NORDEA BANK ABP
SPÓŁKA AKCYJNA
BRANCH IN POLAND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

31 DECEMBER 2019

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Separate Financial Statements of Nordea Bank Abp S.A. Branch in Poland for 2019 Prepared in Accordance with the International Financial Reporting Standards in PLN '000

Statement of Comprehensive Income

	Note	01/01/2019–31/12/2019	01/01/2018–31/12/2018 (restated figures)
Revenues, of which:			
Revenue from sale of services and products	4	773,029	538,695
Other operating income	9	2,087	6,721
Financial revenue	10	3,006	559
		778,122	545,975
Expenses, of which:			
Costs of salaries with overheads and other employee benefits	5	(554,812)	(373,725)
Amortisation and depreciation	8	(62,531)	(16,364)
Outsourced IT services	6	(40,914)	(25,480)
Other administrative expenses	7	(24,962)	(23,073)
Business travel expenses		(25,934)	(19,840)
Costs of operation and maintenance of premises		(19,507)	(49,510)
Consulting services		(6,447)	(8,018)
Financial costs	10	(2,641)	(1,290)
Other operating expenses	9	(624)	(1,064)
		(738,372)	(518,364)
Profit before tax		39,750	27,611
Income tax	11	(10,735)	(5,194)
Net profit for the reporting period		29,015	22,417
Other comprehensive income			
Other comprehensive net income for the reporting period		-	-
Total comprehensive income for the reporting period		29,015	22,417

The explanatory notes on pages 7–44 are an integral part of the Financial Statements.

Separate Financial Statements of Nordea Bank Abp S.A. Branch in Poland for 2019 Prepared in Accordance with the International Financial Reporting Standards in PLN '000

Statement of Financial Position

ASSETS	Note	31/12/2019	31/12/2018
Tangible fixed assets	12	413,616	62,342
Intangible assets	13	35	33
Deferred tax assets	14	5,857	8,256
Long-term prepayments		597	1,032
Fixed assets		420,105	71,663
Trade and other receivables	15	119,371	119,679
Short-term prepayments		2,355	3,110
Cash and cash equivalents	16	16,995	10,564
Current assets		138,721	133,353
TOTAL ASSETS		558,826	205,016

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Statement of Financial Position

EQUITY & LIABILITIES	**Note**	**31/12/2019**	**31/12/2018**
Liabilities			
Long-term liabilities due to settlements with the Branch Headquarters	17	114,967	85,952
Lease liabilities		271,727	-
Other liabilities	21	774	576
Provisions	20	16,159	10,002
Long-term liabilities		403,627	96,530
Loans and borrowings	18	20,309	12,504
Lease liabilities		39,661	-
Trade liabilities	21	1,297	5,981
Income tax liabilities	21	5,892	3,046
Other liabilities	21	86,859	86,523
Provisions	20	1,181	432
Short-term liabilities		155,199	108,486
TOTAL EQUITY & LIABILITIES		558,826	205,016

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Cash Flow Statement

	Note	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Cash flows from operating activities			
Net profit for the reporting year		29,015	22,417
Adjustments:			
Depreciation of property, plant and equipment	12	62,512	16,195
Depreciation of intangible assets	13	19	169
Foreign exchange gains/losses		(3,970)	(106)
		58,561	16,258
Profit/loss from investment activities		(178)	80
Change in trade and other receivables	15	(1,835)	(40,443)
Change in accruals, prepayments and deferred income		987	2,122
Change in trade and other liabilities	21	7,874	35,663
Change in deferred tax assets	14	2,399	(262)
Current income tax payments		(5,491)	(3,133)
Current tax adjustment		8,337	5,456
Movement in provisions	20	6,906	3,452
Change in long-term regulatory liabilities		-	(852)
Interest paid		2,617	1,266
Other adjustments		(456)	157
		21,160	3,506
Cash flows from operating activities		108,736	42,181
Disposal of property, plant and equipment		256	30
Purchase of property, plant and equipment	12	(66,329)	(27,466)
Cash flows from investment activities		(66,073)	(27,436)
Loans and borrowings incurred (+)/repaid (-)	18	7,806	(14,583)
Expenses for repayment of interest on loans, borrowings and leases		(2,617)	(1,266)
Payment of lease liabilities	22	(41,378)	-
Cash flows from financial activities		(36,189)	(15,849)
Total net cash flows		6,474	(1,104)
Balance sheet change in cash, of which:		6,431	(960)
change in cash due to foreign exchange gains/losses		(43)	144
Cash at the beginning of the period		10,420	11,524
Cash at the end of the period		16,894	10,420

The explanatory notes on pages 7–44 are an integral part of the Financial Statements.

EXPLANATORY NOTES TO THE FINANCIAL REPORT

1. General Information about the Branch

Information about Nordea Bank ABP S.A. Branch in Poland

Nordea Bank ABP S.A. Branch in Poland (hereinafter: the Branch) is a Bank based in Poland at 93-281 Łódź, Al. Śmigłego-Rydza 20, Tax ID NIP PL 105-000-11-72, Statistical No. REGON 100926668, registered with the District Court for Łódź-Śródmieście in Łódź, 20th Department of the National Court Register (KRS), Entry No. KRS 0000360398.

The Branch's business activity consists of:
- other activities auxiliary to financial services, except insurance and pension funding;
- other monetary intermediation;
- activities of call centres;
- computer IT software activities and related activities;
- information service activities;
- accounting, bookkeeping and auditing activities; tax consultancy;
- other financial service activities, not elsewhere classified, except insurance and pension funding; and
- data processing, hosting and related activities.

The Branch is a branch of a foreign bank, Nordea Bank Abp based in Finland, FI-00020, in Helsinki, Satamaradankatu 5.
The financial statements and annual reports of Nordea Bank Abp are available at *www.nordea.com/en/investor-relations/reports-and-presentations*.
The company is exempt from preparing the Report on Activities in accordance with the Accounting Act.

2. Basis for Preparing the Financial Statements

2a) Declaration on compliance

Separate annual Financial Statements of Nordea Bank Abp S.A. Branch in Poland for the period ending 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union, and other applicable laws.
The Financial Statements have been approved by the Branch Management on 27/02/2020.

2b) New and changed standards and interpretations applied

In these Financial Statements, changes to the following standards, which came into force on 1 January 2019, have been applied for the first time:

a) IFRS 16 Leases

The new standard establishes rules for the recognition, measurement, presentation and disclosures regarding leases. All lease transactions result in the lessee obtaining the right to use the asset and the liability related to the payment obligation. Therefore, IFRS 16 eliminates the classification of operating leases and finance leases in accordance with IAS 17 and introduces a single model for the accounting treatment of leasing by the lessee. The lessee will be obliged to recognise (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value; and (b) amortisation and depreciation of the leased asset separately from interest on the lease in the performance report.

IFRS 16 mainly repeats the regulations of IAS 17 on the accounting treatment of leases by the lessor. As a consequence, the lessor continues classification according to operating leases and finance leases and differentiates the accounting treatment accordingly.

