EUROPEAN COMMERCIAL COMPANY NASDAQ CSD SE

(REGISTRATION NUMBER 40003242879)

2020 CONSOLIDATED ANNUAL REPORT

(26th financial year)

PREPARED IN ACCORDANCE WITH THE LAW ON ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS

AND INDEPENDENT AUDITORS' REPORT*

Riga, 2021

* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

Contents

General information

Company name	Nasdaq CSD
Legal form	Societas Europaea
Registration number, place and date	40003242879 Riga, 9 January 1995 Re-registration in the Commercial Register: 16 April 2004 with the single registration number 40003242879
Registered office	Vaļņu iela 1 Riga, Latvia, LV-1050
Members of the Management Board	Indars Aščuks - Chairman of the Management Board Kristi Sisa – Deputy Chairman of the Management Board Dalia Jasulaityte - Member of the Management Board Magnus Asgeirsson - Member of the Management Board
Members of the Council	Arminta Saladziene - Chairman of the Council Pall Hardarson – Deputy Chairman of the Council Tomas Thyblad – Member of the Council Urmas Kaarlep – Independent member of the Council Darius Petrauskas - Independent member of the Council Elmārs Prikšāns - Independent member of the Council
Branches	Nasdaq CSD SE Estonian branch Maakri 19/1 10145 Tallinn, Estonia Nasdaq CSD SE Lithuanian branch Konstitucijos ave. 29 LT-08105 Vilnius, Lithuania Nasdaq CSD SE Icelandic branch Laugavegur 182 105 Reykjavík Merger date: 22/05/2020 (subsidiary until 21/05/2020, branch from 22/05/2020)
Subsidiary	AS Pensionikeskus Maakri 19/1 10145 Tallinn, Estonia Founded on 26/06/2017
Financial year	1 January 2020 - 31 December 2020
Auditors	Dace Negulinere Sworn auditor of the Republic of Latvia License Nr. 175 SIA Ernst & Young Baltic Muitas iela 1, Rīga Latvija, LV – 1010 Licence Nr.17

Management report

Business profile

Nasdaq CSD SE (Societas Europaea) acts as the regional central securities depository in the Baltics and Iceland. It provides post-trade infrastructure and a wide range of securities services for Baltic and Icelandic market participants. The core business activity of the Nasdaq CSD comprises the accounting for and safe custody of publicly issued securities, the settlement of securities and cash as well as the development and maintenance of registers required for the accounting for and safe custody of securities.

The Nasdaq CSD Group consists of the group's parent entity, Nasdaq CSD SE, with its head office in Riga and branches in Vilnius, Reykjavík and Tallinn, as well as subsidiary, AS Pensionikeskus based in Tallinn.

Financial operations of Nasdaq CSD during the reporting year

In 2020, the Nasdaq CSD group earned a profit of 3,539,989EUR (before tax), which is 713,676 EUR more than in 2019. The size of the group has increased significantly compared to last year due to the merger with Nasdaq CSD Iceland in May 2020. Overall, the financial position of the group is assessed as very strong. Revenues have increased with growth in Issuer and Pension revenues in the Baltics and in Participant revenues in Iceland. Issuer revenues has been positively impacted organic growth but also by new fees introduced in Lithuania during the year. Participant revenues have increased due to increased activity on the Icelandic market. Expenses have increased, more specifically in the Administrative expense category, which is due to increased consultancy cost for the merger project with Iceland and increased bank fees for Clearstream services. The gross profit margin is 61%.

Nasdaq CSD SE acts as the Central Securities Depository (CSD) authorised by the Financial Capital Market Commission in Latvia to provide depository services under the CSD Regulation in Latvia and in Estonia, Iceland and Lithuania via its branches, respectively, and as the registrar of the Estonian Register of Securities through its Estonian branch.

Nasdaq CSD consolidated revenue for 2020 amounted to 12.9 MEUR. (11.8 MEUR in 2019) Services provided by Nasdaq CSD SE Latvia contributed 17% (2019: 19%), Nasdaq CSD Estonian branch – 19% (2019: 19%), Nasdaq CSD Icelandic branch (formerly – a subsidiary) - 39% (2019 as a subsidiary:37%), Nasdaq CSD Lithuanian branch - 16% (2019: 15%), and AS Pensionikeskus – 9% (2019: 10%) of the total consolidated Nasdaq CSD revenue.

Information about the Estonian, Icelandic and Lithuanian branch

Nasdaq CSD SE was established in 2017 as a result of the cross-border merger of the three former Central Securities Depositories:

- Akciju sabiedrība "Latvijas Centrālais depozitārijs" in the Republic of Latvia;
- AS Eesti Väärtpaberikeskus in the Republic of Estonia and;
- Lietuvos centrinis vertybinių popierių depozitoriumas in the Republic of Lithuania.

In May 2020, Nasdaq CSD was authorized by the Latvian FSA to open and operate a branch in Iceland.

Information about the subsidiary AS Pensionikeskus

In accordance with the requirements imposed by the government of Estonia and the related agreement reached with the Government institutions, the pension business was separated from Nasdaq CSD into a separate regulated entity. The business transfer was completed on 1 August 2017 and since that date, AS Pensionikeskus has been functioning as the official registrar of the pension register in Estonia. AS Pensionikeskus is providing the infrastructure for the Estonian securities market by storing the information on shares invested in the mandatory and voluntary pension funds in electronic format. Pensionikeskus stores and processes information on transactions related to investments in the pension funds, including information on changes in ownership, and others.

Main activities and developments in 2020

During 2020, the following strategic initiatives were the focus of the Group:

- merger of Nasdaq CSD with Nasdaq CSD Iceland (JUMP project),
- pension reform in Estonia,
- LEI LOU (fully authorized LEI provider) service implementation; and
- compliance initiatives (Shareholders Rights Directive II and CSDR Settlement Discipline).

More information is provided below.

JUMP

During 2020, Nasdaq CSD successfully reached the goals of the JUMP initiative. Legal merger of Nasdaq CSD Iceland with the Parent entity Nasdaq CSD SE was completed on 25 May 2020, and CSDR license was granted to Iceland this enabling the formal opening of the Icelandic branch. Successful migration to the shared IT platform was completed on 24 August 2020. The merger and joint IT infrastructure implementation was an important and strategic milestone. The established operational model ensures CSDR compliance in Icelandic market, builds shared and harmonized operations covering four jurisdictions, brings further efficiencies, increases competitiveness, and will serve as a platform for further development projects.

Pension reform in Estonia

In autumn 2019, Estonian Government coalition parties initiated a pension reform and related amendments to Funded Pension Act. As a result of these changes, the participation in the “second pillar” of the Estonian pension scheme, comprising employee contributions, became voluntary, where it had previously been mandatory. The aim of these changes was to increase freedom of choice in second pillar membership and to give people additional options for investing and using their retirement money both before and after the retirement.

In October 2020, the Supreme Court of Estonia ruled that the Pension Reform Act is constitutional. Estonian pension company (AS Pensionikeskus), as the provider of Pension Registry services for the period 2020-2024 in Estonia, has an obligation to facilitate the implementation of the changes resulting from the pension reform into the pension information system (EPIS).

During 2021, Estonian Pension Company will focus on the delivery of the following functionality within EPIS, in line with the changes in the Compulsory Funded Pension Act:

Phase’s effective date	High level scope of developments
01.01.2021	Development of applications for making the payment / exemption from making the payment and for withdrawal of money, data exchange with state authorities and account operators, changes in the application of income tax rules
01.04.2021	Development of the opening of the pension insurance account and changing units from funds to pension insurance account, data exchange with Tax and Customs Board
01.09.2021	Development of processes for withdrawal of money, development of new applications and changes in the existing applications in relation to the pension insurance account
01.01.2022	Development of the application and processes for partial lump sum pension payment, other remaining smaller enhancements

LEI LOU

In Q4 2020, Nasdaq CSD launched the Legal Entity Identifier (LEI) services in its capacity as Global LEI Foundation's (GLEIF) accredited LEI Local Operating Unit (LOU). Nasdaq CSD implemented dedicated IT platform and operational processes to support the service and received an accreditation from GLEIF. Previously Nasdaq CSD provided LEI services in the capacity of Registration Agent in cooperation with another LOU. Acquiring GLEIF's accreditation and implementing LEI LOU services were the next step to develop independent offering and build a platform for further growth and potential partnerships.

Compliance initiatives

During 2020, Nasdaq CSD continued to focus on the ongoing industry compliance initiatives with Shareholders Rights Directive II and CSDR Settlement Discipline implementation being the main items. Nasdaq CSD conducted Market wide acceptance tests during August 2020 to confirm participants' readiness and in September implemented changes in the core CSD and ESIS (shareholder disclosure system) production systems in order to meet compliance with the Shareholders Rights Directive II (SRDII). Nasdaq CSD published updated Service Description of the Shareholders Disclosure Process to align the legal framework in respect of SRDII. In parallel, the team focused also on CSDR Settlement Discipline defining harmonized process of penalty mechanism and buy-in process. The implementation timeline in Europe was postponed by one year to February 1st, 2022 providing additional time for implementation. Nasdaq CSD team focused on defining the core CSD system's adaptations and planning related functionality deliveries and testing in 2021.

Industry events

Nasdaq CSD held two scheduled meetings with Baltic market participants in 2020. Shareholder Rights Directive II and Settlement Discipline Regime implementation were main topics for the meetings. During these meetings T2S projects and Core CSD system release plans as well as other CSD development activities relevant to participants were discussed.

Nasdaq CSD participated in several T2S meetings to discuss outstanding T2S related issues and development plans during 2020. Nasdaq CSD

became a member of AMI-SeCo Corporate Events Group.

Numerous meetings have been held with Icelandic stakeholders where the JUMP project and customer readiness as well as opportunities have been on the agenda.

Impact of Covid-19

All Nasdaq CSD services and operations remained fully available. Operations were provided during regular hours. Critical operations, including CSD and pension services, have been tested over time to function successfully. Staff from Riga and Tallinn have needed accesses and been trained to perform operations under Single Point of Failure recovery plan.

Nasdaq CSD has coped well from revenue perspective, and expenses have been well controlled.

