BANKING CIRCLE S.A.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Banking Circle S.A.
2 Boulevard de la Foire
L-1528 Luxembourg
R.C.S. Luxembourg: B.222310
www.bankingcircle.com

FINANCIAL INFRASTRUCTURE
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General Information

Board of Directors

Class A Directors

Mads Ditlevsen (Deputy Chairman of the Board)

Class B Directors

Wolfgang Gaertner (Chairman of the Board)
Marie Anne Van Den Berg
Hjalmar Winbladh

Management Board/Authorised Management
Laust Bertelsen – Chief Executive Officer
Michael Hansen – Authorised Manager, Chief Financial Officer

Registered Office

2 Boulevard de la Foire
L-1528 Luxembourg

Auditors

Ernst & Young S.A.
35E, avenue John F. Kennedy
L-1855 Luxembourg

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Société anonyme

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Independent Auditor's Report

To the Board of Directors of
Banking Circle S.A.
2, Boulevard de la Foire
L-1528 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Banking Circle S.A. (the "Bank"), which comprise the balance sheet as at 31 December 2021, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Internal Controls – Information Technology

Risk identified

Banking Circle S.A. is highly dependent on its IT infrastructure for the continuity of the operations. Banking Circle S.A. continues to invest in its IT infrastructure and processes to meet clients' needs and business requirements.

Key audit matters (continued)

Risk identified (continued)

Moreover, due to the significant number of transactions that are processed, the financial reporting process is highly dependent on IT systems supporting automated accounting, reconciliation procedures and the availability of complete and accurate electronic data as a result of the size and the complexity of the Bank.

To ensure complete and accurate financial records, it is important that controls over appropriate access rights, program development and changes are designed and operating effectively. The inappropriate granting of or ineffective monitoring of access rights to IT systems therefore presents a risk to the accuracy of financial reporting. This risk applies in particular to systems with access rights which do not correspond to a "need to know" or "need to have" principle, i.e. access is granted solely based on the requirements of the role and no further authorization requirement is in place, or the segregation of duties principle, i.e. between IT and specialist departments as well as between development and application operations.

Unauthorized or extensive access rights and a lack of segregation of duties cause a risk of intended or unintended manipulation of data that could have a material effect on the completeness and accuracy of the financial statements. Therefore, the design of and compliance with respective precautions is a significant matter for our audit.

How the matter was addressed in our audit

In assessing the reliability of electronic data processing, we included specialized IT auditors as part of our audit team. Our audit procedures focused on the IT infrastructure and applications relevant to financial reporting including evaluation of the design and testing of the operating effectiveness of key IT general controls.

We obtained an understanding of the Bank's business IT related control environment. Furthermore, we conducted a risk assessment and identified IT applications, databases and operating systems that are relevant to our audit.

General IT controls: we tested the governance and other higher controls operating over the information technology environment across the Bank, including system access and system change management, program development and computer operations, and vendor monitoring.

Our procedures included:

- System access controls: we considered the appropriateness of the access rights granted to applications relevant to financial accounting and reporting systems and the operating effectiveness of controls over granting, removal and appropriateness of access rights.
- Change management controls: we tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorised and also developed and implemented properly. Also, by tests of detail we assessed if program developers had approval rights in the modification process and whether they were able to carry out any modifications in the productive versions of applications, databases, and operating systems to assess if these responsibilities were functionally segregated.
- Operations management controls: we tested the operating effectiveness that financial data has been backup in accordance with the Bank's business needs, and that incidents are identified, resolved, reviewed and analyzed in a timely manner.
- Vendor monitoring: we tested the operating effectiveness of controls over monitoring of services providers with respect to Data Protection essential for their IT infrastructure and operations.

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Key audit matters (continued)

Recognition of fee and commission income from transactional revenue

Risk identified

The Bank's primary stream of revenues includes fee and commission income amounting to EUR 25,8 million, which correspond mainly to transaction fees charged to clients through Banking Circle S.A.'s payments platform that depend on complex IT systems. The Bank has processes and controls, many of them automated, to ensure that transactions are processed and recorded appropriately.

In this regard, we identified the risk that transactional revenue could be misstated due to data processing errors. In particular, we considered the risk that a relevant system may not be configured properly, in such a way that fees and the related revenue are calculated incorrectly; the risk of data loss in transferring the output from the operational systems to the financial information systems; and the risk that unauthorized changes may be made to the relevant systems, which may result in a misstatement of revenues.

Therefore, we considered this risk to be a key audit matter in our audit of the financial statements as of and for the year ended 31 December 2021.

How the matter was addressed in our audit

Our audit procedures to address this matter included, amongst others:

- gaining an understanding of the end-to-end processes of recording revenues throughout the IT system;
- evaluating the Bank's revenue recognition accounting policies;
- testing relevant IT controls related to the accesses to relevant applications and data, and changes and developments in relevant programs and systems, in order to mitigate the risk of unauthorized changes being made to the systems, with the involvement of our internal IT specialists;
- assessing the operating effectiveness of key controls applicable to revenue recognition including, but not limited to, testing the controls over onboarding of clients and the monthly reconciliation between the operational systems and the financial information system;
- performing substantive analytical procedures over commission and other fees; and
- performing test of details on a sample of clients by tracing the commission fee rates, implementation fees, and minimum fees applied to the signed agreements with clients.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern.

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Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Board of Directors on 29 June 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bernard Lhoest

Luxembourg, 3 May 2022

Directors' Report
For the year ended 31 December 2021

In accordance with statutory and legal requirements, the Board of Directors of Banking Circle S.A. (the "Bank" or "Banking Circle") has the pleasure of presenting their report on the financial statements covering the year from 1 January 2021 to 31 December 2021.

Overview of activities

Banking Circle S.A. is a European credit institution incorporated in the Grand Duchy of Luxembourg and under the supervision of the Commission de Surveillance du Secteur Financier (the "CSSF"), the Luxembourg financial supervisory authority. In addition to its head office in Luxembourg, Banking Circle is operating out of permanent branch establishments in the United Kingdom ("UK"), Denmark and Germany.

Banking Circle provides European banking services to three groups of corporate clients globally:

- Payment Companies (acquirers, payment service providers, alternative payments method providers and other entities delivering financial services in the digital space such as non-bank foreign exchange companies);
- Banks; and
- Large corporates of strategic interest.

Services provided to these groups consist of payment services, foreign exchange ("FX") services and deposit accounts. Banking Circle does not provide services to consumers or retail clients.

Financial development in 2021

Banking Circle has continued to show resilience in light of the COVID-19 pandemic and did not experience any major business and financial impacts of the COVID-19 pandemic in 2021. Banking Circle has a low market and liquidity risk profile reflected by its balance sheet composition, with +/-85% of its funds placed in highly rated and liquid government bonds or with central banks. This, in combination with a balance sheet being also matched from a forex perspective, makes Banking Circle well positioned to withstand stressed scenarios.

The net loss for the year ended 31 December 2021 amounted to EUR 19.6 million (hereafter, referred to as "m") reflecting that the Bank is still investing in scaling up business activities. Compared with the net loss in 2020 adjusted for the impact of the license fee income, this result is in line with the expectations for 2021 as described in the 2020 Financial statements.

As at 31 December 2021, the total assets of the Bank amounted to EUR 2,138m of which EUR 1,823m are invested in debt securities issued by public bodies and balances held with central banks and EUR 244m was overnight deposits with other credit institutions. Total equity amounted to EUR 134m.

During 2021 the Bank issued new shares for a total amount of EUR 90m.

Directors' Report
For the year ended 31 December 2021

Expected future developments

Banking Circle will continue to pursue its business strategy focused on developing technologies and products for its clients.

Management expects that scaling activities will lead to a significant increase in fee and commission income in 2022 and to a lesser extent to an increase in the cost base, thus leading to a significant improvement in net income.
Banking Circle maintains a capitalisation to ensure both regulatory compliance and internal capital needs. The capitalization is adequately adopted to reflect that Banking Circle is pursuing a strong growth strategy. To support a strong capitalisation over the years, it shall be noted that the qualifying shareholder has provided a letter where it commits to inject additional capital, in the event Banking Circle's solvency ratio – measured as Total Capital Ratio calculated in accordance with the Capital Requirements Regulation (the "CRR") – falls below 20%. The same letter provides a commitment to unconditionally support Banking Circle so that it can implement the business plan provided and remains compliant with all capital, liquidity and other applicable prudential regulations. Finally, capital planning is conducted continuously and is further elaborated upon in the yearly Internal Capital Adequacy Assessment Process (the "ICAAP"), and further monitored in the semi-annual stress tests, which is a key tool for assessing the future capital needs, also under stressed conditions.

Based on the above, the Board of Directors believes that the Bank's capital and liquidity base is sufficient to continue the operations throughout 2022.

