Citco Bank Nederland N.V. and subsidiary

Annual Report 2020

CITCO

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1. Management Board's Report

Summary

The COVID-19 pandemic has understandably been a key factor influencing the year under review. The pandemic made demands of the organization in many ways, testing whether Citco Bank Nederland N.V. ("CBN") and CBN and its subsidiary (the "Bank" or "CBN Group") could swiftly and fully adapt its bank operations to a full working from home model. Our existing IT infrastructure enabled business continuity, whilst safeguarding our employees within a few days in March 2020. We continue to meet all client deliverables, whilst maintaining strong operational controls and oversight.

At the same time deposit markets were hit by the Federal Reserve's reactions to the pandemic, decreasing target interest rate to 0% - 0.25% in March 2020. The decreased USD interest rate certainly hampered the Management Board's intentions to continue building on the positive financial results from prior years and the strategic objectives of CBN Group.

The CBN Group strategy and banking business remains unaltered, specializing in the provision of banking and depositary services related to collective investment schemes and Citco related clients. 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 CBN Group is categorized as alternative assets. Amongst this asset class, some broad hedge fund indices showed gains of more than 11.6% in 2020 - the strongest year since 2009. The year 2020 also displayed strong demand for banking services in other alternative asset classes such as private equity and real estate. Management continues to monitor other market developments for opportunities to expand its product offering. One area of focus is to further develop the provision of fixed term deposit solutions for CBN Group clients also serviced by other Citco Group companies.

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. In 2020, the Bank focused on the completion of a review of its client files against higher standards, specifically focusing on tax evasion and aggressive tax structures.

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 due to 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 2020 amounted to EUR 10.3 million, a decrease of EUR 32.7 million from 2019 (EUR 43.0 million).

Revenues decreased by EUR 42.5 million to EUR 66.4 million in 2020 (2019: EUR 108.9 million). Operating expenses decreased from EUR 56.1 million in 2019 to EUR 52.7 million in 2020, at a slower pace than the decrease in revenues. This is mainly attributed to the decrease in personnel cost from EUR 25.1 million in 2019 to EUR 21.1 million in 2020 largely the result of decreased temporary staff working on the Customer Due Diligence program which was completed in the third quarter of 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 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. 2020 has seen the USD weaken against the EUR with a spot rate of 1.2259 (2019: 1.1224). The exchange differences for the year on the translations are recognized in other comprehensive income, loss of EUR 26.6 million (2019: gain EUR 5.9 million). This is the main driver for the total other comprehensive loss for the year of EUR 16.2 million (2019: income of EUR 49.2 million).

The capital of the CBN Group is fully composed of Common Equity Tier 1 ("CET1") capital that amounted to EUR 275.7 million as of December 31, 2020 (2019: EUR 280.9 million). The Pillar 1 capital calculation results in a Capital Adequacy Ratio ("CAR") of 31.71% as of December 31, 2020 (2019: 36.38%). The reduction of CAR is mainly driven by increase in the direct lending and in securitization exposures, in combination with increase in CVA capital charge and slight decrease in CET 1. The CBN Group paid no dividends to its shareholder in 2020.

The balance sheet of the CBN Group remained flat compared to last year at EUR 7.8 billion.

Citco Bank Canada

Expressed in USD, which is the functional currency of Citco Bank Canada, Assets under Custody (“AUC”) were USD 64.7 billion on December 31, 2020, an increase of USD 6.6 billion (11%) when compared to December 31, 2019 (USD 58.1 billion). This is primarily the result of organic growth and the onboarding of new clients.

Citco Bank Canada generated a 2020 net profit of USD 6.6m, a decrease of USD 7.9m (54%) compared to the prior year and below the 2020 budget by USD 5m (43%). The main driver of the variance compared to budget and prior year was a lower average interest rate earned on investments since April 2020 due to USD interest rate cuts.

Technology

The year 2021 will see the CBN Group continue its commitment to the best in class technology to support its business, regulatory and client needs. CBN Management Board is confident that a further upgrade of the new banking system (Temenos/T24) will result in an enhanced, more efficient and effective system. The Bank is also working on an upgrade of its transaction monitoring system and assessing the options regarding introducing 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. During the year, the ISO 27001 certification was approved and the renewed certificate 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 2020 was unique in terms of the COVID-19 situation whereby our employees did not have physical connection but rather were all working separately and virtually from home. The CBN Group has successfully set up a working from home environment providing the required office equipment and technology to all CBN Group’s employees enabling them to perform their duties remotely from home. There was a significant focus on communication through weekly newsletters and periodic town hall events, briefing all CBN Group’s employees with updates. These weekly 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 has also created different mental health campaign initiatives, for example virtual yoga classes and new meditation techniques.

Continued education is encouraged through an internal E-Learning module with a variety of subjects being offered to all the CBN Group’s employees and through internal and external sources of trainings with appropriate recognition and certification. Management encourages all staff to pursue these learning opportunities in order to expand their knowledge base. The number of employees at the end of 2020 year was 169 (2019: 152) of which 59 (2019: 53) were employed in the Netherlands. At the end of 2020, the gender split was 47% (female) and 53% (male), which compares to 45% and 55% respectively in 2019. 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 the Dutch Banking Code, the Regulation on Sound Remuneration

Policies (Besluit van De Nederlandsche Bank N.V. van 10 december 2020 tot wijziging van de Regeling beheerst beloningsbeleid Wft 2017) and EBA Guidelines on sound remuneration (EBA/GL/2015/22).

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

- the CBN Group is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- employees are offered a competitive remuneration package;
- employees act within the risk appetite of the CBN Group by making any variable remuneration risk neutral;
- employees feel encouraged to create sustainable results; and
- the CBN Group's strategy is supported in achieving and maintaining a sound capital base.

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, does not induce excessive risk-taking, and respects the Risk Appetite of the CBN Group.

Regulatory and control environment

Management continues to ensure that the CBN Group complies with all regulatory and legal requirements. Compliance with applicable laws and regulations is resource-intensive. 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.

Regulation is becoming more extensive and complex. An example is the implementation of DAC6 which like Foreign Account Tax Compliance (FATCA) and Common Reporting Standards (CRS) requires financial institutions to report detailed client-related information to the competent authorities. Customer due diligence (CDD), sanctions screening and transaction monitoring impose requirements on 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 2020, the 5th Anti Money Laundering ("AML") Directive was implemented in the Netherlands and Luxembourg. The most important aspects of the 5th AML Directive involve the anti money-laundering risks relating to the use of virtual currencies, the improvement of information exchange between supervising authorities, and the introduction of beneficial ownership registers for corporate and other legal entities. In 2020, CBN Group continued to implement and execute policies and procedures to further enhance our Know Your Customer ("KYC") activities. The CBN Group continued to work on its KYC enhancement programme that started in 2018 and which it built on in 2019. The CBN Group recognizes that a number of European banks have been the subject of money laundering investigations and is therefore constantly investigating ways to strengthen its systems and raise awareness of potential risks within the CBN Group.

Compliance activities, specifically in relation to AML and KYC, were undertaken by CBN over the last number of years with the objective of enhancing the existing internal control framework and in response to findings raised by DNB during an audit undertaken in 2017. 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 of CBN. This assessment is supported by an external validation report concluded by an independent professional services provider. DNB will further validate the communicated improvements in the areas of AML/KYC through an onsite inspection in 2021.

Every year, the CBN Group performs a Systematic Integrity Risk Analysis ("SIRA"). The SIRA is a yearly dynamic process for the identification and control of integrity risks of the CBN Group across all it business areas. The SIRA is the basis for safeguarding ethical operational management and preventing the involvement in financial and economic crime. The SIRA is focused on client integrity risks that the Bank is exposed to through providing products and services to its clients. The SIRA is submitted to the DNB and taken into consideration in the SREP. The outcome of the SIRA and our integrity risk appetite in our Financial Economic Crime Risk Appetite Statement ("FEC RAS") provide 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 updated Banking Package (CRD V/ BRRD II/ SRMR II) came into the force 28 December 2020, with exemption of CRRII, which implementation is split across a few years, with most of the requirements coming into force on 28 June 2021. The CBN Group is ensuring its compliance with revised regulatory prudential and reporting framework. Management is pleased to note that, due to its conservative risk appetite, the CBN Group already complies with the future ratio requirements for capital adequacy and liquidity. The focus point in 2020 was to enhance reporting capabilities through the new software tool to timely and adequately meet the increasing regulatory requirements demands.

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.

During the year under review, the CBN Group received a Service Organization Control 1 ("SOC 1") Type 2 certification for the tenth 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

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 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 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 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 & Liability Committee, Credit Committee, Client Acceptance and Review Committee (CARC), Operational Risk Committee and Outsourcing Committee - that manage specific risk categories. Established in 2020, role of 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. Established in 2019, 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.

Due to the COVID-19 pandemic crisis, each of the CBN Group's locations activated Business Continuity Plans, which included remote working for all staff. This change in the working environment prompted additional risk management focus on elevated risks, which most notably have been external fraud and operational risks associated with staff working from home and the health and wellbeing of staff.

Enterprise Risk Management ("ERM") framework

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.

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.

Impact of COVID-19

The COVID-19 pandemic crisis has negatively impacted the CBN Group's 2020 results as discussed in the Financial Performance section above. However, 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 have been 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, maintaining business-as usual and 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.