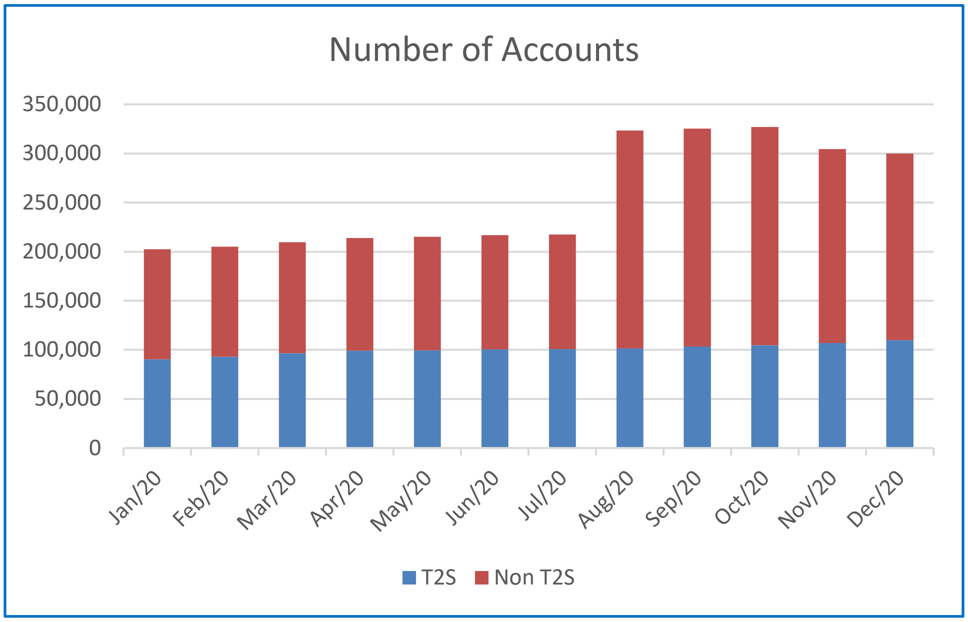
Overview of the key metrics

In 2020, the Group further developed and improved its business-critical IT systems, including four core CSD system releases, one release of financial instruments' holder and owner generation system ESIS system and number of Change requests or Hotfixes.

The statistics provided below cover all four securities settlement systems operated by the Parent company - Estonian, Icelandic, Latvian and Lithuanian. As the result of Baltic and Icelandic data consolidation there is a significant increase in majority of indicators.

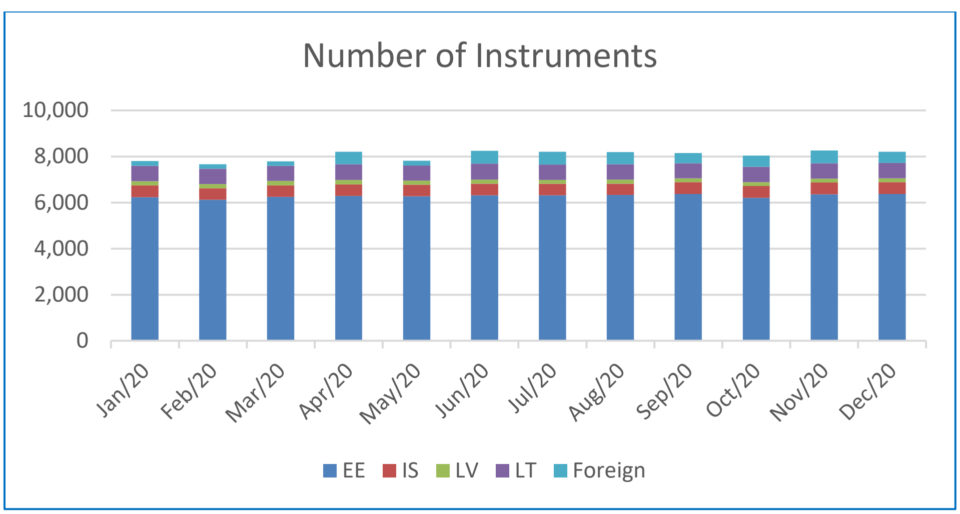
At the end of 2020, the number of accounts with the Parent company was approaching 300 thousand, majority of them being beneficial owner accounts in the Estonian and Icelandic Securities Settlement Systems (SSS) as provided in Chart No. 1. Icelandic SSS data until August 2020 includes only active accounts with holdings.

1. diagram



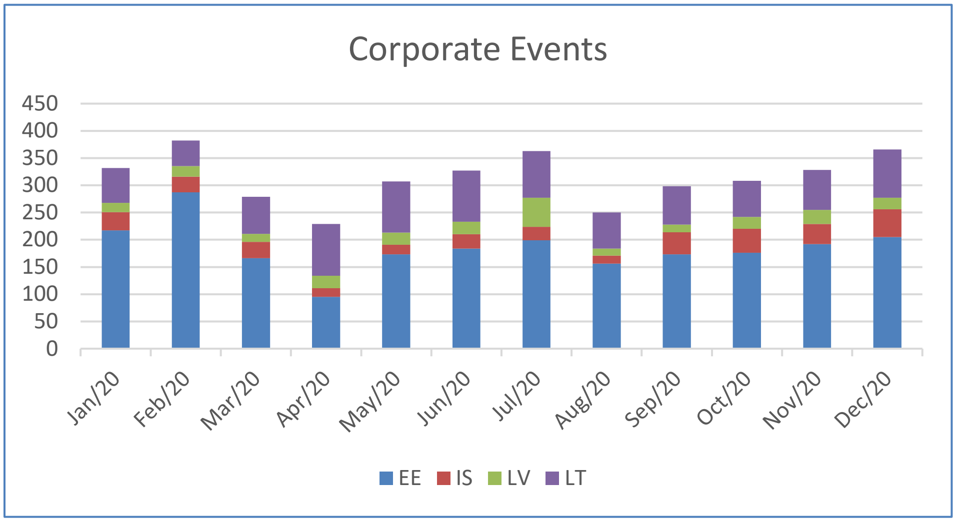
The number of instruments registered with the Parent company at the end of 2020 was 7,698, out of which 90% are equities. Majority (98%) of the Baltic instruments are T2S eligible. Icelandic instruments are not settled in T2S. The Parent company has foreign instruments registered in the Core CSD system where the Parent company acts as the Investor CSD in *Clearstream Banking Luxembourg*. Baltic instruments decreased by 1% in 2020, while the number of Icelandic instruments decreased by 3% as provided in Chart No. 2.

2. diagram



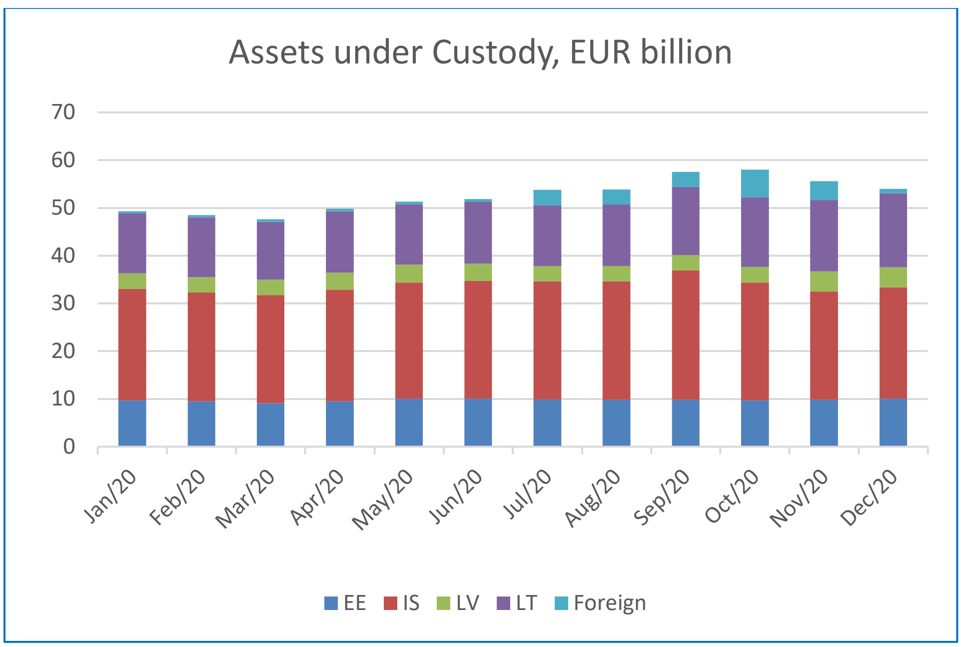
During 2020, the Parent company processed 3,769 corporate actions, 18% more than in 2019. Majority (59%) were related to the Estonian SSS instruments, 7% - Latvian SSS, 24% - Lithuanian SSS, and 10% - Icelandic SSS. The number of corporate actions increased in Lithuanian SSS due to legislative changes that came into force in September 2020 and in Icelandic SSS due to standardization of practices post launch of the JUMP project. Distribution of corporate actions by SSS and by month are presented in Chart No. 3.

3. diagram



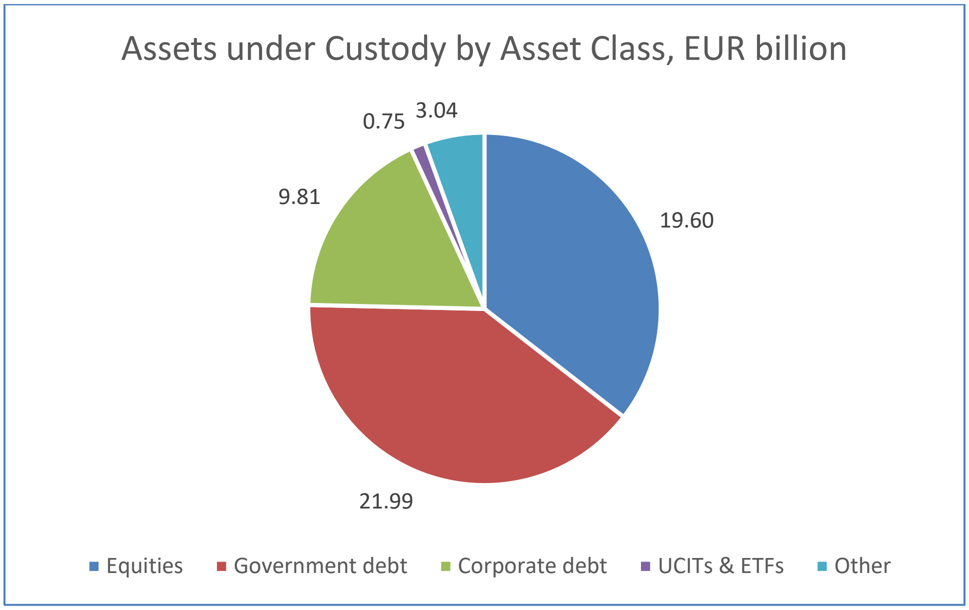
The value of assets kept under custody in the Parent company during 2020 increased by 9.7% and at the end of 2020 was 54 billion EUR. Largest increase in assets under custody was in government debt as the borrowing in the Baltic market in 2020 has almost doubled, as well as growing in Iceland. Distribution of assets under custody by SSS is provided in Chart No. 4