Impact on the Financial Statements:
As a consequence of the application of the Standard, the Branch recognised assets and liabilities related to operating hire/rental/lease that meet the definition of lease under IFRS 16. These assets related to the right to use the leased asset are systematically depreciated over the term of the contract, and the liability is settled (reduced) by an appropriate discount rate, while recognising interest.

Contracts signed by the Branch under IFRS 16 include lease of office premises and parking areas (provided that they apply to an identifiable asset, i.e. the subject of the lease is essentially all the bandwidth or specific bundle/fibre), operating leases and rental of cars, lease of lines, rental of a data centre, rental of flats, lease of document containers and bicycle lockers as well as the lease of coffee machines and water dispensers.

In the case of document containers, bicycle lockers, coffee machines and water dispensers, the Branch used the exemption for low-value items and does not recognise assets or liabilities in this regard.

In the case of some parking areas and flats, because of the indefinite period of contract and the Management's inability to make a reliable estimate of their expected period of use, considering that the notice period of these contracts does not exceed 12 months, the Branch considers these contracts to be short-term leases and uses the exemption from the obligation to recognise assets and liabilities in this regard.

Similarly, in the case of some links, the contract period does not exceed 12 months from the date of the first application of the Standard, hence the Branch also treated them as short-term leases without recognising assets and liabilities.

Changes caused by the application of IFRS 16 are presented in Notes 12 and 22.

b) Amendments to IFRS 9: Prepayment Features with Negative Compensation

As a result of the amendment to IFRS 9, entities are able to measure financial assets with what is known as the prepayment feature with negative compensation at amortised cost or at fair value through other comprehensive income, if a specified condition is met, instead of measuring at fair value through profit or loss.

The Branch does not expect the changes to have a significant impact on its Financial Statements.

c) Amendments to IAS 28 Investments in Associates and Joint Ventures

Amendments to IAS 28 Investments in Associates and Joint Ventures clarify that companies apply IFRS 9 in relation to long-term interests in an affiliate or joint venture to which the equity method does not apply. In addition, the Board published an example illustrating the application of the requirements of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

The Branch does not expect the changes to have a significant impact on its Financial Statements.

d) IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the requirements for recognition and measurement in IAS 12 in a situation of uncertainty over income tax treatments.

The Branch does not expect the IFRIC to have a significant impact on its Financial Statements.

e) Annual Improvements to IFRSs 2015–2017

Annual Improvements to IFRSs 2015–2017 introduce changes to 4 standards, IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.
The improvements include explanations and clarify the standard guidance for recognition and measurement.

The Branch does not expect the changes to have a significant impact on its Financial Statements.

f) IAS 19 Employee Benefits

The amendments to the standard define the requirements for the accounting treatment of modifications, limitations or settlements of defined benefit plans.

The Branch does not expect the changes to have a significant impact on its Financial Statements.

2c) Standards and interpretations published that are not yet in effect and have not been applied by the Branch

In these separate Financial Statements, the Branch has not decided to apply the following standards and interpretations of or amendments to existing standards before their effective date:

a) IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2021.

The new IFRS 17 Insurance Contracts will replace the current IFRS 4, which allows a variety of practices in the settlement of insurance contracts. IFRS 17 will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts.

The Branch will apply IFRS 17 after its approval by the European Union.

The Branch does not expect the Standard to have a significant impact on its Financial Statements.

As at the date of these Financial Statements, the new standard has not yet been approved by the European Union.

b) Changes in references to the Conceptual Framework of the IFRS

Changes in references to the Conceptual Framework of the IFRS will apply as of 1 January 2020.

c) IFRS 3 Business Combinations

As a result of the amendment to IFRS 3, the definition of "business" has been modified. The current definition is narrowed down and is likely to result in more acquisitions classified as a purchase of assets. The amendments to IFRS 3 are effective for annual periods beginning on or after 1 January 2020.

As at the date of these Financial Statements, the amendment has not yet been approved by the European Union.

The Branch does not expect the above change to have a significant impact on its Financial Statements.

(d) IAS 1 Presentation of Financial Statements and IAS 8 Policies

The Council has published a new definition of the term "materiality". Amendments to IAS 1 and IAS 8 clarify the definition of materiality and improve the consistency between standards, but are not expected to have a significant impact on the preparation of financial statements. The amendment is effective for annual periods beginning on or after 1 January 2020.

As at the date of these Financial Statements, the improvements have not yet been approved by the European Union.

The Branch does not expect the above changes to have a significant impact on its Financial Statements.

e) IFRS 14 Regulatory Deferral Accounts

This standard allows entities that prepare financial statements in accordance with IFRS for the first time (as of 1 January 2016) to recognise amounts resulting from rate-regulated activities in accordance with the accounting principles applied so far. To improve comparability with entities that already apply IFRS and do not present such amounts, according to published IFRS 14, the amounts resulting from rate-regulated activities should be presented in a separate item in the statement of financial position, profit and loss account as well as statement of other comprehensive income.

By the decision of the European Union, IFRS 14 will not be approved.

f) Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between the investor and its affiliates or joint ventures

The amendments solve the problem of the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether non-monetary assets sold or contributed to an associate or joint venture are "business".

If non-monetary assets constitute a "business", the investor will disclose a full transaction profit or loss. If the assets do not meet the definition of a business, the investor recognises the profit or loss excluding the part constituting the interests of other investors.

The amendments were published on 11 September 2014. The date of application of the amended provisions has not been determined by the International Accounting Standards Board.

As at the date of these Financial Statements, he approval of this amendment is postponed by the European Union.

2d) Basis for Appraisal

The Financial Statements have been prepared on the basis of the historical cost principle.

The exception are financial assets and financial liabilities at fair value, including derivatives. Other financial assets and financial liabilities are measured at amortised cost (receivables and payables to banks and customers as well as debt securities classified as loans and receivables) or at purchase cost less any impairment write-offs. Lease liabilities are also valued at amortised cost.

The Financial Statements have been prepared based on the assumption of going concern.

2e) Functional and presentation currency

The figures in the Financial Statements have been presented in Polish zlotys (PLN), rounded up to thousands. PLN is the functional currency of the Branch.

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2f) Comparative data

Comparative data include data for the period from 01/01/2018 to 31/12/2018.

The comparative data were changed with reference to Note 11.2 (corporate income tax calculation) in such a way that VAT Due on the Free Transfer of Devices and Goods was separated from Other Non-Deductible Costs.

Moreover, the presentation of Note 9 (Other Operating Expenses and Other Operating Income) in the part of other operating income was changed in such a way that Revenue from Employee Benefits was separated from Other.

Both of the above changes were made to increase the informative value of the Financial Statements.

In addition, the cost presentation was changed compared to the Financial Statements for 2018 as follows:

Electricity and security costs have been moved from Other Administrative Expenses (the categories of Purchase of Other Materials and Administrative Expenses, respectively) to Costs of Operation and Maintenance of the Premises as the Management believes that this presentation better reflects the substance of the costs.

