Citco Bank Nederland N.V. and subsidiary

Annual Report 2021

CITCO

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1. Management Board's Report

Summary

Following on from 2020, the COVID-19 pandemic remained a key influencing factor for the year under review. Due to the pandemic, Citco Bank Nederland N.V. ("CBN") and its subsidiary (the "Bank" or "CBN Group") continued operations predominantly in a working from home model. Our IT infrastructure displayed resilience and enabled business continuity, whilst safeguarding our employees. We continue to meet all client deliverables, whilst maintaining strong operational controls and oversight.

Throughout 2021, overnight USD interest rates remained low with no upward movement since the Federal Reserve's reactions to the pandemic, decreasing target interest rate to 0% - 0.25% in March 2020. Whilst the continuing low USD interest rates were a challenging factor, other non-interest rate dependent revenues performed steadily throughout 2021.

The CBN Group strategy and banking business remains unaltered, specializing in the provision of banking and depositary services related to collective investment schemes and clients of the Citco Group of Companies. The head office is located in Amsterdam, but it also carries on business through its branches in Dublin and Luxembourg. North American clients are served by Citco Bank Canada, a subsidiary of the Bank, which also provides custody services.

A significant portion of the collective investment scheme clients of the CBN Group is categorized as alternative assets. Amongst this asset class, some broad hedge fund indices showed gains of more than 10% in 2021, following on from strong performance in 2020. In general, we have witnessed strong institutional demand for Alternative Investment Funds across the year with several sectors within this category benefitting from a strong reputation for shielding investors from inflation. Management continues to monitor other market developments for opportunities to expand its product offering.

The first and foremost priority of the CBN Group is the protection of depositors' money, a priority that is higher than the return on capital or return on assets. The long-term strategic focus area is therefore a continuation of prudent risk management.

Financial Performance

The financial performance of the CBN Group comprises its banking and depositary services in Europe, and banking and custody activities in its Canadian subsidiary.

The Bank experienced a downturn in forecasted revenues since March 2020 as a result of the Federal Reserve's decreased target interest rate, which was only partially offset by the increase in client deposits. In addition, the Bank has invested into its technology and personnel costs to manage the increasing demands of regulatory compliance. The net profit for 2021 amounted to EUR 5.0 million, a decrease of EUR 5.2 million from 2020 (EUR 10.2 million).

Revenues decreased by EUR 6.7 million to EUR 59.7 million in 2021 (2020: EUR 66.4 million). The decrease in revenue is attributable to a decreased interest margin result year on year of EUR 12.8 million (EUR 22.2 million in 2021 from EUR 35 million in 2020). Low interest rates continued to impact the Banks profitability during 2021 and resulted in low yields. The net interest margin percentage decreased from 0.69% to 0.33% year on year.

The decrease in the net interest revenue is partially offset by an increase in depositary income of EUR 1.9 million from 2020 (EUR 11.4 million in 2021 from EUR 9.5 million in 2020) and an increase in Custody revenue of EUR 2.1 million (EUR 11.2 million in 2021 versus EUR 9.1 million in 2020). Revenue from account maintenance fees increased by EUR 1.4 million as a result of a rate increase effective January 1 2021. Commitment Fees increased by EUR 1 million (EUR 2.6 million in 2021 versus EUR 1.6 million in 2020).

The CBN Group's functional currency is United States Dollar ("USD") and presents its annual report in Euro ("EUR") consistent with the majority of its regulatory reporting. In preparing the annual report for the CBN Group, the income statement stated in the functional currency is translated at the average rate to the presentation currency. The balance sheet stated in the functional currency is translated at the year-end spot rate to the presentation currency. 2021 has seen the USD strengthen against the EUR with a spot rate of 1.1364 (2020: 1.2259). The exchange differences for the year on the translations are recognized in other comprehensive income, gain of EUR 23.1 million (2020: loss EUR 26.6 million). This is the main driver for the total other comprehensive gain for the year of EUR 27.4 million (2020: loss of EUR 16.2 million).

The capital of the CBN Group is fully composed of Common Equity Tier 1 ("CET1") capital that amounted to EUR 293 million as of December 31, 2021 (2020: EUR 275.7 million). The Pillar 1 capital calculation results in a Capital Adequacy Ratio ("CAR") of 28.17% as of December 31, 2021 (2020: 31.71%). The reduction of CAR is mainly driven by the impact of Brexit on prudential treatment of exposures to UK Credit Institutions, increase in securitization exposures, in combination with increase in Market Risk and CVA capital charge. Following the full lifting of restrictions on dividends distribution and based on the results achieved, in December 2021 CBN Group exercised a dividend payout. CBN Group paid out a catch up dividend for Half year 2019 and partial 2020, which were paid from Retained Earnings EUR 16 million (USD 18 million). In addition, CBN Group paid out an interim dividend for Half year 2021, from current year's profit EUR 1.7 million (USD 2 million). The total dividend amount is EUR 17.7 million (equivalent to USD 20 million, at spot FX rate of 1.13165).

The balance sheet of the CBN Group remained flat compared to last year at EUR 8.05 billion.

Citco Bank Canada

Expressed in USD, which is the functional currency of Citco Bank Canada, Assets under Custody ("AUC") were USD 81.3 billion on December 31, 2021, an increase of USD 16.6 billion (26%) when compared to December 31, 2020 (USD 64.7 billion). This is primarily the result of organic growth and the onboarding of new clients.

Citco Bank Canada generated a 2021 net profit of USD 4.4 million, a decrease of USD 2.2 million 33% compared to the prior year and above the 2021 budget by USD 1.5 million. The variance compared to prior year was mainly due to lower interest margin earned, where as positive variance compared to the budget, was mainly driven by higher custody fee revenue.

Impact of COVID-19

The COVID-19 pandemic had continued impact throughout 2021. However, for CBN Group it has not caused any material/significant increased risk exposures to the CBN Group's correspondent banks and credit portfolio. The CBN Group only deals with the top-tier counterparties, in developed countries, predominately North America and Northern Europe. The CBN Group has no emerging markets exposure. The CBN Group also maintains superior liquidity ratios, enabling it to react to adverse changes in credit risk quickly. The long-term exposures are predominately to assets that are deemed level one high-quality liquid assets under the Capital Requirements Regulation. The CBN Group also has a relatively small loan book.

The CBN Group's operations continued to remain largely unaffected by the global COVID-19 pandemic crisis due to proficient business continuity management. All staff have been working from home successfully since March 16, 2020, though during the second half of 2021 CBN Group began a phased and cautious return to the office for staff on a voluntary basis. Throughout 2021, like 2020, we have maintained business-as usual operations, meeting all Service Level Agreement obligations towards our clients. All support services remained available to the CBN Group at all times during the global COVID-19 pandemic.

The CBN Group has a history of maintaining a very strong capital and liquidity position and the Management Board has been vigilant in ensuring this remains the case as the fallout of the pandemic is seen in the financial markets. The Management Board has noticed in the market an increased demand for our services from our clients as they look to reduce their counterparty exposure to other market participants in these uncertain times. The CBN Group continues to assess the operating environment on an on-going basis and remains confident that the Bank is well placed in terms of business model sustainability.

Technology

As always, CBN Group retains its commitment to the best in class technology to support its business, regulatory and client needs. 2021 saw the completion of a major upgrade of the banking system (Temenos/T24), along with several smaller functional releases, resulting in an enhanced, more efficient and effective system. The Bank has successfully completed the implementation of an improved transaction monitoring system (RiskShield). In addition, the CBN Management Board has approved a project to introduce a new Client Lifecycle Management tool. This will support the CBN Group to achieve further automation and efficiency in managing its client relationships and service offering.

The assurance of confidentiality, integrity and availability of its data is one of the Bank's top priorities and one of the most valuable assets for the CBN Group. There is an absolute commitment to safeguarding clients' assets and data. The CBN Group has always regarded the strength of its technology as a competitive differentiator. Protection is achieved through multiple layers of security, ranging across application, system, network and physical security. The IT security team has bolstered both its operational and architectural capabilities. Additionally, there is a security operations center that is staffed 24 hours a day, seven days a week, to review and investigate all anomalous activity. The nature of the cyber security threats is continually evolving so the CBN Group views IT security as a critical area for ongoing vigilance and investment.

The IT security department in conjunction with the Operational Control Management team oversees the ongoing development and maintenance of these controls and leverages best practice frameworks such as Control Objectives for Information and related Technology ("COBIT"), International Organization for Standardization ("ISO"), National Institute of Standards and Technology (“NIST“) as well as regulatory guidelines. The renewed ISO 27001 certification, approved in 2020, is valid until 2022.

From an IT perspective, the Bank operates on a three lines of defense model, which includes the Business, Operations and IT Security within the first line, whilst the IT Risk Management and Internal Audit departments operate at the second and third lines respectively. Collectively, these groups conduct periodic assessments, which effectively verify and validate the technology process and controls. To ensure that the highest security standards are maintained, the Bank regularly tests for vulnerabilities and re-evaluates the threat posture of our infrastructure systems and applications.

Human Capital

Employees form a critical part of the CBN Group’s immediate and future success. To support both the business and employees, the Human Resources organization has further professionalized itself through the creation of specialized support functions.

The year 2021 continued to be a challenging one in terms of the continuity of the effects of COVID-19 situation whereby employees did not have much physical connection but rather were all working separately and virtually from home for the majority of the year. Throughout the year, The CBN Group has partially returned to office which increased the physical interaction amongst employees, but then with the new measures announced by the government towards the end of the year, management asked employees to continue working from home. There was significant focus on communication through quarterly newsletters and periodic town hall events, briefing all CBN Group’s employees with updates. These messages were open and sincere in terms of an indication that the CBN Group values the well-being of staff and their families while at the same time encouraging team spirit and how important supporting each other is in a time of crisis. Globally, Citco recognized the challenges that our colleagues and their families are facing during these remarkable times. Whether seeking support for mental health, emotional or physical wellbeing, or practical solutions for everyday life, the new Global Employee Assistance Program (“EAP“) has been implemented to offer comprehensive, holistic support. Globally, Citco has contracted with a third party vendor to provide free and confidential support to help employees and their family members achieve their emotional, practical, and physical wellbeing. This service is provided directly by the vendor without any restriction from Citco— no one in the company would ever know that employee or family members reached out to the service. Citco has also created different mental health campaign initiatives, for example virtual yoga classes and new meditation techniques. Globally, Citco conducts a ‘MyVoice’ employee survey to help the management team to understand all aspects of employees working lives with Citco so that Citco can continue to make improvements to the employee experience; in particular at a departmental or team level. In the September 2021 survey for CBN Group (four entities), results showed positive Staff Engagement (high response rate) and positive rating of Line Management. To support career development we have made it a priority to ensure that our people are getting the necessary training to prosper. Our 2021 strategy to provide learning products for our people to drive their own development will continue in 2022, this includes; use of LinkedIn Learning and the formation of Linked Learning Clubs, Gartner and Centre for Creative Leadership content for leadership development and increasing Subject Matter Expert master-classes and online modules available via our Learning Management System.

As a company, we encourage a shared ownership for learning; Citco provides the learning products, managers acting as a guide for their team members, and employees driving their own development forward by utilizing the available learning resources. The number of employees at the end of 2021 year was 173 (2020: 169) of which 50 (2020: 59) were employed in the Netherlands. At the end of 2021, the gender split was 44% (female) and 56% (male), which compares to 47% and 53% respectively in 2020. No significant changes to the gender split are expected.

Remuneration

The Remuneration Policy of the CBN Group is in line with its strategy and Risk Appetite, objectives and core values, complying with the rules and legislation in force, such as chapter 1.7 of the Act on Financial Supervision, the Regulation on Sound Remuneration Policies 2021 and EBA Guidelines on sound remuneration (EBA/GL/2021/04) and the Dutch Banking Code.

The CBN Group Remuneration Policy reflects the sustained and long-term interests for the CBN Group and its stakeholders to ensure that:

- CBN Group is able to attract, develop and retain high-performing and motivated staff in a competitive, international market;
- Staff members of the CNB Group are offered a competitive remuneration package;
- Staff members of the CBN Group act within the risk appetite by making any variable remuneration restrained and risk neutral;
- Staff members of the CBN Group feel encouraged to create sustainable results;

- All appropriate steps are considered to identify and to prevent or manage conflicts of interest that arise in the course of providing any investment and ancillary services including those caused by CBN Group's remuneration structures;
- CBN Group's strategy, especially concerning risk, is supported; and
- CBN Group's remuneration policy is gender neutral, ensuring equal pay for the same job or jobs of equal value and ensuring equal career opportunities.

The CBN Group strives to reward its employees at the median level (or above if needed) of the local, geographical relevant financial services market and applies a performance-based remuneration.

The performance-based remuneration motivates and rewards dedicated employees who contribute significantly to the realization of the CBN Group's strategic and business targets and long-term interests in their respective function. The performance-based remuneration is a discretionary management tool and is based on a combination of the assessment of the employee and the overall financial and non-financial results of the CBN Group.

The performance-based remuneration is awarded in a manner that promotes sound risk management (including ESG risks), does not induce excessive risk-taking, and respects the Risk Appetite of the CBN Group.

Regulatory and control environment

CBN Group Management remains continuously focused on compliance with all regulatory and legal requirements, allocating resources to ensure CBN Group adheres to applicable laws and regulations. CBN Group continues to be faced with new, evolving and increasingly onerous regulatory requirements. Generally, CBN Group expects the scope and extent of regulations in the jurisdictions in which it operates to continue to increase and be monitored by regulators for compliance. The CBN Group recognizes that a number of European banks have been the subject of money laundering investigations and, therefore, is constantly investigating ways to strengthen its systems and raise awareness of potential risks within the CBN Group. Continual improvement in this area remain a top priority and focus for the Management Board and CBN Group.

Customer due diligence ("CDD"), sanctions screening and transaction monitoring impose requirements on CBN Group, like all financial institutions, to maintain appropriate policies, procedures and controls to detect, prevent and report to the competent authorities on e.g. money laundering and terrorist financing. In 2021, the Anti Money Laundering Regulation ("AMLR") and AMLD6 were published, both a part of a more coherent AML/CFT regulatory and institutional framework within the EU. It translated current AML Directives into regulation, but additionally extended requirements in areas such as crypto asset servicing and crowdfunding platforms, High Risk Third Countries (to require Enhanced Due Diligence review), and beneficial ownership (for streamlining requirement). The AMLD6 remains as a Directive to be implemented on a national level. The EU Whistleblower Directive, with its better protections, was published in 2021, but is still under consideration in Dutch parliament.

Through 2021, CBN Group continued to implement and execute policies and procedures to further enhance its 'Know Your Customer' ("KYC") activities, part of an enhancement program that began in 2018 and which was further built upon in 2019, 2020 and 2021. Compliance activities, specifically in relation to AML and KYC, undertaken by CBN Group over these years have the objective of augmenting the existing internal control framework. Findings raised by DNB during its 2017 audit in respect to AML and KYC are always kept in mind in enhancements. The CBN Management Board are confident all recommendations of the regulator have been satisfied, an assessment supported by an external validation concluded by an independent professional services provider. In 2021, DNB launched an onsite inspection to validate the communicated improvements in the areas of AML and KYC.

In the area of integrity risk, the CBN Group performs a Systematic Integrity Risk Analysis ("SIRA"). The SIRA is focused on assessing the client integrity risks that the Bank is exposed to in providing products and services to its clients. The SIRA is a dynamic process for the identification and control of integrity risks faced by CBN Group across all its business areas. The SIRA is the basis for safeguarding ethical operational management and preventing the involvement in financial and economic crime. The outcome of the SIRA and our integrity risk appetite in our Financial Economic Crime Risk Appetite Statement ("FEC RAS"), which provides further direction with the ongoing monitoring activities of the Bank so that it may manage its compliance risks on a day-to-day basis. The SIRA is to be performed at least once a year. In 2021, an interim biannual SIRA Scenario review and assessment was also performed. The second added assessment enabled the mitigation of integrity risk to be a more dynamic process - instead of a solely an annual exercise - meaning that risks are not left unattended for a longer period of time. The SIRA is submitted to the DNB and taken into consideration in the SREP.

With respect to compliance with capital regulation, the European Banking Authority Capital Requirements Regulation CRR II came into force on 28 June 2021. Management is pleased to note that, due to its conservative risk appetite, the CBN Group is fully compliant with its ratio requirements for capital adequacy and liquidity. The next set of prudential requirement enhancements was announced on 28 October 2021, with the European Commission publishing of CRR III (regarding credit valuations) and CRD IV (regarding capital requirement) regulations for consultation, which finalize Basel IV implementation.

Other Regulations specific to topics have also been noted in other pertinent sections in this report, such as Benchmark regulation (for LIBOR), evolving regulatory environment regarding sustainable finance with regards to Climate risk and Environment, Social and Governance ("ESG"), Technology, and Act on Financial Supervision, the Regulation on Sound Remuneration Policies 2021 and EBA Guidelines on sound remuneration (EBA/GL/2021/04) and the Dutch Banking Code (for Remuneration).

The CBN Group continues to be committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which it operates. Dedicated Compliance Officers throughout the CBN Group assist management in controlling compliance risk. The Compliance function is essential for effective corporate governance of the CBN Group.

The Management Board has confirmed that it continues to adhere to the principles and best practices of the Dutch Banking Code. No shares have been granted to the Management Board as compensation (refer to phantom shares under Remuneration Committee paragraph of the Supervisory Board report and note 4.5 of the financial statements).

During the year under review, the CBN Group received a Service Organization Control 1 ("SOC 1") Type 2 certification for the eleventh consecutive year, obtaining an unqualified opinion from a big four audit firm. The SOC 1 Type 2 report includes control objectives and control activities for Banking, Depositary and Custody Services processes.

Risk Management

The continuance of Work From Home working in 2021, due to the Pandemic, along with its heightened risk of cyber fraud meant the continued additional risk management focus on associated related elevated risks in 2021. These risks include external fraud and operational risks associated with staff working from home and cyber security along with the health and wellbeing of staff. With the continuance of the COVID-19 pandemic, CBN Group locations continued daily/weekly Business Continuity Committee meetings to discuss developments and changes in its environment. These commenced early in the pandemic and have served management well in monitoring and communicating changes in health authorities' advisories, implementing governmental instructions, sustaining an open dialogue with CBN Managers (aiding in issue identification and staff expectations) and the monitoring of business operations and if any disruption. The outcomes of the meetings are communicated to the CBN Group Management in a timely manner. In response to COVID 19 pandemic, Regulators have started to place greater emphasis on operational resilience (defined as the financial sectors firms' ability to identify and prepare for, respond and adapt to, recover and learn from an operational disruption), having realized how important it is for a sound financial services industry.

Enterprise Risk Management framework

For prudent risk management, to facilitate the protection of depositors' monies, capital preservation and maintaining regulatory compliance, the CBN Group uses an Enterprise Risk Management framework ("ERM").

The ERM framework ensures a structured approach to the identification, assessment and mitigation of the CBN Group's key risks. Risk Management reporting on enterprise risk to the Management Board is performed through the ERM dashboard. The ERM dashboard highlights the current state of the key risk categories and their related drivers. It is produced for the Management Board Risk Committee to provide oversight, assess the capital requirements for each risk category and feed into strategic decision-making.

The CBN Group risk management governance is structured along the three lines of defense model. The allocation of responsibility for risk management is structured accordingly, with the Management Board bearing ultimate responsibility for the organization and oversight of the integrated risk management framework. The CBN Group risk appetite is articulated in metrics and thresholds that set the parameters of CBN Group activities and drives the level of the controls applied to CBN Group actions. The risk appetite is used for managing strategic, market, liquidity, credit, operational and financial economic crime risks throughout the CBN Group. The risk appetite is set by the Management Board and is ratified by the Supervisory Board.

The operational departments are the first line of defense (risk owners). These departments have primary responsibility for managing day-to-day risks in their operating processes. The risk owners responsible for results is also responsible for the risks associated with these results.