4. diagram



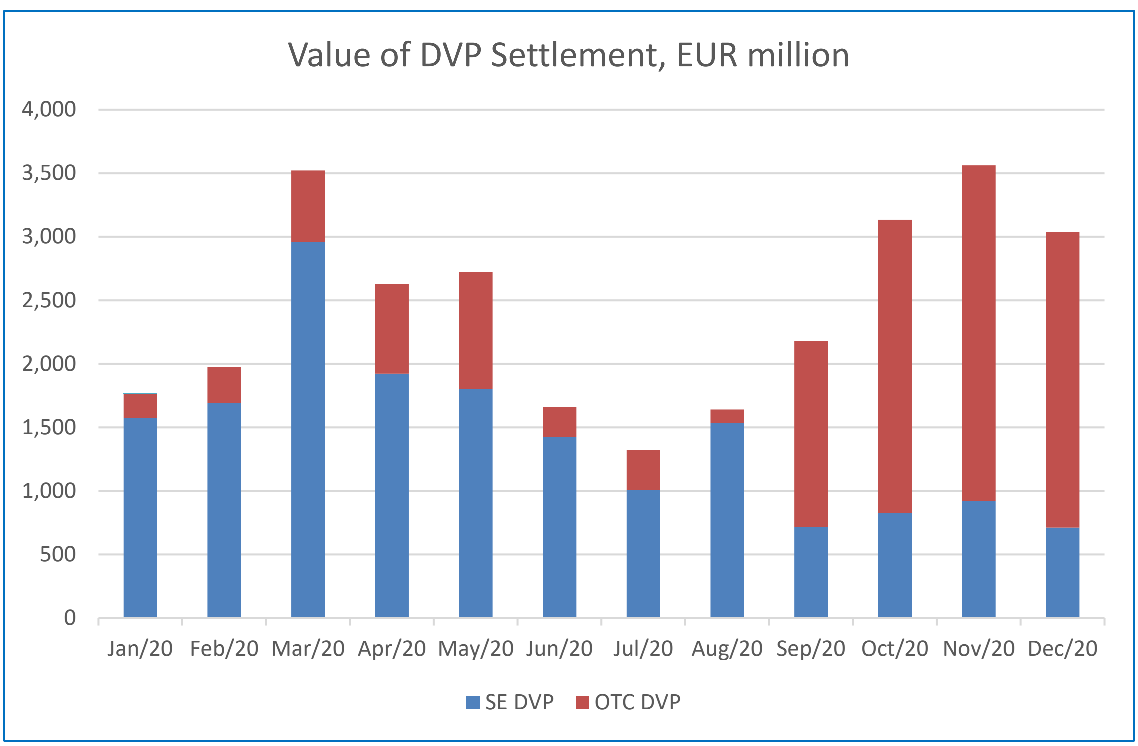
Majority of assets at the end of 2020 were equity related as provided in Chart No 5.

5. diagram



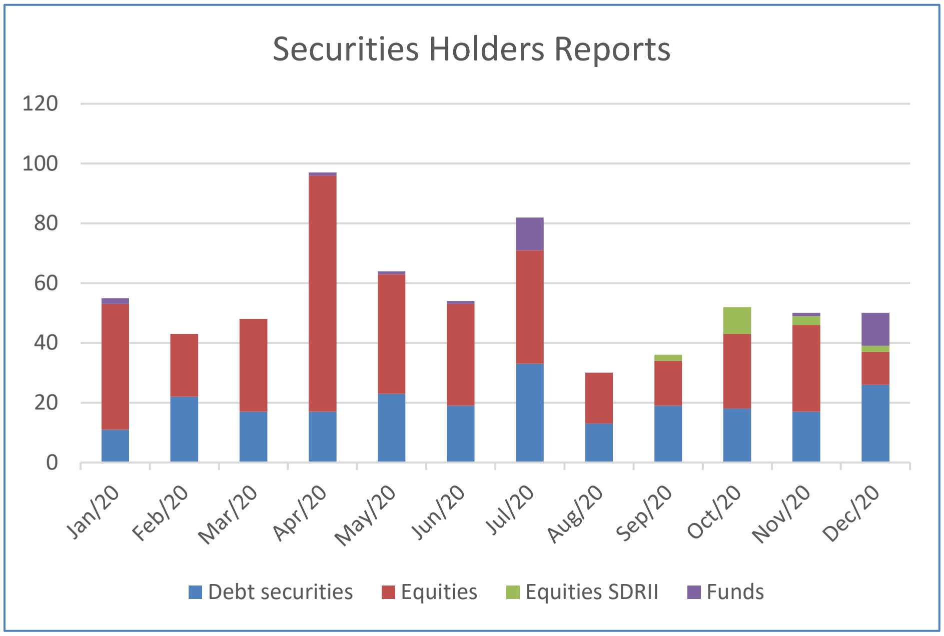
During 2020, the Parent company processed on average 177 thousand settlement instructions per month, 1.5 times more than in 2020. Increase in number of settlement instructions is associated with higher trading volumes on the stock exchanges in the first half of 2020 that was a result of higher volatility in the markets as well as introduction of fee free trading for retail investors by two major Baltic participants. Majority (75%) were Delivery versus Payments, 14% - Free of Payments, and 11% - payments related to corporate actions. The value of DVP settlement instructions during 2020 was 29.14 billion EUR, 70% more than in 2019, as presented in Chart No. 6.

6. diagram



In 2020, issuers and participants were using *ESIS* quite actively. In addition to traditional securities holders reports the SRDII complaint reports have been launched in September 2020 (see Chart No. 7).

7. diagram



Estonian Funded Pension

At the end of 2020, the total number of active mandatory and supplementary funded pension accounts was 802 826.

Estonian Mandatory Funded Pension

At the end of 2020, the total value of the mandatory funded pension funds was 5.3 billion euros, which is 11 % higher than at the end of the 2019.

The EPI index that measures the average rate of return of the funded pension funds grew 3.73 % to 198.82 points in 2020 compared to the end of the previous year. At the end of 2019, the value of the index was 191.67 points.

By the end of 2020, the total number of accounts of mandatory funded pension units was 764,769 which is 18,774 pension accounts more than at the end of 2019.

The number of applications of switching the units of funded pension decreased in 2020. In total 84,248 applications were submitted during 2020. In 2019 there were in total 88, 654 applications.

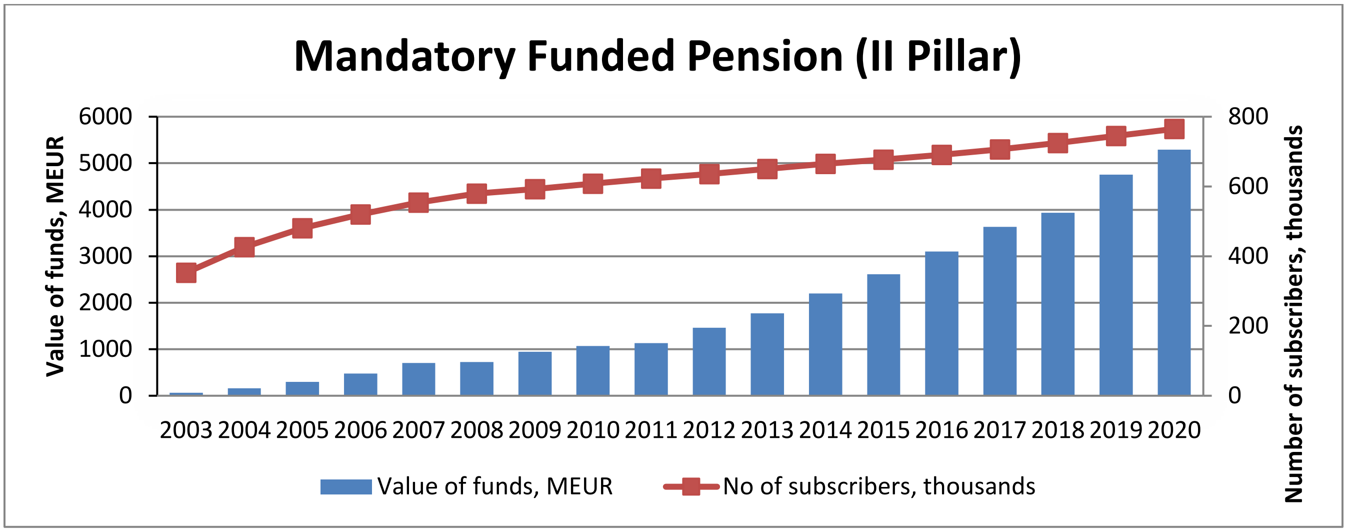
Over 47,500 persons have submitted an application for receiving payments from the funded pension since the year 2009. Approximately 10,000 persons who have the right to receive funded pension, have not submitted the respective application and have postponed receiving their payments.

There were no changes in the list of account manager of the pension register.

Mandatory Funded Pension Funds

As of the end of 2020, there were 24 mandatory funded pension funds registered in Estonia.

In 2020 LHV Pensionifond Roheline (EE3600001723) started its activities. LHV Pensionifond Eesti (EE3600109476) was merged with LHV Pensionifond L (EE3600019832).



Estonian Supplementary Funded Pension ("third pillar")

In 2020, the volumes of the supplementary funded pension (third pillar) increased by 26% from 199.5 million euros to 252.2 million euros. The number of the investors of the supplementary funded pension increased significantly in 2020 - by 109 thousand.

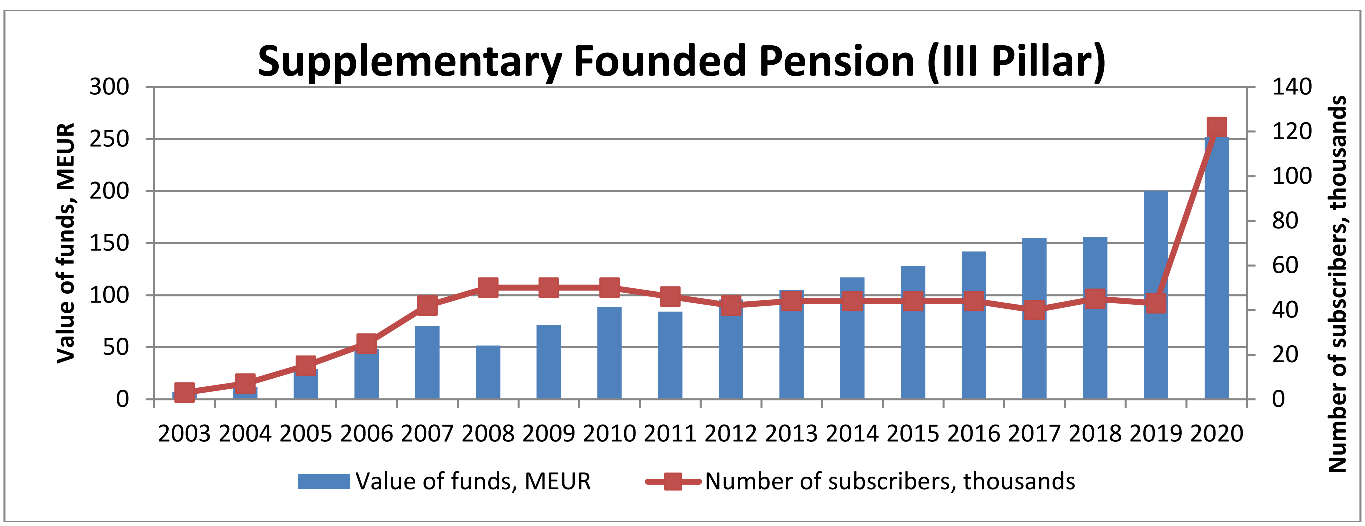
Year	Number of investors having balance of III pillar fund units
2017	40,136
2018	44,790
2019	43,423
2020	121,946

The significant increase in the number of accounts was caused by a change in the tax regulation effective from January 2021. Any investors joining the third pillar after 31st December 2020 will not be able to benefit from the lower income tax rate (10%) on the future payouts from the second pillar at the age of 55. To investors, joining III pillar starting from 2021 the regular income tax rate (20%) will be applied on the future payouts.