Under the type of Salaries with Overheads and Other Employee Benefits, costs of employee benefits such as group insurance and sports and recreation packages have been moved from Wages and Salaries to Other Employee Benefits. In addition, the costs of medical subscriptions, which had a separate category of Medical Care in 2018, were also included in Other Employee Benefits. According to the Management, this presentation is more in line with the nature of these costs.

In addition, the costs of overhauls of ICT equipment under the type of Other Administrative Costs were deprived of a separate category of Hardware and ICT Equipment Maintenance Costs and included in the category of Other because according to the Management it is too small in value to deserve its own category.

The impact of such changes on the Statement of Comprehensive Income is presented below.

Item	**2018 before restatement**	**changes**	**2018 after restatement**
Other administrative expenses	26,844	-3,771	23,073
Costs of operation and maintenance of the premises	45,739	3,771	49,510
TOTAL COSTS	**72,583**	**0**	**72,583**

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The following tables set out in more detail the amounts whose presentation has been changed in the Financial Statements:

2018	***To type/category***	Costs of operation and maintenance of the premises	Costs of salaries with overheads and other employee benefits	Other administrative expenses	Other operating income
From type/category		n/a	Other employee benefits	Other	Revenues from employee benefits
Other administrative expenses	Purchase of other materials	2,611	-	-	-
	Administrative costs	1,160	-	-	-
	Costs of hardware and ICT equipment maintenance	-	-	20	-
Costs of salaries with overheads and other employee benefits	Wages and salaries	-	7,826	-	-
	Medical care	-	2,265	-	-
Other operating revenue	Other	-		-	960

2019	***To type/category***	Costs of operation and maintenance of premises	Costs of salaries with overheads and other employee benefits	Other administrative expenses	Other operating income
From type/category		n/a	Other employee benefits	Other	Revenues from employee benefits
Other administrative expenses	Purchase of other materials	2,516	-	-	-
	Administrative costs	1,492	-	-	-
	Costs of hardware and ICT equipment maintenance	-	-	43	-
Costs of salaries with overheads and other employee benefits	Wages and salaries	-	11,529	-	-
	Medical care	-	3,278	-	-
Other operating revenue	Other	-	-	-	1,002

2g) Judgements and estimates

The preparation of the Financial Statements in accordance with IFRSs requires the Management to make subjective judgements, estimates and assumptions that have an impact on the accounting policies applied and the assets and liabilities as well as income and expenses, whose actual values may differ from the estimated values. Estimates and assumptions are made on the basis of available historical data and a number of other factors that are considered relevant under the circumstances. The results are the basis for the estimates of the balance sheet values of assets and liabilities, which cannot be established unequivocally based on other sources.

Estimates and assumptions are subject to verification. Adjustments in estimates are recognised in the period in which the estimate was changed, provided that the adjustment applies to that period only, or in the period in which the change was made and future periods, if the adjustment applies to both current and future periods.

Information on significant judgements regarding the application of accounting policies that have the greatest impact on the values presented in the Financial Statements are shown in Note 3.

3. Description of Major Accounting Policies

The accounting policies below have been applied to all reporting periods presented in the Financial Statements.

Foreign currency transactions

Transactions expressed in foreign currencies are recognised in the functional currency of the Branch and converted at the average exchange rate of the NBP published on the day preceding the transaction date, except for the situations described below in the Lease Contracts section.

The monetary items of assets and liabilities expressed in a foreign currency are converted at the end of the reporting period according to the average NBP exchange rate for a given currency announced on that date. Foreign exchange differences arising from the balance sheet measurement of monetary assets and liabilities at the end of the reporting period are the difference between the measurement at amortised cost in the functional currency at the beginning of the reporting year, adjusted by accrued interest and payments made during the reporting year, and the value at amortised cost in the foreign currency converted according to the average exchange rate of the NBP at the end of the reporting year.

Non-monetary items measured at historical cost in a foreign currency are converted by the Branch using the exchange rate, as published before the transaction date. Exchange rate differences are recognised in the profit or loss for the current period.

Financial instruments

Classification

The Branch classifies financial instruments into the following categories:
- financial assets measured at fair value;
- financial assets measured at amortised cost;
- financial liabilities measured at fair value through profit or loss; and
- financial liabilities measured at amortised cost.

As at the balance sheet date, the Branch did not have any financial instruments classified as financial liabilities measured at fair value through profit or loss. The only financial assets of the Branch measured at fair value through profit or loss are cash.

Measurement

At initial recognition, a financial asset or financial liability is measured at fair value, increased or reduced—in the case of a financial asset or liability that is not classified as measured at fair value through profit or loss—by transaction costs that can be directly assigned to acquiring or issue of a financial asset or financial liability.

The exceptions are trade receivables that do not have a significant financing component: the Branch recognises them in the transaction price.

After the initial recognition, the Branch measures financial assets and financial liabilities according to the category to which they are classified.
Measurement at amortised cost is made using the effective interest rate method to the gross carrying amount of the financial asset, taking into account impairment.

After initial recognition, other financial liabilities are measured at amortised cost using the effective interest rate method. Other liabilities include loans, borrowings, overdraft facilities, trade payables and other liabilities.

Subsidies

Government subsidies are initially recognised as deferred income at fair value, if there is sufficient certainty that they will be obtained and that the conditions related to them will be met; then, they are recognised in profit or loss of the current period and presented in other operating revenue. In the case of uncertainty as to meeting the terms of the contract, the subsidy is presented in regulatory liabilities item.

Hedge accounting
The Branch does not apply hedge accounting.

Operating segments
The Branch operates in one operating segment.

Impairment of financial assets
Financial assets measured at amortised cost are evaluated by the Branch at each balance sheet date whether there is any objective evidence that any financial asset (or a group of financial assets) has lost value.

The Branch measures and recognises a write-off for expected credit losses for this category of assets in the amount equal to the expected credit losses throughout the cycle of these instruments.
The Branch measures the expected credit losses related to financial instruments using a method that takes into account:
- an unencumbered and probability-weighted amount determined by assessing a number of possible outcomes;
- time value of money; and
- documentable information available without excessive costs or efforts at the reporting date, regarding past events, current conditions and forecasts for future economic conditions.

Tangible fixed assets
Items of property, plant and equipment and intangible assets are initially measured at purchase cost or production cost. After the initial recognition of property, plant and equipment and intangible assets, the Branch presents them at the purchase price less accumulated depreciation and accumulated impairment write-offs. Property, plant and equipment of low unit value are recognised in costs in the month they are put into operation.

This item also includes assets under the right to use in accordance with IFRS 16: see Lease Contracts below for details.

Intangible assets

Licenses and software
Licenses and software are initially measured at acquisition cost, and after initial recognition as assets, the Branch presents them at the purchase price less accumulated depreciation and accumulated impairment write-offs.

