-2022*  
*Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use*  
*Amendments to IFRS 3 – Reference to the Conceptual Framework*

#### Future requirements that have no impact on the financial data for 2022

A number of new standards, interpretations and amendments to existing standards have become effective for the financial periods beginning on or after 1 January 2022, 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. 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. Groups of insurance contracts have to be measured at a risk-adjusted present value of the future cash flows adjusted for unearned profits or losses. Profit from a group of insurance contracts is recognised over the period the insurance cover is provided, and as the risk is released; loss from a group of contracts is recognised immediately. The standard requires presenting insurance service results separately from insurance finance income or expenses and requires to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income. IFRS 17 does not impact the Company's financial statements but is applicable to subsidiary CBL Life.

*Amendments to IAS 1 – Classification of liabilities as current or non-current*  
*Amendments to IAS 1 and IFRS Practice Statement 2“ Disclosure of Accounting Policy*  
*Amendments to IAS 8 – Definition of Accounting Estimate*  
*Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback*  
*Amendments to IAS 1 – Non-current Liabilities with Covenants*

*Amendments to IAS 12 – Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*  
*Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

### **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](http://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 the Bank of Latvia (until 31.12.2022, the 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](http://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](http://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 the Bank of Latvia (until 31.12.2022, the 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 translation**

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.

### **Taxation**

#### **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 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:

*Quoted market prices (Level 1)*

Financial instruments are valued using unadjusted quoted prices in active markets.

*Valuation technique - observable market inputs (Level 2)*

Financial instruments are valued using techniques based on observable market data. In some instances, valuations received from independent third party are used.

*Valuation technique - non-market observable inputs (Level 3)*

Financial instruments are valued using techniques for which significant inputs are not based on observable market data. 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 are included in Level 1. The Company believes that the fair value of these financial assets matches their initial nominal value and the carrying amount at any future date.

The Company has no financial assets and liabilities categorised as Level 2 and 3.

## **Cash and cash equivalents**

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

## **Voluntary 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.

Provisions for deferred bonuses are recognised in the reporting period in accordance with the principles for determining the variable part in the reporting period for job positions with a risk profile as set out in the Group's remuneration policy. Deferred bonuses are paid within the specified period, unless the employee breaches certain compliance requirements, including money laundering and terrorist financing regulations.

## **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 10 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			
	2022		2021	
Increase/decrease in USD exchange	5%	5%	5%	5%
Effect on profit/loss before tax	2 129	(2 129)	2 608	(2 608)
Effect on equity	<b>2 129</b>	<b>(2 129)</b>	<b>2 608</b>	<b>(2 608)</b>

### 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 2022 is disclosed in Note 23.

### 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 2022 on these assets was EUR 12 373 832 (2021: EUR 10 232 238). 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 Bank of Latvia (until 31.12.2022, the FCMC) is disclosed in Note 21.

### NOTE 3 - FEE AND COMMISSION INCOME

	EUR	
	2022	2021
Management of investment funds and pension plans	3 772 128	4 619 628
Management of individual portfolios	1 069 422	2 350 007
Commission income from investment consultations	-	1 381
Issuance of investment certificates	2 634	12 437
<b>Total</b>	<b>4 844 184</b>	<b>6 983 453</b>

### NOTE 4 - FEE AND COMMISSION EXPENSES

	2022	2021
	Distribution of investment certificates and other products	436 181
Servicing of accounts	549	648
Custodian bank fees	10	342
	<b>436 740</b>	<b>648 388</b>

### NOTE 5 - OTHER INCOME

After evaluation of the liquidation process of the 100% subsidiary OOO Mizush Asset Management Ukraine and based on the information received from PricewaterhouseCoopers Ukraine, the liquidator of Mizush, that the tax audit had been completed successfully, an opinion has been received and the final stage of liquidation of Mizush has been initiated it was decided in 2021 to release the provision of EUR 50 000 created for potential tax penalties (EUR 50 000) against the 100% subsidiary OOO Mizush Asset Management Ukraine or its shareholder. Subsidiary OOO Mizush Asset Management Ukraine is undergoing liquidation as it is not conducting any business activities. The final tax audit has been completed, the closing financial statements have been submitted and the formal decision on liquidation is expected according to timing stipulated in law. Due to the protracted liquidation procedures in Ukraine, the Company decided to dispose of OOO Mizush Asset Management Ukraine to a law firm independent of the Company, which would become the new owner of the company and complete the liquidation on its own. The costs of the law firm are disclosed in Note 7 and the management of the Company believes that, upon completion of the transaction, the Company will not incur significant additional expenses, for which a provision should be recognised.