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 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 beginning 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. Due to the extension of the 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 are currently working to include fallback mechanism terms into future 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.

The year 2020 was dominated by the COVID-19 global pandemic, and the resultant financial implications, which led to a significant impact on the global macro-economic environment. Actions by the US Federal Reserve, in response to the collapse of global economic output, resulted in extensive liquidity measures and a significant reduction in interest rates over a very short period of time. Given a majority of the client deposits with the CBN Group are in US Dollars, these rate cuts has a sizeable impact on CBN Group's ability to pay interest on client deposits and generate profit.

The fact that vaccines for COVID-19 have now been developed and are in the process of being rolled out to the global population will hopefully help to bring back a level of normality, both to the financial markets and to our operating environment. Although global economic output is expected to recover from the collapse triggered by COVID-19, recovery is expected to take a prolonged period of time, and it is unclear when it will reach pre-pandemic levels.

Management continues to see changes in the behavior of our markets due to the uncertainties introduced by the COVID-19 pandemic, 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 increase for 2021. Management does not foresee any significant investments for 2021, 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 2021 as regulatory demands across the industry increase.

Citco Bank Canada expects AUC to increase in 2021 to US$ 67.9 billion. The growth is primarily relating to a predicted 2.5% price appreciation and 2.5% organic growth.

Events after the reporting date

During the preparation of the 2020 annual report of the CBN Group, COVID-19 remains an issue of daily news dominating our lives. On a positive note, vaccination programs have commenced, yet it remains to be seen how the vaccination rate is progressing before the Bank can start contemplating a return to "normal life". On the other hand, multiple countries are now also dealing with new emerging strains and waiting to see if existing vaccinations can deal with these. A close eye is also being kept on the impact of continued restrictions on the ambitions to return to "normal life". As these uncertainties continue, the CBN Group will continue with its "working from home" program while our preparations for a "return to office" will continue.

Michael Leers, Chairman of the Management Board and Chief Executive Officer for the CBN Group, resigned effective February 15, 2021 and remained in CBN until end of March 31, 2021 to ensure an orderly transition and good governance continuation.

Kieran Dolan was appointed as Chairman of the Management Board and Chief Executive Officer for the CBN Group effective February 15, 2021

Arno Boelaars and Caryn de Walden have joined the Management Board effective February 15, 2021.

Management Board

The composition of the Management Board is as follows:

- Mr. Michael Leers (1965; Dutch) resigned effective February 15, 2021: Managing Director and Chairman of the Management Board with responsibilities for all aspects concerning General Management, Luxembourg branch operations and subsidiary, Human Resources, Finance, Legal, Compliance, Regulatory & Governance and Internal Audit;
- 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, Depository 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 22, 2021

Managing Directors:

K.J. Dolan – Chair

P.N. Symonds

A. Boelaars

C.D. de Walden

2. Supervisory Board's Report

Introduction by the Chair

The year 2020 will be remembered as the year of the Corona or COVID-19 pandemic. What seemingly started as a local virus outbreak in China, turned rapidly into a worldwide pandemic, affecting every individual person and all organizations and governments throughout 2020 and beyond. Fearsome numbers of people infected, hospitalized and deaths, forcing governments into 'crisis management mode' imposing measures ranging from wearing face masks, closing non-essential shops, school closures to 'working from home', travel limitations and full lock-downs. Towards year-end, the information on vaccines became more promising giving some positive outlook for 2021.

CBN Group, supported by Citco Group IT Services responded in a swift, adequate and convincing way to the outbreak of the pandemic; not taking half-measures. Early March 2020, only a few days after the worldwide outbreak, CBN Group was working from home 100%, while maintaining attention for staff's well-being and without any concessions to the service levels provided to customers. CBN Group proved to be resilient to these challenging circumstances and able to adapt its way of working including addressing the changing operational risks. The Supervisory Board congratulates the Management Board and the staff with this impressive achievement.

The worldwide pandemic had (and has) significant impact on the economies of the individual countries, causing high levels of uncertainty hampering doing business in general. This resulted in (additional) volatility on the markets. In addition, other factors affected the market conditions. In March 2020, the Federal Reserve decreased the federal funds rate with 1.00%.-1.25%, resulting in a decrease of the target interest rate to 0% - 0.25%. Through the year, the upcoming American elections, the initiated impeachment of, and the rejection of the outcome of the election by the (then) current US President again affected the market. In the European Union, the ongoing Brexit negotiations between the United Kingdom and the European Union caused uncertainty during the year regarding a potential 'hard Brexit', and because 'the deal' was reached only a few days before the end of the transition period on December 31, 2020.

In this very challenging year, CBN Group, led by the Management Board of Directors, supervised and advised by the Supervisory Board of Directors managed to achieve a positive consolidated net result. In addition, CBN successfully completed its KYC AML project resulting in a decreased integrity risk level and contributing to ongoing compliance with changing regulations. Furthermore, with the roll out of the CBN Culture program, the Management Board chose to embed an improved communication structure within CBN, while sustaining the important aspects of the existing CBN culture.

In 2020, the CBN Group's Management Board comprised of three Managing Directors and one vacancy. After serving CBN for the past eight years as Chairman of the Management Board, Michael Leers, decided to step down to pursue his career within the Citco Banking Division. Based on the general profile of the preferred scope and composition of the Management Board, taking into account the nature of the business, its activities, size and complexity and the desired expertise, experience and independence of its members, the Supervisory Board decided on a new Management Board composition in the course of 2020. After approval by the General Meeting, the Supervisory Board submitted its request for approval of the proposed appointments to the Dutch Central Bank. The DNB's positive response was received early 2021. The new Management Board is effective as of February 15, 2021 and consists of:

- Mr. Kieran Dolan – Chairman of the Management Board, Chief Executive Officer
- Mr. Arno Boelaars – Vice-Chairman, Chief Operating Officer
- Ms. Caryn de Walden – Chief Risk & Compliance Officer
- Mr. Paul Symonds – Chief Investment Officer

Results

Due to the interest rate cuts and despite the higher than re-forecasted external funding levels the CBN Group net interest income of US$ 40.1 million was US$ 51.3 million lower than last year.

The revenues from the depositary business in the Dublin and Luxembourg branches were higher than last year and together with the Custody services revenues above the reforecast.

The earnings from the Amathea lending platform of US$ 5.1 million were US$ 0.9 million below the reforecast; a decrease of US$ 0.9 million compared to last year.

Actions due to requirements by regulatory authorities with respect to financial economic crime and related procedures, combined with ongoing recruitment pressure, resulted in a slightly increase (US$ 0.6 million) of direct personnel expenses compared to last year, but lower than the re-forecast. Indirect personnel expenses were about 25% lower compared to last year and below the re-forecast. This resulted in total personnel expenses of US$ 20.3 million.

The technology related expenditure and Citco Group Service Fee combined were below the re-forecast. The other operating expenditure amounts were lower than the re-forecasted amounts.

Consistent with the regulatory restriction, no dividend was paid out in 2020. Dividend payments (if any) are subject to Supervisory Board approval. 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 limiting such distributions, until 30 September 2021.

The ECB calls for extreme 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. 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 Commom Equity Tier 1 ratio, whichever is lower. The ECB recommendation will be embedded in the Bank's dividend decision-making process for 2020. Overall, while the CBN Group net result is significant lower than last year, it is higher than the re-forecast. Considering the circumstances, acceptable results were achieved in 2020.

Composition of the Supervisory Board

The composition of the Supervisory Board was unchanged in 2020. 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. He is currently an Independent Director and Chair of the Audit Committee at Mail.ru Group Limited, and as 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 appointed member to 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 an appointed Member of the Supervisory Board since 2012. He has over 35 years of experience in the Accountancy, IT Risk and Advisory, Mergers and Acquisitions sectors 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 two years. None of the Supervisory Board members may be appointed after his or her third 4-year term or 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 Management Board, the Management 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. The 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 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, and operational risk & control and compliance were invited to the Audit Committee meetings to explain developments in their areas to the Audit Committee. The Management Board and the external auditor participated in the Audit Committee meetings. The highlights and the minutes of the Audit Committee meetings were shared with the full Supervisory Board.

The Audit 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 KYC AML project.

Remuneration Committee

The Remuneration Committee approves the CBN remuneration policy and 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 2020 bonuses and 2021 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 with regards to the Management Board salary and bonus actions to the shareholder for approval in the Annual General Meeting of Shareholders. Considering the increased regulatory pressure, competition, and scarcity of available talent, the Remuneration Committee remains focused on employee retention, in particular on employee engagement programs, and on staff remuneration (e.g. that it 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 2020. Additionally information is provided in bilateral contacts between Supervisory Board- and Management 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 Bank.

In 2020, the Supervisory Board had 13 meetings. In eight meetings all members were present In 5 meetings three Supervisory Board members were present. The full Management Board was present in nine Supervisory Board meetings. In four meetings, two Management Board members were present. This includes 10 meetings on specific matters, i.e. for discussion and the approval of the Annual Report 2019 and the 2020 Budget. 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 topics 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 Management 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 five 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 four times. In August 2020, a combined Audit Committee and Risk and Compliance Committee meeting was held to discuss the key risk and control matters considered in preparation for the 2021 plans for the 2nd and 3rd Line of Defense functions in CBN. The business functions gave input and attended the meeting. The Remuneration Committee met four times in 2020. 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:

- Governance Culture Behavior;
- Tax - DAC 6; and
- Client Lifecycle Management.

