Citco Bank Nederland N.V. and subsidiary

Annual Report 2023

CITCO

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1. Management Board's Report

Summary

In 2023, Citco Bank Nederland N.V ("CBN") and Citco Bank Canada, collectively the "CBN Group" witnessed the prolonged battle against inflation as central banks continued their rate hiking cycle. Uncertainty in global economies was a key feature of the year under review. The combination of high inflation and rising interest rates ultimately impacted macro-economic conditions. Our core client base has demonstrated resilience over this period and ultimately is positioned to perform well in periods of economic uncertainty. Coupled with this, the higher interest rate environment has had a positive impact in terms of interest income earned, with our non interest rate dependent revenues also performing strongly throughout the year.

Geopolitical risks continued to be a strong focus throughout the year, with the Israel-Palestinian conflict dramatically escalating and the war in Ukraine continuing. Having a thorough understanding of exposures is key to mitigating these types of risks. As with 2022, a high volume of sanctions remained in place during the year, which retained our focus and strong controls in this area, which are a vital component of our 'Gatekeeper' role.

2023 was our first full year operating in a hybrid working environment. Listening to our employees via our employee engagement surveys and other forums, we successfully implemented our hybrid working policy in 2022. Feedback through similar forums in 2023 confirmed the hybrid working environment is appreciated by our teams and is now embedded in our standard routines.

Having a strong and appropriate culture historically has been key to the success of CBN and remains an equally important focus today, with our core values of prudence, transparency and client focus kept in mind in all aspects of CBN Group performance.

Our IT infrastructure continued to display resilience, ensuring business continuity and meeting all client deliverables, whilst maintaining strong operational controls and oversight. CBN is aware of the risks associated with climate change and evaluates how this can impact our business model. This includes both physical risk and transition risks. Physical risk can be acute, such as flood and wildfires, or chronic, such as increased temperature and rising sea levels. Transition risk can be driven by policy, technological or market changes as we shift towards a low-carbon global economy and potentially lead to stranded assets. We include potential climate related impacts in our stress testing models. Given the very conservative short term nature of our portfolios and very limited credit exposure, the impacts are deemed immaterial. Nevertheless, this continues to be an area of focus.

The CBN Group strategy and banking business model remained unaltered during 2023 and continues specializing in the provision of banking and depositary services related to collective investment schemes and clients of the Citco Group of Companies. A significant portion of the collective investment scheme clients of the CBN Group is categorized as alternative assets. This broad asset class continues to display resilience and we expect continued institutional demand for Alternative Investment Funds. 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. This long-term strategic focus area is a continuation of the prudent risk management of the CBN Group, in line with our core values.

Financial Performance

The CBN 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 CBN, which also provides custody services.

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

A strong performance was posted in 2023 resulting in a net profit of EUR 121.4 million, an increase of EUR 66.7 million from 2022 (EUR 54.7 million). Revenues from continuing operations increased by EUR 103 million to EUR 240.32 million in 2023 (2022: EUR 137.4 million). This increase was predominantly achieved through higher net interest margin results of EUR 189.4 million, which increased by EUR 98.5 million compared to EUR 90.9 million in 2022. In addition to the increase in net interest margin, there is an increase in depositary income of EUR 3.7 million from 2022 (EUR 18.9 million in 2023 versus EUR 15.2 million in 2022) and an increase in Custody revenue of EUR 0.4 million (EUR 11.2 in 2023 versus EUR 10.8 million in 2022). Revenue from account maintenance fees decreased by EUR 0.2 million (EUR 6.8 million in 2023 versus EUR 7.0 million in 2022).

The net interest margin increase is predominately a result of the increased US Dollar Federal Funds Target rate following the Federal Open Market Committee's decision to increase rates eleven times since March 2022 till the end of 2023. In addition, the European Central Bank deposit facility rate increased from 200 basis points to 400 basis points by the end of 2023.

Operating expenses increased from EUR 68.3 million in 2022 to EUR 90.78 million in 2023, however, this was at a lower rate than the increase in revenues.

The CBN Group's functional currency is United States Dollar ("USD") and presents its annual report in Euro ("EUR") consistent with the majority of its regulatory reporting. In preparing the annual report for the CBN Group, the income statement stated in the functional currency is translated at the average rate to the presentation currency. The balance sheet stated in the functional currency is translated at the year-end spot rate to the presentation currency. The year 2023 has seen the USD weakening against the EUR with a spot rate of 1.1075 (2022: 1.0674). The exchange differences for the year on the translations are recognised in other comprehensive income, losses being EUR 14.8 million (2022: gains in EUR 19.0 million). This is the main driver for the total comprehensive income for the year of EUR 113.9 million (2022: EUR 66.8 million).

The capital of the CBN Group is fully composed of Common Equity Tier 1 ("CET1") capital that amounted to EUR 312 million as of December 31, 2023 (2022: EUR 304 million). The Pillar 1 capital calculation results in a Capital Adequacy Ratio ("CAR") of 24% as of December 31, 2023 (2022: 26%). The reduction of CAR is mainly driven by interest income increase leading to higher capital charge for operational risk. Based on the results achieved, CBN paid out dividend (final 2022: USD 35.39mm and interim 2023: USD 89.38 mm) to its shareholder in 2023.

The balance sheet of the CBN Group in 2023 slightly decreased to EUR 7.0 billion compared to last year in 2022 of EUR 7.5 billion.

Citco Bank Canada

Expressed in USD, which is the functional currency of Citco Bank Canada, Assets under Custody ("AUC") were USD 80 billion on December 31, 2023, an increase of USD 1.2 billion when compared to December 31, 2022 (USD 78.8 billion).

Citco Bank Canada generated a 2023 net profit of USD 20.8 million, an increase of USD 8.9 million compared to the prior year. The variance compared to prior year was mainly due to higher interest margin earned.

Technology

CBN Group retains its commitment to offering best in class technology to support its business, regulatory and client needs. During 2023, several functional releases took place on the banking system (T24) to improve efficiency and functionality. In addition, CBN Group as part of the industry implementation for ISO20022, commenced in March 2023 with the successful switch over to the new SWIFT message format for Euros, with the remaining currencies switching through 2023 and 2024. Solid progress was made in process improvements of CBN Group Treasury to improve data analysis, forecasting and decision-making. The Depository business of the CBN Group continued to benefit from automation, with further development scheduled in 2024. Investment in Robotics has seen further increases in automation across the business divisions. In addition, a new Client Lifecycle Management system was implemented in 2023, significantly improving the end-to-end management of onboarding and maintenance of clients.

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 centre that is staffed 24 hours a day, seven days a week, to monitor, 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. From an IT and a technology risk management perspective, the Bank operates on a three lines of risk governance 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 professionalized services in specialised support functions.

The year 2023 was focused on establishing a balance between working from home and the office and the Hybrid Model was refined and adapted to the Citco Culture over the year.

Globally, Citco continues to conduct staff engagement and listening strategies, such as the 'MyVoice' employee survey to help the management team understand all aspects of employees' working lives with Citco and within CBN Group so that improvements can continue to be made in the employee experience. Citco also introduced a New Hire Survey to understand the experience of joiners and to adapt our processes where necessary. The existing Exit Survey was revamped to listen to the employees that are leaving the company, as they can serve as ambassadors of the company. Transparency, as one of CBN's core values, is strongly encouraged in CBN's Speaking-up framework. The framework is in line with the 2023 regulatory changes in the Netherlands and Luxembourg.

Throughout 2023, there was continued focus on communication through quarterly newsletters, email broadcasts and periodic town hall events, briefing all CBN Group's employees with updates. These messages were open and sincere in terms of an indication that the CBN Group values the well-being of staff and their families. Through the Citco Sustainable Health program, Citco continues to offer different mental health campaign initiatives, for example on mental health and wellbeing, live meditation sessions and an online learning introducing sustainable health.

To support career development we have made it a priority to ensure that our people are getting the necessary development to prosper. Our strategy to provide learning products for our people to drive their own development has continued in 2023, this includes; use of LinkedIn Learning, Gartner and Centre for Creative Leadership content for leadership development and increasing Subject Matter Expert master-classes and online modules available via our Learning Management System. In 2023 we introduced Future Leaders Pathway course designed to develop foundation skills needed to lead, engage and drive a high performing team. For our leaders at higher levels, we introduced Executive Coaching and Senior Team Development. As a company, we encourage a shared ownership for learning; Citco and CBN Group provide the learning products, with managers acting as a guide for their team members, and employees driving their own development forward by utilizing the available learning resources.

The number of CBN Group employees at the end of 2023 year was 226 (2022: 189) of which 197 (2022: 160) were employed by CBN Solo in the EU. At the end of 2023, the gender split was 45% (female) and 55% (male), which compares to 43% and 57% respectively in 2022. For the year 2023, CBN had male and female representation on both the Supervisory board and the Management board. The split which is currently 25% female at both levels is expected to change in 2024 as a number of Supervisory Board positions are due for replacement.

Key Management Personnel

Key management personnel of the CBN Group includes Management Board and Supervisory Board, having the authority and responsibility for planning, directing, and controlling the activities either directly or indirectly.

Remuneration

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

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

- CBN Group is able to attract, develop and retain high-performing and motivated staff in a competitive, international market;
- Staff members of the CBN Group are offered a competitive remuneration package;
- Staff members of the CBN Group act within the risk appetite by making any variable remuneration restrained and risk neutral;
- Staff members of the CBN Group feel encouraged to create sustainable results;
- All appropriate steps are considered to identify and to prevent or manage conflicts of interest that arise in the course of providing any investment and ancillary services including those caused by CBN Group's remuneration structures;
- CBN Group's strategy, especially concerning risk, is supported; and
- CBN Group's remuneration policy is gender neutral, ensuring equal pay for the same job or jobs of equal value and ensuring equal career opportunities.

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

Performance-based remuneration motivates and rewards dedicated employees who contribute significantly to the realisation of the CBN Group's strategic and business targets and long-term interests in their respective function. 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.

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.

In 2023, certain identified staff received 50% of variable remuneration in phantom shares.

Regulatory and control environment

The CBN Group remains continuously focused on compliance with all regulatory and legal requirements, allocating sufficient resources to ensure CBN Group adheres to applicable laws and regulations. CBN Group continues to be faced with new, evolving and increasing 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.

Prevention of Financial and Economic Crime

As a gatekeeper to the financial system, CBN Group plays an important role in detecting and preventing financial economic crime. CBN Group is committed to take all necessary measures to prevent money-laundering, financing of terrorism or breach of sanctions. CBN Group has zero tolerance for deliberately or knowingly facilitating financial crime. It is our strong belief that there should be no place for criminal money obtained from activities such as child labour or the trafficking of drugs, humans or weapons and it is central to our values and our aim to ensure a sound business culture. Regulations regarding customer due diligence ("CDD"), sanctions screening and transaction monitoring are a key focus for CBN Group maintaining appropriate policies, procedures and controls to detect, prevent and report to the competent authorities e.g., FIU on money laundering and terrorist financing.

CBN Group continues to closely monitor the situation regarding the Russia-Ukraine war. Sanctions related to the Russia-Ukraine war concern targeted restrictive measures against individuals and entities involved in the threat to the sovereignty of Ukraine as well as economic sanctions, including export and import restrictions on Russia. CBN Group continues to monitor the situation and implement new applicable sanctions packages, including additions to existing restrictive measures, as and when they are released.

Improvements in technology and automation in recent years have helped strengthen the robustness of our compliance and financial crime frameworks, for example, in the areas of client and transaction screening and post transaction monitoring. Our mandatory eLearning training program on financial crime provides essential knowledge to empower employees to do the right thing for customers, colleagues and society. All CBN employees must complete annual courses on a range of risk and compliance topics related to our policies, processes and applicable regulation.

In July 2023, CBN received DNB's conclusion of its onsite inspection conducted in 2022 to validate operational improvements. DNB concluded that CBN has reviewed and updated its policies, procedures and work instructions as a result of the Wwft examination 2021/2022 and that CBN applies a satisfactory framework of preventative and detective systems and controls to mitigate financial crime risks, underpinned by policy, procedures and related control standards across its global business in all locations.

CBN Group remains focused on continuing to strengthen this financial crime risk management framework. We monitor on a continual basis our compliance in relation to financial crime risk and our tolerance levels against a set of quantitative and qualitative Financial Economic Crime Risk Appetite ("FEC RAS") metrics. The CBN FEC RAS is reviewed and updated when needed but at least annually and is approved by the CBN Management Board and its Risk and Compliance Committee. Risk-based surveillance (screening and monitoring) controls are also designed to identify activity that may require additional investigation or other risk management actions, and where appropriate, reporting to the relevant authorities.

On an annual basis, CBN performs a Systemic Integrity Risk Assessments (SIRA), which assesses inherent and residual integrity risks related to financial economic crime and tests top-down and bottom-up scenarios against limits set in CBN's FEC RAS. In 2023 the existing SIRA scenarios and control framework as well as added assessment of some new scenarios were reviewed from a different perspective, subsequent to the changing regulatory environment. Also in 2023 CBN Business Model (FactBook) section provided more granular customer's data and analysis thereof. The SIRA continues to be evolved to provide CBN with the salient insights into the financial crime integrity risks that CBN may be exposed to, and aids CBN to appropriately manage these risks in accordance with our risk appetite.

In September 2022, the Dutch Central Bank (DNB) published the report ‘From recovery to balance’. The report advocates for a more risk-based customer due diligence, allocating resources proportionately towards higher risks and using innovative technology such as machine learning. On the back of the report, DNB together with the Dutch Bankers Association (NVB) organized a series of roundtables on different topics with the banking sector and the Dutch Ministry of Finance in which CBN participated. The roundtables that were held during 2023 created good and open discussions between the banking sector, the regulator and legislator. Given Citco’s and CBN’s rather specialized client base, it has brought unique insights to the table. This has resulted in a number of Risk Based Industry Baselines issued by the NVB that banks may consider to apply a more risk-based approach.