The main parties in the second line of defense are Risk Management, Compliance and Financial Control. The Risk Management function and the Compliance function have special responsibility for risk analysis, policy preparation and the coordination of efforts to control the CBN Group's risks. They also are responsible for monitoring the first line risk owners, an important governance remit that extends across the entire CBN Group.

The third line of defense is Internal Audit, which conducts audits on the first and second lines' activities as a means of independently and objectively assessing the effectiveness of internal controls. All Internal Audit reports are shared with the Supervisory Board Audit Committee.

The critical elements of this framework are the effective and efficient management of the CBN Group's key risks and the capital required to support them. The CBN Group has established a number of committees through which the Management Board delegates advising and monitoring of the CBN Group's overall actual and future key risks. These committees operate within the mandate granted by the Management Board, with the latter remaining ultimately responsible for structuring and supervising the overall risk management framework.

Some of the more important committees are the Management Board Risk Committee, which monitors compliance with the CBN Group risk management policies and procedures, and the five sub-committees - the Asset and Liability Committee ("ALCO"), Credit Committee, Client Acceptance and Review Committee ("CARC"), Operational Risk Committee and Outsourcing Committee - that manage specific risk categories. The CARC governs CBN Group's financial economic crime risk appetite, taking decisions on the formal acceptance, review and exit of clients who are classified as either high or unacceptable risk pursuant to CBN Group's FEC RAS. The Outsourcing Committee is monitoring compliance with the Outsourcing policy and procedures including the effectiveness of key controls, assessing outsourcing related risks including operational and concentration risk, associated with each of the CBN Group's outsourcing arrangements and the review and approval of any future outsourcing arrangements.

A more comprehensive quantitative description of the financial risks (credit risk, market risk and liquidity risk) of the CBN Group is part of the financial statements in section 3. Risk and Capital Management.

Climate Risk / ESG

Climate change for financial institutions relates to both transition risk and physical risk. Transition is the change in policies, consumer preferences and technology developments that comes with Climate change. Transition risks relate to revaluations of assets, firms and business models due to climate change. Physical risk relates to the physical effects of climate change. Both are kept in CBN Group's agenda for focus.

With respect to ESG, for CBN Group, like for all within the financial sector and its regulators, ESG focus is continuously increasing. CBN Group with Citco is proudly evolving in tandem with the diversifying needs of clients, investors and market demands with respect to ESG. CBN Group continues to assess its position and monitors the evolving business and regulatory environment regarding sustainable finance, which will continue to evolve over the coming years.

IBOR reform

The Interbank Offered Rate ("IBOR") is being replaced. The impact of the transition from IBOR will be far-reaching for financial services firms, businesses and customers alike. European law, in the form of the Benchmark Regulation, sets out certain criteria and conditions for benchmark rates to ensure that they are reliable and robust. In order to meet these conditions and the concerns of regulators globally, benchmark rates are being reformed, where possible, to be based on robust methodologies supported by sufficient and reliable data. The CBN Group is working with regulators to facilitate a smooth transition. The impact on the CBN Group is not expected to be significant. Due to the extension of the USD IBOR transition date to 2023, the CBN Group has no immediate operational impact. A dedicated team has been formed with the objective to manage this transition. The CBN Group have reviewed all accounts and products linked to IBOR or other benchmarks and have included fallback mechanism terms into existing contracts, and alternative benchmark rates for new contracts.

Outlook

The CBN Group optimizes its cash management activities using various tools to identify client-funding behaviors, core deposit levels and liquidity patterns. These tools assist the CBN Group to invest in higher yielding instruments in a timely and cost efficient manner whilst still maintaining a prudent risk management approach.

2021 was again dominated by the COVID-19 global pandemic, and the resultant financial implications, which led to a significant impact on the global macro-economic environment. Supply chain disruptions and rising energy prices mean a dampening of global GDP and higher rates of inflation. All of this is putting pressure on the US Federal Reserve to take actions to stem the rising inflation. In Q3 2021, the US Federal Reserve announced it would commence a reduction in its bond buying program, and accelerated this in the December 2021 meeting. The US Federal Reserve raised interest rates in March 2022, with further increases expected through the remainder of the year. As a majority of the client deposits with the CBN Group are in US Dollars, these forecasted rate increases will positively influence CBN Group's ability to generate profit.

Management continues to see changes in the behavior of our markets due to the uncertainties introduced by the COVID-19 pandemic, potential US Dollar interest rate increases and the impact of regulatory changes. Management is confident that the quality and liquidity of the CBN Group's balance sheet enables it to adapt to the changing regulatory and economic environment.

Management expects that the average funding levels will see a modest reduction for 2022. Management does not foresee any significant investments for 2022, nor is it anticipated that it will engage in any research and development initiatives. However, a slight increase in number of employees has been included in the forecast for 2022, as regulatory demands across the industry continue to increase.

Citco Bank Canada expects AUC to increase in 2022 to USD 85.3 billion. The growth is primarily relating to a predicted 2.5% price appreciation and 2.5% organic growth.

Events after the reporting date

Covid-19 and Return to the Office

During the preparation of this 2021 annual report, COVID-19 continues to remain a dominating factor in our lives across the globe. On a positive note, vaccination and testing programs have demonstrated results, aiding in progress to return to some normality. CBN Group, like all institutions, is contemplating a return to "normal life", and is making preparations for a "return to working in the office". CBN Group continuously is monitoring and communicating changes in health authorities' advisories, implementing governmental instructions, sustaining an open dialogue with staff (aiding in issue identification and staff expectations) and the monitoring of business operations and if any disruption.

MREL

As was raised in 2021, starting from 1 January 2022, CBN is subject to Own funds and eligible liabilities ('MREL'), on Solo basis. MREL is expressed as:

- Percentage of the total risk exposure amount (which is equivalent to Capital Adequacy Ratio measure, and set at 14.00% for CBN); and
- Percentage of the total exposure measure (which is equivalent to Leverage Ratio measure, and set at 3.00% for CBN).

Russian invasion of Ukraine

Since the invasion of Ukraine by Russia in late February 2022, volatility and uncertainty has been a feature of the global economy and financial markets.

As of 23 February 2022, the European Council began imposing economic and individual sanctions in response to Russia's military aggression against Ukraine. CBN continues to monitor and operationalize sanctions lists as they become available. Given the client base and business model there is no direct exposure for CBN, nevertheless management continues to monitor the situation closely.

Management Board

The composition of the Management Board is as follows:

- Mr. Kieran Dolan (1973; Irish): Managing Director , Chairman of the Management Board and Chief Executive Officer appointed February 15, 2021, with responsibilities for General Management, Corporate Governance, Regulator Relationship, Internal Audit, Human Resources, Commercial Activities, Tax, Legal & Branch Network;
- Mr. Paul Symonds (1967; English): Managing Director and Chief Investment Officer, with responsibilities for all aspects concerning Core Banking Services, Capital Management, Information Technology, Project Management Office and Outsourcing ;
- Mr. Arno Boelaars (1974; Dutch): Managing Director and Chief Operating Officer. Also appointed Vice-Chairman of the Management Board effective February 15, 2021, with responsibilities for the KYC/AML Operations, Data Management, Operational Control Management, Depositary and Custody Services and subsidiary oversight; and
- Ms. Caryn de Walden (1962; Dutch): Managing Director and Chief Risk & Compliance Officer effective February 15, 2021, with responsibilities to oversee the Risk Management, Compliance, Regulatory, and Finance Functions.

The Management Board continues to meet the criteria of expertise and diversity in competencies as set out in the Management Board charter.

Amsterdam, April 29, 2022

Managing Directors:

K.J. Dolan – Chair

P.N. Symonds

A. Boelaars

C.D. de Walden

2. Supervisory Board's Report

The Supervisory Board of Directors ('Supervisory Board") hereby presents the 2021 Annual Report of the CBN Group (Citco Bank Nederland N.V. including branches and subsidiary). The Annual Report includes the report of the Management Board of Directors ("Management Board") and the Annual Accounts. This report provides information on how the Supervisory Board performed its duties in 2021.

Introduction by the Chair

After 2020, the year 2021 was again dominated by the worldwide Corona or COVID-19 pandemic and still affecting every individual person, all organizations and governments throughout the year. Authorities remained in 'crisis management mode' deliberating with Health authorities, trying to balance decisions on enforcing and/or lifting restrictions taking the interests of society, public health and well-being and economic factors into account. There is no doubt about the large negative effect of the pandemic on economies. Very few industries have been spared the financial stings, even though various governments around the world have enacted stimulus plans to help keep their economies afloat and provided support for those who struggled.

Uncertain times remained over the whole year. In the second part of the year the global pandemic landscape shifting toward vaccination, lifting of restrictions, and many businesses eyed a return to relative normality on the horizon making global economic recoveries pick up steam. The fragility of the recovery was evident, when in the course of November, the markets globally were shaken by the emergence of the new so-called Omicron variant of COVID-19.

This volatile environment caused another challenging year, during which staff of CBN Group continued working from home 100% and Management continued its attention for staff's well-being. Like in 2020, CBN Group was able to meet the service levels of delivering business to its customers without making any concessions.

Although there are positive developments in relation to the COVID-19 virus, the volatility of the business environment and in the financial markets has increased substantially due to the invasion of the Ukraine by Russia. The imposition of various rounds of EU and USA sanctions clearly has its impact on the political and economic situation in Europe and affects the whole world. Beside the macro-economic impact there are the worldwide imposed sanctions CBN has to deal with. Management is very alert on both developments whereby the impact on our business is limited also due to not having client relations with Russian companies and citizens. With respect to the sanctions imposed management immediately took steps to comply with these.

CBN Group, led by the Management Board of Directors in its new composition as of February 15, 2021, supervised and advised by the Supervisory Board of Directors managed to achieve a moderate but still positive consolidated net result. In addition, CBN successfully implemented an upgrade of its main banking system, deepened its understanding of Environmental, Social and Governance demands, optimized the Data Governance, and continued the CBN Culture program introduced in 2020, with specific focus on the CBN values (Prudence, Transparency and Client Focus) as part of the day-to-day business.

Results

The CBN Consolidated net result for 2021 of EUR 5.0 million is EUR 5.2 million lower than last year. This was primarily due to the lower net interest income, partly offset by the increase in revenues from the custodian and depositary services.

When the regulatory restrictions were lifted, a total amount of EUR 17.7 million (USD 20 million) dividend was paid to the Shareholder. This included a catch up for the final divided 2019 and 2020, and interim dividend for 2021. Dividend payments (if any) are subject to Supervisory Board approval.

Although the CBN Group net result is lower than the last year, the results achieved in 2021 are, taking into account the circumstances, considered a good achievement.

Composition of the Supervisory Board

The composition of the Supervisory Board was unchanged in 2021. The Board's current members are:

Peter de Ruijter (1956) is member of the Supervisory Board since March 2015 and Chair since May 2017. He started his career as a chartered accountant. He has over 25 years of international executive experience as a general manager of Fortis Bank/MeesPierson and subsequently as Chief Executive Officer of Staalbankiers N.V. He holds an additional Supervisory Board membership position in Mizuho Bank Europe N.V.

Jan Buné (1953), Vice Chair, appointed as member of the Supervisory Board in January 2016. He is a former senior audit partner of Deloitte Netherlands with over 40 years of experience in public accounting and business advisory. He retired from the firm in May 2013, becoming Commissioner and Supervisory Director. From September 2013 until February 2021 has been acting as Commissioner at the Media Supervisory Authority in the Netherlands. From October 2013 until early March 2022 he was an independent director and Chair of the Audit Committee at VK Company Limited (formerly known as Mail.ru Group Limited).He is currently Non-Executive Director and Chair of the Audit Committee at De Vries en Verburg Group B.V. He is also Independent Chair of the Risk Advisory Committee at Prosus PayU.

Monique van Herksen (1962) is member of the Supervisory Board since September 2017. She is an international tax lawyer by training admitted to the bar in the Netherlands and in The Commonwealth of Virginia. She also holds an LLM in Trade and Banking and an LLM in International Taxation. She has served the US Internal Revenue Service's Office of Chief Counsel (international) for 5 years and been practicing with leading Law and Accounting Firms (i.e. Stibbe, Baker & McKenzie and Ernst & Young) in the field of international tax law, tax controversy and transfer pricing for over 30 years. Since April 2018, Monique is Partner at the law firm Simmons & Simmons. In addition to being a lawyer, she serves the United Nations' as member of the subcommittee on transfer pricing, advising the UN Committee of Tax Experts.

Dirk Jan van der Poel (1961) is member of the Supervisory Board since 2012. He has over 35 years of experience in Accountancy & Advisory, IT Risk, Operational Resilience and Mergers and Acquisitions in various industries on strategic, tactical and operational levels. He is a former IT Risk and Advisory Partner at Ordina, KPMG and Arthur Andersen. In 2015, he joined ING Bank as Corporate Head of Information Risk Management.

In accordance with the provisions of Supervisory Charter (Article 3.4.1 and 3.4.2), and the Dutch Corporate Governance Code, the members of the Supervisory Board are appointed by the General Meeting for a 4-year term and reappointed once for another four-year period. After that, a Supervisory Board member may subsequently be reappointed again for a period of two years, which appointment may be extended by at most another two years. None of the Supervisory Board members may be appointed after his or her twelfth year in office. In table 1, the retirement schedule of the Supervisory Board is presented.

Table 1 - Retirement Schedule Supervisory Board

Name	Appointment	First re-appointment	Second re-appointment	Second re-appointment Extension with 2-year term	Final Retirement
Peter de Ruijter	1 March 2015	1 March 2019	1 March 2023	1 March 2025	1 March 2027
Jan Buné	28 January 2016	28 January 2020	28 January 2024	28 January 2026	28 January 2028
Monique van Herksen	27 September 2017	27 September 2021	27 September 2025	27 September 2027	27 September 2029
Dirk Jan van der Poel	10 August 2012	10 August 2016	10 August 2020	10 August 2022	10 August 2024

The composition of the Supervisory Board is diverse in gender (three men and one women), background, knowledge and experience. All members have the Dutch nationality. In table 2 the competence profile of the Supervisory Board is shown.

Table 2 - Competence Profile of the Supervisory Board

Name	Peter de Ruijter	Jan Buné	Monique van Herksen	Dirk Jan van der Poel
Depositary/Custody	•			
Banking & Treasury Management	•	•		
Innovation & Product Development	•			•
Corporate Governance & Legal Affairs	•	•	•	•
Compliance & Corporate Integrity	•	•	•	•
Regulatory Affairs	•	•	•	•
Audit, Finance & Control	•	•		•
HR & Management Development	•		•	•
Enterprise Risk Management	•	•		•
Information Technology				•
Tax			•	

Role of the Supervisory Board

In fulfilling its tasks, the Supervisory Board is guided by the interests of the CBN Group and its business, taking into account the relevant interests of all stakeholders of the CBN Group. The Supervisory Board is responsible for the overall oversight of the CBN Group. This concerns supervising and monitoring the policy pursued by the Managing Board, the Managing Board's performance of its managerial duties and the general course of CBN Group's affairs and its business. This includes among others, the strategy, organizational structure, the achievement of the CBN Group's objectives, the operational performance, financial management and reporting processes, the internal risk management and control systems and compliance with laws and regulations. In addition, the Supervisory Board advises the Management Board both on request and proactively on a broad range of topics. This includes i.e. risk limits and appetite, relationship with shareholders and stakeholders, corporate governance and corporate social responsibility.

Finally, the Supervisory Board fulfills its supervisory role towards the Management Board itself by assessing their performance, their functioning as a team and whether the Management Board communicates the right management culture, and ensuring that their remuneration is in line with their performance and provides the appropriate incentives. As part of this, it is assessed whether the Management Board highlights the importance of adherence to corporate governance principles, laws and regulations and ensuring that employees understand their roles and responsibilities in the context of the CBN Group under the full Dutch National Bank license.

Committees of the Supervisory Board

The Supervisory Board has three committees to cover key areas in greater detail: the Audit Committee, the Risk & Compliance Committee and the Remuneration Committee. These committees assist the Supervisory Board in fulfilling its oversight responsibilities. Each committee is comprised of two Supervisory Board members. All Supervisory Board members have a standing invitation to attend the meetings of the committee(s) of which they are not a member. In table 3, the chair and members of the committees of the Supervisory Board are presented.

Table 3 - Committees of the Supervisory Board

Name	Audit	Risk & Compliance	Remuneration
Peter de Ruijter	Member		Member
Jan Buné	Chair	Member	
Monique van Herksen			Chair
Dirk Jan van der Poel		Chair	

Audit Committee

The activities of the Supervisory Board in the area of financials and auditing are conducted and where appropriate prepared by the Audit Committee. The Audit Committee assists the Supervisory Board in fulfilling its oversight responsibilities with respect to the financial and regulatory reporting process, as well as the governance and internal control framework. Furthermore, the Audit Committee assists with the approach and scope of work of the CBN internal audit function, as well as the audit engagement with Deloitte as the external auditor of the CBN Group.

When relevant, managers responsible for financial control, internal audit, risk management, operational risk & control and compliance are invited to the Audit Committee meetings to discuss developments in their portfolio with the Audit Committee. The Management Board and (on occasion) the external auditor are participating in the Audit Committee meetings. The highlights and the minutes of the Audit Committee meetings are shared with the full Supervisory Board.

The Committee had in-depth discussions on the internal Audit plan as well as the financial audit plan of Deloitte, several reported issues and follow-up thereto and the year-end report of Deloitte.

Risk and Compliance Committee

The Risk and Compliance Committee assists the Supervisory Board with the performance of its duties in relation to risk and compliance. It is responsible for the oversight of all banking related aspects of the CBN Group's risk control and monitoring systems. This encompasses all risk areas including financial, liquidity, market and credit risk and operational risk (including IT and IT Security). It also oversees the CBN Group's legal, regulatory and corporate governance compliance.

The Risk and Compliance Committee supervises the Enterprise Risk Management (ERM) framework pursued by the Management Board and its implementation. It regularly reviews and assesses operational risk. It discusses the CBN Group's risk profile (including the compilation of the SIRA and RAS statements) and assesses at a strategic level whether the CBN Group's activities are aligned with the approved risk appetite.

The Risk and Compliance Committee assesses the CBN Group's compliance and internal control functions and their performed activities. The committee receives regular reports from Risk to supervise the CBN Group's adherence to rules and regulations applicable including follow up of findings of investigations by regulatory and/or supervisory authorities. Regular reports from the compliance officer are received on legal, regulatory and compliance matters.

The Risk and Compliance Committee supervises the CBN Group's adherence to the principles and best practices of the Dutch Banking Code, Dutch Corporate Governance Code, and other regulatory guidelines. In this regard, please refer to the Management Board Report regarding the CBN Group's compliance with the Dutch Banking Code. The Supervisory Board confirms the stated view that the CBN Group is compliant with the Dutch Banking Code.

The Risk and Compliance Committee was very much involved in discussing the risk appetite statement for CBN Group and monitored the progress and completion of the Know Your Customer and Anti Money Laundering (KYC AML) project.

Remuneration Committee

The Remuneration Committee oversees the remuneration plans for the CBN Group pursuant to the CBN Remuneration policy, as set forth with the Remuneration Committee Charter and the Remuneration Governance Framework. The Remuneration Committee conducts and, where appropriate, prepares the Supervisory Board's duties in its role as the Management Board's employer. The committee has the responsibility to recommend and monitor the level and structure of remuneration for 'Identified Staff', including the Management Board. It also approves and monitors Non-identified Staff if variable remuneration is above 20%.

In fulfilling its responsibilities, the Remuneration Committee takes into account all factors it deems necessary to attract, retain and motivate management and staff to run the CBN Group successfully within the approved risk and governance framework, to meet the CBN Group's long-term strategic goals, in adherence to prevailing regulations. The Remuneration

Committee is assisted by the Monitoring Committee Remuneration Policy Committee to govern the Management Board and Supervisory Board decision-making processes with regard to remuneration.