### NOTE 6 - OTHER EXPENSES

	EUR	
	2022	2021
Bank of Latvia charges (until 31.12.2022, the FCMC)	89 168	153 157
Amortisation of acquisition cost of pension plans	216 596	213 859
Public data bases	126 675	103 586
Other expenses	27 761	41 330
<b>Total</b>	<b>460 200</b>	<b>511 932</b>



## NOTE 7 - ADMINISTRATIVE AND OTHER EXPENSES

	EUR	
	2022	2021
IT and telecommunications	120 461	60 805
Professional services *	108 521	19 163
Non-deductible VAT	27 991	26 071
Rent of premises	14 571	13 654
Business trips	6 053	2 253
Advertisement and representation expenses	59 665	31 213
Other expenses	5 752	3 088
<b>Total</b>	<b>343 014</b>	<b>156 247</b>

\* Professional services include the fee paid for the audit of the annual report for 2022, EUR 32 500 (2021: EUR 22 977), and EUR 3 500 (2021: EUR 3 500) for other assurance services in relation to the requirements of the Financial Instruments and Market Law, provided by the auditor of the Company's annual report. Professional services in 2022 include expenses of EUR 37 589 for liquidation of OOO Mizush Asset Management Ukraina paid to PricewaterhouseCoopers Legal, AA, and EUR 25 000 to the law office, independent of the Company, for the disposal of OOO Mizush Asset Management Ukraina.

## NOTE 8 - PERSONNEL EXPENSES

	EUR	
	2022	2021
Remuneration to members of the Council and Board*	450 352	384 378
Remuneration to other employees	880 729	836 938
<b>Total remuneration</b>	<b>1 331 081</b>	<b>1 221 316</b>
State compulsory social insurance contributions	305 873	288 477
Business risk state duty	156	165
Other personnel costs	56 457	12 692
<b>Total</b>	<b>1 693 567</b>	<b>1 522 650</b>

\*Includes total remuneration paid to members of the Council and Board, including that for the performance of other functions.

## NOTE 9 - BALANCES DUE FROM CREDIT INSTITUTIONS

	EUR	
	31/12/2022	31/12/2021
Demand deposits with credit institutions*	11 901 478	8 967 126
<b>Balances due from credit institutions (cash and cash equivalents)</b>	<b>11 901 478</b>	<b>8 967 126</b>

\* Until 27 July 2022, demand deposits with AS Citadele banka carry negative % rates according to the price list of AS Citadele banka.

## NOTE 10 - INVESTMENTS IN SUBSIDIARIES

	Holding 31/12/2022		Holding 31/12/2021	
	%	EUR	%	EUR
<b>Related parties</b>				
OOO Mizush Asset Management Ukraina (Ukraine)	100.00%	2 124 105	100.00%	2 124 105
<i>Provision recognized OOO Mizush Asset Management Ukraina (Ukraine)</i>		(2 124 105)		(2 124 105)
AAS CBL Life (Latvia)	100.00%	4 268 615	100.00%	4 268 615
<b>Total related parties</b>	<b>100.00%</b>	<b>4 268 615</b>	<b>100.00%</b>	<b>4 268 615</b>

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. Total assets amount to EUR 0.00, business activities have been discontinued and all expenses in 2021 were related to liquidation. Subsidiary OOO Mizush Asset Management Ukraina is undergoing liquidation as it is not conducting any business activities. The final tax audit has been completed, the closing financial statements have been submitted and the formal decision on liquidation is expected according to timing stipulated in law. Due to the protracted liquidation procedures in Ukraine, in 2022 the Company decided to dispose of OOO Mizush Asset Management Ukraina to a law firm independent of the Company, which would become the new owner of the company and complete the liquidation on its own.