The EU continues its fight to protect citizens and the EU's financial system against money laundering and terrorist financing. In order to enlarge the scope of the existing regulatory framework and to close loopholes in December 2022, the EU Council agreed its position on an AML regulation and a new directive (AMLD6). Together with the proposal for a recast of the transfer of funds regulation, on which an agreement has already been reached with the European Parliament, these will form the new EU AML rulebook once adopted. In its position, the Council decided to make beneficial ownership rules more transparent and to harmonise them further. In particular, the Council clarifies that beneficial ownership is based on two components - ownership and control - that need to be analysed in order to assess how control is exercised over a legal entity, and to identify all natural persons who are the beneficial owners of that legal entity. Related rules applicable to multi-layered ownership and control structures are also clarified.

Conflicts of Interest Management

Transparency is one of CBN Group’s core values, therefore, CBN Group is highly committed to identify any conflicts of interest in its operation and interaction with its clients and subsequently act on them. CBN Group’s Conflicts of Interest policy and related guidelines sets the obligations to identify, assess and manage conflicts of interest, when personal or organisational interests are in conflict over the interest of our client(s), employees or other stakeholders (e.g., when related to personal account dealing). In 2023, the Conflicts of Interest policy and Catalogue was revised to further align with the standards as defined by enterprise risk management. The policy incorporates key requirements for both personal and organisational conflicts of interest in line with the European Bank Association Guidelines on Internal Governance.

Regulatory Compliance

With respect to compliance with capital regulation, Management is pleased to note that, due to its conservative risk appetite, the CBN Group is fully compliant with its ratio requirements for capital adequacy and liquidity. Finalization of the Banking Package (CRD VI/ CRR III), was announced by the European Commission in December 2023 with the intention to publish final text in the second trimester of 2024. No substance changes are expected in this stage. The update to the Banking Package aims to implement the latest changes to Basel III framework in the EU. The CBN Group is ensuring its compliance with revised regulatory prudential and reporting framework before expected application date of January 2025.

As part of the European Commission’s Action Plan on Sustainable Growth, the Corporate Sustainability Reporting Directive (“CSRD”), which amends the current Non-Financial Reporting Directive (“NFRD”), was adopted in the fourth quarter of 2022. The CSRD modernises and strengthens the rules about the social and environmental information that should be reported in accordance with the European Sustainability Reporting Standards (“ESRSs”). The requirements include reporting on all material sustainability impacts, risks and opportunities in a sustainability statement in CBN’s annual report, from the financial year ending 2025.

Alongside this, CBN Group has initiated work to meet Corporate Sustainability Reporting Directive (‘CSRD’) requirements, to support progressing toward regulatory required disclosures in 2026. CBN Group recognises the growing requirements around Sustainability Risk Management and Disclosure requirements and is developing its framework for these. In 2023 the CBN Group implemented a Climate and Environment Risk Management Policy, which integrates into its ERM Framework climate and environment as new risk drivers of existing risks and considers the potential for climate and environment in the CBN Business Strategy. CBN Group has enhanced its risk appetite statements on climate change risks and implemented limits for direct exposures to high impact sectors.

Control Environment

Comparable to CBN Group’s focus on strengthening its regulatory and control environment by its financial crime framework, capital regulation management and climate and environment risk management, CBN Group equally has strong focus on governance and its internal control framework and adherence to associated regulations and legislation therein.

In 2023, for the thirteenth consecutive year, the CBN Group received an unqualified opinion Service Organisation Control 1 (“SOC 1”) Type 2 certification of its Banking, Custody and Depositary Services. With obtaining this statement (certification) on design and operating effectiveness from an independent auditing firm, CBN demonstrates its commitment to quality, confidentiality and maintenance of a high level of internal control in servicing its clients. CBN

Group has committed to SOC 1 Type #2 certification being performed on an annual basis in order to meet the expectations of our clients, reflecting our core value of client focus.

As has been the trend in recent years, the themes of Governance, Outsourcing & Third-Party Management are prevalent throughout the Digital Operational Resilience Act ("DORA") legislation. "Digital operational resilience' is the ability of a financial entity to build, assure and review its operational integrity and reliability by ensuring, either directly or indirectly, through the use of services of Information Communication Technologies ("ICT") third-party providers, the full range of ICT-related capabilities needed to address the security of the network and information systems which a financial entity uses, and which support the continued provision of financial services and their quality, including throughout disruptions. DORA legislation has entered into the Official EU Journal on Dec 27th 2022, with requirements to be met as of January 2025.

The CBN Group is continuously and robustly 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, which is essential for robust corporate governance of the CBN Group and its license to operate. The Management Board has confirmed its continued adherence to the principles and best practices of the Dutch Banking Code.

Risk Management

As a financial services provider, CBN Group faces a variety of risks across all of its areas of business. CBN Group's strategy and business model entails specific risks and equally, as a bank, is it also exposed to a risk profile from the markets and industry it operates in. Identifying and understanding risks and their impacts allows CBN Group to frame its risk appetite and risk management practices. Defining acceptable levels of risk, and establishing sound principles, policies and practices for managing risks, is fundamental to our achieving consistent and sustainable long term performance, while remaining within our Bank business model, strategy and risk appetite.

A cornerstone to manage and guide risk-taking activities is CBN Group's Enterprise Risk Management ("ERM") framework, which includes governance and control frameworks. It sets a foundation for sound decision-making and business operations embedded with risk management. As reference points for Management Board decisions and CBN Group operations, policies prescribe oversight and bank operations governance, providing details of our commitments and the expectations in our operations that we have for ourselves, our clients and other stakeholders in line with CBN Group values of Prudence, Transparency and Client Focus. Both our policy and risk management framework guard our value creation and license to operate. Sound risk management with the continuous monitoring of trends, developing risks, business requirements and changes and uncertainties therein, enable us to serve our clients, fulfill our strategy and satisfy our stakeholders.

Through 2023, CBN Group continued to implement and augment policies and procedures to further enhance its governance framework, including updates to ERM policies to reflect our risk profile. In 2023, there was a continued heightened risk of cyber security and external fraud. Risk Management continued its focus on technology risk management, cyber security and fraud prevention, both internal and external. We have continual focus on key risks, including recurring risk self-assessments for control validation and enhancement, such as an annual fraud risk assessment / legal entity risk assessment and integrity risk assessment which all feed into our risk mitigation program. At the individual staff level, CBN Group employees complete targeted courses on areas of risk topics related to our business and risk management policies, processes and applicable regulations. Through 2023, CBN Group Risk Management worked to further enhance technology risk management within the ERM Framework. And moreover, CBN Group Risk Management augmented its designated focus on Climate and ESG risk including the issuance of a new Climate and Environment Risk Management Policy.

Enterprise Risk Management framework

For prudent risk management, to facilitate the protection of depositors' monies, capital preservation and maintaining regulatory compliance, the CBN Group applies an ERM framework. The ERM framework is built on components of: risk philosophy and culture; risk appetite; risk governance; risk taxonomy; risk policies; risk processes and procedures; risk identification, assessment and mitigation; and risk monitoring and reporting. These ensure a structured approach to the identification, assessment and mitigation of the CBN Group's key risks.

CBN Group's Risk Management reporting on enterprise risk to the Management Board and within risk & compliance committee meetings is performed through the ERM dashboard. The ERM dashboard highlights the current state of the key risk categories and their related drivers. These similarly reflect the expanded and enhanced risk profile reporting, including most notably focused on technology risk. 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 information for its oversight, and to assess the capital requirements for each risk category and feed into strategic decision-making. With respect to integrity risk, CBN Group Risk Management partakes in the SIRA, and risk management's Risk Assessment Matrix methodology is used in assessing client integrity risks to the Bank.

The CBN Group risk governance is structured along the three lines of defence 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 risks throughout the CBN Group. The risk appetite is set by the Management Board and is approved by the Supervisory Board.

The operational departments are the first line (risk owners). These departments have primary responsibility for managing day-to-day risks in their operating processes. The risk owners responsible for results are also responsible for the risks associated with these results. The main parties in the second line 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 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 an established risk governance committee structure 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. The Management Board Risk Committee ("MBRC") monitors compliance with the CBN Group risk management policies and procedures. The MBRC has further delegated authority for specific risk oversight to a further six sub-committees - the Asset and Liability Committee ("ALCO"), Credit Committee, Client Acceptance and Review Committee ("CARC"), Operational Risk Committee ("ORC"), Bank IT Controls Committee ("Bank ITCC") and Outsourcing Committee ("OC") - to manage these specific risk categories. The CARC governs CBN Group operating by its 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 Financial Economic Crime Risk Appetite Statement ("FEC RAS"). The Outsourcing Committee is monitoring compliance with the Outsourcing policy and procedures including 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. These critical elements of this framework are the effective management of the CBN Group's key risks and the capital required to support them.

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

Climate Risk and Environmental, Social & Governance

Climate change risks for financial institutions relates to both transition risk and physical risk. Transition risk is the risk from sudden change in policies, consumer preferences and technology developments that comes with responses to Climate change. Transition risks relate to revaluations of assets, firms and business models due to reactions to climate change. Physical risk relates to the physical effects of climate change. Both are kept in CBN Group's agenda for focus, which has included the development of a Climate and Environment Risk Management Policy and updates to its Risk Appetite Statement to reflect a low appetite for direct exposures to High Impact Sectors.

With respect to wider Sustainability, or Environmental, Social and Governance ("ESG") risks, for CBN Group, like for all parties operating within the financial sector and its regulators, sustainability focus is continuously increasing. CBN Group with Citco is evolving in tandem with the diversifying needs of clients, investors and market demands with respect to sustainability. CBN Group continues to assess its position and monitors the evolving business and regulatory environment regarding sustainable finance, which will continue to evolve over the coming years. CBN plans to expand its reporting on its management of and exposures to these areas over the coming years as the work to meet CSRD requirements progresses.

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 markets in 2023 were dominated by inflation and continuing central bank interest rate increases. Although inflation concerns remain, we expect the rate cycle has topped out in 2023 with decreases commencing in 2024. This projected interest rate environment leaves the CBN Group in a strong position to generate profits as we look forward.

Management believes strong revenues in non interest rate sensitive revenues also adds to the resilience of the CBN Group in addition to the continuing quality and liquidity of the CBN Group's balance sheet.

Management expects that the average funding levels will see a modest increase for 2024. Management does not foresee any significant investments for 2024, nor is it anticipated that it will engage in any research and development initiatives. Citco Bank Canada expects AUC to increase slightly in 2024 to USD 83.4 billion. The growth is primarily relating to a predicted 2.5% price appreciation and 2.5% organic growth.

Events after the reporting date

There were no material events subsequent to December 31, 2023 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

Management Board

The composition of the Management Board is as follows:

- Mr. Kieran Dolan (1973; Irish): Managing Director , Chairman of the Management Board and Chief Executive Officer appointed February 15, 2021, with responsibilities for General Management, Corporate Governance, Environment, Social & Governance, Regulator Relationship, Internal Audit, Human Resources, Commercial Activities, Tax, Legal & Branch Network;
- Mr. Paul Symonds (1967; English): Managing Director and Chief Investment Officer appointed February 15, 2021, with responsibilities for all aspects concerning Core Banking Services, Capital Management, Information Technology, Project Management Office, Business Process Engineering 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, Loan Servicing, Depositary and Custody Services and subsidiary oversight;
- Ms. Caryn de Walden (1962; Dutch): Managing Director and Chief Risk & Compliance Officer effective February 15, 2021, with responsibilities to oversee the Risk Management including Climate & Environment Risk Management, Compliance, Regulatory, and Finance Functions.

2. Supervisory Board's Report

The Supervisory Board of Directors ('Supervisory Board") hereby presents the 2023 Annual Report of the CBN Group (Citco Bank Nederland N.V. including branches and subsidiary). The Annual Report includes the report of the Management Board of Directors ("Management Board") and the Annual Accounts. This report provides information on how the Supervisory Board performed its duties in 2023.

2.1. Introduction by the Chair

2023 was a dynamic year for CBN Group and its' staff. Operating now in a full hybrid working environment, CBN Group has witnessed the positive impact of a return to offices across the full year. Employee engagement and wellbeing continues to be a priority for management and it is evident through employee engagement surveys and other communications that the fully implemented hybrid working arrangements are appreciated by staff. We also believe that having all staff back in the offices benefits CBN from a cultural perspective, making it easier to keep the positive culture and embed the CBN Group values of prudence, transparency and client focus as new employees join and are integrated into the CBN team. As in previous years, CBN Group was able to meet the service levels of delivering business to its customers without making any concessions.

From a geopolitical perspective, 2023 displayed a continued trend of instability. Amongst other issues, both the war in the Ukraine and the escalating Israel-Palestinian conflict presented significant concerns. 2023 also witnessed significant instability in certain sections of the banking market, with the recent bank failures in the US and Switzerland highlighting liquidity, funding and interest rate risks. These cases also highlighted the increased mobility of savings in the general banking market caused by digitalization. CBN Group management continues to keep its core value of prudence at the forefront of their decision making and believes that evidencing a thorough understanding of exposures is key to mitigating these types of risks as are prudent management and maintaining appropriate liquidity buffers beyond regulatory limits.

Continuous improvement remains a key focus of CBN Group. Aligned with our core values, the CBN Group focuses on supporting our teams with business process reengeneering, robotics and other automation resources and expertise, which promotes the delivery of efficiencies, service improvements and improved control of risks.

Following on from the previous year, 2023 was also earmarked by heavy inflation. In an attempt to limit the inflation, central banks (including the European Central Bank) continued to increase interest rates in 2023. The US Federal Reserve introduced its' most recent rate hike which was announced by the Federal Open Market Committee in July 2023 raising the range for the federal funds rate from to 5.25 to 5.5 percent. Later in September the ECB announced its' 10th consecutive hike in its main deposit facility interest rate to 4 percent. Whilst rates remained stable for the remainder of 2023, this had a substantial positive impact on the interest margin revenues of CBN. Additionally, the non interest related revenues, such as Depositary services, performed strongly in 2023. Combined with adequate cost control, CBN Group, managed to achieve a very healthy consolidated net result and another significant increase compared to the previous year.

