EUROPEAN COMPANY (SOCIETAS EUROPAEA) NASDAQ CSD SE

(UNIFIED REGISTRATION NUMBER 40003242879)

CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(25 th financial year)

PREPARED IN ACCORDANCE WITH THE LAW OF THE REPUBLIC OF LATVIA

ON ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT*

Riga, 2020

* 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

Name of the company	Nasdaq CSD
Legal status of the company	Societas Europaea
Unified registration number, place and date of registration	40003242879 Riga, 9 January 1995 Re-registered with the Commercial Register: 16 April 2004, under unified registration number 40003242879
Registered office	Vaļņu iela 1, Riga, Latvia, LV-1050
Member of the management Boards	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 since 19.09.2019
Council Members	Arminta Saladziene – Chairperson of the Council Teuvo Rossi – Deputy Chairperson of the Council till 20.06.2019 Pall Hardarson - Deputy Chairperson of the Council since 20.06.2019 Tomas Thyblad - Council Member since 20.06.2019 Urmas Kaarlep – Council Member Darius Petrauskas - Council Member Elmārs Prikšāns – Council Member
Branches	Nasdaq CSD SE Estonian branch Tartu mnt. 2, 10145 Tallinn, Estonia Acquired on 27/05/2016 Nasdaq CSD SE Lithuanian branch Konstitucijos ave. 29 LT-08105 Vilnius, Lithuania Acquired on 27/05/2016
Subsidiaries	AS Pensionikeskus Tartu mnt. 2, 10145 Tallinn, Estonia Founded on 26/06/2017 Nasdaq CSD Iceland hf Laugavegi 182, 105 Reykjavík, Iceland Acquired on 18/02/2019
Financial year	1 January – 31 December 2019
Auditors	Dace Negulinere LR zvērināts revidents Sertifikāts Nr. 175 SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV – 1010 License No 17

Management report

____July 2020

Business profile

Nasdaq CSD SE (*Societas Europaea*) group (further also – Group) 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 group 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.Nasdaq CSD group is powered by modern straight-through processing (STP) technology connected to the pan-European TARGET2-Securities platform.

The Nasdaq CSD Group consists of the mother company Nasdaq CSD SE, with its head office in Riga and branches in Vilnius and Tallinn, as well as two subsidiaries:

- AS Pensionikeskus, Tartu mnt. 2, 10145 Tallinn, Estonia. Founded on 26/06/2017
- Nasdaq CSD Iceland hf, Laugavegi 182, 105 Reykjavík, Iceland. Acquired on 18/02/2019

Financial operations of the Nasdaq CSD group during the reporting year

In 2019, the Nasdaq CSD group earned a profit of 2 826 313 EUR (before tax), which is 1 977 026 EUR more than in 2018. The size of the group has increased significantly compared to last year due to the acquisition of the Icelandic CSD. Overall, the financial position of the group could be 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 launched 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 segment, 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 53%.

Information about the Estonian and Lithuanian branch

Nasdaq CSD SE was established in 2017 as a result of the cross-border merger of the three former Baltics 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.

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

- optimize corporate governance within the group of companies;
- simplify the group structure of companies;
- ensure efficiency of business activities of the companies; and
- enable operation on the basis of a single set of rules and a unified management and reporting system.

Nasdaq CSD SE revenue for 2019 constituted 6.30 MEUR. (6.02 MEUR in 2018) Services provided by Nasdaq CSD SE in Latvia brought in 35.59% (39.20% in 2018), Nasdaq CSD Estonian branch – 36.02% (34.97% in 2018) and Nasdaq CSD Lithuanian branch – 28.39% (25.83% in 2018) of total revenue of the Nasdaq CSD SE.

Information about the subsidiary AS Pensionikeskus

According to the agreement with the Government institutions in Estonia, the separation of pension business operations from the Nasdaq CSD into a separate regulated entity was completed. The business transfer was made as of August 1, 2017 since when AS Pensionikeskus is the registrar of the pension register. AS Pensionikeskus is an infrastructure organisation of the Estonian securities market the main function of which is storing of the shares of the mandatory and voluntary pension funds in a dematerialised (electronic) format. Pensionikeskus processes information necessary for realising transactions and registers the right of ownership of securities as well as any related changes and transactions.

Information about the subsidiary Nasdaq CSD Iceland hf.

Nasdaq CSD Iceland (NCSDI) is one of the principle participants on the Icelandic securities market. NCSDI is a notary, a depository and a clearing house for the settlement of securities in dematerialized form. It guarantees the accuracy of information in the Securities Settlement System (SSS). NCSDI system holds equities, fixed income and funds in a book entry form. All trades executed on the Exchange in dematerialized securities are cleared and settled through NCSDI.NCSDI is subject to Act. No. 131/1997 on electronic registration of rights of title to securities and regulation no. 397/2000. NCSDI operations are subject to the supervision of the Icelandic Financial Supervisory Authority

Milestone events

During 2019 there were following key strategic initiatives in focus at the group – direct link implementation with Clearstream Banking AG, merger with Icelandic CSD (JUMP project), LEI LOU service development, compliance initiatives (implications assessments related to Shareholders Rights Directive II and CSDR Settlement Discipline), and retaining CSD and pension business. More information is provided below.

In February 2019, as a result of issue of new shares the group acquired a new subsidiary company in Iceland - Nasdaq CSD Iceland. Nasdaq CSD Iceland is a registry, a depository and a clearing house for the settlement of securities in dematerialised form.

Direct link implementation with Clearstream Banking AG

During 2019 Parent company and Clearstream Banking AG, the German CSD, focused on strategic initiative to activate direct link between the parties. As a result of intensive collaboration throughout the year, on December 2, a direct link between Clearstream Banking AG and group was activated to facilitate cross-border settlement in T2S markets where Clearstream became the parent company`s participant in the capacity of the Investor CSD. Parent company`s core system was upgraded with the link related functionality and relevant configurations in the system and TARGET2-Securities platform were done to enable the direct link with Clearstream Banking AG. The direct link enables foreign investors easier and efficient access to the Baltic securities registered in Parent company. The link is an important addition to the Baltic market's cross-border settlement infrastructure bringing further efficiency gains for the region.

JUMP

The JUMP initiative consists of the legal merger of Nasdaq CSD Iceland into Parent company, extension of the Parent company's CSDR license to Iceland and Icelandic market migration to the shared IT platform. During 2019 cross-border project team focused on the implementation initially targeting launch in November 2019, but later rescheduling the launch in Q2 2020 due to delays to implement CSDR in Iceland. Legal merger process was initiated, CSDR passporting and license extension documents were submitted to Regulators, major Icelandic market functionality related adjustments were developed in Parent company core systems ensuring readiness for further internal and external testing and further preparatory activities related to preparing Icelandic market for the change that will continue during H1 2020 until the launch which has been set for end of May 2020.

LEI LOU

During 2019 Parent company continued to focus on obtaining accreditation of the Legal Entity Identification (LEI) Local Operating Unit (LOU) status from Global LEI Foundation in order to enhance the currently operated LEI Registration Agent service (more information is available on https://nasdaqcsd.com/lei website). Accreditation documents and service-related procedures required by GLEIF as part of the accreditation process were submitted to GLEIF in several batches throughout the year. In parallel development of the enhanced LEI web application interface to handle LEI LOU related services continued during 2019.Based on the extensive accreditation process the completion of the accreditation is targeted to complete in the beginning of 2020.

Compliance initiatives

In 2019 Group started projects to comply with the upcoming Shareholders Rights Directive II and CSDR Settlement Discipline implementation targeted in 2020. Shareholders Rights Directive II requires Group to implement new process how information is exchanged between issuers and shareholders, affecting the core CSD IT systems. Implications analysis was conducted during 2019 and implementation plan established targeting launch of the related changes in September 2020. CSDR Settlement Discipline define harmonized process of penalty mechanism and buy-in process that has to be implemented by CSDs. Initially the compliance had to be reached in Q4 2020, but in early 2020 ESMA issued proposal for European Commission to postpone the implementation to February 2021. During 2019 Group worked on detailing systems adaptation requirements aligned with the ECSDA's CSDR Penalties Framework and establishing an implementation plan for 2020 in order to introduce related changes in the core CSD IT systems.

Procurement of Estonian CSD and pension registry services

According to the Estonian legislation, the provider of the CSD (registry) and the pension registry services is chosen via public procurement. The previous contract of Parent company and Pensionikeskus with the Government lasted until 31 December 2019. The procurement of the CSD and pension registry services for the next term was published in end-December 2018. According to the procurement conditions the provider of the CSD (registry) services is chosen for three years until end-2022 and the provider of the pension registry services is chosen for five years until end-2024.

Nasdaq CSD Estonian branch and Pensionikeskus offers were assessed and declared to be compliant with procurement conditions. Nasdaq CSD Estonian branch and Pensionikeskus have signed respective contracts with Ministry of Finance for CSD and pension registry services and the contracts entered into force from January 1, 2020.

Industry events

Parent company held two regular meetings with Baltic market participants. Shareholder Rights Directive II and Settlement Discipline Regime implementation were main topics for the meetings. BCP testing and incidents, T2S projects and Core CSD system release plans as well as other CSD development activities relevant to participants were discussed during the meetings.

Group participated in several T2S meetings to discuss outstanding T2S related issues and development plans during 2019.

