Kvalificēts elektroniskais paraksts
INDARS AŠČUKS
2022-05-18 13:35:43 GMT+3
Mērķis: Paraksts

Kvalificēts elektroniskais paraksts
INGUNA ČAKSTIŅA
2022-05-18 14:06:51 GMT+3
Mērķis: Paraksts

Kvalificēts elektroniskais paraksts
KRISTI SISA
2022-05-18 14:32:49 GMT+3
Mērķis: Paraksts

Kvalificēts elektroniskais paraksts
DALIA JASULAITYTĖ
2022-05-18 14:54:54 GMT+3
Mērķis: Paraksts

NASDAQ CSD SE

(REGISTRATION NUMBER 40003242879)

2021 CONSOLIDATED ANNUAL REPORT

PREPARED IN ACCORDANCE WITH
THE LAW ON ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS OF THE REPUBLIC OF LATVIA
AND INDEPENDENT AUDITORS' REPORT*

Riga, 2022

* 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.

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General information

Parent entity	Nasdaq CSD SE	
Parent entity's legal form	European Company (Societas Europaea)	
Parent entity's registration number, place and date	40003242879 Riga, 9 January 1995 Re-registration in the Commercial Register: 16 April 2004 with the unified registration number 40003242879	
Registered office	Vaļņu iela 1 Riga, Latvia, LV-1050	
Members of the Management	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 Saladžiene - 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	Estonian branch of Nasdaq CSD SE Maakri 19/1, 10145 Tallinn, Estonia Lithuanian branch of Nasdaq CSD SE Konstitucijos ave. 29 LT-08105 Vilnius, Lithuania Icelandic branch of Nasdaq CSD SE Laugavegur 182 105 Reykjavík, Iceland	
Subsidiary	AS Pensionikeskus Maakri 19/1 10145 Tallinn, Estonia	
Financial year	1 January 2021 - 31 December 2021	
Auditors	Dace Negulinere Sworn auditor of the Republic of Latvia Certificate Nr. 175	SIA „Ernst & Young Baltic” Muitas iela 1A, Riga Latvia, LV – 1010 Licence Nr.17

Management report

18 May 2022

Business profile

Nasdaq CSD SE (Societas Europaea) Group (hereinafter - "Nasdaq CSD" or "Group") acts as the regional Central Securities Depository in the Baltics and Iceland. Nasdaq CSD 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 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.

Financial operations of Nasdaq CSD during the reporting year

In 2021, the Nasdaq CSD earned a profit of EUR 4 387 693 (before tax), which is EUR 847 704 more than in 2020. Net profit margin was 24% (2020: 23%).

Nasdaq CSD revenue for 2021 amounted to EUR 15.35 million (2020: EUR 12.93 million). Services provided by Nasdaq CSD SE comprised 15% (2020 - 17%), Nasdaq CSD Estonian branch - 15% (2020 - 19%), Nasdaq CSD Lithuanian branch - 16% (2020 - 16%), Nasdaq CSD Icelandic branch - 41% (2020 - 39%) and subsidiary Pensionikeskus AS - 13% (2020 - 9%) of the Nasdaq CSD total 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.

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

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 2021

During 2021, the following strategic initiatives were the focus of Nasdaq CSD and its subsidiary:

- Increase services and value proposition in the Icelandic market
- Automated ISIN allocation service launch
- ESIS ID Service launch
- Compliance initiatives (CSDR Settlement Discipline Regime implementation, shareholder list distribution system ESIS enhancements for Shareholder Rights Directive II related services, TARGET Consolidation),
- Commencement of Customer e-Services portal implementation project

- Commencement of website redesign project
- Feasibility assessments (Implementing investor CSD link with Clearstream Banking Frankfurt, feasibility assessment on registry services for private companies in Iceland, LEI service expansion)
- Pension reform in Estonia (affecting the subsidiary AS Pensionikeskus).

More information is provided below.

Increased services and value proposition in the Icelandic market

During 2021, Nasdaq CSD focused on increasing the range of services provided in the Icelandic market. Focus was on delivering efficiency and tangible value adding services to customers in compliance with regulatory requirements and internationally recognized standards, activating the CSD services valued by issuers and participants, e.g., improved settlement services and corporate action services. Regular customer interactions were held to gather market needs and feedback. Several feasibility assessments were initiated in the local market on euro settlement services and possible fund services.

Automated ISIN allocation service launch

In September, Nasdaq CSD launched a new service providing automated ISIN allocation for dedicated customers. During Q1 – Q3 Nasdaq CSD focused on the service development, internal and external testing and launch preparations. The new service enables issuers to apply for an ISIN code needed for securities identification in an automated manner using application to application integration.

ESIS ID Service launch

In June, Nasdaq CSD introduced a new service ESIS ID which offers intermediaries a simple and efficient way of meeting requirements of shareholder identification process deriving from the Shareholder Rights Directive II (SRD II). The new service provides an opportunity for an intermediary to use Nasdaq SWIFT FINplus infrastructure to send SRDII compliant ISO20022 standard format messages related to shareholder identification.