Expenses incurred at a later date are recognised by the Branch in the carrying amount of property, plant and equipment and intangible assets (e.g. costs of replacing some of these items) when incurred, if it is probable that the Branch will receive future economic benefits in connection with the asset and the purchase price or the production cost can be measured in a reliable way. Other costs are recognised in the profit and loss account when incurred.

Amortisation/depreciation

The value of depreciation write-offs is determined based on the purchase price of a given asset less its residual value. Depreciation write-offs are made according to the straight-line method for the useful life of the property, plant and equipment or intangible assets and are presented in the profit and loss account.

The land is not depreciated. The estimated useful lives are as follows:
- investments in foreign fixed assets 2–10 years;
- plant and machinery 3–5 years;
- equipment 5–10 years;
- means of transport 5 years;
- computer software 5 years;
- licenses 1–5 years; and
- assets under the right of use according to IFRS 16 as per the contract term.

The residual value is subject to an annual estimation.
Depreciation rates resulting from the applicable tax regulations are adopted for the purpose of tax settlements.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include items payable within three months of the acquisition date, including unrestricted cash on hand and cash at bank.

The Branch offsets the bank balance of the Company Social Benefit Fund against the liabilities of this Fund: the surplus is presented as cash or as other short-term liabilities. This approach, consistent with common practice, is applied because the Branch does not control the Fund.

Impairment write-off on assets other than financial assets

The carrying amounts of the Branch's assets other than deferred tax assets are reviewed on the balance sheet date to determine whether there is any reason for impairment write-offs. If there is such a reason, the Branch estimates the recoverable amount of individual assets.

An impairment write-off is recognised if the book value of the asset or its cash-generating unit exceeds its estimated recoverable amount. The impairment write-off is recognised in the profit and loss account.

Calculation of recoverable amount

The recoverable amount of other assets is the higher of the following, sales value less sales costs and value in use. To determine the value in use, the estimated future cash flows are discounted to their present value by a pre-tax discount rate, which reflects the current market expectations as to the money value and the asset-specific risk. For assets that do not generate independent cash inflows, the recoverable amount is determined for a given cash-generating unit to which these assets belong.

Reversal of impairment write-offs

An impairment write-off in relation to goodwill is not reversed. An impairment write-off on other assets is reversed if there has been a change in the estimates used for determining the recoverable amount.

An impairment write-off may be reversed only to the level at which the carrying amount of the asset does not exceed its book value, which would be established reduced by depreciation amount if the impairment write-off was not recognised.

Lease contracts

Figures for 2018 have been included and presented according to the following rules:

Lease contracts under which the Branch bears virtually all risks and gains virtually all benefits arising from the holding of property, plant and equipment are classified as finance lease contracts. Assets acquired through finance lease are initially recognised at fair value or current value of the minimum lease payments, depending on which of these amounts is lower, and then decreased by depreciation and impairment write-offs.

Minimum lease fees incurred in connection with finance lease are broken down into the part constituting financial expenses and the part reducing the liabilities. The part constituting the financial expense is assigned to individual periods during the lease contract term in such a way as to obtain a constant periodic interest rate in relation to the liability.

Lease contracts that are not finance lease contracts are treated as operating leases and are not recognised in the statement of financial position of the Branch. Payments for operating lease are recognised on a straight-line basis over the lease term in profit or loss of the current period. Benefits received in exchange for signing a lease contract are an integral part of the total lease costs and are recognised in profit or loss of the current period over the term of the lease contract.

Figures for 2019 have been included and presented according to the following rules:

The Branch decided to implement the new standard retrospectively with the cumulative impact from the first application of IFRS 16 in Non-Current Liabilities due to Settlements with the Branch Headquarters as at 01/01/2019, where the modified retrospective method was selected under option B (the rights were measured at an amount equal to the amount of the liability adjusted for any prepaid or accrued lease payments relating to the contract, if any, and recognised in the balance sheet just before the date of first application), which means that the impact on this item was zero.

The approach to recognising the liability used is to take only the lease payments still to be made and to discount the incremental interest rate at the date of first application.

As required by the standard, this choice has been applied consistently to all leases in which the Company is a lessee except for short-term and low value leases.

The Branch has decided to use the following practical simplification:
- it applied a single discount rate for a portfolio of leases with substantially similar characteristics:
- cars 3%;
- data centre 3%; and
- office premises and parking areas, depending on the length of the contract term from 0% to 0.5%.

The Branch did not use any other practical simplification allowed and for leases that ended within 12 months of the date of first application also used the new model.
Furthermore, the Branch did not apply the new model for leases of lines (either short-term or long-term, although they are not low value) due to insignificance.
The information which contracts and for what reasons the Branch treated as short-term and low-value ones is contained in Note 2b(a).
In this case, the Branch considers $5,000 to be low. For the purpose of converting this threshold into PLN, the Branch applies the exchange rate of the NBP prior to the date of commencement of the lease.
The Branch also acts as a subleasing agent for subleasing office premises for vending machines with beverages and snacks; however, due to insignificance of the amounts, it did not recognise them according to IFRS 16.

After the date of commencement of the lease, an asset by virtue of the right of use is systematically depreciated for the term of the contract and the liability by virtue of the lease is settled (reduced) using an appropriate discount rate, with simultaneous recognition of interest.
The leased are calculated by the Branch in the original currency for a contract, and the conversion into PLN is made:
- in the case of depreciation of assets, revaluation of assets and liabilities as a result of amendments, at the Nordea Group exchange rate used for the first recognition of the contract;
- if a new contract is recognised, at the Nordea Group's exchange rate at the end of the month in which the contract was entered into the books; and
- in the case of liability settlement, at the Nordea Group's current exchange rate, i.e. on the last day of the month.

As at the balance sheet date, liabilities are measured at the NBP rate.

In the case of an amendment to a lease contract causing a change in the amount and distribution of future cash flows (e.g. as a result of indexation, reducing or extending the contract term) without changing the scope of the contract, the Branch adjusts the value of the lease asset and liability in the following manner:
a) it calculates the new value of the liability taking into account the provisions of the amended contract discounted at the beginning of the month in which the modification of the agreement was approved;
b) it compares the value in a) with the value of the liability as at the same date calculated under the previous contractual terms;
c) the amount of the difference between the values in a) and b) is recognised as an adjustment to the value of the lease liability;
d) the same amount is recognised as an adjustment to the net value of assets under lease, and the value of assets so adjusted is the basis for calculating the updated monthly depreciation amount, taking into account any extension or reduction of the lease term, subject to e); and
e) if, as at the date of the reconciliation of the change, the value of the lease asset is 0, then the amount in c) is recognised in profit or loss.

In the case of an amendment to a lease contract resulting in an increase in the scope, e.g. an increase in the leased area, with a simultaneous proportional increase in the fee for the lease, such a change is treated as a separate lease.

In the case of an amendment to a lease contract resulting in an increase in the scope, e.g. an increase in the leased area, while not increasing proportionally the fee for the lease, such a change is treated as a modification of the lease and the procedure is analogous to that in a–e above.