For 2021 bonuses and 2022 salary actions, the Supervisory Board reviewed and commented on the recommended salary and bonus actions for the Management Board, Identified Staff and Non-Identified staff. In accordance with the Supervisory Board Charter and the applicable CBN Remuneration policy, it has made recommendations as regards the Management Board salary and bonus actions to the shareholder for approval by the Annual General Meeting of Shareholders. It also monitored the requirements resulting from CRD V and as a result the Supervisory Board approved a (Phantom) Share Plan for CBN Group. Considering the increased regulatory pressure, competition, and scarcity of available talent, the Remuneration Committee in particular is following the implementation and follow up of employee engagement programs and making sure that staff remuneration is benchmarked appropriately.

Information and meetings

The Management Board is the most important source of information for the Supervisory Board. The Management Board submits formal information packages for Supervisory Board meetings. Apart from the regular Supervisory Board meetings, additional meetings on either the request of the SB or the MB were scheduled, for example to discuss the risk appetite for 2021. Additionally information is provided in bilateral contacts between Supervisory Board- and Managing Board members. With the heads of the Risk-, Compliance, Internal Audit and the Operational Risk & Control department regular in camera-meetings were held. Due to the pandemic, the Supervisory members were not able to visit CBN as they regularly do. When possible, the Supervisory Board members will resume visiting CBN and actively taking the opportunity to interact with employees at different levels and positions within the company.

In 2021, the Supervisory Board had 12 meetings. In 7 meetings all members were present In 5 meetings three Supervisory Board members were present. The full Management Board was present in 7 Supervisory Board meetings. In 5 meetings, three Management Board members were present. This includes 10 meetings on specific matters, i.e. for discussion and the approval of the Annual Report 2020 and the 5-year forecast.

The Supervisory Board gave further effect to their oversight role, by spending additional attention on specific topics, like the impact of the pandemic and compliance related topic such as ‘Know your Customer’, Anti Money Laundering, the Financial Economic Crime Risk Appetite Statement and the Systematic Integrity Risk Assessment. Besides the formal meetings, the Supervisory Board met several times informally to discuss different subjects that had its attention and the Supervisory Board convened in the presence or absence of the Managing Board. Additionally meetings took place to discuss corporate culture and the functioning of both the Management Board and the Supervisory Board.

The Audit Committee of the Supervisory Board met 4 times. In addition, the Audit Committee had quarterly update meetings with the internal auditor on the progress of the internal audit plan and the key findings from the performed audits. The Risk & Compliance Committee met 4 times. In September 2021, a combined Audit Committee and Risk and Compliance Committee meeting was held to discuss the Control Framework and control testing. The Remuneration Committee met 5 times in 2021. At all respective committee meetings, all the respective members of the committees were present. The Supervisory Board members, not a member of the specific committee, occasionally used their standing invitation to attend.

Continuing Professional Education Program

The CPE Program continued with all Supervisory Board members receiving training in the following areas:

- Tax – Implementation of Economic Co-operation and Development Base & Erosion Profit Shifting;
- Crypto Currency
- Compliance; and
- The Banking Package (in general), BRRD and SRMR, CRD V and CRR II.

Additionally, individual members of the Supervisory Board undertook outside training courses.

Independence and Self Evaluation

Independence

The composition of the Supervisory Board reflects its independence and complies with the independence principles of the Dutch Corporate Governance Code. Members act both critical and independent in carrying out their individual responsibilities.

Conflicts of Interest

The Supervisory Board has internal rules established to govern actual and potential conflicts of interest. Members annually sign the Conflict of Interest Policy that they will adhere to these rules. No conflicts of interest occurred in 2021.

Self-Evaluation

Each year the Supervisory Board assesses its performance and in 2021, this was done with an independent external advisor. The external advisor interviewed all Supervisory Board and Management Board members as well as the representative of the shareholder. Additionally the advisor reviewed the questionnaire used by the Supervisory Board for its annual self-assessment. The results of the assessment were, in the presence of the advisor discussed in 2 sessions, one with only the members of the Supervisory Board present and one with the Supervisory Board and Management Board members present. The meetings were held in good spirit and the findings were discussed openly. The advisor issued a report with his findings and in the course of 2021, the Supervisory Board took action to improve its performance.

Financial Statement 2021

In accordance with the provisions of Article 24.2 of the Articles of Association, the Management Board submitted the financial statements 2021 and the accompanying Management Report, that were subsequently approved by the Supervisory Board on April 20, 2022. Deloitte Accountants B.V. audited the financial statements 2021 and issued an unqualified opinion. The Supervisory Board took notice of the fact that the external auditor is independent from the CBN Group.

The Supervisory Board will submit the 2021 financial statements to the 2022 Annual General Meeting of Shareholders, proposing to adopt the financial statement, to release the Managing Board from all liability in respect of its managerial activities, and release the Supervisory Board from all liability in respect of its supervision of the Managing Board.

The Supervisory Board wishes to express its appreciation for the results achieved and would like to thank everyone associated with CBN Group, especially the employees and the Managing Board, for their efforts under the challenging circumstances.

Amsterdam, April 29, 2022

Supervisory Directors:

P. A. de Ruijter - Chair

J.G.C.M. Buné – Vice Chair

M.I.E. van Herksen

D.J. van der Poel

3. Consolidated Financial Statements

Consolidated income statement for the year ended December 31, 2021 and 2020

	Notes	2021 EUR 000	2020 EUR 000
Revenue			
Banking and custody services	4.4	59,715	66,415
		59,715	**66,415**
Operating expenses:			
Personnel expenses	4.5	21,377	21,121
Office maintenance		854	858
Office and administration expenses	4.6	1,722	2,002
Travel expenses	4.7	15	137
Professional services	4.8	2,653	2,445
Depreciation and amortization	4.9	541	252
Expected credit (reversal)/losses		(5)	33
Other operating expenses	4.10	25,332	25,839
		52,489	**52,687**
Net profit from operations		**7,226**	**13,728**
Net finance (income)/expense	4.11	(141)	205
Net profit before tax		**7,367**	**13,523**
Income tax expense	4.12	2,361	3,274
Net profit for the year		**5,006**	**10,249**
Attributable to:			
Shareholder of the CBN Group		**5,006**	**10,249**

Consolidated statement of other comprehensive income for the year ended December 31, 2021 and 2020

	2021	2020
	EUR 000	EUR 000
Net profit for the year	5,006	10,249
Other comprehensive income/(loss), net of income tax:		
Items that may be reclassified subsequently to consolidated income statement:		
Foreign exchange difference	23,153	(26,576)
Revaluation of Fair Value Financial Instruments through other comprehensive income ("FVOCI")	(741)	203
Total other comprehensive income/(loss), net of income tax	**22,412**	**(26,373)**
Total comprehensive income/(loss) for the year	**27,418**	**(16,124)**
Attributable to:		
Shareholder of the CBN Group	**27,418**	**(16,124)**

Consolidated statement of financial position as at December 31, 2021 and 2020

	Notes	2021	2020
		EUR 000	EUR 000
Assets			
Non-current assets			
Plant and equipment	4.13	37	8
Right-of-use assets	4.14	593	282
Intangible assets	4.15	932	818
Financial assets at amortized cost	4.16	150,100	175,819
Financial assets at fair value through profit and loss	4.18	237	222
Receivables from affiliated companies		57	85
Deferred tax assets	4.19	1,050	1,821
		153,006	179,055
Current assets			
Trade receivables	4.20	3,085	991
Derivative financial assets	4.30	60,105	25,981
Other receivables and accrued income	4.21	12,998	11,219
Receivables from affiliated companies		284	451
Financial assets at amortized cost	4.16	440,256	313,018
Financial assets at fair value through other comprehensive income	4.17	2,034,057	1,634,545
Financial assets at fair value through profit and loss	4.18	254	117
Cash and cash equivalents	4.22	5,346,107	5,608,056
		7,897,146	7,594,378
Total assets		**8,050,152**	**7,773,433**

Consolidated statement of financial position as at December 31, 2021 and 2020 (Continued)

	Notes	2021	2020
		EUR 000	EUR 000
Equity and liabilities			
Equity			
Share capital	4.23	5,000	5,000
Additional paid in capital		48,503	48,503
Translation reserve		28,237	5,084
Revaluation of fair value financial instruments through other comprehensive income		(1,011)	(270)
Retained earnings		219,284	231,951
Total equity attributable to shareholder of CBN Group		**300,013**	**290,268**
Non-current liabilities			
Lease liabilities	4.28	371	196
Other liabilities		214	200
		585	396
Current liabilities			
Trade payables		1,322	226
Derivative financial liabilities	4.30	29,738	57,466
Other payables and accrued expenses	4.26	3,370	1,094
Payables to affiliated companies		121	33
Provisions	4.24	–	170
Deferred income		12	5
Lease liabilities	4.28	224	115
Current tax liabilities		452	213
Amount owed to depositors	4.27	7,714,315	7,423,447
		7,749,554	7,482,769
Total equity and liabilities		**8,050,152**	**7,773,433**

Consolidated statement of changes in equity for the year ended December 31, 2021

	Issued capital	Additional paid-in capital	Translation reserve	Revaluation of FVOCI assets	Retained earnings	Total equity
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at January 1, 2021	**5,000**	**48,503**	**5,084**	**(270)**	**231,951**	**290,268**
Net profit for the year	–	–	–	–	5,006	5,006
Other comprehensive income	–	–	23,153	(741)	–	22,412
Total comprehensive income	**–**	**–**	**23,153**	**(741)**	**5,006**	**27,418**
Dividend paid	–	–	–	–	(17,673)	(17,673)
Total equity attributable to shareholder of CBN as at December 31, 2021	**5,000**	**48,503**	**28,237**	**(1,011)**	**219,284**	**300,013**

Following 2019-2021 dividend restrictions, on July 23, 2021, ECB has published a new recommendation specifying that starting from September 30, 2021, the restrictions on dividend distributions will be lifted. The recommendation was supported by DNB. CBN followed all the supervisory recommendations, and did not exercise dividend distribution until restrictions were fully lifted. A dividend of USD 20 million (EUR 17.7 million) was paid on December 22, 2021.

The translation reserve arises as the functional currency of the CBN Group is USD and reporting currency is EUR. This amount is classified as a legal reserve pursuant to Dutch regulation Part 9 Book 2 article 373.4.

Consolidated statement of changes in equity for the year ended December 31, 2020

	Issued Capital	Additional paid-in capital	Foreign currency translation reserve	Revaluation of FVOCI assets	Retained earnings	Total equity
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at January 1, 2020	**5,000**	**48,503**	**31,660**	**(473)**	**221,702**	**306,392**
Net profit for the year	–	–	–	–	10,249	10,249
Other comprehensive income	–	–	(26,576)	203	–	(26,373)
Total comprehensive income	–	–	**(26,576)**	**203**	**10,249**	**(16,124)**
Total equity attributable to shareholder of CBN as at December 31, 2020	**5,000**	**48,503**	**5,084**	**(270)**	**231,951**	**290,268**

During 2020, CBN and its subsidiary has not declared or paid any dividend.

On 16 December 2020, the European Central Bank (ECB) published a recommendation (ECB/2020/62) to credit institutions on dividend distributions during the COVID-19 pandemic. The ECB recommends that Banks exercise extreme prudence on dividends. They should consider not distributing any cash dividends or conducting share buy-backs, or limiting such distributions, until 30 September 2021.

The ECB calls for prudence in the distribution policies and practices of credit institutions. Therefore, the ECB sees the need to encourage credit institutions to continue to refrain from making dividend distributions and share buy-backs. Dividend distributions should be guided by their internal capital generation capacity viewed on a forward-looking basis, and the upcoming impact of the economic fallout on the quality of their exposures and capital. In addition, the ECB generally considers that it would not be prudent for those credit institutions in those deliberations to consider making a distribution amounting to more than 15% of the accumulated profit for the financial years 2019 and 2020, or more than 20 basis points in terms of the Common Equity Tier 1 ratio, whichever is lower.

The ECB recommendation will be embedded in the Bank's dividend decision-making process for 2021.

The translation reserve arises as the functional currency of the CBN Group is USD and reporting currency is EUR. This amount is classified as a legal reserve pursuant to Dutch regulation Part 9 Book 2 article 373.4.

Consolidated statement of cash flows for the year ended December 31, 2021 and 2020

	Note	2021	2020
		EUR 000	EUR 000
Cash flows from operating activities:			
Net profit for the year		5,006	10,249
Adjustments for:			
• Income tax expense	4.12	2,361	3,274
• Depreciation	4.9	278	197
• Amortization	4.9	263	55
• Net finance (income)/expense	4.11	(141)	205
• Net interest income banking activities	4.4	(22,236)	(35,012)
		(14,469)	(21,032)
Movement in working capital:			
• (Increase) in financial assets at amortized cost		(101,519)	(97,541)
• (Increase) in financial assets at fair value through other comprehensive income		(399,512)	(162,708)
• (Increase)/decrease in financial assets at fair value through profit or loss		(152)	89,115
• (Increase) in trade receivables		(2,094)	(991)
• (Increase)/decrease in derivative financial assets		(34,124)	4,358
• Decrease/(increase) in other receivables and accrued income		445	(2,386)
• Decrease in receivables from affiliated companies		195	464
• Increase/(decrease) in trade payables		1,096	(1,021)
• (Decrease)/increase in derivative financial liabilities		(27,728)	12,026
• Increase/(decrease) in other payables and accrued expenses		1,023	(178)
• Decrease in provisions		(170)	(357)
• Increase in deferred income		7	–
• Increase/(decrease) in other liabilities		14	(69)
• Increase/(decrease) in payables to affiliated companies		88	(895)
• Unrealized currency translation gains/(losses)		23,153	(26,576)
• Increase/(decrease) in amounts owed to depositors		290,868	(64,639)
Interest paid		(15,838)	(16,101)
Interest received		36,115	57,790
Income tax paid		(1,095)	(4,734)
Net cash flows (used in) operating activities		**(243,697)**	**(235,475)**
Cash flows from investing activities:			
Additions to property, plant and equipment	4.13	(48)	(7)
Additions to intangible assets	4.15	(311)	(670)
Net cash flows (used in) investing activities		**(359)**	**(677)**
Cash flows from financing activities			
Payment of lease liabilities		(220)	(164)
Dividend paid		(17,673)	–
Net cash flows (used in) financing activities		**(17,893)**	**(164)**
Net decrease in cash and cash equivalents		**(261,949)**	**(236,316)**

Consolidated statement of cash flows for the year ended December 31, 2021 and 2020 (continued)

	Note	2021	2020
		EUR 000	EUR 000
Cash and cash equivalents as at January 1	4.22	5,608,056	5,844,372
Decrease in cash and cash equivalents		(261,949)	(236,316)
Cash and cash equivalents as at December 31,	**4.22**	**5,346,107**	**5,608,056**

4. Notes to the consolidated financial statements for the years ended December 31, 2021 and 2020

4.1. General

4.1.1. Ownership

Citco Bank Nederland N.V. ("CBN") is domiciled in Amsterdam and was incorporated in Amsterdam on December 20, 1985. CBN is registered with the Trade Register of the Amsterdam Chamber of Commerce under number 33185291 pursuant to the terms of its Articles of Association as contained in the Deed of its Incorporation.

CBN is a wholly owned subsidiary of Citco Bank Holding N.V., Curaçao, which is ultimately a wholly owned subsidiary of Citco III Limited, Cayman Islands (the "Ultimate Parent Company").

The consolidated financial statements of CBN for the year ended December 31, 2021 comprise of CBN and its subsidiary (together referred as the "CBN Group").

CBN Group consists of the following branches and subsidiary:

- Citco Bank Nederland N.V., Amsterdam, the Netherlands
- Branch Office, Dublin, Republic of Ireland
- Branch Office, Luxembourg, Luxembourg
- Citco Bank Canada, Toronto, Canada (subsidiary)

The address of its registered office is as follows:

Telestone 8 – Teleport,
Naritaweg 165,
1043 BW Amsterdam,
The Netherlands

4.1.2. Activities

Banking and Custody services

Utilizing Citco Bank's electronic platforms, institutional and collective investment schemes ("CIS") clients can access the funds universe via an online real-time global funds platform that offers:

- *Custody and Trading*
  Offers unlimited access to online trading as well as tailored reporting.
- *Depositary Services*
  Provides depositary and custody services to Irish and Luxembourg domiciled collective investment schemes.
- *Credit Facilities*

  Provides clients with short-term bridge finance and foreign exchange facilities.

4.1.3. CBN Group structure

An overview of CBN and its subsidiary as at December 31, 2021 is included in Appendix I to this report.

4.1.4. Currency

CBN Group uses the United States Dollar ("USD") as its functional currency and the Euro ("EUR") as its reporting currency. The reporting currency is aligned to the reporting currency of the CBN Group regulatory reporting to the DNB.

In accordance with IAS 21, the EUR/USD conversion rate that has been used for the balance sheet is the 2021 year-end rate of 1.1364 (2020: 1.2259) and for conversion of the profit or loss, an average exchange rate for 2021 of 1.1813 (2020: 1.1474) is used. Exchange differences arising from the translation to presentation currency are recognized in other comprehensive income.

4.1.5. Approval of the Board

These consolidated financial statements have been approved for issuance by the Supervisory Board on April 29, 2022.

4.2. Principal accounting policies

4.2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the European Union ("EU"). The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below. These have been applied consistently during the year.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as at December 31, 2021. The main subsidiaries of the Group are detailed in Appendix I.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect returns through its power over the investee.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions and balances between Group entities are eliminated on consolidation.

Going concern

Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the CBN Group's ability to continue as a going concern.

The impact of COVID-19 on future performance and therefore on the measurement of some assets and liabilities or on liquidity might be significant and might therefore require disclosure in the financial statements, but management has determined that they do not create a material uncertainty that casts significant doubt upon the CBN Group's ability to continue as a going concern.

4.2.2. New standards adopted by the CBN Group

The following standards and amendments, effective from January 1, 2021, did not have any material impact on the CBN Group's disclosures or the amounts recognized:

- Amendment to IFRS 9, IFRS 4 and IFRS 7 - Interest benchmark reform
- Amendments to IFRS 16 - Covid-19 Related rent concessions

The Group has applied amendment to IFRS16 (as issued by the Board in May 2021) in advance of its effective date, was no material change to the terms and conditions of the lease.

IBOR reform

The (IBOR) is being replaced. The impact of the transition from IBOR will be far-reaching for financial services firms, businesses and customers alike. European law, in the form of the Benchmark Regulation, sets out certain criteria and conditions for benchmark rates to ensure that they are reliable and robust. In order to meet these conditions and the concerns of regulators globally, benchmark rates are being reformed, where possible, to be based on robust methodologies supported by sufficient and reliable data. The process of reforming EURIBOR was successfully completed in 2019 and is expected to remain in place for the foreseeable future. The successor rate for EONIA, the Euro Short-term Rate ('€STR'), is now available and market participants are in the process of concluding the transition process. It is expected that some benchmark rates will be reformed or will be discontinued and replaced with alternative benchmark rates, which meet the new regulatory and market requirements. This may impact the products and services, which are currently made available in the marketplace. The CBN Group is working with regulators to facilitate a smooth transition. The impact on the CBN Group is not expected to be significant. Beginning January 01, 2022 all new deals will no longer reference LIBOR. From January 01, deals will reference Term Secured Overnight Financing Rate ("SOFR") or another benchmark rate as agreed. Legacy lending, maturing after June 2023 will be amended to reference Term SOFR plus a spread adjustment. A dedicated team has been formed with the objective to manage this transition. The CBN Group has reviewed all accounts and products linked to IBOR or other benchmarks and are currently working to include fallback mechanism terms into future contracts.

Environmental, Social, and Governance (ESG)

With respect to ESG, for CBN Group, like for all within the financial sector and its regulators, ESG focus is continuously increasing. Citco is proudly evolving in tandem with the diversifying needs of clients, investors and market demands with respect to ESG. As the landscape intensifies, we have extended our efforts from a strong history of giving back to the communities in which we operate to develop an internal ESG statement and Sustainability report in consultation with leaders in the field. This initiative is targeted at Group level, involving all business units including CBN Group.