Compliance initiatives

During the year Nasdaq CSD team focused on several compliance initiatives. European CSD Regulation's Settlement Discipline Regime (CSDR SRD) related developments and launch preparations were ongoing throughout 2021; core CSD system was successfully upgraded for the partial launch of related functionality during the fall ("dry run" period in production environment to calculate yet not apply the penalties); diligent testing and market readiness activities were handled throughout Q4 to prepare for the full scope launch in February 2022. Financial instrument holder and owner generation system ESIS experienced enhancements in relation to Shareholder Rights Directive II related services. The CSD team analyzed the impact on internal procedures and customers due to the upcoming TARGET Consolidation initiative scheduled to launch in November 2022.

Commencement of Customer e-Services portal implementation project

Nasdaq CSD has initiated a project to assess implementation options for Customer e-Services portal. Currently, Nasdaq CSD provides services to issuers using ESIS system. The goal is to create a new single user interface in order to provide access to current and future CSD's e-services to issuers and CSD participants. This would enhance value proposition and efficiency. The initial phase would target the development of the base platform to facilitate modular addition of e-services, with Corporate Actions application submission e-service as the first module. During the year Nasdaq CSD performed feasibility assessment that will continue during Q1 2022 with a goal to make a decision on implementation and commence the implementation during 2022.

Commencement of website redesign project

During second half of the year Nasdaq CSD started a new initiative to redesign the current Nasdaq CSD webpage. The aim is to enhance value proposition through improved web user experience. Nasdaq CSD engaged an external agency to consult on the design of the website. Main focus was to define the requirements for the new website and initiate content review. The works will continue in 2022 aiming for launch in Q3 2022.

Feasibility assessments

An important focus area is to constantly re-consider new business opportunities and possible improvements. The team closely interacts with customers and internally to capture customer needs and market trends. There were several feasibility assessments carried out during the year to contribute to business analysis e.g., analysis of potential Investor CSD link with Clearstream Banking Frankfurt targeting for potential implementation in 2022, LEI service expansion and partnership opportunities, feasibility assessment on registry services for private companies in Iceland, and other feasibly assessments on potential new services in the Icelandic market.

Pension reform in Estonia

The subsidiary AS Pensionikeskus was focusing on the delivery of functionality within EPIS pension system, in line with the changes in the Compulsory Funded Pension Act applicable from 2020. Developments of new and changes to existing functionality were accomplished in four system releases throughout 2021.

Impact of Covid-19

All Nasdaq CSD services and operations remained fully available. The staff was equipped with all necessary tools to service customers either from home or office. The planned projects and delivery times were not impacted by Covid-19. No negative impact on day-to-day customer service was noted.

Overview of key metrics

In 2021, Nasdaq CSD further developed and improved its business-critical IT systems, including four core CSD system releases, three releases of financial instrument holder and owner generation system ESIS, and number of Change requests or Hotfixes.

The statistics provided below cover all four Securities Settlement Systems (SSS) operated by Nasdaq CSD – Estonian, Icelandic, Latvian and Lithuanian.

The number of accounts has increased by 70% in the Baltic SSS and by 9% in total. At the end of 2021, the number of accounts at Nasdaq CSD was approaching 340 thousand, majority of them being beneficial owner accounts in the Estonian and Icelandic SSS.

The number of instruments registered with Nasdaq CSD at the end of 2021 was 8 316, out of which 83% were equities. Most of the Baltic instruments are T2S eligible. Icelandic instruments are not settled in T2S. Nasdaq CSD has number of foreign instruments registered in the Core CSD system where Nasdaq CSD acts as the Investor CSD in Clearstream Banking Luxembourg. The number of Baltic instruments increased by 0.6% in 2021, while number of Icelandic instruments decreased by 6.2%.

During 2021, Nasdaq CSD processed 4 157 corporate actions, 11% more than in 2020. Majority (51%) were related to the Estonian SSS instruments, 24% – Lithuanian SSS, 18% – Icelandic SSS, and 7% – Latvian SSS. The number of corporate actions increased in the Lithuanian SSS due to legislative changes that came into force in September 2020 and in Icelandic SSS due to active sales work.

The value of assets kept under custody by Nasdaq CSD during 2021 increased by 24.2% and at the end of 2021 was 78 billion EUR. Largest increase in assets under custody was in equities and corporate debt.

During 2021, Nasdaq CSD processed on average 400 thousand settlement instructions per month, twice as much as in 2020. Increase in number of settlement instructions was associated with higher trading volumes on the stock exchanges and large number of IPOs in the Estonian and Icelandic SSS. Majority (67%) were Delivery versus Payments (DVP) of trades carried out on the stock exchanges, 32% – Free of Payments, 28% of OTC trades, and 13% – payments related to corporate actions. The value of DVP settlement instructions during 2021 was 51 billion EUR, two times more than in 2020.

Estonian Funded Pension

At the end of 2021, the total number of mandatory (II pillar) and supplementary funded pension (III pillar) accounts was more than 825 thousand. The total number of accounts of mandatory funded pension was more than 788 thousand which is 23 thousand more than at the end of 2020. The number of investors of the supplementary funded pension were 137 thousand which is 15 thousand investors more than at the end of 2020.

At the end of 2021, the total value of the mandatory funded pension funds was 4,5 billion EUR, which is 15 % lower than at the end of the 2020. The main reason for the significant change is the Estonian mandatory funded pension reform that was rolled out at the beginning of 2021. People that had savings in the II pillar got the right to leave the II pillar. More than 148 thousands of people decided to use this right in 2021 and during September the same year these payments were made. People leaving II pillar would be allowed to re-join in 10 years and therefore their pension accounts remained in registry open and active. Also, with the pension reform the right to take the II pillar savings out as a lump sum pension payment was given to people in pension age or who has less than 5 years until pension age (65 years). More than 34 thousand people used the right during the year 2021.