Results

The CBN Group consolidated net result for 2023 of EUR 121.4 million was an increase of EUR 66.7 million compared to the previous year (2022: EUR 54.7 million). This was driven by substantial higher net interest income, along with the increases in revenues from the custodian and depositary services and account maintenance fees.

Based on the results achieved, the CBN paid out dividend (final 2022: USD 35.4 million and interim 2023: USD 89.4 million) to its shareholder in 2023.

2.2. Composition of the Supervisory Board

The composition of the Supervisory Board was unchanged in 2023. 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 35 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 a director's position (and 50% ownership) of Partner in Compliance Curacao B.V. and an additional Supervisory Board membership position in Mizuho Bank Europe N.V.

Jan Buné (1953), Vice Chair, was 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, he has acted as Commissioner at the Media Supervisory Authority in the Netherlands. From October 2013 until early March 2022, he was an Independent Director and Chair of the Audit Committee at VK Company Limited (formerly known as Mail.ru Group Limited). From January 2015 until September 2023, he was a Non-Executive Director and Chair of the Audit Committee at De Vries en Verburg Group B.V. From January 2017 until March 2024 he was an Independent Chairman of the Risk Advisory Committee at Prosus PayU. He is currently Non-Executive Director and Member of the Audit and Risk Management Committees at PayU Payments Private Limited in India and Executive Director at Verburg Capital B.V. in the Netherlands.

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

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

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

Table 1 - Retirement Schedule Supervisory Board

Name	Appointment	First re-appointment	Second re-appointment	Second re-appointment Extension with 2-year term	Final Retirement
Peter de Ruijter	1 March 2015	1 March 2019	1 March 2023	1 March 2025	1 March 2027
Jan Buné	28 January 2016	28 January 2020	28 January 2024	n/a*	n/a*
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*

*As per his own request, Mr. Jan Buné will retire in the course of 2024 and Mr. DJ van Der Poel his final retirement is as per August 10, 2024. Arrangements for the appointment of new Supervisory Board members are in progress.

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
Banking & Treasury Management	•	•		
Depositary/Custody	•			
Information Technology & (IT) Security;				•
AI, Robotics & Block chain				•
Innovation & Product Development	•			•
Crypto currency				•
General Management	•	•	•	•
Service Delivery (incl. Outsourcing)	•		•	•
Finance & Control	•	•		•
Tax			•	
Legal &((inter)national) Regulatory affairs	•	•	•	•
HR & Management Development	•		•	•
ESG (incl. sustainability/climate)			•	
Enterprise Risk Management	•	•		•
Compliance & Corporate Integrity	•	•	•	•
Audit & Internal Control	•	•	•	•

2.3. 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 policies 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 fulfils 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.

2.4. Committees of the Supervisory Board

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

Table 3 - Committees of the Supervisory Board

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

Audit Committee

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

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

The Committee had in-depth discussions on the internal Audit plan as well as the financial audit plan of the current external auditor Deloitte and the year-end report of Deloitte.

In view of the upcoming mandatory audit firm rotation in 2024, the Audit Committee was closely involved in the selection process of a new audit firm which was finalized in 2023 with the engagement of Mazars Accountants N.V.. The current and new audit firm have had multiple interactions in 2023 to ensure a smooth transition of the audit engagement.

Risk and Compliance Committee

The Risk & 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 & Compliance Committee supervises the 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 risk appetite statements and integrity risk assessments and assesses at a strategic level whether the CBN Group’s activities are aligned with the approved risk appetite.

The Risk & 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 & 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, we 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 CBN Risk and Compliance Committee was very much involved in discussing the risk appetite statement for CBN Group and the developments and requirements in the area of Environmental, Social, and Governance and climate risks.

Furthermore, the Risk and Compliance Committee focused on the risks related to KYC/-AML, the sanctions enforced in relation the Russian- Ukraine conflict and CBN Group’s activities from the perspective of ESG and climate risks.

Remuneration Committee

The Remuneration Committee oversees the remuneration plans for the CBN Group pursuant to the CBN Remuneration policy, as set forth in 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, while adhering 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 2023 bonuses and 2024 salary actions, the Supervisory Board reviewed and commented on the recommended salary and bonus actions for the Management Board, Identified Staff and Non-Identified staff. In accordance with the Supervisory Board Charter and the applicable CBN Remuneration policy, it has made recommendations as regards the Management Board salary and bonus actions to the shareholder for approval by the Annual General Meeting of Shareholders. It also monitored the requirements resulting from CRD V and the further implementation and effect of the Phantom Share Plan for CBN Group. Considering the increased regulatory pressure, competition, and scarcity of available talent, the Remuneration Committee in particular is following the implementation and follow up of employee engagement programs and making sure that staff remuneration is benchmarked appropriately.

2.5. 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 Supervisory Board or the Management Board were scheduled, for example to discuss the risk appetite for 2023. Additionally, information is provided in bilateral contacts between Supervisory Board- and Managing Board members. With the heads of the Risk, Compliance, Internal Audit and the Operational Control Management department regular in camera-meetings were held. With the decreasing limitations due to the pandemic, the Supervisory members resumed visiting CBN and taking the opportunity to interact with employees at different levels and positions within the company.

In 2023, the Supervisory Board had 6 meetings. In 4 meetings, all members were present. In 2 meetings, three Supervisory Board members were present. The full Management Board was present in 5 Supervisory Board meetings. In 1 meeting, three Management Board members were present. In 3 of the 6 meetings, specific matters were addressed, for either discussion or approval, such as of the determination of the Budget 2023, 5-years forecast and the ICAAP and ILAAP 2023.

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

The Audit Committee of the Supervisory Board met 4 times. In addition, the Audit Committee had quarterly update meetings with the internal auditor on the progress of the internal audit plan and the key findings from the performed audits. The Risk & Compliance Committee met 4 times. In December 2023, a combined Audit Committee and Risk & Compliance Committee meeting was held to discuss Environmental, Social, and Governance and Climate risks. The Remuneration Committee met 5 times in 2023. 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.

2.6. Continuing Professional Education Program

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

- Artificial Intelligence;
- Global markets conditions review
- Climate & Environment;
- The downfall of FTX;
- Amathea Lending platform, and
- Client Lifecycle Management Technology.

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

2.7. 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 2023.

Self-Evaluation

Each year the Supervisory Board assesses its performance. In 2023, this was done in the form of a self-assessment. The outcome of the assessment that did not reveal material areas of improvement, was shared among the Supervisory Board members.

2.8. Financial Statement 2023

In accordance with the provisions of Article 24.2 of the Articles of Association, the Management Board submitted the financial statements 2023 and the accompanying Management Report, that were subsequently approved by the Supervisory Board on April 25, 2024. Deloitte Accountants B.V. audited the financial statements 2023 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 2023 financial statements to the 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 and contributions.

Amsterdam, April 25, 2024

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,

	Notes	2023 EUR 000	2022 EUR 000
Revenue			
Interest income	4.4	312,964	141,110
Less: Interest expense	4.4	(123,612)	(50,130)
Net interest income		**189,352**	**90,980**
Banking and custody services	4.4	50,965	46,413
		240,317	**137,393**
Operating expenses:			
Personnel expenses	4.5	30,922	25,340
Office maintenance		1,013	897
Office and administration expenses	4.6	4,064	2,968
Travel expenses	4.7	642	290
Professional services	4.8	3,743	2,454
Depreciation and amortization	4.9	472	512
Expected credit losses/(reversals)		29	(33)
Other operating expenses	4.10	49,890	35,868
		90,775	**68,296**
Net profit from operations		**149,542**	**69,097**
Net finance expense	4.11	116	242
Net profit before tax		**149,426**	**68,855**
Income tax expense	4.12	28,024	14,195
Net profit for the year		**121,402**	**54,660**
Attributable to:			
Shareholder of the CBN Group		**121,402**	**54,660**

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

	2023	2022
	EUR 000	**EUR 000**
Net profit for the year	121,402	54,660
Other comprehensive (loss)/income, net of income tax:		
Items that may be reclassified subsequently to consolidated income statement:		
Foreign exchange difference	(14,783)	19,026
Revaluation of fair value financial instruments through other comprehensive income ("FVOCI")	8,032	(6,884)
Income tax expense relating to items that will be reclassified to income statement	(681)	–
Total other comprehensive (loss)/income, net of income tax	**(7,432)**	**12,142**
Total comprehensive income for the year	**113,971**	**66,802**
Attributable to:		
Shareholder of the CBN Group	**113,970**	**66,802**

Consolidated statement of financial position as at December 31,

	Notes	2023	2022
		EUR 000	EUR 000
Assets			
Non-current assets			
Plant and equipment	4.13	42	53
Right-of-use assets	4.14	333	439
Intangible assets	4.15	505	746
Financial assets at amortised cost	4.16	30,688	128,139
Financial assets at fair value through profit and loss	4.18	243	253
Receivables from affiliated companies		82	91
Deferred tax assets	4.19	185	156
		32,078	129,877
Current assets			
Trade receivables	4.20	3,292	2,492
Derivative financial assets	4.30	38,655	65,356
Other receivables and accrued income	4.21	57,646	38,534
Receivables from affiliated companies		310	383
Financial assets at amortised cost	4.16	591,203	667,499
Financial assets at fair value through other comprehensive income	4.17	1,614,043	2,256,297
Financial assets at fair value through profit and loss	4.18	334	313
Cash and cash equivalents	4.22	4,625,596	4,387,453
		6,931,079	7,418,327
Total assets		**6,963,157**	**7,548,204**
Equity and liabilities			
Equity			
Share capital	4.23	5,000	5,000
Additional paid in capital		48,503	48,503
Translation reserve		32,480	47,263
Other reserves		327	–
Revaluation of fair value financial instruments through other comprehensive income		(543)	(7,895)
Retained earnings		268,774	261,211
Total equity attributable to shareholder of CBN Group		**354,541**	**354,082**
Non-current liabilities			
Lease liabilities	4.28	115	205
Other liabilities		462	339
		577	**544**
Current liabilities			
Trade payables		438	289
Derivative financial liabilities	4.30	44,174	123,430
Other payables and accrued expenses	4.26	12,054	12,409
Payables to affiliated companies		1,226	1,473
Provisions	4.24	–	236
Deferred income		42	41
Lease liabilities	4.28	187	195
Current tax liabilities		15,406	5,900
Amount owed to depositors	4.27	6,534,512	7,049,605
		6,608,039	**7,193,578**
Total equity and liabilities		**6,963,157**	**7,548,204**

Consolidated statement of changes in equity for the year ended December 31, 2023

	Issued capital	Additional paid-in capital	Translation reserve	Other reserves	Revaluation of FVOCI assets	Retained earnings	Total equity
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at January 1, 2023	**5,000**	**48,503**	**47,263**	**–**	**(7,895)**	**261,211**	**354,082**
Net profit for the year	–	–	–	–	–	121,402	121,402
Net wealth tax reserve	–	–	–	327	–	–	327
Other comprehensive income	–	–	(14,783)	–	7,352	–	(7,104)
Total comprehensive income	**–**	**–**	**(14,783)**	**327**	**7,352**	**121,402**	**114,298**
Dividend paid	–	–	–	–	–	(113,839)	(113,839)
Total equity attributable to shareholder of the CBN as at December 31, 2023	**5,000**	**48,503**	**32,480**	**327**	**(543)**	**268,774**	**354,541**

In 2023, CBN paid dividends of USD 124.75 million (EUR 113.84 million) in total to its shareholder. On June 26, 2023 CBN paid a final dividend for 2022 of USD 35.39 million (EUR 32.44 million) to its shareholder. On August 11, 2023 CBN paid an interim dividend of USD 46 million (EUR 41.91 million) to its shareholder. On December 21, 2023 CBN paid an interim dividend of USD 43.34 million (EUR 39.5 million) to its shareholder.

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.

Other reserves comprises of Net Wealth Tax (NWT) reserve created to reduce the net wealth tax liability and relates to Luxembourg tax. The NWT reserve will be maintained for a minimum period of five years and no dividends can be declared from these during the five years.

Consolidated statement of changes in equity for the year ended December 31, 2022

	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, 2022	**5,000**	**48,503**	**28,237**	**(1,011)**	**219,284**	**300,013**
Net profit for the year	–	–	–	–	54,660	54,660
Other comprehensive income	–	–	19,026	(6,884)	–	12,142
Total comprehensive income	**–**	**–**	**19,026**	**(6,884)**	**54,660**	**66,802**
Payment of dividend	–	–	–	–	(12,733)	(12,733)
Total equity attributable to shareholder of the CBN as at December 31, 2022	**5,000**	**48,503**	**47,263**	**(7,895)**	**261,211**	**354,082**

A dividend of USD 13.0 million (EUR 12.7 million) was paid on August 2, 2022.

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,

	Notes	2023	2022
		EUR 000	EUR 000
Cash flows from operating activities:			
Net profit for the year		121,402	54,660
Adjustments for:			
• Income tax expense	4.12	28,024	14,195
• Depreciation	4.9	254	261
• Amortization	4.9	218	251
• Net finance expense	4.11	116	242
• Net interest income banking activities	4.4	(189,352)	(90,979)
		(39,338)	(21,370)
Movement in working capital:			
• Decrease/(increase) in financial assets at amortised cost		173,747	(205,282)
• Decrease/(increase) in financial assets at fair value through other comprehensive income		642,254	(222,240)
• Increase in financial assets at fair value through profit or loss		(11)	(75)
• (Increase)/decrease in trade receivables		(800)	593
• Decrease/(increase) in derivative financial assets		26,701	(5,251)
• Increase in other receivables and accrued income		(127)	(1,121)
• Decrease/(increase) in receivables from affiliated companies		84	(133)
• Increase/(decrease) in trade payables		149	(1,033)
• Decrease/(increase) in derivative financial liabilities		(79,256)	93,692
• Increase in other payables and accrued expenses		885	528
• (Decrease)/increase in provisions		(236)	236
• Increase in deferred income		1	29
• Increase in other liabilities		122	125
• (Decrease)/increase in payables to affiliated companies		(248)	1,352
• Unrealized currency translation (loss)/gain		(7,104)	12,142
• Decrease in amounts owed to depositors		(515,093)	(664,710)
• Interest paid		(140,103)	(42,500)
• Interest received		309,169	116,694
• Income tax paid		(18,547)	(7,303)
Net cash flows from/(used in) operating activities		**352,249**	**(945,627)**
Cash flows from investing activities			
Additions to property, plant and equipment	4.13	(34)	(46)
Net cash flows used in investing activities		**(34)**	**(46)**
Cash flows from financing activities			
Payment of lease liabilities		(232)	(248)
Dividend paid		(113,839)	(12,733)
Net cash flows used in financing activities		**(114,071)**	**(12,981)**
Net increase/(decrease) in cash and cash equivalents		**238,144**	**(958,654)**
Cash and cash equivalents as at January 1,	4.22	4,387,453	5,346,107
Increase/(decrease) in cash and cash equivalents		238,144	(958,654)
Cash and cash equivalents as at December 31,	**4.22**	**4,625,597**	**4,387,453**

4. Notes to the consolidated financial statements for the years ended December 31, 2023 and 2022

4.1. General

4.1.1. Ownership

Citco Bank Nederland N.V. is domiciled in Amsterdam and was incorporated in Amsterdam on December 20, 1985, and 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.

