

IPAS CBL Asset Management

Annual Report

for 2023

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GENERAL INFORMATION

Name of the Company	CBL Asset Management
Legal status	Joint stock investment management company
Registration number with the Enterprise Register, 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 Rīga, Latvia, LV-1522
Investments in companies	AAS CBL Life (100%) Republikas laukums 2a, Riga, Latvia
Members of the Board and their positions	Chairman of the Board – Kārlis Purgailis – appointed on 28.09.2022 Member of the Board – Zigurds Vaikulis – appointed on 19.04.2023 Member of the Board – Andris Kotāns – from 07.05.2020 to 15.09.2023 Member of the Board – Lolita Sičeva – appointed on 07.05.2020
Council members and their positions	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 – from 03.08.2021 to 03.11.2023 Ruta Ezerskiene – appointed on 03.11.2023
Reporting year	1 January 2023 to 31 December 2023
Auditors	Rainers Vilāns Sworn Auditor Certificate No. 200 KPMG Baltics SIA Roberta Hirša iela 1 Rīga, Latvia, LV-1045 Licence No. 55

MANAGEMENT REPORT

Line of business

IPAS CBL Asset Management (hereinafter – 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. Licence for operation of alternative investment fund manager issued on 10 January 2014 and re-registered on 19 January 2015 under 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 2023 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 the Company's officials, members of the Board and Council, refer to section 'General information'.

Key events in 2023

Economic trends in the Western economies in 2023 were in line with the best-case scenario: recession fears were not justified, unemployment remained low, while inflation rates on both sides of the Atlantic continued to slow significantly. This allowed the US and the euro area central banks to conclude their rate hiking campaign in the second half of the year.

The US economy remained on a growth trajectory the entire year. The performance of the most interest rate-sensitive sectors, construction and manufacturing, remained weak, but was more than offset by strong private demand, which continued to be underpinned by historically low unemployment and sustained income growth. The euro area economy continued to stagnate from the end of 2022, private consumption dynamics were weak and gross domestic product showed marginal growth during 2023, even a slight annualised negative in Germany.

2023 was a turbulent year for financial markets, with volatile investor sentiment and stock prices, but overall, the stabilisation and recovery of financial markets that started in autumn 2022 continued during the year. Growing investor expectations for an early reduction in base rates had a positive impact on all bond segments at the end of the year and led to a positive result for 2023 as a whole. After significant intra-year fluctuations, US 10-year government bond rates ended the year at the same level as in 2022, with German ones even below the levels at the start of the year. Overall, the risk-friendly backdrop in financial markets helped to reduce premiums in riskier bond sectors. After double-digit declines in 2022, speculatively rated Western corporate bonds rose by an average of 11-12% in euro-hedge terms. Other bond segments showed more moderate dynamics, with investment-grade corporate bonds in US dollar and euro and emerging market debt showing average annual gains of 6-7%.

Global stock markets also rebounded sharply in 2023 from deep lows in 2022. In addition, the US stock market outperformed other regions again and by the end of the year was already close to the record levels reached two years ago. During 2023, Western stock markets rose by more than 20% in euro-hedge terms, and developing countries by 7% on average.

The price appreciation of financial assets in the Company's managed portfolios was stronger than forecast for 2023, which had a positive impact on the size of the Company's funds under management and on the level of fee income and returns.

Economic growth in the Baltics was relatively weak in 2023, negatively impacted by the previously observed sharp price increases, rising interest rates, and weak external demand in manufacturing, resulting in a slight recession in all three Baltic countries. By sector, manufacturing and transport sectors fared worse in 2023, mainly due to weak external demand and the cyclical downturn in global manufacturing. As a result, industrial output fell by 9.8% in Estonia, 4.4% in Latvia and 3.4% in Lithuania in 2023. Agricultural output was adversely affected by weather conditions, retail trade was held back by an inflation-induced fall in real incomes. In contrast, service sectors such as IT, professional services, and tourism continued to grow.

According to the first estimate, in 2023, GDP in Lithuania would decline by 0.3%, in Latvia by 0.6% and in Estonia by 3.5% (here and below: data for Latvia were sourced from CSP, others from Eurostat). Estonia's relatively weak performance in 2023 can be explained by a higher share of exports to Sweden and Finland, while rising interest rates due to higher levels of private sector debt dampened consumption and investment and reduced the availability of finance for IT start-ups.