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 2020.

Self-Evaluation

During the second and third quarter of 2020, the assessment of the effectiveness of the Supervisory Board was performed by an independent third party. As part of the assessment, the Supervisory Board members, the members of the Management Board, key function holders of Risk Management and Compliance and the representative of the shareholder were interviewed. A workshop attended by both the Supervisory Board and the Management Board members was part of the assessment. The results were formalized in a report.

Financial Statement 2020

In accordance with the provisions of Article 24.2 of the Articles of Association, the Management Board submitted the financial statements 2020 and the accompanying Management Report that were subsequently approved by the Supervisory Board on April 14, 2021. Deloitte Accountants B.V. audited the financial statements 2020 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 2020 financial statements to the 2021 Annual General Meeting of Shareholders, proposing to adopt the financial statements, to release the Management 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 Management 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 Management Board, for their efforts.

Amsterdam, April 22, 2021

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, 2020 and 2019

	Notes	2020 EUR 000	2019 EUR 000
Revenue			
Banking and custody services	4.4	66,415	108,885
		66,415	**108,885**
Operating expenses:			
Personnel expenses	4.5	21,121	25,117
Office maintenance		858	691
Office and administration expenses	4.6	2,002	2,047
Travel expenses	4.7	137	850
Professional services	4.8	2,445	2,154
Depreciation and amortization	4.9	252	235
Expected credit losses		33	41
Other operating expenses	4.10	25,839	24,991
		52,687	**56,126**
Net profit from operations		**13,728**	**52,759**
Net finance expense	4.11	(205)	(138)
Net profit before tax		**13,523**	**52,621**
Income tax expense	4.12	3,274	9,599
Net profit for the year		**10,249**	**43,022**
Attributable to:			
Shareholder of the CBN Group		**10,249**	**43,022**

Consolidated statement of other comprehensive income for the year ended December 31, 2020 and 2019

	2020	2019
	EUR 000	EUR 000
Net profit for the year	10,249	43,022
Other comprehensive (loss)/income, net of income tax:		
Items that may be reclassified subsequently to consolidated income statement:		
Foreign exchange difference	(26,576)	5,856
Revaluation of fair value financial instruments through other comprehensive income ("FVOCI")	203	325
Total other comprehensive (loss)/income, net of income tax	**(26,373)**	**6,181**
Total comprehensive (loss)/income for the year	**(16,124)**	**49,203**
Attributable to:		
Shareholder of the CBN Group	**(16,124)**	**49,203**

Consolidated statement of financial position as at December 31, 2020 and 2019

	Notes	2020	2019
		EUR 000	EUR 000
Assets			
Non-current assets			
Plant and equipment	4.13	8	19
Right-of-use assets	4.14	282	333
Intangible assets	4.15	818	265
Financial assets at amortized cost	4.16	175,819	148,660
Financial assets at fair value through other comprehensive income	4.17	–	89,166
Financial assets at fair value through profit and loss	4.18	222	242
Receivables from affiliated companies		85	152
Deferred tax assets	4.19	1,821	2,592
		179,055	241,429
Current assets			
Trade receivables	4.20	991	–
Derivative financial assets	4.30	25,981	30,339
Other receivables and accrued income	4.21	11,219	17,793
Receivables from affiliated companies		451	848
Financial assets at amortized cost	4.16	313,018	242,636
Financial assets at fair value through other comprehensive income	4.17	1,634,545	1,382,671
Financial assets at fair value through profit and loss	4.18	117	89,212
Cash and cash equivalents	4.22	5,608,056	5,844,372
		7,594,378	7,607,871
Total assets		**7,773,433**	**7,849,300**

Consolidated statement of financial position as at December 31, 2020 and 2019 (Continued)

	Notes	2020	2019
		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		5,084	31,660
Revaluation of fair value financial instruments through other comprehensive income		(270)	(473)
Retained earnings		231,951	221,702
Total equity attributable to shareholder of CBN Group		**290,268**	**306,392**
Non-current liabilities			
Lease liabilities	4.28	196	171
Other liabilities		200	269
		396	440
Current liabilities			
Trade payables		226	1,247
Derivative financial liabilities	4.30	57,466	45,440
Other payables and accrued expenses	4.26	1,094	4,569
Payables to affiliated companies		33	928
Provisions	4.24	170	527
Deferred income		5	5
Lease liabilities	4.28	115	161
Current tax liabilities		213	1,505
Amount owed to depositors	4.27	7,423,447	7,488,086
		7,482,769	7,542,468
Total equity and liabilities		**7,773,433**	**7,849,300**

Consolidated 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 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 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 extreme 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 Commom 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 changes in equity for the year ended December 31, 2019

	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, 2019	**5,000**	**48,503**	**25,804**	**(798)**	**214,740**	**293,249**
Net profit for the year	–	–	–	–	43,022	43,022
Other comprehensive income	–	–	5,856	325	–	6,181
Total comprehensive income	–	–	**5,856**	**325**	**43,022**	**49,203**
Payment of dividend	–	–	–	–	(36,060)	(36,060)
Total transactions with shareholder	–	–	–	–	**(36,060)**	**(36,060)**
Total equity attributable to shareholder of CBN as at December 31, 2019	**5,000**	**48,503**	**31,660**	**(473)**	**221,702**	**306,392**

A dividend of USD 16.1 million (EUR 14.2 million) was paid on June 27, 2019 and a dividend of USD 24.0 million (EUR 21.9 million) was paid on September 26, 2019.

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, 2020 and 2019

	Note	2020	2019
		EUR 000	EUR 000
Cash flows from operating activities:			
Net profit for the year from continuing operations		10,249	43,022
Adjustments for:			
• Income tax expense	4.12	3,274	9,599
• Depreciation	4.9	197	209
• Amortization	4.9	55	26
• Net finance expense	4.11	205	138
• Net interest income banking activities		(35,012)	(81,710)
		(21,032)	(28,716)
Movement in working capital:			
• Increase in financial assets at amortised cost		(97,541)	(22,378)
• (Increase)/ decrease in financial assets at fair value through other comprehensive income		(162,708)	754,331
• Decrease in financial assets at fair value through profit or loss		89,115	1,820
• Increase in trade receivables		(991)	–
• Decrease/(increase) in derivative financial assets		4,358	(3,504)
• (Increase)/decrease in other receivables and accrued income		(2,386)	1,154
• Decrease in receivables from affiliated companies		464	133
• (Decrease)/increase in trade payables		(1,021)	1,018
• Increase in derivative financial liabilities		12,026	21,897
• (Decrease)/increase in other payables and accrued expenses		(178)	1,278
• (Decrease)/increase in payables to affiliated companies		(895)	403
• (Decrease)/increase in provisions		(357)	458
• Increase in deferred income		–	5
• (Decrease)/increase in amounts owed to depositors		(64,639)	566,407
• Unrealized currency translation (losses)/gain		(26,576)	5,854
• (Decrease)/increase in other liabilities		(69)	40
Interest paid		(16,101)	(51,277)
Interest received		57,790	132,667
Income tax paid		(4,734)	(9,983)
Net cash flows (used in)/from operating activities		**(235,475)**	**1,371,607**
Cash flows from investing activities:			
Additions to property, plant and equipment	4.13	(7)	(21)
Additions to intangible assets	4.15	(670)	(228)
Net cash flows used in investing activities		**(677)**	**(249)**
Cash flows from financing activities			
Payment of lease liabilities		(164)	(183)
Dividends paid		–	(36,060)
Net cash flows used in financing activities		**(164)**	**(36,243)**
Net (decrease)/increase in cash and cash equivalents		**(236,316)**	**1,335,115**

Consolidated statement of cash flows for the year ended December 31, 2020 and 2019 (continued)

	Note	2020	2019
		EUR 000	EUR 000
Cash and cash equivalents as at January 1	4.22	5,844,372	4,509,257
(Decrease)/increase in cash and cash equivalents		(236,316)	1,335,115
Cash and cash equivalents as at December 31	**4.22**	**5,608,056**	**5,844,372**

4. Notes to the Consolidated financial statements for the years ended December 31, 2020 and 2019

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 the CBN for the year ended December 31, 2020 comprise of the CBN and 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

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.
- *Depository Services*
  Provides trustee and custody services to Irish domiciled collective investment schemes (UCITS, Professional Investor Funds, and Qualifying Investors Funds).The Citco Bank Nederland N.V. Luxembourg Branch acts as a depository on behalf of Luxembourg regulated funds.
- *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 main subsidiary as at December 31, 2020 is included in Appendix I to this report.

4.1.4. Currency

CBN 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 2020 year-end rate of 1.2259 (2019: 1.1224) and for conversion of the profit or loss, an average exchange rate for 2020 of 1.1474 (2019: 1.1193) 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 22, 2021.

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 CBN and its subsidiaries as at December 31, 2020. The main subsidiaries of the CBN 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 CBN 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, 2020, did not have any material impact on the CBN Group's disclosures or the amounts recognized:

- Amendment to IFRS 9 - Prepayment features with negative compensation
- Amendments to IFRS 16 - COVID-19 Related rent concessions

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 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 beginning 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. Due to the extension of the 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 are currently working to include fallback mechanism terms into future contracts.