Both the modification of the original contract and the formation of a separate lease are calculated using the current discount rate.

In the case of an amendment to the lease which results in a reduction in scope, e.g. a decrease in the leased area, such a change is treated as a modification of the lease and is accounted for as follows:
a) it calculates the new value of the liability taking into account the provisions of the amended contract discounted at the beginning of the month in which the modification of the agreement was approved;
b) the net asset value of the lease is reduced in proportion to the reduction in the scope of the lease, e.g. by the percentage of reduction in the area leased;
c) the amount in a) is compared with the amount of net assets after the reduction referred to in b);
d) any difference from c) is charged to the profit or loss; and
e) the amount of the assets after the reduction referred to in b) forms the basis for calculating the updated monthly depreciation amount.

In the case of early termination of the lease contract, the value of the lease liabilities as of the date of contract termination is written off to zero in correspondence with the lease assets. The amount of the difference, if any, is referred to the profit or loss.

Employee benefits

The Branch maintains the employee pension plan (PPE) for its employees in the form of group life insurance. As an employer, fulfilling the obligations imposed by law, the Branch is obliged to pay social security and health insurance contributions related to hiring employees and contributions to the Labour Fund and the Guaranteed Employee Benefits Fund. The Branch also operates the Company Social Benefits Fund, making write-offs in accordance with the generally applicable provisions of law. All these payments constitute an element of short-term employee benefits whose main components are salaries, bonuses and paid holidays. Short-term benefits are recognised in operating costs on general terms. The only elements of long-term employee benefits are provision for pension, disability and survivor benefits, provision for jubilee bonuses and liabilities for bonuses, in part in which the payment will be made in the period after 12 months from the balance sheet date. These provisions/liabilities are updated once a year.

Provisions

Provisions are recognised in the balance sheet if the Branch has a liability arising from past events, as well as if it is probable that fulfilment of this obligation will result in the outflow of resources embodying economic benefits. If the effect is material, the provision amount is determined using the discounted expected cash flows at the pre-tax rate, reflecting the current market assessment of the time value of money and where it applies to the risk associated with a given liability.

Service revenue

The Branch recognises revenue when (or as) the performance obligation is satisfied by transferring the promised goods or service (an asset) to the client. An asset is transferred when the client obtains control over the asset. For each performance obligation, the Branch determines, upon conclusion of the contract, whether it will satisfy the performance obligation over time or whether it will satisfy the obligation at a specified time. When (or as) the performance obligation is satisfied, the Branch recognises as revenue the amount equal to the transaction price (excluding the estimated variable compensation values, which are limited) that has been assigned to this performance obligation. The Branch assigns the transaction price to each performance obligation (or separate goods or separate service) in the amount that reflects the amount of compensation, which, in line with the Branch's expectations, is provided for transferring the promised goods or services to the client.

If one of the parties to the contract satisfied the obligation, the Branch presents in the statement of financial position the contract as an asset under the contract or contractual obligation, depending on the relationship between satisfying the obligation by the Branch and the payment made by the client. The Branch presents all unconditional rights to receive compensation separately as receivables.

As a rule, revenues are invoiced on a monthly basis, with invoices for services provided in a given month being generally issued on the 15th of the following month. In addition, due to the cost-plus method applied, in the case of business and administrative support services for banking processes, relatively late information on final costs in a given year results in additional receivables not invoiced on the balance sheet date.

Other revenues

Items not related directly to the operating activities of the Branch are presented as part of other revenue. In particular, the following are recognised here, revenue arising from the sale and liquidation of property, plant and equipment, revenue from re-invoicing, compensation received, revenue from adjustments of annual VAT and government subsidies.

Financial income and expenses

Financial income and expenses include interest income related to cash invested by the Branch. Interest income is recognised in profit or loss on the accrual basis, using the effective interest rate.

Interest expense for financial instruments is recognised in the profit and loss account in the amount resulting from the measurement at amortised cost using the effective interest rate method. Financial expenses include interest expenses related to external financing, unwinding of discounts on provisions and contingent payments.

The effective interest rate is the rate that exactly discounts estimated future cash inflows or payments made in the expected period to the expiry of the financial instrument and, in reasonable cases, in a shorter period, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Branch estimates the cash flows, taking into account all the provisions of the financial instrument contract; however, it does not take into account potential future losses related to the unrecoverability of loans. The calculation includes all fees and points paid and received by the parties to the contract as an integral part of the effective interest rate, as well as transaction and discount costs.

Foreign exchange gains and losses are presented in the net amount as financial income or financial expenses, depending on their total net position.

General and administrative expenses
The costs are recognised on an accrual basis, i.e. in the periods to which they relate, regardless of the date of receipt or payment. The main items of the Branch's operating costs include costs of salaries, premises maintenance and rental costs, business travel expenses and depreciation.

Income tax
Income tax consists of current and deferred tax. Income tax is recognised in the profit and loss account.

The current tax is the expected tax liability relating to taxable income using the tax rate effective as at the balance sheet date, including all adjustments to the tax liability for previous years.

Deferred tax assets and provisions are calculated using the balance method, by calculating temporary differences between the carrying amount of assets and liabilities and their tax value.

Deferred income tax provision and assets are recognised in the statement of financial position as net value or as: Deferred tax assets, or as: Deferred tax provision.

Deferred tax assets in relation to all deductible temporary differences are made up to the amount to which it is probable that taxable income will be achieved, which will allow for deducting deductible temporary differences. The carrying value of deferred income tax assets is verified as at each balance sheet date and is reduced to the extent that it is not probable to realise the financial gains associated with the assets.

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Explanatory Notes to the Financial Statements

4. Revenue from Sale of Services and Products

The Branch provides various support services for administrative and operating processes to the companies of the Nordea Group located primarily in the Nordic countries and companies affiliated with the Nordea Group located in the Baltic States. The Branch provides only very limited services to external clients.

The following breakdown reflects the structure of business lines as at the balance sheet date.

Area of banking process support services	**01/01/2019–31/12/2019**	**01/01/2018–31/12/2018**
Group Functions	280,461	94,045
Commercial & Business Banking	13,169	51,068
Personal Banking	2,528	43,767
Wholesale Banking	-	35,759
Total revenue in the area	**296,158**	**224,639**

Area of IT services	**01/01/2019–31/12/2019**	**01/01/2018–31/12/2018**
Group Functions	476,871	154,912
Personal Banking	-	115,187
Wholesale Banking	-	43,918
Total revenue in the area	**476,871**	**314,017**
Total revenue from sale of services	**773,029**	**538,656**
Revenue from sale of products	**0**	**39**
Total revenue from sale of services and products	**773,029**	**538,695**

In addition to the above revenues, the Branch also generated other revenue from contracts with clients within the meaning of IFRS 15. They are presented under Other Operating Revenue and include the following amounts:

	01/01/2019–31/12/2019	**01/01/2018–31/12/2018**
Recharging revenue	577	691
Other sale	6	12
Disposal of PP&E*	257	24

* The amount is included in Other Operating Revenue

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Revenue from contracts with clients are recognised by the Branch over time, i.e. at the end of each month in which services are provided. The exception is revenue from disposal of PP&E which is recognised at a specific time, corresponding to the time of transferring PP&E to the client.