In April 2021 a new service – pension investment account – was introduced. The pension reform gave people the option to make investment decisions without leaving the II pillar. In 2021 around 4 thousand people decided to make investments in securities or other assets.

The volumes of the supplementary funded pension increased by 54% from 252.2 million EUR to 387.8 million EUR by end of 2021.

The EPI index that measures the average rate of return of the funded pension funds grew 12.73 % from 198.82 points in 2020 to 224.14 point by end of 2021.

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

During the year, four new pension funds were launched. As of the end of 2021, there were 26 mandatory funded and 16 voluntary pension funds registered in Estonia.

Risk management

Risk is defined as the potential negative deviation from the expected economic result. Purpose of risk management is to recognize, measure and manage risks properly supporting following goals:

- protecting the company against unexpected significant risks and ensuring its continuous operations.
- support business strategic initiatives with clear overview of risk exposure in the various business segments.

In other words, the objective of risk management is to increase the company's value by minimizing losses and decreasing the volatility of results.

Risk governance

Company risk management is based on a strong risk culture of Nasdaq and is built on the principle of three lines of defense, as it is defined within Enterprise Risk Management Framework. First line, i.e. business areas, being liable for taking the risks and managing them on a daily basis. The second line of defense, i.e. risk management function, is responsible for developing risk management methods and reporting of Company risks oversight. The third line of defense, i.e. the Internal Audit, exercises independent supervision over the entire organization.

The risk management principles, requirements and areas of responsibility are stated in the Company Enterprise Risk Management policy. 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 Company has a risk appetite framework, approved by the Supervisory Council. The framework contains inter alia risk appetite statements and quantitative risk tolerance levels under following main risks 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 company's people, processes, and systems and external causes.
- **Financial Risk** - risk to the company'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

The Supervisory Council is ultimately responsible for establishing and maintaining effective risk management and an internal control environment within the Company. The Supervisory Council provides an oversight with regards to relevant risk management policies. The Supervisory Council established the Risk Committee to advise on the Company'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 Company.

The Management Board is responsible for ensuring consistency of the risk-related activities of the Company 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 Company. 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 devoted to risk management and internal control.

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

Risk profile summary

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

The risk profile of the Company remained stable during the financial year. Company at all times had sufficient capital for all risk types and managed risk in line with own risk appetite.

Capital management

The Group 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 Group 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 Group, the capitalization of Group must remain above the required capitalization under Article 47 of CSDR. In order to maintain adequate capitalization at all times, the company has self-imposed capital buffer which is equal to 10% of regulatory capital requirements. Group's capital can be divided into 1) required minimum capital and 2) voluntary held capital buffer. As of year-end 2021, the capital adequacy ratio was 147%. The Group 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 Group. 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.

Circumstances and events after the end of reporting year

The Management Board acknowledges the current conflict in Ukraine which continues to evolve at the date of this report. Whilst any future impact on the Group remains uncertain, the Management Board is confident that it will not have any material impact on the future financial position or performance of the Group as the Group has no direct exposure to the countries involved in the conflict.

No other significant circumstances or events directly affecting the Group's operations have been identified. The Management Board continuously monitors the situation. Although the Group is exposed to risks associated with general economic downturn, based on the currently available information the Management Board believes the Group will be able to successfully continue its operations. However, this conclusion is based on the information available at the time of signing these financial statements, and the impact of future events on the future operations of the Group may differ from the management's assessment.

Profit distribution recommended by the Management Board

The Management Board of Nasdaq CSD recommends a distribution of dividends to the shareholders of Nasdaq CSD for 2021 in the amount of EUR 3 000 000.

Future prospects

Nasdaq CSD has set the following strategic goals for 2022:

- Retaining the CSD business in Estonia and Pension business in Latvia by extending the contracts with the governments for next term
- Enhancing the CSD product portfolio
- Adapting infrastructure and service offering to law changes.

Statement of the Management Board's responsibility

The Management Board is responsible for the preparation of the financial statements based on accounting records for the reporting year. The 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 certifies that appropriate accounting policies have been consistently applied and prudent judgments and estimates have been made in the preparation of the financial statements for the year ending 31 December 2021. The Management Board also confirms that these financial statements have been prepared on a going concern basis.

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

Indars Aščuks
Chairman of the Management Board

Kristi Sisa
Deputy Chairman of the Management Board

Dalia Jasulaityte
Member of the Management Board

Riga, 18 May 2022

Consolidated income statement

	Note	2021	2020
		EUR	**EUR**
Net turnover	3	15 352 646	12 933 752
Other operating income	4	477 858	717 705
Other external costs	5	(7 564 167)	(6 854 253)
Labor costs	6	(3 601 075)	(3 040 493)
Decrease in value adjustments:		(166 990)	(147 707)
• depreciation and amortization expense	9,11	(166 990)	(147 707)
Other operating expenses	7	(19 156)	(119 092)
Other interest income and similar income		11 747	65 296
Interest payable and similar expense:		(103 170)	(15 219)
• related parties		(79 216)	(58)
• other persons		(23 954)	(15 161)
Profit before corporate income tax		**4 387 693**	**3 539 989**
Income tax expense	8	(756 915)	(634 029)
Profit after income tax		**3 630 778**	**2 905 960**
Income or expense arising from changes in deferred tax assets or liabilities	8	8 879	40 049
Net profit for the reporting year		**3 639 657**	**2 946 009**