4.2.3. New standards and interpretations not yet adopted

The IASB has issued a number of minor amendments to IFRS effective January 1, 2021. 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 has 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 drawn down, 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, 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 CBN 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. Lease liabilities

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 assets; 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 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.

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, 2020, 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:

- Watch list status. Loans on the watch list are individually assessed for Stage 2 classification;
- 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 EaD (“Exposure at Default”) 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 draw-downs 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, 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 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 neither stressed scenario nor expansion scenario are indicated, then by default the proposal to management is an ECL model configuration using 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 CBN Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on market research, the CBN 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 0.2% 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 perspective 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 covered specifically in the Financial Economic Crime Risk Appetite Statement.

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 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, 2020						
Non-current assets						
Plant and equipment	–	8	–	–	–	8
Right-of-use assets	282	–	–	–	–	282
Intangible assets	–	818	–	–	–	818
Financial assets at amortized cost	–	175,819	–	–	–	175,819
Financial assets at fair value through profit and loss	–	222	–	–	–	222
Receivables with affiliated companies	–	85	–	–	–	85
Deferred tax assets	1,788	33	–	–	–	1,821
Current assets						
Trade receivables	373	605	–	13	–	991
Other receivables and accrued income	3,543	7,508	–	85	83	11,219
Receivables from affiliated companies	–	451	–	–	–	451
Financial assets at amortized cost	694	312,291	4	21	8	313,018
Financial assets at fair value through other comprehensive income	120,384	1,514,161	–	–	–	1,634,545
Financial assets at fair value through profit or loss	117	–	–	–	–	117
Cash and cash equivalents	4,016,511	1,345,455	14,279	60,151	171,660	5,608,056
Total assets	**4,143,692**	**3,357,456**	**14,283**	**60,270**	**171,751**	**7,747,452**
Non-current liabilities						
Lease liabilities	196	–	–	–	–	196
Other liabilities	153	–	–	–	47	200
Current liabilities						
Trade payables	221	–	–	–	5	226
Other payables and accrued expenses	745	157	21	2	169	1,094
Payables to affiliated companies	–	33	–	–	–	33
Provision	170	–	–	–	–	170
Deferred income	5	–	–	–	–	5
Lease liabilities	115	–	–	–	–	115
Current tax liabilities	209	4	–	–	–	213
Amounts owed to depositors	1,114,500	5,978,114	14,402	199,491	116,940	7,423,447
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 currency exposure	**529**	**292,350**	**16**	**50**	**159**	**293,104**
Derivative financial assets	17,550	1,602	1,970	4,097	762	25,981
Derivative financial liabilities	50,210	686	1,954	2,361	2,255	57,466
Off-balance sheet - guarantees to counterparties	1,527	–	–	–	–	1,527
Credit commitments		281,239	–		–	281,239

	EUR	USD	CHF	GBP	Other	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2019						
Total assets	2,997,662	4,575,973	19,520	52,692	173,114	7,818,961
Total liabilities	888,645	6,117,596	19,611	204,839	266,777	7,497,468
Currency exposure	2,109,017	(1,541,623)	(91)	(152,147)	(93,663)	321,493
Off-balance sheet net currency exposure hedged position	2,108,127	(1,850,880)	(10)	(152,288)	(93,918)	11,031
Net balance sheet position	**890**	**309,257**	**(81)**	**141**	**255**	**310,462**
Off-balance sheet - guarantees to counterparties	1,808	–	–	–	–	1,808
Credit commitments	265	237,932	–	–	–	238,197

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'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, 2020 would not change (2019: decreased by EUR 0.1 million) and the CBN Group's equity as at December 31, 2020 would also remain unimpacted (2019: decrease by EUR 0.1 million).

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, 2020 would have increased by EUR 0.1 million (2019: increased by EUR 0.1 million) and the CBN Group's equity as at December 31, 2020 would increase by EUR 0.1 million (2019: increase 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 CBN Group balance sheet. This is considered a subset of Market Risk and managed under the CBN 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 also 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 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, 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**

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, 2019						
Non-current assets						
Financial assets at amortized cost	–	–	–	148,660	–	148,660
Financial assets at fair value through other comprehensive income	–	–	–	89,166	–	89,166
Financial assets at fair value through profit and loss	–	–	–	–	242	242
Current assets						
Financial assets at amortized cost	48,518	–	194,118	–	–	242,636
Financial assets at fair value through other comprehensive income	641,301	508,755	232,615	–	–	1,382,671
Financial assets at fair value through profit and loss	89,212	–	–	–	–	89,212
Cash and cash equivalents	5,785,659	58,713	–	–	–	5,844,372
Total assets	**6,564,690**	**567,468**	**426,733**	**237,826**	**242**	**7,796,959**
Non-current liabilities						
Lease liabilities	–	–	–	171	–	171
Current liabilities						
Lease liabilities	161	–	–	–	–	161
Amounts owed to depositors	7,328,885	159,201	–	–	–	7,488,086
Total liabilities	**7,329,046**	**159,201**	**–**	**171**	**–**	**7,488,418**
Net balance sheet position	**(764,356)**	**408,267**	**426,733**	**237,655**	**242**	**308,541**

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 122.96% (2019: 32.9% increase), while under a gradual decrease in projected market rates of interest is it calculated that net interest income would reduce by 9.0% (2019: 40.2% reduction). The EaR sensitivities have changed significantly year-on-year to the material reduction in USD interest rates and resulting margin compression following the coronavirus pandemic.

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 1.7% increase in equity (2019: 2.0% increase), while a sudden decrease of 200bps in the market rates was calculated to result in a 1.3% reduction in equity (2019: 3.1% reduction). The change in sensitivity year-on-year was largely due to higher levels of short-term maturity transformation.

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 Asset and Liability Committee ("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, 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
Payables to affiliated companies	33	–	–	–	–	33
Other payables and accrued expenses	1,057	37	–	–	–	1,094
Lease liabilities	–	115	–	–	–	115
Amounts owed to depositors	7,015,355	408,092	–	–	–	7,423,447
Derivative financial liabilities	32,302	24,447	717	–	–	57,466
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

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

	Up to 1 month EUR 000	1-3 months EUR 000	3-12 months EUR 000	1-5 years EUR 000	Over 5 years EUR 000	Total EUR 000
As at December 31, 2019						
Non-current assets						
Financial assets at amortized cost	–	–	–	148,660	–	148,660
Financial assets at fair value through other comprehensive income	–	–	–	89,166	–	89,166
Financial assets at fair value through profit or loss	–	–	–	–	242	242
Current assets						
Other receivables and accrued income	11,834	798	5,161	–	–	17,793
Receivables from affiliated companies	848	–	152	–	–	1,000
Financial assets at amortized cost	48,518	–	194,118	–	–	242,636
Financial assets at fair value through other comprehensive income	641,301	508,755	232,615	–	–	1,382,671
Financial assets at fair value through profit or loss	89,212	–	–	–	–	89,212
Cash and cash equivalents	5,785,659	44,548	14,165	–	–	5,844,372
Derivative financial assets	26,970	3,327	42	–	–	30,339
Total assets	**6,604,342**	**557,428**	**446,253**	**237,826**	**242**	**7,846,091**
Non-current liabilities						
Lease liabilities	–	–	–	171	–	171
Other liabilities	–	–	–	269	–	269
Current liabilities						
Trade payables	1,247	–	–	–	–	1,247
Payables to affiliated companies	928	–	–	–	–	928
Other payables and accrued expenses	4,337	88	144	–	–	4,569
Amounts owed to depositors	7,328,885	152,352	6,849	–	–	7,488,086
Derivative financial liabilities	39,771	3,824	1,845	–	–	45,440
Lease liabilities	161	–	–	–	–	161
Total liabilities	**7,375,329**	**156,264**	**8,838**	**440**	**–**	**7,540,871**
Net balance sheet position	**(770,987)**	**401,164**	**437,415**	**237,386**	**242**	**305,220**
Off-balance sheet - guarantees to counterparties	–	–	450	324	1,034	1,808
Credit commitments	44,079	–	194,118	–	–	238,197

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 loan policy approved by the appropriate level of management.

New counterparties are subject to due diligence by the Risk Management division and approval by the 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 fund-of-funds typically have a maximum loan to value ratio of 35% of eligible assets, secured by a pledge agreement covering the clients underlying securities portfolio held by Citco Group's separate custody subsidiaries. Valuations of these underlying securities are 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, 2020, EUR 1.5 million (2019: EUR 1.8 million) has been recognized as a contingent liability (Note 4.29).

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 frameworks 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 will balance its overall capital structure and liquidity management. CBN's overall strategy remains unchanged from 2019.

To monitor the adequacy of its capital under Pillar 1, banks within CBN Group apply Capital Adequacy (Solvency) ratios, established by the relevant regulatory authorities ('CAR'). 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 Mark-to-Market method 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 Internal Liquidity Adequacy Assessment Process ('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, 2020, CBN Group total equity amounted to EUR 290.3 million (2019: EUR 306.4 million).

The balance sheet equity consists of the following elements:

	2020	2019
	EUR 000	EUR 000
Share capital	5,000	5,000
Additional paid-in capital	48,503	48,503
Translation reserve	5,084	31,660
Revaluation of FVOCI assets	(270)	(473)
Retained earnings	221,702	178,680
	280,019	263,370
Profit for the year	10,249	43,022
	290,268	**306,392**

The amount of EUR 275.7 million (2019: EUR 280.9 million) is classified as Common Equity Tier 1 capital for the purposes of calculating capital adequacy.