Citco teamed up with an external ESG advisory team to meaningfully construct our internal efforts towards ESG in two phases, with the key outputs being a corporate sustainability report and ESG statement. Phase one of the project saw the development of an ESG steering committee and working group to oversee the body of work, a gap analysis to assess our performance comparatively to best practice, a benchmark practice to ensure we are aligning with our peers to meet industry standards, internal stakeholder interviews to gain a better understanding and insight into how ESG concepts relate to all areas of the business, and identification of the material issues and subsequent metrics most relevant to Citco based on leading ESG standards (i.e. SASB, GRI, PRI) to inform prioritization. Phase two will result in the development of a sustainability report that documents Citco's performance against key metrics and outlines future targets, an ESG statement for Citco to facilitate oversight and implementation of ESG strategy. Citco also became a signatory of the UN Principles for Responsible Investing.

4.2.3. New standards and interpretations not yet adopted

The IASB has issued a number of minor amendments to IFRS effective January 1, 2022. These amendments are not expected to have a significant impact on the CBN Group.

4.2.4. Use of estimates and critical accounting judgments in the preparation of financial statements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results in the future could differ from such estimates and the differences may be material to the consolidated financial statements.

Management has considered the impact of COVID-19 relating to sources of uncertainty in the consolidated financial statements and have determined it does not create a significant material impact on the amounts reported at the year end.

4.2.5. Foreign currency translation

During the year, non-USD transactions are translated to USD as the functional currency. Transactions in currencies other than USD (the functional currency) are initially recorded at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing at the end of the reporting period. Gains and losses arising on exchange are included in the consolidated income statement for the year.

During the year, hedging is done for non-USD currency exposures to USD as the functional currency. The CBN Group hedged its exposure to certain foreign exchange risks by entering into forward exchange contracts.

On consolidation, the non-USD assets and liabilities of the CBN Group's operations are translated to USD at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in Other Comprehensive Income ("OCI") and transferred to the CBN Group's translation reserve. On disposal of an entity, such cumulative translation differences are recognized as gain or loss in the year in which the disposal takes place.

Goodwill and fair value adjustments arising on the acquisition of a non-USD entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

4.2.6. Revenue recognition

Revenue comprises the value for the rendering of services in the ordinary course of the CBN Group's activities. The CBN Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the stage of completion of the transaction at the balance sheet date can be measured reliably. The amount of revenue is not considered to be reliably measured until all significant contingencies relating to the sale have been resolved. The CBN Group bases its estimates on historic results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is generated from contractual service agreements with the CBN Group's clients. Custody income is accrued on a time basis by reference to the Assets under Administration ("AuA") at the contractual basis points or at a minimum fee.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable using the effective interest rate method. Interest income is recognized as earned.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawndown, are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

4.2.7. Interest income and expense

Interest income and expense are recognized in the income statement for all instruments measured at amortized cost and fair value through other comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that is used to discount the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the CBN Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.2.8. Operating expenses

Operating expenses are calculated at cost and are recognized in the period to which they relate. Amortization and depreciation charges on intangible and tangible assets are based on cost and are calculated by the straight-line method over the estimated lives of the assets concerned.

4.2.9. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the CBN Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement scheme.

4.2.10. Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The CBN Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the CBN Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the CBN Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in consolidated income statement, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.2.11. Plant and equipment

Machinery, equipment and leasehold improvements are stated at cost less accumulated depreciation and any accumulated impairment.

If an item of property and equipment is comprised of several major components with different useful lives, each component is accounted for separately.

Depreciation is charged so to write off the cost over their estimated useful lives, using the straight-line method, on the following basis:

Machinery and equipment	**3-4 years**
Leasehold improvements	**Term of lease**
Right-of-use assets	**Term of lease**

These assets are reviewed at each reporting period for indications of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated based on its fair value. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In addition, the useful lives of these assets are also reviewed and adjusted, if appropriate, at each reporting period.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset. This is recognized in the consolidated income statement.

4.2.12. Intangible assets

Third-party software

Acquired software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over the asset's useful life, which typically ranges from 3 to 5 years. Where the carrying value of an asset is greater than its estimated recoverable amount the asset is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognized in the consolidated income statement.

For intangible assets with finite lives (software), the CBN Group reviews the carrying amounts at each end of the reporting period to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The results on disposals of intangible assets are not significant.

4.2.13. Leases

Based on the accounting policy applied the CBN Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer.

Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Right-of- use assets

Initial measurement

The right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives;
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

Subsequent measurement

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of the property and equipment. If the lease transfers ownership of the underlying asset to the CBN Group by the end of the lease term or if the cost of the right-of-use asset reflects that the CBN Group will exercise a purchase option, the CBN Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the CBN Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The CBN Group re-measures the right-of-use asset in the following circumstances:

- Lease incentives (excluding rent-free periods): the Right-of-Use ("RoU") asset is re-measured to reflect the amount of incentive received from the landlord, usually paid in cash or through leasehold improvements.

Lease liabilities

Initial measurement

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, using the effective interest method. These include:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties to be incurred for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the CBN Group's incremental borrowing rate.

The lease term determined by the CBN Group comprises:

- Non-cancellable period of lease contracts;
- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Subsequent measurement

The CBN Group re-measures the lease liability (and with a corresponding adjustment to the RoU asset) in the following circumstances:

- Index rate change to a lease payment: the revised updated lease payments are discounted at the rate applied by the CBN Group to the original lease, at the date of the revised lease payment; and
- Lease modification where the modification is not treated as a separate lease: the revised lease payments are discounted at the rate applied by the CBN Group to the original lease, at the date of modification.

4.2.14. Impairment

For intangible assets with indefinite lives (i.e. goodwill), the CBN Group reviews the carrying amount at the end of the reporting period or earlier if such indication warrants impairment testing. For tangible and intangible assets with finite lives, the CBN Group reviews the carrying amounts at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the CBN Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, which reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately. Subsequent reversals of impairment losses are not allowed for goodwill impairments.

4.2.15. Financial assets and financial liabilities

Recognition and derecognition of financial instruments

Recognition of financial assets

Financial assets are recognized in the consolidated statement of financial position when the CBN Group becomes a party to the contractual provisions of the instruments. Debt securities and certain other financial assets measured at fair value through profit or loss that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recognized using trade date accounting. Trade date is the date on which the CBN Group commits to purchase or sell the asset. Loans and advances, and repurchase agreements are recognized using settlement date accounting.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the CBN Group has transferred substantially all risks and rewards of ownership. If the CBN Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognizes the financial asset if it no longer has control over the asset. The difference between the carrying amount of a financial asset that has been extinguished and the consideration received is recognized in the consolidated income statement. There were no significant changes to the financial assets outside of repayment of principal and interests.

Recognition of financial liabilities

Financial liabilities are recognized on the date that the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial liabilities

Financial liabilities are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognized in the consolidated income statement.

Modification of financial assets and financial liabilities

Modification to financial assets and liabilities under IFRS 9 Financial Instruments (“IFRS 9”) results in recognition of an immediate (gain)/loss in the consolidated income statement. The (gain)/loss is calculated as the difference between the carrying amount of the asset/liability and net present value of the modified asset/liability discounted at the effective interest rate. Certain reliefs apply for financial instruments that are modified as a consequence of a benchmark reform.

In the case of a financial asset, it also requires the derecognition of the financial asset and recognition of the new modified asset. In the case of a financial liability, derecognition is only required if the modification is deemed substantial.

i) Financial assets

General classification framework and initial measurement

The CBN Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- Those to be measured at amortized cost.

At initial recognition, the CBN Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated income statement.

Debt instruments

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows at initial recognition.

Business models

Business models are classified as either Hold to Collect, Hold to Collect and Sell or Held at fair value through Profit & Loss depending on how a portfolio of financial instruments as a whole are managed. The CBN Group business models are based on the existing management structure of the CBN Group, and refined based on an analysis of how businesses are evaluated and reported, how their specific business risks are managed and on historic and expected future sales.

Sales are permissible in a Held to Collect business model when these are due to an expected increase in credit risk or liquidity risk, take place close to the maturity date, are insignificant in value (both individually and in aggregate) or are infrequent.

Assessing contractual cash flows

The contractual cash flows of a financial asset are assessed to determine whether they represent Solely Payments of Principal and Interest (“SPPI”). Interest includes consideration for the time value of money, credit risk and also consideration for liquidity risk and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are SPPI, the CBN Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

There are three measurement categories into which the CBN Group classifies its debt instruments:

Amortized cost: Debt instruments that are held for collection of contractual cash flows under a Held to Collect business model where those cash flows represent SPPI are measured at amortized cost. Interest income from these financial assets is included in Interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the consolidated income statement. Impairment losses are presented as a separate line item in the consolidated income statement.

FVOCI: Debt instruments that are held for collection of contractual cash flows and for selling the financial assets under a Held to Collect and Sell business model, where the assets’ cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognized in the consolidated income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated income statement and recognized in Investment income or other income based on the specific characteristics of the business model. Interest income from these financial assets is included in Interest income using the effective interest rate method. Impairment losses are presented as a separate line item in the consolidated income statement.

FVTPL: Debt instruments that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This includes debt instruments that are held for trading. The CBN Group may in some cases, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The interest result on financial assets designated as at FVTPL is recognized in the consolidated income statement and presented within interest income or interest expense in the period in which it arises.

The CBN Group reclassifies debt investments when, and only when, its business model for managing those assets changes.

ii) Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost.

iii) Derivatives

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. All derivatives are recognized as liabilities when their fair value is negative and assets when their fair value is positive. Fair value movements on derivatives, are presented in the consolidated income statement.

iv) Impairment of financial assets

An Expected Credit Loss ("ECL") model is applied to financial assets accounted for at amortized cost and FVOCI.

Under the ECL model the CBN Group calculates the ECL by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The ECL is the sum of these probability-weighted outcomes, are unbiased and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Three stage approach

Financial assets are classified in any of the below three stages at the reporting date. A financial asset can move between stages during its lifetime. The stages are based on changes in credit quality since initial recognition and defined as follows:

- **Stage 1** includes financial instruments that have not had a significant increase in credit risk since initial recognition. An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date;
- **Stage 2** includes financial instruments that have experienced a significant increase in credit risk since its initial recognition but that does not have objective evidence of impairment. However, a worsening credit score does not automatically result in counterparty moving from Stage 1 to Stage 2. (see below) In case of Stage 2, a lifetime ECL are recognized with interest revenue calculated on the gross carrying amount of the asset; or
- **Stage 3** includes financial assets that can be identified to be impaired at the reporting date. Lifetime ECL is recognized and interest income is calculated on the net carrying amount.

As at December 31, 2021, all of the CBN Group financial instruments are assumed to be Stage 1. The CBN Group has a low appetite for credit risk, supported by a conservative credit risk management framework and evidences by no realized credit losses historically, which has resulted in all credit risk exposure limited to those seen as low credit risk.

Significant change in credit risk

A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk since initial recognition. Each financial asset is assessed at the reporting date on the triggers for significant deterioration. The CBN Group assesses significant change in credit risk using:

- Internal rating; and
- Arrears.

Counterparties are assessed as part of the daily counterparty risk monitoring, whereby a deterioration below the risk appetite for investment will lead to analysis of the appropriate credit stage if the exposure is maintained. Due to the small size of the client-lending book, loans are monitored on an asset-by-asset basis. Assets can move in both directions, meaning that they can move back to Stage 1 if the situation improves.

Measurement of ECL

The CBN Group Loss Given Default ("LGD") models used for regulatory capital and collective provisions are sourced from the Annual Default Studies published by the rating agencies. Values for Probability of Default ("PD") are derived from Citco's Counterparty Risk Monitoring System ("CRMS") methodology. Values for Exposure at Default ("EaD ") depend on the type of asset the entity is holding on or off its consolidated statement of financial position. IFRS 9 defines credit loss as the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive discounted at the original effective interest rate. Because ECL considers the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due. ECL will be calculated on assets individually, but their LGD and PD will be a function of the counterparty and the type of exposure, whereby cash at third party banks will be treated differently to term placements at banks or cash at central banks and other government exposures.

Furthermore, estimates of ECL on assets that include undrawn loan commitments and function similar to revolving credit loans, will be consistent with expectations of drawdowns on that loan.

PD and LGD values are influenced and ultimately based on the prevailing economic environment, applying Point in Time ("PiT") probabilities. In order to account for this in the ECL calculation three scenarios are established:

- Normal - the business environment is stable;
- Stressed - the business and/or wider economic environment is under stress/contraction;
- Expansion - the business environment is characterized by growth and a reduction in credit risk.

The scenario environment will be determined by management discretion and reviewed on a periodic basis.

Prevailing economic environment

Economic and financial stress indicators are used to provide management information on the prevailing economic environment for use in determining which weightings for the three available scenarios is appropriate for the forthcoming period. To avoid low-value complexity, a weighted average is determined from the three scenarios and the weightings will be applied in 25% increments. Citco Risk Management monitors economic and financial stress indicators against pre-defined trigger levels, which if exceeded will be followed by a risk review on a wider range of macroeconomic and market data.

Following the review of financial stress, there is a review of economic indicators to determine if there is sufficient evidence for weightings of an expansion scenario, characterized by significant levels of growth. Quarterly Growth Domestic Product ("GDP") growth figures for the United States, Eurozone and Japan are reviewed against a trigger level and if this is exceeded, further analysis will be carried out. If no weightings for neither stressed scenario nor expansion scenario are indicated, then by default the proposal to management is an ECL model configuration using 100% weighting for the normal scenario. Alternative weightings may be proposed if other information indicates differently. The risk management team may consider weightings for the scenarios, the worst case being 100% stressed would result in ECL remaining less than 0.1% of capital.

ECL sensitivity

The ECL for financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on market research, the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Changes in such judgments and analyses may lead to changes in the ECL provisions over time. The key judgment areas are:

Assumptions used to measure expected credit losses, including the use of forward-looking and macro-economic information for individual and collective impairment assessment.

The use of different assumptions could produce significantly different estimates of ECL. The Risk Management team is responsible for estimating the Prevailing Economic Environment input and internal Credit Score used for IFRS 9 ECL purposes. The Risk Management team may consider weightings for the scenarios, the worst case being 100% Stressed would result in ECL increasing, but remaining below 0.1% of capital. The most material sensitivity to the estimate of ECL is the internal Credit Score provided to counterparties, whereby a deterioration in Credit Scores of financial counterparties by one level would increase ECL to 0.1% of capital or 0.2% of capital if alongside 100% stressed prevailing economic outlook.

Definition of default

Definition of Default is outlined in the Citco Credit Risk Management Policy of applicable entities as part of the Enterprise Risk Management Framework. IFRS 9 requires that a rebuttable presumption is included that considers that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportive information to demonstrate that a longer-dated default criterion is more appropriate.

Citco defines two relevant types of identified defaults that are taken into consideration:

- Counterparty Default: The risk that the counterparty defaults and cannot pay back the funds that the Bank placed or invested with it. This includes credit counterparty risk arising from derivatives; and
- Client Default: The risk that a client who is in receipt of a loan or is required to post collateral for FX trades is unable to provide sufficient collateral or to repay the loan when due.

Collectively assessed loans (Stages 1 to 3)

Loans are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors. The collectively-assessed loan loss provision reflects: (i) the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and (ii) the impact of time delays in collecting principal and/or interest (time value of money).

Write-off and debt forgiveness

Loans and the related ECL are written off, either partially or in full, when there is no realistic prospect of recovery. Write-offs are made:

- In a bankruptcy liquidation scenario (not as a result of a reorganization);
- When there is a high probability of non-recovery of the remaining loan exposure or certainty that no recovery can be realized;
- After disinvestment or sale of a credit facility at a discount; or
- The CBN Group releases a legal (monetary) claim it has on its customer.

4.2.16. Trade receivables

In accordance with IFRS 9, trade receivables are measured at amortized cost using the effective interest method, less any ECL (impairment). In order to determine the amount of ECL to be recognized in the consolidated financial statements, the CBN Group uses a provision matrix based on its historical observed default rates, which is adjusted for any forward-looking estimates.

4.2.17. Accrued income

Accrued income is stated at its nominal value. Accrued income includes fees for services provided but that are not yet invoiced.

4.2.18. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits. Cash and cash equivalents are measured at amortized cost using the effective interest method, less any impairment.

4.2.19. Trade payables

In accordance with IFRS 9, trade payables are measured at amortized cost using the effective interest method. The CBN Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

4.2.20. Provisions

Provisions are recognized when the CBN Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, the provision is determined by discounting the expected future cash flows. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.2.21. Long-term loans

The long-term loans are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

4.2.22. Consolidated statement of cash flows

Cash and cash equivalents for the purpose of the statement of cash flows include cash on hand, deposits available on demand with central banks and net credit balances on current accounts with other banks.

The consolidated statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents, which became available during the year and the application of these cash and cash equivalents over the course of the year.

4.3. Risk and capital management

4.3.1. Risk overview

In its operating environment and daily activities, the CBN Group encounters various risks and constantly strives to mitigate related risks.

The main risks identified by the CBN Group, related to its activities, are:

(a) Strategic risk: the risk to prospective earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions in lack of responsiveness to changes in the business environment.

(b) Market risk, which includes two types of risk

  (i) Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates;

  (ii) Interest rate risk in the Banking Book: the current or prospective risk to earnings and/or capital arising from adverse movements in interest rate exposures resulting from interest rate sensitivity mismatches between assets and liabilities.

(c) Liquidity risk: the risk of an inability to meet payment obligations when they fall due and to replace funds when they are withdrawn.

(d) Credit risk: the current or prospective risk arising from counterparty's failure to meet the terms of any contract with the Bank or its failure to perform as agreed.

(e) Operational risk: the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events.

Strategic risk

CBN Group operates in a niche market. The objective in relation to Strategic Risk is to remain flexible to changes in the business environment so that both growth and changes to the market status can be adapted to in a swift manner. The integrity risks associated with the products and services we provide to our clients are part of the strategic risk, and also are covered specifically in the FEC RAS.

The usage of an effective planning and control framework, as well as a robust business intelligence framework is the cornerstones of strategic risk management. Furthermore, Project Risk Assessment ("PRA") process and a New Significant Initiatives policy are embedded in the organization to ensure CBN Group is effectively managing and monitoring the introduction of new products and (large) projects. CBN Group reduces exposure to strategic risk by a clear focus on its strategic business objectives.

Market risk

CBN Group's policy is to reduce market risk to an acceptable level. Market risk embodies not only the potential for loss but also the potential for gain. In CBN Group, the treasury instruments available to manage and reduce these risks have been approved, by the Management Board and the Supervisory Board. This policy serves to set a framework of limits and to ensure clearly defined limits within that framework. There has been no significant change to CBN Group's exposure to market risks and the Management Board continuously reviews the manner in which it manages and measures the risk.

Currency risk

Currency risk is the current or prospective risk to earnings and capital arising from adverse movements in foreign exchange rates against USD.

The off-balance sheet net position excludes forward exchange contracts placed on behalf of clients (Note 4.30). Currency exposures are covered in USD functional currency. It is uncertain whether off balance sheet items will lead to an actual exposure.

The CBN Group has and manages currency risk in two key areas:

(a) Client treasury activities: Clients place forward exchange contracts with CBN Group. Therefore, CBN Group is exposed to fluctuations in foreign exchange rates on these contracts. In managing this risk, CBN Group places offsetting forward exchange contracts with pre-approved counterparties with the same maturity. In addition clients are required to provide cash collateral in case of a margin call.

(b) Operations: CBN Group is exposed to foreign exchange risk in respect of funding day-to-day activities and capital expenditure. In managing this risk, management utilizes forward exchange contracts for any imbalances or firm commitments for planned capital expenditure.