Citco Bank Nederland N.V. 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 Citco Bank Nederland N.V. for the year ended December 31, 2023 comprise of the Citco Bank Nederland N.V. including its Branches ("CBN") and its subsidiary Citco Bank Canada (together referred as the "CBN Group").

CBN Group consists of the following branches and subsidiary:

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

The address of its registered office is as follows:

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

4.1.2. Activities

Banking and Custody services

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

- *Custody and Trading*
  Offers unlimited access to online trading as well as tailored reporting.
- *Depositary Services*
  Provides depositary and custody services to Irish and Luxembourg domiciled collective investment schemes.
- *Credit Facilities*
  Provides clients with short-term bridge finance and foreign exchange facilities.
- *Banking Services*
  Provides clients with banking & cash management facilities of bank accounts (investor, operational, trading and/or deposit bank accounts), payment services, F/X hedging facilities.
- *Loan Servicing Business*
  Offering loan administration services to European clients.

4.1.3. CBN Group structure

An overview of CBN and its main subsidiary as at December 31, 2023 is included in Appendix I to this report.

4.1.4. Currency

CBN uses the USD as its functional currency and the 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 2023 year-end rate of 1.10755 (2022: 1.06745) and for conversion of the profit or loss, an average exchange rate for 2023 of 1.08350

(2022: 1.0503) 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 25, 2024.

4.2. Principal accounting policies

4.2.1. Basis of preparation

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary as at December 31, 2023. The main subsidiary of the CBN Group are detailed in Appendix I.

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

4.2.2. New standards adopted by the CBN Group

The following standards and amendments, effective from January 1, 2023, did not have any material impact on the CBN Group's disclosures or the amounts recognized:

- Amendments to IAS 1 Presentation of Financial statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
- Application of IFRS 17- Insurance 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, 2024. These amendments are not expected to have a significant impact on the CBN Group.

4.2.4. Environmental, Social, and Governance (ESG)

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

With respect to Environmental, Social and Governance ("ESG"), for CBN Group, like for all within the financial sector and its regulators, ESG focus is continuously increasing. CBN Group with Citco is proudly evolving in tandem with the diversifying needs of clients, investors and market demands with respect to ESG. CBN Group continues to assess its position and monitors the evolving business and regulatory environment regarding sustainable finance, which will continue to evolve over the coming years. CBN Group plans to expand its reporting on its management of and exposures to these areas over the coming years as the work to meet CSRD requirements progresses.

4.2.5. 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.

4.2.6. 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.

4.2.7. Revenue recognition

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

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

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

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

4.2.8. Interest income and expenses

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

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

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

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

4.2.9. 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.

4.2.10. 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.

4.2.11. 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.

4.2.12. 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 as to write off the cost over their estimated useful lives, using the straight-line method, on the following basis:

Machinery and equipment	3-10 years
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.

4.2.13. Leases

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

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

Control is considered to exist if the customer has:

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

Right-of- use assets

Initial measurement

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

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

Subsequent measurement

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

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

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

Lease liabilities

Initial measurement

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

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

The lease payments are discounted using the CBN Group’s incremental borrowing rate. The incremental borrowing rate of CBN Group is five percent.

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. Intangible assets

Third-party software

Acquired software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised 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.

4.2.15. 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.

4.2.16. 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 modifications to the financial assets outside of repayment of principal and interests.

Recognition of financial liabilities

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

Derecognition of financial liabilities

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

Modification of financial assets and financial liabilities

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

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

i) Financial assets

General classification framework and initial measurement

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

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- Those to be measured at amortised 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 for trading 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:

Amortised 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 amortised 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 amortised 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 amortised 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 amortised 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 amortised 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, 2023, all of the CBN Group financial instruments are assumed to be Stage 1. This is because CBN Group uses the low credit exemption as permitted under IFRS 9. The CBN Group has a low appetite for credit risk, supported by a conservative credit risk management framework and evidences by no realized credit losses historically, which has resulted in all credit risk exposure limited to those seen as low credit risk.

Significant change in credit risk

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

- Internal rating; and
- Arrears.

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

Measurement of ECL

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

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

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

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

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

Prevailing economic environment

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

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

ECL sensitivity

The ECL for financial assets is based on assumptions about risk of default and expected loss rates. CBN Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on market research, 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 proposing 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 just over 0.1% of capital and also just under 0.2% of capital if alongside 100% stressed prevailing economic outlook.

Definition of default

Definition of Default is outlined in the Bank's 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.

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.

4.2.17. Trade receivables

In accordance with IFRS 9, trade receivables are measured at amortised 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.

4.2.18. Accrued income

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

4.2.19. Cash and cash equivalents

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

4.2.20. Trade payables

In accordance with IFRS 9, trade payables are measured at amortised 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.

4.2.21. 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.

4.2.22. 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 Business Execution & Development risks: 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.

(f) Cyber risk: the risk of loss or damage due to failed or inadequate IT Security against cyber risks.

(g) Compliance risk: the risk of loss, reputational or regulatory impact, from failed Organisational, Personal, Financial, or Client Conduct.

(h) Legal risk: the risk of loss, litigation or regulatory impact due to non-compliance with applicable global and jurisdictional laws.

(i) External Environment risk: The risk to earnings and capital to the organisation's exposure to or interaction with external factors.

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 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. 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, 2023						
Non-current assets						
Plant and equipment	5	37	–	–	–	42
Right-of-use assets	333	–	–	–	–	333
Intangible assets	–	505	–	–	–	505
Financial assets at amortised cost	–	30,688	–	–	–	30,688
Financial assets at fair value through profit and loss	–	243	–	–	–	243
Receivables with affiliated companies	–	82	–	–	–	82
Deferred tax assets	136	49	–	–	–	185
Current assets						
Trade receivables	1,071	2,221	–	–	–	3,292
Other receivables and accrued income	4,169	52,184	–	451	842	57,646
Receivables from affiliated companies	19	291	–	–	–	310
Financial assets at amortised cost	3,259	587,844	–	90	10	591,203
Financial assets at fair value through other comprehensive income	–	1,614,043	–	–	–	1,614,043
Financial assets at fair value through profit or loss	334	–	–	–	–	334
Cash and cash equivalents	2,983,649	1,420,101	2,573	47,840	171,433	4,625,596
Total assets	**2,992,975**	**3,708,288**	**2,573**	**48,381**	**172,285**	**6,924,502**
Non-current liabilities						
Lease liabilities	115	–	–	–	–	115
Other liabilities	374	–	–	–	88	462

	EUR EUR 000	USD EUR 000	CHF EUR 000	GBP EUR 000	Other EUR 000	Total EUR 000
Current liabilities						
Trade payables	353	22	27	–	36	438
Other payables and accrued expenses	4,504	6,778	27	219	526	12,054
Payables to affiliated companies	372	854	–	–	–	1,226
Deferred income	5	37	–	–	–	42
Lease liabilities	187	–	–	–	–	187
Current tax liabilities	13,964	1,442	–	–	–	15,406
Amounts owed to depositors	1,037,075	5,104,652	10,912	249,375	132,498	6,534,512
Total liabilities	**1,056,949**	**5,113,785**	**10,966**	**249,594**	**133,148**	**6,564,442**
Currency exposure	1,935,807	(1,405,278)	(8,393)	(201,213)	39,137	360,060
Off-balance sheet net currency exposure hedged position	1,936,763	(1,760,421)	(8,398)	(201,191)	38,399	5,152
Net currency exposure	**(956)**	**355,143**	**5**	**(22)**	**738**	**354,908**
Derivative financial assets	26,414	5,249	5,622	658	712	38,655
Derivative financial liabilities	35,158	982	5,555	430	(86,299)	(44,174)
Off-balance sheet - guarantees to counterparties	1,498	–	–	–	–	1,498
Credit commitments	2,036	406,587	–	68	–	408,691

	EUR EUR 000	USD EUR 000	CHF EUR 000	GBP EUR 000	Other EUR 000	Total EUR 000
As at December 31, 2022						
Total assets	2,850,528	4,409,416	9,622	28,659	184,623	7,482,848
Total liabilities	1,107,027	5,491,234	12,388	351,052	108,991	7,070,692
Currency exposure	1,743,501	(1,081,818)	(2,766)	(322,393)	75,632	412,156
Off-balance sheet net currency exposure hedged position	1,752,346	(1,450,629)	(2,776)	(322,432)	74,735	51,244
Net currency exposure*	**(8,845)**	**368,811**	**10**	**39**	**897**	**360,912**
Derivative financial assets	55,880	4,545	2,681	57	2,193	65,356
Derivative financial liabilities	114,658	2,360	2,668	57	3,687	123,430
Off-balance sheet - guarantees to counterparties	1,423	–	–	–	–	1,423
Credit commitments	389	490,097	–	–	–	490,486

*The Net currency exposure of 354,908 thousand for 2023 (2022: 368,811 thousand) in USD (vs EUR) predominately relates to CBN Group’s equity, which is denominated in USD. As CBN Group’s functional currency is USD (as opposed to its presentation currency of EUR), this gives rise to a translation exposure and not an economic currency risk exposure.

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, 2023 would have increased by EUR 0.1 million (2022: 0.9 million) and the CBN Group's equity as at December 31, 2023 would have increased by EUR 0.1 million (2022: 0.9 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, 2023 would have decreased by EUR 0.1 million (2022: decreased by EUR 1 million) and the CBN Group's equity as at December 31, 2023 would decrease by EUR 0.1 million (2022: decreased by EUR 1 million).

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

Interest rate risk in the Banking book

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

Interest rate risk is controlled through the monitoring of deposits and short-term investments with the use of the interest balance sheet and maturity profile. Funding is short term in nature and placements (exclusive of short-term investments) are 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 following table details the CBN Group's remaining maturity for its financial assets and liabilities.

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2023						
Non-current assets						
Financial assets at amortised cost	–	–	–	30,688	–	30,688
Financial assets at fair value through profit and loss	–	–	–	–	243	243
Current assets						
Financial assets at amortised cost	5,847	447,273	138,083	–	–	591,203
Financial assets at fair value through other comprehensive income	284,858	752,587	576,598	–	–	1,614,043
Cash and cash equivalents	4,438,206	187,390	–	–	–	4,625,596
Total assets	**4,728,912**	**1,387,250**	**714,680**	**30,688**	**243**	**6,861,773**
Non-current liabilities						
Lease liabilities	–	–	–	115	–	115
Current liabilities						
Lease liabilities	–	187	–	–	–	187
Amounts owed to depositors	6,332,112	195,055	7,345	–	–	6,534,512
Total liabilities	**6,332,112**	**195,242**	**7,345**	**115**	**–**	**6,534,814**
Net balance sheet position	**(1,603,200)**	**1,192,008**	**707,335**	**30,573**	**243**	**326,959**

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, 2022						
Non-current assets						
Financial assets at amortised cost	–	–	–	128,139	–	128,139
Financial assets at fair value through profit and loss	–	–	–	–	253	253
Current assets						
Financial assets at amortised cost	57,337	549,275	60,887	–	–	667,499
Financial assets at fair value through other comprehensive income	728,149	299,314	1,228,834	–	–	2,256,297
Financial assets at fair value through profit and loss	313	–	–	–	–	313
Cash and cash equivalents	4,146,952	217,081	23,420	–	–	4,387,453
Total assets	**4,932,751**	**1,065,670**	**1,313,141**	**128,139**	**253**	**7,439,954**
Non-current liabilities						
Lease liabilities	–	–	–	205	–	205
Current liabilities						
Lease liabilities	–	195	–	–	–	195
Amounts owed to depositors	6,796,112	253,493	–	–	–	7,049,605
Total liabilities	**6,796,112**	**253,688**	**–**	**205**	**–**	**7,050,005**
Net balance sheet position	**(1,863,361)**	**811,982**	**1,313,141**	**127,934**	**253**	**389,949**

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 16.2% (2022: 6.6% increase), while under a gradual decrease in projected market rates of interest is it calculated that net interest income would reduce by 16.2% (2022: 6.6% reduction).

The Economic Value of Equity (“EVE”) is modelled, but considered less applicable for the CBN Group. The limited maturity transformation often results in largest negative impact scenarios being shock increases in rates, which are expected to be beneficial for profitability. A sudden increase of 200bps in the market rates is calculated to result in a 2.1% increase in equity (2022: 0.5% increase), while a sudden decrease of 200bps in the market rates was calculated to result in a 4.4% reduction in equity (2022: 1.6% reduction).