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

Financial indicators of related party AAS CBL Life for 2022 are available on the website of Citadele Group <https://www.cblgroup.com/lv/companies/cbl-life/>

## NOTE 11 - FIXED ASSETS, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	EUR			
	2022			
	Right-of-use assets	Other fixed assets and inventory	Intangible assets	Total
<i>Historical cost</i>				
<b>As at the beginning of the year</b>	<b>127 529</b>	<b>22 954</b>	<b>188 522</b>	<b>339 005</b>
Additions	2 662	309	3 407	6 378
Disposals	-	-	-	-
<b>Year-end</b>	<b>130 191</b>	<b>23 263</b>	<b>191 929</b>	<b>345 383</b>
<i>Accumulated depreciation</i>				
<b>As at the beginning of the year</b>	<b>46 984</b>	<b>22 082</b>	<b>169 008</b>	<b>238 074</b>
Depreciation	41 603	543	16 009	58 155
Disposals	-	-	-	-
<b>Year-end</b>	<b>88 587</b>	<b>22 625</b>	<b>185 017</b>	<b>296 229</b>
<i>Carrying amount</i>				
<b>As at the beginning of the year</b>	<b>80 545</b>	<b>872</b>	<b>19 514</b>	<b>100 931</b>
<b>Year-end</b>	<b>41 604</b>	<b>638</b>	<b>6 912</b>	<b>49 154</b>

	EUR			
	2021			
	Right-of-use assets	Other fixed assets and inventory	Intangible assets	Total
<i>Historical cost</i>				
<b>As at the beginning of the year</b>	<b>127 529</b>	<b>22 321</b>	<b>177 992</b>	<b>327 842</b>
Additions	-	633	10 530	11 163
Disposals	-	-	-	-
<b>Year-end</b>	<b>127 529</b>	<b>22 954</b>	<b>188 522</b>	<b>339 005</b>
<i>Accumulated depreciation</i>				
<b>As at the beginning of the year</b>	<b>6 712</b>	<b>20 698</b>	<b>140 489</b>	<b>167 899</b>
Depreciation	40 272	1 384	28 519	70 175
Disposals	-	-	-	-
<b>Year-end</b>	<b>46 984</b>	<b>22 082</b>	<b>169 008</b>	<b>238 074</b>
<i>Carrying amount</i>				
<b>As at the beginning of the year</b>	<b>120 817</b>	<b>1 623</b>	<b>37 503</b>	<b>159 943</b>
<b>Year-end</b>	<b>80 545</b>	<b>872</b>	<b>19 514</b>	<b>100 931</b>

## NOTE 12 - DEFERRED EXPENSES AND ACCRUED INCOME

	EUR	
	31/12/2022	31/12/2021
<b>Current assets</b>		
Accrued commission and fee income	394 081	1 215 512
Prepaid expenses	232 281	216 596
<b>Long-term investments</b>		
Prepaid expenses	2 134 745	2 367 026
<b>Total</b>	<b>2 761 107</b>	<b>3 799 134</b>

Accrued commission and fee income of EUR 394 081 was received shortly after the end of the period, therefore the impairment provision was assessed as not significant. See Note 23.

### Purchase of Tier 2 pension plans of PNB

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

After receipt of all regulatory permits, on 5 October 2021 the pension plans acquired in 2020 were merged with existing CBL pension investment plans.

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). The preliminary assumptions underlying the amortised cost of the transaction were compared to the actual cash flows in 2022 and significant deviation were not detected.

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

	EUR	
	31/12/2022	31/12/2021
<b>Purchase transaction of pension plans at the beginning of the year</b>	<b>2 583 622</b>	<b>2 797 481</b>
<b>Acquisition of pension plans</b>	-	-
Net changes charged to the profit and loss statement	(216 596)	(213 859)
<b>Purchase transaction of pension plans at the end of the year</b>	<b>2 367 026</b>	<b>2 583 622</b>

## NOTE 13 - OTHER ASSETS

	EUR	
	31/12/2022	31/12/2021
<b>Financial assets</b>		
Guarantee deposits	71	249
Other receivables	1 975	1 868
<b>Non-financial assets</b>		
Prepayments	51 213	46 131
Other receivables	25 013	1 351
<b>Total financial and non-financial assets</b>	<b>78 272</b>	<b>49 599</b>