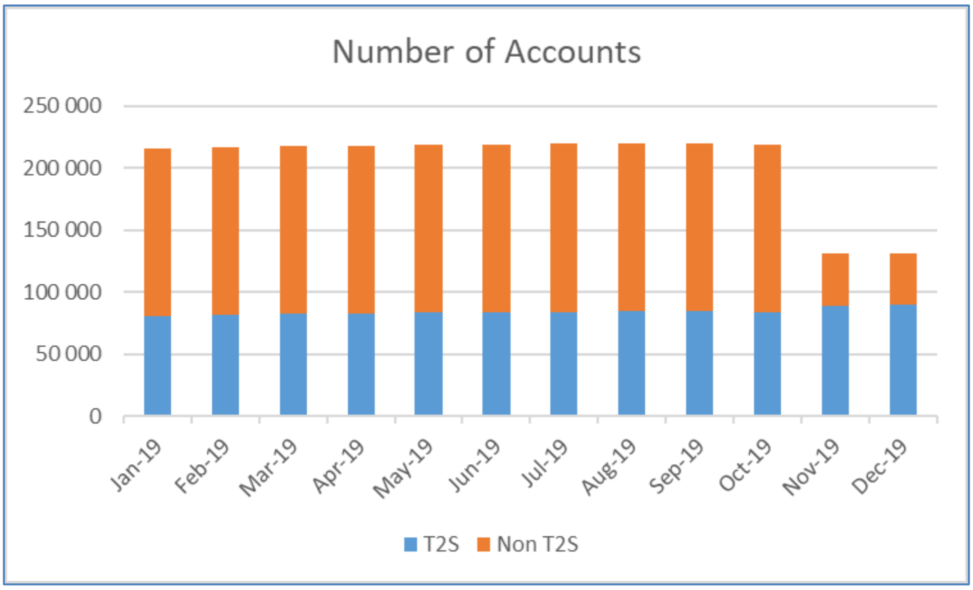
Numerous meetings have been held with Icelandic stakeholders where the JUMP project and customer readiness as well as opportunities have been on the agenda.

Insight into the statistics

In 2019, Group further developed and improved its business-critical IT systems, including three Core CSD system releases, one release of financial instruments' holder and owner generation system *ESIS* system and number of Change requests or Hotfixes.

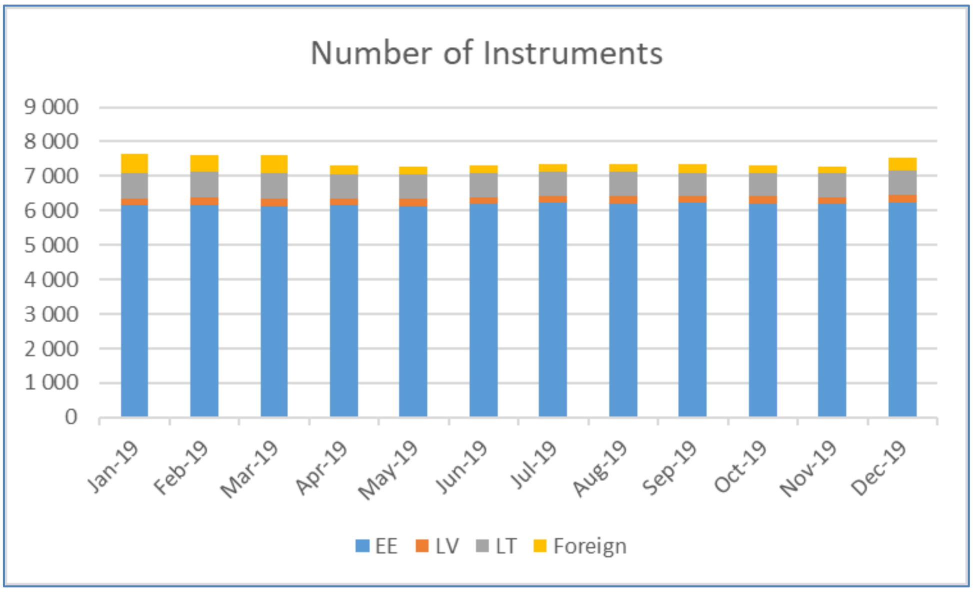
At the end of 2019, the number of accounts with the Parent company was over 130 thousand, majority of them being beneficial owner accounts in the Estonian Securities Settlement System (SSS). In November 2019 empty Latvian SSS initial registry accounts were close, decreasing the total number of accounts by 40%, as provided in Chart No. 1.

Chart No. 1



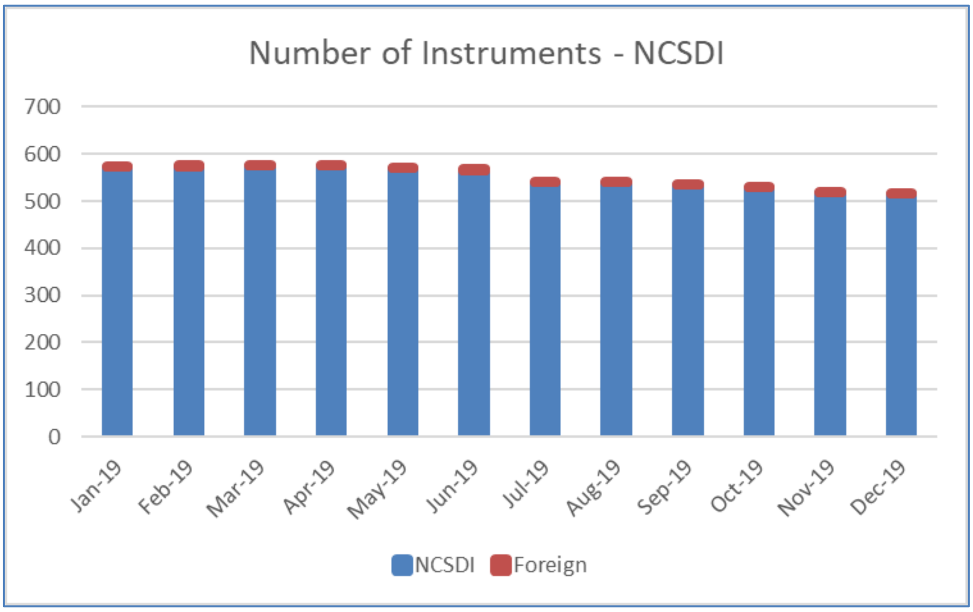
The number of instruments registered with the Parent company at the end of 2019 was 7,522, out of which 87% are equities. Majority (98%) of the Baltic instruments are T2S eligible. The Parent company has number of foreign instruments registered in the Core CSD system where Parent company acts as the Investor CSD in *Clearstream Banking Luxembourg*. The number of Baltic instruments decreased by 2% in 2019, as provided in Chart No. 2.

Chart No. 2



The number of instruments registered with Nasdaq CSD Iceland at the end of 2019 was 518. Three foreign instruments are registered in the CSD system where Nasdaq CSD Iceland acts as the Investor CSD in *Clearstream Banking Luxembourg* via Icelandic custodian Arion Bank. The total number of instruments decreased by almost 10% in 2019, as provided in Chart No. 3, due to a number of bankruptcy estates being closed as well as deregistration of instruments which were subject to a condition to be registered in the CSD for five years' term due to Central Bank requirements.

Chart No. 3



During 2019 the Parent company processed 3,189 corporate actions, 14% more than in 2019. Majority (70%) were related to the Estonian SSS instruments, 8% - Latvian SSS and 32% - Lithuanian SSS. The total number of corporate actions in Nasdaq CSD Iceland was 298 in 2019. It is expected that the number of corporate actions will increase for Nasdaq CSD Iceland 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. 4 and Chart No. 5 for Nasdaq CSD Iceland.

Chart No. 4

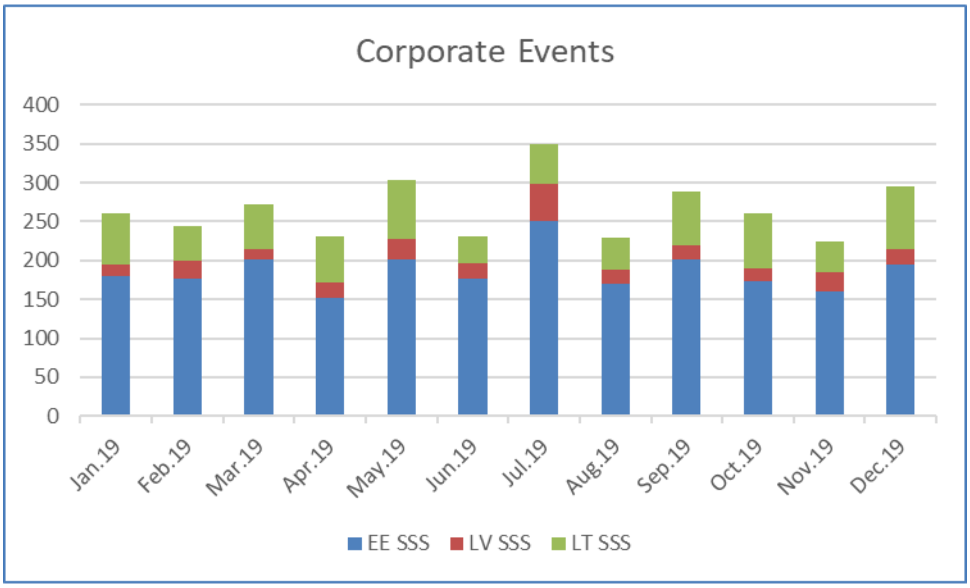
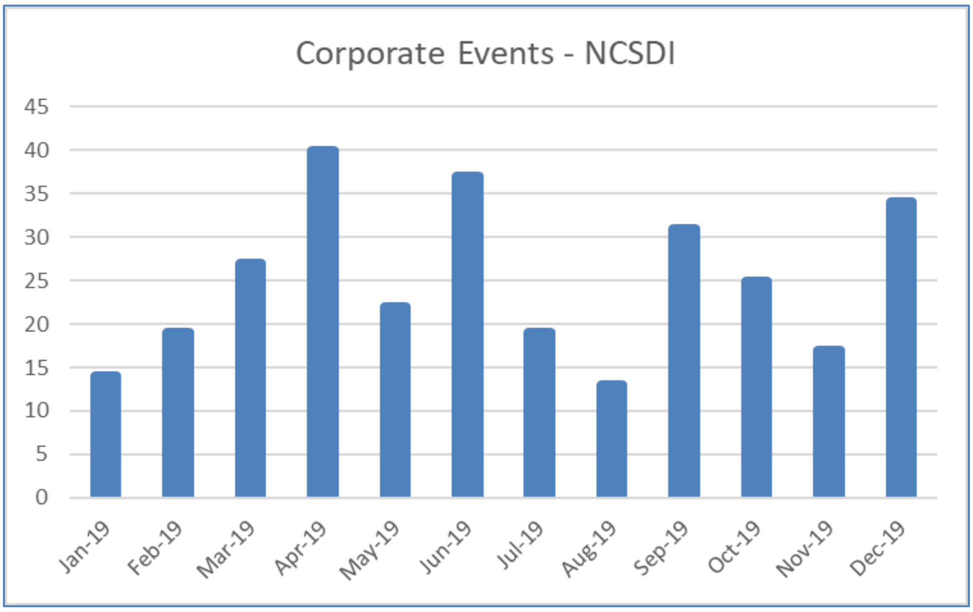