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

Inguna Čakstiņa
Chief Accountant

Riga, 18 May 2022

Consolidated balance sheet

	Note	31.12.2021	31.12.2020
		EUR	**EUR**
Assets			
Non-current assets			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights	9	877 654	712 117
Goodwill	9,10	21 400 574	20 457 057
Total		**22 278 228**	**21 169 174**
Tangible assets			
Leasehold improvements	11	37 560	57 119
Other plant and equipment	11	121 844	139 651
Total		**159 404**	**196 770**
Long term financial investments			
Other securities and investments	12	2 015 304	2 536 929
Deferred tax assets	8	41 861	32 982
Total		**2 057 165**	**2 569 911**
Total non-current assets		**24 494 797**	**23 935 855**
Current assets			
Receivables			
Trade receivables	13	1 489 712	1 379 202
Other receivables	14	73 324	24 717
Receivables from related parties	16	114 604	1 326 958
Prepaid expenses	15	75 496	44 986
Accrued income		5 703	133 154
Total		**1 758 839**	**2 909 017**
Current financial assets			
Other securities and investments	12	1 475 663	2 911 408
Total		**1 475 663**	**2 911 408**
Cash and cash equivalents	17	20 081 301	16 444 928
Total current assets		**23 315 803**	**22 265 353**
Total assets		**47 810 600**	**46 201 208**

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

Inguna Čakstiņa
Chief Accountant

Riga, 18 May 2022

Consolidated balance sheet (continued)

	Note	31.12.2021	31.12.2020
		EUR	**EUR**
Equity and liabilities			
Equity			
Share capital	18	29 228 000	29 228 000
Foreign exchange conversion reserve		(2 350 549)	(3 272 904)
Retained earnings		7 612 546	7 666 537
Profit for the reporting year		3 639 657	2 946 009
Total equity		**38 129 654**	**36 567 642**
Liabilities			
Current liabilities			
Trade payables	19	6 702 311	6 348 367
Payables to affiliated companies	20	710 543	1 520 308
Taxes and compulsory state social insurance contributions	21	952 927	725 666
Deferred income		15 508	30 583
Accrued liabilities	22	1 299 657	1 008 642
Total		**9 680 946**	**9 633 566**
Total liabilities		**9 680 946**	**9 633 566**
Total equity and liabilities		**47 810 600**	**46 201 208**

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

Inguna Čakstiņa
Chief Accountant

Riga, 18 May 2022

Consolidated cash flow statement

	Note	2021	2020
		EUR	EUR
Cash flow from operating activities			
Profit before income tax		**4 387 693**	**3 539 989**
Adjustments:			
• depreciation and impairment of property, plant and equipment	11	50 486	48 516
• amortization and impairment of intangible assets	9	116 643	99 188
• gain or loss from foreign exchange rate fluctuations		2 888	15 221
• other interest income and similar income		—	(65 296)
• impairment of non-current and current financial assets		—	14 624
• interest payable and similar expenses		81 237	112
Profit or loss before adjustments for the effect of changes in current assets and current liabilities		**4 638 947**	**3 652 354**
• (Increase) or decrease in receivables		(62 176)	331 506
• Increase or (decrease) in outstanding debts to suppliers, contractors and other creditors		634 182	(61 923)
Gross operating cash flow		**5 210 953**	**3 921 937**
Income tax paid		(756 915)	(581 912)
Net cash flows from operating activities		**4 454 038**	**3 340 025**
Cash flows from investing activities			
Loans issued, net		402 589	(1 212 112)
Purchase of property, plant and equipment and intangible assets		(312 186)	(629 554)
Investments in securities	12	(2 018 921)	(7 302 294)
Sale or redemption of securities	12	4 110 853	7 395 857
Net cash flows from investing activities		**2 182 335**	**(1 748 103)**
Cash flows from financing activities			
Payment of finance lease liabilities		—	(2 721)
Dividends paid		(3 000 000)	—
Net cash flows from financing activities		**(3 000 000)**	**(2 721)**
Net cash flow for the reporting year		**3 636 373**	**1 589 201**
Cash and cash equivalents at the beginning of reporting year		**16 444 928**	**14 855 727**
Cash and cash equivalents at the end of the reporting year	**17**	**20 081 301**	**16 444 928**

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	Inguna Čakstiņa Chief Accountant

Riga, 18 May 2022

Consolidated statement of changes in equity

	Share capital	Foreign exchange conversion reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR
Balance as at 31 December 2019	**29 228 000**	**(161 763)**	**7 666 537**	**36 732 774**
Profit for the reporting year	—	—	2 946 009	2 946 009
Foreign exchange conversion reserve	—	(3 111 141)	—	(3 111 141)
Balance as at 31 December 2020	**29 228 000**	**(3 272 904)**	**10 612 546**	**36 567 642**
Profit fort he reporting year	—	—	3 639 657	3 639 657
Foreign exchange conversion reserve	—	922 355	—	922 355
Dividends paid	—	—	(3 000 000)	(3 000 000)
Balance as at 31 December 2021	**29 228 000**	**(2 350 549)**	**11 252 203**	**38 129 654**

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

Inguna Čakstiņa
Chief Accountant

Riga, 18 May 2022

Explanatory notes to the consolidated financial statements

1 General 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 Nasdaq Nordic Oy, which owns 99.8% of the share capital of the Parent Company. The entity that prepares the Consolidated Annual Report including Nasdaq CS SE as a subsidiary is Nasdaq, Inc. (Registered office: 151 W. 42nd Street, New York City, NY, 10036, United States). The consolidated annual report is available at: 151 W. 42nd Street, New York City, NY, 10036, United States.