Voluntary funded pension funds

As of the end of 2020, there were 12 voluntary pension funds registered in Estonia.

During 2020, one new voluntary pension fund was launched: LHV Pensionifond Roheline Pluss (EE3600001764).



Risk management

Risk is defined as future uncertainty about deviation from expected earnings or expected outcome. Nasdaq CSD is through its operations subject to a number of identified key risks. These are; operational risk, legal risk, general business risk, financial and investment risks further described below. The purpose of risk management is to recognize risks, measure and manage them properly. In a wider context, the objective of risk management is to increase the group's value by minimizing losses and decreasing the volatility of results.

Nasdaq CSD utilizes an ERM Framework (Enterprise Risk Management), which ensures proper management of risk and creates value for the Group's customers and shareholders through objective and consistent identification, assessment, monitoring and measurement of the Group's significant financial and non-financial risks. A joint risk taxonomy is applied throughout the Nasdaq Group which includes a standardized risk, control, root cause and process taxonomy.

The risk framework establishes the three lines of defense as basis for the management of risks. The three lines of defense aim to establish that all employees are responsible for managing risk, within the respective areas of their responsibility.

The first line of defense refers to the activities performed by line managers and staff to identify, assess and manage risk.

The second line of defense refers to the Risk Management- and Compliance functions who are independent from the business operations, and set the principles and framework for risk management, perform independent monitoring and control, facilitate risk assessments, ensure compliance with regulatory rules and requirements as well as monitor compliance with internal policies. The third line of defense refers to the internal audit function, which performs independent review of the operations including independent review of activities carried out by both the first and second line of defense. Second and third line of defense functions serve as independent advisors to the first line of defense, and report directly to the Board.

The Supervisory Council is ultimately responsible for establishing and maintaining effective risk management and an internal control environment within the Group. The Supervisory Council provides an oversight of the Enterprise Risk Management Policy. The Supervisory Council has established the Risk Committee to advise on the Group's current and future overall risk tolerance and strategy. The Risk Committee is responsible for ensuring that the effective risk management framework is embedded in the Group.

The Management Board is responsible for ensuring consistency of the risk-related activities of the Group with the objectives and strategy established by the Supervisory Council. The Management Board designs and establishes risk management and internal control procedures that promote the objectives of the Group. The Management Board is also responsible for regular review and testing of the risk management and internal-control procedures. The Management Board should ensure that sufficient resources are allocated to risk management and internal control.

The Chief Risk Officer is the designated officer in charge of implementing and maintaining the enterprise risk management framework and practices approved by the Supervisory Council.

The risk management principles, requirements and areas of responsibility are stated in the Enterprise Risk Management policy, which is adopted by Nasdaq group. The capital management principles and objectives are described in the respective internal documents (Regulatory capital management policy). More detailed risk management processes are described in the internal rules of the respective area.

The Group has a risk appetite framework, approved by the Supervisory Council. The framework contains, among other things, risk appetite statements and quantitative risk tolerance levels under following main risk areas:

- **Strategic and Business Risk** - risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.
- **Legal and Regulatory Risk** - exposure to civil and criminal consequences - including regulatory penalties, fines, forfeiture, and litigation - while conducting business operations
- **Operational Risk** - risks arising from the group's people, processes, and systems and external causes.
- **Financial Risk** - risk to the group's financial position or ability to operate due to investment decisions and financial risk management practices in particular as it relates to market, credit, capital, and liquidity risks

Key risks

The risks pertinent to the operations of the Group are operational risk, legal risk, general business risk, financial and investment risks. Credit risk is remote to the operations of the Group due to its operational model as the Group does not provide banking-type ancillary services or securities lending services. Liquidity risk is not considered material for the Group.

Strategic and Business risk

General business risk concerns such risks as irregular or insufficient cash flows and/or excessive operating expenses, the effect of a substantial decrease in the revenues as a result of decrease of securities issuance and settlement volume and shocks to the entire or large parts of the financial system or industry sectors. Strategic risk is mitigated via the preparation of carefully deliberated business plans and analyses. Furthermore, the governing bodies (both the Management Board and the Supervisory Council) haves a long-term track record in finance and business ventures.

Operational risk

Key operational risks concern inadequate or failed internal processes, human error and systems (e.g. the IT system or information system) or external events (e.g. natural disasters, pandemics, cyber-attacks). Failure in internal processes might lead to unauthorized access to systems, disclosure of confidential information, loss of access to Group's services, failure to ensure integrity of securities issue and safekeeping of securities, failure of the key participants and counterparties (e.g. utility providers, outsourcing service providers, other central securities depositories and other financial market infrastructures) to meet operational requirements and other disruptions resulting in the reduction, deterioration or breakdown of Nasdaq CSDs services.

The Group uses a standard approach in measuring operational risks:

- Periodical self-assessment exercises are carried out with aim to identify, assess and monitor operational risks, which may jeopardize achievement of the business goals. For all identified issues remediation plans are created.
- Relevant risk indicators are monitored all over the business areas that feed into set risk appetite measures and are periodically monitored and evaluated.
- Risk incidents management framework is in place and aims to fulfill the agreed and expected service levels (e.g. RTO<2h). Incidents are identified, resolved and analyzed for future improvement purposes in a structured manner.
- During 2020, with the emerging global pandemic, Group's business continuity readiness was put the test and it was demonstrated that the quality of the implemented framework is high.

Legal and regulatory risk

Key legal risks relate to adverse changes to legislation and the enforceability of Company's rules, procedures, and contracts concerning operation of Settlement Systems and other CSD services, especially in the case of a default of a participant. As the Company is conducting business in Latvia, Estonia, Lithuania and Iceland on a cross-border basis and its participants may hold securities across borders, additional risk relates to fragmentary, unclear or inconsistent rules of law between the countries of operation. The Company manages legal risks, among others, through monitoring validity and enforceability of its rules and procedures under the applicable law by legal counsels of the respective CSD units and, where needed, procuring external legal opinions.

Compliance and internal audit have an important role in evaluating, monitoring and mitigating the regulatory risks. The main task of Compliance is to define the risks of non-compliance of the activities of the Company with legislation, recommended guidelines from the Financial Supervision Authority and other relevant authorities, and rules and procedures of the Company, considering the nature, range and complexity of business and services rendered, and arrangement of mitigating or avoiding those risks.

Financial and investment risk

Key financial and investment risks relate to loss due to investment in securities, failure of a credit institution or central securities depository with which the Company holds its assets and financial losses due to changes in currency in which Company deposits are held and securities transactions are settled.

The Company manages this risk by only investing its financial resources in cash or in highly liquid financial instruments with minimal market and credit risk. Cash is only held with authorized credit institutions and central banks. The Company applies a risk model defined in CSDR technical standards regarding regulatory capital requirements, where the assets held are assigned a risk weight based on the type of asset, maturity and credit rating.

Capital management

The Company must be sufficiently capitalized at any time, ensuring the capital resources that ensure economic preservation and enable financing of new profitable growth opportunities. The objective of capital management in the Company is to:

- Ensure continuity of the group's business and ability to generate return for its shareholders;
- Maintain a strong capital base supporting the development of business; and
- Comply with capital requirements as established by supervision authorities (under Article 47 of the CSDR); and
- Ensure an orderly winding-down or restructuring of the CSD's activities over an appropriate time span of at least six months under a range of stress scenarios.

Under the internal capital policy of the Company, the capitalization of Company must remain above the required capitalization under Article 47 of CSDR. In order to maintain adequate capitalization at all times, the group has self-imposed capital buffer which is equal to 10% of regulatory capital requirements. Company's capital can be divided into 1) required minimum capital and 2) voluntary held capital buffer. As of year-end 2020, the capital adequacy ratio was 143% with a capital surplus (excess above of minimal required capital). Company has established a continuous capital planning and monitoring process. Internal capital planning is aiming to sufficiently address mandatory capital requirements as well as company relevant risk profile potentially arising from stress situations. The annual internal process for capital adequacy assessment aims to verify capital sufficiency in case of rare but possible stress scenarios.

Capital planning is an integrated part of the overall business plan of the Company. Identified capital needs for the business plans must always be covered by adequate capital resources. Higher strategic and business risk appetite requires maintaining higher capital buffer.

Future prospects

The Group has defined following strategic goals for 2021:

- Enhanced customer value proposition
- Execute regulatory compliance initiatives
- New services in Iceland; and
- CSD links to T2S markets.

Statement of Board's responsibility

The Management Board of the parent company is responsible for the preparation of consolidated financial statements on the basis of initial accounting records for the reporting year. The consolidated financial statements must give a true and fair view of the financial position of the Company at the year end and the results of its operations and cash flows for the reporting year in accordance with the Law of the Republic of Latvia on Annual Reports and Consolidated Annual Reports.

The Management Board of the parent company certifies that appropriate accounting policies have been consistently applied and prudent judgments and estimates have been made in the preparation of the consolidated financial statements for the year ending 31 December 2020. The Management Board of the parent company also confirms that these consolidated financial statements have been prepared on a going concern basis.

The Management Board of the parent company is responsible for the maintenance of proper accounting records and taking efforts to safeguard the assets of the Group, prevent, and detect fraud and other irregularities in the Group.

Indars Aščuks
Chairman of the Management Board

Kristi Sisa
Deputy Chairman of the Management Board

Dalia Jasulaityte
Member of the Management Board

Riga, 2 June 2021

Consolidated income statement

	Note	2020 EUR	2019 EUR
Net turnover	3	12,935,500	11,772,287
Cost of sales	4	(5,017,544)	(5,524,270)
Gross profit		**7,917,956**	**6,248,017**
Administrative expenses	5	(4,355,013)	(3,533,656)
Other operating income	6	715,958	658,470
Other operating expense	7	(789,472)	(690,114)
Other interest receivable and similar income	8	65,296	208,269
Impairment of non-current and current financial assets	9	(14,624)	(39,315)
• other impairment charges		(14,624)	(39,315)
Other interest and similar expenses:	10	(112)	(25,358)
• related companies		-	(23,982)
• other persons		(112)	(1,376)
Profit or loss before corporate income tax		**3,539,989**	**2,826,313**
Income tax expense	11	(634,029)	(465,098)
Profit after income tax		2,905,960	2,361,215
Gains or losses arising from changes in deferred tax assets or liabilities	11	2,905,960	(26,350)
Net profit for the reporting year		**2,946,009**	**2,334,865**

The accompanying notes form an integral part of these financial statements.