The table below summarizes the CBN Group's exposure to currency risk translated to EUR:

	EUR	USD	CHF	GBP	Other	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2021						
Non-current assets						
Plant and equipment	37	–	–	–	–	37
Right-of-use assets	593	–	–	–	–	593
Intangible assets	202	730	–	–	–	932
Financial assets at amortized cost	–	150,100	–	–	–	150,100
Financial assets at fair value through profit and loss	–	237	–	–	–	237
Receivables with affiliated companies	–	57	–	–	–	57
Deferred tax assets	1,020	30	–	–	–	1,050
Current assets						
Trade receivables	1,286	1,670	–	129	–	3,085
Other receivables and accrued income	2,370	10,443	–	126	59	12,998
Receivables from affiliated companies	14	270	–	–	–	284
Financial assets at amortized cost	1,102	439,146	2	6	-	440,256
Financial assets at fair value through other comprehensive income	140,545	1,893,512	–	–	–	2,034,057
Financial assets at fair value through profit or loss	254	–	–	–	–	254
Cash and cash equivalents	3,721,721	1,070,945	12,843	112,729	427,869	5,346,107
Total assets	**3,869,144**	**3,567,140**	**12,845**	**112,990**	**427,928**	**7,990,047**
Non-current liabilities						
Lease liabilities	371	–	–	–	–	371
Other liabilities	173	–	–	–	41	214
Current liabilities						
Trade payables	1,072	248	–	–	2	1,322
Other payables and accrued expenses	172	2,961	–	–	237	3,370
Payables to affiliated companies	21	100	–	–	–	121
Deferred income	11	1	–	–	–	12
Lease liabilities	224	–	–	–	–	224
Current tax liabilities	452	–	–	–	–	452
Amounts owed to depositors	987,930	6,008,016	12,884	398,708	306,777	7,714,315
Total liabilities	**990,426**	**6,011,326**	**12,884**	**398,708**	**307,057**	**7,720,401**
Currency exposure	2,878,718	(2,444,186)	(39)	(285,718)	120,871	269,646
Off-balance sheet net currency exposure hedged position	2,874,561	(2,744,645)	(6)	(285,799)	120,253	(35,636)
Net currency exposure	**4,157**	**300,459**	**(33)**	**81**	**618**	**305,282**
Derivative financial assets	3,924	50,394	1,245	3,432	1,110	60,105
Derivative financial liabilities	10,193	14,663	1,227	2,158	1,497	29,738
Off-balance sheet - guarantees to counterparties	1,361	–	–	–	–	1,361
Credit commitments	164	390,291	–	–	–	390,455

	EUR	USD	CHF	GBP	Other	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2020						
Total assets	4,143,692	3,357,456	14,283	60,270	171,751	7,747,452
Total liabilities	1,116,314	5,978,308	14,423	199,493	117,161	7,425,699
Currency exposure	3,027,378	(2,620,852)	(140)	(139,223)	54,590	321,753
Off-balance sheet net currency exposure hedged position	3,026,849	(2,913,202)	(156)	(139,273)	54,431	28,649
Net balance sheet position	**529**	**292,350**	**16**	**50**	**159**	**293,104**
Off-balance sheet - guarantees to counterparties	1,527	–	–	–	–	1,527
Credit commitments	–	281,239	–	–	–	281,239

Currency sensitivity analysis

The CBN Group is mainly exposed to USD currency and the analysis is done from that perspective. The profit is predominantly USD driven, so the USD profit would be reported higher or lower if foreign currency exchange rates moved, but not reflecting a real movement.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in exchange rates.

Foreign currency exchange impact on CBN Group's equity

If the US Dollar to Euro had been 10% higher and all other variables were held constant, the CBN Group's net profit for the year ended December 31, 2021 would have reduced by EUR 0.4 million (2020: no change) and the CBN Group's equity as at December 31, 2021 would have reduced by EUR 0.4 million (2020: no change).

If the US Dollar to Euro had been 10% lower and all other variables were held constant, the CBN Group's net profit for the year ended December 31, 2021 would have increased by EUR 0.5 million (2020: increased by EUR 0.1 million) and the CBN Group's equity as at December 31, 2021 would increase by EUR 0.5 million (2020: increased by EUR 0.1 million).

This minimal impact is a consequence of the currency hedging strategy of the CBN Group.

Interest rate risk in the Banking book

Interest Rate Risk in the Banking Book arises from the existence of mismatches in interest rate exposures or sensitivities between assets and liabilities on the CBN Group balance sheet. This is considered a subset of Market Risk and managed under the CBN Group Enterprise Risk Management Framework through the Market Risk Management Policy.

Interest rate risk is controlled through the monitoring of deposits and short-term investments with the use of the interest balance sheet and maturity profile. Funding is short term in nature and placements (exclusive of short-term investments) are typically on an overnight basis. The Funding and Investment Strategy is updated annually, determining maximum safe maturity transformation and minimum levels of overnight and short-term liquidity required. The following table details the CBN Group's remaining maturity for its financial assets and liabilities.

The table below summarizes the CBN Group exposure to interest rate risk translated to EUR:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2021						
Non-current assets						
Financial assets at amortized cost	–	–	–	150,100	–	150,100
Financial assets at fair value through profit and loss	–	–	–	–	237	237
Current assets						
Financial assets at amortized cost	27,447	–	412,809	–	–	440,256
Financial assets at fair value through other comprehensive income	809,350	601,932	622,775	–	–	2,034,057
Financial assets at fair value through profit and loss	254	–	–	–	–	254
Cash and cash equivalents	5,113,756	210,353	21,998	–	–	5,346,107
Total assets	**5,950,807**	**812,285**	**1,057,582**	**150,100**	**237**	**7,971,011**
Non-current liabilities						
Lease liabilities	–	–	–	371	–	371
Current liabilities						
Lease liabilities	–	224	–	–	–	224
Amounts owed to depositors	6,648,318	1,065,997	–	–	–	7,714,315
Total liabilities	**6,648,318**	**1,066,221**	**–**	**371**	**–**	**7,714,910**
Net balance sheet position	**(697,511)**	**(253,936)**	**1,057,582**	**149,729**	**237**	**256,101**

The table above discloses only interest bearing assets and liabilities included in the statement of financial position.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2020						
Non-current assets						
Financial assets at amortized cost	–	–	–	175,819	–	175,819
Financial assets at fair value through profit and loss	–	–	–	–	222	222
Current assets						
Financial assets at amortized cost	77,262	–	235,756	–	–	313,018
Financial assets at fair value through other comprehensive income	774,717	334,129	525,699	–	–	1,634,545
Financial assets at fair value through profit and loss	117	–		–	–	117
Cash and cash equivalents	5,544,659	22,612	40,785	–	–	5,608,056
Total assets	**6,396,755**	**356,741**	**802,240**	**175,819**	**222**	**7,731,777**
Non-current liabilities						
Lease liabilities	–	–	–	196	–	196
Current liabilities						
Lease liabilities	–	115	–	–	–	115
Amounts owed to depositors	7,015,355	408,092	–	–	–	7,423,447
Total liabilities	**7,015,355**	**408,207**	**–**	**196**	**–**	**7,423,758**
Net balance sheet position	**(618,600)**	**(51,466)**	**802,240**	**175,623**	**222**	**308,019**

Interest sensitivity analysis

Interest sensitivity is applicable in one key area for the CBN Group, the net interest margin. The net interest margin is subject to any changes in the spread CBN Group earns on placements in the markets versus the interest paid to clients. CBN Group calculates the impact of interest rate movements from both earnings perspective and economic value perspective. CBN Group applies regulatory required 200 basis points (“bps”) upward and downward rate shocks scenario, as well as number of internal scenarios. Interest rate management is based on Earnings at Risk (“EaR”) model, as being more relevant for CBN Group business model.

The EaR model considers the impact to interest earned and paid under a variety of interest rate shock scenarios. Under a gradual increase in the projected market rates of interest by 200 bps, it is calculated that CBN Group net interest income would increase by 79.3% (2020: 123.0% increase), while under a gradual decrease in projected market rates of interest is it calculated that net interest income would reduce by 13.1% (2020: 9.0% reduction).

The Economic Value of Equity (“EVE”) is modelled, but considered less applicable for the CBN Group. The limited maturity transformation often results in largest negative impact scenarios being shock increases in rates, which are expected to be beneficial for profitability. A sudden increase of 200bps in the market rates is calculated to result in a 1.4% increase in equity (2020: 1.7% increase), while a sudden decrease of 200bps in the market rates was calculated to result in a 1.4% reduction in equity (2020: 1.3% reduction).

Interest Rate Risk is also considered within stress testing for CBN Group, which includes both sustained reductions in market rates of interest and reduced rate thresholds for interest payments to clients. The combination of modelled reductions in deposit balances and compression of net interest margin significantly the reduce projected net interest income and are assessed each year as part of the ICAAP process. The results of Stress Testing, EaR and EVE are monitored by CBN Group (ALCO) on a quarterly basis.

Liquidity risk

CBN Group manages liquidity risk by maintaining a conservative framework of limits. This includes coverage of regulatory requirements, such as the Liquidity Coverage Ratio and the Net Stable Funding Ratio, but also internal liquidity limits, including overnight liquidity, one-month liquidity, maturity transformation limits and monthly stress testing. Liquidity stress testing covers CBN-specific, Market-wide and Combined scenarios, which are slow-developing and fast-developing and are assessed as part of the Individual Liquidity Adequacy Assessment Process ("ILAAP") annually. CBN Group also continuously monitors forecast to actual cash flows. In addition, CBN Group manages any counterparty risk in respect of liquidity through its utilization of the Counter Party Risk Monitoring System.

The following table details the CBN Group's remaining contractual maturity for its financial assets and liabilities. The table has been drawn up based on the cash flows of financial assets and liabilities based on the earliest date on which the CBN Group can be required to receive and pay, respectively.

Liquidity risk table

The table below summarizes the CBN Group exposure to liquidity risk translated to EUR:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2021						
Non-current assets						
Financial assets at amortized cost	–	–	–	150,100	–	150,100
Financial assets at fair value through profit or loss	–	–	–	–	237	237
Current assets						
Trade receivables	3,085	–	–	–	–	3,085
Other receivables and accrued income	10,455	–	2,543	–	–	12,998
Financial assets at amortized cost	27,447	–	412,809	–	–	440,256
Financial assets at fair value through other comprehensive income	809,350	601,932	622,775	–	–	2,034,057
Financial assets at fair value through profit or loss	254	–	–	–	–	254
Receivables from affiliated companies	341	–	–	–	–	341
Cash and cash equivalents	5,113,756	210,353	21,998	–	–	5,346,107
Derivative financial assets	–	–	22,391	29,443	8,271	60,105
Total assets	**5,964,688**	**812,285**	**1,082,516**	**179,543**	**8,508**	**8,047,540**
Non-current liabilities						
Lease liabilities	–	–	–	371	–	371
Other liabilities	214	–	–	–	–	214
Current liabilities						
Trade payables	1,322	–	–	–	–	1,322
Derivative financial liabilities	–	–	9,966	15,899	3,873	29,738
Other payables and accrued expenses	3,275	95	–	–	–	3,370
Payables to affiliated companies	121	–	–	–	–	121
Lease liabilities	–	224	–	–	–	224
Amounts owed to depositors	6,648,318	1,065,997	–	–	–	7,714,315
Total liabilities	**6,653,250**	**1,066,316**	**9,966**	**16,270**	**3,873**	**7,749,675**
Net balance sheet position	**(688,562)**	**(254,031)**	**1,072,550**	**163,273**	**4,635**	**297,865**
Off-balance sheet - guarantees to counterparties	**–**	**–**	**–**	**377**	**984**	**1,361**
Credit commitments	22,002	**–**	362,842	5,611	–	390,455

The table above discloses only financial assets and liabilities with liquidity parameters included in the statement of financial position.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2020						
Non-current assets						
Financial assets at amortized cost	–	–	–	175,819	–	175,819
Financial assets at fair value through profit or loss	–	–	–	–	222	222
Current assets						
Trade receivables	991	–	–	–	–	991
Other receivables and accrued income	8,360	812	2,047	–	–	11,219
Financial assets at amortized cost	77,262	–	235,756	–	–	313,018
Financial assets at fair value through other comprehensive income	774,717	334,129	525,699	–	–	1,634,545
Financial assets at fair value through profit or loss	117	–	–	–	–	117
Receivables from affiliated companies	536	–	–	–	–	536
Cash and cash equivalents	5,544,659	22,612	40,785	-	–	5,608,056
Derivative financial assets	15,453	9,691	837	–	–	25,981
Total assets	**6,422,095**	**367,244**	**805,124**	**175,819**	**222**	**7,770,504**
Non-current liabilities						
Lease liabilities	–	–	–	196	–	196
Other liabilities	–	–	–	200	–	200
Current liabilities						
Trade payables	226	–	–	–	–	226
Derivative financial liabilities	32,302	24,447	717	–	–	57,466
Other payables and accrued expenses	1,057	37	–	–	–	1,094
Payables to affiliated companies	33	–	–	–	–	33
Lease Liabilities	–	115	–	–	–	115
Amounts owed to depositors	7,015,355	408,092	–	–	–	7,423,447
Total liabilities	**7,048,973**	**432,691**	**717**	**396**	**–**	**7,482,777**
Net balance sheet position	**(626,878)**	**(65,447)**	**804,407**	**175,423**	**222**	**287,727**
Off-balance sheet - guarantees to counterparties	–	–	218	325	984	1,527
Credit commitments	55,236	–	226,003	–	–	281,239

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from a debtor's failure to meet the terms of any contract with CBN Group or if a debtor otherwise fails to perform. Credit risk is monitored continuously by reviewing outstanding loans, temporary overdrafts and trade receivables by the account managers and the quality and exposures of counterparties by the Risk Management division. New extensions of credit are subject to written credit memoranda that must be appropriate to the established criteria of the credit risk management policy and approved by the appropriate level of management. New counterparties are subject to due diligence by the Risk Management division and approval by the Divisional Credit Committee and the Management Board. The Supervisory Board is involved in the approval of credit applications that fall outside the authority given to the Management Board. CBN Group manages credit risk by choosing only reputable sovereigns, banks and corporates as counterparties for liquid funds and derivative financial instruments and monitoring credit-worthiness on a daily basis, adjusting credit limits for maximum size and tenor where needed.

CBN Group has implemented a daily monitoring methodology, CRMS, which uses the fundamental view of the rating agencies on a counterparty's probability of default through long-term ratings, and the more reactive view of the capital markets using credit default swap spreads to ensure that CBN Group only deals with highly regarded counterparties.

Loans to clients typically have a maximum loan to value ratio of 35% of eligible collateral, which may be secured by a pledge agreement covering the clients underlying securities portfolio held by Citco Group's separate custody subsidiaries or other forms of acceptable collateral. Valuations of the underlying collateral is made on a regular basis against industry norms and a legal entitlement to make margin calls on the client is in place. The loan portfolio is mainly focused on Europe and the offshore jurisdictions that attract quality mutual and hedge funds providers that are clients of CBN Group.

In addition, CBN Group is exposed to credit risk in relation to financial guarantees provided by CBN Group. CBN Group's maximum exposure in this respect is the maximum amount CBN Group could have to pay if the guarantee is called on. As at December 31, 2021, EUR 2.1 million (2020: EUR 1.5 million) has been recognized as a contingent liability (Note 29).

CBN Group has no significant ongoing concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Operational risk

CBN Group process many complex transactions daily. To ensure the operational risk is adequately controlled, an extensive internal control framework has been set up, which establishes a consistent approach to effectively manage operational processes which aligns with the Basel Committee on Banking Supervision's Principles for the effective management of Operational Risk. The over-arching principles for operational risk management that form the foundation for supporting policies, process, procedures, controls and tools. Operational Risk Management framework have been established in all divisions and an Enterprise Risk Management framework that is implemented across the CBN Group.

Capital Adequacy

CBN Group's asset and liability committee reviews the capital structure on a routine basis. Based on the recommendations of the ALCO committee, CBN Group balances its overall capital structure and liquidity management. CBN Group's overall strategy remains unchanged from 2020.

To monitor the adequacy of its capital under Pillar 1, banks within CBN Group apply Capital Adequacy (Solvency) Ratios ("CAR"), established by the relevant regulatory authorities. CAR measures capital adequacy by comparing the entity's eligible capital with the sum of the total of risk weighted exposure amounts for Credit Risk, Operational Risk, Market Risk and Credit Valuation Adjustment ("CVA").

For Credit Risk, the Standardised Approach is used in which for each asset the relevant risk weighted assets are determined using the counterparty type and external rating. Off-balance sheet credit-related commitments are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. For Credit risk exposure for FX contracts, the Standardised Approach is used. The resulting equivalent amounts are then weighted for risk using the same percentages as for on-balance sheet assets.

For Operational Risk the Basic Indicator Approach is used. CBN Group needs to take into account 15% of average gross revenues as capital requirement for Operational Risk.

The Market Risk capital requirements cover the risk of FX open positions.

The CVA is an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty and a Standardized method is applied.

To monitor the adequacy of its capital under Pillar 2 and sufficient liquidity, banks within CBN Group maintain Internal Capital Adequacy Assessment Process ("ICAAP") and (ILAAP), as well as the Recovery Plan. Formal documents are produced on annual basis. Citco Bank Nederland N.V is required to inform DNB and receive approval from the Supervisory Board prior to paying out dividends to its shareholder. As at December 31, 2021, CBN Group total equity amounted to EUR 300.0 million (2020: EUR 290.3 million).

The balance sheet equity consists of the following elements:

	2021	2020
	EUR 000	EUR 000
Share capital	5,000	5,000
Additional paid-in capital	48,503	48,503
Translation reserve	28,237	5,084
Revaluation of FVOCI assets	(1,011)	(270)
Retained earnings	214,278	221,702
	295,007	280,019
Profit for the year	5,006	10,249
	300,013	**290,268**

The amount of EUR 292.6 million (2020: EUR 275.7 million) is classified as Common Equity Tier 1 capital for the purposes of calculating capital adequacy.

As at December 31, 2021, the Pillar 1 capital requirements amounted to EUR 83.1 million (2020: EUR 69.6 million), which consisted of EUR 69.9 million (2020: EUR 54.5 million) for credit risk, EUR 11.7 million (2020: EUR 14.0 million) for operational risk, EUR 0.4 million (2020: EUR 0.2 million) for foreign exchange risk and EUR 1.1 million (2020: EUR 0.83 million) for credit valuation adjustment.

CBN Group’s management allocated EUR 52.1 million (2020: EUR 53.5 million) of capital to cover Pillar 2 risks.

4.4. Revenue from contracts with customers

The Group derives revenue from the following major revenue lines in the following geographically locations:

	The Netherlands	Canada	Ireland	Luxembourg	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
2021					
Interest and similar income	8,176	5,012	22,549	3,589	39,326
Interest expense and similar charges	(15,698)	(114)	(1,189)	(89)	(17,090)
Custody and trading income	–	9,233	3,437	9,488	22,158
Net income from dealing in foreign currencies	388	256	2,335	313	3,292
Payment fees	63	522	2,040	278	2,903
Other	2,025	1,162	4,482	1,457	9,126
Revenue	**(5,046)**	**16,071**	**33,654**	**15,036**	**59,715**

	The Netherlands	Canada	Ireland	Luxembourg	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
2020					
Interest and similar income	9,735	10,721	24,281	3,080	47,817
Interest expense and similar charges	(9,109)	(1,914)	(1,620)	(162)	(12,805)
Custody and trading income	-	7,783	2,737	7,751	18,271
Net income from dealing in foreign currencies	298	203	2,210	348	3,059
Payment fees	77	466	1,867	231	2,641
Other	1,142	1,408	3,788	1,094	7,432
Revenue	**2,143**	**18,667**	**33,263**	**12,342**	**66,415**

The CBN Group has recognized the following contract assets and contract liabilities in respect to contracts with customers. These are included within accrued income/derivative financial assets and accrued expenses/derivative financial liabilities in the consolidated statement of financial position.

	2021	2020
	EUR 000	EUR 000
Contract assets		
Derivative financial assets	60,105	25,981
Interest receivable affiliated companies	226	170
Interest receivable	5,070	2,847
As at December 31,	**65,401**	**28,998**
Contract liabilities		
Accrued expenses	1,743	1,744
Derivative financial liabilities	29,738	57,466
Interest payable	(894)	(2,146)
As at December 31,	**30,588**	**57,064**

4.5. Personnel expenses

	2021	2020
	EUR 000	EUR 000
Salaries and bonuses	16,470	17,330
Social security charges and taxes	1,275	1,207
Pension expenses	1,081	1,081
Severance payments	(32)	319
Related party personnel recharge	2,768	1,617
Other personnel expenses	(185)	(433)
Personnel expenses	**21,377**	**21,121**

The average number of full-time employees for the year was 173 (2020: 169) of which 50 (2020: 59) were employed in the Netherlands.