The easing of the energy crisis was a very important factor contributing to the decline of inflation in the Baltics from over 20% at the beginning of 2023 to less than 3% at the end of the year. The Baltic countries have successfully substituted natural gas imports from Russia with other suppliers and energy prices in Europe have fallen. The labour market in 2023 was affected by the economic downturn. In Estonia, unemployment rose from an average of 5.6% in 2022 to 6.4% in 2023, in Lithuania unemployment increased from 6.0% to 6.9%, while in Latvia unemployment fell from 6.9% to 6.5%. Despite the rise in unemployment, wage growth in the Baltics exceeded 10% in the first three quarters of 2023.

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 1 126 million, and the largest share of them, 72% or EUR 816 million, were funds of the state funded pension investment scheme while net assets of the investment funds managed by the Company amounted to EUR 88 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 235 customer portfolios with a total value of net assets of EUR 169 million and net assets of private pension funds with a total value of EUR 53 million.

Compared to 2022, in 2023 commission income increased by 0.15% and amounted to EUR 4.85 million. This is mainly due to the successful performance of the public funded pension investment plans. Commission expenses increased by 4% and amounted to EUR 0.46 million mainly due to slightly increased commission fee for customer acquisition under state funded pension plans in 2023. As a result, net commission income decreased by 5% and amounted to EUR 4.40 million.

The total comprehensive income of the reporting year is EUR 2.24 million (2022: 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 2023 and it will be continued in the future.

Subsequent events

No significant events have taken place since the year end to the date of these financial statements that would have a material impact on the Company's financial position and require disclosures to be added to the financial statements.

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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 7 to 28 are prepared based on source documents and present fairly the financial position of the Company as at 31 December 2023 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 IFRS accounting 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 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	EUR	
		2023	2022
Commission and fee income	3	4 851 646	4 844 184
Commission and fee expense	4	(455 369)	(436 740)
Net fee and commission income		4 396 277	4 407 444
Interest income	5	328 969	-
Interest expenses		(233)	(26 971)
Net interest income		328 736	(26 971)
Net foreign exchange transaction result		(1 687)	(504)
Other expenses	6	(373 342)	(460 200)
Net operating income		(375 029)	(460 704)
Personnel expenses	8	(1 729 020)	(1 693 567)
Administrative and other expenses	7	(331 776)	(343 014)
Amortisation of intangible assets, right-of-use assets and fixed assets	11	(46 730)	(58 155)
Impairment charge or reversal		(1 245)	-
Profit before corporate income tax		2 241 213	1 825 033
Corporate income tax for the reporting year		-	-
Profit of the reporting year		2 241 213	1 825 033
Total comprehensive income for the reporting year attributable to shareholders		2 241 213	1 825 033

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

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Chairman of the Council

Kārlis Purgailis
Chairman of the Board

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SEPARATE BALANCE SHEET

		EUR	
		31/12/2023	31/12/2022
<u>Assets</u>			
	<i>Note</i>		
Long-term investments			
Investments in subsidiaries	10	4 268 615	4 268 615
Right-of-use assets	11	-	41 604
Intangible assets	11	3 424	6 912
Fixed assets	11	863	638
Prepaid expenses	12	1 885 154	2 134 745
Total non-current assets		6 158 056	6 452 514
Short term assets			
Balances due from credit institutions	9	1 513 786	11 901 478
Term deposits with credit institutions	9	12 697 338	-
Deferred expenses and accrued income	12	810 957	626 362
Other assets	13	93 093	78 272
Total short term assets		15 115 174	12 606 112
Total assets		21 273 230	19 058 626
<u>Equity and Liabilities</u>			
Share capital	18	5 904 918	5 904 918
Retained earnings		14 890 109	12 648 896
Total equity and reserves		20 795 027	18 553 814
Accrued liabilities	14	147 347	147 439
Provisions	15	318 546	298 435
Liabilities for leased tangible assets	16	-	41 847
Other liabilities	17	12 310	17 091
Total liabilities		478 203	504 812
Total liabilities		21 273 230	19 058 626

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Chairman of the Board

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SEPARATE STATEMENT OF CASH FLOWS