Indars Aščuks
Chairman of the
Management Board

Kristi Sisa
Deputy Chairman of the
Management Board

Dalia Jasulaityte
Member of the Management
Board

Jānis Siņēvičs
Accountant

Riga, 2 June 2021

Consolidated balance sheet

ASSETS

	Note	31.12.2020 EUR	31.12.2019 EUR
LONG-TERM INVESTMENTS			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights	13	712,117	727,424
Goodwill	13	20,457,057	22,920,073
Total		21,169,174	23,647,497
Property, plant and equipment			
Leasehold improvements	14	57,119	73,205
Other fixtures and fittings, tools and equipment	14	139,651	168,186
Total		196,770	241,391
Long term financial investment			
Other securities and investments	15	2,536,929	1,564,460
Deferred tax assets	11	32,982	27,098
Total		2,569,911	1,591,558
TOTAL NON-CURRENT ASSETS		**23,935,855**	**25,480,446**
CURRENT ASSETS			
Receivables			
Trade receivables	16	1,379,202	1,274,594
Other receivables	17	24,717	81,398
Receivables from affiliated companies	19	1,326,958	114,846
Prepaid expenses	18	44,986	60,358
Accrued income		133,154	-
Total		**2,909,017**	**1,531,196**
Current financial assets			
Other securities and equity participations	15	**2,911,408**	4,366,134
Total		**2,911,408**	**4,366,134**
Cash and cash equivalents	20	**16,444,928**	14,855,727
Total current assets		**22,265,353**	**20,753,057**
TOTAL ASSETS		**46,201,208**	**46,233,503**

The accompanying notes form an integral part of these financial statements. .

Indars Aščuks
Chairman of the
Management Board

Kristi Sisa
Deputy Chairman of the
Management Board

Dalia Jasulaityte
Member of the Management
Board

Jānis Siņēvičs
Accountant

Riga, 2 June 2021

Consolidated balance sheet

EQUITY AND LIABILITIES

	Note	31.12.2020 EUR	31.12.2019 EUR
Equity			
Share capital	21	29,228,000	29,228,000
Reserves:		(3,272,904)	(161,763)
• Foreign currency translation reserve		(3,272,904)	(161,763)
Retained earnings		7,666,537	5,331,672
Profit for the reporting year		2,946,009	2,334,865
TOTAL EQUITY		**36,567,642**	**36,732,774**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	11	-	34,165
Total		**-**	**34,165**
Current liabilities			
Other loans	22	-	2,721
Trade payables	23	6,348,367	6,318,531
Advances received		-	12,000
Payables to affiliated companies	24	1,520,308	1,457,090
Taxes and State mandatory social insurance payments	25	725,666	667,466
Deferred income	26	30,583	26,908
Accrued liabilities	27	1,008,642	981,848
Total		**9,633,566**	**9,466,564**
TOTAL LIABILITIES		**9,633,566**	**9,500,729**
TOTAL EQUITY AND LIABILITIES		**46,201,208**	**46,233,503**

The accompanying notes form an integral part of these financial statements.

Indars Aščuks
Chairman of the
Management Board

Kristi Sisa
Deputy Chairman of the
Management Board

Dalia Jasulaityte
Member of the Management
Board

Jānis Siņēvičs
Accountant

Riga, 2 June 2021

Consolidated cash flow statement

	2020 EUR	2019 EUR
Operating cash flow		
Profit or loss before corporate income tax	**3,539,989**	**2,826,313**
Adjustments:		
• depreciation and impairment of property, plant and equipment	48,516	116,812
• amortisation and impairment of intangible assets	99,188	188,042
• gain or loss from foreign exchange rate fluctuations	15,221	4,774
• other interest income and similar income	(65,296)	-
• adjustments for long-term and short-term financial investments	14,624	(282,434)
• interest payable and similar expenses	112	23,982
Profit or loss before adjustments for the effect of changes in current assets and current liabilities	**3,652,354**	**2,877,489**
• (increase)/decrease in receivables	331,506	548,421
• increase/(decrease) in trade and other payables	182,790	(989,630)
Gross operating cash flow	**4,166,650**	**2,436,280**
Corporate income tax paid	(581,912)	(505,707)
Net cash flow from operating activities	**3,584,738**	**1,930,573**
Cash flow from investing activities		
Subsidiary net cash	-	1,611,595
Loans granted, net	(1,212,112)	(3,380,147)*
Purchase of property, plant and equipment and intangible assets	(629,554)	(248,663)
Investments in securities	(7,302,294)	(115,899)
Sale or redemption of securities	7,395,857	209,162
Net cash flow from investing activities	**(1,748,103)**	**(1,923,952)**
Cash flow from financing activities		
Payment of finance lease liabilities	(2,721)	(4,553)
Net cash flow from financing activities	**(2,721)**	**(4,553)**
Net foreign exchange difference	(244,713)	(151,269)
Net cash flow for the reporting year	1,589,201	(149,201)
Cash and cash equivalents at the beginning of the reporting year	14,855,727	15,004,928
Cash and cash equivalents at the end of the reporting year	**16,444,928**	**14,855,727**

* In the 2019 annual report, this item was divided into several items - “Loans granted”, “Revenue from returned loans” (Cash flow from investing activities), “Proceeds from borrowings” and “Repayment of borrowings” (Cash flow from financing activities).

The accompanying notes form an integral part of these financial statements

Indars Aščuks
Chairman of the
Management Board

Kristi Sisa
Deputy Chairman of the
Management Board

Dalia Jasulaityte
Member of the Management
Board

Jānis Siņēvičs
Accountant

Riga, 2 June 2021

Consolidated statement of changes in equity

	Share capital	Retained earnings	Reserves	Total
Balance as at 31 December 2018	**5,963,000**	**5,331,672**	**-**	**11,294,672**
Profit for the reporting year	-	2,334,865	-	**2,334,865**
Foreign currency translation reserve	-	-	(161,763)	**(161,763)**
Issue of new shares	23,265,000	-	-	**23,265,000**
Balance as at 31 December 2019	**29,228,000**	**7,666,537**	**(161,763)**	**36,732,774**
Profit for the reporting year	-	2,946,009	-	**2,946,009**
Foreign currency translation reserve	-	-	(3,111,141)	**(3,111,141)**
Balance as at 31 December 2020	**29,228,000**	**10,612,546**	**(3,272,904)**	**36,567,642**

The accompanying notes form an integral part of these financial statements.

Indars Aščuks
Chairman of the
Management Board

Kristi Sisa
Deputy Chairman of the
Management Board

Dalia Jasulaityte
Member of the Management
Board

Jānis Siņēvičs
Accountant

Riga, 2 June 2021

Notes to the financial statements

1. Corporate information

Nasdaq CSD SE (hereinafter also the Parent Company) was registered in the Commercial Register on January 9, 1995 with the unified registration number 40003242879. The legal address of the Parent Company is 1 Valnu Street, Riga, Latvia. The shareholder of Nasdaq CSD SE is the joint stock company Nasdaq Nordic Oy, which owns 99.8% of the share capital of the Parent Company. The parent company that prepares the Consolidated Annual Report including Nasdaq CS SE as a subsidiary is Nasdaq Inc. (Registered office: One Liberty plaza, New York, NY 10006, USA) The consolidated annual report is available at: One Liberty plaza, New York, NY 10006 , United States.

2. Summary of significant accounting policies

Guidelines for preparing financial statements

The consolidated financial statements of Nasdaq CSD SE have been prepared in accordance with the Law on Annual Accounts and Consolidated Annual Accounts of the Republic of Latvia.

The consolidated financial statements have been prepared under the historical cost convention, except for financial investments which are carried at fair value. The euro (EUR) is used as the currency in the consolidated financial statements. The consolidated financial statements cover the period from 1 January 2020 to 31 December 2020.

The consolidated income statement is prepared in accordance with the turnover cost scheme. The consolidated cash flow statement has been prepared using the indirect method.

In order to improve the comparability of the prepared consolidated income statement and consolidated balance sheet, certain 2019 items of the consolidated income statement and consolidated balance sheet have been reclassified.

Consolidation

The consolidated financial statements include subsidiaries controlled by the Parent Company. Control is considered to exist when the Parent Company controls more than half of the voting power or otherwise has the power to govern the financial and operating policies of an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.
The consolidated financial statements include the financial statements of Nasdaq CSD SE (Parent Company) and its subsidiary (see table below).

Subsidiary	Ownership (%)	Date of acquisition	Merger date	Country of residency	Type of operations
AS Pensionikeskus	100%	26/06/2017	-	Estonia	Managing Estonian funded pension (II and III pillar) registers
Nasdaq CSD Iceland hf.	100%	18/02/2019	22/05/2022	Iceland	Depository services

The following consolidation procedures apply:

- The financial statements of the subsidiaries are prepared on the same reporting date as the financial statements of the Group's parent company (31 December 2020) using uniform accounting policies.
- For consolidation purposes, all intercompany transactions and balances are excluded from the Group's consolidated financial statements
- The financial statements are consolidated in the Group's financial statements by combining the respective items of assets, liabilities, equity and income and expenses. The Group's financial statements have been prepared as the financial statements of a single entity and provide information about the Group as a single entity.

Exchange rates used in consolidation

In preparing the consolidated financial statements, the assets and liabilities of subsidiaries are translated into euros using the exchange rates set by the European Central Bank (ECB) on the last day of the reporting year. Revenue and expenses are translated using the ECB average exchange rate for the reporting period. The resulting exchange differences are recognized as a reserve in equity.

- Exchange rate as of the end of the day on 31.12.2020. EUR / ISK – 156.10
- The average exchange rate for the period 01.01.2020 – 31.12.2020. EUR / ISK – 154.58953307

2. Summary of significant accounting policies (continued)

Merger of subsidiary

On 22 May 2020. Nasdaq CSD SE merged with its Icelandic subsidiary Nasdaq CSD Iceland hf.

The aim of the Merger was to:

- optimize corporate governance within parties to the Merger Agreement,
- simplify the group structure of parties to the Merger Agreement,
- ensure efficiency of business activities of parties to the Merger Agreement, and
- enable operation throughout the EU on the basis of a single set of rules and a unified management and reporting system

The Merger was carried out in accordance with:

- the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE)
- the Directive 78/855/EEC of the European Parliament and of the Council of 9 October 1978 based on Article 54 (3) (g) of the Treaty concerning mergers of public limited liability companies with its codified version in Directive 2011/35/EU of the European Parliament and of the Council of 5 April 2011 concerning mergers of public limited liability companies (codification), as well as
- the Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies,

applied and transposed lo the national legislation of Iceland and Latvia.

The merger was executed by merging the subsidiary to the parent entity. The Companies agreed that all assets, rights and liabilities of the merging company will be transferred to the receiving entity on a going concern basis. Upon completion of the merger, the subsidiary was dissolved without entering liquidation, and all its assets, rights and liabilities are transferred to the receiving company with Nasdaq CSD Iceland hf becoming a branch of Nasdaq CSD SE.

The financial statements include branches that are controlled by the Nasdaq CSD SE. The financial statements comprise the financial statements of Nasdaq CSD SE and its branches.

Effective date of the merger is 1 June 2020. As of that date, Nasdaq CSD and Nasdaq CSD Iceland hf are considered one entity. Assets and liabilities, including goodwill, were transferred at book values and translated to EUR using the exchange rate on 1 June 2020 EUR / ISK – 150.8.