Contracts with the companies of the Nordea Group are signed for an indefinite period, while contracts with companies affiliated with the Group (as at the balance sheet date, already not subsidiaries) for a definite period. They do not include a significant financing component. The amount of the fee is variable and depends on the amount of expenses incurred in the settlement period.

Due to the specific nature of the Branch's sales, there is no right to accept reimbursement. Reimbursement is possible in the event of an incorrect calculation of the remuneration value. The reimbursement is made on the basis of a correcting invoice or a credit note.

5. Costs of Salaries with Overheads and Other Employee Benefits

	01/01/2019–31/12/2019	**01/01/2018–31/12/2018**
Wages and salaries	435,643	291,759
Compulsory social security contributions	75,645	51,969
Other employee benefits	19,228	13,313
Training costs	8,178	5,913
Contributions to defined contribution plans	5,928	3,737
CSBF costs	5,225	3,660
Costs of National Fund for the Rehabilitation of Disabled fees	4,965	3,374
Total costs of salaries with overheads and other employee benefits	**554,812**	**373,725**

6. Outsourced IT Services

	01/01/2019–31/12/2019	**01/01/2018–31/12/2018**
IT costs	33,878	20,901
IT consultant services	7,036	4,579
Total outsourced IT services	**40,914**	**25,480**

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7. Other Administrative Expenses

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Administrative costs	4,846	3,653
Accounting and payroll services	4,655	4,345
Purchase of other materials	3,292	3,754
Promotion and advertising services	2,974	1,930
Services of recruitment companies	2,905	2,973
Postal and telecommunications charges	1,688	1,902
Lease	964	1,338
Advisory costs	963	1,182
Bank services	330	242
Printing and copying costs	234	351
Other	2,111	1,403
Total other administrative expenses:	**24,962**	**23,073**

8. Amortisation and Depreciation

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Leased assets	44,114	-
Fixed assets	18,398	16,195
Intangible assets	19	169
Total depreciation	**62,531**	**16,364**

9. Other Operating Costs and Other Operating Revenues

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Loss on disposal of non-financial non-current assets	-	76
Other	624	988
Total other operating costs:	**624**	**1,064**

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Revenues from employee benefits	1,002	960
Profit from the sale of non-financial fixed assets	178	-
Revenues from VAT adjustments for previous years	-	3,829
Other	907	1,932
Total other operating revenue:	**2,087**	**6,721**

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10. Financial Income and Expenses

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Net foreign exchange differences	3,006	559
Total financial income	**3,006**	**559**
Interest expense on financial liabilities measured at amortised cost	1,441	1,290
Costs on account of interest on lease, calculated at amortised cost	1,200	-
Total financial costs	**2,641**	**1,290**

11. Income Tax

11.1 Income tax, current and deferred part

Income tax, current part

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Income tax for the reporting period	8,336	5,456
	8,336	**5,456**

Income tax, deferred part (calculation, Note 14)

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Origination/reversal of temporary differences	2,399	(262)
Income tax (deferred part)	**2,399**	**(262)**
Total income tax	**10,735**	**5,194**

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11.2 Calculation of corporate income tax

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Gross profit	39,750	27,611
	39,750	**27,611**
Amounts that increase the tax base		
Foreign exchange losses	325	74
Balance sheet depreciation of fixed assets and intangible assets	18,417	16,361
Cost of liquidated, unamortised fixed assets	96	100
Compensation paid	-	23
IFRS 16, Amortisation/depreciation	44,114	-
IFRS 16, Lease interest	1,200	-
Representation costs	108	134
Provision for costs	5,300	20,344
Actuarial reserve	6,906	3,452
National Fund for the Rehabilitation of Disabled fees	4,965	3,374
Donations, non-tax-deductible costs	19	3
Annual adjustment of VAT 2018	-	249
Annual adjustment of VAT 2017	-	63
Tax costs relating to previous periods recognised in the balance sheet in the current period	2,415	-
Interest accrued	-	15
Cost of overdue VAT write-off	151	292
Trade union costs	38	42
Operating costs of passenger cars	899	-
VAT payable on the free transfer of services and goods	936	157
Other costs not constituting tax deductible costs	802	1,234
	86,691	45,917
Amounts that reduce the tax base		
Tax depreciation of fixed assets and intangible assets	26,759	32,457
Reversal of provisions for liabilities	4,308	784
Non-tax revenues from subsidy settlement	-	852
Annual adjustment of VAT 2017		192
IFRS 16, IT lease	6,426	-
IFRS 16, Premises and cars	36,116	-
IFRS 16, Lease termination profit	17	-
Tax value of liquidated fixed assets	86	18
Other IBM rents	4,050	3,848
Foreign exchange gains, unrealised and realised not constituting tax revenue	4,227	342
Adjustment of the provision for income related to previous years	640	-
Revenue related to VAT adjustments	-	3,829

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Tax costs related to 2018 recognised in 2019	-	2,489
Other non-tax revenues	1	-
	82,630	44,811
Tax base	**43,811**	**28,717**
Deduction of tax losses from previous years	-	-
Other deductions, donations	22	-
Tax base	**43,789**	**28,717**
Tax loss	**-**	**-**
Income tax	8,320	5,456
Adjustments related to current income tax for previous years	16	-
Total current income tax	**8,336**	**5,456**

11.3 Reconciliation of effective tax rate

	01/01/2019–31/12/2019	**01/01/2018–31/12/2018**
Profit/loss before tax	**39,750**	**27,611**
Tax based on the applicable tax rate (19%)	(7,553)	(5,246)
Adjustments related to current income tax for previous years	16	-
Non-deductible expenses	(1,344)	(1,000)
Other	(1,854)	1,052
	(10,735)	(5,194)
Tax in the Statement of Comprehensive Income	**(10,735)**	**(5,194)**