## NOTE 14 - ACCRUED LIABILITIES

	EUR	
	31/12/2022	31/12/2021
<b>Financial liabilities</b>		
Professional services	43 445	66 550
<b>Non-financial liabilities</b>		
Accrued liabilities for vacations	103 994	97 574
<b>Total</b>	<b>147 439</b>	<b>164 124</b>

## NOTE 15 - PROVISIONS

	EUR		
	Provision for liquidation of a subsidiary	Provision for the variable part of remuneration	Total provisions
<b>Provisions as at 31.12.2021</b>	-	<b>192 346</b>	<b>192 346</b>
<b>Increase of provisions</b>	-	<b>243 232</b>	<b>243 232</b>
Variable part of remuneration for 2022	-	243 232	243 232
<b>Decrease of provisions</b>	-	<b>137 143</b>	<b>137 143</b>
Variable part of remuneration paid out for 2020/2021	-	137 143	137 143
<b>Provisions as at 31.12.2022</b>	-	<b>298 435</b>	<b>298 435</b>

	EUR		
	Provision for liquidation of a subsidiary	Provision for the variable part of remuneration	Total provisions
<b>Provisions as at 31.12.2020</b>	<b>81 788</b>	<b>160 827</b>	<b>242 615</b>
<b>Increase of provisions</b>	-	<b>165 528</b>	<b>165 528</b>
Variable part of remuneration for 2021	-	165 528	165 528
<b>Decrease of provisions</b>	<b>81 788</b>	<b>134 009</b>	<b>215 797</b>
Variable part of remuneration paid out for 2019/2020	-	134 009	134 009
Liquidation expenses of the subsidiary used	31 788	-	31 788
Reversed provisions for liquidation of the subsidiary*	50 000	-	50 000
<b>Provisions as at 31.12.2021</b>	<b>-</b>	<b>192 346</b>	<b>192 346</b>

\* the transaction is described in Note 5 Other income.

## NOTE 16 - LIABILITIES FOR LEASED TANGIBLE ASSETS

	EUR	
	2022	2021
<b>Liabilities for leased tangible assets at the beginning of the year</b>	<b>80 802</b>	<b>120 872</b>
Calculated interest	354	564
Increase in lease contract liabilities	2 662	-
Lease payments	(41 971)	(40 634)
<b>Liabilities for leased tangible assets at the end of the year</b>	<b>41 847</b>	<b>80 802</b>

## NOTE 17 - OTHER LIABILITIES

	EUR	
	31/12/2022	31/12/2021
<b>Financial liabilities</b>		
Accounts payable to suppliers and other companies	5 240	1 867
<b>Non-financial liabilities</b>		
Due to staff	-	580
Compulsory state social security contributions	1 852	1 681
Value added tax	9 999	15 224
<b>Total financial and non-financial liabilities</b>	<b>17 091</b>	<b>19 352</b>

## NOTE 18 - SHARE CAPITAL

As at 31 December 2022, 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.

## NOTE 19 - TAXES AND STATE SOCIAL SECURITY CONTRIBUTIONS

EUR					
	Value added tax	Compulsory state social security contributions	Personal income tax	Business risk duty	Total
<b>Payable/(overpaid) 31.12.2021</b>	<b>15 224</b>	<b>1 681</b>	-	-	<b>16 905</b>
Calculated for 2022	188 077	435 058	231 834	156	855 125
Paid in 2022	(193 302)	(434 887)	(231 834)	(156)	(860 179)
<b>Payable/(overpaid) 31.12.2022</b>	<b>9 999</b>	<b>1 852</b>	-	-	<b>11 851</b>

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

If the Company were to decide to pay dividends to shareholders from retained earnings as at the end of the reporting period, corporate income tax would be calculated and paid at the tax rate applicable in the Republic of Latvia and would amount to EUR 2 529 779 at the time of distribution when the dividend would be declared.