	Note	EUR	
		2023	2022
Cash flows from operating activities			
Profit before income tax		2 241 213	1 825 033
Adjustments for			
Amortisation and depreciation	11	3 761	16 552
Amortization of right-of-use assets	11	42 969	41 603
Amortisation of acquisition cost of pension plans	6	232 283	216 596
Interest income on term deposits	5	(314 083)	-
Interest expenses on lease liabilities		233	354
Cash flow from operating activities before changes in assets and liabilities		2 206 376	2 100 138
Increase/decrease in provisions and accrued expenses		20 019	89 404
Increase/decrease in deferred expenses and accrued income		(167 288)	821 431
Increase in other assets		(14 821)	(28 673)
Increase in other liabilities		(4 780)	(2 261)
Increase/(decrease) in cash and cash equivalents from operating activities before corporate income tax and interest income and expenses		2 039 506	2 980 039
Increase/(decrease) in net cash flows from operating activities		2 039 506	2 980 039
Cash flow from investing activities			
Acquired fixed and intangible assets	11	(498)	(3 716)
Placement of term deposits		(35 112 813)	-
Repayment of term deposits		22 500 000	-
Interest received during the period		228 313	-
Impairment charge or reversal		1245	-
Net cash used in investing activities		(12 383 753)	(3 716)
Cash flows from financing activities			
Lease payments	16	(43 445)	(41 971)
Net cash flows from financing activities		(43 445)	(41 971)
Increase/(decrease) in net cash flows for the reporting period		(10 388 937)	2 934 352
Cash and cash equivalents at the beginning of the year		11 901 478	8 967 126
Cash and cash equivalents at the end of the year	9	1 513 786	11 901 478

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SEPARATE STATEMENT OF CHANGES TO THE SHAREHOLDER'S EQUITY

	EUR		
	Share capital	Retained earnings	Total equity
As at 31 December 2021	5 904 918	10 823 863	16 728 781
Profit of the reporting year	-	1 825 033	1 825 033
As at 31 December 2022	5 904 918	12 648 896	18 553 814
Profit of the reporting year	-	2 241 213	2 241 213
As at 31 December 2023	5 904 918	14 890 109	20 795 027

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Kārlis Purgailis
Chairman of the Board

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE COMPANY

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

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 28 March 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with IFRS accounting standards 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 are prepared on a historical cost basis.

These notes disclose the accounting policies consistently applied in 2022 and 2023, 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 standards, interpretations and amendments which were not applicable to the previous annual financial statements have been issued. Certain standards became effective in 2023, while others will become effective in subsequent reporting periods. This section describes the standards applicable to the Company. Where the impact of the new requirements is expected to be significant, it is disclosed.

New requirements effective for 2023 which did not have a significant effect on the Company

Amendments to IAS 1 and IFRS Practice Statement 2" Disclosure of Accounting Policy

Amendments to IAS 8 – Definition of Accounting Estimate

Amendments to IAS 12 – Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Amendments to IAS 12 – International Tax Reform - Pillar Two Model Rules

IFRS 17 - Insurance Contracts, amendments to IFRS 17 (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)

Future requirements not yet in force

A number of new standards, interpretations and amendments to existing standards have become effective for the financial periods beginning on or after 1 January 2023, 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.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current Liabilities with Covenants

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

Amendments to IAS 7 and IAS 7 – Supplier Finance Arrangements

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 21 – Lack of Exchangeability

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 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. 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 Management 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 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.

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 accounting standards introduce 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:

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 cases, independent third-party evaluation reports 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.

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. SFPS. 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 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.

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			
	2023		2022	
Increase/decrease in USD exchange	5%	5%	5%	5%
Effect on profit/loss before tax	1 568	1 568	2 129	(2 129)
Effect on equity	1 568	1 568	2 129	(2 129)

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 2023 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, and term deposits. The maximum credit risk exposure as at 31 December 2023 on these assets was EUR 14 865 586 (2022: EUR 12 373 832). 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 on term deposits is insignificant and at the reporting date it is EUR 1 245 (2022: EUR 0).

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. Based on the remaining maturity term, a change in the base rate of +/-1% would affect P&L by +/- EUR 31 532.

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.