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

Liquidity risk

CBN Group manages liquidity risk by maintaining a conservative framework of limits. This includes coverage of regulatory requirements, such as the Liquidity Coverage Ratio and the Net Stable Funding Ratio, but also internal liquidity limits, including overnight liquidity, one-month liquidity, maturity transformation limits and monthly stress testing. Liquidity stress testing covers CBN Group-specific, Market-wide and Combined scenarios, which are slow-developing and fastdeveloping 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, 2023						
Non-current assets						
Financial assets at amortised cost	–	–	–	30,688	–	30,688
Financial assets at fair value through profit and loss	–	–	–	–	243	243
Receivables from affiliated companies	–	–	–	82	–	82
Current assets						
Trade receivables	3,292	–	–	–	–	3,292
Other receivables and accrued income	20,618	26,201	10,424	403	–	57,646
Financial assets at amortised cost	5,847	–	585,356	–	–	591,203
Financial assets at fair value through other comprehensive income	284,858	752,587	576,598	–	–	1,614,043
Financial assets at fair value through profit and loss	334	–	–	–	–	334
Receivables from affiliated companies	238	–	72	–	–	310
Cash and cash equivalents	4,438,206	187,390	–	–	–	4,625,596
Derivative financial assets	9,029	27,947	1,679	–	–	38,655
Total assets	**4,762,422**	**994,125**	**1,174,129**	**31,173**	**243**	**6,962,092**
Non-current liabilities						
Lease liabilities	–	–	–	115	–	115
Other liabilities	462	–	–	–	–	462
Current liabilities						
Trade payables	438	–	–	–	–	438
Derivative financial liabilities	15,202	27,295	1,677	–	–	44,174
Other payables and accrued expenses	11,663	341	50	–	–	12,054
Payables to affiliated companies	1,226	–	–	–	–	1,226
Lease liabilities	–	187	–	–	–	187
Amounts owed to depositors	6,332,112	195,055	7,345	–	–	6,534,512
Total liabilities	**6,361,103**	**222,878**	**9,072**	**115**	**–**	**6,593,168**
Net balance sheet position	**(1,598,681)**	**771,247**	**1,165,057**	**31,058**	**243**	**368,924**
Off-balance sheet - guarantees to counterparties	–	399	53	1,047	–	1,499
Credit commitments	4,700	–	403,991	–	–	408,691

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at December 31, 2022						
Non-current assets						
Financial assets at amortised cost	–	–	–	128,139	–	128,139
Financial assets at fair value through profit and loss	–	–	–	–	253	253
Current assets						
Trade receivables	2,492	–	–	–	–	2,492
Other receivables and accrued income	18,051	4,544	15,939	–	–	38,534
Financial assets at amortised cost	99,870	63,500	504,129	–	–	667,499
Financial assets at fair value through other comprehensive income	728,149	299,314	1,228,834	–	–	2,256,297
Financial assets at fair value through profit and loss	313	–	–	–	–	313
Receivables from affiliated companies	320	–	154	–	–	474
Cash and cash equivalents	4,146,952	217,081	23,420	–	–	4,387,453
Derivative financial assets	18,868	46,386	102	–	–	65,356
Total assets	**5,015,015**	**630,825**	**1,772,578**	**128,139**	**253**	**7,546,810**
Non-current liabilities						
Lease liabilities	–	–	–	205	–	205
Other liabilities	339	–	–	–	–	339
Current liabilities						
Trade payables	289	–	–	–	–	289
Derivative financial liabilities	60,936	62,410	84	–	–	123,430
Other payables and accrued expenses	10,736	1,673	–	–	–	12,409
Payables to affiliated companies	1,473	–	–	–	–	1,473
Lease Liabilities	–	195	–	–	–	195
Amounts owed to depositors	6,796,113	253,492	–	–	–	7,049,605
Total liabilities	**6,869,886**	**317,770**	**84**	**205**	**–**	**7,187,945**
Net balance sheet position	**(1,854,871)**	**313,055**	**1,772,494**	**127,934**	**253**	**358,865**
Off-balance sheet - guarantees to counterparties	–	–	–	377	1,046	1,423
Credit commitments	47,244	–	443,242	–	–	490,486

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

In addition, CBN Group is exposed to credit risk in relation to financial guarantees provided by CBN Group. CBN Group's maximum exposure in this respect is the maximum amount CBN Group could have to pay if the guarantee is called on. As at December 31, 2023, EUR 1.4 million (2022: EUR 1 million) has been recognized as a contingent liability (Note 29).

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

Operational risk

Operational risk is the risk of failures in execution, delivery, process management due to ineffectiveness or errors in internal banking performance, with the result of potential impact of business disruption, external issues, and losses. Within CBN Group's bank businesses, there are many complex and inherently impactful (to CBN and its clients) transaction-based processes. To ensure that operational risk is adequately monitored and controlled, an extensive internal control framework is put in place to robustly manage operational processes that 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 form the foundation for policies, procedures, processes, controls and tools for monitoring, assessment and governance. Operational Risk Management is part of the Enterprise Risk Management (ERM) Framework that exists in all divisions of Citco and is implemented fully within the CBN Group at the three levels of first line CBN Group business lines, second line control groups such as CBN Risk Management and by third line Group Internal Audit. A CBN Risk Appetite Statement (RAS) supplements the ERM Framework, providing a Risk Appetite Framework with essential direction linked directly to the strategic objectives providing boundaries for the Bank with regards to risk, including operational risk.

Cyber risk

The CBN Group has expanded its management of Cyber Risk with a Technology Risk Management Policy, Business Strategy for Technology and IT Controls Committee. This is supported by Citco Technology Management, which has dedicated framework covering areas such as Data Security, Data Privacy, Access Management and Change Management.

Compliance risk

Compliance risk is defined as the risk of loss, reputational or regulatory impact from failed Organizational, Personal, Financial, or Client Conduct. The failure to act in line with applicable laws and regulations, internal rules (including Citco's Code of Business Conduct) pose a threat to CBN Group's good standing.

CBN Compliance is tasked with advising, challenging and having oversight of the first line in their management of compliance risks and has an active role in raising awareness (via training and communication) and stimulating CBN Group's core values of prudence, transparency and client focus. The scope of the compliance risks is outlined in the Citco's Compliance Charter. CBN Compliance is headed by the Chief Compliance Officer (CCO), who reports directly to the Chief Risk and Compliance Officer (CRCO). The CCO has direct access to the CBN Group's Management Board Risk Committee and CBN's Supervisory Board.

Financial Economic Crime (FEC)

As a gatekeeper to the financial system, CBN Group plays an important role in detecting and preventing financial economic crime. CBN Group is committed to take all necessary measures to prevent those products and services of the Bank are used for money-laundering, financing of terrorism or breach sanctions. CBN group and its subsidiary have zero tolerance for deliberately or knowingly facilitating financial crime.

CBN performs annual Systemic Integrity Risk Assessments (SIRA), which assesses inherent and residual integrity risks related to FEC and tests top-down and bottom-up scenarios against limits set in CBN's Financial Economic Crime Risk Appetite Statement ('FEC RAS').

Regulatory Change Management ('RCM')

To keep abreast of relevant changes in regulatory requirements and business activities with a view to ensuring Citco's ongoing compliance, avoiding reputational damage and/or financial loss, Citco Group Compliance has implemented a regulatory change management function and process to identify relevant regulatory developments and have them addressed by the appropriate parties in a timely manner. A gap analysis is performed when necessary and determine, with the assistance of the first line, when applicable, of the impact of current/future requirements on licensing, services, policies etc. CBN Compliance ensures that the first and second line of risks owners are identified and risk assessments of the proposed new legislation are maintained.

Sanctions

CBN Group continues to closely monitor the situation regarding the Russia-Ukraine war. Sanctions related to the Russia-Ukraine war concern targeted restrictive measures against individuals and entities involved in the threat to the sovereignty of Ukraine as well as economic sanctions, including export and import restrictions on Russia.

CBN Group will continue to monitor the situation and implement new, applicable sanctions packages, including additions to existing restrictive measures, as and when they are released. Furthermore, CBN Management Board is in close contact with DNB and the Dutch Ministry of Finance regarding sanctions developments. It remains to be expected that the sanction landscape continues to be highly volatile and complex.

Anti-Corruption and Anti-Bribery

We are committed to applying high standards of honesty and integrity consistently across our global operations and in all our business dealings. CBN Group has zero tolerance towards and is committed to fighting corruption and bribery. We implemented controls on background screening to mitigate the risk of corruption when entering into, and throughout the relationship with a client, business partner and/or employee.

We encourage our staff to report any suspicion of bribery or other form of corruption. Our policies prescribe that when bribery or other forms of corruption come to our attention, we will engage with the customer, business partner or employee and take adequate measures.

Legal risk

The CBN Group manages on a continual basis potential legal risks which might arise through contractual engagement and liabilities, litigation risk and employment practices and workplace safety. Controls in place utilise standard templates (with deviation) for structured content and wording which follows commercial norms for contractual agreements and ongoing monitoring of service levels. Contractual wording covers potential breaches of services, whilst seeking to protect the CBN Group with certain exceptions for fraud, gross and simple negligence and wilful misconduct, which are managed separately. The Bank will seek the opinion of external counsel for specialised advice where necessary.

External Environment risk

CBN Group recognises the growing requirements around ESG- or Sustainability Risk Management and is developing its framework for these. The CBN Group has implemented a Climate and Environment Risk Management Policy, which integrates these into the ERM Framework as new risk drivers of existing risks and considers the potential for climate and environment in the CBN Business Strategy. Alongside this, the CBN Group has enhanced its risk appetite statements on climate change risks and implemented limits for direct exposures to high impact sectors. CBN Group has initiated its work to meet Corporate Sustainability Reporting Directive ('CSRD') requirements, with a gap assessment and dependencies identified to support progressing disclosures in 2026.

Capital Adequacy

CBN Group's asset and liability committee reviews the capital structure on a routine basis. Based on the recommendations of the ALCO committee, CBN Group balances its overall capital structure and liquidity management. CBN Group's overall strategy remains unchanged from 2022.

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, the Standardised Approach is used. The resulting equivalent amounts are then weighted for risk using the same percentages as for on-balance sheet assets.

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

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

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

To monitor the adequacy of its capital under Pillar 2 and sufficient liquidity, banks within CBN Group maintain Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP'), as well as the Recovery Plan. Formal documents are produced on annual basis. CBN management board is required to inform DNB and receive approval from the Supervisory Board prior to paying out dividends to its shareholder. As at December 31, 2023, CBN Group total equity amounted to EUR 354.5 million (2022: EUR 354 million).

The balance sheet equity consists of the following elements:

	2023	2022
	EUR 000	EUR 000
Share capital	5,000	5,000
Additional paid-in capital	48,503	48,503
Translation reserve	32,480	47,263
Other reserves	327	–
Revaluation of FVOCI assets	(543)	(7,895)
Retained earnings	147,372	206,551
	233,139	299,422
Profit for the year	121,402	54,660
	354,541	**354,082**

For regulatory reporting purposes, EUR 312.3 million (2022: EUR 303.7 million) is classified as Common Equity Tier 1 capital when calculating the capital adequacy requirement.

As at December 31, 2023, the Pillar 1 capital requirements amounted to EUR 104.3 million (2022: EUR 93.7 million), which consisted of EUR 80.2 million (2022: EUR 78.7 million) for credit risk, EUR 21.2 million (2022: EUR 12.8 million) for operational risk, EUR 0.1 million (2022: EUR 0.8 million) for foreign exchange risk and EUR 2.9 million (2022: EUR 1.4 million) for credit valuation adjustment.

CBN Group's management allocated EUR 32.8 million (2022: EUR 32.8 million) of capital to cover Pillar 2 risks.

4.4. Revenue

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

	The Netherlands	Canada	Ireland	Luxembourg	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
2023					
Interest income	96,888	83,193	124,303	8,580	312,964
Interest expense	(8,869)	(58,932)	(50,422)	(5,389)	(123,612)
Custody and trading income	–	11,264	5,566	15,161	31,991
Net income from dealing in foreign currencies	273	279	2,349	508	3,409
Payment fees	74	679	2,195	532	3,480
Other banking and custody services	2,355	1,626	5,698	2,406	12,085
Revenue	**90,721**	**38,109**	**89,689**	**21,798**	**240,317**

	The Netherlands	Canada	Ireland	Luxembourg	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
2022					
Interest income	27,267	33,462	74,270	6,111	141,110
Interest expense	(13,493)	(16,969)	(18,578)	(1,090)	(50,130)
Custody and trading income	–	11,004	4,501	12,534	28,039
Net income from dealing in foreign currencies	240	275	2,812	411	3,738
Payment fees	57	564	2,249	397	3,267
Other banking and custody services	2,561	1,625	5,275	1,908	11,369
Revenue	**16,632**	**29,961**	**70,529**	**20,271**	**137,393**

The CBN Group has recognized the following receivables and payables 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.

	2023	2022
	EUR 000	EUR 000
Receivables		
Accrued income	7,476	7,028
Derivative financial assets	38,655	65,356
Interest receivable from affiliated companies	960	1,327
Interest receivable	48,669	29,486
As at December 31,	**95,760**	**103,197**
Payables		
Accrued expenses	2,255	2,425
Derivative financial liabilities	44,174	123,430
Interest payable	6,575	7,617
As at December 31,	**53,004**	**133,472**

4.5. Personnel expenses

	2023	2022
	EUR 000	EUR 000
Salaries and bonuses	20,567	18,178
Social security charges and taxes	1,637	1,388
Pension expenses	1,268	1,175
Related party personnel recharge	6,670	3,641
Other personnel expenses	780	958
Personnel expenses	**30,922**	**25,340**

The average number of full-time employees for the year was 226 (2022: 189) of which 197 (2022: 160) were employed in the EU.

In 2023, there were 12 (2022: 10) employees classified as Identified Staff (excluding the Management Board). These identified employees were granted a variable remuneration of EUR 179 thousand in 2023 (2022: EUR 218 thousand). For these identified staff EUR 65 thousand (2022: EUR 69 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 2023 amounts to EUR 818 thousand (2022: EUR 789 thousand). In 2023, 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 2023 or to vest previous tranches of deferred variable remunerations.

In 2023 certain identified staff received 50% of variable remuneration in phantom shares.

The approximation of fair value of a phantom share is based on the normalised earnings as per the annual accounts.

The effect of this arrangement is insignificant in value and it is included in Salaries and bonuses and Other liabilities.

For the year 2023, the table below outlines the details of the deferred remuneration of EUR 451 thousand.