## NOTE 20 - REMUNERATION

	EUR	
	2022	2021
Total remuneration paid to employees with an impact on the risk profile:	793 334	745 577
<i>Remuneration to members of the Council and Board</i>	211 227	194 608
<i>Remuneration to employees who assume risk on behalf of the investment portfolios of or managed by the Company</i>	529 671	499 836
<i>Remuneration to employees who perform internal control functions</i>	52 436	51 133
Remuneration to other employees	470 174	502 532
<b>Total remuneration</b>	<b>1 263 508</b>	<b>1 248 109</b>
<i>-incl. fixed part</i>	1 147 965	1 139 679
<i>-incl. variable part</i>	115 543	108 430
	<b>2022</b>	<b>2021</b>
Average number of people remunerated	<b>38</b>	<b>39</b>
<i>incl. average number of recipients of the fixed part</i>	38	39
<i>incl. average number of recipients of the variable part</i>	23	25

The Company uses the remuneration policy of Citadele Group which aims to retain, attract, motivate and develop professional and talented people to promote achievement of long and short term objectives. According to the policy, remuneration is matched to the employee's performance, is coherent and fair, and is consistent with and competitive against labour market levels. The policy also sets additional basic principles for positions that impact the risk profile to discourage accepting risks in excess of certain levels, to avoid limiting the ability of Citadele Group to strengthen its equity, to match values of Citadele Group, to be consistent with the principles of protecting customer or investor interests and those of other stakeholders; the policy considers that setting a guaranteed variable part of remuneration is not consistent with the principle of prudent risk management or setting the variable part of remuneration based on performance according to the policy and it should not be part of future remuneration plans.

*Remuneration structure:*

- The fixed part of remuneration or salary which reflects primarily the employee's professional experience and responsibilities under the job description and labour contract. The fixed part of remuneration consists of salary and special payments to employees that are related to factors other than their performance. Groups of positions are determined by the Board of Citadele banka and so is the range of fixed remuneration for each group, including positions that impact the risk profile, on the basis of studies of remuneration at financial institutions conducted by a competent organisation. The fixed part of remuneration consists of salary and special payments to employees that are related to factors other than their performance, for example, child birth benefit, benefits payable in case of death of parents etc.
- The variable part of remuneration reflects the employee's performance in excess of the requirements set in the job description, the consistency of such performance and the assessment of existing and potential risks related to it. The variable part is comprised of sales commissions, bonuses for achievement of quality and quantity indicators and targets (in a monetary and financial instrument form), one-off bonuses for exceptional achievements, long-term motivation programme and other financial benefits. No performance fee is provided in prospectus of investment funds managed by the Company.

The Company is committed to implementing a fair and reasonable remuneration practice and policy to promote sustainable business and development in the long term and to achieve interests of both the Company and its employees.

During 2021, the remuneration policy of Citadele Group was revised by adding a statement that Citadele Group undertakes to follow developments and update the Remuneration Policy, on a regular basis, to reflect best practices and innovations in sustainable finance and ESG.

The responsibility for setting the core principles of the Remuneration Policy and its approval rests with the Council of Citadele banka and so is the development, updating (at least once a year) and supervision over implementation.

## NOTE 21 - CAPITAL ADEQUACY

The Company's capital adequacy ratio calculated in accordance with Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 and Regulation No 2019/2033 of the Bank of Latvia (until 31.12.2022 – FCMC) as at 31 December 2022 and 31 December 2021 was as follows:

	EUR	
	31/12/2022	31/12/2021
<b>Tier I capital</b>		
Paid-in share capital	5 904 918	5 904 918
Audited retained earnings (not subject to dividend payment)	10 823 863	6 702 412
Audited profit of the reporting year (not to be distributed as dividends)	1 825 033	4 121 451
Intangible assets	(6 912)	(19 514)
<b>Total Tier I capital</b>	<b>18 546 902</b>	<b>16 709 267</b>
<b>(Decrease) in equity</b>		
Significant investments in other credit and financial institutions, insurance companies	(4 268 615)	(4 268 615)
<b>Total (Decrease) in equity</b>	<b>(4 268 615)</b>	<b>(4 268 615)</b>
<b>Equity to be utilised in the capital adequacy ratio calculation</b>	<b>14 278 287</b>	<b>12 440 652</b>
<b>Summary of calculations</b>		
Capital requirement equal to 25% of total recurring expenses of the previous year	(565 251)	(533 544)
Additional own funds requirement	(117 775)	(149 952)
Additional own funds requirement to cover the professional liability risks of the AIF manager	(523)	(491)
<b>Excess of own funds over the minimum initial capital of the company</b>	<b>14 153 287</b>	<b>12 315 652</b>
<b>Excess of equity over 25% of total recurring expenses</b>	<b>13 713 036</b>	<b>11 907 108</b>
<b>Excess of equity over minimum initial capital and additional equity</b>	<b>14 034 989</b>	<b>12 165 209</b>

Both in 2022 and 2021, the capital adequacy ratio met the requirements of the Bank of Latvia (until 31.12.2022 - FCMC) for the minimum indicator of 8%.