Introduction to Risk Management and Risk Management Objectives

Banking Circle's Risk Policy defines the key principles for how the Bank manages its risk exposures to be assumed, including those risks that the Bank might be exposed to. The risk exposures assumed by the Bank reflect its business strategy and are also in-line with its risk-taking capacity, and within the risk profile and appetite as decided by the Board of Directors.
Moreover, the risk exposures assumed by Banking Circle reflects its business activities conducted to meet its clients' needs, as well as to pursue its own objectives as laid down in the business strategy and long-term objectives, as approved by the Board of Directors.
The Board of Directors decides, at least annually, on the Risk Appetite Policy, including its key Risk Appetite Statements, and measures and ensures the alignment between the pursued business strategy and the decided-upon risk profile.
Banking Circle ensures that the risk-taking capacity is aligned with its ability to absorb losses. When deciding on how to utilise the risk-taking capacity, Banking Circle considers both the current risk exposures, as well as the future potential risk exposures and/or external developments, as well as stressed scenarios. This assessment is formalised in the yearly ICAAP. Moreover, Banking Circle also maintains a capital position that is compliant with both regulatory and internal capital requirements, and thus its actual risk position. In doing so, Banking Circle maintains sufficient capital to cover for all risks the Bank is exposed to in the foreseeable future, including those triggered by periods of stress.
Risk is not static, and the risk profile of Banking Circle is constantly changing as a multitude of factors, from transactional to geopolitical, alter in scope and impact. Mechanisms are established within the Bank to provide ongoing monitoring, assessment and management of the overall risk environment.

Moreover, risks are managed in an integrated manner, with their interactions continually monitored and understood.

Risk Governance

In line with CRD IV/CRR standards, CSSF guidelines, Regulation N°15-02 and other applicable regulations, Banking Circle has established a robust risk governance framework comprising the following components:
The Board of Directors assumes the oversight responsibilities concerning the management and control of all risks affecting Banking Circle, its risk frameworks, controls, as well as processes associated with Banking Circle's operations, including credit, counterparty, market, interest rate risk in the banking book (the "IRRBB"), liquidity, asset encumbrance, operational, reputational, information and security, compliance, model and business risks. The Board of Directors ensures, via its oversight responsibilities, the operational effectiveness of the internal control and risk management frameworks. The Board of Directors defines the overall Risk Appetite and sets out the principles on how the Risk Appetite is being managed. The Board of Directors decides on the Risk Appetite Framework, including the Risk Appetite Statements, as well as accompanying quantitative measures and limits.
Risk governance arrangements are established to ensure a comprehensive and consistent process for risk identification, as well as for risk management and control. These arrangements are established as a three line of defense model - to ensure a sound and prudent business management as well as risk management framework.

Banking Circle has a sound risk and compliance culture driving organizational behaviors, in turn, ensuring a common view on risk taking based on risk awareness, as well as an understanding of Banking Circle's risk exposures and desired risk profile. Authorised and Senior Management seek to convey a distinct and consistent tone through its actions that all employees are expected to support a culture of:

- Acknowledgement of risks and continuous and constructive challenging of actions and preconceptions at all levels of the organization;
- Continuous promotion of ethical business practices and principles;
- Risk transparency (including whistleblowing), risk awareness and open dialogue around current and emerging risk exposures and issues, without fear of blame.

It is each department's head responsibility to proactively disclose and take action to rectify significant, actual and potential errors, and risk issues associated with products, processes, systems and activities on a timely basis, and to ensure that risk management information is provided to the Management, Risk Department and others, as appropriate.

The Authorised Management is responsible for the implementation of the risk governance framework, as determined by the Board of Directors, and ensures that relevant policies and procedures are properly implemented. In doing so, the Authorised Management prepares and presents to the Board of Directors, a Risk Appetite Policy (including Risk Appetite Statements), as well as policies for Risk, Capital risk, Interest Rate Risk in the Banking Book, Asset Encumbrance, and Liquidity risk.

The Authorised Management regularly reviews the financial situation in relation to the key indicators and measures, as defined in the Risk Appetite Policy, to ensure the Bank's operations are conducted in line with the desired risk profile. The Authorised Management ensures - via the annual ICAAP and Internal Liquidity Adequacy Assessment Process (the "ILAAP") reports - regular and adequate management of both own funds and liquidity. The Executive Committee uses the following specialised sub-committees for dedicated areas of activity:

- Governance, Risk, and Compliance Committee;
- Financial Risks and Assets and Liability Committee;
- Products and Pricing Committee;

- Onboarding Committee.

Moreover, the Remuneration Policy promotes a sound and effective risk management, not encouraging any excessive risk taking and/or jeopardising the long-term viability of Banking Circle.

The Risk department is responsible for the overall anticipation, identification, measurement, monitoring, and reporting of all risks to which the Bank is or may be exposed to, and supports Authorised Management in both ensuring the proper management and mitigation of risks in accordance with the Bank's Risk Appetite, as approved by the Board of Directors.

Key Principles of Risk Management

The key principles for managing Banking Circle's risk exposures are:

- The three lines of defense model enacted within the Bank;
- The independence of the internal control functions (Risk, Compliance and Internal Audit), whereby all internal control functions are independent of the business activities within their oversight;
- A risk-based approach followed by the internal control functions aligned to the nature, size, and complexity of Banking Circle's business, in turn ensuring control procedures are sufficient to address the risks in question;
- The implementation of system-driven pre-defined internal limits in-line with the Bank's organisational and operational structure, in turn limiting risk taking in accordance with the risk tolerance as described in the Risk Appetite Policy;
- The escalation, follow up and correction process in the event of a limit breach as described in the Risk Appetite Policy.

Research and development

The Bank was not involved in any research activity in 2021 nor in 2020. Development work is described in Note 8 - Intangible assets.

Own shares

During 2021 and 2020, the Bank did not acquire any of its own shares.

Existence of branches

The Bank has branches in Denmark, the UK and Germany, with offices in Copenhagen, London and Munich.

Allocation of the result for the year

The Bank is closing the financial year ended 31 December 2021 with a loss of EUR 19,589,952 that we propose to allocate to Results brought forward.

Events after the reporting date

The Bank has conducted an initial impact analysis of the Russia-Ukraine conflict and has assessed the risk as limited, both for risks related to financial commitments or indirect exposures to Russia / Ukraine, as well as when it comes to impact from general uncertainties in financial markets including SWIFT exclusion of Russian banks on BC's correspondent banking and FX activities. The Bank has also considered its sanctions setup and capacities robust and is continuously monitoring the situation. The Bank continues to be vigilant and monitors the ongoing developments.

On 28 April 2022, the share capital of the Bank was increased by means of subscription in cash of EUR 15,000,144 by the creation and the issuance 34,404 new shares with a par value of EUR 1 each, which were subscribed by the current sole shareholder of the Bank, together with an aggregate share premium of EUR 14,965,740.

There were no other significant subsequent events which have significantly affected or may significantly affect the Bank.

Luxembourg, 3 May 2022

On behalf of the Board of Directors

Wolfgang Gaertner **Chairman of the Board**	**Mads Ditlevsen** **Deputy Chairman of the Board**

Balance Sheet
As at 31 December 2021

Assets	Notes	2021	2020
		EUR	EUR
Cash in hand, balances with central banks and post office banks	4	894,488,700	481,896,358
Loans and advances to credit institutions			
a) repayable on demand	5	243,614,954	102,253,092
Debt securities and other fixed-income securities			
Financial assets at fair value through other comprehensive income			
a) issued by public bodies	6	928,094,839	953,665,340
Shares and other variable-yield securities			
Equity instruments at fair value through other comprehensive income	7	490,455	5,705
Intangible assets	8	36,293,961	22,214,000
Tangible assets	9	10,622,003	12,797,217
Deferred tax assets	10	12,478,405	5,036,938
Other assets	11	5,857,828	3,425,608
Prepayments and accrued income	12	5,805,701	4,479,355
Total Assets		**2,137,746,846**	**1,585,773,613**

The accompanying notes form an integral part of these financial statements

Balance Sheet
As at 31 December 2021

Liabilities	Notes	2021	2020
		EUR	EUR
Amounts owed to credit institutions			
a) repayable on demand	13	16,433,949	21,777,257
Amounts owed to clients			
a) repayable on demand	14	1,938,122,539	1,480,401,347
Other liabilities	15	45,296,174	17,334,656
Accruals and deferred income	16	2,589,771	1,167,833
Provisions		1,123,807	820,912
(a) provisions for taxation	17	*1,123,807*	*790,852*
(b) deferred tax liabilities	10	-	*30,060*
Total Liabilities		**2,003,566,240**	**1,521,502,005**
Equity			
Subscribed capital	18, 20	45,652,411	45,121,642
Share premium account	18, 20	125,524,734	36,355,466
Revaluation reserve	19, 20	(110,618)	90,469
Results brought forward	20	(17,295,969)	(4,585,998)
Loss for the financial year		(19,589,952)	(12,709,971)
Total Equity		**134,180,606**	**64,271,608**
Total Liabilities and Equity		**2,137,746,846**	**1,585,773,613**
Off-balance sheet items			
Contingent liabilities		-	-
Commitments		-	-
Fiduciary transactions		-	-

The accompanying notes form an integral part of these financial statements

Profit and Loss Account
For the year ended 31 December 2021

	Notes	2021	2020
		EUR	EUR
Interest receivable and similar income	24	6,222,604	3,964,287
of which: income on fixed-income securities	24	*480,248*	*3,504,062*
Interest payable and similar charges	24	(6,721,290)	(3,479,533)
Fee and commission income	25	25,815,769	13,668,089
Fee and commission expense	25	(4,906,497)	(3,740,962)
Net profit/(loss) on financial operations	26	435,044	682,132
Other operating income	27	3,100,107	12,333,994
Net operating income		**23,945,737**	**23,428,007**
General administrative expenses			
a) Staff costs	28, 29	(24,030,458)	(17,820,970)
of which:			
- *wages and salaries*		*(17,812,873)*	*(13,523,552)*
- *social security costs*		*(6,217,585)*	*(4,297,418)*
of which:			
- *social security costs relating to pensions*		*(2,321,177)*	*(1,282,875)*
b) Other administrative expenses	30	(18,566,427)	(17,243,429)
Value adjustments in respect of intangible and tangible assets	8, 9	(7,204,104)	(4,422,753)
Carried forward:		**(25,855,252)**	**(16,059,145)**