	Management board	Other MRT	Total
	EUR 000	EUR 000	EUR 000
Number of employees in the deferral plan	4	2	6
Variable remuneration	357	93	451
• of which is cash	101	28	129
• of which is deferred	256	65	321
• of which share price linked	179	47	225
• of which is deferred cash	77	19	96
Outstanding deferred remuneration (vested)	426	125	551
Outstanding deferred remuneration (unvested)	336	86	422
Deferred remuneration paid out in the performance year	133	44	176

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

	2023	2022
	EUR 000	EUR 000
Office and administration expenses	680	731
Related party office and administration expenses	3,384	2,237
Office and administration expenses	**4,064**	**2,968**

4.7. Travel expenses

	2023	2022
	EUR 000	EUR 000
Travel expenses	489	210
Related party travel expenses	153	80
Travel expenses	**642**	**290**

4.8. Professional services

	2023	2022
	EUR 000	EUR 000
Professional fees	3,156	1,822
Audit fees	421	398
Related party professional fee expense	166	234
Professional services	**3,743**	**2,454**
Fees to independent auditor:		
Audit fees	356	343
Audit-related fees	65	55
Audit fees	**421**	**398**

EUR 199.0 thousand (2022: EUR 214.0 thousand) and EUR 65.0 thousand (2022: EUR 55.0 thousand) was paid to Deloitte Accountant B.V. for statutory audit and other audit engagements respectively.

Audit fees of EUR 39.0 thousand (2022: EUR 36.0 thousand) for Citco Bank Nederland N.V. Dublin Branch, EUR 55.0 thousand (2022: EUR 38.0 thousand) for Citco Bank Nederland N.V. Luxembourg Branch, EUR 63.0 thousand (2022: EUR 54.0 thousand) for Citco Bank Canada were paid to the Deloitte teams in the respective jurisdictions.

Audit-related fees totaled EUR 65.0 thousand (2022: EUR 55.0 thousand) for Citco Bank Nederland N.V.

4.9. Depreciation and amortisation

	Notes	2023	2022
		EUR 000	EUR 000
Depreciation on machinery and equipment	4.13	43	33
Depreciation of right-of-use assets	4.14	211	228
Amortisation of internally generated software	4.15	218	251
Depreciation and amortisation		**472**	**512**

4.10. Other operating expenses

	2023	2022
	EUR 000	EUR 000
Citco Group support service fee	21,216	14,697
Royalty fees	5,429	2,910
Other related party expenses	9,853	6,265
Other expenses	13,392	11,996
Other operating expenses	**49,890**	**35,868**

4.11. Net finance expense

	2023	2022
	EUR 000	EUR 000
Interest expense	55	64
Interest income	(2)	(2)
Interest expense on lease liabilities	19	25
Foreign exchange loss	67	210
Fair value gains on financial instruments through profit or loss	(23)	(55)
Net finance expense	**116**	**242**

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, 2023 and 2022 are:

	2023	2022
	EUR 000	EUR 000
Current income tax:		
Current tax expense: current year	28,218	13,324
Current tax expense: prior year	(165)	(209)
	28,053	**13,115**
Deferred tax:		
Deferred tax expense: prior year	(3)	759
Deferred tax expense: current year	(26)	321
	(29)	**1,080**
Income tax expense	**28,024**	**14,195**

Income tax expense

		2023		2022
	%	EUR 000	%	EUR 000
Net profit before tax		149,426		68,855
Income tax using the domestic corporation tax rate	26	38,104	26	17,765
Effect of tax rates in foreign jurisdictions	(7)	(10,155)	(6)	(4,084)
Non-deductible expenses	–	243	1	403
Tax exempt income	–	–	–	(10)
Effect of non-capitalised tax losses	–	–	–	8
(Over)/under provided in prior years	–	(168)	–	113
Income tax expense	**19**	**28,024**	**21**	**14,195**

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.

Certain entities in the group are within scope of the Pillar Two model rules to the extent it operates in a jurisdiction where Pillar Two legislation has been enacted or substantively enacted at year end. The group has reasonably estimated that the exposure to Pillar two income taxes is insignificant.

4.13. Plant and equipment

	Notes	Machinery and equipment	Total
		EUR 000	EUR 000
Cost:			
As at January 1, 2023		237	237
Additions		34	34
Foreign exchange difference		(8)	(8)
As at December 31, 2023		**263**	**263**
Accumulated depreciation:			
As at January 1, 2023		184	184
Depreciation charge for the year	4.9	43	43
Foreign exchange difference		(6)	(6)
As at December 31, 2023		**221**	**221**
Net carrying amount			
As at December 31, 2023		**42**	**42**

	Notes	Machinery and equipment	Total
		EUR 000	EUR 000
Cost:			
As at January 1, 2022		167	167
Additions		46	46
Foreign exchange difference		24	24
As at December 31, 2022		**237**	**237**
Accumulated depreciation:			
As at January 1, 2022		130	130
Depreciation charge for the year	4.9	33	33
Foreign exchange difference		21	21
As at December 31, 2022		**184**	**184**
Net carrying amount			
As at December 31, 2022		**53**	**53**

4.14. Right-of-use assets

The CBN Group leases several assets including buildings, machinery and equipment. The average lease term is 3.11 years (2022: 1.65 years).

Approximately 50% (2022: 61%) of leases relate to office space and remainder comprises of leased cars and office equipment.

	Notes	Right-of-use assets
		EUR 000
Cost		
As at January 1, 2023		911
Additions		157
Terminations		(201)
Foreign exchange difference		(32)
As at December 31, 2023		**835**
Depreciation		
As at January 1, 2023		472
Depreciation	4.9	211
Disposals		(161)
Foreign exchange difference		(20)
As at December 31, 2023		**502**
Net carrying amount		
As at December 31, 2023		**333**

	Notes	Right-of-use assets
		EUR 000
Cost		
As at January 1, 2022		940
Additions		88
Terminations		(179)
Foreign exchange difference		62
As at December 31, 2022		**911**
Depreciation		
As at January 1, 2022		347
Depreciation	4.9	228
Disposals		(122)
Foreign exchange difference		19
As at December 31, 2022		**472**
Net carrying amount		
As at December 31, 2022		**439**

4.15. Intangible assets

	Notes	Internally generated software	Third-party software	Total
		EUR 000	EUR 000	EUR 000
Cost				
As at January 1, 2023		1,294	210	1,504
Foreign exchange difference		(48)	(8)	(56)
As at December 31, 2023		**1,246**	**202**	**1,448**
Accumulated amortisation:				
As at January 1, 2023		548	210	758
Amortisation charge	4.9	218	–	218
Foreign exchange difference		(25)	(8)	(33)
As at December 31, 2023		**741**	**202**	**943**
Net carrying amount				
As at December 31, 2023		**505**	**–**	**505**

	Notes	Internally generated software	Third-party software	Total
		EUR 000	EUR 000	EUR 000
Cost				
As at January 1, 2022		1,002	410	1,412
Transfer to/(from) Internally generated software		213	(213)	–
Foreign exchange difference		79	13	92
As at December 31, 2022		**1,294**	**210**	**1,504**
Accumulated amortisation:				
As at January 1, 2022		285	195	480
Amortisation charge	4.9	251	–	251
Foreign exchange difference		12	15	27
As at December 31, 2022		**548**	**210**	**758**
Net carrying amount				
As at December 31, 2022		**746**	**–**	**746**

The results on disposals of intangible assets are not significant.

4.16. Financial assets at amortised cost

The CBN Group classifies its financial assets as at amortised 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 amortised cost include the following debt investments:

	2023 EUR 000	2022 EUR 000
Bonds held at amortised cost	–	117,900
US Treasury notes	123,629	128,139
Term loans	88,424	44,645
Mezzanine notes	49,659	51,524
Variable funding notes	354,332	434,251
Current account overdrafts	5,847	19,179
As at December 31,	**621,891**	**795,638**
Maturity analysis:		
One month or less	5,847	99,869
Up to three month	–	63,500
More than three months up to a year	585,356	504,130
One to five years	30,688	128,139
As at December 31,	**621,891**	**795,638**
Current	591,203	667,499
Non-current	30,688	128,139
As at December 31,	**621,891**	**795,638**

The interest income for the year on financial instruments held at amortised cost was EUR 18,931 thousand (2022: EUR 15,431 thousand).

ECL on these investments recognized in the consolidated income statement for the year was a loss of EUR 106 thousand (2022: EUR 97 thousand).

In 2023, no loans were granted to affiliated companies (2022: EUR nil). Undrawn portion of VFN at end of the period is EUR 285 million (2022: EUR 477 million).

4.17. Financial assets at fair value through other comprehensive income

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

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

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

	2023	2022
	EUR 000	**EUR 000**
Financial institution fixed bonds	–	8,807
Commercial paper issued by financial institutions	1,551,951	2,247,490
Bonds	62,092	–
As at December 31,	**1,614,043**	**2,256,297**
Maturity Analysis:		
One month or less	284,858	728,149
Up to three months	752,587	299,314
More than three months up to a year	576,598	1,228,834
As at December 31,	**1,614,043**	**2,256,297**
Current	1,614,043	2,256,297
As at December 31,	**1,614,043**	**2,256,297**

The interest income for the year on financial instruments at fair value through other comprehensive income was EUR 91,566 thousand (2022: EUR 30,609 thousand).

There was no ECL recognized in the consolidated income statement on these investments for the year.

Commercial paper issued by financial institutions (FVOCI) and certificate of deposits represents A+ to AAA rated paper. On 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 amortised cost or FVOCI at FVTPL.

	2023	2022
	EUR 000	EUR 000
Junior note	243	253
Other	334	313
As at December 31,	**577**	**566**
Maturity analysis:		
One month or less	334	313
One to five years	–	–
More than five years	243	253
As at December 31,	**577**	**566**
Current	334	313
Non-current	243	253
As at December 31,	**577**	**566**

4.19. Deferred tax

	2023	2022
	EUR 000	EUR 000
Capitalised tax loss and deferred tax assets	185	156
Amounts recognised as at December 31,	**185**	**156**

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	Total
	EUR 000	EUR 000
As at January 1, 2023	156	156
Increase	29	29
As at December 31, 2023	**185**	**185**
As at December 31, 2022	1,050	1,050
Utilization	(894)	(894)
As at December 31, 2022	**156**	**156**

4.19.1. Recognised deferred tax assets

	2023	2022
	EUR 000	EUR 000
Deferred tax assets		
Property and equipment	114	66
Other items	71	90
Net tax assets	**185**	**156**

4.19.2. Movement in temporary differences during 2023 and 2022

	Temporary differences	Capitalised tax losses	Total
	EUR 000	EUR 000	EUR 000
As at January 1, 2022	129	921	1,050
Additions/(utilisations) during the year	27	(921)	(894)
As at December 31, 2022	156	–	156
As at January 1, 2023	156	–	156
Additions during the year	29	–	29
As at December 31, 2023	185	–	185

A specification as at December 31, 2023 and 2022 of the deferred tax assets and how they are used shows as follows:

	Deferred tax assets	Carried forward losses	Carried forward until at least	Capitalised 2023
	EUR 000	EUR 000		EUR 000
Europe - Netherlands	134	–	unlimited	134
Europe Ireland	2	–	unlimited	2
Canada	49	–	unlimited	49
As at December 31,	**185**	**–**		**185**

	Deferred tax assets	Carried forward losses	Carried forward until at least	Capitalised 2022
	EUR 000	EUR 000		EUR 000
Europe - Netherlands	102	–	unlimited	102
Europe Ireland	16	–	unlimited	16
Canada	38	–	unlimited	38
As at December 31,	**156**	**–**		**156**

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

	2023	2022
	EUR 000	EUR 000
Trade receivables	3,292	2,492
As at December 31,	**3,292**	**2,492**

The average age of these receivables is 41 days (2022: 36 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

	2023	2022
	EUR 000	EUR 000
1-30 days	550	223
31-60 days	750	244
61-90 days	636	112
Over 90 days	438	455
As at December 31,	**2,374**	**1,034**

4.20.2. Movement in the expected credit losses

The movement in the allowance for expected credit losses for 2023 is nil (2022: nil).

4.21. Other receivables and accrued income

	2023	2022
	EUR 000	EUR 000
Accrued income	7,475	7,028
Other receivables	371	282
Interest receivables	49,432	30,814
Prepaid expenses	368	410
As at December 31,	**57,646**	**38,534**

4.22. Cash and cash equivalents

	2023	2022
	EUR 000	EUR 000
Cash and balance with central banks	2,953,997	2,745,945
Current account with other banks	806,828	696,881
Bank balances with affiliated companies	14,892	7,366
Deposit with other banks	849,879	937,261
As at December 31,	**4,625,596**	**4,387,453**

Bank balances attract interest at the respective short-term deposit market rates. 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. The minimum reserve amount with the central banks for 2023 is EUR 46.3 million (2022: EUR 60.5 million).

4.23. Share capital

Authorised shares

	2023	2022
	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, 2023	**50**	**5,000**
Movement	–	–
As at December 31, 2023	**50**	**5,000**

4.24. Provisions

	Severance payments
	EUR 000
As at January 1, 2023	236
Provisions made during the year	–
Unwinding of discount	–
Amounts used during the year	(239)
Unused amounts reversed during the year	–
Foreign exchange difference	3
As at December 31, 2023	–
Current	–
As at December 31, 2023	**–**

	Severance payments
	EUR 000
As at January 1, 2022	–
Provisions made during the year	236
Unwinding of discount	–
Amounts used during the year	–
Unused amounts reversed during the year	–
Foreign exchange difference	–
As at December 31, 2022	**236**
Current	236
As at December 31, 2022	**236**

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 1.0 million (2022: EUR 1.0 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

	2023	2022
	EUR 000	EUR 000
Taxes and social security contributions	3,281	2,288
Accrued expenses	2,386	2,502
Other payables	9	2
Interest payable	6,378	7,617
As at December 31,	**12,054**	**12,409**

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

	2023	2022
	EUR 000	EUR 000
Demand deposits	5,720,271	5,638,122
Demand deposits with affiliated companies	216,219	240,845
Time deposits	598,022	1,170,638
As at December 31,	**6,534,512**	**7,049,605**

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

Maturity analysis:

	2023	2022
	EUR 000	EUR 000
On demand	5,936,490	5,878,967
One month or less	395,622	917,146
More than one month up to three months	195,055	253,492
More than three months up to a year	7,345	–
As at December 31,	**6,534,512**	**7,049,605**

4.28. Lease liabilities

	Lease liabilities
	EUR 000
As at January 1, 2023	400
Additions	157
Lease payments	(213)
Lease terminations	(42)
As at December 31, 2023	**302**
As at January 1, 2022	595
Additions	88
Lease payments	(223)
Lease terminations	(60)
As at December 31, 2022	**400**

Maturity analysis:

	2023	2022
	EUR 000	EUR 000
Within one year	187	195
In the second to the fifth year inclusive	115	205
As at December 31,	**302**	**400**

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

	2023	2022
	EUR 000	EUR 000
Current liabilities	187	195
Non-current liabilities	115	205
As at December 31,	**302**	**400**

4.29. Commitments and contingencies

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

- The liability of each entity shall not exceed 10% of the Equity; and
- 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 agreements is the equity of Citco Bank Nederland N.V. and certain of its affiliates.