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12. Tangible Fixed Assets

2019

	Own fixed assets		Leased assets*				
	Investments in third party fixed assets	**Machinery and equipment**	**Office premises and parking areas**	**Cars**	**Data centre**	**Tangible assets under construction, own**	**Total**
Gross value as at 1 January 2019	**34,011**	**94,244**	**134,614**	**890**	**21,107**	**5,258**	**290,124**
Increases (purchase)	-	-	-	-	-	65,891	65,891
Increases (conclusion/amendment of the lease contract))	-	-	191,093	424	-	-	191,517
Increases (reclassification)	23,128	26,230	-	-	-	-	49,358
Reductions (reclassification)	-	-	-	-	-	(49,358)	(49,358)
Reductions (lease contract termination)	-	-	(285)	(78)	-	-	(363)
Reductions (liquidation)	(17)	(143)	-	-	-	-	(160)
Reductions (sale)	-	(2,743)	-	-	-	-	(2,743)
Gross value as at 31 December 2019	**57,122**	**117,588**	**325,422**	**1,236**	**21,107**	**21,791**	**544,266**
Depreciation and impairment write-offs as at 1 January 2019	**(14,288)**	**(56,883)**	**-**	**-**	**-**	**-**	**(71,171)**
Amortisation/depreciation	(4,338)	(14,060)	(37,342)	(6,245)	(527)	-	(62,512)
Reductions (lease contract termination)	-	-	197	28	-	-	225
Reductions (liquidation)	17	329	-	-	-	-	346
Reductions (sale)	-	2,462	-	-	-	-	2,462
Depreciation and impairment write-offs as at 31 December 2019	**(18,609)**	**(68,152)**	**(37,145)**	**(6,217)**	**(527)**	**-**	**(130,650)**
Net value							
As at 31 December 2019	**38,513**	**49,436**	**288,277**	**-4,981**	**20,580**	**21,791**	**413,616**

*Lease assets were recognised on 01/01/2019 (date of first application of IFS 16)

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2018

	Own fixed assets		Leased assets				
	Investments in third party fixed assets	**Machinery and equipment**	**Office premises and parking areas**	**Cars**	**Data centre**	**Tangible assets under construction, own**	**Total**
Gross value as at 1 January 2018	**19,590**	**67,034**	**-**	**-**	**-**	**22,258**	**108,882**
Increases (purchase)	-	-	-	-	-	25,328	25,328
Increases (reclassification)	14,462	27,708	-	-	-	-	42,170
Reductions (reclassification)	-	-	-	-	-	(42,170)	(42,170)
Reductions (other)	-	-	-	-	-	(158)	(158)
Reductions (liquidation)	(41)	(394)	-	-	-	-	(435)
Reductions (sale)	-	(104)	-	-	-	-	(104)
Gross value as at 31 December 2018	**34,011**	**94,244**	**-**	**-**	**-**	**5,258**	**133,513**
Depreciation and impairment write-offs as at 01 January 2018	**(10,187)**	**(45,224)**	**-**	**-**	**-**	**-**	**(55,411)**
Amortisation/depreciation	(4,113)	(12,082)	-	-	-	-	(16,195)
Reductions (liquidation)	12	323	-	-	-	-	335
Reductions (sale)	-	100	-	-	-	-	100
Depreciation and impairment write-offs as at 31 December 2018	**(14,288)**	**(56,883)**	**-**	**-**	**-**	**-**	**(71,171)**
Net value							
As at 31 December 2018	**19,723**	**37,361**	**-**	**-**	**-**	**5,258**	**62,342**

Tangible assets under construction

As at 31 December 2019, the Branch classified as tangible assets under construction the funds which will be put into use in subsequent fiscal years with a value of PLN 21,791,000 (computer hardware, printers, mobile phones, investments in third party fixed assets and furniture).

Impairment

As at 31 December 2019, the Branch performed a test for impairment of property, plant and equipment, which did not indicate the need to make write-offs.

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13. Intangible Assets

2019

	Licences, software	Total
Gross value as at 1 January 2019	**13,602**	**13,602**
Increases (purchase)	21	21
Gross value as at 31 December 2019	**13,623**	**13,623**
Depreciation and impairment write-offs as at 1 January 2019	**(13,569)**	**(13,569)**
Amortisation/depreciation	(19)	(19)
Depreciation and impairment write-offs as at 31 December 2019	**(13,588)**	**(13,588)**
Net value		
As at 31 December 2019	**35**	**35**

2018

	Licences, software	Total
Gross value as at 01 January 2018	**13,594**	**13,594**
Increases (purchase)	8	8
Gross value as at 31 December 2018	**13,602**	**13,602**
Depreciation and impairment write-offs as at 1 January 2018	**(13,400)**	**(13,400)**
Amortisation/depreciation	(169)	(169)
Depreciation and impairment write-offs as at 31 December 2018	**(13,569)**	**(13,569)**
Net value		
As at 31 December 2018	**33**	**33**

Impairment

As at 31 December 2019, the Branch performed a test for impairment of intangible assets, which did not indicate the need to make write-offs.

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14. Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred tax assets and liabilities were recognised with respect to the following components of assets and liabilities:

	Assets		Liabilities		Net value	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Tangible assets and intangible assets	-	-	6,097	2,792	(6,097)	(2,792)
Cash and cash equivalents	1	-	-	7	1	(7)
Trade and other receivables	3	1	-	8	3	(7)
Prepayments and deferred costs	1,838	2,478	-	-	1,838	2,478
Other liabilities	-	742	-	-	-	742
Other income/costs of the following year, VAT adjustments	-	-	1,069	1,069	(1,069)	(1,069)
Provisions	9,754	9,384	-	-	9,754	9,384
Tax costs related to 2018 recognised in 2019	-	-	-	473	-	(473)
IFRS 16, Lease assets and liabilities	1,427	-	-	-	1,427	-
Deferred tax assets/liabilities	**13,023**	**12,605**	**7,166**	**4,349**	**5,857**	**8,256**
Assets/liabilities for deferred income tax recognised in the statement of financial position	**13,023**	**12,605**	**7,166**	**4,349**	**5,857**	**8,256**

15. Trade and Other Receivables

	31/12/2019	**31/12/2018**
Trade receivables from related parties	97,869	98,867
*- of which, not invoiced as at the balance sheet date**	72,570	53,077
Other trade receivables	4,264	2
*- of which, not invoiced as at the balance sheet date**	3,815	-
Receivables from taxes, subsidies, customs, social security, health insurance and other benefits	16,885	17,560
Other	353	3,250
	119,371	**119,679**

* receivables not invoiced as at the balance sheet date are the only assets under contracts with clients as defined by IFRS 15

16. Cash and Cash Equivalents

	31/12/2019	**31/12/2018**
Cash in hand and at bank	16,995	10,564
Cash and cash equivalents stated in the cash flow statement	**16,995**	**10,564**

17. Long-Term Liabilities due to Settlements with the Branch Headquarters

The Bank's branch does not have equity. Settlements with the Bank Headquarters generate profits or losses for the financial years and equity of Nordea IT Polska Sp. z o.o. acquired in 2016 (PLN 46,555,000). In previous reporting periods, the Branch received funds to cover losses from Nordea Bank AB (publ) of PLN 5,444,000. The Branch's activity is funded through working capital facilities and overdrafts, as well as from the Branch's current assets.

Long-term liabilities for settlements with the Bank Headquarters	**2019**	**2018**
opening balance	85,952	63,535
net profit/loss	29,015	22,417
closing balance	**114,967**	**85,952**

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18. Liabilities Related to Loans, Borrowings and Other Debt Instruments

Conditions and schedule of repayment of loans and borrowings
1. As at 31 December 2019, the Branch has a bank overdraft in PKO BP SA with an available debt limit of PLN 30,000,000. The use of the loan as at 31/12/2019 is PLN 0. The loan was granted for the period ending 24/11/2020.