Chart No. 5



The value of assets kept under custody in the Parent company during 2019 increased by 2% and at the end of 2019 was 25.4 billion EUR. Majority of assets were equity related as provided in Chart No. 6. The total value of assets under custody in Nasdaq CSD Iceland in the end of 2019 was 32.3 Billion EUR, an increase of 11% from end of 2018. Foreign instruments amount to approximately 21% of the total value of assets under custody in Nasdaq CSD Iceland, as reflected in Chart No. 7.

Chart No. 6

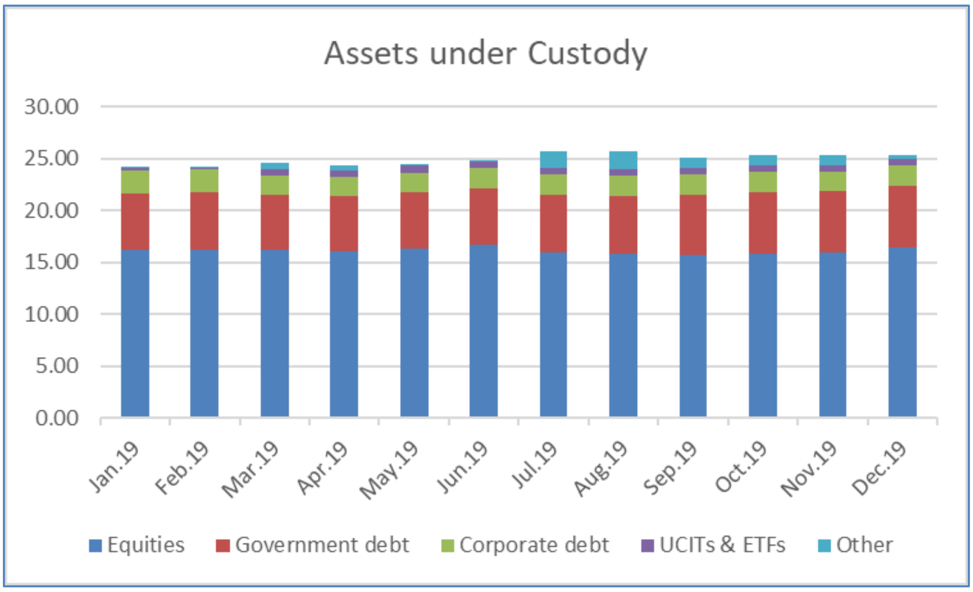
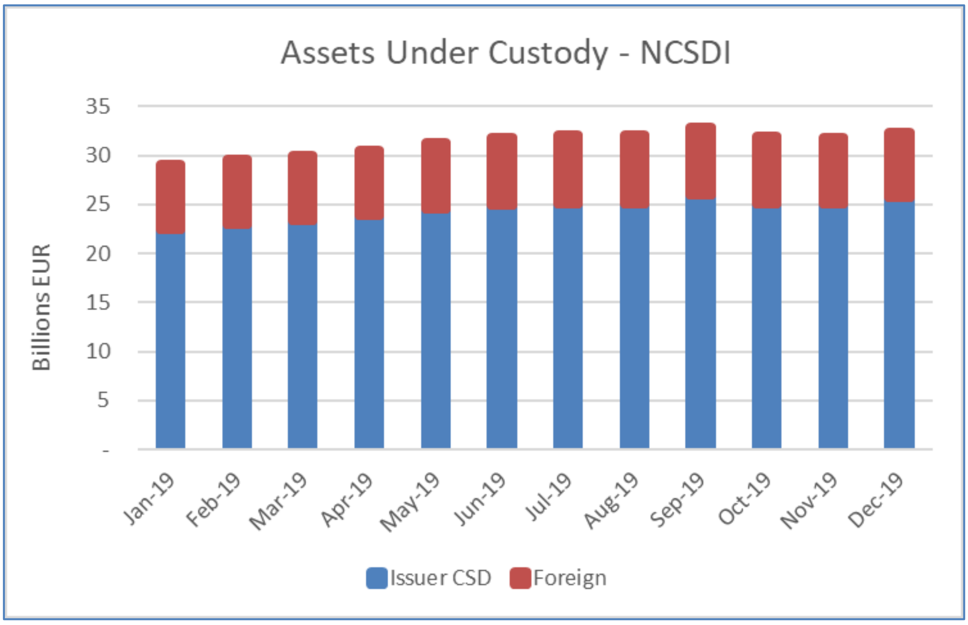


Chart No. 7



During 2019 the Parent company processed on average 70 thousand of settlement instructions per month, 49% more than in 2018. Majority (40%) were Delivery versus Payments, 36% - Free of Payments, and 23% - payments related to corporate actions. The value of settlement instructions including DVP and PFOD during 2019 was 8,675 million EUR, 2% more than in 2018, as presented in Chart No. 8. The average number of monthly DVP settlement instructions in Nasdaq CSD Iceland was 3,456. Total value of DVP settlement instructions in Nasdaq CSD Iceland in 2019 was 14,300 million EUR (Chart No.9).

Chart No. 8

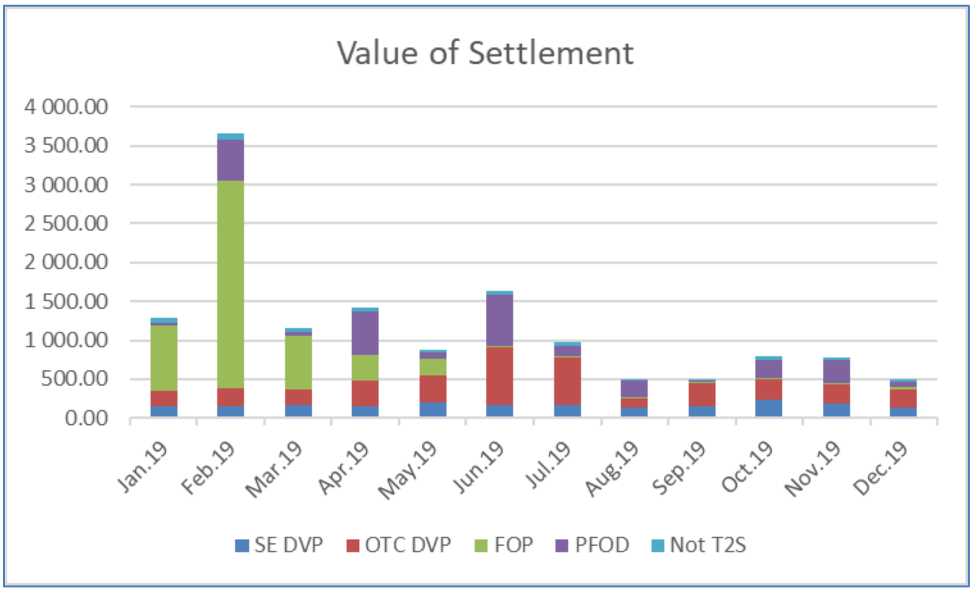
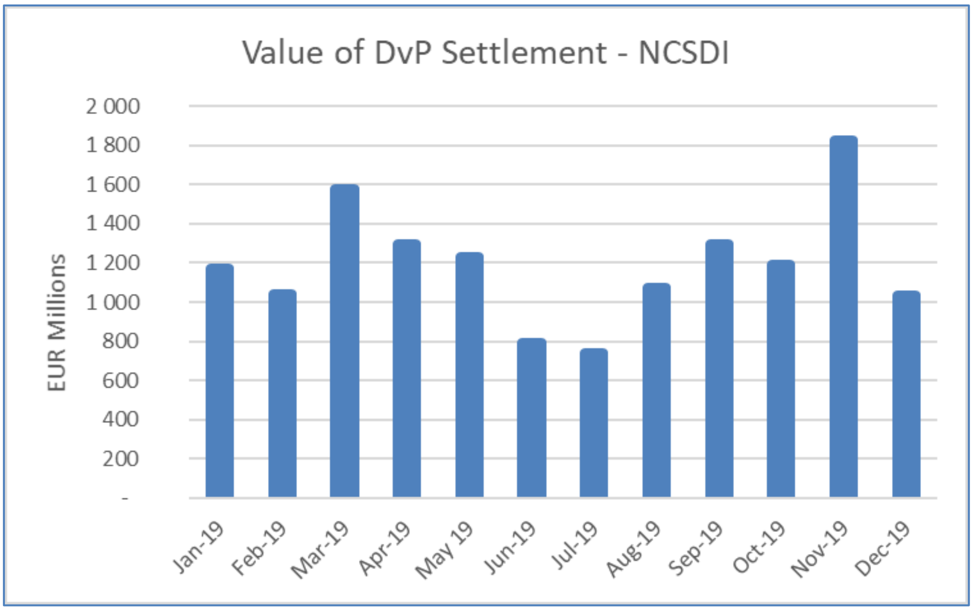
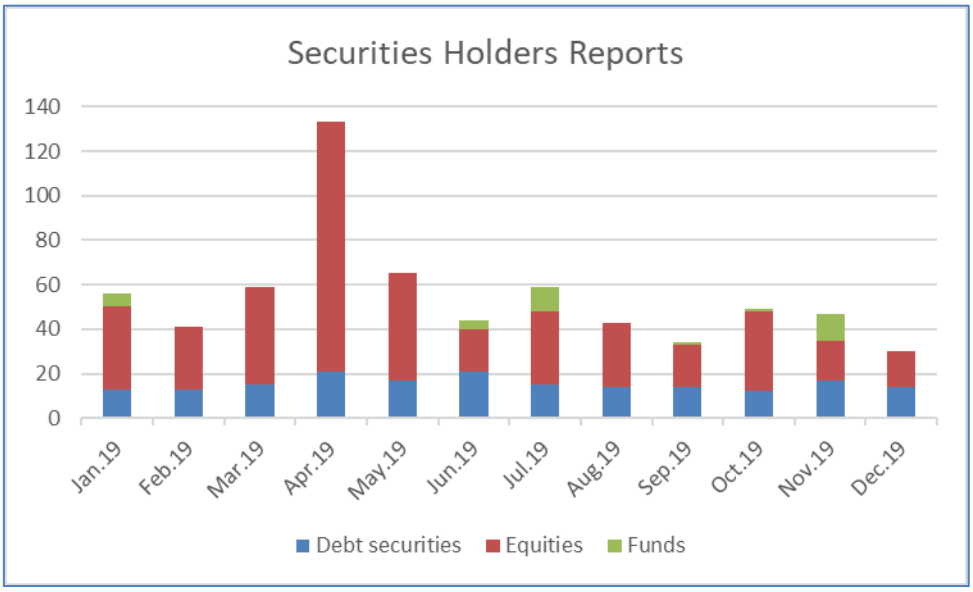