The accompanying notes form an integral part of these financial statements

Profit and Loss Account
For the year ended 31 December 2021

	Notes	2021	2020
		EUR	EUR
Brought forward:		**(25,855,252)**	**(16,059,145)**
Expected credit losses in respect of loans and advances to credit institutions	5	(192)	(159)
Expected credit losses in respect of financial assets at fair value through other comprehensive income	6, 19	41,217	(39,697)
Loss on ordinary activities before tax		**(25,814,227)**	**(16,099,001)**
Tax credit (charges) on loss on ordinary activities	10	6,505,576	3,707,391
Loss on ordinary activities after tax		**(19,308,651)**	**(12,391,610)**
Other taxes not shown under the preceding items		(281,301)	(318,361)
Loss for the financial year		**(19,589,952)**	**(12,709,971)**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

Notes to the Financial Statements

Note 1 - Corporate information

Banking Circle S.A. (the "Bank" or "Banking Circle") is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg on 6 February 2018 for an unlimited period, registered with the Luxembourg trade and companies register under number B.222.310 and qualifying as a credit institution according to Article 1 of the Luxembourg Law of 5 April 1993 on the financial sector, as amended. The Bank formerly was known as B Circle S.A. (the "Company") and changed its name on 29 October 2019 to the current name.

The registered office of the Bank is located at 2 Boulevard de la Foire, L-1528 Luxembourg, Grand Duchy of Luxembourg.

The financial year of the Bank starts on 1 January and ends on 31 December each year.
The object of the Bank is the receipt of deposits or other repayable funds from the public and the granting of credits as well as all other activities which a credit institution (*établissement de crédit*) may carry out under Luxembourg law, including those of an investment firm.

More generally, the Bank provides payment and related services to financial institutions and other businesses.

Since 2021, the Bank's financial statements are included in the consolidated financial statements of Moneyball Bidco S.à r.l. The consolidated financial statements of Moneyball Bidco S.à r.l. are prepared in accordance with "LUX GAAP" using certain IAS/IFRS standards ("IAS options"). These "IAS options" relate not only to the presentation of the financial statements but also to valuation rules. They are available at the registered office of Moneyball Bidco S.à r.l. and of the Bank. The registered office of that company is located at 2 Boulevard de la Foire, L-1528 Luxembourg, Grand Duchy of Luxembourg.

The Bank's financial statements are included in the consolidated financial statements of BC MidCo Pte. Ltd., forming the largest body of undertakings of which the Bank forms part as a subsidiary undertaking. The consolidated financial statements of BC MidCo Pte. Ltd. are prepared in conformity with Singapore Financial Reporting Standards, which are fully aligned with IAS ("International Accounting Standards) and IFRS ("International Financial Reporting Standards"). They are available at the registered office of BC MidCo Pte. Ltd. and of the Bank. The registered office of that company is located in 10 Changi Business Park Central 2, #05-01, HansaPoint 486030, Singapore.

The Bank has branches in Denmark, the UK and Germany, with offices in Copenhagen, London and Munich (the "Branches"). The Bank's financial statements include the operations of the Branches. The financial statements of the Branches have been drafted according to the rules applicable in their local country. The necessary adjustments have been made to adapt these financial statements to the accounting principles applicable in Luxembourg.

As at 31 December 2021 and 2020, the Bank was directly wholly owned by B Circle Holding S.A..

Notes to the Financial Statements (continued)

Note 2 - Basis of preparation

2.1 General principles

The financial statements have been prepared on a historical cost basis, in accordance with applicable laws and regulations and generally accepted accounting principles in the banking sector in the Grand Duchy of Luxembourg. The financial statements are prepared on a "going concern basis" and presented in Euros. All values are rounded to the nearest Euro, except when otherwise indicated.
On 31 December 2019, the Bank elected to draw up its financial statements in accordance with the mixed financial reporting framework ("mixed framework" or Generally Accepted Accounting Principles in Luxembourg ("LUX GAAP") using "IAS options").
The amended Law of 17 June 1992 allows financial institutions to publish their financial statements in accordance with "LUX GAAP" using certain IAS/IFRS standards ("IAS options"). These "IAS options" relate not only to the presentation of the financial statements but also to valuation rules.

The accounting policies used by the Bank are based on Lux GAAP except for the following International Financial Reporting Standards ("IFRS") which the Bank has decided to adopt:

- IFRS 9 - Financial Instruments;
- IFRS 16 – Leases;
- IAS 12 - Income Taxes; and
- IAS 32 - Financial Instruments: Presentation.

The main accounting principles used in the preparation of the financial statements are described below. These policies have been consistently applied for the financial years presented.

2.2 Critical accounting estimates and judgements

The preparation of the financial statements and the application of the accounting policies and methods described below, require critical accounting estimates that involve judgements and the use of assumptions. By their nature, the assessments necessary for drawing up the financial statements require the formulation of hypotheses and carry risks and uncertainties as to their occurrence in the future.
Although the Board of Directors believes that it has taken all available information into account in determining these judgements and estimates, the actual future profits and losses from the operations concerned could differ from these estimates and therefore have a material impact on the financial statements.

A significant level of judgement is applied regarding the following items:

- Classification of financial instruments into the appropriate category based on the applicable business model ("Held-to-Collect", "Held-to-Collect-and-Sell" and "Held-for-trading") for measurement purposes based on the financial instrument's characteristics and the Bank's intention;
- Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee);
- Capitalisation of development costs as intangible assets.

Notes to the Financial Statements (continued)

Note 2 - Basis of preparation (continued)

2.2 Critical accounting estimates and judgements (continued)

Estimates are principally made in the following areas:

- Determination of the useful life and the residual value of tangible and intangible fixed assets;
- Estimation of current taxable profit for the recognition and measurement of current taxes and provisions for taxation;
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets;
- Estimating the incremental borrowing rate to measure lease liabilities;
- Measurement of the expected credit loss allowance.

Note 3 - Significant accounting policies

3.1 Foreign currency transactions

The Bank maintains its accounting records in Euros (EUR), and the financial statements are expressed in this currency.

Transactions in foreign currencies are translated into EUR at the exchange rates prevailing at the date of the transactions.

Fixed assets in foreign currencies are kept at historical exchange rates at the balance sheet date.

Monetary assets and liabilities in foreign currencies are revalued at the exchange rate prevailing at the balance sheet date. Exchange gains and losses are recorded in the profit and loss account.

Other non-monetary assets and non-monetary liabilities in foreign currencies are kept at historical exchange rates or revalued at exchange rates prevailing at the balance sheet date, respectively if the latter rate is lower or higher. Accordingly, exchange losses are recognised immediately in the profit and loss account. Exchange gains are recorded in the profit and loss account at the moment of their realisation.

Income and expenses in foreign currencies are translated into EUR at the exchange rates applicable at the date of the transaction.
The profit and loss account of foreign branches that have a functional currency different from the Bank's presentation currency (EUR) are translated into EUR at the average exchange rates for the year whereas the Branches' monetary and non-monetary assets and liabilities are translated at the respective year-end exchange rates.

Exchange differences arising from the translation of the net assets of foreign branches are recorded in the profit and loss account under the heading “Net profit/(loss) on financial operations”.
Such translation adjustments are mainly arising from the revaluation of tangible assets and lease liabilities held by the foreign branches.

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.1 Foreign currency transactions (continued)

The main exchange rates used at the balance sheet date are as follows:

31 December 2021	31 December 2020
1 EUR = 1.1381 USD	1 EUR = 1.2225 USD
1 EUR = 0.84094 GBP	1 EUR = 0.8957 GBP
1 EUR = 10.2885 SEK	1 EUR = 10.0448 SEK
1 EUR = 1.03719 CHF	1 EUR = 1.0815 CHF
1 EUR = 7.4367 DKK	1 EUR = 7.4411 DKK

3.2 Cash in hand, balances with central banks and post office banks

Cash in hand, balances with central banks and post office banks consist of balances with other credit institutions and Central Banks including the mandatory minimum reserve with the Central Bank of Luxembourg.
The funds for the minimum reserves are not available for financing the current operations of the Bank. The reserve base, calculated monthly, is based on balance sheet items in accordance with accounting principles. The baseline calculation that determines the reserve requirement is performed by the Central Bank.

3.3 Financial instruments

3.3.1 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

3.3.2 Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. They are measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortised cost.

Note 3 - Significant accounting policies (continued)

3.3.2 Measurement categories of financial assets and liabilities (continued)

Cash in hand, balances with central banks and post office banks, Loans and advances to credit institutions, Financial investments at amortised cost

The Bank measures Cash in hand, balances with central banks and post office banks, Loans and advances to credit institutions and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows only (Held-to-collect, HTC);
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.2 Measurement categories of financial assets and liabilities (continued)

Debt securities at FVOCI

The Bank classifies debt securities at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets (Hold-to-collect and sell, HTC&S);
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt securities are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI ("Revaluation reserve"). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the profit and loss account. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Note 3 - Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.2 Measurement categories of financial assets and liabilities (continued)

<u>*Financial assets and financial liabilities at fair value through profit or loss*</u>

Financial assets and financial liabilities in this category are those that are held to sell or have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the below-listed criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities, which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the balance sheet at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR (Effective Interest Rate), taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

As at 31 December 2021 and 2020, the Bank did not hold such financial instruments.