## NOTE 22 - CURRENCY ANALYSIS

The following table presents certain balance sheet items by currency as at 31 December 2022:

	EUR	USD	Other currencies	Total
<b>Assets</b>				
Balances due from credit institutions	11 901 450	-	28	11 901 478
Deferred expenses and accrued income	351 050	42 579	452	394 081
Other assets	1 868	-	178	2 046
<b>Total financial assets</b>	<b>12 254 368</b>	<b>42 579</b>	<b>658</b>	<b>12 297 605</b>
<b>Liabilities</b>				
Accrued liabilities	(43 445)	-	-	(43 445)
Other liabilities	(5 240)	-	-	(5 240)
<b>Total financial liabilities</b>	<b>(48 685)</b>	<b>-</b>	<b>-</b>	<b>(48 685)</b>
<b>Net long/(short) position</b>	<b>12 205 683</b>	<b>42 579</b>	<b>658</b>	<b>12 248 920</b>

The following table presents certain balance sheet items by currency as at 31 December 2021:

	EUR	USD	Other currencies	Total
<b>Assets</b>				
Balances due from credit institutions	8 966 313	-	813	8 967 126
Deferred expenses and accrued income	1 162 804	52 164	544	1 215 512
Other assets	1 939	-	178	2 117
<b>Total financial assets</b>	<b>10 131 056</b>	<b>52 164</b>	<b>1 535</b>	<b>10 184 755</b>
<b>Liabilities</b>				
Accrued liabilities	(66 550)	-	-	(66 550)
Other liabilities	(1 867)	-	-	(1 867)
<b>Total financial liabilities</b>	<b>(68 417)</b>	<b>-</b>	<b>-</b>	<b>(68 417)</b>
<b>Net long/(short) position</b>	<b>10 062 639</b>	<b>52 164</b>	<b>1 535</b>	<b>10 116 338</b>



## NOTE 23 - ASSETS AND LIABILITIES' CONTRACTUAL MATURITY STRUCTURE

The following table presents balance sheet items by their remaining maturity as at 31 December 2022:

	Up to 1 month	1 – 6 months	6 – 12 months	1 – 5 years	Total
<b>Assets</b>					
Balances due from credit institutions	11 901 478	-	-	-	11 901 478
Deferred expenses and accrued income	26 338	367 743	-	-	394 081
Other assets	-	2 046	-	-	2 046
<b>Total financial assets</b>	<b>11 927 816</b>	<b>369 789</b>	<b>-</b>	<b>-</b>	<b>12 297 605</b>
<b>Liabilities</b>					
Accrued liabilities	(42 335)	(1 110)	-	-	(43 445)
Other liabilities	(4 253)	(987)	-	-	(5 240)
<b>Total financial liabilities</b>	<b>(46 588)</b>	<b>(2 097)</b>	<b>-</b>	<b>-</b>	<b>(48 685)</b>
Liabilities for leased tangible assets	(3 496)	(17 405)	(20 946)	-	(41 847)
<b>Net long/(short) position</b>	<b>11 877 732</b>	<b>350 287</b>	<b>(20 946)</b>	<b>-</b>	<b>12 207 073</b>

The following table presents balance sheet items by their remaining maturity as at 31 December 2021:

	EUR				Total
	Up to 1 month	1 – 6 months	6 – 12 months	1 – 5 years	Total
<b>Assets</b>					
Balances due from credit institutions	8 967 126	-	-	-	8 967 126
Deferred expenses and accrued income	532 156	683 356	-	-	1 215 512
Other assets	-	2 117	-	-	2 117
<b>Total financial assets</b>	<b>9 499 282</b>	<b>685 473</b>	<b>-</b>	<b>-</b>	<b>10 184 755</b>
<b>Liabilities</b>					
Accrued liabilities	(60 398)	(6 152)	-	-	(66 550)
Other liabilities	-	(1 867)	-	-	(1 867)
<b>Total financial liabilities</b>	<b>(60 398)</b>	<b>(8 019)</b>	<b>-</b>	<b>-</b>	<b>(68 417)</b>
Liabilities for leased tangible assets	(3 349)	(16 768)	(20 173)	(40 512)	(80 802)
<b>Net long/(short) position</b>	<b>9 435 535</b>	<b>660 686</b>	<b>(20 173)</b>	<b>(40 512)</b>	<b>10 035 536</b>