Chart No. 9



In 2019, issuers and participants were using *ESIS* quite actively, totally requesting 660 reports (see Chart No. 10).

Chart No. 10



Estonian Funded Pension

By the end of 2019, the total number of mandatory and supplementary funded pension accounts was 758 532.

Estonian Mandatory Funded Pension

At the end of the year 2019, the total volume of the mandatory funded pension funds was € 4.8 billion, which is 21 % higher than at the end of the year 2018.

The EPI index that measures the average rate of return of the funded pension funds grew 9.54 % to 191.67 points in 2019 compared to the end of the previous year. At the end of 2018, the value of the index was 174.97 points and it had fell -2.78 % during the year.

By the end of 2019, the total number of mandatory funded pension subscribed persons was 745,995, which is 20,525 pension accounts more than at the end of the year 2018.

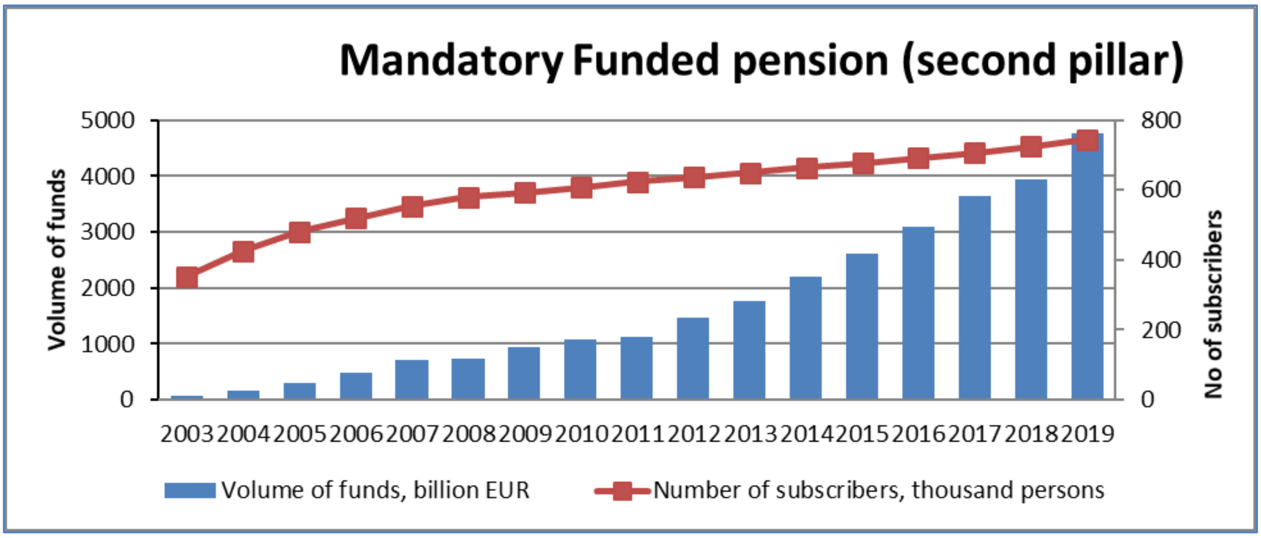
The number of applications for changing the shares of funded pension grew in 2019, while in 2018 it had been decreased. 88,654 applications were submitted for changing the shares based in 2019, during 2018, in total there were 75,327 change applications submitted.

Over 36,800 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 (this number does not include the number of the people of the pension age who have died before submitting the payment application).

On 15.03.2019, Coop Pank AS terminated its operations as account manager of the pension register within the meaning of Section 32 of the Estonian Central Register of Securities Act.

Mandatory Funded Pension Funds

As of the end of the year 2019, there were 24 mandatory funded pension funds registered in Estonia. A new mandatory funded pension fund SEB Pension Fund 100 (EE3600001699), started its activities in 2019.



Estonian Supplementary Funded Pension

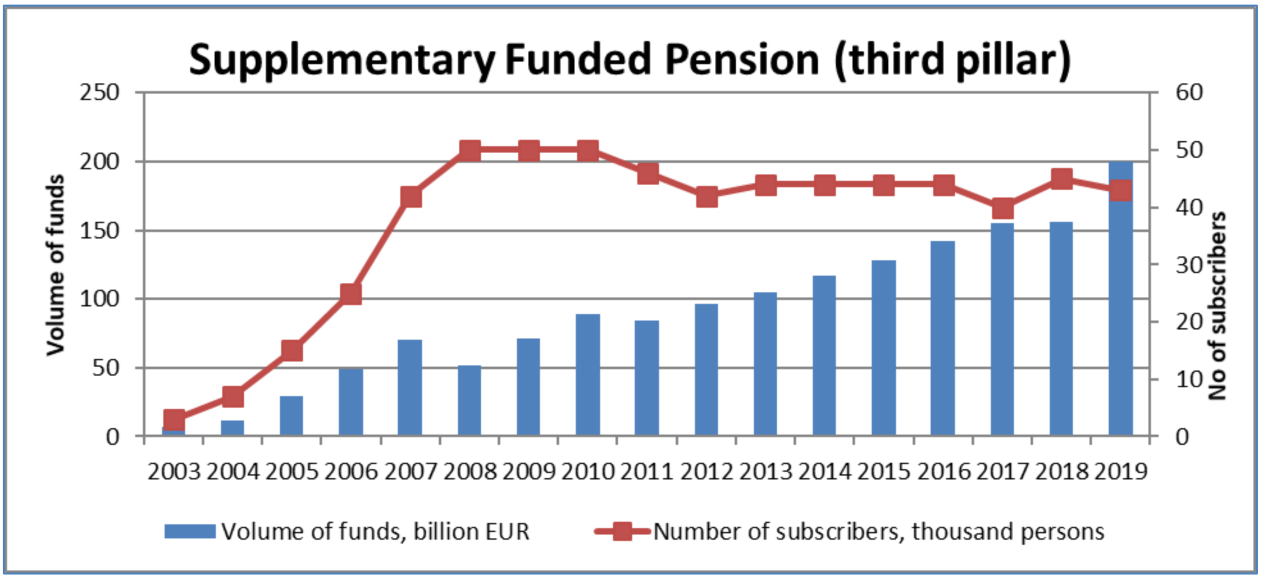
In 2019, the volumes of the supplementary funded pension (third pillar) increased by 27,9 % from € 155.9 million to € 199.5 million. The number of the clients of the supplementary funded pension decreased in 2019. While by the end of the year 2017, the number of remaining investors was 40,136 and by the end of the year 2018, there were 44,790 investors, by the end of 2019 there were 43,423 investors.

During the 2019, 4,862 new investors subscribed to the voluntary funded pension.

Voluntary funded pension funds

As of the end of 2019, there were 11 voluntary pension funds in Estonia.

During 2019, 2 new voluntary pension funds were launched: Swedbank Pension Fund V100 index (exit restricted) (EE3600109484) and Tuleva III Pillar Pension Fund (EE3600001707).



Risk management

Risk is defined as the potential negative deviation from the expected economic result. In its everyday operations, Group encounters a number of different risks. The purpose of risk management is to recognize risks, and 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.

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 day-to-day management of risks.

The second line of defense, i.e. risk management area, is responsible for developing risk management methods and reporting of risks. 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 with regards to Enterprise Risk Management. The Supervisory Council 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 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 devoted 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 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 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.

Under the leadership of Nasdaq group Risk Management, Group has developed a risk appetite framework, approved by the Supervisory Council. The framework contains inter alia quantitative risk tolerance levels by four main risks:

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.
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.
Operational Risk – risks arising from the group's people, processes, and systems and external causes.
Legal and Regulatory Risk – exposure to civil and criminal consequences – including regulatory penalties, fines, forfeiture, and litigation – while conducting business operations.