3.3.3 Derecognition of financial assets and liabilities

3.3.3.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financial asset, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financial assets are classified as Stage 1 for expected credit losses ("ECL") measurement purposes, unless the new financial asset is deemed to be credit impaired.
When assessing whether or not to derecognise a loan to a customer the Bank mainly considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.3 Derecognition of financial assets and liabilities (continued)

3.3.3.2 Derecognition other than for substantial modification

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

<u>Financial assets</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.
The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass–through" arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the "original asset"), but assumes a contractual obligation to pay those cash flows to one or more entities (the "eventual recipients"), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients;
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

Note 3 - Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.3 Derecognition of financial assets and liabilities (continued)

3.3.3.2 Derecognition other than for substantial modification (continued)

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.3.4 Impairment of financial assets

Overview of the ECL principles
The Bank records an allowance for expected credit loss (ECL) for all loans and other debt financial assets not measured at FVPL.
The ECL allowance is based on the credit losses expected to arise over the lifetime of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).
The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
Based on the above process, the Bank groups its financial assets into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1 - When financial assets are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 assets also include facilities where the credit risk has improved and the asset has been reclassified from Stage 2;

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.4 Impairment of financial assets (continued)

Overview of the ECL principles (continued)

- Stage 2 - When an asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 assets also include facilities, where the credit risk has improved and the asset has been reclassified from Stage 3;
- Stage 3 - Assets considered credit-impaired. The Bank records an allowance for the LTECL.

A significant increase in credit risk (SICR) is considered to have occurred with regard to a particular obligor when at least one of the below trigger events has been reached:

- Rating downgrade criterion: For counterparties rated as of the reporting date below the investment grade, the Bank considers a threshold level of 3 notches as an indicator of significant increase in credit risk. In the other words, if the decrease in the rating of the counterparty at the given reporting date as compared to the initial recognition is equal or greater than 3 notches then such exposure shall be allocated into Stage 2. The ratings used for this assessment are external ratings provided by mainstream credit agencies;
- Past due criterion: The obligor is past due more than 30 days on any material credit obligation to the Bank;
- Discretionary criterion: Specific sector, country or idiosyncratic issues which could lead to the conclusion that the risk of the exposure is significantly higher than at initial recognition may lead to acknowledge a SICR.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECL

The Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio;
- EAD - The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments;

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.4 Impairment of financial assets (continued)

The calculation of ECL (continued)

- LGD - The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately.

The model used to estimate the PD is based on statistical and historical observations and external data provided by mainstream credit agencies. This methodology is deemed as appropriate with respect to the overall materiality of this model, the Bank's underlying risks as well as the size and complexity of the Bank's operations.

For the purpose of determining the EAD of "Loans and advances to credit institutions", the Bank considers current outstanding balance as the carrying amount at the time of default. For "Debt securities issued by public bodies", the EAD is computed by summing up the book value of the security at reporting date and the estimated accrued interest of the same security.

The estimate of the LGD is solely based on regulatory-provided data.

ECL for debt securities measured at fair value through OCI

The ECL for debt securities measured at FVOCI do not reduce the carrying amount of these financial assets in the balance sheet, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the financial assets.

3.4 Determination of Fair Value

3.4.1 Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

3.4.2 Fair value of financial instruments

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date;

Note 3 - Significant accounting policies (continued)

3.4 Determination of Fair Value (continued)

3.4.2 Fair value of financial instruments (continued)

- Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3;
- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

3.4.3 Valuation techniques

Government debt securities

Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

All debt securities held by the Bank (please see Note 6 - Debt securities and other fixed-income securities for details) are classified as Level 1 instruments.

In addition to debt securities, the Bank only holds one additional asset measured at fair value (an equity instrument at FVOCI), which is classified as Level 2 instrument.

3.5 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Right-of-use assets held by foreign branches with a functional currency different from EUR are subject to translation adjustments as explained in Note 3.1.

The right-of-use assets are presented within Note 9 - Tangible assets.

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.5 Leases (continued)

Lease liabilities
At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

Lease liabilities held by foreign branches with a functional currency different from EUR are subject to translation adjustments as explained in Note 3.1.
Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Incremental borrowing rate
In calculating the present value of lease payments, the Bank uses its incremental borrowing rate (IBR) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to *IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.
The Bank did not have any leases impacted by this amendment.

3.6 Intangible assets
Intangible assets are carried at purchase price including the expenses incidental thereto, or at production costs, less accumulated amortisation. Amortisation is recognised on a straight-line basis over the estimated remaining useful life of the assets, as follows:

- Development costs – 5 years
- Computer software – 5 years
- All other intangible assets – 5 years

Ongoing development projects are not depreciated.
Where the Bank considers that intangible assets have suffered a durable decline in value excess of the accumulated amortisation already recognised, an additional write-down is to be accounted for. These value adjustments are reversed if the reasons for which the value adjustments were made have ceased to apply.

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.7 Tangible assets

Tangible assets are carried at purchase price including the expenses incidental thereto, or at production costs, less accumulated depreciation. Depreciation is recognised on a straight-line basis over the estimated remaining useful life of the assets, as follows:

- Buildings (this category consists of leasehold improvements) – 5 years
- Other fixtures and fittings, tools and equipment – 3 years
- Right-of-use assets – office premises - 9-10 years (Luxembourg, Copenhagen and London)
- Right-of-use assets – office premises - 3 years (Munich)
- Right-of-use assets – vehicles - 3-5 years

Land is not depreciated.
Where the Bank considers that tangible assets have suffered a durable decline in value in excess of the accumulated depreciation recognised, an additional write-down is recorded to reflect this impairment. These value adjustments are reversed if the reasons for which the value adjustments were made have ceased to apply.
Tangible assets held by foreign branches with a functional currency different from EUR are subject to translation adjustments as explained in Note 3.1.

3.8 Prepayments and deferred income

Expenses incurred and income received before the balance sheet date but attributable to a subsequent financial year are shown under the assets item “Prepayments and accrued Income” or the liabilities item “Accruals and deferred income” respectively.

3.9 Taxes

Current tax

The Bank is a fully taxable company and tax resident of Luxembourg. As such, the Bank is liable for all taxes applicable to Luxembourgish banks. Taxes are accounted for on an accrual basis in the year to which they relate and not in the year in which payment occurs. Accordingly, provisions for taxation have been recorded for the financial years for which no final assessments have been issued by the tax authorities.

In addition, all branches of the Bank are considered as permanent establishments for tax purposes in their local countries and follow the tax regulation and tax rates enacted in their respective regulatory territory.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Tax provisions are disclosed under “Provisions for taxation” (Note 17) while tax advances are included under “Other assets” (Note 11).

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.9 Taxes (continued)

Deferred tax

Deferred tax is recorded on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognised for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3.10 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.
Provisions may also be created to cover charges which have their origin in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the balance sheet date are either likely to be incurred, or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

3.11 Interest income and charges

Interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI is recorded using the EIR method as well. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.
The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR but not future credit losses.
When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.12 Fee and commission income and charges

The Bank earns fee and commission income from a diverse range of services it provides to its clients.
Fees and commissions are earned from providing payment and related services and are fully recognised in the profit and loss account at the time that the service is carried out.
Fee and commission charges are incurred as a result of the provision of payment and related services and are recognised to match the relevant fee and commission income.

Notes to the Financial Statements (continued)

Note 3 - Significant accounting policies (continued)

3.13 Comparative information
Certain comparative information has been reclassified where necessary to preserve consistency with the presentation in the current period.
However, such reclassifications did not have any effect on the profit and loss account or the equity of the Bank for the comparative year.

Note 4 - Cash in hand, balances with central banks and post office banks

In accordance with the requirements of the European Central Bank, the Central Bank of Luxembourg has put in place, since 1 January 1999, a system of mandatory reserves required of all Luxembourg credit institutions. In addition, the Bank also has a current account with the National Bank of Denmark and the Bank of England. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognise any credit loss allowance for deposits held with the Central Banks.

As at 31 December 2021 and 2020, the balances with central banks can be broken down as follows:

	2021	2020
	EUR	EUR
Central Bank of Luxembourg	770,698,567	481,308,068
Bank of England	111,185,102	-
National Bank of Denmark	12,605,031	588,290
	894,488,700	**481,896,358**

Note 5 - Loans and advances to credit institutions

As at 31 December 2021, all loans and advances to credit institutions amounting to EUR 243,614,954 (2020: EUR 102,253,092) were repayable on demand.

All balances with credit institutions are grouped under Stage 1 (with no transfers between stages during the year). As at 31 December 2021, the ECL allowance in respect of loans and advances to credit institutions amounted to EUR 671 (31 December 2020: EUR 479). Loans and advances to credit institutions are mainly held with banks based in Europe.

Notes to the Financial Statements (continued)

Note 6 - Debt securities and other fixed-income securities

As at 31 December 2021 and 2020, “Debt securities and other fixed-income securities” consisted solely of securities of public issuers traded in active markets and can be analysed as follows:

Countries – Book values	**2021**	**2020**
	EUR	**EUR**
Germany	556,684,250	178,459,240
United States	201,606,159	493,521,114
France	80,165,200	190,316,300
Sweden	41,357,439	14,939,969
Switzerland	19,731,004	-
Norway	17,441,176	9,536,252
Canada	11,109,611	9,622,547
United Kingdom	-	57,269,918
	928,094,839	**953,665,340**

The part of debt securities portfolio which was pledged as collateral against amounts owed to clients amounted to EUR 694,405,024 (2020: EUR 869,291,106).