3. FEE AND COMMISSION INCOME

	EUR	
	2023	2022
Management of investment funds and pension plans	3 761 596	3 772 128
Management of individual portfolios	1 088 788	1 069 422
		-
Issuance of investment certificates	1 262	2 634
Total	4 851 646	4 844 184

4. FEE AND COMMISSION EXPENSES

	EUR	
	2023	2022
Distribution of investment certificates and other products	454 780	436 181
Servicing of accounts	589	549
Custodian bank fees	-	10
Total	455 369	436 740

5. INTEREST INCOME

	EUR	
	2023	2022
Interest on account balances with AS Citadele banka	14 886	-
Interest on term deposits with AS Citadele banka	115 500	-
Interest on term deposits with AS Citadele banka LT branch	198 583	-
Total	328 969	-

6. OTHER EXPENSES

	EUR	
	2023	2022
Bank of Latvia charges (until 31.12.2022, the FCMC)	46 888	89 168
Amortisation of acquisition cost of pension plans	232 283	216 596
Public data bases	71 764	126 675
Other expenses	22 407	27 761
Total	373 342	460 200

7. ADMINISTRATIVE AND OTHER EXPENSES

	EUR	
	2023	2022
IT and communication expenses	161 331	120 461
Professional services *	61 341	108 521
Non-deductible VAT	26 339	27 991
Rent of premises	18 278	14 571
Business trips	2 786	6 053
Advertisement and representation expenses	58 028	59 665
Other expenses	3 673	5 752
Total	331 776	343 014

* Professional services include the fee paid to the auditor for the audit of the annual report for 2023 of EUR 35 200 (2022: EUR 32 500). The Annual Report for 2023 includes professional fees of EUR 13 892 for the liquidation of OOO Mizush

Asset Management Ukraina, paid to PricewaterhouseCoopers Legal, AA. After assessing the liquidation of the Company's wholly-owned subsidiary OOO Mizush Asset Management Ukraine at the end of 2022 and due to the protracted liquidation procedures in Ukraine, the Company had 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. On 28 April 2023, in fulfilment of the terms of the share transfer agreement, the deed of transfer of Mizush shares was signed and filed with the Ukrainian Register of Companies, as a result of which an entry was made in the Ukrainian Commercial Register on 1 May 2023 regarding the transfer of 100% of Mizush shares to ZAB Spridzans, Snipe & Khramchenko SIA and the Company was removed from the register of Mizush shareholders. According to the Share Disposal Agreement, ZAB Spridzāns, Snipe & Hramčenko SIA, as the new shareholder of Mizush, continues the liquidation of Mizush. No additional costs are expected in connection with the disposal of OOO Mizush Asset Management Ukraine.

8. PERSONNEL EXPENSES

	EUR	
	2023	2022
Remuneration to members of the Council and Board*	402 710	450 352
Remuneration to other employees	961 501	880 729
Total remuneration	1 364 211	1 331 081
State compulsory social insurance contributions	318 619	305 873
Business risk state duty	145	156
Other personnel costs	46 045	56 457
Total	1 729 020	1 693 567

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

9. BALANCES DUE FROM CREDIT INSTITUTIONS

	EUR	
	31/12/2023	31/12/2022
Demand deposits with credit institutions	1 513 786	11 901 478
Balances due from credit institutions on demand (cash and cash equivalents)	1 513 786	11 901 478
	EUR	
	31/12/2023	31/12/2022
Balances due from credit institutions, term deposits with credit institutions*	12 697 338	-
Balances due from credit institutions (term deposits with credit institutions)	12 697 338	-

*. As at 31 December 2023, an investment was held in a term deposit with AS Citadele banka Lithuanian branch at an interest rate of 3.85% maturing on 27 January 2024.

10. INVESTMENTS IN SUBSIDIARIES

	Holding 31/12/2023		Holding 31/12/2022	
	%	EUR	%	EUR
Related parties				
OOO Mizush Asset Management Ukraina (Ukraine)			100.00%	2 124 105
<i>Provision recognized OOO Mizush Asset Management Ukraina (Ukraine)</i>				(2 124 105)
AAS CBL Life (Latvia)	100.00%	4 268 615	100.00%	4 268 615
Total related parties	100.00%	4 268 615	100.00%	4 268 615

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. For liquidation, the Company engaged AA Pricewaterhouse Coopers Legal, total assets amounted to EUR 0.00, business activities were discontinued and all expenses of the entity in 2021 were related to its liquidation. After assessing the liquidation of the Company's wholly-owned subsidiary OOO Mizush Asset Management Ukraina at the end of 2022 and due to the protracted liquidation procedures in Ukraine, the Company had 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.