As at December 31, 2020, the Pillar 1 capital requirements amounted to EUR 69.6 million (2019: EUR 61.7 million), which consisted of EUR 54.5 million (2019: EUR 47.2 million) for credit risk, EUR 14.0 million (2019: EUR 14.4 million) for operational risk, EUR 0.2 million (2019: EUR 0.11 million) for foreign exchange risk and EUR 0.83 million (2019: EUR 0.05 million) for credit valuation adjustment.

CBN Group’s management allocated EUR 53.5 million (2019: EUR 53.5 million) of capital to cover Pillar 2 risks.

4.4. Revenue from contracts with customers

The Group derives revenue from the 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
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 Netherlands	Canada	Ireland	Luxembourg	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
2019					
Interest and similar income	18,433	32,772	57,260	4,757	113,222
Interest expense and similar charges	(11,607)	(13,790)	(5,444)	(671)	(31,512)
Custody and trading income	–	7,609	2,236	5,439	15,284
Net income from dealing in foreign currencies	277	192	1,997	511	2,977
Payment fees	131	557	1,875	239	2,802
Other	1,047	852	3,190	1,023	6,112
Revenue	**8,281**	**28,192**	**61,114**	**11,298**	**108,885**

The CBN Group has recognised 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.

	2020	2019
	EUR 000	EUR 000
Contract assets		
Derivative financial assets	25,981	30,339
Interest receivable affiliated companies	170	420
Interest receivable	2,847	11,807
As at December 31,	**28,998**	**42,566**
Contract liabilities		
Accrued expenses	1,744	1,740
Derivative financial liabilities	57,466	45,440
Interest payable	(2,146)	1,150
As at December 31,	**57,064**	**48,330**

4.5. Personnel expenses

	2020	2019
	EUR 000	EUR 000
Salaries and bonuses	17,330	21,668
Social security charges and taxes	1,207	1,187
Pension expenses	1,081	970
Severance payments	319	713
Related party personnel recharge	1,617	321
Other personnel expenses	(433)	258
Personnel expenses	**21,121**	**25,117**

The reduction in personnel expense is mainly attributable to the conclusion of the AML project during 2020.

The average number of full-time employees for the year was 169 (2019: 152) of which 59 (2019: 53) were employed in the Netherlands.

In 2020, there were 12 (2019: 10) employees classified as Identified Staff (excluding the Management Board). These identified employees were granted a variable remuneration of EUR 177 thousand in 2020 (2019: EUR 208 thousand). For these identified staff EUR 143 thousand (2019: EUR 149 thousand) of variable remuneration is currently deferred to future years. The total variable remuneration for all employees (excluding the Management Board) related to the year 2020 amounts to EUR 0.60 million (2019: EUR 0.75 million). In 2020, 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 2020 or to vest previous tranches of deferred variable remunerations.

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

	2020 EUR 000	2019 EUR 000
Office and administration expenses	738	868
Related party office and administration expenses	1,264	1,179
Office and administration expenses	**2,002**	**2,047**

4.7. Travel expenses

	2020 EUR 000	2019 EUR 000
Travel expenses	103	779
Related party travel expenses	34	71
Travel expenses	**137**	**850**

4.8. Professional services

	2020 EUR 000	2019 EUR 000
Professional fees	2,011	1,700
Audit fees	374	511
Related party professional fee expense/(recovery)	60	(57)
Professional services	**2,445**	**2,154**
Fees to independent auditor:		
Audit fees	290	369
Audit-related fees	84	142
Audit fees	**374**	**511**

EUR 137 thousand (2019: EUR 266 thousand) and EUR 84 thousand (2019: EUR 116 thousand) was paid to Deloitte Accountant B.V. for statutory audit and other audit engagements respectively

Audit fees of EUR 36 thousand (2019: EUR 35 thousand) for Citco Bank Nederland N.V. Dublin Branch, EUR 57 thousand (2019: EUR 32 thousand) for Citco Bank Nederland N.V. Luxembourg Branch, EUR 60 thousand (2019: EUR 36 thousand) for Citco Bank Canada were paid to the Deloitte teams in the respective jurisdictions.

Audit-related fees totaled EUR 84 thousand in total representing EUR 84 thousand (2019: EUR 116 thousand) for Citco Bank Nederland N.V., EUR nil (2019: EUR 1 thousand) for Citco Bank Nederland N.V. Luxembourg Branch and EUR nil (2019: EUR 21 thousand) for Citco Bank Canada and EUR nil (2019: EUR 4 thousand) for Citco Bank Nederland N.V. Dublin Branch.

4.9. Depreciation and amortization

	Notes	2020 EUR 000	2019 EUR 000
Depreciation machinery and equipment	5.1	17	35
Depreciation leasehold improvements	5.1	–	2
Depreciation of right-of-use assets	5.2	180	172
Amortization internally generated software	5.3	21	–
Amortization third party software	5.3	34	26
Depreciation and amortization		**252**	**235**

4.10. Other operating expenses

	2020 EUR 000	2019 EUR 000
Citco Group support service fee	11,915	8,036
Royalty fees	1,607	2,502
Information technology service expense	367	271
Other related party expenses	2,390	4,610
Other expenses	9,560	9,572
Other operating expenses	**25,839**	**24,991**

4.11. Net finance expense

	2020 EUR 000	2019 EUR 000
Interest expense	74	41
Interest income	(3)	(4)
Interest on lease liabilities	17	16
Foreign exchange	117	85
Net finance income	**205**	**138**

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, 2020 and 2019 are:

	2020 EUR 000	2019 EUR 000
Current income tax:		
Current tax expense: current year	2,613	9,073
Current tax expense: prior year	70	2
	2,683	**9,075**
Deferred tax:		
Deferred tax expense: prior year	1	(30)
Deferred tax expense: current year	590	554
	591	**524**
Income tax expense	**3,274**	**9,599**

Income tax expense

	%	2020 EUR 000	%	2019 EUR 000
Net profit before tax		13,523		52,621
Income tax using the domestic corporation tax rate	25	3,381	25	13,155
Effect of tax rates in foreign jurisdictions	(1)	(121)	(7)	(3,820)
Non-deductible expenses	–	8	–	12
Effect of non capitalized/(capitalized) tax loses	–	(65)	1	280
Over provided in prior years	1	71	–	(28)
Income tax expense	25	3,274	18	9,599

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, 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**

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, 2019		89	7	96
Additions		21	–	21
Foreign exchange difference		1	–	1
As at December 31, 2019		**111**	**7**	**118**
Accumulated depreciation:				
As at January 1, 2019		57	5	62
Depreciation charge for the year	4.9	35	2	37
As at December 31, 2019		**92**	**7**	**99**
Net carrying amount				
As at December 31, 2019		**19**	**–**	**19**

4.14. Right-of-use assets

The CBN Group leases several assets including buildings, machinery and equipment. The average lease term is 1.7 years (2019: 1.9 years).

Approximately 44% of leases relate to office space and remainder to leased cars and office equipment.

	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**

	Notes	Right-of-use assets
		EUR 000
Cost		
As at January 1, 2019		-
Additions		689
Disposals		(85)
Foreign exchange difference		(128)
As at December 31, 2019		**476**
Depreciation		
As at January 1, 2019		-
Depreciation	4.9	172
Disposals		(36)
Foreign exchange difference		7
As at December 31, 2019		**143**
Net carrying amount		
As at December 31, 2019		**333**

4.15. Intangible assets

	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 and impairment:				
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				
Aa at December 31, 2020		**592**	**226**	**818**

	Notes	Internally generated software	Third-party software	Total
		EUR 000	EUR 000	EUR 000
Cost				
As at January 1, 2019		–	188	188
Additions		–	228	228
As at December 31, 2019		–	**416**	**416**
Accumulated amortization and impairment:				
As at January 1, 2019		–	125	125
Amortization charge	4.9	–	26	26
As at December 31, 2019		–	**151**	**151**
Net carrying amount				
As at December 31, 2019		–	**265**	**265**

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:

	2020	2019
	EUR 000	EUR 000
Bonds held at amortized cost	78,127	86,582
US treasury notes	56,895	62,078
Loans to affiliated companies	5,847	6,585
Term loans	34,950	332
Mezzanine notes	28,550	31,183
Variable funding notes	276,132	198,195
Current account overdrafts	8,336	6,341
As at December 31,	**488,837**	**391,296**
Maturity analysis:		
One month or less	77,262	48,518
More than three months up to a year	235,756	194,118
One to five years	175,819	148,660
As at December 31,	**488,837**	**391,296**
Current	313,018	242,636
Non-current	175,819	148,660
As at December 31,	**488,837**	**391,296**

The interest income for the year on financial instruments held at amortized cost was EUR 7,017 thousand (2019: EUR 9,525 thousand).

ECL on these investments recognized in the consolidated income statement for the year was a loss of EUR 118 thousand (2019: EUR 95 thousand).