All debt securities held by the Bank are measured at FVOCI and are grouped under Stage 1 (with no transfers between stages during the year). As of 31 December 2021, the ECL allowance in relation to debt securities and other fixed-income securities amounted to EUR 11,661 (2020: EUR 52,878). The ECL has been recognised in Equity under “Revaluation reserve”, with a corresponding charge to the profit and loss account. The changes in fair value of the debt securities held by the Bank are disclosed in Note 19 - Reserves.

Note 7 - Equity instruments at fair value through other comprehensive income

	2021	**2020**
	EUR	**EUR**
Shares	490,455	5,705
	490,455	**5,705**

Equity instruments relate to SWIFT shares for which the Board of Directors irrevocably elected upon initial recognition to classify as equity instruments at fair value through other comprehensive income.

Notes to the Financial Statements (continued)

Note 8 - Intangible assets

The movement in the Bank's intangible assets over the course of the financial year is as follows:

EUR	Developed software	Ongoing development projects	Other intangible assets	Total
Gross value as at 1 January 2021	**14.518.931**	**10.485.815**	**312.441**	**25.317.187**
Additions	-	18.644.283	-	18.644.283
Disposals	-	-	-	-
Transfers	26.852.087	(27.227.922)	375.835	-
Translation adjustments		61		61
Gross value as at 31 December 2021	**41.371.018**	**1.902.237**	**688.276**	**43.961.531**
Cumulative value adjustments as at 1 January 2021	**(2.985.666)**	**-**	**(117.521)**	**(3.103.187)**
Value adjustments	(4.446.453)	-	(117.930)	(4.564.383)
Reversal of value adjustments	-	-	-	-
Cumulative value adjustments as at 31 December 2021	**(7.432.119)**	**-**	**(235.451)**	**(7.667.570)**
Net carrying value as at 31 December 2021	**33.938.899**	**1.902.237**	**452.825**	**36.293.961**

Development costs related to ongoing development projects

Developed software and ongoing development projects are expected to result in future economic benefits through growth in business volumes, economies of scale and efficiency. The additions during the year primarily consist of internal expenses in the form of payroll costs (EUR 14,241,553) and the costs of external resources directly involved in development work (EUR 4,402,230).

During 2021, ongoing development projects amounting to EUR 27,227,922 were finalised and transferred to developed software and other intangible asset categories.

Note 9 - Tangible assets

The movement in the Bank's tangible assets over the course of the financial year is as follows:

EUR	Land and buildings	Land and buildings - ROU assets	Other fixtures and fittings, tools and equipment	Other fixtures and fittings, tools and equipment - ROU assets	Total
Gross values as at 1 January 2021	**3.013.573**	**11.802.848**	**1.691.499**	**610.409**	**17.118.329**
Additions	139.291	-	17.485	97.950	254.726
Disposals	-	-	-		-
Transfers	-	-	-	-	-
Translation adjustments	31.825	243.782	20.541	-	296.148
Gross values as at 31 December 2021	**3.184.689**	**12.046.630**	**1.729.525**	**708.359**	**17.669.203**
Cumulative value adjustments as at 1 January 2021	**(965.463)**	**(2.268.887)**	**(874.039)**	**(212.723)**	**(4.321.112)**
Value adjustments	(603.346)	(1.290.941)	(564.685)	(180.749)	(2.639.721)
Reversal of value adjustments	-	-	-	-	-
Translation adjustments	(13.894)	(57.802)	(14.671)	-	(86.367)
Cumulative value adjustments as at 31 December 2021	**(1.582.703)**	**(3.617.630)**	**(1.453.395)**	**(393.472)**	**(7.047.200)**
Net carrying value as at 31 December 2021	**1.601.986**	**8.429.000**	**276.130**	**314.887**	**10.622.003**

Note 9 - Tangible assets (continued)

Right-of-use assets

Right-of-use assets comprise the following assets:

- Category “Land and buildings - ROU assets” – leased office premises in Luxembourg, Copenhagen, London and Munich;
- Category “Other fixtures and fittings, tools and equipment – ROU assets” – leased vehicles.

Please see Note 3.5 for more details on the determination of amounts for right-of-use assets.

Set out below are the carrying amounts of lease liabilities (included in Note 15 - Other liabilities) and the movements during the year:

	2021	2020
	EUR	EUR
As at 1 January	**10,651,266**	**11,585,744**
Additions during the year	97,950	614,041
Disposals during the year	-	(7,502)
Accretion of interest during the year	99,727	109,676
Lease payments made during the year	(1,603,573)	(1,470,295)
Translation adjustments	220,282	(180,398)
As at 31 December	**9,465,652**	**10,651,266**

The maturity analysis of lease liabilities is disclosed in Note 33 - Risk Management.

Note 10 - Current income tax and deferred tax

Income tax

	2021	2020
	EUR	EUR
Current income tax:		
Current tax for the financial year	(853,016)	(670,755)
Adjustments in respect of current income taxes of previous year	(8,256)	(9,661)
Tax on current financial year results	**(861,272)**	**(680,416)**
Deferred tax:		
Relating to carry-forward losses	7,223,929	4,502,565
Relating to temporary differences	142,919	(114,758)
Changes in deferred tax	**7,366,848**	**4,387,807**
Tax on profit on ordinary activities	**6,505,576**	**3,707,391**

Notes to the Financial Statements (continued)

Note 10 - Current income tax and deferred tax (continued)

Income tax (continued)	**2021**	**2020**
	EUR	**EUR**
Loss on ordinary activities before tax	(25,814,227)	(16,099,001)
Reconciling items from accounting to taxable profit:		
Non-deductible expenses	124,393	326,208
Changes in temporary differences	649,580	738,557
Effect of carry-forward losses	28,965,233	18,053,588
Tax base after adjustments	**3,924,979**	**3,019,352**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(978,890)**	**(753,026)**
Effect of different tax rates in other countries	125,874	82,271
Adjustments in respect of current income tax of previous years	(8,256)	(9,661)
Tax on current financial year results	**(861,272)**	**(680,416)**
Effective tax rate %	**21.94%**	**22.54%**

Deferred tax

	2021	**2020**
	EUR	**EUR**
Deferred tax assets	12,478,405	5,036,938
Deferred tax liabilities		(30,060)
Net deferred tax	**12,478,405**	**5,006,878**

The changes in net deferred tax during the year were as follows:

	2021	**2020**
	EUR	**EUR**
Net deferred tax at 1 January	**5,006,878**	**640,108**
Net deferred tax recognised in the profit and loss account	7,366,848	4,387,807
Net deferred tax on items recognised in the revaluation reserve	104,555	(22,203)
Translation adjustments on deferred tax in foreign currency	124	1,166
Deferred tax at 31 December	**12,478,405**	**5,006,878**

	2021	**2020**
	EUR	**EUR**
Deferred tax relates to:		
Tax losses carried forward	12,032,029	4,808,560
Tangible assets	208,864	105,152
Intangible assets	162,558	123,226
ECL allowances	(2,908)	(13,188)
Financial instruments measured at FVOCI	77,403	(16,872)
	12,478,405	**5,006,878**

Note 11 – Other assets

	2021	2020
	EUR	EUR
Receivables from affiliated undertakings	2,661,029	158,686
VAT to recover	1,907,887	-
Deposits paid	824,694	806,293
Accounts receivable	464,126	137,963
Other receivables	92	-
Transactions awaiting settlement (receivable)	-	2,322,666-
	5,857,828	**3,425,608**

Note 12 - Prepayments and accrued income

	2021	2020
	EUR	EUR
Accrued income	2,509,169	1,236,949
Prepaid expenses	2,316,165	2,260,878
Prepaid wages and salaries	980,367	981,528
	5,805,701	**4,479,355**

Note 13 - Amounts owed to credit institutions

As at 31 December 2021, all amounts owed to credit institutions amounting to EUR 16,433,949 (2020: EUR 21,777,257) were repayable on demand.

Note 14 - Amounts owed to clients

As at 31 December 2021, all amounts owed to clients consisted of balances outstanding in clients' payment accounts which are repayable on demand and amounted to EUR 1,938,122,539 (2020: EUR 1,480,401,347).

Note 15 - Other liabilities

	2021	2020
	EUR	EUR
Transactions awaiting settlement	29,534,875	-
Lease liability (Note 9)	9,465,652	10,651,266
Payroll related payables	3,873,389	4,414,090
Accounts payable and sundry creditors	2,380,033	1,147,349
Other	42,225	578,842
Payable VAT	-	543,109
	45,296,174	**17,334,656**

Notes to the Financial Statements (continued)

Note 16 - Accruals and deferred income

	2021	2020
	EUR	EUR
Accrued expenses	1,465,157	1,167,833
Accrued payable to affiliated undertakings	1,124,614	-
	2,589,771	**1,167,833**

Note 17 - Provisions for taxation

	2021	2020
	EUR	EUR
Provision for Corporate Income Tax (CIT)	525,214	473,026
Provision for Net Wealth Tax (NWT)	598,593	317,826
	1,123,807	**790,852**

Note 18 - Subscribed capital and share premium account

At incorporation, the subscribed and fully paid capital amounted to EUR 30,000, represented by 30,000 shares with a nominal value of EUR 1 each.