2 Summary of significant accounting policies

Basis of preparation

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 accounted for at fair value. The euro (EUR) is used as the currency in the financial statements. The consolidated financial statements cover the period from 1 January 2021 to 31 December 2021.

The consolidated profit or loss statement is prepared in a vertical format with costs classified based on their type. Prior to 2021, the consolidated income statement was prepared in a vertical format, classified by function of expense. Due to the change in the scheme in 2021, the comparative figures in the consolidated financial statements have been regrouped accordingly. The profit or loss statement format was changed to align the presentation used for internal reporting, and presentation within the financial statements. The consolidated cash flow statement is prepared using the indirect method.

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%	19.02.2019	22.05.2020	Iceland	Depository services

The following consolidation procedures have been applied:

- 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 2021) 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.

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.

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.

Going concern

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

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 to 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 legal date of the merger is 22 May 2020, but for practical reasons for the preparation of the financial statements 1 June 2020 was used. Management assessed the materiality of the transactions between the legal and practical dates of the merger and no material effect was identified, therefore 1 June 2020 was adopted as the accounting date for the merger. As of that date, Nasdaq CSD and Nasdaq CSD Iceland hf are considered one entity. Assets and liabilities, including goodwill, which was recognized on acquisition and measured in ISK, 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, 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.

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 recoverable amount of goodwill is determined based on a value in use calculation using cash flow projections included in the 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 Lithuania and Iceland, and the specifics of the Group.

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 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 initially used in accounting for transactions are recognized in the consolidated income statement on a net basis. Foreign exchange differences arising on the translation of goodwill are recognized in equity under the heading "Foreign exchange conversion reserve".

The accounting records of the Icelandic branch are maintained in Icelandic Kronur (ISK). In preparing the consolidated 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 31.12.2021: EUR / ISK – 147.60
- Average exchange rate for the period 01.01.2021 - 31.12.2021: EUR / ISK – 150.15

Intangible assets

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-line basis as follows:

- Software 5 years
- Internally developed software 2-7 years

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Goodwill

Group’s management has chosen to apply clause 13 of the Law of the Republic of Latvia on Annual Reports and Consolidated Annual Reports and measure Goodwill in accordance with International Financial Reporting Standards (IFRS 3 Business Combinations). Impairment assessment is done in accordance with IAS 36 Impairment of Assets.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) (or group of CGUs) to which the goodwill relates.

When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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 / 4 415 EUR
- Software 50 000 USD / 44 146 EUR
- Other equipment 3 000 USD / 2 649 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 a fixed asset, it also depreciates separately the remaining parts of the same fixed asset. 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 item of property, plant and equipment is the higher of 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 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 other expenses.

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.

Other financial assets

Financial assets at fair value through profit or loss

Given that Nasdaq CSD SE 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, Nasdaq CSD SE has elected to apply Article 13 (5) of the Annual Accounts and Consolidated Annual Accounts Law and recognise and measure 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 separately as assets or liabilities any rights and obligations that arise or are retained as a result of 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 receivables and other receivables

Trade receivables are accounted for and presented in the 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 associated with 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 a reliable estimate can be made. 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.

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.

Lease

Finance lease

Finance leases in which all risks and rewards of ownership of the leased asset are transferred 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, at the end of the lease term, the leased asset will become the property of the lessee, 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.

Operating leases

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 contingent 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.

Rendering 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 January 1, 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 material 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 on the consolidated balance sheet.

Deferred tax assets and liabilities

Considering that the Group 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 about these items, the Company chose to apply Section 13, Paragraph five, Clause 2 of the Law on Annual Financial Statements and Consolidated Financial Statements of the Republic of Latvia and recognises and measures deferred tax assets and deferred tax liabilities, as well as provides explanatory information on 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 calculated 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 at the time when it is expected that the asset is used or the liability is settled.

Corporate Income Tax Law of Republic of Latvia, which became effective on 1 January 2018, effectively eliminated all temporary differences between the asset and liability base in the Latvian entity's financial records and their tax base by that date. Accordingly, deferred tax assets calculated and recognised in Latvia in previous reporting periods were 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 Standards, changes in tax legislation are reflected in the financial statements in the period in which the changes are adopted. Deferred tax assets and liabilities are not recognised in Estonia. Deferred tax recorded on the consolidated balance sheet and consolidated income statement relates to the Lithuanian and Icelandic branches of Nasdaq CSD SE.

The Group recognises 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.

Events after balance sheet date

The financial statements reflect such events after the end of the reporting year that provide additional information about the Company'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 financial statements only if they are significant.