Equity under the definition of the loan agreements 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, 2023, CBN and its subsidiary had commitments on guarantees with counter guarantees amounting to EUR 0.4 million (2022: EUR 0.4 million) and guarantees without counter guarantees amounting to EUR 1.4 million (2022: EUR 1.0 million).

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, 2023			
Forward exchange contracts	5,357,422	38,655	44,174
As at December 31, 2022			
Forward exchange contracts	6,448,756	65,356	123,430

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

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

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

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

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

4.31. Fair value of financial instruments

4.31.1. Fair value measurements recognised 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).

	Fair value measurement using		
As at December 31, 2023:	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Total**
	EUR 000	**EUR 000**	**EUR 000**
Financial assets held at amortised cost			
Bonds held at amortised cost	–	–	–
US Treasury notes	123,629	–	123,629
Loans to affiliated companies	–	–	–
Term loans	–	88,424	88,424
Mezzanine notes	–	49,659	49,659
Variable funding notes	–	354,332	354,332
Current account overdrafts	–	5,847	5,847
Financial assets held at fair value through other comprehensive income			
Commercial paper issued by financial institutions	–	1,551,951	1,551,951
US Treasury bills	–	–	–
Bonds held through FVOCI	–	62,092	62,092
Financial assets held at fair value through profit and loss			
Junior Note	–	243	243
Other assets	–	334	334
Money Market Funds	–	–	–
Derivative financial assets	–	38,655	38,655
As at December 31,	**123,629**	**2,151,537**	**2,275,166**
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	–	44,174	44,174
As at December 31,	**–**	**44,174**	**44,174**

As at December 31, 2023 the fair value of the US Treasury notes is EUR 135,215 thousand.

As at December 31, 2022:	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 amortised cost			
Bonds held at amortised cost	–	117,900	117,900
US Treasury notes	128,139	–	128,139
Term loans	–	44,645	44,645
Mezzanine notes	–	51,524	51,524
Variable funding notes	–	434,251	434,251
Current account overdrafts	–	19,179	19,179
Financial assets held at fair value through other comprehensive income			
Commercial paper issued by financial institutions	–	2,247,490	2,247,490
Bonds held through FVOCI	8,807	–	8,807
Financial assets held at fair value through profit and loss			
Junior Note	–	253	253
Other assets	–	313	313
Derivative financial assets	–	65,356	65,356
As at December 31,	**136,946**	**2,980,911**	**3,117,857**
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	–	123,430	123,430
As at December 31,	**–**	**123,430**	**123,430**

As at December 31, 2022 the fair value of the bonds held at amortised cost is EUR 117,488 thousand and of US Treasury notes is EUR 124,739 thousand

During 2023 and 2022, there have been no transfers between Level 1 and Level 2. Additionally, CBN Group held no Level 3 investments during 2023 and 2022.

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

Financial assets/financial liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)
• Bonds held through FVOCI	Level 1	Quoted bid prices in an active market

4.32. Categories of financial assets and financial liabilities

Financial Assets	2023	2022
	EUR 000	EUR 000
Cash and cash equivalents	4,625,596	4,387,453
Financial assets held at amortised cost	621,891	795,638
Financial assets held at fair value through other comprehensive income	1,614,043	2,256,297
Financial assets held at fair value through profit or loss	577	566
Derivative financial assets	38,655	65,356
Receivables	60,524	40,858
As at December 31,	**6,961,286**	**7,546,168**

Financial Liabilities	2023	2022
	EUR 000	EUR 000
Amounts owed to the depositors	6,534,512	7,049,605
Lease liabilities	302	400
Derivative financial liabilities	44,174	123,430
Other liabilities	10,436	11,883
As at December 31,	**6,589,424**	**7,185,318**

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 amortised 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, 2023, CBN Group's assets held under custody totaled EUR 87.7 billion (2022: EUR 88.6 billion).

4.35. Litigations

The 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 2023, 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, 2023.

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.

- 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. The Court then ordered the parties to file any motions to dismiss on service and jurisdictional grounds. The court also allowed jurisdictional discovery to commence. Citco filed its motion to dismiss on jurisdictional grounds in November 2021. The liquidators filed their response to Citco's motions to dismiss on personal jurisdiction grounds on May 19, 2023. Citco's filed its response on August 17, 2023. After a decision on the motions to dismiss on jurisdictional grounds, a schedule for substantive motions to dismiss on the merits will be negotiated. Because of the complexity of the proceedings, the multi-jurisdictional legal principles involved, the fact that there are several potential statutory defences available and the number of other cases brought by the BVI liquidators in several jurisdictions and decided either at first instance or on appeal, our lawyers have not yet been able to provide any estimate of the likelihood or not of the Plaintiffs prevailing at trial. The Company believes it has meritorious defenses to all of the claims and continues to vigorously defend the case.

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:

	2023	2022
	EUR 000	EUR 000
a) Directors, officers and employees loans and current accounts	10	35

(a) CBN Group has granted advances of EUR 10 thousand (2022: EUR 35 thousand) to some of its directors, officers and employees.

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

	2023 EUR 000	2022 EUR 000
Operational services	321	356
Personnel	6,179	6,940
General and administrative services	1,680	1,659
Finance income	17,481	13,023
As at December 31,	**25,661**	**21,978**

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

	2023 EUR 000	2022 EUR 000
Citco Group support services	21,216	14,697
Operational support services	1,016	837
Royalty expense	5,429	2,910
Personnel	12,850	10,581
General and administrative services	5,216	3,739
Office rent	515	520
Finance expense	8,232	5,113
As at December 31,	**53,362**	**38,397**

Included in Finance services is an amount of EUR 3.12 million (2022: EUR 3.03 million) in relation to interest and fees on a collateral guarantee arrangement incepted during 2023 with the parent company. CBN Group has the following balances with affiliated companies:

	2023 EUR 000	2022 EUR 000
Receivables	425,177	499,893
Payables	(214,195)	(238,622)
Net balance receivable as at December 31,	**210,982**	**261,271**

The ECL on the intercompany receivables balances is nil in 2023 and 2022.

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:

	2023 EUR 000	2022 EUR 000
Managing Directors (incl pension premiums)	1,724	1,476
Supervisory Board Directors	240	240
As at December 31,	**1,964**	**1,716**

Executive:	2023	2022
	EUR 000	EUR 000
Base Salary	1,035	967
Variable remuneration	357	279
Fringe benefits	153	102
Pension premiums	179	138
As at December 31,	**1,724**	**1,476**

Non-executive:	2023	2022
	EUR 000	EUR 000
Base Salary	240	240
As at December 31,	**240**	**240**

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

4.38. Events after the reporting date

There were no material events subsequent to December 31, 2023 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

5. Financial Statements for the years ended December 31, 2023 and 2022

Company income statement for the year ended December 31,

	Notes	2023	2022
		EUR 000	EUR 000
Revenue			
Interest income		229,772	108,408
Less: Interest expenses		(65,342)	(33,654)
Net Interest income		**164,430**	**74,754**
Banking and other custody services		37,116	32,945
		201,546	**107,699**
Operating expenses:			
Personnel expenses		25,421	19,260
Office maintenance		897	761
Office and administration expenses		3,413	2,335
Travel expenses		464	199
Professional services		3,430	2,186
Depreciation and amortisation		469	507
Expected credit losses reversal		(19)	(15)
Other operating expenses		44,057	30,644
		78,132	55,877
Net profit from operations		**123,414**	**51,822**
Net finance expense		92	216
Net profit before tax		**123,322**	**51,606**
Income tax expense		21,097	9,628
Profit of participating interests	6.6	19,177	12,682
Net profit for the year		**121,402**	**54,660**
Attributable to:			
Shareholders of CBN		121,402	54,660

Statement of financial position as at December 31,

	Notes	2023	2022
		EUR 000	EUR 000
Assets			
Non-current assets			
Plant and equipment	6.2	40	51
Right-of-use assets	6.3	333	439
Intangible assets	6.4	505	746
Investment in subsidiaries	6.6	162,167	148,792
Financial assets at amortised cost	6.8	16,247	32,732
Financial assets at fair value through profit and loss	6.10	243	253
Deferred tax assets		136	122
		179,671	183,135
Current assets			
Trade receivables	6.5	2,346	2,027
Derivative financial assets		36,859	59,016
Other receivables and accrued income	6.7	35,729	23,808
Receivables from affiliated companies		397	463
Financial assets at amortised cost	6.8	513,654	638,854
Financial assets at fair value through other comprehensive income	6.9	916,324	1,465,702
Financial assets at fair value through profit and loss	6.10	334	313
Cash and cash equivalents	6.11	3,668,672	3,466,143
		5,174,314	5,656,326
Total assets		**5,353,986**	**5,839,461**

	Notes	2023	2022
		EUR 000	EUR 000
Equity and liabilities			
Equity			
Share capital	6.12	5,000	5,000
Additional paid in capital		48,503	48,503
Translation reserve		32,521	49,201
Other reserves		327	–
Revaluation of fair value financial instruments through other comprehensive income		(544)	(7,895)
Retained earnings		268,774	261,211
Total equity attributable to shareholder of the CBN		**354,581**	**356,020**
Non-current liabilities			
Other liabilities		372	272
Lease liabilities	6.16	115	205
		487	477
Current liabilities			
Trade payables		389	235
Derivative financial liabilities		41,060	117,389
Other payables and accrued expenses	6.14	6,434	7,514
Payables to affiliated companies		1,208	1,405
Provisions	6.13	–	236
Deferred income		42	41
Lease liabilities	6.16	187	195
Current tax liabilities		15,100	6,029
Amounts owed to depositors	6.15	4,934,498	5,349,920
		4,998,918	5,482,964
Total liabilities and equity		**5,355,986**	**5,839,461**

Statement of changes in equity for the year ended December 31, 2023

	Issued capital	Additional paid-in capital	Translation reserve	Other reserves	Revaluation of FVOCI assets	Retained earnings	Total equity
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at January 1, 2023	**5,000**	**48,503**	**49,201**	**–**	**(7,895)**	**261,211**	**356,020**
Net profit for the period	–	–	–	–	–	121,402	121,402
Net wealth tax reserve	–	–	–	327	–	–	327
Other comprehensive income	–	–	(16,680)	–	7,351	–	(9,329)
Total comprehensive income	**–**	**–**	**(16,680)**	**327**	**7,351**	**121,402**	**112,400**
Dividend paid	–	–	–	–	–	(113,839)	(113,839)
Total equity attributable to shareholders of the Company as at December 31, 2023	**5,000**	**48,503**	**32,521**	**327**	**(544)**	**268,774**	**354,581**

In 2023, CBN paid dividends of USD 124.75 million (EUR 113.84 million) in total to its shareholder. On June 26, 2023 CBN paid a final dividend for 2022 of USD 35.39 million (EUR 32.44 million) to its shareholder. On August 11, 2023 CBN paid an interim dividend of USD 46 million (EUR 41.91 million) to its shareholder. On December 21, 2023 CBN paid an interim dividend of USD 43.34 million (EUR 39.5 million) to its shareholder.

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.

Other reserves comprises of Net Wealth Tax (NWT) reserve created to reduce the net wealth tax liability and relates to Luxembourg tax. The NWT reserve will be maintained for a minimum period of five years and no dividends can be declared from these during the five years.

Statement of changes in equity for the year ended December 31, 2022

	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, 2022	**5,000**	**48,503**	**28,237**	**(1,011)**	**219,284**	**300,013**
Net profit for the period	–	–	–	–	54,660	54,660
Other comprehensive income	–	–	20,964	(6,884)	–	14,080
Total comprehensive income	**–**	**–**	**20,964**	**(6,884)**	**54,660**	**68,740**
Dividend paid	–	–	–	–	(12,733)	(12,733)
Total equity attributable to shareholders of the Company as at December 31, 2022	**5,000**	**48,503**	**49,201**	**(7,895)**	**261,211**	**356,020**

A dividend of USD 13.0 million (EUR 12.7 million) was paid on August 2, 2022.

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.

6. Notes to the Company Financial Statements for the years ended December 31, 2023 and 2022

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

The financial statements of CBN Group 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 Group financial statements. CBN Group has prepared these financial statements using this provision. The accounting policies are described in these annual accounts. The CBN Group's 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 Group's financial statements. Investments in-group companies and investments in associates are initially recognized at cost and subsequently accounted for by the equity method of accounting. The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

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

6.2. Plant and equipment

	Machinery and equipment	Total
	EUR 000	EUR 000
Cost:		
As at January 1, 2023	170	170
Additions	30	30
Foreign exchange difference	(1)	(1)
As at December 31, 2023	**199**	**199**
Accumulated depreciation:		
As at January 1, 2023	119	119
Depreciation charge for the year	40	40
As at December 31, 2023	**159**	**159**
Net carrying amount		
As at December 31, 2023	**40**	**40**

	Machinery and equipment	Total
	EUR 000	EUR 000
Cost:		
As at January 1, 2022	124	124
Additions	44	44
Foreign exchange difference	2	2
As at December 31, 2022	**170**	**170**
Accumulated depreciation:		
As at January 1, 2022	91	91
Depreciation charge for the year	28	28
As at December 31, 2022	**119**	**119**
Net carrying amount		
As at December 31, 2022	**51**	**51**

6.3. Right-of-use assets

The Bank leases several assets including buildings, machinery and equipment. The average lease term is 3.11 years (2022: 1.65 years).