In 2021, there were 11 (2020: 12) employees classified as Identified Staff (excluding the Management Board). These identified employees were granted a variable remuneration of EUR 163 thousand in 2021 (2020: EUR 177 thousand). For these identified staff EUR 41 thousand for 2021 (2020: EUR 143 thousand) of the variable remuneration is currently deferred to future years. The total variable remuneration for all employees (excluding the Management Board) related to the year 2021 amounts to EUR 0.63 million (2020: EUR 0.60 million). In 2021, no employee received a remuneration of EUR 1 million or more. All variable remuneration is paid in cash. The Management Board decided that there was no reason to apply a collective or individual malus with respect to the variable remunerations in 2021 or to vest previous tranches of deferred variable remunerations.

In 2021, certain identified staff received 50% of variable remuneration in financial instruments (2020: 0%) in line with CRD V directive, of which 30% will be paid in 2022 and the remaining part of 20% deferred for 4 years. The approximation of fair value of a phantom share is based on the normalized earnings per the annual accounts. The effect of this arrangement is insignificant in value and it is included in Salaries and bonuses and Other liabilities.

Personnel expenses include the expenses associated with the Management Board and Supervisory Board of Directors. See Note 4.37 for Directors' remuneration.

4.6. Office and administration expenses

	2021	2020
	EUR 000	EUR 000
Office and administration expenses	622	738
Related party office and administration expenses	1,100	1,264
Office and administration expenses	**1,722**	**2,002**

4.7. Travel expenses

	2021	2020
	EUR 000	EUR 000
Travel expenses	7	103
Related party travel expenses	8	34
Travel expenses	**15**	**137**

4.8. Professional services

	2021	2020
	EUR 000	EUR 000
Professional fees	2,187	2,011
Audit fees	294	374
Related party professional fee expense	172	60
Professional services	**2,653**	**2,445**
Fees to independent auditor:		
Audit fees	247	290
Audit-related fees	47	84
Audit fees	**294**	**374**

EUR 140 thousand (2020: EUR 137 thousand) and EUR 47 thousand (2020: EUR 84 thousand) was paid to Deloitte Accountant B.V. for statutory audit and other audit engagements respectively.

Audit fees of EUR 33 thousand (2020: EUR 36 thousand) for Citco Bank Nederland N.V. Dublin Branch, EUR 29 thousand (2020: EUR 57 thousand) for Citco Bank Nederland N.V. Luxembourg Branch, EUR 45 thousand (2020: EUR 60 thousand) for Citco Bank Canada were paid to the Deloitte teams in the respective jurisdictions.

Audit-related fees totaled EUR 47 thousand in total representing EUR 47 thousand (2020: EUR 84 thousand) for Citco Bank Nederland N.V.

4.9. Depreciation and amortization

	Notes	2021 EUR 000	2020 EUR 000
Depreciation on machinery and equipment	4.13	21	17
Depreciation of right-of-use assets	4.14	257	180
Amortization of internally generated software	4.15	252	21
Amortization of third party software	4.15	11	34
Depreciation and amortization		**541**	**252**

4.10. Other operating expenses

	2021 EUR 000	2020 EUR 000
Citco Group support service fee	12,074	11,915
Royalty fees	1,469	1,607
Information technology service expense	–	367
Other related party expenses	2,776	2,390
Other expenses	9,013	9,560
Other operating expenses	**25,332**	**25,839**

4.11. Net finance (income)/expense

	2021 EUR 000	2020 EUR 000
Interest expense	65	74
Interest income	(9)	(3)
Interest expense on lease liabilities	32	17
Foreign exchange (gain)/loss	(197)	117
Fair value gains on financial instruments through profit or loss	(32)	–
Net finance (income)/expense	**(141)**	**205**

All interest income and expenses are attributable to continuing operations.

4.12. Income tax

The major components of income tax expense for the years ended December 31, 2021 and 2020 are:

	2021 EUR 000	2020 EUR 000
Current income tax:		
Current tax expense: current year	1,593	2,613
Current tax expense: prior year	(51)	70
	1,542	**2,683**
Deferred tax:		
Deferred tax expense: current year	799	590
Deferred tax expense: prior year	20	1
	819	**591**
Income tax expense	**2,361**	**3,274**

Income tax expense

	%	2021 EUR 000	%	2020 EUR 000
Net profit before tax		7,367		13,523
Income tax using the domestic corporation tax rate	25	1,843	25	3,381
Effect of tax rates in foreign jurisdictions	7	531	(1)	(121)
Non-deductible expenses	1	93	–	8
Effect of (capitalized) tax loses	(1)	(75)	–	(65)
(Over)/under provided in prior years	–	(31)	1	71
Income tax expense	32	2,361	25	3,274

As a Bank involved in worldwide operations, CBN Group is subject to several factors that affect its tax charge. This is principally due to the levels and mix of profitability in different jurisdictions, transfer pricing policies and tax rates imposed.

4.13. Plant and equipment

	Notes	Machinery and equipment	Leasehold Improvements and other	Total
		EUR 000	EUR 000	EUR 000
Cost:				
As at January 1, 2021		108	7	115
Additions		48	–	48
Disposals		–	(7)	(7)
Foreign exchange difference		11	–	11
As at December 31, 2021		**167**	**–**	**167**
Accumulated depreciation:				
As at January 1, 2021		100	7	107
Depreciation charge for the year	4.9	21	–	21
Disposals		–	(7)	(7)
Foreign exchange difference		9	–	9
As at December 31, 2021		**130**	**–**	**130**
Net carrying amount				
As at December 31, 2021		**37**	**–**	**37**

The results on disposals of plant and equipment are not significant.

	Notes	Machinery and equipment	Leasehold Improvements and other	Total
		EUR 000	EUR 000	EUR 000
Cost:				
As at January 1, 2020		111	7	118
Additions		7	–	7
Foreign exchange difference		(10)	–	(10)
As at December 31, 2020		**108**	**7**	**115**
Accumulated depreciation:				
As at January 1, 2020		92	7	99
Depreciation charge for the year	4.9	17	–	17
Foreign exchange difference		(9)	–	(9)
As at December 31, 2020		**100**	**7**	**107**
Net carrying amount				
As at December 31, 2020		**8**	**–**	**8**

4.14. Right-of-use assets

The CBN Group leases several assets including buildings, machinery and equipment. The average lease term is 2.12 years (2020: 1.7 years).

Approximately 55% (2020: 44%) of leases relate to office space and remainder comprises of leased cars and office equipment.

	Notes	Right-of-use assets
		EUR 000
Cost		
As at January 1, 2021		552
Additions		575
Disposals		(243)
Foreign exchange difference		56
As at December 31, 2021		**940**
Depreciation		
As at January 1, 2021		270
Depreciation	4.9	257
Disposals		(243)
Foreign exchange difference		63
As at December 31, 2021		**347**
Net carrying amount		
As at December 31, 2021		**593**

	Notes	Right-of-use assets
		EUR 000
Cost		
As at January 1, 2020		476
Additions		160
Disposals		(32)
Foreign exchange difference		(52)
As at December 31, 2020		**552**
Depreciation		
As at January 1, 2020		143
Depreciation	4.9	180
Disposals		(32)
Foreign exchange difference		(21)
As at December 31, 2020		**270**
Net carrying amount		
As at December 31, 2020		**282**

4.15. Intangible assets

	Notes	Internally generated software	Third-party software	Total
		EUR 000	EUR 000	EUR 000
Cost				
As at January 1, 2021		613	396	1,009
Additions		311	–	311
Foreign exchange difference		78	14	92
As at December 31, 2021		**1,002**	**410**	**1,412**
Accumulated amortization:				
As at January 1, 2021		21	170	191
Amortization charge	4.9	252	11	263
Foreign exchange difference		12	14	26
As at December 31, 2021		**285**	**195**	**480**
Net carrying amount				
Aa at December 31, 2021		**717**	**215**	**932**

	Notes	Internally generated software	Third-party software	Total
		EUR 000	EUR 000	EUR 000
Cost				
As at January 1, 2020		–	416	416
Additions		670	-	670
Foreign exchange difference		(57)	(20)	(77)
As at December 31, 2020		**613**	**396**	**1,009**
Accumulated amortization:				
As at January 1, 2020		–	151	151
Amortization charge	4.9	21	34	55
Foreign exchange difference		–	(15)	(15)
As at December 31, 2020		**21**	**170**	**191**
Net carrying amount				
As at December 31, 2020		**592**	**226**	**818**

The results on disposals of intangible assets are not significant.

4.16. Financial assets at amortized cost

The CBN Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortized cost include the following debt investments:

	2021	2020
	EUR 000	**EUR 000**
Bonds held at amortized cost	83,048	78,127
US treasury notes	61,441	56,895
Loans to affiliated companies	5,611	5,847
Term loans	37,887	34,950
Mezzanine notes	30,798	28,550
Variable funding notes	352,516	276,132
Current account overdrafts	19,055	8,336
As at December 31,	**590,356**	**488,837**
Maturity analysis:		
One month or less	27,447	77,262
More than three months up to a year	412,809	235,756
One to five years	150,100	175,819
As at December 31,	**590,356**	**488,837**
Current	440,256	313,018
Non-current	150,100	175,819
As at December 31,	**590,356**	**488,837**

The interest income for the year on financial instruments held at amortized cost was EUR 6,695 thousand (2020: EUR 7,017 thousand).

ECL on these investments recognized in the consolidated income statement for the year was a loss of EUR 122 thousand (2020: EUR 118 thousand).

In the current and prior year, the intercompany loan is denominated in USD.

EUR 5,611 thousand (2020: EUR 5,847 thousand) of these loans granted to affiliated companies are interest bearing. The interest rate used is three-month Libor rate plus two percent. The amount of the unused loans is EUR 5,252 thousand (2020: EUR 4,063 thousand). Undrawn portion of VFN at end of the period is EUR 426 million (2020: EUR 278 million).

4.17. Financial assets at fair value through other comprehensive income

The CBN Group classifies its financial assets at fair value through other comprehensive income only if both of the following criteria are met:

- debt securities where the contractual cash flows are solely principal, interest, and
- the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through other comprehensive income include the following debt investments:

	2021	2020
	EUR 000	EUR 000
Commercial paper issued by financial institutions	2,034,057	1,389,839
US treasury bills	–	244,706
As at December 31,	**2,034,057**	**1,634,545**
Maturity Analysis:		
One month or less	809,350	774,717
Up to three months	601,932	334,129
More than three months up to a year	622,775	525,699
As at December 31,	**2,034,057**	**1,634,545**
Current	2,034,057	1,634,545
As at December 31,	**2,034,057**	**1,634,545**

The interest income for the year on financial instruments at fair value through other comprehensive income was EUR 1,588 thousand (2020: EUR 9,119 thousand).

ECL on these investments recognized in the consolidated income statement for the year was EUR nil.

Investments were designated as FVOCI financial assets if they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term. Financial assets that were not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity investments) were also included in the FVOCI category.

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months of the end of the reporting period. A security was considered to be impaired if there had been a significant or prolonged decline in the fair value below its cost.

Commercial paper issued by financial institutions (FVOCI) and certificate of deposits represents A+ to AAA rated paper. In order to avoid fluctuations in the income statement, these investments have been classified as FVOCI with revaluations recorded in other comprehensive income.

4.18. Financial assets at fair value through profit and loss

The CBN Group classifies debt investments that do not qualify for measurement at either amortized cost or FVOCI at FVTPL.

	2021	2020
	EUR 000	EUR 000
Junior note	237	222
Other	254	117
As at December 31,	**491**	**339**
Maturity analysis:		
One month or less	254	117
More than five years	237	222
As at December 31,	**491**	**339**
Current	254	117
Non-current	237	222
As at December 31,	**491**	**339**

4.19. Deferred tax

	2021	2020
	EUR 000	EUR 000
Capitalized tax loss and deferred tax assets	1,050	1,821
Amounts recognized as at December 31,	**1,050**	**1,821**

The following are the major deferred tax assets and deferred tax liabilities recognized by the CBN Group and the related movements during the year:

	Capitalized losses and deferred tax assets
	EUR 000
As at January 1, 2021	1,821
Utilization	(771)
As at December 31, 2021	**1,050**
As at December 31, 2020	2,592
Utilization	(771)
As at December 31, 2020	**1,821**

4.19. Deferred tax (continued)

4.19.1. Recognized deferred tax assets

	2021	2020
	EUR 000	EUR 000
Deferred tax assets		
Property and equipment	95	32
Other items	34	37
Tax value of loss carry-forwards recognized	921	1,752
Net tax assets	**1,050**	**1,821**

4.19.2. Movement in temporary differences during 2021 and 2020

	Temporary differences	Capitalized tax losses	Total
	EUR 000	EUR 000	EUR 000
As at January 1, 2020	80	2,512	2,592
Additions during the year	(11)	(760)	(771)
As at December 31, 2020	**69**	**1,752**	**1,821**
As at January 1, 2021	69	1,752	1,821
Additions during the year	60	(831)	(771)
As at December 31, 2021	**129**	**921**	**1,050**

A specification as at December 31, 2021 and 2020 of the deferred tax assets and how they are used shows as follows:

	Deferred tax assets	Carried forward losses	Carried forward until at least	Capitalized 2021
	EUR 000	EUR 000		EUR 000
Europe - Netherlands	83	416	unlimited	499
Europe Ireland	15	505	unlimited	520
Canada	31	–	unlimited	31
As at December 31,	**129**	**921**		**1,050**

	Deferred tax assets	Carried forward losses	Carried forward until at least	Capitalized 2020
	EUR 000	EUR 000		EUR 000
Europe - Netherlands	23	1,752	2021	1,775
Europe Ireland	15	–	unlimited	15
Canada	31	–	unlimited	31
As at December 31,	**69**	**1,752**		**1,821**

Deferred tax assets have been recognized to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

4.20. Trade receivables

	2021	2020
	EUR 000	EUR 000
Trade receivables	3,085	990
Allowance for expected credit losses	–	1
As at December 31,	**3,085**	**991**

The average age of these receivables is 34 days (2020: 23 days). No interest is charged on trade receivables that are past due. Trade receivables are the amounts due from clients relating to depositary and custody services provided by the CBN Group.

4.20.1. Age of trade receivables past due but not impaired

	2021	2020
	EUR 000	EUR 000
1-30 days	741	217
31-60 days	227	73
61-90 days	423	–
Over 90 days	183	–
As at December 31,	**1,574**	**290**

4.20.2. Movement in the expected credit losses

The movement in the allowance for expected credit losses is as follows:

	2021	2020
	EUR 000	EUR 000
As at January 1	1	–
Amounts (recovered)/provided during the year	(1)	1
As at December 31,	**–**	**1**

4.21. Other receivables and accrued income

	2021	2020
	EUR 000	EUR 000
Accrued income	5,853	6,245
Other receivables	1,535	1,807
Interest receivables	5,295	3,017
Prepaid expenses	315	179
Net disbursements affiliated companies	–	(29)
As at December 31,	**12,998**	**11,219**

4.22. Cash and cash equivalents

	2021 EUR 000	2020 EUR 000
Cash and balance with central banks	3,697,829	3,968,690
Current account with other banks	802,557	485,309
Bank balances with affiliated companies	3,813	4,063
Deposit with other banks	841,908	1,149,994
As at December 31,	**5,346,107**	**5,608,056**

Bank balances attract interest at the respective short-term deposit market rates. For some currencies, these rates are negative. Banks are required to deposit a minimum average balance, calculated monthly, with the central banks, which is not available for use in CBN Group's day-to-day operations. These deposits bear no interest.

4.23. Share capital

Authorized shares:

	2021 Number of shares 000	2020 Number of shares 000
Ordinary shares of par value EUR 100 each	250	250
As of December 31,	**250**	**250**

Ordinary shares issued and fully paid:

	Number of shares 000	EUR 000
As at January 1, 2021	**50**	**5,000**
Movement	–	–
As at December 31, 2021	**50**	**5,000**

4.24. Provisions

	Severance payments
	EUR 000
As at January 1, 2021	170
Provisions made during the year	-
Amounts used during the year	-
Unused amounts reversed during the year	(34)
Amounts used during the year	(144)
Foreign exchange difference	8
As at December 31, 2021	**–**
As at January 1, 2020	527
Provisions made during the year	101
Amounts used during the year	(296)
Unused amounts reversed during the year	(112)
Foreign exchange difference	(50)
As at December 31, 2020	**170**
Current	170
As at December 31, 2020	**170**

4.25. Retirement benefit schemes

Principally, the CBN Group pays premiums to defined contribution retirement schemes. Effective May 1, 2014, the Netherlands Scheme changed from a defined benefit plan to a defined contribution plan.

The assets of the schemes are held separately from those of the CBN Group in funds under the control of trusts, foundations and the like. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the CBN Group are reduced by the amount of forfeited contributions.

The total cost charged to the consolidated income statement of EUR 1 million (2020: EUR 1 million) represents contributions payable to these schemes by the CBN Group at rates specified in the rules of the schemes.

4.26. Other payables and accrued expenses

	2021	2020
	EUR 000	EUR 000
Taxes and social security contributions	1,864	1,157
Accrued expenses	1,743	1,743
Other payables	655	340
Interest payable	(892)	(2,146)
As at December 31,	**3,370**	**1,094**

The CBN Group has financial risk management policies in place to ensure that all payables are paid within the permitted credit terms.

4.27. Amounts owed to depositors

	2021	2020
	EUR 000	EUR 000
Demand deposits	6,153,034	6,608,161
Demand deposits with affiliated companies	165,230	193,127
Time deposits	1,396,051	622,159
As at December 31,	**7,714,315**	**7,423,447**

Deposits are only short term and CBN Group pays interest based on the terms agreed with clients.

Maturity analysis:

	2021	2020
	EUR 000	EUR 000
On demand	6,318,264	6,801,288
One month or less	330,054	214,067
More than one month up to three months	1,065,997	408,092
As at December 31,	**7,714,315**	**7,423,447**

4.28. Lease liabilities

	Lease liabilities
	EUR 000
As at January 1, 2021	311
Additions	575
Lease payments	(252)
Lease terminations	(39)
As at December 31, 2021	**595**
As at January 1, 2020	332
Additions	160
Lease payments	(181)
Lease terminations	–
As at December 31, 2020	311

Maturity analysis:

	2021	2020
	EUR 000	EUR 000
Within one year	224	115
In the second to the fifth year inclusive	371	196
As at December 31,	**595**	**311**

4.28. Lease liabilities (continued)

Lease liabilities included in the statement of financial position as at December 31,

	2021	2020
	EUR 000	EUR 000
Current liabilities	224	115
Non-current liabilities	371	196
As at December 31,	**595**	**311**

4.29. Commitments and contingencies

The Ultimate Parent has entered into a loan agreement with financial institutions. In this agreement, the CBN Group has been included as obligor for these facilities. The guarantee provided by the CBN Group is limited to the following:

(i) liability of each entity shall not exceed 10% of the Equity; and

(ii) The total aggregate liability of all entities shall not exceed the lesser of 20% of the Equity and USD 15 million.

Equity under the definition of the loan agreement is the equity of Citco Bank Nederland N.V. and certain of its affiliates.

Equity under the definition of the loan agreement is the equity of Citco Banking Corporation N.V. and its subsidiaries on a consolidated basis and has the meaning given to it in the Supervisory Regulation. Citco Banking Corporation N.V. is the parent company of Citco Bank Holding N.V..

As at December 31, 2021, CBN and its subsidiary had commitments on guarantees with counter guarantees amounting to EUR 0.6 million (2020: EUR 0.5 million) and guarantees without counter guarantees amounting to EUR 2.1 million (2020: EUR 1 million).