3 Net turnover

From the core business	**2021**	**2020**
Issuer fees	3 374 199	3 191 157
Participant fees	9 200 261	7 825 685
Pension service fees	2 778 186	1 916 910
Total	**15 352 646**	**12 933 752**

4 Other operating income

	2021	**2020**
Compensated labor costs	92 384	149 859
Revenues from IT systems transferred to Nasdaq Stockholm	276 722	553 413
Provisions for bad and doubtful trade receivables	80 394	—
Net gain on sale of fixed assets	—	1 000
Other operating income	28 358	13 433
Total	**477 858**	**717 705**

5 Other external costs

	2021	**2020**
IT system maintenance expense	2 150 026	1 938 334
Services received from related parties	2 548 277	2 241 170
Consulting and legal services cost	1 513 850	1 122 687
Annual fee to the Financial Supervision Authority	172 150	226 326
Non-deductible input VAT	220 467	182 532
Rent	215 750	208 961
Other personnel expenses	175 226	175 615
Utilities and premises costs	97 282	74 631
Insurance	63 358	65 410
Communication and postal expense	86 066	77 787
Business trips	25 982	18 043
Marketing and advertising	11 705	10 870
Other administrative expense	284 028	511 887
Total	**7 564 167**	**6 854 253**

6 Labour costs

	2021	2020
Salaries and wages	3 064 284	2 571 704
Statutory social security contributions	536 791	468 789
Total	**3 601 075**	**3 040 493**

Including key management personnel compensation:

	2021	2020
Members of the Management Board		
Wages and salaries	471 661	430 994
Statutory social insurance contributions	89 562	96 887
Total	**561 223**	**527 881**

	2021	2020
Independent Council Members		
Wages and salaries	49 500	49 500
Statutory social insurance contributions	13 043	12 459
Total	**62 543**	**61 959**

	2021	2020
Average number of Council Members during the reporting year	5	6
Average number of independent Council Members during the reporting year	4	3
Average number of Members of the management Board during the reporting year	5	4
Average number of employees during the reporting year	52	56
Total	**66**	**69**

7 Other operating expenses

	2021	2020
Provisions for bad and doubtful trade receivables	—	104 468
Revaluation of financial assets held for trading	19 156	14 624
Total	**19 156**	**119 092**

8 Current and deferred corporate income tax

	2021	2020
Current corporate income tax charge for the reporting year	(756 915)	(634 029)
Deferred corporate income tax due to changes in temporary differences	8 879	40 049
Corporate income tax charged to the income statement:	**(748 036)**	**(593 980)**

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

	Balance sheet		Income statement	
	31.12.2021	**31.12.2020**	**2021**	**2020**
Deferred income tax assets (Iceland and Lithuania)				
Provision for bonuses	14 014	12 238	1 776	913
Other provisions	27 847	20 744	7 103	39 136
Gross deferred corporate income tax asset	**41 861**	**32 982**	**8 879**	**40 049**
Net deferred corporate income tax asset	**41 861**	**32 982**	**8 879**	**40 049**

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

	2021	2020
Profit before tax – Lithuanian branch	507 356	390 873
Profit before tax – Icelandic branch	3 360 571	2 535 730
Theoretically calculated corporate income tax - 15% (On the profit earned in the Lithuanian branch of Nasdaq CSD SE)	76 103	58 631
Theoretically calculated corporate income tax - 20% (On the profit earned by Nasdaq CSD Iceland)	672 114	507 146
Permanent differences:		
Income tax adjustment for previous years	—	52 117
Non – deductible expenses	8 698	10 539
Other permanent differences	—	5 596
Actual corporate income tax for the year:	**756 915**	**634 029**
Deferred tax charge / (credit) in the income statement	(8 879)	(40 049)
Corporate income tax charged to the income statement:	**748 036**	**593 980**

9 Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Goodwill	Total
As at 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 31 December 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)
Effect of foreign currency exchange rate fluctuations	—	(2 463 016)	(2 463 016)
Amortisation charge	(99 188)	—	(99 188)
Carrying amount as at 31 December	**712 117**	**20 457 057**	**21 169 174**
As at 31 December 2020			
Cost	1 450 529	20 457 057	21 907 586
Accumulated amortisation and impairment	(738 412)	—	(738 412)
Carrying amount as at 31 December	**712 117**	**20 457 057**	**21 169 174**
Year ended 31 December 2021			
Carrying amount as at 1 January	712 117	20 457 057	21 169 174
Additions	282 180	—	282 180
Cost of disposals	(292 439)	—	(292 439)
Accumulated amortisation of disposals	292 439	—	292 439
Effect of foreign currency exchange rate fluctuations	—	943 517	943 517
Amortisation charge	(116 643)	—	(116 643)
Carrying amount as at 31 December	**877 654**	**21 400 574**	**22 278 228**
Year ended 31 December 2021			
Cost	1 440 270	21 400 574	22 840 844
Accumulated amortisation and impairment	(562 616)	—	(562 616)
Carrying amount as at 31 December	**877 654**	**21 400 574**	**22 278 228**

10 Goodwill

Lithuania and Estonia

In May 2016, Nasdaq CSD SE acquired 100% of the shares in AS Eesti Vaartpaberikeskus (the Estonian Central Depository) and 100% of the shares in AB Lietuvos centrinis vertybiniu popieriu depozitoriumas (the Lithuanian Central Depository). The core business activity of both of these companies comprises the accounting for and safe custody of publicly issued securities, the clearing and settlement for securities trading and the development and maintenance of registers required for the accounting for and safe custody of securities.