On 28 April 2023, in fulfilment of the terms of the share transfer agreement, the deed of transfer of Mizush shares was signed and filed with the Ukrainian Register of Companies, as a result of which an entry was made in the Ukrainian Commercial Register on 1 May 2023 regarding the transfer of 100% of Mizush shares to ZAB Spridzans, Snipe & Khrumchenko SIA and the Company was removed from the register of Mizush shareholders. According to the Share Disposal Agreement, ZAB Spridzāns, Snipe & Hramčenko SIA, as the new shareholder of Mizush, continues the liquidation of Mizush.

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

Financial indicators of the related party AAS CBL Life for 2023 are available on the website of Citadele Group <https://www.cblgroup.com/lv/companies/cbl-life/>. Due to the adoption of IFRS 17 Insurance Contracts, net assets as at 31 December 2023 amounted to EUR 4 268 200 (31 December 2022: EUR 1 965 985). As profits are still being made, there is no need for additional provisions.

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

	EUR			
	2023			
	Right-of-use assets*	Other fixed assets and inventory	Intangible assets	Total
<i>Historical cost</i>				
As at the beginning of the year	130 191	23 263	191 929	345 383
Additions	1 365	498	-	1 863
Disposals	-	-	-	-
Year-end	131 556	23 761	191 929	347 246
<i>Accumulated depreciation</i>				
As at the beginning of the year	88 587	22 625	185 017	296 229
Depreciation	42 969	273	3 488	46 730
Disposals	-	-	-	-
Year-end	131 556	22 898	188 505	342 959
<i>Carrying amount</i>				
As at the beginning of the year	41 604	638	6 912	49 154

Year-end	-	863	3 424	4 287
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EUR				
2022				
	Right-of-use assets	Other fixed assets and inventory	Intangible assets	Total
<i>Historical cost</i>				
As at the beginning of the year	127 529	22 954	188 522	339 005
Additions	2 662	309	3 407	6 378
Disposals	-	-	-	-
Year-end	130 191	23 263	191 929	345 383
<i>Accumulated depreciation</i>				
As at the beginning of the year	46 984	22 082	169 008	238 074
Depreciation	41 603	543	16 009	58 155
Disposals	-	-	-	-
Year-end	88 587	22 625	185 017	296 229
<i>Carrying amount</i>				
As at the beginning of the year	80 545	872	19 514	100 931
Year-end	41 604	638	6 912	49 154

* After the reporting date, on 24 January 2024 a sublease agreement was signed with AS Citadele banka regarding non-residential premises.

12. DEFERRED EXPENSES AND ACCRUED INCOME

	EUR	
	31/12/2023	31/12/2022
Current assets		
Accrued commission and fee income	561 369	394 081
Prepaid expenses	249 588	232 281
Long-term investments		
Prepaid expenses	1 885 154	2 134 745
Total	2 696 111	2 761 107

Accrued commission and fee income of EUR 561 369 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 were born before 30 June 1971). The preliminary assumptions underlying the amortised cost of the transaction were compared to the actual cash flows in 2023 and significant deviation were not detected.

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

	EUR	
	31/12/2023	31/12/2022
Purchase transaction of pension plans at the beginning of the year	2 367 026	2 583 622
Acquisition of pension plans		-
Net changes charged to the profit and loss statement	(232 283)	(216 596)
Purchase transaction of pension plans at the end of the year	2 134 743	2 367 026

13. OTHER ASSETS

	EUR	
	31/12/2023	31/12/2022
Financial assets		
Guarantee deposits	71	71
Other receivables	2 803	1 975
Non-financial assets		
Other receivables, incl. prepayments	90 219	76 226
Total financial and non-financial assets	93 093	78 272

14. ACCRUED LIABILITIES

	EUR	
	31/12/2023	31/12/2022
Financial liabilities		
Professional services	54 549	43 445
Non-financial liabilities		
Accrued liabilities for vacations	92 798	103 994
Total	147 347	147 439