Through 2021, CBN Group continued to implement and execute policies and procedures to further enhance its 'Know Your Customer' ("KYC") activities, part of an enhancement program that began in 2018 and which was further built upon in 2019, 2020 and 2021. Compliance activities, specifically in relation to AML and KYC, were undertaken by CBN Group over the last number of years with the objective of enhancing the existing internal control framework and in response to findings raised by De Nederlandsche Bank N.V. ("DNB") during an audit undertaken in 2017. CBN Group management are confident they have satisfied all recommendations of the regulator and improvement in this area will remain top priority and focus for the Management Board. This assessment is supported by an external validation report concluded by an independent professional services provider. In 2021, DNB launched an onsite inspection to validate the communicated improvements in the areas of AML and KYC.

4.30. Derivative financial instruments

CBN Group utilizes the forward exchange contracts for hedging and non-hedging purposes.

	Contract/ notional amount	Fair value assets	Fair value liabilities
	EUR 000	EUR 000	EUR 000
As at December 31, 2021			
Forward exchange contracts	7,692,574	60,105	29,738
As at December 31, 2020			
Forward exchange contracts	6,937,246	25,981	57,466

Forward exchange contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Since these contracts are collateralized by cash or marketable securities, the credit risk is negligible.

The fair value of forward exchange contracts is revalued daily based on the applicable spot rates.

Derivative financial assets and liabilities relate primarily to two types of transactions undertaken by CBN Group:

1. Treasury activities: in earning additional interest margin over base rates, CBN Group undertakes forward foreign exchange contracts to arbitrage the difference between the margins earned on higher yielding currencies (i.e. Euro) versus the cost of undertaking the swap. These transactions are on a short-term basis and with a small number of highly rated counterparties.
2. Foreign exchange contracts: CBN Group places foreign exchange contracts on behalf of clients. However, CBN Group does not take any positions on these transactions and immediately places a corresponding trade in the market for which we retain a spread. These services are only provided to clients with funds on deposits with CBN Group and funds retained in order to meet any margin calls. Again, other than, the margin earned the asset and liability positions offset.

CBN Group occasionally enters into forward exchange contracts to mitigate the exposure on material items of capital expenditure. The fair value of the assets and liabilities is represented in the statement of financial position as derivative financial assets and as derivative financial liability.

4.31. Fair value of financial instruments

4.31.1. Fair value measurements recognized in the statement of financial position

The following table provides at the end of the reporting period an analysis of financial instruments, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4.31. Fair value of financial instruments (continued)

As at December 31, 2021	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
	EUR 000	EUR 000	EUR 000
Financial assets held at amortized cost			
Bonds held at amortized cost	–	83,048	83,048
US treasury notes	–	61,441	61,441
Loans to affiliated companies	–	5,611	5,611
Term loans	–	37,887	37,887
Mezzanine notes	–	30,798	30,798
Variable funding notes	–	352,516	352,516
Current account overdrafts	–	19,055	19,055
Financial assets held at fair value through other comprehensive income			
Commercial paper issued by financial institutions	–	2,034,057	2,034,057
Financial assets held at fair value through profit and loss			
Junior note	–	237	237
Other assets	–	254	254
Derivative financial assets	–	60,105	60,105
As at December 31,	**–**	**2,685,009**	**2,685,009**
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	–	29,738	29,738
As at December 31,	**–**	**29,738**	**29,738**

4.31. Fair value of financial instruments (continued)

As at December 31, 2020	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
	EUR 000	EUR 000	EUR 000
Financial assets held at amortized cost			
Bonds held at amortized cost	–	78,127	78,127
US treasury notes	–	56,895	56,895
Loans to affiliated companies	–	5,847	5,847
Term loans	–	34,950	34,950
Mezzanine notes	–	28,550	28,550
Variable funding notes	–	276,132	276,132
Current account overdrafts	–	8,336	8,336
Financial assets held at fair value through other comprehensive income			
Commercial paper issued by financial institutions	–	1,389,839	1,389,839
US treasury bills	244,706	–	244,706
Financial assets held at fair value through profit and loss			
Junior note	–	222	222
Other assets	–	117	117
Derivative financial assets	–	25,981	25,981
As at December 31,	**244,706**	**1,904,996**	**2,149,702**
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	–	57,466	57,466
As at December 31,	**–**	**57,466**	**57,466**

During 2021 and 2020, there have been no transfers between Level 1 and Level 2. Additionally, CBN Group held no Level 3 investments during 2021 and 2020.

4.31. Fair value of financial instruments (continued)

4.31.2. Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

Financial assets/financial liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)
• Forward exchange contracts	Level 2	Difference between the contract rate and a market quoted rate, adjusted to include credit risk or other factors as appropriate.
• Commercial paper	Level 2	Quoted market prices or dealer quote for similar financial instruments
• Certificate of deposits	Level 2	Quoted market prices or dealer quote for similar financial instruments
• US Treasury bills	Level 1	Quoted bid prices in an active market
• Money Market Funds	Level 2	Quoted market prices or dealer quote for similar financial instruments
• Bonds held through FVOCI	Level 1	Quoted bid prices in an active market

4.32. Categories of financial assets and financial liabilities

Financial Assets	2021	2020
	EUR 000	EUR 000
Cash and cash equivalents	5,346,107	5,608,056
Financial assets held at amortized cost	590,356	488,837
Financial assets held at fair value through other comprehensive income	2,034,057	1,634,545
Financial assets held at fair value through profit or loss	491	339
Derivative financial assets	60,105	25,981
Loans and receivables	14,641	11,679
As at December 31,	**8,045,757**	**7,769,437**

Financial Liabilities	2021	2020
	EUR 000	EUR 000
Amounts owed to the depositors	7,714,315	7,423,447
Lease liabilities	595	311
Derivative financial liabilities	29,738	57,466
Other liabilities	2,949	196
As at December 31,	**7,747,597**	**7,481,420**

4.33. Financial assets and liabilities not carried at fair value

The following methods and significant assumptions have been applied in determining the fair values of financial instruments carried at cost:

(a) The fair value of assets and liabilities maturing within 12 months is assumed to approximate their carrying amount;

(b) The fair value of demand deposits and savings accounts (included in due to customers) with no specific maturity is assumed to be the amount payable on demand at the end of the reporting period. Demand deposits and savings accounts bear floating interest rates, the fair value is assumed to approximate their carrying amount;

(c) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognized separately by deducting the allowances for credit losses; and

(d) The fair value of loans and mortgages carried at amortized cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognized separately by deducting the amounts of the allowances for credit losses. The fair value is assumed to approximate their carrying amount.

4.34. Assets under custody

The CBN Group provides custody services to its clients, with respect to the security transactions. These services require CBN Group to maintain assets held under custody, which are not reported on the statement of financial position. As at December 31, 2021, CBN Group's assets held under custody totaled EUR 83.3 billion (2020: EUR 58.4 billion).

4.35. Litigations

Citco Group limited ("CGRP"), the parent company of the Citco Bank Nederland N.V. and its affiliates believe that there are meritorious defenses to all these claims and will continue defend the lawsuits vigorously.

In 2021, various legal proceedings against CGRP and/or its subsidiaries continued. It is not possible to estimate with certainty the financial effect on the Company of these cases, however, management's position on a favorable outcome has not changed and no additional provision is considered necessary as at December 31, 2021.

Claims and lawsuits relating to the Fairfield Funds

CGRP and several of its subsidiaries have been named as defendants in two remaining lawsuits relating to investment funds managed by the Fairfield Greenwich Group.

These actions are:

- Certain investors in the Fairfield offshore funds, who initiated proceedings against several Citco Companies before the Dutch Court in Amsterdam opted out of the Anwar settlement in order to continue their action in the Netherlands. On March 22, 2017, the Court in Amsterdam dismissed the claims of the plaintiffs in their entirety and ordered them to pay costs. The plaintiffs filed an appeal against the decision and on November 28, 2017 filed and served a Statement of Appeal, Addition of Facts and Amendment of Claim pursuant to article 130 DCCP. The Citco Companies' Defence on Appeal and Statement of Appeal in the Conditional Cross-Appeal was filed and served in April 2018 and the plaintiffs Statement of Defence in the Conditional Cross- Appeal was filed and served in June 2018. The appeal was heard before the Amsterdam Court of Appeal on February 4, 2019. On February 4, 2020 the Court of Appeal granted Citco an opportunity to react to the last submission filed by the plaintiffs on April 9, 2019. Citco filed its submission on March 17, 2020 and plaintiffs filed their final statement on April 28, 2020. After a number of postponements in giving its' final judgement, on October 19, 2021 the Court of Appeal denied the plaintiff's appeal in its entirety.

- In May 2019, a Complaint was issued in the US Bankruptcy Court Southern District of New York by the BVI appointed liquidators of Fairfield Sentry Limited (i.l.), Fairfield Sigma Limited (i.l.) and Fairfield Lambda Limited (i.l.) and served on several Citco companies including The Citco Group Limited. The Complaint contains eighteen Claims in all against the Citco Defendants, including Claims under both US and British Virgin Islands insolvency laws. The facts alleged against the Citco Defendants are similar to those alleged in the Anwar class action proceedings. Citco filed its motions to dismiss on April 6, 2020. Because of the complexity of the proceedings, the multi-jurisdictional legal principles involved, the fact that there are several potential statutory defences available and the number of other cases brought by the BVI liquidators in several jurisdictions and decided either at first instance or on appeal, our lawyers have not yet been able to provide any estimate of the likelihood or not of the Plaintiffs prevailing at trial. The Company believes it has meritorious defenses to all of the claims and continues to vigorously defend the case. Citco filed its motions to dismiss on April 6, 2020. On December 15, 2020 the bankruptcy court dismissed the BVI avoidance claims, but denied the motion to dismiss with respect to the Liquidator's constructive trust claims. The Court ordered the parties to "settle orders," which will finalize the decision on the motions to dismiss. The Court is now hearing motions to dismiss on personal jurisdiction grounds and discovery has also commenced.

Claim and lawsuit relating to Fletcher

On March 1, 2013, three Louisiana-based pension funds filed a Petition for Damages against CGRP, several of its subsidiaries and over ten other defendants. This petition asserts claims against CGRP and its subsidiaries from work as administrator and custodian of Fletcher Income Arbitrage Fund and FIA Leveraged Fund. The petition does not specify the amount of damages the plaintiffs are seeking. On October 14, 2013, CGRP and its subsidiaries moved to dismiss the claims asserted against it in their entirety. On September 30, 2016, the court in Louisiana finally ruled on the Citco defendants' motions to dismiss by dismissing the claims against four of the eight Citco defendants named in the suit and also by reducing the number of claims against the remaining four Citco defendants from eight claims to four. On January 14, 2019 by Ruling of the Chief Judge of the United States District Court, Middle District of Louisiana, all Motions for Summary Judgement were granted in favour of the Citco Defendants and the case was dismissed. The plaintiffs subsequently appealed the decision. The US Court of Appeal, Fifth Circuit held oral argument on the appeal December 4, 2019 in Louisiana. On July 7, 2020 the Fifth Circuit dismissed the appeal for lack of appellate jurisdiction. On July 16, 2020 the plaintiffs filed motion papers to cure the procedural defect with their appeal and (re)filed the appeal on October 19, 2020. Oral argument in the appeal was held on February 3, 2021. On March 31, 2021 the Fifth Circuit affirmed the district court's decision to dismiss the Louisiana pension funds' claims on summary judgment.

4.36. Related party transactions

Related party transactions are recognized at arm's length. CBN has a related party relationship with its parent company, fellow subsidiaries and associated companies.

A summary of the transactions between CBN Group and related parties is as follows:

	2021	2020
	EUR 000	**EUR 000**
a) Directors, officers and employees loans and current accounts	5	22

(a) CBN Group has granted advances of EUR 5 thousand (2020: EUR 22 thousand) to some of its directors, officers and employees.

The following services were provided by the CBN Group to the Parent Company and/or affiliated companies:

	2021	2020
	EUR 000	**EUR 000**
Operational services	345	391
Personnel	6,764	7,072
General and administrative services	1,103	1,096
Finance income	6,478	6,039
As at December 31,	**14,690**	**14,598**

4.36. Related party transactions (continued)

The following services were provided by the Parent Company and/or affiliated companies to the CBN Group:

	2021	2020
	EUR 000	EUR 000
Citco Group support services	12,075	11,915
Operational support services	746	359
Royalty expense	1,469	1,607
Personnel	9,607	8,871
General and administrative services	3,110	4,288
Office rent	519	491
Finance expense	911	334
As at December 31,	**28,437**	**27,865**

Included in finance expense is an amount of EUR 0.03 million (2020: EUR 0.04 million) in relation to interest and fees on a collateral guarantee arrangement incepted during 2020 with the parent company. CBN Group has the following balances with affiliated companies:

	2021	2020
	EUR 000	EUR 000
Receivables	395,050	319,363
Payables	(49,347)	(39,354)
Net balance receivable as at December 31,	**345,703**	**280,009**

The ECL on the intercompany receivables balances is nil in 2021 and 2020.

Furthermore, CBN Group shares limited physical and functional assets and persons with companies belonging to the majority shareholder. The recharges related to these services are settled on a periodic basis.

4.37. Directors' remuneration

Remuneration paid to the Managing Directors and Supervisory Board Directors during the year and current account balances were as follows:

	2021	2020
	EUR 000	EUR 000
Managing Directors (incl pension premiums)	1,482	1,198
Supervisory Board Directors	220	220
As at December 31,	**1,702**	**1,418**

4.37. Directors' remuneration (continued)

Executive:	2021	2020
	EUR 000	EUR 000
Base Salary	1,064	838
Variable remuneration	273	204
Fringe benefits	19	24
Pension premiums	126	132
As at December 31,	**1,482**	**1,198**

Non-executive:	2021	2020
	EUR 000	EUR 000
Base Salary	220	220
As at December 31,	**220**	**220**

The remuneration of the Managing Directors and the Supervisory Board Directors is decided by the shareholder.

4.38. Events after the reporting date

Covid-19 and Return to the Office

During the preparation of this 2021 annual report, COVID-19 continues to remain a dominating factor in our lives across the globe. On a positive note, vaccination and testing programs have demonstrated results, aiding in progress to return to some normality. CBN Group, like all institutions, is contemplating a return to "normal life", and is making preparations for a "return to working in the office". CBN Group continuously is monitoring and communicating changes in health authorities' advisories, implementing governmental instructions, sustaining an open dialogue with staff (aiding in issue identification and staff expectations) and the monitoring of business operations and if any disruption.

MREL

As was raised in 2021, starting from 1 January 2022, CBN is subject to Own funds and eligible liabilities ('MREL'), on Solo basis.

Russian invasion of Ukraine

Since the invasion of Ukraine by Russia in late February 2022, volatility and uncertainty has been a feature of the global economy and financial markets.

As of 23 February 2022, the European Council began imposing economic and individual sanctions in response to Russia's military aggression against Ukraine. CBN continues to monitor and operationalize sanctions lists as they become available. Given the client base and business model there is no direct exposure for CBN, nevertheless management continues to monitor the situation closely.

5. Financial Statements for the years ended December 31, 2021 and 2020

Income statement for the year ended December 31, 2021 and 2020

	Notes	2021	2020
		EUR 000	EUR 000
Revenue			
Banking and custody services		44,105	48,036
		44,105	**48,036**
Operating expenses:			
Personnel expenses		16,173	16,246
Office maintenance		702	723
Office and administration expenses		1,367	1,599
Travel expenses		11	94
Professional services		2,407	2,209
Depreciation and amortization		540	252
Expected credit (reversal)/losses		(22)	27
Other operating expenses		20,760	21,107
		41,938	**42,257**
Net profit from operations		**2,167**	**5,779**
Net finance (income)/expense		(142)	175
Net profit before tax		**2,309**	**5,604**
Income tax expense		1,058	1,147
Profit of participating interests	5.5	3,755	5,792
Net profit for the year		**5,006**	**10,249**
Attributable to:			
Shareholders of CBN		**5,006**	**10,249**

Statement of financial position as at December 31, 2021 and 2020

	Notes	2021	2020
		EUR 000	EUR 000
Assets			
Non-current assets			
Plant and equipment	5.1	33	8
Right-of-use assets	5.2	593	282
Intangible assets	5.3	932	818
Investment in subsidiaries	5.5	136,213	122,587
Financial assets at amortized cost	5.7	75,181	105,909
Financial assets at fair value through profit and loss	5.9	237	222
Deferred tax assets		1,020	1,790
		214,209	231,616
Current assets			
Trade receivables	5.4	2,572	720
Derivative financial assets		55,563	17,091
Other receivables and accrued income	5.6	9,486	8,448
Receivables from affiliated companies		306	424
Financial assets at amortized cost	5.7	440,304	313,046
Financial assets at fair value through other comprehensive income	5.8	1,326,367	1,076,627
Financial assets at fair value through profit and loss	5.9	254	117
Cash and cash equivalents	5.10	4,576,138	4,813,366
		6,410,990	6,229,839
Total assets		**6,625,199**	**6,461,455**

	Notes	2021	2020
		EUR 000	EUR 000
Equity and liabilities			
Equity			
Share capital	4.23	5,000	5,000
Additional paid in capital		48,503	48,503
Translation reserve		28,237	5,084
Revaluation of fair value financial instruments through other comprehensive income		(1,011)	(270)
Retained earnings		219,284	231,951
Total equity attributable to shareholder of CBN		**300,013**	**290,268**
Non-current liabilities			
Other liabilities		169	153
Lease liabilities	5.15	371	196
		540	349
Current liabilities			
Trade payables		1,310	223
Derivative financial liabilities		26,678	47,079
Other payables and accrued expenses	5.13	3,049	886
Payables to affiliated companies		108	31
Provisions	5.12	–	170
Deferred income		12	5
Lease liabilities	5.15	224	115
Current tax liabilities		284	213
Amounts owed to depositors	5.14	6,292,981	6,122,116
		6,324,646	6,170,838
Total liabilities and equity		**6,625,199**	**6,461,455**

Statement of changes in equity for the year ended December 31, 2021

	Issued capital	Additional paid-in capital	Translation reserve	Revaluation of FVOCI assets	Retained earnings	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at January 1, 2021	**5,000**	**48,503**	**5,084**	**(270)**	**231,951**	**290,268**
Net profit for the period	–	–	–	–	5,006	5,006
Other comprehensive income	–	–	23,153	(741)	–	22,412
Total comprehensive income	**–**	**–**	**23,153**	**(741)**	**5,006**	**27,418**
Dividend paid					(17,673)	(17,673)
Total equity attributable to shareholders of the Company as at December 31, 2021	**5,000**	**48,503**	**28,237**	**(1,011)**	**219,284**	**300,013**

A dividend of USD 20 million (EUR 17.7 million) was paid on December 22, 2021.

The translation reserve arises as the functional currency of the CBN Group is USD and reporting currency is EUR. This amount is classified as a legal reserve pursuant to Dutch regulation Part 9 Book 2 article 373.4.

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

	Issued capital	Additional paid-in capital	Translation reserve	Revaluation of FVOCI assets	Retained earnings	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at January 1, 2020	**5,000**	**48,503**	**31,660**	**(473)**	**221,702**	**306,392**
Net profit for the period	–	–	–	–	10,249	10,249
Other comprehensive income	–	–	(26,576)	203	–	(26,373)
Total comprehensive income	**–**	**–**	**(26,576)**	**203**	**10,249**	**(16,124)**
Total equity attributable to shareholders of the Company as at December 31, 2020	**5,000**	**48,503**	**5,084**	**(270)**	**231,951**	**290,268**

No dividend was declared during the year. The translation reserve arises as the functional currency of the Group is USD and reporting currency is EUR, this amount is classified as a legal reserve pursuant to Dutch regulation Title 9 Book 2 article 373.4.

6. Notes to the specific items of CBN statement of financial position

The financial statements of CBN included in this chapter are prepared in accordance with IFRS EU and Part 9 of Book 2 of the Netherlands Civil Code. Section 362 (8) of Book 2 of the Netherlands Civil Code allows companies that apply IFRS as adopted by the European Union in their consolidated financial statements to use the same measurement principles in their CBN financial statements. CBN has prepared these CBN financial statements using this provision. The accounting policies are described in these annual accounts. The CBN financial statements do not include all information and disclosures and should therefore be read in conjunction with the consolidated financial statements, refer to Section "Notes to the consolidated financial statements" of this document.