As a result of the acquisition, goodwill amounting to EUR 4 073 173 was recognised and attributed to the Lithuanian entity. In 2017, both entities were merged with Nasdaq CSD SE as branches.

Iceland

In February 2019, through additional share issue, Nasdaq CSD SE acquired a subsidiary in Iceland – Nasdaq CSD Iceland. The core business of Nasdaq CSD Iceland is to maintain the records on trading of listed securities, as well as settlement of securities and cash transactions.

At the time of acquisition goodwill amounting to ISK 2 557 524 330 was recognised. In 2020, this entity was merged with Nasdaq CSD SE as a branch.

Goodwill related to the Icelandic entity is denominated in Icelandic kroner (ISK) and is translated to EUR at the end of each reporting year. The difference arising from foreign currency translation is recognized in equity under 'Foreign currency translation reserve'.

Each of these entities are considered to be separate Cash Generating Units (CGUs).

Goodwill value

Entity	31.12.2021	31.12.2020
AB Lietuvos centrinis vertybiniu popieriu depozitoriumas, Konstitucijos ave. 29, LT-08105 Vilnius, Lithuania	4 073 173	4 073 173
Nasdaq CSD Iceland hf, Laugavegur 182 105 Reykjavík, Iceland	17 327 401	16 383 884
Total	**21 400 574**	**20 457 057**

Impairment assessment

The Group performed its annual goodwill impairment test as at 31 December 2021. The recoverable amount of goodwill is determined based on the value in use calculation, which uses cash flow projections based on the five-year budget plan and pre-tax discount rates as specified below. No no impairment was identified.

Pre-tax discount rates

	31.12.2021	31.12.2020
Lithuania	8.4%	9.1%
Iceland	12.4%	11.6%

11 Fixed assets

	Office furniture and equipment	Leasehold improvements	Total
As at 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 31 December 2020			
Carrying amount as at 1 January	168 186	73 205	241 391
Additions	18 613	—	18 613
Depreciation charge	(36 482)	(12 034)	(48 516)
Reclassification - cost	(4 688)	4 688	—
Reclassification - accumulated depreciation	1 214	(1 214)	—
Cost of disposals	(53 293)	—	(53 293)
Accumulated depreciation of disposals	53 293	—	53 293
Effect of foreign currency exchange rate fluctuations	(7 192)	(7 526)	(14 718)
Carrying amount as at 31 December	**139 651**	**57 119**	**196 770**
As at 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**
Year ended 31 December 2021			
Carrying amount as at 1 January	139 651	57 119	196 770
Additions	30 006	—	30 006
Depreciation charge	(30 927)	(19 559)	(50 486)
Cost of disposals	(44 702)	—	(44 702)
Accumulated depreciation of disposals	26 064	—	26 064
Effect of foreign currency exchange rate fluctuations	1 752	—	1 752
Carrying amount as at 31 December	**121 844**	**37 560**	**159 404**
As at 31 December 2021			
Cost	282 956	89 688	372 644
Accumulated depreciation and impairment	(161 112)	(52 128)	(213 240)
Carrying amount as at 31 December	**121 844**	**37 560**	**159 404**

12 Other securities and investments

	31.12.2021	31.12.2020
Government securities	3 489 814	5 447 184
Other financial investments - non-current	1 153	1 153
Total	**3 490 967**	**5 448 337**

Government securities

	2021	2020
At the beginning of the reporting year	5 447 184	5 921 210
Effect of foreign currency exchange rate fluctuations	144 039	(466 490)
Purchases	2 018 921	4 037 826
Redemption and received coupons	(4 110 853)	(4 149 725)
Changes in fair value recognised in profit or loss statement	(19 170)	(7 645)
Accrued interest recognised in profit or loss statement	9 693	112 008
At the end of the reporting year	**3 489 814**	**5 447 184**
incl. Short - term financial investments	1 475 663	2 911 408
incl. Long term financial investments	2 014 151	2 535 776

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

	31.12.2021	31.12.2020
Latvian Treasury bills with a fixed yield of 2.625% and a maturity date of 21 January 2021	—	410 186
Polish Government Bonds with a fixed coupon of 4.500% and a maturity date of 18 January 2022	255 742	268 167
Czech Treasury bills with a fixed yield of 3.875% and a maturity date of 24 May 2022	218 441	227 487
Lithuanian Government Bonds with a fixed coupon of 3.375% and a maturity date of 22 January 2024	220 924	230 413
Dutch Treasury bills with a fixed coupon of 1.75% and a maturity of 15 July 2023	261 387	267 825
Lithuanian Government Bonds with a fixed coupon of 0.4% and a maturity date of 16 August 2023	1 531 840	1 541 884
Estonian Treasury bills with a face value of EUR 1 000 000 and a maturity date of 31 March 2022	1 001 480	—
Icelandic Treasury bills with a fixed coupon of 0% and a maturity date of 5 February 2021	—	2 501 222
Total	**3 489 814**	**5 447 184**

13 Trade receivables

	31.12.2021	31.12.2020
Trade receivables	1 672 056	1 642 216
Allowance for doubtful trade receivables	(182 344)	(263 014)
Total	**1 489 712**	**1 379 202**

Trade receivables are non-interest bearing.