15. PROVISIONS

	Total provision for the variable part of remuneration
Provisions as at 31.12.2022	298 435
Provisions made for the estimated variable part of remuneration for the year 2023	236 321
Reduction of the estimate of the created savings when paying the variable part of the remuneration for 2021/2022	172 759
Change in accruals by adjusting prior year estimates 2022	43 451
Provisions as at 31.12.2023	318 546

**Total provision for the variable
part of remuneration**

Provisions as at 31.12.2021	192 346
Provisions made for the estimated variable part of remuneration for the year 2022	243 232
Reduction of the estimate of the created savings when paying the variable part of the remuneration for 2020/2021	137 143
Provisions as at 31.12.2022	298 435

16. LIABILITIES FOR LEASED TANGIBLE ASSETS

	EUR	
	2023	2022
Liabilities for leased tangible assets at the beginning of the year	41 847	80 802
Calculated interest	233	354
Increase in lease contract liabilities	1 365	2 662
Lease payments	(43 445)	(41 971)
Liabilities for leased tangible assets at the end of the year*	-	41 847

17. OTHER LIABILITIES

	EUR	
	31/12/2023	31/12/2022
Financial liabilities		
Accounts payable to suppliers and other companies	2 803	5 240
Non-financial liabilities		-
Compulsory state social security contributions	555	1 852
Value added tax	8 952	9 999
Total financial and non-financial liabilities	12 310	17 091

18. SHARE CAPITAL

As at 31 December 2023, 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.

19. TAXES AND STATE SOCIAL SECURITY CONTRIBUTIONS

	EUR				
	Value added tax	Compulsory state social security contributions	Personal income tax	Business risk duty	Total
Payable/(overpaid) 31.12.2022	9 999	1 852	-	-	11 851
Calculated for 2023	128 929	472 603	253 231	145	833 511
Paid in 2023	(129 976)	(473 900)	(253 231)	(145)	(835 855)
Payable/(overpaid) 31.12.2023	8 952	555	-	-	9 507

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 2 978 021 at the time of distribution when the dividend would be declared. (2022: EUR 2 529 779)

20. REMUNERATION

	EUR	
	2023	2022
Total remuneration paid to employees with an impact on the risk profile:	749 689	793 334
<i>Remuneration to members of the Council and Board</i>	218 390	211 227
<i>Remuneration to employees who assume risk on behalf of the investment portfolios of or managed by the Company</i>	472 517	529 671
<i>Remuneration to employees who perform internal control functions</i>	58 782	52 436
Remuneration to other employees	619 129	470 174
Total remuneration	1 368 818	1 263 508
<i>-incl. fixed part</i>	1 229 034	1 147 965
<i>-incl. variable part</i>	139 784	115 543
	2023	2022
Average number of people remunerated	31	38
<i>incl. average number of recipients of the fixed part</i>	31	38
<i>incl. average number of recipients of the variable part</i>	28	23

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's Remuneration Policy takes account of sustainability considerations, and compliance with Citadele Group Code of Conduct and alignment of stakeholder expectations in employee actions.

Citadele Group 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 Citadele Group and its employees. The Remuneration Policy, among other things, includes the requirement to comply with the Code of Conduct of Citadele Group and standards for aligning employee behaviour with the interests of the wider Citadele Group stakeholders. As the appreciation of assets under management is not the only or the main component of the Remuneration Policy, there is limited risk that individual motivations for investment decisions may not be aligned with sustainability risk considerations. In addition, to further limit excessive risk-taking and reduce the focus on short-term objectives, for job groups that affect the risk profile of the business and portfolios, part of the variable remuneration is deferred for a period of one to three years. Citadele Group closely follows developments and updates 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 of Citadele Group 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. The Company's Council approves and supervises the Remuneration Policy and the related procedures and measures.