Within the recovery plan, Group has developed early warning indicators with thresholds and the respective measures.

According to the approved risk management policy, risk tolerance levels have to at least be defined for all four main risk categories. Risk tolerance levels have been described in the Risk Appetite Statement and tolerances, approved by the Supervisory Council.

ICAAP process and results gives substantial inputs for setting up quantitative risk tolerance levels, for example internal capital adequacy targets.

Key risks

The risks pertinent to the operations of the Group are operational risk, legal risk, general business risk, custody and investment risk. Credit risk is remote to the operations of the Group due to its operational model. In particular, it 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 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. For reasons of corporate growth, Group's strategic risk is estimated to exceed the strategic risk of a group positioned in a stable stage. At the same time, the 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) which lead to unauthorized access to Group systems, disclosure of confidential information, loss of access to Group 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 Group services.

Group uses standard approach in measuring operational risk. At least once a year, a self-assessment procedure is carried out, the main goal of which is to identify, assess and monitor operational risks, which may prevent achievement of the business goal. In 2019 group's RCSAs focused on the business disruption and technology risk as well as on Cyber Security risks. Risk assessments for all critical vendors as well as Key Participants and Links (e.g. foreign CSD with whom we have direct operational and business relations) were carried out. For all identified issues action plans have been created to resolve them. In 2019, great attention was also paid to the further development of the business continuity management. Critical processes were remapped, to keep up with volume growth.

Compliance control and internal audit have an important role in evaluating, monitoring and mitigating the operational risk. The main task of Compliance Officer is to define the risks of non-compliance of the activities of the Group with legislation, recommended guidelines of the Financial Supervision Authority and procedure rules of the Group, considering the nature, range and complexity of business and services rendered, and arrangement of mitigating or avoiding those risks. Internal audit is an independent and objective function, assuring and consulting activity that is targeted at improving Group's performance and adding value. Internal audit helps achieving the goals, using a systematic and disciplined approach to assess and increase the efficiency of the risk management, control and organisational management process

Legal and regulatory risk

Key legal risks relate to adverse changes to legislation and the enforceability of Group'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 Group is conducting business in 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 conflict-of-law rules in the Baltic countries regarding the applicable law to the activities of the Group, its participants and issuers. The Group 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 legal opinions from the participants and issuers.

Custody and investment risk

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

The Group manages this risk by only investing its financial resources in cash or in highly liquid financial instruments with minimal market and credit risk. It holds its investment in Baltic securities via its participants. Cash is only held with authorized credit institutions and central banks. The Group 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 Group shall be sufficiently capitalised 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 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.

Group follows the general principles in its capital management. 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. At the end of 2019, the own funds of the group is formed only by T1 capital instruments.

Group's capital can be divided into 1) required minimum capital and 2) voluntary held capital buffer. As of year-end 2019, the capital adequacy ratio was 221% with a capital surplus (excess above of minimal required capital) of 6.63 M EUR. Such significant capital surplus is considered due to the expected merger with the Nasdaq CSD Iceland and needs to cover market risks arising from the exchange rate fluctuation of the Icelandic krone against EURO. In order to reach its long-term economic goals, the group must on the one hand strive towards proportional lowering of the regulated minimum capital (through minimizing risks and high transparency). On the other hand, Group must strive towards sufficient and conservative capital reserve, which will ensure economic preservation even in the event of severe negative risk scenario. The risk appetite is an important input to capital management planning and capital goal setting. Higher strategic and business risk appetite requires maintaining higher capital buffer.

The long-term capital objective is based on the risk scenario defined in the internal capital adequacy assessment process (ICAAP) and the assumption that at the most critical point of the scenario, the preservation of regulative minimal capital is ensured. The ICAAP risk scenario is updated every year. Under the internal capital policy of Group, the capitalisation of Group must remain above the required capitalisation under Article 47 of CSDR. Capital planning is an integrated part of the overall business plan of Group. The capital need of a business plan must always be covered by capital sources. Capital is planned on a business area and the group basis. In planning any kind of business initiative, their potential capital requirement and risk profile shall be assessed.

Circumstances and events after the end of the reporting year

In relation to potential business impact of the Coronavirus, short-term there is no negative financial implications to the business. However, if the Covid-19 virus affects the financial markets throughout the whole 2020 year, it may have some negative effect on the group´s revenues due to lower value of assets under custody (due to lower stock market prices) which may lead to lower safe-keeping revenue, as well as delays in new listings could lead to lower issuers' related revenue. Although the group is facing some risk related to the virus, the management believes that based on the best information available now the group has all the ability to continue running operations and business very well.

On May 25th Nasdaq Iceland hf and Nasdaq CSD SE were merged into one company.

Future prospects

The Group has defined following strategic goals for 2020:

- Completing the CSD infrastructure re-platforming in Baltic and Iceland; and
- Positioning Group business for growth.

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 Group 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 2019. 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 and 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	

__July 2020

Consolidated Statement of profit or loss

	Notes	2019 EUR	2018 EUR
Net turnover	3	11 772 287	6 976 758
Cost of sales	4	(5 524 270)	(4 045 822)
Gross profit		**6 248 017**	**2 930 936**
Administrative expense	5	(3 533 656)	(1 985 577)
Other operating income	6	658 470	632 995
Other operating expense	7	(690 114)	(688 037)
Other interest receivable and similar income	8	208 269	23 014
Impairment of non-current and current financial assets	9	(39 315)	(24 788)
Interest payable and similar expense:	10	(25 358)	(39 256)
• related companies		(23 982)	(33 930)
• other parties		(1 376)	(5 326)
Profit before corporate income tax		**2 826 313**	**849 287**
Current corporate income tax	11	(465 098)	(26 763)
Profit after corporate income tax		**2 361 215**	**822 524**
Income or expense from changes in deferred tax assets or deferred tax liabilities	11	(26 350)	5 125
Net profit for the reporting year		**2 334 865**	**827 649**

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

__July 2020

Consolidated statement of financial position as at 31 December 2019

ASSETS

NON-CURRENT ASSETS	Notes	31/12/2019 EUR	31/12/2018 EUR
Intangible assets			
Concessions, patents, licences, trademarks and similar rights	13	727 424	727 237
Goodwill	13	22 920 073	4 073 173
TOTAL		**23 647 497**	**4 800 410**
Property, plant and equipment			
Leasehold improvements	14	73 205	41 453
Other fixtures and fittings, tools and equipment	14	168 186	190 562
TOTAL		**241 391**	**232 015**
Non-current financial assets			
Other securities and investments	15	1 564 460	1 153
Deferred tax assets	11	27 098	26 739
TOTAL		**1 591 558**	**27 892**
TOTAL NON-CURRENT ASSETS		**25 480 446**	**5 060 317**
CURRENT ASSETS			
Non-current assets held for sale	15	-	2 288 057
TOTAL		**-**	**2 288 057**
Receivables			
Trade receivables	16	1 274 594	686 294
Other receivables	17	81 398	109 874
Receivables from related companies	19	114 846	582 850
Prepaid expense	18	60 358	76 329
TOTAL		**1 531 196**	**1 455 347**
Current financial assets			
Other securities and investments	15	4 366 134	-
TOTAL		**4 366 134**	**-**
Cash	20	14 855 727	15 004 928
TOTAL CURRENT ASSETS		**20 753 057**	**18 748 332**
TOTAL ASSETS		**46 233 503**	**23 808 649**

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

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Chairman of the Management Board

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Deputy Chairman of the Management Board

Dalia Jasulaityte
Member of the Management Board

Jānis Siņēvičs
Accountant

__July 2020

Consolidated statement of financial position as at 31 December 2019

EQUITY AND LIABILITIES

EQUITY	Notes	31/12/2019 EUR	31/12/2018 EUR
Share capital	21	29 228 000	5 963 000
Reserves		(161 763)	-
• foreign currency translation reserves		(161 763)	-
Retained earnings		5 331 672	4 504 023
Profit for the reporting year		2 334 865	827 649
TOTAL EQUITY		**36 732 774**	**11 294 672**
LIABILITIES			
Non-current liabilities			
Other loans	22	-	2 714
Deferred tax liabilities	11	34 165	-
TOTAL		**34 165**	**2 714**
Current liabilities			
Other loans	22	2 721	4 560
Trade payables	23	6 318 531	6 396 480
Advances received		12 000	-
Payables to related companies	24	1 457 090	5 281 259
Taxes payable	25	667 466	88 829
Deferred income	26	26 908	20 678
Accrued liabilities	27	981 848	719 457
TOTAL		**9 466 564**	**12 511 263**
TOTAL LIABILITIES		**9 500 729**	**12 513 977**
TOTAL EQUITY AND LIABILITIES		**46 233 503**	**23 808 649**

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

__July 2020

Consolidated statement of cash flows for the year ended 31 December 2019

	2019 EUR	2018 EUR
Cash flows to/ from operating activities		
Profit before corporate income tax	2 826 313	849 287
Adjustments for:		
• depreciaton and impairment of property plant and equipment	116 812	28 730
• amortisation and impairment of intangible assets*	188 042	277 234
• loss/ (gain) from fluctuations of currency exchange rates	4 774	1 405
• other interest receivable and similar income	-	(22 956)
• impairment of non-current and current financial assets	(282 434)	24 788
• interest payable and similar expense	23 982	38 797
Profit before adjustments for the effect of changes in current assets and current liabilities	***2 877 489***	***1 197 285***
• (increase) or decrease in receivables	548 421	141 664
• increase (decrease) in trade and other payables**	(989 630)	1 556 625
Operating cash flows, gross	***2 436 280***	***2 895 574***
Corporate income tax paid	(505 707)	(164 020)
Net cash flows to/ from operating activities	**1 930 573**	**2 731 554**
Cash flows to/ from investing activities		
Acquisition of a subsidiary, net of cash acquired	1 611 595	-
Loans granted	(115 039)	-
Revenue from returned loans	583 027	915 045
Purchase of property, plant and equipment and intangible assets	(248 663)	(402 834)
Investments in securities	(115 899)	-
Sale or redemption of securities	209 162	547 940
Net cash flows to/ from investing activities	**1 924 183**	**1 060 151**
Cash flows to/ from financing activities		
Proceeds from borrowings	992 764	1 104 196
Repayment of borrowings	(4 840 899)	(606 492)
Payment of finance lease liabilities	(4 553)	(4 475)
Net cash flows to/ from financing activities	**(3 852 688)**	**493 229**
Net foreign exchange difference	(151 269)	(1 405)
Net cash flow for the year	(149 201)	4 283 529
Cash and cash equivalents at the beginning of the year	15 004 928	10 721 399
Cash and cash equivalents at the end of the year	**14 855 727**	**15 004 928**