The following procedures are applied to account for the branch as one legal entity:

- The financial statements of branches are prepared as at the same reporting date as the legal entity Nasdaq CSD SE (31 December 2020), using consistent accounting policies which are described below.
- The financial statements are summarized on a line-by-line basis by adding together like items of assets, liabilities and equity as well as income and expenses. The financial statements are presented as financial statements of the single company and provide information as such.
- Unrealized internal profits, intra-group balances, intra-group shareholdings, dividends and other intra-group transactions from the branches are eliminated from financial statements. Unrealized losses are also eliminated but are considered an impairment indicator of the asset transferred.

Going concern

The consolidated financial statements have been prepared on a going concern basis.

Use of estimates

In preparing the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of items in the consolidated balance sheet and consolidated income statement, as well as the amount of contingent liabilities. Future events may affect the assumptions on which the estimates are based. Any effect of changes in estimates is reflected in the financial statements at the time of their determination.

The Group assesses at each balance sheet date whether there is any indication that goodwill may be impaired. Goodwill is tested for impairment annually or more frequently if there is any indication that the goodwill may be impaired.

Impairment of goodwill is determined by measuring the recoverable amount of the cash-generating units to which the goodwill relates. If the recoverable amount of a cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses cannot be reversed in future periods.

The impairment test was performed on the basis of a three-year business plan approved by management and no impairment was identified. The recoverable amount of goodwill is determined based on a value in use calculation using cash flow projections included in the three-year business plan approved by management.

The Group's management believes that the key assumptions used in the cash flow calculations are in line with the latest economic forecasts for Latvia, Lithuania, Estonia and Iceland and the specifics of the Group.

2. Summary of significant accounting policies (continued)

Foreign currency revaluation

The functional currency of the Group and the currency used in the consolidated financial statements is the currency of the Republic of Latvia, the euro (EUR). All foreign currency transactions are translated into euros at the euro reference exchange rate published by the European Central Bank on the date of the respective transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into euros at the rate of exchange ruling on the last day of the reporting year as published by the European Central Bank. Exchange differences arising on the settlement of currencies or on the presentation of assets and liabilities using exchange rates that differ from those originally used in accounting for transactions are recognized in the income statement on a net basis.

The accounting records of the Icelandic branch are maintained in Icelandic Kronur (ISK). In preparing the financial statements, the assets and liabilities of the Icelandic branch are translated to euros using the exchange rates set by the European Central Bank (ECB) on the last day of the reporting year. Revenue and expenses are translated using the ECB's average exchange rate for the reporting period. The resulting exchange differences are recognized as a reserve in equity.

- Exchange rate at the end of 31.12.2020: EUR / ISK – 156.1
- Average exchange rate for the period: EUR / ISK – 154.58953307

Intangible assets

Intangible assets are stated at cost and amortized on a straight-line basis over their estimated useful lives.

- Software 5 years
- Computer software developed internally 2-7 years

The balance sheet lists the purchased computer programs, the purchase price of which for the smallest unit (eg license) exceeds - USD 50,000 (40,747 EUR).

If events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable, the carrying amount of the intangible asset is reviewed for impairment. An impairment loss is recognized whenever the carrying amount of an intangible asset exceeds its recoverable amount.

Goodwill

The Group's management has chosen to apply Article 13 of the Law on Annual Accounts and Consolidated Annual Accounts of the Republic of Latvia to measure goodwill in accordance with International Financial Reporting Standard (IFRS 3 Business Combinations) and impairment assessment is done in accordance with IAS 36 Impairment of Assets..

Goodwill is assessed for impairment annually, as well as in situations where circumstances indicate that its carrying amount may be impaired.

Impairment of goodwill is determined by measuring the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When a recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

Fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is not calculated for land. Depreciation is calculated on a straight-line basis over the estimated useful lives of the following assets:

- Office furniture 5 years
- Electronic office equipment 5 years
- Vehicles 5 years

Property, plant and equipment with an acquisition value exceeding:

- Electronic office equipment 5 000 USD / 4 367 EUR
- Other fixed assets 3 000 USD / 2 620 EUR

Depreciation is calculated starting from the month following the commissioning of fixed assets or involvement in economic activity. Depreciation must be calculated separately for each part of an item of property, plant and equipment whose cost is significant in relation to the total cost of that item of property, plant and equipment. If the Group depreciates separately some parts of an item of property, plant and equipment, it also depreciates separately the remaining parts of the same item of property, plant and equipment. The balance consists of those parts of the fixed asset that are not individually significant. Depreciation of the remaining amounts is calculated using approximation methods to give a true and fair view of their useful lives.

If events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable, the carrying amount of the item is reviewed for impairment. If any such indication exists, and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The recoverable amount of an asset is the higher of its net realizable value 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 that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not itself generate significant cash flows, the recoverable amount is determined for the cash-generating asset to which it belongs. Impairment losses are recognized in the income statement as cost of sales.

2. Summary of significant accounting policies (continued)

Fixed assets (continued)

The carrying amount of an item of property, plant and equipment is derecognized when the asset is disposed of or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in the income statement in the period in which the item is derecognized.

Costs associated with improvements to leased property are capitalized and recognized as property, plant and equipment. Depreciation of these assets is calculated over the lease term on a straight-line basis.

The cost of construction of property, plant and equipment and construction in progress is stated at cost. Initial value includes construction costs and other direct costs. For construction in progress, depreciation is not calculated until the relevant assets have been completed and put into operation.

Other financial assets

Financial assets at fair value through profit or loss

Given that the Company is a subsidiary of a group whose parent company is required to use International Accounting Standards for the recognition, measurement, presentation in the financial statements and explanatory information, the Company chooses to apply Article 13 (5) of the Annual Accounts and Consolidated Annual Accounts Law and recognizes and measures financial investments in accordance with International Accounting Standards. Financial assets at fair value through profit or loss are carried at fair value with changes in fair value recognized in the income statement. Income from these assets is recognized in other income in the income statement. On the Balance Sheet these assets are recognized within Other securities and investments.

Derecognition of financial assets

The Group derecognizes a financial asset only if:

- the contractual rights to the cash flows from the financial asset have expired, or
- the Group transfers all the risks and rewards of ownership of a financial asset and recognizes as an asset or liability separately any rights and obligations arising out of or in connection with the transfer.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated income statement when the assets are derecognized or impaired, as well as through the amortization process.

Trade and other receivables

Trade receivables are accounted for and reflected in the consolidated balance sheet at the original invoice amount, less any allowance for doubtful debts. Provisions for doubtful debts are estimated when it is no longer probable that the full amount due will be received. Debts are written off when their recovery is considered impossible.

Loans and borrowings

Loans and borrowings are initially recognized at cost, being the fair value of the consideration given plus or minus the costs of origination.

Subsequent to initial recognition, loans and borrowings are stated at amortized cost using the effective interest method. Amortized cost is calculated by taking into account the cost of obtaining a loan or borrowing, as well as any discounts or premiums related to the loan or borrowing.

Gains or losses arising from amortization are recognized in the income statement as interest income or expense.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturities of three months or less.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. Where there is a material effect on the time value of money, provisions are calculated by discounting the expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. If discounting is used, the increase in the provision over time is recognized as a borrowing cost.

2. Summary of significant accounting policies (continued)

Contingent liabilities and assets

Contingent liabilities have not been recognized in these consolidated financial statements. They are recognized as a liability only when it is probable that an outflow of resources will be required to settle the obligation. Contingent assets are not recognized in these consolidated financial statements but are disclosed only when it is probable that the economic benefits associated with the transaction will flow to the Group.

Leases

Finance leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the Group are recognized in the balance sheet as property, plant and equipment at the lower of the fair value of the leased property at the inception of the lease. the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance costs are charged to the income statement as interest expense.

If there is sufficient reason to believe that the leased asset will become the property of the lessee at the end of the lease term, the estimated useful life of the asset is assumed. In all other cases, the depreciation of capitalized leased assets is calculated using the straight-line method over the estimated useful lives of the assets or the lease term, whichever is shorter.

Leases of assets under which the lessor assumes substantially all the risks and rewards of ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense over the term of the lease using the straight-line method. The Group's liabilities arising from operating leases are recognized as off-balance sheet liabilities.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, net of value added tax and sales discounts. The following conditions are also taken into account when recognizing revenue.

Provision of services

Revenue from services is recognized in the period in which the services are rendered.

Dividends

Revenue is recognized when the shareholder's right to receive payment is established.

Corporate income tax

Corporate income tax consists of corporate income tax and deferred tax calculated for the reporting year.

As of 1 January 2018, in accordance with the amendments to the Corporate Income Tax Law of the Republic of Latvia, legal entities do not have to pay income tax on the earned profit. Corporate income tax is paid on distributed profits and conditionally distributed profits. Distributed and conditionally distributed profit is taxed at the rate of 20 percent of the gross amount or 20/80 of the net cost. Corporate income tax on dividends is recognized in the income statement as an expense in the period in which the dividends are declared and for other contingent items in the period in which the expenses are incurred during the reporting year. Prior to the reporting of dividends, no deferred tax is recognized on the payment of dividends.

Corporate income tax for the reporting year is calculated by applying a tax rate of 15% for the Lithuanian branch and 20% for the Icelandic branch to the taxable income earned in the relevant taxation period.

According to the Income Tax Act of the Republic of Estonia, companies are not subject to income tax on profits for the financial year. Income tax is levied on dividends, profit benefits, gifts, entertainment expenses, non-operating expenses and transfer price adjustments. The tax rate is 20/80 of the net profit distribution. In certain circumstances, dividends received may be reallocated to income tax expense. Corporate income tax is recognized as a liability for the payment of dividends and as an income tax expense in the income statement when the dividends are declared, regardless of the period for which the dividends were declared or when they were actually paid. The obligation to pay income tax arises on the tenth day of the month following the payment of dividends. Due to the nature of the tax system, there is no difference between the taxation of the assets of companies established in Estonia and the absence of deferred income tax assets or liabilities.

Contingent income tax liabilities related to the payment of dividends from retained earnings are not recognized in the balance sheet.

2. Summary of significant accounting policies (continued)

Deferred tax assets and liabilities

Given that the Group is part of a group whose parent company is required to use International Accounting Standards for the recognition, measurement, presentation in the consolidated financial statements and explanatory information about these items, the Group has elected to apply the Annual Report and Section 13, Paragraph five, Clause 2 of the Consolidated Annual Accounts Law and recognized and assessed deferred tax assets and deferred tax liabilities, as well as provides explanatory information in the items “Deferred tax assets”, “Deferred tax liabilities” and “Income or expenses from deferred tax assets or changes in the balance of liabilities "in accordance with International Accounting Standard No. 12 Income taxes. Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In determining the amount of deferred tax assets and liabilities, tax rates that have been enacted or substantively enacted by the balance sheet date are used.