The subscribed and fully paid capital of EUR 45,652,411 (2020: EUR 45,121,642) is represented by 45,652,411 (2020: 45,121,642) shares with a nominal value of EUR 1 each.

During 2021, the Bank increased its issued capital to EUR 45,652,411 by the issuance of 530,769 new ordinary shares having a nominal value of EUR 1 each, following the decisions made by the Extraordinary General Meetings of shareholders dated 27 January 2021 and 08 April 2021.

As at 31 December 2021, share premium account amounted to EUR 125,524,734 (2020: EUR 36,355,466). The movement of EUR 89,169,268 for the year on the share premiums is due to the increase in capital following the decisions made by the Extraordinary General Meetings of shareholders dated 27 January 2021 and 08 April 2021.

Note 19 - Reserves

Legal reserve

Under Luxembourg Law, the Bank must allocate a minimum of 5% of the net profit to the legal reserve, until such reserve reaches 10% of the share capital. This reserve may not be distributed.

During the year ended 31 December 2021, no allocation was made to the legal reserve as the Bank has reported a loss for the financial year 2020.

Revaluation reserve

In accordance with IFRS 9, fair value adjustments on financial instruments are recognised in the profit and loss account or directly in Equity under “Revaluation reserve” caption.

Note 19 – Reserves (continued)

Set out below are the movements in the revaluation reserve during the year:

	2021	2020
	EUR	EUR
Opening balance as at 1 January	**90,469**	**(43,571)**
Changes in ECL allowance for debt securities at FVOCI	(41,217)	39,697
Changes in fair value of debt securities at FVOCI	(378,009)	116,231
Changes in fair value of equity instruments at FVOCI	-	315
Currency translation difference	113,584	-
Deferred tax related to the above items	104,555	(22,203)
Closing balance as at 31 December	**(110,618)**	**90,469**

Note 20 - Shareholders' equity

The movements in shareholders' equity can be analysed as follows:

EUR	Subscribed capital	Share premium account	Revaluation reserve	Results brought forward	Loss for the financial year	Total
Balance as at 1 January 2021	**45,121,642**	**36,355,466**	**90,469**	**(4,585,998)**	**(12,709,971)**	**64,271,608**
Appropriation of loss for the previous financial year	-	-	-	(12,709,971)	12,709,971	**-**
Issue of subscribed capital	530,769	89,169,268	-	-	-	**89,700,037**
Net movement related to financial instruments at FVOCI (Note 19)	-	-	(314,671)	-	-	**(314,671)**
Currency translation difference			113,584			**113,584**
Loss for the financial year	-	-	-	-	(19,589,952)	**(19,589,952)**
Balance as at 31 December 2021	**45,652,411**	**125,524,734**	**(110,618)**	**(17,295,969)**	**(19,589,952)**	**134,180,606**

Note 21 – Assets and liabilities denominated in foreign currencies

As at 31 December 2021, the aggregate amount of the Bank's assets and liabilities denominated in foreign currencies, translated into EUR, amounted to EUR 775,499,539 (2020: EUR 927,567,243) and EUR 763,501,784 (2020: EUR 927,951,112), respectively.

Notes to the Financial Statements (continued)

Note 22 - Contributions for the deposit guarantee and investors indemnification schemes

The law on resolution, recovery, and liquidation measures of credit institutions and certain investment firms, on deposit guarantee and investor compensation schemes (the "Law"), transposing Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and Directive 2014/49/EU on deposit guarantee and investor compensation schemes into Luxembourg law, was passed on 18 December 2015.

The deposit guarantee and investor compensation scheme in force since then, called "Fonds de Garantie des Dépôts Luxembourg" ("FGDL"), consists in a system which guarantees all eligible deposits of a single depositor for up to EUR 100,000 and investments for up to EUR 20,000. The Law further provides that deposits resulting from specific transactions, fulfilling a social objective, or related to special life events are protected beyond EUR 100,000 for a period of 12 months.

The target level of FGDL financial resources of 0.8% of guaranteed deposits, as defined in Article 163 number 8 of the Law, of member institutions was reached by paying the contributions annually until 2018. Starting in 2019, Luxembourg credit institutions will continue to contribute for eight additional years so as to provide an additional safety cushion of 0.8% of guaranteed deposits as defined in Article 163 number 8 of the Law.

By the end of 2024, the amount of financial resources of the "Fonds de resolution Luxembourg" ("FRL") should reach at least 1% of the guaranteed deposits, as defined in article 1 number 36 of the Law, of all approved credit institutions in all participating Member States. This amount is collected from credit institutions through annual contributions during financial years 2015 to 2024.

During 2021, the Bank paid EUR 503,410 as a contribution payment to the FRL and FGDL (2020: EUR 457,780).

During 2021 and 2020, no FRL or FGDL provisions were recognised in the books of the Bank.

Note 23 - Geographical analysis of income

Revenue is primarily derived from operations with clients in OECD countries.

Fee and commission receivable can be further analysed as follows:

	2021	2020
	%	%
United Kingdom	46%	53%
European Union	43%	36%
Other countries	7%	7%
Other OECD countries	4%	4%
	100%	**100%**

The major part of interest receivable and similar income is derived from portfolio of debt securities (please refer to Note 6 – Debt securities and other fixed-income securities).

Notes to the Financial Statements (continued)

Note 24 - Interest income and expense

	2021	2020
	EUR	**EUR**
Interest income		
Negative interest on client balances	5,687,814	382,885
Income on fixed income securities	480,248	3,504,062
Interest on balances with credit institutions	54,542	77,340
	6,222,604	**3,964,287**
Interest expense		
Negative interest on fixed income securities	(3,076,484)	(1,987,698)
Negative interest on balances with central banks	(3,050,924)	(1,307,447)
Negative interest on balances with credit institutions	(388,828)	(74,724)
Interest on client balances	(105,319)	-
Interest on lease liability	(99,735)	(109,664)
	(6,721,290)	**(3,479,533)**

Note 25 - Fee and commission income and expense

	2021	2020
	EUR	**EUR**
Fee and commission income		
Payment fee income	13,209,731	6,465,147
Other fee and commission income	12,606,038	7,202,942
	25,815,769	**13,668,089**
Fee and commission expense		
Payment fee expense	(4,006,499)	(2,954,542)
Other fee and commission expense	(899,998)	(786,420)
	(4,906,497)	**(3,740,962)**

Note 26 - Net profit/(loss) on financial operations

	2021	2020
	EUR	**EUR**
Foreign exchange profit (loss)	334,864	551,722
Realized profit on debt securities	100,180	130,410
	435,044	**682,132**

Notes to the Financial Statements (continued)

Note 27 - Other operating income

	2021	2020
	EUR	EUR
Income from affiliated undertakings (Note 32)	1,921,437	12,322,439
Prior year VAT income	1,177,064	-
Other operating income	1,606	11,555
	3,100,107	**12,333,994**

Note 28 - Staff

The number of staff employed on average (full time equivalent) during the year is as follows:

	2021	2020
Management	2	2
Senior managers	15	15
Other employees	274	195
	291	**212**

As at 31 December 2021, the number of people employed by the Bank was 336 (2020: 260).

Note 29 - Remuneration of key management personnel

Key definition of the management personnel includes in addition to the directors (whether executive or otherwise) all the employees attending the management meetings, i.e. Authorised Management and other Senior Management functions. The remuneration incurred in 2021 for the key management personnel amounted to EUR 4,955,903 and was paid to 19 members of key management personnel (2020: EUR 4,682,506, 18 members).

During the year ended 31 December 2021, no loans or advances have been granted and no commitment or guarantees have been given to the members of key management personnel (2020: Nil).

Directors' remuneration

The Bank has granted the following compensation to the members of the board of directors:

	2021	2020
	EUR	EUR
Directors' fees	**140,400**	**120,000**

During the year ended 31 December 2021, no pension contributions were paid to the members of the board of directors. In addition, no loans or advances have been granted and no commitment or guarantees have been given to the board of directors during the same period (2020: Nil).

Notes to the Financial Statements (continued)

Note 29 - Remuneration of key management personnel (continued)

Share-based payments

All employees of the Bank are entitled to share-based compensation plan provided that they fulfil certain conditions. This plan is equity settled and the settlement is done by another group company.

The share-based compensation plan includes three types of option programmes and has a vesting period over 5 years from the grant date, i.e. 20% each year. The plan was approved on 9 October 2019.

As at 31 December 2021, 208,558 stock options were outstanding (2020: 195,344 options) and no options were exercised during 2021 and 2020.

Note 30 - Other administrative expenses

	2021	2020
	EUR	EUR
Technology and software	7,311,488	6,191,514
Professional fees	4,535,450	5,011,844
Marketing, advertising and public relations	2,376,066	2,171,402
Premises and office costs	1,605,779	1,447,396
Public charges and supervision fees	882,671	734,300
Insurance fees	346,568	281,878
Travel and similar expenses	308,004	374,451
Telecommunication expenses	286,464	292,054
Memberships and subscriptions	229,135	198,289
Other administrative costs	684,802	540,301
	18,566,427	**17,243,429**

Note 31 - Fees paid to or provided for to the approved independent auditor

The following amounts of fees were paid or provided for to the approved independent auditor (excluding VAT) during 2021 and 2020:

	2021	2020
	EUR	EUR
Statutory audit of the financial statements	195,800	178,000
	195,800	**178,000**

These fees are included as a part of professional fees presented in Note 30 - Other administrative expenses.