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

USD 5,847 thousand (2019: EUR 6,585 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 4,063 thousand (2019: EUR 4,685 thousand). Undrawn portion of VFN at end of the period is EUR 278 million (2019: EUR 93 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 CBN 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:

	2020 EUR 000	2019 EUR 000
Commercial paper issued by financial institutions	1,389,839	1,248,003
US treasury bills	244,706	133,618
Bonds	–	90,216
As at December 31,	**1,634,545**	**1,471,837**
Maurity Analysis:		
One month or less	774,717	641,301
Up to three months	334,129	508,755
More than three months up to a year	525,699	232,615
One to five years	–	89,166
As at December 31,	**1,634,545**	**1,471,837**
Current	1,634,545	1,382,671
Non-current	–	89,166
As at December 31,	**1,634,545**	**1,471,837**

The interest income for the year on financial instruments held at fair value through other comprehensive income was EUR 9,119 thousand (2019: EUR 24,592 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.

	2020	2019
	EUR 000	EUR 000
Junior note	222	242
Money market funds	–	89,095
Other	117	117
As at December 31,	**339**	**89,454**
Maturity analysis:		
One month or less	117	89,212
More than five years	222	242
As at December 31,	**339**	**89,454**
Current	117	89,212
Non-current	222	242
As at December 31,	**339**	**89,454**

4.19. Deferred tax

	2019	2019
	EUR 000	EUR 000
Capitalized tax loss and deferred tax assets	1,821	2,592
Amounts recognized as at December 31,	**1,821**	**2,592**

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

	Capitalised losses and deferred tax assets
	EUR 000
As at January 1, 2020	2,592
Utilization	(771)
As at December 31, 2020	**1,821**
As at December 31, 2019	3,057
Utilization	(465)
As at December 31, 2019	**2,592**

4.19. Deferred tax (continued)

4.19.1. Recognized deferred tax assets

	2020	2019
	EUR 000	EUR 000
Deferred tax assets		
Property and equipment	32	63
Other items	37	17
Tax value of loss carry-forwards recognized	1,752	2,512
Net tax assets	**1,821**	**2,592**

4.19.2. Movement in temporary differences during 2020 and 2019

	Temporary differences	Capitalised tax losses	Total
	EUR 000	EUR 000	EUR 000
As at January 1, 2019	61	2,996	3,057
Additions during the year	19	(484)	(465)
As at December 31, 2019	**80**	**2,512**	**2,592**
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**

A specification as at December 31, 2020 and 2019 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 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	Carried forward losses	Carried forward until at least	Capitalized 2019
	EUR 000	EUR 000		EUR 000
Europe - Netherlands	26	2,512	2020	2,538
Europe Ireland	16	–	unlimited	16
Canada	38	–	unlimited	38
As at December 31,	**80**	**2,512**		**2,592**

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

	2020	2019
	EUR 000	EUR 000
Trade receivables	990	–
Allowance for expected credit losses	1	–
As at December 31,	**991**	–

The average age of these receivables is 23 days (2019: 0 days). No interest is charged on trade receivables that are past due. Trade receivables are the amounts due from clients relating to depository and custody services provided by the CBN Group.

4.20.1. Age of trade receivables past due but not impaired

	2020	2019
	EUR 000	EUR 000
1-30 days	217	–
31-60 days	73	–
As at December 31,	**290**	–

4.20.2. Movement in the expected credit losses

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

	2020	2019
	EUR 000	EUR 000
Amounts recovered during the year	1	–
As at December 31,	**1**	–

4.21. Other receivables and accrued income

	2020	2019
	EUR 000	EUR 000
Accrued income	6,245	4,841
Other receivables	1,807	349
Interest receivables	3,017	12,227
Prepaid expenses	179	360
Net disbursements affiliated companies	(29)	16
As at December 31,	**11,219**	**17,793**

4.22. Cash and cash equivalents

	2020	2019
	EUR 000	EUR 000
Cash and balance with central banks	3,968,690	2,817,684
Current account with other banks	485,309	669,128
Bank balances with affiliated companies	4,063	610,560
Deposit with other banks	1,149,994	1,746,999
Petty cash	–	1
As at December 31,	**5,608,056**	**5,844,372**

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

Authorised shares:

	2020	2019
	Number of shares 000	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, 2020	**50**	**5,000**
Movement	–	–
As at December 31, 2020	**50**	**5,000**

4.24. Provisions

	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**
As at January 1, 2019	69
Provisions made during the year	458
As at December 31, 2019	**527**
Current	527
As at December 31, 2019	**527**

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 (2019: 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

	2020	2019
	EUR 000	EUR 000
Taxes and social security contributions	1,157	860
Accrued expenses	1,743	1,740
Other payables	340	819
Interest payable	(2,146)	1,150
As at December 31,	**1,094**	**4,569**

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

	2020 EUR 000	2019 EUR 000
Demand deposits	6,608,161	6,556,128
Demand deposits with affiliated companies	193,127	202,340
Time deposits	622,159	729,618
As at December 31,	**7,423,447**	**7,488,086**

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

Maturity analysis:

	2020 EUR 000	2019 EUR 000
On demand	6,801,288	6,758,468
One month or less	214,067	570,417
More than one month up to three months	408,092	159,201
As at December 31,	**7,423,447**	**7,488,086**

4.28. Lease liabilities

	Lease liabilities EUR 000
As at January 1, 2020	332
Additions	160
Lease payments	(181)
As at December 31, 2020	**311**
Maturity analysis:	
Within one year	115
In the second to the fifth year inclusive	196
As at December 31, 2020	**311**

Lease liabilities included in the statement of financial position as at December 31, 2020

	Total EUR 000
Current liabilities	115
Non-current liabilities	196
As at December 31, 2020	**311**

4.28. Lease liabilities (continued)

	Total
	EUR 000
As at January 1, 2019	–
Additions	531
Interest expense	16
Lease payments	(183)
Lease terminations	(32)
As at December 31, 2019	**332**
Maturity Analysis:	
Within one year	161
In the second to the fifth year inclusive	171
As at December 31, 2019	**332**

Lease liabilities included in the statement of financial position as at December 31, 2019

	Total
	EUR 000
Current liabilities	161
Non-current liabilities	171
As at December 31, 2019	**332**

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) The 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 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, 2020, CBN and its subsidiary had commitments on guarantees with counter guarantees amounting to EUR 0.5 million (2019: EUR 0.3 million) and guarantees without counter guarantees amounting to EUR 1 million (2019: EUR 1.5 million).

Compliance activities, specifically in relation to AML and KYC, were undertaken by CBN 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 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 of CBN. This assessment is supported by an external validation report concluded by an independent professional services provider. DNB will further validate the communicated improvements in the areas of AML and KYC though onsite inspection in 2021.

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, 2020			
Forward exchange contracts	**6,937,246**	**25,981**	**57,466**
As at December 31, 2019			
Forward exchange contracts	5,808,734	30,339	45,440

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 lower yielding currencies (i.e. Euro) versus the revenue 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, 2020	Fair value measurement using: Quoted prices in active markets (Level 1)	Fair value measurement using: 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**

4.31. Fair value of financial instruments (continued)

As at December 31, 2019	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	–	86,582	86,582
US Treasury notes	–	62,078	62,078
Loans to affiliated companies	–	6,585	6,585
Term loans	–	332	332
Mezzanine notes	–	31,183	31,183
Variable funding notes	–	198,195	198,195
Current account overdrafts	–	6,341	6,341
Financial assets held at fair value through other comprehensive income			
Commercial paper issued by financial institutions	–	1,248,003	1,248,003
US Treasury bills	133,618	–	133,618
Bonds held through FVOCI	90,216	–	90,216
Financial assets held at fair value through profit and loss			
Junior Note	–	242	242
Other assets	–	117	117
Money Market Funds	–	89,095	89,095
Derivative financial assets	–	30,339	30,339
As at December 31,	**223,834**	**1,759,092**	**1,982,926**
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	–	45,440	45,440
As at December 31,	–	**45,440**	**45,440**

During 2020 and 2019, there have been no transfers between Level 1 and Level 2. Additionally, CBN Group held no Level 3 investments during 2020 and 2019.

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	2020	2019
	EUR 000	EUR 000
Cash and cash equivalents	5,608,056	5,844,372
Financial assets held at amortized cost	488,837	391,296
Financial assets held at fair value through other comprehensive income	1,634,545	1,471,837
Financial assets held at fair value through profit or loss	339	89,454
Derivative financial assets	25,981	30,339
Other receivables	11,679	18,449
As at December 31,	**7,769,437**	**7,845,747**

Financial Liabilities	2020	2019
	EUR 000	EUR 000
Amounts owed to the depositors	7,423,447	7,488,086
Lease liabilities	311	332
Derivative financial liabilities	57,466	45,440
Other liabilities	196	5,884
As at December 31,	**7,481,420**	**7,539,742**

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, 2020, CBN Group's assets held under custody totaled EUR 58.4 billion (2019: EUR 55.4 billion).

4.35. Litigations

Citco Group limited ("CGRP") and its affiliates believe that there are meritorious defenses to all these claims and will continue defend the lawsuits vigorously.

In 2020, various legal proceedings against CGRP and/or its subsidiaries continued. It is not possible to estimate with certainty the financial effect on the Bank 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, 2020.

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. On January 19, 2021, the Court of Appeal stated that it would render its final judgement on March 23, 2021 the Court of Appeal postponed giving its final judgement until June 15, 2021.

4.35. Litigations (continued)

- 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. CBN 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 by February 20, 2021.

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 judgement.

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:

	2020	2019
	EUR 000	EUR 000
a) Companies ultimately controlled by the majority shareholder	–	331
b) Directors, officers and employees loans and current accounts	22	61

(a) CBN Group has granted fully pledged loans for a total amount of EUR nil thousand (2019: EUR 331 thousand) to companies ultimately controlled by the shareholder of the CBN Group. All loans have been granted at arm's length conditions.