The accompanying notes form an integral part of these financial statements.
*In year 2018 report EUR 164 796 were included in “loss/ (gain) on disposal of property, plant and equipment”
** In year 2018 report EUR 195 962 were included in “change in provisions (except for allowances for doubtful receivables)”

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

__July 2020, Riga

Consolidated statement of changes in equity

	Share capital	Retained earnings	Reserves	**Total**
Balance as at 31 December 2017	**5 963 000**	**4 504 023**	**-**	**10 467 023**
Profit for the reporting year	-	827 649		827 649
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 reserves	-	-	(161 763)	(161 763)
Increase in share capital	23 265 000	-	-	23 265 000
Balance as at 31 December 2019	**29 228 000**	**7 666 537**	**(161 763)**	**36 732 774**

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

__July 2020

Notes to the consolidated financial statements

1. Corporate information

Nasdaq CSD SE (hereinafter – the Parent company) was registered with the Republic of Latvia Enterprise Register on 9 January 1995 under unified registration number 40003242879. The registered office of the Parent company is at Vaļņu iela 1, Riga. The parent company of the Nasdaq CSD SE is the stock company Nasdaq Nordic Oy, which owns 99.8% of the Parent's shares.The parent company of the Nasdaq CSD SE, which preparers a consolidated annual report including Nasdaq CSD SE as its subsidiary is the Nasdaq Inc (legal address: One Liberty plaza, New york, NY 10006, USA. Consolidated annual report is available: One Liberty plaza, New york, NY 10006, USA.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of group have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports and Consolidated Annual Reports.

The consolidated financial statements are prepared on a historical cost basis, except for financial investments that are carried at fair value. The monetary unit used in the financial statements is the euro (EUR). The financial statements cover the period 1 January 2019 through 31 December 2019.

The consolidated statement of profit or loss has been prepared according to the function of expense method. The consolidated statement of cash flows has been prepared under the indirect method.

In order to improve the comparability of the prepared consolidated statement of profit or loss and the consolidated balance sheet, certain reclassifications have been made to several items of the consolidated statement of profit or loss and the consolidated balance sheet for the year ended 31 December 2018.

Basis of consolidation

The consolidated financial statements include subsidiary that is controlled by the Parent Company. Control is presumed to exist where more than a half of the subsidiary's voting rights are controlled by the Parent Company or it otherwise has the power to exercise control over the operations. Subsidiary is consolidated from the date on which control is transferred to the Group and is no longer consolidated from the date that control ceases.

The consolidated financial statements comprise the financial statements of Nasdaq CSD SE (the Parent Company) and its subsidiary (see below).

Company	Shares (%)	Date of acquisition	Country of residence	Business transactions
AS Pensionikeskus	100%	26/06/2017	Estonia	Managing Estonian funded pension (II and III pillar) registers
Nasdaq CSD Iceland hf.	100%	18/02/2019	Iceland	Depository services

The following consolidation procedures were applied:

- The financial statements of subsidiaries are prepared as at the same reporting date as the Parent Company (31 December 2019), using consistent accounting policies.
- The financial statements are consolidated in the Group's consolidated financial statements on a line by line basis by adding together like items of assets, liabilities and equity as well as income and expenses. The Group's consolidated financial statements are presented as financial statements of the single company and provide information on the whole Group as a single entity.
- For the purposes of consolidation, unrealized internal profits, intra-group balances, intra-group shareholdings, dividends and other intra-group transactions are eliminated from the Group's consolidated financial statements. Unrealized losses are also eliminated but are considered an impairment indicator of the asset transferred.

2. Summary of significant accounting policies (cont'd)

Exchange rates used in consolidation

In preparing the consolidated financial statements, the assets and liabilities of subsidiaries are translated into euros using the European Central bank (ECB) exchange rates prevailing at the balance sheet date. Revenues and expenses are translated using the average ECB exchange rate of the reporting period. The resulting exchange differences are recognized as a reserve in equity.

Exchange rate on 31.12.2019
EUR / ISK – 135.8
Average exchange rate for period 28.02.2019 – 31.12.2019
EUR / ISK – 137.45

Going concern

The consolidated financial statements are prepared on the basis that the Group will continue to be a going concern.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.
Group assesses whether there are any indicators that goodwill is impaired at each reporting date. 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 the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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

The Group's management believes that the major assumptions used in calculating cash flows are consistent with the recent forecasts for the development of Latvian, Lithuanian, Estonian and Iceland economy and the specifics of the Group.

Foreign currency translation

The functional and presentation currency of the Group is the euro (EUR), the monetary unit of the Republic of Latvia. Transactions in foreign currencies are translated into the euro at the euro foreign exchange reference rate published by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the euro foreign exchange reference rate published by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted in the consolidated statement of profit or loss.

Intangible assets

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

Purchased Software	over 5 years
Electronic office equipment	over 2 - 7 years

Purchased software, which equals or exceeds USD 50 000 (EUR 43 668) on a per unit basis, is capitalized. The USD 50 000 threshold is applied at the lowest level (i.e., per license).

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.

2. Summary of significant accounting policies (cont'd)

Goodwill

Group 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 Combination).

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 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 any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

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

Purchased equipment is recognized as fixed assets if acquisition cost is greater than:

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

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Group depreciates separately some parts of property, plant and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's net selling price and its value in use. In assessing the 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 largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of profit or loss in the cost of sales caption.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year the item is derecognized.

Expenses related to leasehold improvements are capitalized as property, plant and equipment and depreciated over the lease period on a straight-line basis.

Construction in progress is stated at cost. This includes the cost of construction and other direct expense. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Other financial assets

Non-current assets held for sale

Given that the Parent company is a group's subsidiary whose parent company requires to recognize, measure and disclose captions in the financial statements and provide related disclosures in the explanatory notes in accordance with International Accounting Standards, the Parent Company has chosen to apply Article 13(5)(2) of the Law on Annual Reports and Consolidated Annual Reports and recognizes and measures non-current assets held for sale at their fair value pursuant to International Accounting Standards. Financial assets classified as held-for-trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held-for-trading unless they are designed as effective hedging instruments. Gains or losses on investments held for trading are recognized in the consolidated statement of profit or loss.

2. Summary of significant accounting policies (cont'd)

Financial assets

Financial assets are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. Revenues are recognised as other revenues in consolidated profit or loss statement.

Derecognition

A financial asset is primarily derecognised when:

• The rights to receive cash flows from the asset have expired, or

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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 statement of profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when recovery is deemed impossible.

Loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the consolidated statement of profit or loss as interest income/ expense when the liabilities are derecognized through the amortization process.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity 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, 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 of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by a respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. The commitments undertaken by the Group with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Revenue

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, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

Revenue is recognized in the period when the services are rendered.

Dividends

Revenues are reconized at the moment shareholder`s rights to receive dividends arises.

Corporate income tax

Corporate income tax includes current and deferred taxes.

Current corporate income tax for Nasdaq CSD SE in Lithuanian branch is applied at the rate of 15% on taxable income generated by the Company during the taxation period. Current corporate income tax for Nasdaq CSD Iceland is applied at the rate of 20% on taxable income generated by the Company during the taxation period.

Latvian entity is not required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax will be paid on distributed profits and deemed profit distributions. Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions will be subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the consolidated statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year. No provision is recognized for income tax payable on a dividend distribution before dividends are declared.
Pursuant to the Income Tax Act of the Republic of Estonia, companies are not subjected to income tax on the profit for the financial year in Estonia. Income tax is imposed on dividends, fringe benefits, gifts, costs of entertaining guests, non-operating expenses and transfer price adjustments. The established tax rate is 20/80 on the net dividend paid. Under certain conditions, the dividends received may be redistributed without incurring further income tax expense. Corporate income tax is recorded under liabilities on the payment of dividends and under income tax expense in the income statement at the moment of announcing the dividends, irrespective of the period for which the dividends were announced or when the dividends are actually paid. The income tax payment obligation arises on the 10th day of the month following the dividend payment. Due to the peculiarity of the taxation system, there are no differences between the taxation and carrying values of the assets for companies registered in Estonia and due to that there are no deferred income tax payables or liabilities. The contingent income tax liability related to the payment of dividends from retained profit is not recorded in the consolidated balance sheet.

Deferred tax assets and liabilities

Until 31 December 2017, given that the Group is part of such concern whose parent company requires to recognize, measure and disclose captions in the financial statements and provide related disclosures in the explanatory notes in accordance with International Accounting Standards, the Company had chosen to apply Article 13(5)(2) of the Law on Annual Reports and Consolidated Annual Reports and recognized and measured deferred tax assets and deferred tax liabilities, as well as provided explanatory information under the captions "Deferred tax assets", "Deferred tax liabilities" and "Income or expense from changes in deferred tax assets or deferred tax liabilities" in accordance with IAS 12 "Income Taxes". Deferred tax was provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities were measured at the tax rates that were expected to apply to the period when the asset was realized or the liability was settled, based on tax rates that had been enacted or substantively enacted by the balance sheet date.