Notes to the Financial Statements (continued)

Note 32 - Related party disclosures

During 2020 and 2021, the related party transactions took place mainly in the context of the Bank providing administrative support to its affiliated undertakings
All related party transactions are conducted on an arm's length basis.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year and outstanding balances at the end of each year:

Receivable from affiliated undertakings

	2021	2020
	EUR	EUR
BANKING CIRCLE US HOLDING, INC.	950,000	-
Youlend ApS	797,856	108,772
BC MIDCO Pte. Ltd	620,053	-
Moneyball Bidco S.à r.l.	224,574	49,914
BC Group Support	68,546	-
	2,661,029	**158,686**

Amounts owed to affiliated undertakings

	2021	2020
	EUR	EUR
BC GROUP SUPPORT SARL	986,079	-
BC MIDCO Pte. Ltd	666,348	-
BANKING CIRCLE US HOLDING, INC.	649,820	85,015
BC Beijing IT Company Ltd	418,256	-
Youlend ApS	40,010	-
BC UK HOLDING LIMITED	10,000	10,000
	2,770,513	**95,015**

Other operating income

	2021	2020
	EUR	EUR
Banking Circle US Holding Inc.	950,000	12,000,000
Youlend ApS	794,876	322,439
BC MIDCO Pte. Ltd	105,000	-
B. Circle Holding S.A.	39,342	-
Moneyball Bidco S.à r.l.	32,219	-
	1,921,437	**12,322,439**

Notes to the Financial Statements (continued)

Note 32 - Related party disclosures (continued)

Net interest income/(expense)

	2021	2020
	EUR	EUR
Youlend ApS	1,498	-
	1,498	**-**

Payment fee income

	2021	2020
	EUR	EUR
Youlend ApS	650,821	522,291
	650,821	**522,291**

Note 33 - Risk Management

Risk Appetite Framework and Statements
The Risk Appetite Framework (the "RAF") – including the qualitative statements as well as quantitative measures – is designed to adequately cover the key risks faced by Banking Circle, and collectively defines the boundaries for risk-taking activities. The risk exposures assumed by Banking Circle is driven by the activities conducted to meet clients' needs within the business strategy.

The RAF considers the risks relevant to Banking Circle's business activities and covers credit and counterparty credit risk, market risk, the IRRBB, liquidity risk, asset encumbrance, operational risk, information and security risk, compliance risk, model risk, business risk and reputational risk.

The RAF measures are aligned with the stress testing conducted as part of the ICAAP and ILAAP processes.

Thus, the RAF articulates the aggregate level (including branches) across all types of risks, Banking Circle is prepared to accept, or should avoid in order to achieve its strategic objectives, taking into account the interest of its shareholders, clients and regulatory requirements. Banking Circle maintains a risk profile able to maintain stress scenarios – as visualised in the ICAAP and ILAAP documents - without significantly impacting its solvency ratio as well as liquidity position.

Credit Risk and Counterparty Credit Risk
Credit risk is defined as the potential risk of a counterparty failing to meet its obligations in accordance with agreed terms. Counterparty Credit risk is defined as the risk that a counterparty fails to fulfil contractual commitments.

Notes to the Financial Statements (continued)

Note 33 - Risk Management (continued)

Credit Risk and Counterparty Credit Risk (continued)

Credit risk for Banking Circle can be grouped in the following categories:

- Central bank placements and government bond positions;
- Cash balances with correspondent banks;
- Positive net market values of FX spot contracts with a counterparty or client in excess of posted collateral;
- Intra-day credit facilities with settlement risk characteristics.

Banking Circle maintains a portfolio of high-quality liquid assets – minimum long-term credit rating AA- (or equivalent) – normally consisting of government bonds issued in multiple jurisdictions. The bonds are primarily of short maturity – normally max one year of residual maturity – and primarily are held to ensure compliance with the Liquidity Coverage Ratio (the "LCR") requirements. The bond portfolio – together with any cash placements made with approved central banks – amount to minimum 85% of the asset allocation.
Banking Circle maintains nostro accounts with a limited number of correspondent banks to enable the handing of the client driven transactions. These exposures are subject to credit limits – and where applicable settlement limits – and normally are towards entities with a minimum credit rating of BBB- (or equivalent). The Bank has max 15% of its liquid assets placed towards nostro banks.
For all credit risks Banking Circle always carefully assesses the client's creditworthiness, both prior to entering into any new relationship as well as on a continuous basis. This assessment also includes considerations of any large exposure limitations. All credit and settlement limits towards banks/financial institutions are approved by the Board of Directors and are subject to an annual review.

As of 31 December 2021 and 2020, the financial statements of the Bank only include primary non-trading instruments and no derivatives, as disclosed in more details in the next pages. The Bank has received no guarantee or collateral from external parties to pledge full or part of its non-trading primary instruments.

Notes to the Financial Statements (continued)

Note 33 - Risk Management (continued)

Credit Risk and Counterparty Credit Risk (continued)

Information on financial instruments

Financial Assets (EUR)	**Primary non-trading instruments**						**31 December 2021**
Instrument Class	on demand	<= 3 months	> 3 months <= 1 year	>1 year <= 5 years	> 5 years	Undetermined maturity	**Total**
Cash in hand, balances with central banks and post office banks	894,488,700	-	-	-		-	**894,488,700**
Loans and advances to credit institutions	243,614,954	-	-	-		-	**243,614,954**
Debt securities and other fixed-income securities	-	280,052,592	648,042,247	-		-	**928,094,839**
Equity instruments	-	-				490,455	**490,455**
Total financial assets	**1,138,103,654**	**280,052,592**	**648,042,247**	**-**		**490,455**	**2,066,688,948**

Financial Liabilities (EUR)	**Primary non-trading instruments**						**31 December 2021**
Instrument Class	on demand	<= 3 months	> 3 months <= 1 year	>1 year <= 5 years	> 5 years	Undetermined maturity	**Total**
Amounts owed to credit institutions	16,433,949	-	-	-	-	-	16,433,949
Amounts owed to clients	1,938,122,539	-	-	-	-	-	1,938,122,539
Lease liabilities (Note 15)	-	394,121	1,180,225	5,508,639	2,382,667	-	9,465,652
Total financial liabilities	**1,954,556,488**	**394,121**	**1,180,225**	**5,508,639**	**2,382,667**	**-**	**1,964,022,140**

Notes to the Financial Statements (continued)

Note 33 - Risk Management (continued)

Credit Risk and Counterparty Credit Risk (continued)

Financial Assets (EUR)	**Primary non-trading instruments**						**31 December 2020**
Instrument Class	on demand	<= 3 months	> 3 months <= 1 year	>1 year <= 5 years	> 5 years	Undetermined maturity	**Total**
Cash in hand, balances with central banks and post office banks	481,896,358	-	-	-	-	**-**	**481,896,358**
Loans and advances to credit institutions	102,253,092	-	-	-	-	**-**	**102,253,092**
Debt securities and other fixed-income securities	-	415,293,356	538,371,984	-	-	**-**	**953,665,340**
Equity instruments	-	-	-	-	-	5,705	**5,705**
Total financial assets	**584,149,450**	**415,293,356**	**538,371,984**	**-**	**-**	**5,705**	**1,537,820,495**

Financial Liabilities (EUR)	**Primary non-trading instruments**						**31 December 2020**
Instrument Class	on demand	<= 3 months	> 3 months <= 1 year	>1 year <= 5 years	> 5 years	Undetermined maturity	**Total**
Amounts owed to credit institutions	21,777,257	-	-	-	-	-	**21,777,257**
Amounts owed to clients	1,480,401,347	-	-	-	-	-	**1,480,401,347**
Lease liabilities (Note 15)	-	375,211	1,091,867	5,517,400	3,666,788	-	**10,651,266**
Total financial liabilities	**1,502,178,604**	**375,211**	**1,091,867**	**5,517,400**	**3,666,788**	-	**1,512,829,870**

Market Risk

Market risk is defined as the risk of a loss in value as a result of changes in market rates and parameters that affect the market values, e.g. interest rates, FX rates and equity prices. Market risk can be grouped in the following categories:

- Market risk stemming from client transactions, i.e. foreign exchange;
- Market risk resulting from the investment of liquidity in High Quality Liquid Assets (“HQLA”) held to ensure LCR compliance on a daily basis, i.e. interest rate risks.

Banking Circle only assumes limited market risks, all driven by the underlying business flows. The forex risks are hedged end of day, with only very limited, smaller, open positions allowed for the purpose of enabling an efficient risk management with the interest rate risk stemming from the bond portfolio. Both the forex and interest rate risks are subject to risk limits approved by the Board of Directors.

Notes to the Financial Statements (continued)

Note 33 - Risk Management (continued)

Market Risk (continued)

The IRRBB at Banking Circle arises primarily from the maturity mismatch between the bond holdings on the asset side (with maturities ranging up to one year) and the client deposits on the liability side (with an overnight maturity).
Limits on the IRRBB exposure are calibrated in terms of both economic value (variation in economic value of equity ("EVE") under internal and supervisory stress scenarios) and earnings [variation in net interest income ("NII")] to allow for a proper asset liability management and, in particular, management of the bond portfolio.

Liquidity Risk
Liquidity risk is defined as:

1. The risk that the cost of funding rises to disproportionate levels or in worst case prevents Banking Circle from continuing as a going concern under its current business model;
2. The risk that Banking Circle does not have sufficient liquidity to fulfil its payment obligations as and when they fall due;
3. The risk that Banking Circle does not comply with regulatory liquidity requirements, e.g. the Liquidity Coverage Ratio.