The principles of valuation and determination of the results stated in connection with the consolidated financial statements are also applicable to CBN financial statements. Investments in-group companies and investments in associates are initially recognized at cost and subsequently accounted for by the equity method of accounting. The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Investments in subsidiaries are valued at net asset value determined in accordance with the accounting principles applied in the consolidated financial statements.

6.1. Plant and equipment

	Machinery and equipment	Leasehold improvements and other	Total
	EUR 000	EUR 000	EUR 000
Cost:			
As at January 1, 2021	73	7	80
Additions	44	–	44
Disposals	–	(7)	(7)
Foreign exchange difference	7	–	7
As at December 31, 2021	**124**	**–**	**124**
Accumulated depreciation:			
As at January 1, 2021	65	7	72
Depreciation charge for the year	20	–	20
Disposals	–	(7)	(7)
Foreign exchange difference	6	–	6
As at December 31, 2021	**91**	**–**	**91**
Net carrying amount			
As at December 31, 2021	**33**	**–**	**33**

	Machinery and equipment	Leasehold improvements and other	Total
	EUR 000	EUR 000	EUR 000
Cost:			
As at January 1, 2020	76	8	84
Additions	7	–	7
Foreign exchange difference	(10)	(1)	(11)
As at December 31, 2020	**73**	**7**	**80**
Accumulated depreciation:			
As at January 1, 2020	57	8	65
Depreciation charge for the year	17	–	17
Foreign exchange difference	(9)	(1)	(10)
As at December 31, 2020	**65**	**7**	**72**
Net carrying amount			
As at December 31, 2020	**8**	**–**	**8**

6.2. Right-of-use assets

The Bank leases several assets including buildings, machinery and equipment. The average lease term is 2.12 years (2020: 1.7 years).

Approximately 55% (2020: 44%) of leases relate to office space and remainder to leased cars and office equipment.

	Right-of-use assets
	EUR 000
Cost	
As at January 1, 2021	552
Additions	575
Disposals	(243)
Foreign exchange difference	56
As at December 31, 2021	**940**
Depreciation	
As at January 1, 2021	270
Depreciation	257
Disposals	(205)
Foreign exchange difference	25
As at December 31, 2021	**347**
Net carrying amount	
As at December 31, 2021	**593**

	Right-of-use assets
	EUR 000
Cost	
As at January 1, 2020	476
Additions	160
Disposals	(32)
Foreign exchange difference	(52)
As at December 31, 2020	**552**
Depreciation	
As at January 1, 2020	143
Depreciation	180
Disposals	(32)
Foreign exchange difference	(21)
As at December 31, 2020	**270**
Net carrying amount	
As at December 31, 2020	**282**

6.3. Intangible assets

	Internally generated software	Third-party software	Total
	EUR 000	EUR 000	EUR 000
Cost:			
As at January 1, 2021	613	396	1,009
Additions	311	–	311
Foreign exchange difference	78	14	92
As at December 31, 2021	**1,002**	**410**	**1,412**
Accumulated amortization:			
As at January 1, 2021	21	170	191
Amortization charge	252	11	263
Foreign exchange difference	12	14	26
As at December 31, 2021	**285**	**195**	**480**
Net carrying amount			
As at December 31, 2021	**717**	**215**	**932**

	Internally generated software	Third-party software	Total
	EUR 000	EUR 000	EUR 000
Cost			
As at January 1, 2020	–	416	416
Additions	670	–	670
Foreign exchange difference	(57)	(20)	(77)
As at December 31, 2020	**613**	**396**	**1,009**
Accumulated amortization:			
As at January 1, 2020	–	151	151
Amortization charge	21	34	55
Foreign exchange difference	–	(15)	(15)
As at December 31, 2020	**21**	**170**	**191**
Net carrying amount			
As at December 31, 2020	**592**	**226**	**818**

For intangible assets with finite lives (software), CBN reviews the carrying amounts at each end of the reporting period to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The results on disposals of intangible assets are not significant.

6.4. Trade receivables

	2021	2020
	EUR 000	EUR 000
Trade receivables	2,572	720
As at December 31,	**2,572**	**720**

The average age of these receivables is 35 days (2020: 25 days). No interest is charged on trade receivables that are past due. Trade receivables are the amounts due from clients relating to depositary and custody services provided by the Bank.

6.4.1. Age of trade receivables past due but not impaired

	2021	2020
	EUR 000	EUR 000
1-30 days	616	151
31-60 days	222	73
61-90 days	411	–
Over 90 days	176	–
As at December 31,	**1,425**	**224**

6.5. Investments in subsidiary

	2021	2020
	EUR 000	EUR 000
Balance as at January 1	122,587	128,091
Share of results	3,755	5,792
Exchange differences	9,871	(11,296)
As at December 31,	**136,213**	**122,587**

The Bank's interests in its unlisted subsidiary is as follows:

	Assets	Liabilities	Revenue	Net profit	Interest held
	EUR 000	EUR 000	EUR 000	EUR 000	%
December 31, 2021					
Citco Bank Canada*	1,662,185	1,525,972	15,609	3,755	100
	1,662,185	**1,525,972**	**15,609**	**3,755**	**100**
December 31, 2020					
Citco Bank Canada*	1,483,769	1,361,182	18,357	5,792	100
	1,483,769	**1,361,182**	**18,357**	**5,792**	**100**

*Citco Bank Canada is incorporated in Canada.

6.6. Other receivables and accrued income

	2021 EUR 000	2020 EUR 000
Accrued income	3,702	4,749
Net disbursements affiliated companies	–	(29)
Interest receivables	3,788	1,772
Interest receivable affiliated companies	226	170
Prepaid expenses	259	147
Other receivables	1,511	1,639
As at December 31,	**9,486**	**8,448**

6.7. Financial assets at amortized cost

	2021 EUR 000	2020 EUR 000
Bonds held at amortized cost	69,571	65,112
Mezzanine notes	30,798	28,549
Variable funding notes	352,516	276,132
Current account overdrafts	19,102	8,366
Term loans	37,887	34,950
Loans to affiliated companies	5,611	5,846
As at December 31,	**515,485**	**418,955**
Maturity Analysis:		
One month or less	27,494	77,290
More than three months up to a year	412,810	235,756
One to five years	75,181	105,909
As at December 31,	**515,485**	**418,955**
Current	440,304	313,046
Non-current	75,181	105,909
As at December 31,	**515,485**	**418,955**

Financial instruments held-to-maturity includes Variable Funding Notes (“VFNs”) and a mezzanine note. The VFNs are notes issued with a commitment amount. The outstanding amount of the notes can vary on a daily basis, hence the term ‘variable funding’. The notes yield a LIBOR plus margin on the draw portion of the notes, and a commitment fee on the undrawn portion.

6.8. Financial assets at fair value through other comprehensive income

	2021 EUR 000	2020 EUR 000
Commercial paper issued by financial institutions	1,326,367	995,058
US treasury bills	–	81,569
As at December 31,	**1,326,367**	**1,076,627**
Maturity Analysis:		
One month or less	505,901	530,110
Up to three months	382,228	232,314
More than three months up to a year	438,238	314,203
As at December 31,	**1,326,367**	**1,076,627**
Current	1,326,367	1,076,627
As at December 31,	**1,326,367**	**1,076,627**

6.9. Financial assets at fair value through profit and loss

	2021 EUR 000	2020 EUR 000
Junior note	237	222
Other	254	117
As at December 31,	**491**	**339**
Maturity Analysis:		
One month or less	254	117
More than five years	237	222
As at December 31,	**491**	**339**
Current	254	117
Non-current	237	222
As at December 31,	**491**	**339**

6.10. Cash and cash equivalents

	2021	2020
	EUR 000	EUR 000
Cash and balance with central banks	3,697,829	3,968,690
Bank balances with affiliated companies	2,506	1,486
Deposit with other banks	423,368	575,713
Current account with other banks	452,435	267,477
As at December 31,	**4,576,138**	**4,813,366**

Bank balances attract interest at the respective short-term deposit market rates. For some currencies, these rates are negative.

Banks are required to deposit a minimum average balance, calculated monthly, with the central banks, which is not available for use in CBN Group's day-to-day operations. These deposits bear no interest.

6.11. Share capital

Authorized shares

	2021	2020
	Number of shares Thousands	Number of shares Thousands
Ordinary shares of par value EUR 100 each	250	250
	250	**250**

Ordinary shares issued and fully paid

	Number of shares 000	EUR 000
As at January 1, 2021	**50**	**5,000**
Movement	–	–
As at December 31, 2021	**50**	**5,000**

6.12. Provisions

	Severance payments
	EUR 000
As at January 1, 2021	170
Provisions made during the year	-
Amounts used during the year	-
Unused amounts reversed during the year	(34)
Amounts used during the year	(144)
Foreign exchange difference	8
As at December 31, 2021	**–**

	Severance payments
	EUR 000
As at January 1, 2020	527
Provisions made during the year	101
Amounts used during the year	(296)
Unused amounts reversed during the year	(112)
Foreign exchange difference	(50)
As at December 31, 2020	**170**
Current	170
As at December 31, 2020	**170**

6.13. Other payables and accrued expenses

	2021	2020
	EUR 000	EUR 000
Taxes and social security contributions	1,852	1,157
Accrued expenses	1,448	1,523
Interest payable	(865)	(2,135)
Other payables	614	341
As at December 31,	**3,049**	**886**

CBN has financial risk management policies in place to ensure that all payables are paid within the permitted credit terms.

6.14. Amounts owed to depositors

	2021	2020
	EUR 000	EUR 000
Demand deposits	4,631,611	5,372,492
Demand deposits with affiliated companies	265,319	241,907
Time deposits	1,396,051	507,717
As at December 31,	**6,292,981**	**6,122,116**
Maturity Analysis:		
On demand	4,896,930	5,614,399
One month or less	330,054	214,067
More than one month up to three months	1,065,997	293,650
As at December 31,	**6,292,981**	**6,122,116**

6.15. Lease liabilities

	Lease liabilities
	EUR 000
As at January 1, 2021	311
Additions	575
Lease payments	(252)
Lease terminations	(39)
As at December 31, 2021	**595**

	Lease liabilities
	EUR 000
As at January 1, 2020	332
Additions	160
Lease payments	(181)
Lease terminations	–
As at December 31, 2020	**311**

Maturity analysis:

	2021	2020
	EUR 000	EUR 000
Within one year	224	115
In the second to the fifth year inclusive	371	196
As at December 31,	**595**	**311**

6.15. Lease liabilities (continued)

Lease liabilities included in the statement of financial position as at December 31,

	2021	2020
	EUR 000	EUR 000
Current lease liability	224	115
Non-current lease liability	371	196
As at December 31,	**595**	**311**

6.16. Related party transactions

In the ordinary course of business, CBN enters into a substantial number of related party transactions at arm's length. CBN has a related party relationship with its parent company, fellow subsidiaries and associated companies.

The following services were provided by CBN to the affiliated companies:

	2021	2020
	EUR 000	EUR 000
Finance income	6,842	6,379
Personnel	8,763	8,819
General and administrative services	1,470	1,608
Citco Group support services	1,873	2,048
Office rent	74	71
Operational services	1,631	1,423
As at December 31,	**20,653**	**20,348**

The following services were provided by the affiliated companies to CBN:

	2021	2020
	EUR 000	EUR 000
General and administrative services	2,992	4,147
Citco Group support services	12,075	11,915
Personnel	8,931	8,294
Office rent	442	427
Royalty expense	1,091	1,134
Operational support services	712	324
Finance expense	919	374
As at December 31,	**27,162**	**26,615**

CBN has the following balances with affiliated companies:

	2021	2020
	EUR 000	EUR 000
Receivables	526,051	433,948
Payables	(213,470)	(199,062)
Net balance receivable as at December 31,	**312,581**	**234,886**

Signing of the consolidated and standalone financial statements

The financial statements were approved by the Board of Directors and authorized for issuance on April 29, 2022 and are signed on its behalf by:

Managing Directors:
K.J. Dolan, Chair
P.N. Symonds
A. Boelaars
C. de Walden

Supervisory Directors:
P.A. de Ruijter, Chair
J.G.C.M. Buné
M.I.E van Herksen
D.J. van der Poel

7. Other Information

For an overview of the relevant legal structure including branch establishments, we refer to Appendix I and section 1.1.

Statutory rules concerning appropriation of result

The Articles of Incorporation of CBN Group provide that the appropriation of the net result for the year is decided upon the annual General Meeting of Shareholder.

Appropriation of result for the financial year 2021

The financial statements of 2021 were adopted in the General Meeting of Shareholder held on April 29, 2022. The General Meeting of Shareholder determined the appropriation of result in accordance with the proposal being made to that end.

Independent auditor's report

Reference is made to the independent auditor's report as included hereinafter.

Deloitte.

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Independent auditor's report

To the shareholder and the Supervisory Board of Citco Bank Nederland N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2021 of Citco Bank Nederland N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Citco Bank Nederland N.V. as at December 31, 2021, and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Citco Bank Nederland N.V. as at December 31, 2021, and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2021.
2. The following statements for 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2021.
2. The company profit and loss account for 2021.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Citco Bank Nederland N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at $ 1,700,000. The materiality is based on 0,5% of shareholder's equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of $ 65,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Citco Bank Nederland N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Citco Bank Nederland N.V.

Our group audit mainly focused on significant group entities and branches.

We have:

- Performed audit procedures ourselves at the group entity in Amsterdam.
- Used the work of other auditors when auditing Citco Bank Nederland N.V. Dublin branch and Citco Bank Canada.
- Performed specific audit procedures at Citco Bank Nederland N.V. Luxembourg branch.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the risk of management override of control as a fraud risk. Our procedures to address this risk included the following:

(i) We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

(ii) We considered available information and made enquiries of relevant executives, directors including internal audit, legal, compliance and the Supervisory Board.

(iii) We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

(iv) We evaluated whether the selection and application of accounting policies by the Company, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

(v) We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 4.2.4 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements.

(vi) For significant transactions we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

Audit approach fraud risks compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with management, internal audit, compliance and the Supervisory Board. We have read Management Board minutes, communication with regulatory authorities, and reports of internal audit. We involved our compliance specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of the Company’s business and the complexity of the regulatory environment for banks, there is a risk of non-compliance with the requirements of these laws and regulations.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Company’s ability to continue its business, or to avoid material penalties and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to:

(i) Inquiry of management, the Supervisory Board, the Management Board and others within the Company as to whether the Company is in compliance with such laws and regulations.

(ii) Inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us. For our conclusions, reference is made to our key audit matter on regulatory compliance.

Audit approach going concern

Our responsibilities, as well as the responsibilities of the Management Board and the Supervisory Board, related to going concern under the prevailing standards, are outlined in the “Description of responsibilities regarding the financial statements” section below. In fulfilling our responsibilities, we evaluated management's assessment of the Company's ability to continue as a going concern for the next 12 months and considered key regulatory ratios. Based on our procedures performed, we did not identify significant doubts on the Company’s ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Regulatory compliance	
Description of key audit matter	**How our audit addressed the key audit matter**
Citco Bank Nederland N.V. operates in a highly regulated environment and is required to comply with different laws and regulations in several jurisdictions. As non-compliance with laws and regulations may result in fines, litigations or have effect on the company's ability to continue its operations, we have determined regulatory compliance to be a key audit matter. Currently the bank is in communication with the regulator about the enhancements made in response of findings raised by DNB during an Anti-Money Laundering examination undertaken in 2017. Citco Bank Nederland N.V. disclosed under note 4.29 its compliance risks as part of the financial risk review.	We have obtained an understanding of the legal and regulatory requirements for Citco Bank Nederland N.V. We have taken notice of the policies, activities, internal controls and procedures the company has in place to comply with those requirements. In addition we have inspected correspondence with the regulators in order to validate management's responses. We have obtained an understanding of the regulator's review through inquiry with the audit committee, Management Board, compliance function and internal audit through review of the communication with the regulator. We have obtained an understanding of the improvement actions taken by Citco Bank Nederland N.V. following the findings raised by the regulator. We have assessed whether actions taken by the Management Board align with the report of the regulator and inquired with the Management Board and Group Internal Audit regarding the status and timelines of the improvement actions. These procedures were performed with the use of our internal compliance experts. Finally, we have assessed the appropriateness of the disclosures included in the financial statements, based on the relevant facts and circumstances. ***Our observation*** Based on our procedures performed we have assessed the appropriateness and adequacy of the disclosures included in the financial statements, given the relevant facts and circumstances. We consider the disclosure adequate and appropriate.

Counterparty credit risk	
Description of key audit matter	**How our audit addressed the key audit matter**
Citco Bank Nederland N.V. holds assets which are exposed to counterparty credit risk. Such assets primarily include balances with financial institutions and investments in commercial paper, certificates of deposits, treasury bills and variable funding notes. Assessing the valuation of these assets requires judgment about credit risk. We identified the assessment of Expected Credit Losses (ECL) as a key audit matter because of the high degree of	The primary procedures we performed to address this key audit matter include the following: • We have tested the design and implementation of the key controls in the loan origination process and credit assessment process and relevant controls implemented by management in order to ensure timely identification of credit risk deterioration of counterparties. • Reviewed credit committee meetings throughout the year.

estimation uncertainty as a result of complexity of the model, inputs, assumptions and judgement in the measuring of ECL.	• We have obtained an understanding of the ongoing credit monitoring process, the ECL-modelling and the provisioning process within Citco Bank Nederland N.V. • We have evaluated and challenged the key considerations used by management in assessing credit risk, including controls related to governance and monitoring of ECL. • We have performed audit procedures to test the relevant inputs used in the ECL-model and tested the internal risk ratings that affect the ECL. We further tested the adequacy of the disclosures on credit risk. For more information on credit risk reference is made to note 4.3.1. ***Our observation*** The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures performed on the counterparty credit risk did not result in reportable matters.

Claims and litigations	
Description of key audit matter	**How our audit addressed the key audit matter**
During its normal course of business Citco Bank Nederland N.V. may be exposed to claims and litigations. Citco Bank Nederland N.V. was involved in two significant legal proceedings, as disclosed in note 4.35 of the financial statements. As part of our audit, we considered claims and litigations to be important given that significant management judgment is required to account for potential provisions and contingencies. Therefore, we consider claims and litigations a key audit matter.	The primary procedures we performed to address this key audit matter include the following: • We have tested design and implementation of relevant controls related to identification, assessment and accounting for claims and litigations in respect to IAS 37. • We obtained confirmations from external legal counsels regarding the latest updates on significant claims and litigation identified. • We have assessed and challenged management’s position to provide or disclose for these claims and litigations. For more information on claims and litigations reference is made to note 4.35 of the annual report. ***Our observation*** The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures performed on claims and litigation did not result in reportable matters.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contain other information that consists of:

- Management Board's Report.
- Supervisory Board's Report.
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Supervisory Board's report, the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Management Board and Supervisory Board as auditor of Citco Bank Nederland N.V. as of the audit for the year 2002 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements 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.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- Obtaining 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding 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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, April 29, 2022

Deloitte Accountants B.V.

Signed on the original: R.J.M. Maarschalk

8. Appendices

Appendix I: Ultimate parent

Name	Country
Citco III Limited	Cayman Islands

Appendix II: Parent

Entities with joint control of, or significant influence over, the entity.

Name	Country
Citco Bank Holding N.V.	Curaçao

Appendix III: The CBN Group

The consolidated financial statements include the financial statements of CBN, its branches and directly owned subsidiary ("CBN Group"), which include the following main companies. Unless indicated otherwise, the companies are wholly-owned.

Banking and custody services	Country
Citco Bank Nederland N.V.	The Netherlands
Citco Bank Nederland N.V. Dublin Branch	Republic of Ireland
Citco Bank Nederland N.V. Luxembourg Branch	Luxembourg
Citco Bank Canada	Canada

Appendix IV: Associates

None