## NOTE 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	
	31/12/2022	31/12/2021
<b>Assets</b>		
Due from AS Citadele banka	11 901 478	8 967 126
Due from AS Citadele banka (Right-of-use asset under IFRS 16)	41 604	80 545
Due to AAS CBL Life	4 310	8 925
<b>Total</b>	<b>11 947 392</b>	<b>9 056 596</b>
<b>Liabilities</b>		
Due to AAS CBL Life	15 193	19 653
Due to AS Citadele banka (lease liabilities under IFRS 16)	41 847	80 803
Other liabilities to AS Citadele banka	28 676	-
<b>Total liabilities</b>	<b>85 716</b>	<b>100 456</b>

### Income and expenses from related parties

	EUR	
	2022	2021
<b>Income</b>		
Commission income from AAS CBL Life	52 623	94 843
<b>Total income</b>	<b>52 623</b>	<b>94 843</b>
<b>Expenses</b>		
Interest expenses to AS Citadele banka	26 971	5 715
Commission expenses to AS Citadele banka	351 664	511 391
Commission expenses to AAS CBL Life	66 651	68 892
Administrative expenses to AS Citadele banka	128 923	50 489
Lease and maintenance of premises expenses to AS Citadele banka	14 571	13 654
Amortisation AS Citadele banka (Right-of-use asset under IFRS 16)	41 603	40 272
<b>Total expenses</b>	<b>630 383</b>	<b>690 413</b>

### Assets under management from related parties

	EUR	
	31/12/2022	31/12/2021
AS Citadele banka	73 935	379 285
AAS CBL Life	51 035 529	57 565 820
<b>Total</b>	<b>51 109 464</b>	<b>57 945 105</b>

## NOTE 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.

	31/12/2022		31/12/2021	
	EUR thousand	%	EUR thousand	%
<b>Debt securities</b>				
Securities of credit institutions	62 562	6.21%	62 109	5.20%
Corporate securities	160 298	15.91%	205 936	17.25%
Central government bonds	76 606	7.60%	94 382	7.91%
Financial institution bonds	21 923	2.18%	22 732	1.90%
Municipality bonds	4 862	0.48%	5 177	0.43%
<b>Total debt securities and other fixed income securities:</b>	<b>326 251</b>	<b>32.38%</b>	<b>390 336</b>	<b>32.70%</b>
<b>Other investments</b>				
Investment funds	538 181	53.41%	650 712	54.51%
Shares	89 029	8.84%	116 175	9.73%
Cash	43 799	4.35%	33 665	2.82%
Term deposits	-	0.00%	-	0.00%
Real estate property	5 119	0.51%	4 820	0.40%
Derivatives	5 236	0.52%	(1 887)	-0.16%
<b>Total other investments:</b>	<b>681 364</b>	<b>67.62%</b>	<b>803 485</b>	<b>67.30%</b>
<b>Total debt securities and other investments</b>	<b>1 007 615</b>	<b>100.00%</b>	<b>1 193 821</b>	<b>100.00%</b>

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

	31/12/2022		31/12/2021	
	EUR thousand	%	EUR thousand	%
<b>State funded pension schemes</b>				
CBL Aktīvais ieguldījumu plāns	456 367	57.80%	533 057	56.74%
CBL Universālais ieguldījumu plāns	200 369	25.38%	237 624	25.29%
CBL dzīves cikla plāns "Millennials"	31 048	3.93%	33 422	3.56%
CBL Ilgtspējīgu iespēju ieguldījumu plāns	10 657	1.35%	10 806	1.15%
CBL Indeksu plāns*	8 536	1.08%	-	0.00%
<b>Total state funded pension schemes</b>	<b>706 977</b>	<b>89.55%</b>	<b>814 909</b>	<b>86.75%</b>
<b>Investment funds</b>				
IF CBL Eastern European Bond Fund R Acc EUR (hedged)	24 571	3.11%	45 124	4.80%
IF CBL Eastern European Bond fund R Acc USD	2 741	0.35%	5 700	0.61%
IF CBL Prudent Opportunities fund EUR	842	0.11%	974	0.10%
IF CBL Optimal Opportunities fund EUR	6 973	0.88%	8 788	0.94%
IF CBL Optimal Opportunities fund USD	1 238	0.16%	1 010	0.11%
SAIF Baltic Pearl Real Estate Fund	4 818	0.61%	4 629	0.49%