Banking Circle is primarily exposed to liquidity risk in relation to its payment operations with the exposure stemming from on-balance sheet obligations. This risk could materialise in a negative cash-flow mismatch, something that could occur both end of day, as well as intraday.
Banking Circle maintains a conservative liquidity and funding risk profile – ensuring resilience to both short (LCR horizon) and long-term (the Net Stable Funding Ratio or the "NSFR") external stress – by maintaining an adequate buffer of HQLA to be able to withstand longer periods of stress without the need to conduct forced sale of assets. Banking Circle monitors its liquidity situation via the LCR, which ensures that Banking Circle can meet its liquidity obligations in the coming 30-day period, also under stress. The regulatory requirement to maintain the LCR in excess of 110% enables the Bank to meet upcoming client payment obligations.

Furthermore, Banking Circle's business model builds upon the provision of payment services to clients. Thus, this requires clients to maintain current accounts with the Bank. Clients' deposit and receive funds on these accounts for/through the transactions executed via Banking Circle's payment services platform. Consequently, the deposit amounts on those accounts can fluctuate by client and over time. To support the Bank's business model, Banking Circle has from time to time and for certain selected clients offered to provide collateral, being the main source driving the Bank's Asset Encumbrance (the "AE") ratio. Banking Circle maintains the AE ratio in line with its risk appetite policy and the applicable regulatory requirements.

Notes to the Financial Statements (continued)

Note 33 - Risk Management (continued)

Operational Risk

Operational risk is defined as the risk of direct or indirect financial losses due to failure attributable to technology, employees, procedures, or external events. The definition includes legal risk but excludes reputational risk.

Operational risk is inherent in all business activities undertaken by Banking Circle, from its operational execution, to its onboarding of clients and third parties, to the models that are used. Furthermore, Banking Circle accepts that it is not possible to conduct its operation without bearing a certain exposure to operational risk. The management of operational risk is an integral part of Banking Circle's handling of its risks with key processes in place to support the organisation in proactively identifying, assessing, monitoring and managing/mitigating operational risks to the largest extent possible at reasonable cost.

Key processes include:

- An incident management process defining escalation, assessment, investigation, remediation and resolution roles and responsibilities and future action plans;
- Change management and approval of new products, services, processes and systems that constitute a significant source of potential operational risks to Banking Circle. Consequently, all such changes are subject to a formal approval process to ensure that all inherent risks are well understood, can be mitigated, managed or are accepted; and this includes third party/outsourcing approval processes;
- Regular self-assessment processes with the purpose to assess the quality of internal controls, ensure that all material operational risks are captured and reassessed in a systematic and timely manner and identify areas of improvements;
- Business continuity and crisis management processes ensure that Banking Circles builds and maintains the appropriate levels of resilience and readiness to safeguard its shareholders, assets, employees, clients, reputation, the interest of the authorities and other stakeholders of Banking Circle as well as the ability to continue activities, processes and services;
- Whistleblowing policy that enables employees to feel safe when reporting possible misconduct, i.e. act of behaviours by employees or associates which are in conflict with Banking Circle's Code of Conduct, values or violating laws and regulations;
- Training and awareness on, e.g. Anti-Bribery and Anti-Corruption, Anti-Money Laundering, General Data Protection Regulation ("GDPR"), and Information Security and Cyber Risk Awareness. In addition, Banking Circle regularly conducts information sessions for new joiners to ensure a common understanding of the internal governance framework;
- Data management and data privacy policies to support the implementation of guidelines, procedures and technical measures within the business to ensure that processing of data is performed in accordance with the applicable legal and regulatory requirements.

Notes to the Financial Statements (continued)

Note 33 - Risk Management (continued)

Information and Cyber Risk

Information and cyber risks may materialise from losses due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology within a reasonable time and with reasonable costs when the environment or business requirements change. This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security. Maintaining information confidentiality is paramount to fulfil internal, legal, regulatory, and contractual requirements which the sensitive information provided to Banking Circle by its clients is subject to. Thus, Banking Circle operates strong internal control processes and only utilises robust, well-documented technology solutions in line with industry best practice.
Moreover, developing and implementing and/or outsourcing systems and processes creates new opportunities but may also introduce new risks. In this context, Banking Circle formally assesses and documents key risks and mitigating actions as part of a controlled change management process which operates proper controls and documentation requirements.

Compliance Risk
Compliance risk is defined as the risk of non-compliance with applicable laws, regulations rules, self-regulatory standards and codes of conduct (the “Compliance rules”). The Compliance rules include as a minimum the following matters:

- Anti-Money Laundering and Counter Terrorism Financing (“AML/CTF”);
- Market abuse and insider trading;
- Financial instruments markets;
- Customer and investors protection, including conflicts of interests;
- Professional secrecy;
- Business conduct and cross-border provision of services;
- Self-imposed ethical or business conduct rules;
- The risk of being misused by third parties to circumvent their regulatory obligations;
- The risk of damaging Banking Circle´s reputation;
- Other risks that the Board of Directors may from time to time decide should be added to the above.

A significant part of identifying, managing and mitigating compliance related risks is to conduct an on-going assessment of the Risk, Control and Governance environment of Banking Circle, in line with the requirements of the Internal Governance regulation (CSSF Circular 12/552 as amended).
In this context, Banking Circle has, in accordance with applicable regulation, established a Compliance function with a dedicated team covering the full legal entity including the branches. The Compliance function is part of Banking Circle’s second line of defense and oversees the anticipation, identification, measurement, monitoring, control and reporting of all Regulatory and Financial Crime compliance related risks to which Banking Circle is or may be exposed.
Banking Circle also has in place a first line of defense Business AML team. The objective of this department is to anticipate, identify, assess and monitor the AML risks of the customers and activities of Banking Circle, as defined by the AML/CTF Policy and AML/CTF Risk Appetite Policy to assist Authorised Management in limiting and mitigating these risks.

Note 33 - Risk Management (continued)

Model Risk

Model risk is defined as the risk of loss resulting as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models. For Banking Circle, model risk is present whenever an insufficiently accurate model is used to make decisions. Model risk can stem from using a model with bad specifications, version control, user error, programming or technical errors, as well as data or calibration errors or inadequate user knowledge / use.

Model risk is reduced with processes and controls such as change management procedures, and governance policies, testing, four eye checks and, where appropriate, independent reviews by internal audit or external consultants. Banking Circle has a model inventory with assigned owners and with all key models being subject to annual reviews.

Business Risk

Business risk is the risk to Banking Circle's balance sheet and profitability from adverse developments in the commercial aspects of its business. The components representing the business risk for Banking Circle are addressed and managed by the two Authorized Managers, who are responsible for the business area. Furthermore, part of business risk is risks associated with the financial impact or consequences of any reputational damages to the Banking Circle brand.

The business risk could – on a high level – either materialise in the form of increased costs or reduced earnings – including slower growth due to people or technology limitations, change management inefficiencies, new competitors in the market, changed client behaviour, increased costs for outsourced activities, Brexit, Covid-19 tail effect, etc.

Banking Circles regularly assesses its exposure to business risk through the stress testing scenarios as part of the ICAAP and ILAAP. BC has also developed an Exit Plan in the unlikely scenario that a (combination of) events leave BC's business unviable.

Reputational Risk

Reputational risk is defined as the risk arising from negative perception on the part of clients, counterparties, shareholders, investors or regulators, that can adversely affect the reputation and have an adverse impact on earnings and sustainability through fines, litigation costs, restrictions imposed by authorities, other financial and criminal penalties, and the loss of brand value and consumer confidence.

Reputational risk is an important area for Banking Circle, especially in areas relating to business resilience, e.g. if it is not perceived as stable then it may not attract new clients or existing clients may leave, or such risks stemming from AML/CTF related risks, e.g. the risk that Banking Circle is being used as a platform for either AML or CTF.

Therefore, having a strong compliance culture and enhancing good business ethics are important aspects to ensure a strong focus on the reputation risk management in Banking Circle's operations and business resilience programmes. To support this, and as part of the general rules and procedures governing the relationship between Banking Circle and its employees, Banking Circle has implemented a "Code of Conduct".

Notes to the Financial Statements (continued)

Note 33 - Risk Management (continued)

Reputational Risk (continued)

It focuses on core principles, such as: Banking Circle's business values, ethical and responsible behaviour, applicable laws and regulations, the respect for private life and the environment, the respect for confidentiality, security and reliability, and the correct behaviour concerning external relationships with clients, financial counterparties and the market. Other mitigating actions form part of Banking Circle's overall risk management approach and processes, and the day-to-day controls and monitoring activities covered by both Internal Audit and Compliance functions.

Note 34 - Return on assets

The return on assets of the Bank for the year ended 31 December 2021 was -0.9% (2020: -0.8%).

Note 35 - Events after the reporting date

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities (of which financial institutions) and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Additional sanctions have been made following military operations initiated by Russia on 24 February 2022 against Ukraine including the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT. Such sanctions can impact not only the sanctioned entities and individuals including entities under their control but also Business Counterparties of these sanctioned entities. The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.
The Board of Directors has performed an analysis towards the Bank's potential exposure to the above. The Board of Directors regards these events as non-adjusting events after the reporting period. At the date of this report, the Bank including its going concern is not impacted (directly or indirectly) by the above and the situation including the possible impact of changing micro- and macroeconomic conditions will be continued to be monitored.