Approximately 50% (2022: 61%) 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, 2023	911
Additions	157
Terminations	(201)
Foreign exchange difference	(32)
As at December 31, 2023	**835**
Depreciation	
As at January 1, 2023	472
Depreciation	211
Disposals	(161)
Foreign exchange difference	(20)
As at December 31, 2023	**502**
Net carrying amount	
As at December 31, 2023	**333**

	Right-of-use assets
	EUR 000
Cost	
As at January 1, 2022	940
Additions	88
Terminations	(179)
Foreign exchange difference	62
As at December 31, 2022	**911**
Depreciation	
As at January 1, 2022	347
Depreciation	228
Disposals	(122)
Foreign exchange difference	19
As at December 31, 2022	**472**
Net carrying amount	
As at December 31, 2022	**439**

6.4. Intangible assets

	Internally generated software	Third-party software	Total
	EUR 000	EUR 000	EUR 000
Cost:			
As at January 1, 2023	1,294	210	1,504
Foreign exchange difference	(47)	(8)	(55)
As at December 31, 2023	**1,247**	**202**	**1,449**
Accumulated amortisation:			
As at January 1, 2023	548	210	758
Amortisation charge	218	–	218
Foreign exchange difference	(24)	(8)	(32)
As at December 31, 2023	**742**	**202**	**944**
Net carrying amount			
As at December 31, 2023	**505**	**–**	**505**

	Internally generated software	Third-party software	Total
	EUR 000	EUR 000	EUR 000
Cost			
As at January 1, 2022	1,002	410	1,412
Transfer to/(from) Internally generated software	213	(213)	–
Foreign exchange difference	79	13	92
As at December 31, 2022	**1,294**	**210**	**1,504**
Accumulated amortisation:			
As at January 1, 2022	285	195	480
Amortisation charge	251	–	251
Foreign exchange difference	12	15	27
As at December 31, 2022	**548**	**210**	**758**
Net carrying amount			
As at December 31, 2022	**746**	**–**	**746**

For intangible assets with finite lives (software), 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 (if any).

The results on disposals of intangible assets are not significant.

6.5. Trade receivables

	2023	2022
	EUR 000	EUR 000
Trade receivables	2,346	2,027
As at December 31,	**2,346**	**2,027**

The average age of these receivables is 41 days (2022: 35 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.

6.5.1. Age of trade receivables past due but not impaired

	2023	2022
	EUR 000	EUR 000
1-30 days	486	221
31-60 days	341	210
61-90 days	588	101
Over 90 days	341	402
As at December 31,	**1,756**	**934**

6.6. Investments in subsidiary

	2023	2022
	EUR 000	EUR 000
At January 1,	**148,792**	**136,213**
Share of results	19,177	12,682
Dividend received	–	(8,573)
Exchange differences	(5,804)	8,470
As at December 31,	**162,165**	**148,792**

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, 2023:					
Citco Bank Canada*	1,776,087	1,776,087	38,771	19,177	100
	1,776,087	**1,776,087**	**38,771**	**19,177**	**100**
December 31, 2022:					
Citco Bank Canada*	1,863,793	1,716,939	29,694	12,682	100
	1,863,793	**1,716,939**	**29,694**	**12,682**	**100**

*Citco Bank Canada is incorporated in Canada.

6.7. Other receivables and accrued income

	2023 EUR 000	2022 EUR 000
Accrued income	5,313	4,594
Interest receivables	29,063	17,575
Interest receivable affiliated companies	960	1,327
Prepaid expenses	311	342
Other receivables	82	(30)
As at December 31,	**35,729**	**23,808**

6.8. Financial assets at amortised cost

	2023 EUR 000	2022 EUR 000
Bonds held at amortised cost	–	89,219
Mezzanine notes	49,659	51,525
Variable funding notes	354,326	434,251
Current account overdrafts	5,913	19,214
Term loans	88,424	44,645
US treasury notes	31,579	32,732
As at December 31,	**529,901**	**671,586**
Maturity Analysis:		
One month or less	5,911	86,155
Up to three month	–	63,500
More than three months up to a year	507,743	489,199
One to five years	16,247	32,732
As at December 31,	**529,901**	**671,586**
Current	513,654	638,854
Non-current	16,247	32,732
As at December 31,	**529,901**	**671,586**

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

6.9. Financial assets at fair value through other comprehensive income

	2023	2022
	EUR 000	EUR 000
Commercial paper issued by financial institutions	916,324	1,465,702
As at December 31,	**916,324**	**1,465,702**
Maturity Analysis:		
One month or less	152,953	603,505
Up to three months	544,986	114,510
More than three months up to a year	218,385	747,687
As at December 31,	**916,324**	**1,465,702**
Current	916,324	1,465,702
As at December 31,	**916,324**	**1,465,702**

6.10. Financial assets at fair value through profit and loss

	2023	2022
	EUR 000	EUR 000
Junior note	243	253
Other	334	313
As at December 31,	**577**	**566**
Maturity Analysis:		
One month or less	334	313
More than five years	243	253
As at December 31,	**577**	**566**
Current	334	313
Non-current	243	253
As at December 31,	**577**	**566**

6.11. Cash and cash equivalents

	2023	2022
	EUR 000	EUR 000
Cash and balance with central banks	2,953,997	2,745,945
Bank balances with affiliated companies	1,670	499
Deposit with other banks	422,043	502,720
Current account with other banks	290,962	216,979
As at December 31,	**3,668,672**	**3,466,143**

Bank balances attract interest at the respective short-term deposit market rates.

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

6.12. Share capital

Authorised shares

	2023	2022
	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
At January 1, 2023	**50**	**5,000**
Movement	–	–
At December 31, 2023	**50**	**5,000**

6.13. Provisions

	Severance payments
	EUR 000
As at January 1, 2023	236
Provisions made during the year	–
Unwinding of discount	–
Amounts used during the year	(239)
Unused amounts reversed during the year	–
Foreign exchange difference	3
As at December 31, 2023	**–**
As at December 31, 2023	**–**

	Severance payments
	EUR 000
As at January 1, 2022	–
Provisions made during the year	236
Unwinding of discount	–
Amounts used during the year	–
Unused amounts reversed during the year	–
Foreign exchange difference	–
As at December 31, 2022	**236**
Current	236
As at December 31, 2022	**236**

6.14. Other payables and accrued expenses

	2023	2022
	EUR 000	EUR 000
Taxes and social security contributions	2,997	2,004
Accrued expenses	2,077	2,206
Interest payable	1,349	3,304
Other payables	9	–
As at December 31,	**6,432**	**7,514**

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

6.15. Amounts owed to depositors

	2023	2022
	EUR 000	EUR 000
Demand deposits	4,117,656	3,933,007
Demand deposits with affiliated companies	218,818	246,275
Time deposits	598,024	1,170,638
As at December 31,	**4,934,498**	**5,349,920**
Maturity Analysis:		
On demand	4,336,476	4,179,282
One month or less	395,622	917,146
More than one month up to three months	195,055	253,492
More than three months up to a year	7,345	–
As at December 31,	**4,934,498**	**5,349,920**

6.16. Lease liabilities

	Lease liabilities
	EUR 000
As at January 1, 2023	400
Additions	157
Lease payments	(213)
Lease terminations	(42)
As at December 31, 2023	**302**

	Lease liabilities
	EUR 000
As at January 1, 2022	595
Additions	88
Lease payments	(223)
Lease terminations	(60)
As at December 31, 2022	**400**

Maturity analysis:

	2023	2022
	EUR 000	EUR 000
Within one year	187	195
In the second to the fifth year inclusive	115	205
As at December 31,	**302**	**400**

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

	2023	2022
	EUR 000	EUR 000
Current lease liability	187	195
Non-current lease liability	115	205
As at December 31,	**302**	**400**

6.17. Related party transactions

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

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

	2023	2022
	EUR 000	EUR 000
Finance income	17,467	13,357
Personnel	7,617	8,973
General and administrative services	1,998	2,071
Citco Group support services	2,600	1,984
Office rent	49	66
Operational services	1,878	1,949
As at December 31,	**31,609**	**28,400**

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

	2023	2022
	EUR 000	EUR 000
General and administrative services	5,082	3,610
Citco Group support services	21,216	14,697
Personnel	12,103	9,868
Office rent	515	451
Royalty expense	4,498	2,201
Operational support services	1,016	798
Finance expense	8,932	5,163
As at December 31,	**53,362**	**36,788**

CBN Group has the following balances with affiliated companies:

	2023	2022
	EUR 000	EUR 000
Receivables	55,365	624,752
Payables	(178,865)	(209,685)
Net balance (payable)/ receivable at December 31,	**(123,500)**	**415,067**

Signing of the consolidated and standalone financial statements

The financial statements were approved by the Board of Directors and authorized for issuance on April 25, 2024 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

7. Other Information

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

Statutory rules concerning appropriation of result

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

Appropriation of result for the financial year 2023

The financial statements of 2023 were adopted in the General Meeting of the Shareholder held on April 25, 2024. The General Meeting of the 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.

8. Independent Auditors' Report

Deloitte.

Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
P.O.Box 58110
1040 HC Amsterdam
Netherlands

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 of Citco Bank Nederland N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Citco Bank Nederland N.V. as at 31 December 2023, and of its result and its cash flows for 2023 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 31 December 2023, and of its result for 2023 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 31 December 2023.

2. The following statements for 2023: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at 31 December 2023.

2. The company income statement for 2023.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 2,800,000. The materiality is based on 0.7% of shareholder's equity (in USD). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of USD 140,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Citco Bank Nederland N.V. is at the head of a group. 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 entity in Amsterdam.
- Used the work of other auditors when auditing Citco Bank Nederland N.V. Dublin branch and Citco Bank Canada.
- Performed an audit of specified account balances at Citco Bank Nederland N.V. Luxembourg branch.

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

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes. We evaluated the design and relevant aspects of the system of internal control and the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

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

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered management override of control as a fraud risk. We have pinpointed the presumed risk of revenue recognition towards revenue earned from depositary services, and rebutted the presumed risk for other revenue streams. Our audit procedures to address the fraud risks were as follows:

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and made enquiries of Management Board members and the Supervisory Board.

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

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

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 4.2.5 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements.

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

We performed a combination of test of details and substantive analytical procedures to adress the fraud risk in relation to revenue recognition.

Our procedures did not lead to indications for fraud potentially resulting in material misstatements.

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Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Bank through discussion with representatives, reading minutes and reports of internal audit.

We involved our forensic specialists in this evaluation.

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

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the 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 laws and regulations applicable to financial institutions, there is a risk of non-compliance with the requirements laws and regulations applicable to financial institutions.

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 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 and others within Citco Bank Nederland N.V.'s as to whether the Citco Bank Nederland N.V. is in compliance with such laws and regulations, (ii) inspecting correspondence, if any, with the relevant regulatory authorities and finally, (iii) inspecting relevant minutes and documentation from internal committees and bodies (such as the compliance function), 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.

Audit approach going concern

Our responsibilities, as well as the responsibilities of the Management Board and the Supervisory Board, related to going concern under the prevailing standards, are outlined in the "Description of responsibilities regarding the financial statements" section below.

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In fulfilling our responsibilities, we evaluated management's assessment of the Banks's ability to continue as a going concern for the next 12 months and considered key regulatory ratios. Based on our procedures performed, we did not identify material uncertainties regarding the Bank's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

Our key audit matters

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

<table>
<tr><th colspan="2">Claims and litigations</th></tr>
<tr><th>Description of key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>During its normal course of business Citco Bank Nederland N.V. may be exposed to claims and litigations.

Citco Bank Nederland N.V. was involved in one significant legal proceeding, as disclosed in note 4.35 of the financial statements.

As part of our audit, we considered claims and litigations to be important given that significant management judgment is required to account for potential provisions and contingencies.

Therefore, we consider claims and litigations a key audit matter.</td><td>The primary procedures we performed to address this key audit matter include the following:
• We have assessed management's process related to identification, assessment and accounting for claims and litigations in respect to IAS 37.
• Inspected minutes of the Management Board and Supervisory Board.
• Inspected legal expense cost accounts.
• We obtained confirmations from external legal counsels regarding the latest updates on significant claims and litigations 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 litigations did not result in reportable matters.</td></tr>
</table>

<table>
<tr><th colspan="2">Reliability and continuity of the IT-environment</th></tr>
<tr><th>Description of key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Citco Bank Nederland N.V. is an IT-driven organization. Reliability and continuity of the IT-environment is highly important for Citco Bank Nederland's operations and financial reporting. We therefore consider the reliability of the IT-environment as a key audit matter.</td><td>We have engaged IT-auditors to test Citco's Group IT environment to the extent relevant to the scope of the audit. We evaluated the design, implementation, and where relevant, operating effectiveness of general IT controls and application controls to assess the continuity and reliability of the Bank's IT environment.</td></tr>
</table>

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	Our observation The testing of general IT controls and application controls provided sufficient and appropriate audit evidence to support a control reliance strategy regarding the Bank's IT-environment related to its core banking activities.

Report on the other information included in the annual report

the annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information 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.
- Appendices.

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 all the information regarding the management report and the other 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 other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

Responsibilities of the Management Board 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 Bank'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 Bank 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 Bank's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Bank'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.

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

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

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank'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 Bank 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, April 25, 2024

Deloitte Accountants B.V.

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

9. 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.

Name	**Country**
Citco Bank Nederland N.V.	The Netherlands
Citco Bank Nederland N.V. Dublin Branch	Republic of Ireland
Citco Bank Nederland N.V. Luxembourg Branch	Luxembourg
Citco Bank Canada	Canada

Appendix IV: Associates

None