IF CBL European Leaders Equity Fund	6 327	0.80%	14 278	1.52%
IF CBL US Leaders Equity Fund Klase R Acc EUR (hedged)	7 479	0.95%	10 119	1.08%
IF CBL US Leaders Equity Fund Klase R Acc USD	6 691	0.85%	8 076	0.86%
IF CBL Global Emerging Markets Bond Fund Klase R Acc EUR (hedged)	17 854	2.26%	22 137	2.36%
IF CBL Global Emerging Markets Bond Fund Klase R Acc USD	3 010	0.38%	3 682	0.39%
<b>Total investment funds</b>	<b>82 544</b>	<b>10.45%</b>	<b>124 517</b>	<b>13.25%</b>
<b>Total pension plans and investment funds</b>	<b>789 521</b>	<b>100.00%</b>	<b>939 426</b>	<b>100.00%</b>

\* During the reporting period, a new pension plan was created for state funded pensions, CBL Indeksu plāns

## NOTE 26 - SUBSEQUENT EVENTS

The recovery in risk asset segments continued in the early part of 2023. The signs of an inflation slowdown that emerged towards the end of 2022 continued to fuel the view that monetary restraints could end relatively soon without triggering the global economic recession that had been expected throughout the last year. However, the rhetoric of the US and Eurozone central banks underlined the persistence of risks of continued inflation and confirmed their commitment to keep raising rates. In a context of soaring interest rates, there were risks of “market accidents”, which few doubted. And such risks materialised in March 2023, when liquidity and financial problems of some banks raised concerns about the stability of the financial sector in Western countries. The cases of the US and Swiss banks are specific, they were dealt with swiftly and efficiently, and there are no grounds to speak about a growing systemic financial crisis. At the same time, more prudent banks, and consumers, may have a negative impact on the global economic growth. Even without the recent developments in the financial sector, apart from the factor of a China “liberated” from pandemic restrictions and falling energy prices, the world economy lacks clear growth drivers. Overall, this year promises to be no walk in the park for the financial markets - it cannot be ruled out that financial market volatility may cause the Company’s assets under management and commission fee income to differ from the financial plan.



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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 7 to 28 of the accompanying Annual Report, which comprise:

- separate balance sheet as at 31 December 2022,
- separate income statement for the year then ended,
- separate statement of changes to shareholder's equity for the year then ended,
- separate statement of cash flows for the year then ended, and
- notes to the separate 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 separate financial position of IPAS CBL Asset Management as at 31 December 2022, and of its separate financial performance and its separate 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 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 2022 amounted to EUR 4 844 184 (2021: EUR 6 983 453).

Reference to the separate financial statements: Note 2 'Income and expense recognition' on page 12 (accounting policy); Note 3 'Commission and fee income' (notes to the separate financial statements).

### **Key Audit Matter**

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 response**

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 2022:
  - 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;
  - Reviewed on a sample basis income other than from the management of investment funds or plans against the applicable conditions, primarily for individually managed portfolios.
  - 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 and 5 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 the Financial and Capital Market Commission of the Republic of Latvia – "Regulations on the Preparation of Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies" ("Regulation No. 113").

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 financial year for which the separate financial statements are prepared is consistent with the separate 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 24 August 2022 to audit the separate financial statements of IPAS CBL Asset Management for the year ended 31 December 2022. Our total uninterrupted period of engagement is 10 years, covering the periods ending 31 December 2013 to 31 December 2022.

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 SIA  
Licence No. 55

Rainers Vilāns  
Member of the Board  
Latvian Sworn Auditor  
Certificate No. 200  
Riga, Latvia  
27 March 2023

**THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONICAL SIGNATURE AND  
CONTAINS A TIMESTAMP**

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