Corporate Income Tax Law, which entered into force on 1 January 2018, effectively eliminates all temporary differences between the asset and liability base in the Latvian company's financial records and their tax base by that date. Respectively, deferred tax assets calculated and recognized in Latvia in previous reporting periods are reversed in the annual report in the 2017 income statement or reserves, depending on whether the deferred tax liabilities or assets were initially recognized through the profit or loss statement or reserves; as required by International Accounting Standard, changes in tax legislation are reflected in the consolidated financial statements in the period in which the changes are adopted. Deferred tax assets and liabilities are not recognized in Estonia. Deferred tax shown in the balance sheet and income statement is from the Lithuanian branch of Nasdaq CSD SE and Nasdaq CSD Iceland hf. recognized tax asset and deferred tax liability in the subsidiary AS Pensionikeskus.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements unless both of the following conditions are met:

- The parent, investor, venturer or joint operator can control the timing of the reversal of the temporary difference. and
- It is probable that the temporary difference will not change in the foreseeable future.

Impact of COVID-19

With the rapid spread of the coronavirus (COVID-19) pandemic around the world, an unprecedented healthcare crisis began, causing significant disruptions to both businesses and daily lives. In March 2020, various restrictions came into force in the Republic of Latvia and many other countries to reduce the spread of COVID-19, significantly slowing down economic growth. These public policies, which were and still are aimed at limiting the spread of COVID-19, have a significant impact on economic activity in many sectors.

At the same time, governments, including the Government of the Republic of Latvia, introduced various financial support mechanisms to mitigate the economic impact of the COVID-19 pandemic. The company has not applied for such state aid.

Given the rapid spread of the pandemic and the significant uncertainties caused by the inability to predict its outcome reliably, it is currently not possible to determine with sufficient certainty the financial impact of the crisis on the global economy and business as a whole. Management's current forecasts and estimates may differ from actual results.

In assessing these unique circumstances and the risks associated with them, the Group's management has concluded that the Group’s profitability has not been materially affected. The COVID-19 pandemic had no immediate and significant impact on economic activity.

The Group's management believes that all necessary measures are being taken to maintain the Group's viability and to ensure the development of its operations in the current business and economic environment.

Group’s management will continue to monitor the current situation closely and will assess the need for specific actions if the period of business restrictions imposed due to the pandemic is extended.

Events after the balance sheet date

The consolidated financial statements reflect events after the balance sheet date that provide additional information about the Group's financial position at the balance sheet date (adjusting events). If the events after the end of the reporting year are not adjusting, they are reflected in the notes to the consolidated financial statements only if they are significant.

3. Net turnover

From core business	**2020**	**2019**
Income from operating activities of Nasdaq CSD SE - Baltics	6,659,176	6, 302,786
Income from operating activities of Nasdaq CSD SE - Iceland	5,088,774	4, 328,008
Income from the core business of Pensionikeskus AS	1,187,550	1,141,493
Total	**12,935,500**	**11,772,287**

4. Cost of sales

	2020	**2019**
Wages and salaries	1,783,732	1,779,395
IT system maintenance expense	1,516,621	1,766,822
External brokerage services	212,643	517,810
Non-deductible input VAT	372,279	347,086
Depreciation and amortization	147,705	152,627
Statutory social insurance contributions	274,841	287,455
Office lease	399,400	397,667
Annual fee to the Financial and Capital Market Commission	226,326	164,638
Membership fees to international organizations	24,816	28,833
Other operating expense	59,181	81,937
Total	**5,017,544**	**5,524,270**

5. Administrative expense

	2020	**2019**
Wages and salaries	845,276	686,979
Consultants	861,413	866,013
Bank charges	770,741	507,384
Intra-group services	1,281,659	786,412
Business trips	26,329	285,577
Statutory social insurance contributions	169,503	100,600
Transport expense	57,566	53,762
Representation expense	3,204	-
Insurance	65,396	71,138
Communication and postal expense	68,631	42,491
Other administrative expenses	205,295	133,300
Total	**4,355,013**	**3, 533,656**

6. Other operating income

	2020	2019
Compensated labor costs	149,859	166,185
Revenues from IT systems transferred to Nasdaq Stockholm	553,413	410,810
Other revenue	12,686	81,475
Total	**715,958**	**658,470**

7. Other operating expense

	2020	2019
Expenses for IT systems transferred to Nasdaq Stockholm	527,060	376,950
Compensated labor costs	142,723	158,271
Allowances for doubtful trade receivables	104,468	122,659
Currency exchange loss	15,221	4,774
Recreation activities of employees	-	21,715
Other operating expenses	-	5,745
Total	**789,472**	**690,114**

8. Other interest receivable and similar income

	2020	2019
Interest on investments in Government bonds	65,296	207,812
Other interest income	-	457
Total	**65,296**	**208,269**

9. Impairment of non-current and current financial assets

	2020	2019
Revaluation of financial assets	14,624	39,315
Total	**14,624**	**39,315**

10. Interest payable and similar expense

	2020	2019
Interest paid	-	23,982
Penalties paid	112	1,376
Total	**112**	**25,358**

11. Current and deferred corporate income tax

	2020	2019
Current corporate income tax charge for the reporting year	(634,029)	(465,098)
Deferred corporate income tax due to changes in temporary differences	40,049	(26,350)
Corporate income tax charged to the statement of profit or loss:	**(593,980)**	**(491,448)**

Income or expense from changes in deferred tax assets or deferred tax liabilities

	Balance sheet		Income statement	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
Deferred corporate income tax liabilities				
Other provisions	-	34,165	34,165	(34,165)
Gross deferred corporate income tax liabilities	**-**	**34,165**	**34,165**	**(34,165)**

	Balance sheet		Income statement	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
Deferred income tax asset (Iceland and Lithuania)				
Provision for bonuses	(12,238)	(11,325)	913	(261)
Other provisions	(20,744)	(15,773)	4,971	(2,223)
Gross deferred corporate income tax asset	**(32,982)**	**(27,098)**	**5,884**	**(2,484)**
Net deferred corporate income tax (asset) liabilities	**(32,982)**	**7,067**	**40,049**	**(36,649)**

Comparison of the actual corporate income tax with the theoretically calculated:

	2020	2019
Profit before tax – Lithuanian branch	390,873	390,207
Profit before tax – Icelandic branch	2,535,730	2,415,775
Theoretically calculated corporate income tax - 15% (On the profit earned in the Lithuanian branch of Nasdaq CSD SE)	58,631	58,531
Theoretically calculated corporate income tax - 20% (On the profit earned by Nasdaq CSD Iceland)	507,146	483,155
Permanent differences:		
Income tax adjustment for previous years	52,117	-
Non – deductible expenses	10,539	611
Other	5,596	(77,199)
Actual corporate income tax for the year:	**634,029**	**465,098**
Deferred tax charge in the income statement	(40,049)	26,350
Corporate income tax charged to the statement of profit or loss:	**593,980**	**491,448**

12. Staff costs and number of employees

	2020	2019
Wages and salaries	2,744,024	2, 593,919
Statutory social insurance contributions	472,051	418,781
Total	**3,216,075**	**3, 012,700**

Including key management personnel compensation:

	2020	2019
Members of the Boards		
Wages and salaries	430,994	471,588
Statutory social insurance contributions	96,887	101,325
Total	**527,881**	**572,913**

	2020	2019
Independent Council Members		
Wages and salaries	49,500	47,076
Statutory social insurance contributions	12,459	11,341
Total	**61,959**	**58,417**

	2020	2019
Average number of Parent Company Council Members during the reporting year	6	7
• of that – Independent Council Members	*3*	*4*
Average number of the Parent Company Management Board Members in the reporting year	4	4
Average number of other employees in the reporting year	56	51
Total	**66**	**62**

13. Intangible assets

	Concessions, patents, licences, trademarks and similar rights	Goodwill	Total
Year ended 31 December 2018			
Cost	1,403,407	4,073,173	5,476,580
Accumulated amortisation and impairment	(676,170)	-	(676,170)
Carrying amount as at 31 December	727,237	4,073,173	4,800,410
Year ended 31 December 2019			
Carrying amount as at 1 January	727,237	4,073,173	4,800,410
Carried over as a result of the addition of a subsidiary	19,191	-	19,191
Accumulated depreciation carried forward as a result of the addition of a subsidiary	(19,191)	-	(19,191)
Additions	184,368	18,846,900	19,031,268
Initial value of excluded investments	(240,318)	-	(240,318)
Accumulated depreciation of disposals	151,986	-	151,986
Amortisation charge	(95,849)	-	(95,849)
Carrying amount as at 31 December	727,424	22,920,073	23,647,497
Year ended 31 December 2019			
Cost	1,366,648	22,920,073	24,286,721
Accumulated amortisation and impairment	(639,224)	-	(639,224)
Carrying amount as at 31 December	727,424	22 920,073	23,647,497
Year ended 2020			
Carrying amount as at 1 January	727,424	22,920,073	23,647,497
Additions	610,941	-	610,941
Cost of disposals	(527,060)	-	(527,060)
Amortization charge	(99,188)	-	(99,188)
Foreign currency exchange rate fluctuations	-	(2,463,016)	(2,463,016)
Carrying amount as at 31 December	**712,117**	**20,457,057**	**21,169,174**
Year ended 31 December 2020			
Cost	1,450,529	20,457,057	21,907,586
Accumulated amortization and impairment	(738,412)	-	(738,412)
Carrying amount as at 31 December	**712,117**	**20,457,057**	**21,169,174**

Goodwill

As at 31 December 2020, the Group performed an annual impairment test for goodwill, allocating goodwill to each identifiable cash-generating unit. The verification was performed on the basis of a three-year business plan applying a pre-tax discount rate of 11.6% (for Iceland) and 9.1% (for Lithuania) (2019-11.4%) and as a result of the impairment test no impairment was identified.

The recoverable amount of goodwill is determined based on a value in use calculation using cash flow projections based on management's budget plan.