(b) CBN Group has granted advances of EUR 22 thousand (2019: EUR 61 thousand) to some of its directors, officers and employees.

4.36. Related party transactions (continued)

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

	2020	2019
	EUR 000	EUR 000
Operational services	391	424
Personnel	7,072	7,341
General and administrative services	1,096	2,109
Finance income	6,039	9,293
As at December 31,	**14,598**	**19,167**

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

	2020	2019
	EUR 000	EUR 000
Citco Group support services	11,915	8,036
Operational support services	359	3,650
Royalty expense	1,607	2,502
Personnel	8,871	7,662
General and administrative services	4,288	3,969
Office rent	491	331
Finance expense	334	47
As at December 31,	**27,865**	**26,197**

Included in Finance services is an amount of EUR 0.04 million (2019: EUR 0.05 million) in relation to interest and fees on a collateral guarantee arrangement incepted during 2019 with the parent company. CBN Group has the following balances with affiliated companies:

	2020	2019
	EUR 000	EUR 000
Receivables	319,363	850,391
Payables	(39,354)	(44,490)
Net balance receivable as at December 31,	**280,009**	**805,901**

The ECL on the intercompany receivables balances is nil in 2020 and 2019.

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:

	2020	2019
	EUR 000	EUR 000
Managing Directors (incl pension premiums)	1,198	1,431
Supervisory Board Directors	220	220
As at December 31,	**1,418**	**1,651**

Executive:	2020	2019
	EUR 000	EUR 000
Base Salary	838	1,017
Variable remuneration	204	213
Fringe benefits	24	41
Pension premiums	132	160
As at December 31,	**1,198**	**1,431**

Non-executive:	2020	2019
	EUR 000	EUR 000
Base Salary	**220**	220
As at December 31,	**220**	**220**

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

4.38. Events after the reporting date

Michael Leers, Chairman of the Management Board and Chief Executive Officer for the CBN Group, resigned effective February 15, 2021 and remained in CBN until end of March 31, 2021 to ensure an orderly transition and good governance continuation.

Kieran Dolan was appointed as Chairman of the Management Board and Chief Executive Officer for the CBN Group effective February 15, 2021.

Arno Boelaars and Caryn de Walden have joined the Management Board effective February 15, 2021.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The CBN Group has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home).

At this stage, the impact on business and results has not been significant and based on the CBN Group's experience to date it is expected that this will remain the case. The CBN Group has found increased demand for services and expect this to continue. The CBN Group will continue to follow the various government policies and advice and, in parallel, the CBN Group will do the utmost to continue our operations in the best and safest way possible without jeopardising the health of employees.

5. Financial Statements for the years ended December 31, 2020 and 2019

Income statement for the year ended December 31, 2020 and 2019

	Notes	2020	2019
		EUR 000	EUR 000
Revenue			
Banking and custody services		48,036	80,842
		48,036	**80,842**
Operating expenses:			
Personnel expenses		16,246	20,760
Office maintenance		723	549
Office and administration expenses		1,599	1,592
Travel expenses		94	567
Professional services		2,209	1,948
Depreciation and amortization		252	234
Expected credit losses		27	34
Other operating expenses		21,107	20,065
		42,257	**45,749**
Net profit from operations		**5,779**	**35,093**
Net finance expense		(175)	(16)
Net profit before tax		**5,604**	**35,077**
Income tax expense		1,147	5,009
Profit of participating interests	5.5.	5,792	12,954
Net profit after tax		**10,249**	**43,022**
Attributable to:			
Shareholders of CBN		**10,249**	**43,022**

Statement of financial position as at December 31, 2020 and 2019

	Notes	2020	2019
		EUR 000	EUR 000
Assets			
Non-current assets			
Plant and equipment	5.1	8	19
Right-of-use assets	5.2	282	333
Intangible assets	5.3	818	265
Investment in subsidiaries	5.5	122,587	128,091
Financial assets at amortized cost	5.7	105,909	71,797
Financial assets at fair value through other comprehensive income	5.8	–	44,583
Financial assets at fair value through profit and loss	5.9	222	242
Deferred tax assets		1,790	2,553
		231,616	247,883
Current assets			
Trade receivables	5.4	720	–
Derivative financial assets		17,091	27,241
Other receivables and accrued income	5.6	8,448	12,015
Receivables from affiliated companies		424	882
Financial assets at amortized cost	5.7	313,046	242,659
Financial assets at fair value through other comprehensive income	5.8	1,076,627	774,679
Financial assets at fair value through profit and loss	5.9	117	89,212
Cash and cash equivalents	5.10	4,813,366	5,060,418
		6,229,839	6,207,106
Total assets		**6,461,455**	**6,454,989**

	Notes	2020	2019
		EUR 000	EUR 000
Equity and liabilities			
Equity			
Share capital	5.11	5,000	5,000
Additional paid in capital		48,503	48,503
Translation reserve		5,084	31,660
Revaluation of fair value financial instruments through other comprehensive income		(270)	(473)
Retained earnings		231,951	221,702
Total equity attributable to shareholder of the CBN		**290,268**	**306,392**
Non-current liabilities			
Other liabilities		153	204
Lease liabilities	5.15	196	171
		349	375
Current liabilities			
Trade payables		223	1,228
Derivative financial liabilities		47,079	42,345
Other payables and accrued expenses	5.13	886	3,660
Payables to affiliated companies		31	919
Provisions	5.12	170	527
Deferred income		5	5
Lease liabilities	5.15	115	161
Current tax liabilities		213	1,562
Amounts owed to depositors	5.14	6,122,116	6,097,815
		6,170,838	6,148,222
Total liabilities and equity		**6,461,455**	**6,454,989**

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

	Issued capital	Additional paid-in capital	Foreign currency translation reserve	Fair value reserve of financial assets at FVOCI	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 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 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 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, 2019 (continued)

	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, 2019	**5,000**	**48,503**	**25,804**	**(798)**	**214,740**	**293,249**
Net profit for the period	–	–	–	–	43,022	43,022
Other comprehensive income	–	–	5,856	325	–	6,181
Total comprehensive income	**–**	**–**	**5,856**	**325**	**43,022**	**49,203**
Dividends paid	–	–	–	–	(36,060)	(36,060)
Total transactions with the shareholder	**–**	–	–	–	(36,060)	(36,060)
Total equity attributable to shareholders of the As at December 31, 2019	**5,000**	**48,503**	**31,660**	**(473)**	**221,702**	**306,392**

A dividend of USD 16.1 million (EUR 14.2 million) was paid on June 27, 2019 and a dividend of USD 24.0 million (EUR 21.9 million) was paid on September 26, 2019.

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.

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.

5.1. Plant and equipment

	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**

	Machinery and equipment	Leasehold improvements and other	Total
	EUR 000	EUR 000	EUR 000
Cost:			
As at January 1, 2019	55	8	63
Additions	20	–	20
Foreign exchange difference	1	–	1
As at December 31, 2019	**76**	**8**	**84**
Accumulated depreciation:			
As at January 1, 2019	23	6	29
Depreciation charge for the year	34	2	36
As at December 31, 2019	**57**	**8**	**65**
Net carrying amount			
As at December 31, 2019	**19**	**–**	**19**

5.2. Right-of-use assets

The Bank leases several assets including buildings, machinery and equipment. The average lease term is 1.7 years (2019: 1.9 years).

Approximately 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, 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**

	Right-of-use assets
	EUR 000
Cost	
As at January 1, 2019	-
Additions	689
Disposals	(85)
Foreign exchange loss	(128)
As at December 31, 2019	**476**
Depreciation	
As at January 1, 2019	-
Depreciation	172
Disposals	(36)
Foreign exchange loss	7
As at December 31, 2019	**143**
Net carrying amount	
As at December 31, 2019	**333**

5.3. Intangible assets

	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 and impairment:			
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**

	Internally generated software	Third-party software	Total
	EUR 000	EUR 000	EUR 000
Cost			
At January 1, 2019	–	188	188
Additions	–	228	228
As at December 31, 2019	**–**	**416**	**416**
Accumulated amortization and impairment:			
As at January 1, 2019	–	125	125
Amortization charge	–	26	26
As at December 31, 2019	**–**	**151**	**151**
Net carrying amount			
As at December 31, 2019	**–**	**265**	**265**

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.

5.4. Trade receivables

	2020	2019
	EUR 000	EUR 000
Trade receivables	720	–
As at December 31,	**720**	**–**

The average age of these receivables is 25 days (2019: - days). No interest is charged on trade receivables that are past due. Trade receivables are the amounts due from clients relating to depository and custody services provided by the Bank.

5.4.1. Age of trade receivables past due but not impaired

	2020	2019
	EUR 000	EUR 000
1-30 days	151	–
31-60 days	73	–
As at December 31,	**224**	**–**

5.5. Investments in subsidiary

	2020	2019
	EUR 000	EUR 000
Balance as at January 1	128,091	112,975
Share of results	5,792	12,954
Exchange differences	(11,296)	2,162
As at December 31,	**122,587**	**128,091**

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, 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**
December 31, 2019					
Citco Bank Canada*	1,533,932	1,405,841	28,043	12,954	100
	1,533,932	**1,405,841**	**28,043**	**12,954**	**100**

*Citco Bank Canada is incorporated in Canada.