2. Summary of significant accounting policies (cont'd)

The new 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 financial accounting of a Latvian company and their tax base as of 1 January 2018. Accordingly, deferred tax assets which were calculated and recognized in previous reporting periods in Latvian entity have been reversed through the current consolidated statement of profit or loss or reserves, depending on whether deferred tax liabilities or assets were recognized initially in the consolidated statement of profit or loss or reserves, in the financial statements for the year ended 31 December 2017; according to the International Accounting Standard, changes in the tax legislation must be presented in financial statements in the period when they are adopted. Deferred tax assets calculated only in Nasdaq CSD SE Lithuanian branch and Nasdaq CSD Iceland and liability calculated for Estonian subsidiary company AS Pensionikeskus are recognized.

Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:
• the parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference; and
• it is probable that the temporary difference will not reverse in the foreseeable future.

Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Net turnover

From core business	2019	2018
Net turnover from core business Nasdaq CSD SE	6 302 786	6 016 431
Net turnover from core business Nasdaq CSD Iceland*	4 328 008	-
Net turnover from core business Pensionikeskus AS	1 141 493	960 327
TOTAL:	**11 772 287**	**6 976 758**

*Nasdaq CSD Iceland was acquired in year 2019

4. Cost of sales

	2019	2018
Wages and salaries	1 779 395	1 045 824*
IT system maintenance expense	1 766 822	1 604 575
External broker services**	517 810	-
Non-deductible input VAT	347 086	385 061
Depreciation and amortization	152 627	165 304
Statutory social insurance contributions	287 455	327 777*
Office lease	397 667	257 077
Annual fee to the Financial and Capital Market Commission	164 638	128 996
Membership fees to international organizations	28 833	23 121
Other operating expense	81 937	108 087
TOTAL:	**5 524 270**	**4 045 822**

*Labor costs of EUR 175 335 were reclassified from 'Cost of sales' to 'Other operating expenses'.

**Nasdaq CSD Iceland was acquired in year 2019

5. Administrative expense

	2019	2018
Wages and salaries	686 979	652 625
Consultations *	866 013	146 186
Bank charges	507 384	365 641
Intra-group services	786 412	328 730
Business trips	285 577	80 401
Statutory social insurance contributions	100 600	189 797
Transport expense	53 762	63 699
Insurance	71 138	36 104
Communication and postal expense	42 491	38 796
Other administrative expense	133 300	83 598
TOTAL:	**3 533 656**	**1 985 577**

* Legal assistance on Nasdaq CSD merger process

6. Other operating income

	2019	2018
Compensated labor costs	166 185	184 102
Revenues from IT systems transferred to Nasdaq Stockholm	410 810	448 893
Other operating income	81 475	-
TOTAL:	**658 470**	**632 995**

7. Other operating expense

	2019	2018
Expenses for IT systems transferred to Nasdaq Stockholm	376 950	427 517
Labor costs expenses being compensated	158 271	175 335*
Allowances for doubtful trade receivables	122 659	59 533
Currency exchange loss	4 774	1 405
Recreation activities of employees	21 715	24 247
Other operating expense	5 745	-
TOTAL:	**690 114**	**688 037**

*Labor costs of EUR 175 335 were reclassified from 'Cost of sales' to 'Other operating expenses'.

8. Other interest receivable and similar income

	2019	2018
Interest on investments	207 812	23 014
Other interest income	457	-
TOTAL:	**208 269**	**23 014**

9. Impairment of non-current and current financial assets

	2019	2018
Revaluation of financial assets	39 315	24 788
TOTAL:	**39 315**	**24 788**

10. Interest payable and similar expense

	2019	2018
Interest paid	23 982	38 814
Penalties paid	1 376	442
TOTAL:	**25 358**	**39 256**

11. Current and deferred corporate income tax

	2019	2018
Current corporate income tax charge for the reporting year	(465 098)	(26 763)
Deferred corporate income tax due to changes in temporary differences	(26 350)	5 125
Corporate income tax charged to the statement of profit or loss:	**(491 448)**	**(21 638)**

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

	Balance sheet		Statement of profit or loss	
	31/12/2019	31/12/2018	2019	2018
Deferred corporate income tax liabilities				
Other	34 165	-	(34 165)	-
Gross deferred tax liabilities	**34 165**	**-**	**(34 165)**	**-**

	Balance sheet		Statement of profit or loss	
	31/12/2019	31/12/2018	2019	2018
Deferred corporate income tax assets (Lithuania)				
Provisions for staff bonuses	(11 325)	(11 586)	(261)	(12 870)
Other provisions	(12 930)	(15 153)	(2 223)	7 270
Deferred corporate income tax assets (Iceland)				
Other provisions	(2 843)	-	-	-
Gross deferred tax assets	**(27 098)**	**(26 739)**	**(2 484)**	**(5 600)**
Net deferred tax assets	**7 067**	**(26 739)**	**(36 649)**	**(5 600)**

	2019	2018
Profit before tax, total	2 826 313	849 287
Tax at the applicable tax rate of 15% (From profit of Nasdaq CSD LT branch)	58 531	20 739
Tax at the applicable tax rate of 20% (From profit of Nasdaq CSD Iceland)	483 155	-
Temporarry differences	(33 438)	5 125
Permanent differences:		
Non-operating expense	611	899
Other	(43 761)	-
Deferred tax	26 350	(5 125)
Actual income tax for the reporting year:	**491 448**	**21 638**

12. Staff costs and number of employees

		2019	2018
Wages and salaries		2 593 919	1 803 666
Statutory social insurance contributions		418 781	551 612
	TOTAL:	**3 012 700**	**2 355 278**

Including key management personnel compensation:

		2019	2018
Board Members			
Wages and salaries		471 588	252 274
Statutory social insurance contributions		101 325	72 665
	TOTAL:	**572 913**	**324 939**

		2019	2018
Independent Council Members of Parent company			
Wages and salaries		47 076	36 000
Statutory social insurance contributions		11 341	8 672
	TOTAL:	**58 417**	**44 672**

		2019	2018
Average number of Council Members during the reporting year		3	3
Average number of independed Council Members during the reporting year		4	3
Average number of Board Members during the reporting year		4	3
Average number of other employees during the reporting year		51	48
	TOTAL:	**62**	**57**

13. Intangible assets

	Concessions, patents, licences, trademarks and similar rights	Goodwill	TOTAL
As at 31 December 2017			
Cost	2 593 992	4 073 173	6 667 165
Accumulated amortisation and impairment	(1 782 496)	-	(1 782 496)
Carrying amount as at 31 December	811 496	4 073 173	4 884 669
Year ended 31 December 2018			
Carrying amount as at 1 January	811 496	4 073 173	4 884 669
Additions	192 977	-	192 977
Disposals	(1 383 562)	-	(1 383 562)
Accumulated amortisation of disposals	1 218 764	-	1 218 764
Amortisation charge	(112 438)	-	(112 438)
Carrying amount as at 31 December	727 237	4 073 173	4 800 410
As at 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
Additions	184 368	18 846 900	19 031 268
Aquisition of subsidiary	19 191	-	19 191
Accumulated amortisation from subsidiary	(19 191)	-	(19 191)
Disposals	(240 318)	-	(240 318)
Accumulated amortisation 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
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

In 2019, the Cost and Accumulated amortization of Intangible Assets were adjusted, as a result of which the comparative indicators for 2018 and 2017 were increased by 605 thousand euro

Goodwill

The procedures of consolidating of fully owned subsidiary goes under the taxonomy “common control combinations” where different methods are available and IFRS is known to be used as an analogy for guidance.

Group performed its annual impairment test of goodwill, allocating goodwill to each of identifiable cash-generating units as at 31 December 2019. Impairment test was performed based on the three year business plan and applying a pre-tax discount rate of 11.4% (2018 – 7.2%) per annum and no impairment was identified. The value is based on corporate bond rate +5% (2018 – 5%) risk premium due to the fact that CSD business is very stable.
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.

In February 2019 as a result of the share capital increase the parent company issued 23 265 new shares of the same class with the nominal value of EUR 1 000 per each share. The parent Company`s new shares were paid by contributing 99.8% shares (100% by the end of year 2019) in Nasdaq CSD Iceland. The core business activity of this subsidiary company 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.

At the acquisition of the subsidiary a goodwill of EUR 18 846 900 has been accounted.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of Nasdaq CSD Iceland as at the date of acquisition were:

Other fixtures and fittings, tools and equipment	66 365
Financial assets	3 444 778
Trade receivables	1 066 579
Other assets	46 691
Cash	1 632 378
Trade payables and accrued expenses	(160 550)
Accrued personel costs	(234 961)
Deferred revenues	(865 277)
Taxes payable	(577 903)
Net assets acquired	**4 418 100**
Goodwill	18 846 900
Net assets acquired	4 418 100
Initial investment	**23 265 000**

Company	% of equity interest	Initial investment EUR	Net assets on purchase moment EUR	Goodwill EUR
AS Eesti Vaartpaberikeskus, Tartu mnt. 2, 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, Tartu mnt. 2, 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
	TOTAL:	**29 453 032**	**6 532 959**	**22 920 073****

*Negative Goodwill was recognized in yaer 2016 consolidated Profit or loss statement

** Goodwill shown in Nasdaq CSD SE Group Balance sheet

14. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	TOTAL
As at 31 December 2017			
Cost	292 964	-	292 964
Accumulated depreciation and impairment	(242 078)	-	(242 078)
Carrying amount as at 31 December	50 886	-	50 886
Year ended 31 December 2018			
Carrying amount as at 1 January	50 886	-	50 886
Additions	167 703	42 156	209 859
Cost of disposals	(32 243)	-	(32 243)
Accumulated depreciation of disposals	32 243	-	32 243
Depreciation charge	(28 027)	(703)	(28 730)
Carrying amount as at 31 December	190 562	41 453	232 015
As at 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 31 December 2019			
Carrying amount as at 1 January	190 562	41 453	232 015
Additions	35 524	50 370	85 894
Aquisition of subsidiary	68 037	-	68 037
Accumulated depreciation from subsidiary	(28 138)	-	(28 138)
Cost of disposals	(189 525)	-	(189 525)
Accumulated depreciation of disposals	131 410	-	131 410
Depreciation charge	(39 684)	(18 618)	(58 302)
Carrying amount as at 31 December	168 186	73 205	241 391
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

In 2019, the Cost and Accumulated amortization of Intangible Assets were adjusted, as a result of which the comparative indicators for 2018 and 2017 were increased by 8 thousand euro

15. Financial assets

	31/12/2019	31/12/2018
Financial investments in Government bonds	5 921 210	-
Non - current assets held for sale	-	2 288 057
Other securities	9 384	1 153
	5 930 594	**2 289 210**

The fair value of available-for-sale and held-for-trading financial assets is determined on the basis of price quotations on the active public securities market (level 1).