Company	%	Initial investment EUR	Equity EUR	Goodwill EUR
AS Eesti Vaartpaberikeskus, Makri 19/1, 10145				
Tallinn, Estonia	100	1,822,036	2,048,816	(226,780)
	Total	**1,822,036**	**2,048,816**	**(226,780)***
AB Lietuvos centrinis vertybiniu popieriu depozitoriumas, Konstitucijos ave. 29, LT-08105 Vilnius, Lithuania	100	5,665,532	1,592,359	4,073,173
AS Pensionikeskus, Makri 19/1, 10145 Tallinn, Estonia	100	522,500	522,500	-
Nasdaq CSD Iceland hf., Laugavegi 182 105 Reykjavík	100	23,265,000	4,418,100	18,846,900
Foreign currency exchange rate fluctuations				(2,463,016)**
	Total	**29,453,032**	**6,532,959**	**20,457,057*****

* Negative goodwill was recognized in the income statement for 2016

** Goodwill arising from the Icelandic branch is determined in Icelandic Krona (ISK).

*** The goodwill of the company is presented in the balance sheet of the Nasdaq CSD SE Group

14. Property, plant and equipment

	Office equipment, furniture	Leasehold improvements	Total
Year ended 31 December 2018			
Cost	428,424	42,156	470,580
Accumulated depreciation and impairment	(237,862)	(703)	(238,565)
Carrying amount as at 31 December	190,562	41,453	232,015
Year ended 2019			
Carrying amount as at 1 January	190,562	41,453	232,015
Additions	35,524	50,370	85,894
Initial value transferred as a result of the addition of a subsidiary	68,037	-	68,037
Accumulated depreciation carried forward as a result of the addition of a subsidiary	(28,138)	-	(28,138)
Cost of disposals	(189,525)	-	(189,525)
Accumulated depreciation of disposals	131,410	-	131,410
Depreciation	(39,684)	(18,618)	(58,302)
Carrying amount as at 31 December	168,186	73,205	241,391
Year ended 31 December 2019			
Cost	342,460	92,526	434,986
Accumulated depreciation and impairment	(174,274)	(19,321)	(193,595)
Carrying amount as at 31 December	168,186	73,205	241,391
Year ended 2020			
Carrying amount as at 1 January	168,186	73,205	241,391
Reclassification - cost	(4,688)	4,688	-
Reclassification - accumulated depreciation	1,214	(1,214)	-
Additions	18,613	-	18,613
Cost of disposals	(53,293)	-	(53,293)
Accumulated depreciation of disposals	53,293	-	53,293
Depreciation	(36,482)	(12,034)	(48,516)
Foreign currency exchange rate fluctuations	(7,192),	(7,526)	(14,718),
Carrying amount as at 31 December	**139,651**	**57,119**	**196,770**
Year ended 31 December 2020			
Cost	295,900	89,688	385,588
Accumulated depreciation and impairment	(156,249)	(32,569)	(188,818)
Carrying amount as at 31 December	**139,651**	**57,119**	**196,770**

15. Other securities and investments

	31.12.2020	31.12.2019
Government securities	5,447,184	5,921,210
Other financial investments	1,153	9,384
Total	**5,448,337**	**5, 930,594**

Government securities

	31.12.2020	31.12.2019
At the beginning of the reporting year	5,921,210	2, 334,069*
Purchases	3,968,324	-
Obtained from an Icelandic subsidiary	-	3, 442,242
Redemption and received coupons	(4,045,736)	(211,893)
Changes in fair value and accrued interest recognized in profit or loss	(396,614)	356,792
At the end of the reporting year	**5,447,184**	**5, 921,210**
incl. Short - term financial investments	2,911,408	4, 366,134
incl. Long term financial investments	2,535,776	1, 555,076

In 2019, the Company discontinued active trading in securities and reclassified investments from “Non-current assets held for sale” to long-term and short-term financial investments. The figure shown indicates the balance of the assets at the time of reclassification. At the beginning of 2019, “Non-current assets held for sale” amounted to EUR 2,288,057.

The financial investments in government securities consist of the following securities:

	31.12.2020	31.12.2019
Dutch Treasury bills with a fixed yield of 3,500% and a maturity of 15 July 2020	-	622,411
Latvian Treasury bills with a fixed yield of 2.625% and a maturity date of January 21, 2021	410,186	316,465
Polish Government Bonds with a fixed yield of 4,500% and a maturity date of 18 January 2022	268,167	279,184
Latvian Government Bonds with a fixed yield of 5.25% and maturity October 22, 2022	-	115,901
Czech Treasury bills with a fixed yield of 3.875% and a maturity date of May 24, 2022	227,487	234,593
Polish Government Bonds with a fixed yield of 4,200% and a maturity date of April 15, 2020	-	52,193
Polish Government Bonds with a fixed yield of 4,200% and a maturity date of April 15, 2020	230,413	234,700
Dutch Treasury bills with afixed yield of 1.75% and a maturity of 15 July 2023	267,825	268,744
Polish Government Bonds with a fixed yield of 4,200% and a maturity date of April 15, 2020	-	104,387
Latvian Treasury bills with a fixed yield of 2.625% and a maturity date of January 21, 2021	1,541,884	105,489
Icelandic Treasury bills with a fixed yield of 6.25% and a maturity date of 5 February 2020	2,501,222	3,587,143
Total	**5,447,184**	**5,921,210**

16. Trade receivables

	31.12.2020	31.12.2019
Trade receivables	1,642,216	1, 476,871
Allowances for doubtful trade receivables	(263,014)	(202,277)
Total	**1,379,202**	**1, 274,594**

Trade receivables are non-interest bearing.

17. Other receivables

	31.12.2020	31.12.2019
Overpayment of taxes (see Note 25 “Taxes and State mandatory social insurance payments”)*	17,683	74,692
Other receivables	7,034	6,706
Total	**24,717**	**81,398**

18. Prepaid expenses

	31.12.2020	31.12.2019
IT systems support	-	12,044
Regulatory fee	7,812	-
Office rent	6,450	6,454
Car leasing	2,586	4,014
Insurance	27,177	30,449
Other expenses	961	7,397
Total	**44,986**	**60,358**

19. Debts of affiliated companies

	31.12.2020	31.12.2019
Short-term deposit	1,326,958	114,846
Total	**1,326,958**	**114,846**

According to the loan / borrowing agreement concluded between Nasdaq CSD SE and Nasdaq Treasury AB, the deposit must be repaid upon request. The interest rate on the deposit is 1 month EURIBOR minus 0 percentage points. No negative rate is applied.

20. Cash and cash equivalents

	31.12.2020	31.12.2019
Cash at bank*	16,444,928	14,855,727
Total	**16,444,928**	**14,855,727**

* As required by the Capital Adequacy Policy of Nasdaq CSDE SE, the capital adequacy level as at 31 December 2020 is set at EUR 10.4 million. In accordance with this policy, EUR 10.1 million (2019 - EUR 5.1 million) are held in the accounts of the Central Banks of Latvia and Estonia as restricted funds.

21. Share capital

The Group's fully paid-up share capital is 29,228,000 EUR (2019 - 29,228,000 EUR) and consists of 29,228 registered shares. The nominal value of one share is 1,000 EUR. No dividends were paid in 2020 and 2019.

The Group's Management Board recommends that the profit for the reporting year be directed to the further development of the Group.

22. Other loans

	Maturity date	Lease amount	Maturing in more than five years	Maturing between one and five years	Maturing in less than one year
Finance lease liabilities	-	-	-	-	-
Total 31.12.2020		-	-	-	-
Total 31.12.2019		-	-	-	**2,721**

23. Trade payables

	31.12.2020	31.12.2019
Payments to securities owners*	6,169,515	6,110,157
Other	178,852	208,374
Total	**6,348,367**	**6,318,531**

* Payments to security holders consist of dividends paid and cash entitlements held in the Nasdaq CSD SE Initial Register.

The funds of the initial register are invested in the following assets:

	31.12.2020	31.12.2019
Bank of Latvia account	3,684,480	4,382,000
Investments in the investment portfolio	2,485,035	1,728,157
Total	**6,169,515**	**6,110,157**

Pursuant to the Financial Instruments Market Law, the Central Depository keeps funds belonging to holders of financial instruments registered in the initial register or registered in the initial register and not accepted the final share repurchase offer on the expiry date of the final share repurchase offer. These funds may not be used to satisfy the claims of the Central Depository's creditors. This requirement also applies in cases where the Central Depository has been declared insolvent in accordance with the procedures prescribed by law.

24. Payables to affiliated companies

	31.12.2020	31.12.2019
Loan from related company*	1,520,308	1,457,090
Total	**1,520,308**	**1,457,090**

* According to the loan / borrowing agreement concluded between Nasdaq CSD SE and Nasdaq Treasury AB, the loan must be repaid upon request. The borrowing rate is 1-month Euribor plus 118 percentage points.

25. Taxes payable

	31.12.2020	31.12.2019
Latvia		
State social insurance contributions	-	4,992
Personal income tax	369	269
Corporate income tax	17,309	69,426
Value-added tax	(46,163)	(7,832)
Business risk fee	5	5
Lithuania		
Corporate income tax	(25,120)	(29,987)
Value-added tax	(27,065)	(21,412)
Estonia		
State social insurance contributions	(20,281)	(32,276)
Personal income tax	(9,617)	(16,187)
Value-added tax	(36,350)	(37,613)
Business risk fee	(1,153)	(1,939)
Iceland		
Personal income tax	(29,478)	(33,918)
Value-added tax	(38,645)	-
Corporate income tax	(491,794)	(486,302)
Total	**(707,983)**	**(592,774)**
Total receivable (disclosed as other receivables)	**17,683**	**74,692**
Total payable	**(725,666)**	**(667,466)**

26. Deferred income

	31.12.2020	31.12.2019
Annual fee of issuers	30,583	26,908
Total	**30,583**	**26,908**

27. Accrued liabilities

	31.12.2020	31.12.2019
Provisions for employee bonuses	319,739	294,079
Provisions for creditors' accounts	306,192	368,616
Other accrued liabilities	36,034	93,434
Provision for unused leave	266,389	225,719
Provision for employee share repurchase plan	80,288	-
Total	**1,008,642**	**981,848**

28. Commitments and contingencies

Vehicle leases	Date of maturity	Lease amount	Maturing in more than five years	Maturing between one and five years	Maturing in less than one year
Operating lease liabilities	2025/12	30,058	-	23,998	6,060
Operating lease liabilities	2025/06	21,168	-	16,464	4,704
Operating lease liabilities	2022/08	15,486	-	6,194	9,292
Operating lease liabilities	2024/02	13,826	-	9,460	4,366
Operating lease liabilities	2021/09	3,599	-	-	3,599
Total 31.12.2020			**-**	**56,116**	**28,021**
Total 31.12.2019			**-**	**29,312**	**22,379**
Premises leases	**Date of maturity**	**Lease amount**	**Maturing in more than five years**	**Maturing between one and five years**	**Maturing in less than one year**
Office rent in Riga	**2022/09**	82,681	-	35,435	47,246
Office rent in Reykjavik	**2022/08**	152,718	-	70,759	81,959
Office rent in Tallinn	**2024/12**	76,233	-	50,822	25,411
Office rent in Tallinn	**2024/12**	119,796	-	79,864	39,932
Total 31.12.2020			**-**	**236,880**	**194,548**
Total 31.12.2019			**-**	**431,428**	**194,548**

The rent of office space in Vilnius is included in the total reimbursement agreement with a related company and cannot be determined precisely.

29. Events after the balance sheet date

The full impact of the COVID-19 pandemic on economic activity is not yet known and the situation continues to evolve. Management believes that after the financial year, the COVID-19 pandemic at the reporting date will not significantly affect the Group's operations. However, this assumption is based on the financial statements the information available at the date of signing, and the effect of future events on the Group's ability to continue as a going concern may differ from management assessment.

In the period from the last day of the reporting year to the date of signing these financial statements, there have been no other events that resulted in adjustments that should be made to these financial statements or explained in these financial statements.

Indars Aščuks
Chairman of the
Management Board

Kristi Sisa
Deputy Chairman of the
Management Board

Dalia Jasulaityte
Member of the Management
Board

Jānis Siņēvičs
Accountant

Riga, 2 June 2021