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 2023 and 31 December 2022 was as follows:

	EUR	
	31/12/2023	31/12/2022
Tier I capital		
Paid-up share capital	5 904 918	5 904 918
Audited retained earnings (not subject to dividend payment)	12 648 896	10 823 863
Audited profit of the reporting year (not to be distributed as dividends)	2 241 213	1 825 033
Intangible assets	(3 424)	(6 912)
Total Tier I capital	20 791 603	18 546 902
(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	16 522 988	14 278 287
Summary of calculations		
Capital requirement equal to 25% of total recurring expenses of the previous year	(638 734)	(565 251)
Additional own funds requirement	(142 176)	(117 775)
Additional own funds requirement to cover the professional liability risks of the AIF manager	(511)	(523)
Excess of own funds over the minimum initial capital of the company	16 397 988	14 153 287
Excess of equity over 25% of total recurring expenses	15 884 254	13 713 036
Excess of equity over minimum initial capital and additional equity	16 255 301	14 034 989

Both in 2023 and 2022, the capital adequacy ratio met the requirements of the Bank of Latvia (until 31.12.2022 - FCMC) for the minimum indicator of 8%.

22. CURRENCY ANALYSIS

The following table presents certain balance sheet items by currency as at 31 December 2023:

	EUR	USD	Other currencies	Total
Assets				
Balances due from credit institutions	1 513 786	-	-	1 513 786
Investments in term deposit	12 697 338	-	-	12 697 338
Deferred expenses and accrued income	530 012	31 357	-	561 369
Other assets	2 874	-	-	2 874
Total financial assets	14 744 010	31 357	-	14 775 367
Liabilities				
Accrued liabilities	(54 549)	-	-	(54 549)
Other liabilities	(2 804)	-	-	(2 804)
Total financial liabilities	(57 353)	-	-	(57 353)
Net long/(short) position	1 810 357	31 357	-	1 841 714

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

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

23. ASSETS AND LIABILITIES' CONTRACTUAL MATURITY STRUCTURE

The following table presents balance sheet items by their remaining maturity as at 31 December 2023:

	Up to 1 month	1 – 6 months	6 – 12 months	1 – 5 years	Total
Assets					
Balances due from credit institutions	1 513 786	-	-	-	1 513 786
Investments in term deposit	-	12 697 338	-	-	12 697 338
Deferred expenses and accrued income	440 450	120 919	-	-	561 369
Other assets	1 402	1 472	-	-	2 874
Total financial assets	1 955 638	12 819 729	-	-	14 775 367
Liabilities					
Accrued liabilities	(52 990)	(1 559)	-	-	(54 549)
Other liabilities	(1 402)	(1 402)	-	-	(2 804)
Total financial liabilities	(54 392)	(2 961)	-	-	(57 353)
Liabilities for leased tangible assets	-	-	-	-	-
Net long/(short) position	1 901 246	12 816 768	-	-	14 718 014

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

	EUR				Total
	Up to 1 month	1 – 6 months	6 – 12 months	1 – 5 years	Total
Assets					
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
Total financial assets	11 927 816	369 789	-	-	12 297 605
Liabilities					
Accrued liabilities	(42 335)	(1 110)	-	-	(43 445)
Other liabilities	(4 253)	(987)	-	-	(5 240)
Total financial liabilities	(46 588)	(2 097)	-	-	(48 685)
Liabilities for leased tangible assets	(3 496)	(17 405)	(20 946)	-	(41 847)
Net long/(short) position	11 877 732	350 287	(20 946)	-	12 207 073

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	
	31/12/2023	31/12/2022
Assets		
Due from AS Citadele banka	1 513 786	11 901 478
Due from AS Citadele banka Lithuanian branch	12 697 338	-
Due from AS Citadele banka (Right-of-use asset under IFRS 16)	-	41 604
Due to AAS CBL Life	4 088	4 310
Total	14 215 212	11 947 392
Liabilities		
Due to AAS CBL Life	15 397	15 193
Due to AS Citadele banka (lease liabilities under IFRS 16)	-	41 847
Other liabilities to AS Citadele banka	38 067	28 676
Total liabilities	53 464	85 716

Income and expenses from related parties

	EUR	
	2023	2022
Income		
Interest income from AS Citadele banka	130 386	-
Interest income from AS Citadele banka Lithuanian branch	198 583	-
Commission income from AAS CBL Life	48 331	52 623
Total income	377 300	52 623
Expenses		
Interest expenses to AS Citadele banka	233	26 971
Commission expenses to AS Citadele banka	387 706	351 664
Commission expenses to AAS CBL Life	61 577	66 651
Administrative expenses to AS Citadele banka	114 999	128 923
Lease and maintenance of premises expenses to AS Citadele banka	18 278	14 571
Amortisation AS Citadele banka (Right-of-use asset under IFRS 16)	42 969	41 603
Total expenses	625 763	630 383

Assets under management from related parties

	EUR	
	31/12/2023	31/12/2022
AS Citadele banka	1 234 712	1 100 890
AAS CBL Life	49 074 964	51 035 529
Total	50 309 676	52 136 419

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.