5.6. Other receivables and accrued income

	2020 EUR 000	2019 EUR 000
Accrued income	4,749	2,834
Net disbursements affiliated companies	(29)	16
Interest receivables	1,772	8,120
Interest receivable affiliated companies	170	436
Prepaid expenses	147	295
Other receivables	1,639	314
As at December 31	**8,448**	**12,015**

5.7. Financial assets at amortized cost

	2020 EUR 000	2019 EUR 000
Bonds held at amortized cost	65,112	71,797
Mezzanine notes	28,549	31,183
Variable funding notes	276,132	198,191
Current account overdrafts	8,366	6,369
Term loans	34,950	331
Loans to affiliated companies	5,846	6,585
As at December 31,	**418,955**	**314,456**
Maturity Analysis:		
One month or less	77,290	48,541
More than three months up to a year	235,756	194,118
One to five years	105,909	71,797
As at December 31,	**418,955**	**314,456**
Current	313,046	242,659
Non-current	105,909	71,797
As at December 31,	**418,955**	**314,456**

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 drawn portion of the notes, and a commitment fee on the undrawn portion.

5.8. Financial assets at fair value through other comprehensive income

	2020 EUR 000	2019 EUR 000
Bonds	–	44,583
Commercial paper issued by financial institutions	995,058	774,679
US treasury bills	81,569	–
As at December 31,	**1,076,627**	**819,262**
Maturity Analysis:		
One month or less	530,110	365,835
Up to three months	232,314	221,403
More than three months up to a year	314,203	187,441
One to five years	–	44,583
As at December 31,	**1,076,627**	**819,262**
Current	1,076,627	774,679
Non-current	–	44,583
As at December 31,	**1,076,627**	**819,262**

5.9. Financial assets at fair value through profit and loss

	2020 EUR 000	2019 EUR 000
Junior note	222	242
Money market funds	–	89,095
Other	117	117
As at December 31,	**339**	**89,454**
Maturity Analysis:		
One month or less	117	89,212
More than five years	222	242
As at December 31,	**339**	**89,454**
Current	117	89,212
Non-current	222	242
As at December 31,	**339**	**89,454**

5.10. Cash and cash equivalents

	2020	2019
	EUR 000	EUR 000
Cash and balance with central banks	3,968,690	2,817,684
Bank balances with affiliated companies	1,486	609,931
Deposit with other banks	575,713	1,336,522
Current account with other banks	267,477	296,280
Petty cash	–	1
As at December 31,	**4,813,366**	**5,060,418**

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.

5.11. Share capital

Authorised shares

	2019	2018
	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, 2020	**50**	**5,000**
Movement	–	–
As at December 31, 2020	**50**	**5,000**

5.12. Provisions

	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**

	Severance payments
	EUR 000
As at January 1, 2019	69
Provisions made during the year	458
As at December 31, 2019	**527**
Current	527
As at December 31, 2019	**527**

5.13. Other payables and accrued expenses

	2020	2019
	EUR 000	EUR 000
Taxes and social security contributions	1,157	860
Accrued expenses	1,523	1,493
Interest payable	(2,135)	489
Other payables	341	818
As at December 31,	**886**	**3,660**

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

5.14. Amounts owed to depositors

	2020	2019
	EUR 000	EUR 000
Demand deposits	5,372,492	5,266,778
Demand deposits with affiliated companies	241,907	213,679
Time deposits	507,717	617,358
As at December 31,	**6,122,116**	**6,097,815**
Maturity Analysis:		
On demand	5,614,399	5,480,457
One month or less	214,067	570,417
More than one month up to three months	293,650	46,941
As at December 31,	**6,122,116**	**6,097,815**

5.15. Lease liabilities

	Lease liabilities
	EUR 000
As at January 1, 2020	332
Additions	160
Lease payments	(181)
As at December 31, 2020	**311**
Maturity analysis:	
Within one year	115
In the second to the fifth year inclusive	196
As at December 31, 2020	**311**

Lease liabilities included in the statement of financial position as at December 31, 2020

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

	Lease liabilities
	EUR 000
As at January 1, 2019	–
Additions	531
Interest expense	16
Lease payments	(183)
Lease terminations	(32)
As at December 31, 2019	**332**

5.15. Lease liabilities (continued)

Maturity analysis:

	EUR 000
Current lease liability	161
Non-current lease liability	171
As at December 31, 2019	**332**

5.16. 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:

	2020	2019
	EUR 000	EUR 000
Finance income	6,379	29,227
Personnel	8,819	8,646
General and administrative services	1,608	2,170
Citco Group support services	2,048	2,350
Office rent	71	79
Operational services	1,423	1,171
As at December 31,	**20,348**	**43,643**

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

	2020	2019
	EUR 000	EUR 000
General and administrative services	4,147	3,796
Citco Group support services	11,915	8,036
Personnel	8,294	7,047
Office rent	427	267
Royalty expense	1,134	1,808
Operational support services	324	3,612
Finance expense	374	19,831
As at December 31,	**26,615**	**44,397**

CBN has the following balances with affiliated companies:

	2020	2019
	EUR 000	EUR 000
Receivables	433,948	964,826
Payables	(199,062)	(166,853)
Net balance receivable as at December 31,	**234,886**	**797,973**

Signing of the consolidated and standalone financial statements

The financial statements were approved by the Board of Directors and authorized for issuance on April 22, 2021 and are signed on its behalf by:

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

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

6. 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 the 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 2020

The financial statements of 2020 were adopted in the General Meeting of Shareholder held on April 22, 2021. 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2020 of Citco Bank Nederland N.V., based in Amsterdam. The financial statements include 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, 2020, and of its result and its cash flows for 2020 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, 2020, and of its result for 2020 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, 2020.
2. The following statements for 2020: the consolidated income statement, the consolidated statements of other 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 statement of financial position as at December 31, 2020.
2. The company income statement and the statement of changes in equity for 2020.
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 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 USD 1.5 million. The materiality is based on profit before tax. 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 Management Board and Supervisory Board that misstatements in excess of

USD 75 thousand, 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 group entities Amsterdam and Luxembourg Branch of Citco Bank Nederland N.V.
- Used the work of other auditors when auditing the Dublin branch of Citco Bank Nederland N.V. and Citco Bank Canada.

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

Scope of fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-Compliance with law and regulation may result in fines, litigation or other consequences for the Citco Bank Nederland N.V. that may have a material effect on the financial statements.

Consideration of fraud

In identifying potential risks of material misstatement due to fraud, we obtained an understanding of the Citco Bank Nederland N.V. and its environment, including the entity’s internal controls. We evaluated the Citco Bank Nederland N.V.’s fraud risk assessment and made inquiries with, the Management Board, those charged with governance and with others within Citco Bank Nederland N.V., including but not limited to Senior Compliance Manager, Head of Legal, Risk Officer and the Head of Group Internal Audit. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Management Board, the executive leadership team and other members of management, which may represent a risk of material misstatement due to fraud. Furthermore, we identified and considered the fraud risk related to management override of controls.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation and, where considered appropriate, tested the operating effectiveness of the internal controls relevant to mitigate these risks. We performed substantive audit procedures, including detailed testing of journal entries, evaluating the accounting estimates for bias (including retrospective reviews of prior year’s estimates, and the supporting documentation in relation to post-closing adjustments). We also incorporated elements of unpredictability in our audit. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud. Our procedures to address fraud risks did not result in a Key Audit Matter.

Consideration of laws and regulations

We assessed the laws and regulations relevant to Citco Bank Nederland N.V. through discussion with the Management Board, those charged with governance and with others within Citco Bank Nederland N.V., including but not limited to the Senior Compliance Manager, Head of Legal, Risk Officer and the Head of Group Internal Audit, reading minutes and reports of Group Internal Audit and the correspondence with the regulators.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations, the requirements under 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, Citco Bank Nederland N.V. 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 Citco Bank Nederland N.V.'s business and the complexity of regulation, there is a risk of non-compliance with the requirements of such 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 Citco Bank Nederland N.V.'s ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) 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 Citco Bank Nederland N.V. as to whether Citco Bank Nederland N.V. is in compliance with such laws and regulations and (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.

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 Management Board and 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.	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, Group Internal Audit and through review of the communication with the regulator.

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 1 its compliance risks as part of the financial risk review	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 mainly include balances with correspondent banks 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 estimation uncertainty as a result of complexity of the model, inputs, assumptions and judgement in the measuring of ECL.	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. • 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 substantive analytical review procedures on the ECL provision level applied, reviewed the relevant loan inputs used in the ECL-model and the determination of the risk ratings. We have assessed the provision for the impact of COVID-19. These audit procedures included a detailed assessment of the forward-looking components for Probability of Default and Loss Given Default in the ECL calculation and assessing the appropriateness of the macro-economic variables used. 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 counterpary 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. continues to be involved in four significant legal proceedings, as disclosed in note 4.35 on page 66. As part of our audit, we considered claims and litigations to be important given that significant management judgment is required to account for any related provisions. 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 contains 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 and 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 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 service as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits 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 e.g.:

- 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 the 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 Management Board and 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 Management Board and 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 22, 2021

Deloitte Accountants B.V.

Signed on the original: A. den Hertog

7. 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, which include the following main companies. Unless indicated otherwise, the companies are wholly-owned.

Banking and custody services

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