Held-for-trading financial assets

	31/12/2019	31/12/2018
At the beginning of the reporting year	**2 288 057**	**2 837 829**
Additions	115 901	-
Redemption and coupons received	187	(547 940)
Changes in fair value and accumulated interest recognized in the statement of profit or loss	(70 076)	(1 832)
Reclassed to Financial investments*	**(2 334 069)**	**-**
At the end of the reporting year	**-**	**2 288 057**

Financial investments in Government bonds

	31/12/2019	31/12/2018
At the beginning of the reporting year	-	-
Reclassed from Held-for-trading financial assets*	2 334 069	-
Aquired from Nasdaq CSD Iceland	3 442 242	-
Redemption and coupons received	(211 893)	-
Changes in fair value and accumulated interest recognized in the statement of profit or loss	356 792	-
At the end of the reporting year	**5 921 210**	**-**
Current investments in financial assets	4 366 134	-
Non - current investments in financial assets	1 555 076	-

*In year 2019 Group stopped active bond trading and reclassed investments from "assets held for sell" to current and non-current financial assets

Financial assets comprise the following Government bonds:	31/12/2019	31/12/2018
Government bonds of Netherland having a fixed yield of 3.500% and maturing on 15 July 2020	622 411	648 600
Government bonds of Latvia having a fixed yield of 2.625% and maturing on 21 January 2021	316 465	323 603
Government bonds of Poland having a fixed yield of 4.500% and maturing on 18 January 2022	279 184	289 188
Government bonds of Latvia having a fixed yield of 5.250% and maturing on 22 October 2022	115 901	-
Government bonds of Chech Republic having a fixed yield of 3.875% and maturing on 24 May 2022	234 593	242 373
Government bonds of Poland having a fixed yield of 4.200% and maturing on 15 April 2020	52 193	54 387

Government bonds of Lithuania having a fixed yield of 3.375% and maturing on 22 January 2024	234 700	237 927
Government bonds of Netherland having a fixed yield of 1.75% and maturing on 15 July 2023	268 744	275 338
Government bonds of Poland having a fixed yield of 4.200% and maturing on 15 April 2020	104 387	108 774
Government bonds of Latvia having a fixed yield of 2.625% and maturing on 21 January 2021	105 489	107 867
Government bonds of Iceland having a fixed yield of 6.25% and maturing on 5 February 2020	3 587 143	-
	5 921 210	**2 288 057**

16. Trade receivables

	31/12/2019	31/12/2018
Trade receivables	1 476 871	764 544
Allowances for doubtful trade receivables	(202 277)	(78 250)
TOTAL:	**1 274 594**	**686 294**

The trade receivables are non-interest bearing.

17. Other receivables

	31/12/2019	31/12/2018
Overpayment of taxes (see Note 25 “Taxes payable”)	74 692	109 874*
Other receivables	6 706	-
TOTAL:	**81 398**	**109 874**

*Items were reclassified between “Taxes payable” and “Other receivables” to clarify tax overpayments and liabilities

18. Prepaid expense

	31/12/2019	31/12/2018
IT system support	12 044	-
Employee health insurance	-	623
Clearstream fees	-	25 619
Rent	6 454	11 211
Vehicle lease	4 014	3 842
Insurance	30 449	15 376
Other	7 397	19 658
TOTAL:	**60 358**	**76 329**

19. Receivables from related companies

	31/12/2019	31/12/2018
Short-term deposit	114 846	582 850
TOTAL:	**114 846**	**582 850**

As per loan agreement with Nasdaq Treasury AB deposit have to be returned upon request. Interest rate on deposit is 1-month EURIBOR minus 0 basis points. No negative interest rate is calculated.
In the Consolidated Annual report 2018 this position was classified as “Loans to shareholders and management”

20. Cash and cash equivalents

	31/12/2019	31/12/2018
Cash at bank*	14 855 727	15 004 928
TOTAL:	**14 855 727**	**15 004 928**

* 5 120 923 EUR (2018 – 5 433 163 EUR) - Restricted Cash according to Nasdaq CSD SE Regulatory Capital policy

21. Share capital

As of 31.12.2019, the fully paid share capital of the Parent company is EUR 29 228 000 (EUR 5 963 000 as of 31.12.2018) and consists of 29 228 registered shares. The par value of each share is EUR 1 000.00. No dividends were paid in 2019 and 2018.

The Parent's Board has suggested that the profit for the reporting year should be used for further development of the Group.

22. Other loans

	Date of maturity	Lease amount	Maturing in more than five years	Maturing between one and five years	Maturing in less than one year
Finance lease liabilities	2020/07	2 721	-	-	2 721
Total as at 31/12/2019				**-**	**2 721**
Total as at 31/12/2018			**-**	**2 714**	**4 560**

23. Trade payables

	31/12/2019	31/12/2018
Payments to securities owners*	6 110 157	6 298 870
Other	208 374	97 610
TOTAL:	**6 318 531**	**6 396 480**

* Payments to securities owners represent dividends paid and rights to cash held in the Parent Company's initial register.

Assets of the initial register are invested as follows:

	31/12/2019	31/12/2018
Account with the Bank of Latvia	4 382 000	4 629 199
Investments made in the investment portfolio	1 728 157	1 669 671
TOTAL:	**6 110 157**	**6 298 870**

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.

24. Payables to related companies

	31/12/2019	31/12/2018
Loan from related company*	1 457 090	5 281 259
TOTAL:	**1 457 090**	**5 281 259**

*Interest rate for the loan is 1-month EURIBOR plus 118 basis points. As per loan agreement with Nasdaq Treasury AB parties have to return loan upon counterparty request.

In the Consolidated Annual report 2018 this position was classified as “Loans from shareholders and management”.

25. Taxes payable

	31/12/2019	31/12/2018
Latvia		
Statutory social insurance contributions	4 992	100
Personal income tax	269	285
Corporate income tax	69 426	69 426
Value added tax	(7 832)	40 058
Unemployment risk duty	5	5
Lithuania		
Corporate income tax	(29 987)	(4 486)
Value added tax	(21 412)	(30 051)
Estonia		
Statutory social insurance contributions	(32 276)	(32 985)
Personal income tax	(16 187)	(17 222)
Value added tax	(37 613)	(2 330)
Unemployment risk duty	(1 939)	(1 755)
Iceland*		
Personal income tax	(33 918)	-
Corporate income tax	(486 302)	-
TOTAL:	**(592 774)**	**21 045**
Total receivable (disclosed as other receivables)	**74 692**	**109 874**
Total payable	**(667 466)**	**(88 829)**

Items were reclassified between “Taxes payable” to “Other receivables” to clarify tax overpayments and liabilities

*Nasdaq CSD Iceland was acquired in year 2019

26. Deferred income

	31/12/2019	31/12/2018
Annual fees of issuers	26 908	20 678
TOTAL:	**26 908**	**20 678**

27. Accrued liabilities

		31/12/2019	31/12/2018
Provisions for staff bonuses		294 079	248 753
Provisions for creditor invoices		368 616	297 143
Provisions for contingent liabilities		93 434	43 525
Vacation pay reserve		225 719	130 036
	TOTAL:	**981 848**	**719 457**

28. Commitments and contingencies

	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	2020/11	5 122	-	-	5 122
Operating lease liabilities	2022/08	24 778	-	15 486	9 292
Operating lease liabilities	2024/02	18 192	-	13 826	4 366
Operating lease liabilities	2020/09	3 599	-	-	3 599
Total as at 31/12/2019				**29 312**	**22 379**
Total as at 31/12/2018			**-**	**28 976**	**23 427**

	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	129 927	-	82 681	47 246
Office rent in Reykjavík	2022/08	234 677	-	152 718	81 959
Office rent in Tallinn	2024/12	101 644	-	76 233	25 411
Office rent in Tallinn	2024/12	159 728	-	119 796	39 932
Total as at 31/12/2019			**-**	**431 428**	**194 548**
Total as at 31/12/2018			**-**	**391 299**	**112 589**

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

29. Events after balance sheet date

The group wants to bring attention to the potential business impact of the Coronavirus. Short-term there is no negative financial implications to the business. However, if the Covid-19 virus affects the financial markets throughout the whole 2020 year, it may have some negative effect on the group´s revenues due to lower value of assets under custody (due to lower stock market prices) which may lead to lower safe-keeping revenue, as well as delays in new listings could lead to lower issuers' related revenue. Although the group is facing some risk related to the virus, the management believes that based on the best information available now the group has all the ability to continue running operations and business very well.

On May 25th Nasdaq Iceland hf and Nasdaq CSD SE were merged into one company.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

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

__July 2020