	31/12/2023		31/12/2022	
	EUR thousand	%	EUR thousand	%
Debt securities				
Securities of credit institutions	62 956	5.59%	62 562	6.21%
Corporate securities	172 083	15.27%	160 298	15.91%
Central government bonds	115 006	10.21%	76 606	7.60%
Financial institution bonds	22 314	1.98%	21 923	2.18%
Municipality bonds	6 784	0.60%	4 862	0.48%
Total debt securities and other fixed income securities:	379 143	33.65%	326 251	32.38%
Other investments				
Investment funds	594 051	52.73%	538 181	53.41%
Shares	111 583	9.90%	89 029	8.84%
Cash	35 906	3.19%	43 799	4.35%
Term deposits	-	0.00%	-	0.00%
Real estate property	5 100	0.45%	5 119	0.51%
Derivatives	878	0.08%	5 236	0.52%
Total other investments:	747 518	66.35%	681 364	67.62%
Total debt securities and other investments	1 126 661	100.00%	1 007 615	100.00%

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

	31/12/2023		31/12/2022	
	EUR thousand	%	EUR thousand	%
State funded pension schemes				
CBL Aktīvais ieguldījumu plāns	520 584	57.57%	456 367	57.80%
CBL Universālais ieguldījumu plāns	218 568	24.17%	200 369	25.38%
CBL dzīves cikla plāns "Millennials"	38 282	4.23%	31 048	3.93%
CBL Ilgtspējīgu iespēju ieguldījumu plāns	15 361	1.70%	10 657	1.35%
CBL Indeksu plāns*	23 150	2.56%	8 536	1.08%
Total state funded pension schemes	815 945	90.24%	706 977	89.55%
Investment funds				
IF CBL Eastern European Bond Fund R Acc EUR (hedged)**	26 878	2.97%	24 571	3.11%
IF CBL Eastern European Bond fund R Acc USD**	2 175	0.24%	2 741	0.35%
IF CBL Prudent Opportunities fund EUR**	1 004	0.11%	842	0.11%
IF CBL Optimal Opportunities fund EUR**	7 310	0.81%	6 973	0.88%
IF CBL Optimal Opportunities fund USD**	1 107	0.12%	1 238	0.16%
SAIF Baltic Pearl Real Estate Fund**	4 680	0.52%	4 818	0.61%

IF CBL European Leaders Equity Fund**	8 370	0.93%	6 327	0.80%
IF CBL US Leaders Equity Fund Klase R Acc EUR (hedged)**	7 298	0.81%	7 479	0.95%
IF CBL US Leaders Equity Fund Klase R Acc USD**	10 098	1.12%	6 691	0.85%
IF CBL Global Emerging Markets Bond Fund Klase R Acc EUR (hedged)	17 768	1.96%	17 854	2.26%
IF CBL Global Emerging Markets Bond Fund Klase R Acc USD	1 604	0.18%	3 010	0.38%
Total investment funds	88 292	9.76%	82 544	10.45%
Total pension plans and investment funds	904 237	100.00%	789 521	100.00%

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

** The investments underlying this financial product do not take into account EU criteria for environmentally sustainable economic activities.

26. SUBSEQUENT EVENTS

No significant events have occurred from the reporting date to the date of these financial statements that would materially impact the financial statements.



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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 2023,
- 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 2023, and of its separate financial performance and its separate cash flows for the year then ended in accordance with IFRS Accounting Standards 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

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 2023:
 - 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 IFRS Accounting Standards 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 2023 to audit the separate financial statements of IPAS CBL Asset Management for the year ended 31 December 2023. Our total uninterrupted period of engagement is 11 years, covering the periods ending 31 December 2013 to 31 December 2023.

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
28 March 2024

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