14 Other receivables

	31.12.2021	31.12.2020
Overpayment of taxes (see Note 21)	69 800	17 683
Other receivables	3 524	7 034
Total	**73 324**	**24 717**

15 Prepaid expenses

	31.12.2021	31.12.2020
IT systems support	390	—
Annual fee to the Financial Supervision Authority	8 094	7 812
Office rent	6 450	6 450
Car lease	1 769	2 586
Insurance	55 288	27 177
Other prepaid expenses	3 505	961
Total	**75 496**	**44 986**

16 Receivables from related parties

	31.12.2021	31.12.2020
Short-term deposit	114 604	1 326 958
Total	**114 604**	**1 326 958**

In accordance with the borrowing/loan agreement with Nasdaq Treasury AB, the deposit has to be returned upon request. Interest rate on deposit is 1-month EURIBOR minus 0 basis points. No negative interest rate is calculated.

17 Cash and cash equivalents

	31.12.2021	31.12.2020
Cash at bank	20 081 301	16 444 928
Total	**20 081 301**	**16 444 928**

As required by the Capital Adequacy Policy of NASDAQ CSD SE, EUR 13.2 million (31.12.2020: EUR 10.1 million) are held in the accounts of the Central Banks of Latvia and Estonia as restricted funds.

The capital adequacy level as at 31 December 2021 is set at EUR 9.6 million (31.12.2020: 10.4 million).

18 Share capital

The Group's fully paid-up share capital is EUR 29 228 000 and consists of 29 228 ordinary shares. The nominal value of one share is EUR 1 000.00. In 2021, EUR 3 000 000 was paid in dividends.

The Group's management proposes a dividend of EUR 3 000 000 for the year 2021 results.

19 Trade payables

	31.12.2021	**31.12.2020**
Payments to securities owners*	6 535 725	6 169 515
Other trade payables	166 586	178 852
Total	**6 702 311**	**6 348 367**

* Payments to securities owners represent dividends paid and rights to cash held in initial register.

Assets of the initial register are invested as follows:

	31.12.2021	**31.12.2020**
Account with the Bank of Latvia	4 385 423	3 684 480
Investments made in the investment portfolio	2 150 302	2 485 035
Total	**6 535 725**	**6 169 515**

According to the Financial Instruments Market Law, the central depository must segregate their funds from those belonging to financial instrument owners that are or were registered in the initial register and have not accepted the final share buyout offer at the expiration date of the final share buyout offer. These funds may not be used to meet the claims of creditors of the central depository. This requirement also applies to instances when the central depository is recognized as insolvent according to the statutory procedure.

20 Payables to affiliated companies

	31.12.2021	**31.12.2020**
Loan from related company*	710 543	1 520 308
Total	**710 543**	**1 520 308**

* Interest rate for the loan is 1 month EURIBOR plus 105 basis points. If the EURIBOR is negative, then the interest rate for the loan is 105 basis points. As per loan agreement with Nasdaq Treasury AB, the parties have to repay the loan upon request.

21 Taxes and compulsory state social insurance contributions

	31.12.2021	31.12.2020
Latvia		
Statutory social insurance contributions	100	—
Personal income tax	269	369
Corporate income tax	69 426	17 309
Value added tax	(42 997)	(46 163)
Unemployment risk duty	5	5
Lithuania		
Corporate income tax	(18 950)	(25 120)
Value added tax	(23 136)	(27 065)
Estonia		
Statutory social insurance contributions	(21 558)	(20 281)
Personal income tax	(11 214)	(9 617)
Value added tax	(34 600)	(36 350)
Unemployment risk duty	(1 348)	(1 153)
Iceland		
Personal income tax	(44 830)	(29 478)
Value added tax	(86 025)	(38 645)
Corporate income tax	(668 269)	(491 794)
Total	**(883 127)**	**(707 983)**
Total receivable (disclosed as other receivables)	**69 800**	**17 683**
Total payable	**(952 927)**	**(725 666)**

22 Accrued liabilities

	31.12.2021	31.12.2020
Provisions for staff bonuses	398 058	319 739
Provisions for creditor invoices	399 189	306 193
Other accrued liabilities	58 408	36 033
Vacation pay reserve	353 565	266 389
Provision for employee share purchase plan	90 437	80 288
Total	**1 299 657**	**1 008 642**

All accrued liabilities are expected to be settled in 2022.

23 Contingent liabilities

Operating lease liabilities

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Vehicle leases	31.12.2021	31.12.2020
Within one year	21 263	28 021
Later than one year but no later than five years	34 852	56 116
Total	**56 115**	**84 137**

Premises lease	31.12.2021	31.12.2020
Within one year	245 914	194 548
Later than one year but no later than five years	68 315	236 880
Total	**314 229**	**431 428**

Rental payments for the office space in Vilnius is included in the overall cost reimbursement agreement with a related company and cannot be accurately estimated.

24 Events after the balance sheet date

The Management Board acknowledges the current conflict in Ukraine which continues to evolve at the date of this report. Whilst any future impact on the Group remains uncertain, the Management Board is confident that it will not have any material impact on the future financial position or performance of the Group as the Group has no direct exposure to the countries involved in the conflict.

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

Indars Aščuks
Chairman of the Management Board

Kristi Sisa
Deputy Chairman of the Management Board

Dalia Jasulaityte
Member of the Management Board

Inguna Čakstiņa
Chief Accountant

Riga, 18 May 2022

Independent Auditor's Report

[placeholder for audit report]

Independent Auditor's Report (continued)

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