2. The Branch also has a revolving credit facility at PKO BP SA. The limit of this loan is PLN 100,000,000. The balance of debt in this respect as at 31 December 2019 is PLN 20,000,000. The repayment date is 14 March 2021.

3. Furthermore, the Branch has a credit card debt for credit cards issued by PKO BP S.A. of PLN 309,477.45 as at 31/12/2019. The repayment date for this facility is January 2020. The global limit granted to the Branch is PLN 6,000,000.00.

According to the amended IAS 7, disclosures regarding reconciliation of changes in liabilities resulting from the financial situation are presented in the table below:

Item	as at 01/01/2019	incurred*	interest accrued	repayment*	termination of the Lease Contract	as at 31/12/2019
Short-term bank loans	12,015	7,985	1,417	1,417	0	20,000
Credit card liabilities	489	0	0	180	0	309
Lease liabilities	165,460	191,389	1,200	46,174	106	311,769

* Incurring and repayment of loans and debt on credit cards are shown per balance
The layout of the above table underlines that the accrued interest has been paid

19. Contingent Liabilities

Contingent liabilities

1. Bank overdraft at PKO BP SA referred to in Note 18.1 gives the creditor the ability to issue an enforcement title under the Civil Procedure Code until 24/11/2022, in the amount of PLN 45,000,000.00

2. Bank overdraft at PKO BP SA referred to in Note 18.2 gives the creditor the ability to issue an enforcement title under the Civil Procedure Code until 14/03/2023, in the amount of PLN 150.000.000,00

Bank guarantees
Bank guarantees were opened in connection with the Branch's lease contracts for office premises. Guarantees were concluded between the landlords (beneficiaries) and the tenant (Branch) to secure claims in the event of damage caused by non-performance or improper performance of the lease contract. The security is the equivalent of a 3-month rent and the amount of rent VAT, down payment for the Maintenance Fee for 3 months and the amount of VAT on the fee.
Bank guarantees were granted by mBank SA

Beneficiary	Guarantee number	Currency	Expiry date	31/12/2019 EUR	31/12/2019 PLN
Łużycka Plus Investment Sp. z o.o.	13019KPA18	PLN	20/02/2020	-	276
Tensor Poland Sp. z o.o.	13029KPA19	EUR	30/03/2021	673	2,868
Octa RT Sp. z o.o.	13041KPA19	EUR	30/04/2020	187	798
Flaxton Investments Sp. z o.o. Sp.k.	13042KPA18	EUR	30/04/2020	267	1,137
Biała "OP3" Sp. z o.o. SKA	13085KPA18	PLN	31/08/2020	-	3,453
Łużycka Park Investment Sp. z o.o.	13127KPA17	PLN	31/08/2021	-	1,112
Łużycka Park Investment Sp. z o.o.	13128KPA17	PLN	31/08/2021	-	1,090
VIG Fund A.S.	13129ZPA17	EUR	31/08/2021	298	1,268
PRIME LODZ 1 Sp. z o.o.	13130ZPA18	EUR	11/04/2021	170	726
Libra Business Center II Sp. z o.o. Sp. k.	13203KPA19	EUR	31/01/2022	532	2,265

20. Provisions

	2019	2018
Provision for pensions and similar benefits (value at 1 January)	**10,434**	**6,982**
Creation	7,179	3,986
Use	(273)	(534)
Value at 31 December	**17,340**	**10,434**
Provision for pensions and similar benefits	**17,340**	**10,434**
short-term	1,181	432
long-term	16,159	10,002

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21. Trade and Other Liabilities

	31/12/2019	31/12/2018
Long-term liabilities		
Other liabilities	**774**	**576**
Employee benefit liabilities	737	522
Lease liabilities	37	54
Short-term liabilities		
Trade liabilities	**1,297**	**5,981**
Trade liabilities from other companies	1,297	5,981
Other liabilities	**92,751**	**89,569**
Provision for costs to be paid	33,224	38,492
Public liabilities	24,172	26,548
Income tax liabilities	5,892	3,046
Other	29,463	21,483
Trade and other liabilities	**94,822**	**96,126**

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22. Lease

Lease payments

Payments for lease contracts are as follows:

2019	**Office premises and parking areas**	**Cars**	**Data centre**
Fixed lease payments	35,610	542	6,426
Variable lease payments*	62	2	-
Total	**35,672**	**544**	**6,426**

*the variable lease payments include, in the case of office premises and parking areas, the effect of annual rent adjustment for the past months, and in the case of cars, the effect of changes in rent payments introduced by amendments for the past months.

Lease payments for office premises and parking areas according to contracts are subject to annual indexation. For most contracts, the indexation is based on the inflation rate for the Euro Zone (MUICP or HICP) for the previous year. As this index is published a few months after the end of the year, and the contracts usually stipulate that the rent adjustment applies from 1 January each year, lessors are able to issue the first invoice at the new rates usually for March. In addition, they convert the rent for the months already invoiced (January and February) by issuing an adjusted invoice. The amounts of these adjusted invoices are treated by the Branch as variable lease payments, whereas with effect from the month for which the first invoice with indexed rent was issued (usually from March), the Branch updates the schedule of lease payments, considering it as an amendment to the lease contracts.

The level of MUICP/HICP ratio equal to 1% would translate into an increase of total lease payments for office premises and parking areas by 1%. In the case of cars, an increase in the rent rate during the contract is rare, no general mechanism for determining it has been created (it is of a discretionary nature) and in such situations a relevant amendment is signed. It may also happen here that it applies retroactively and the lessor issues adjusted invoices for past months: the amounts of such adjustments are treated by the Branch as variable lease payments.

Due to the discretionary nature of such increases, negotiated individually, there is no connection between the external, objective factor/measure and the change of lease payments.

Payments under short-term and low-value lease contracts are presented below:

	2019
Short-term lease	1,297
Low-value lease	404
Total	**1,701**

Lease liabilities by maturity

The table below presents financial liabilities based on contractual maturities. The amounts disclosed in the table are undiscounted cash flows:

	2019
Up to 1 year	46,670
1–5 years	193,327
Over 5 years	74,442

Estimated future variable lease payments (understood as described above, i.e. assuming that lessors of office premises and parking areas will issue adjusted invoices taking into account the effect of rent indexation for 2020 in March for January and February) will amount to PLN 84,000 in 2020.

Explanation of the statement of comprehensive income items related to the lease

There are items in the statement of comprehensive income:

	2019	**2018**
Costs of operation and maintenance of the premises	19,507	49,510

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In 2018, this item included rent of office premises, parking areas, flats, as well as service charges, security services and utilities consumption for office premises and flat administration costs.
In 2019, the recognition of lease rent for office premises and parking areas was discontinued here (except for contracts where the subject of the contract does not constitute an identifiable asset, parking lease contracts which were considered to be short-term as explained in 2b(a) and variable lease payments as explained above), with non-deductible VAT remaining in this item.

	2019	2018
Other administrative expenses, lease	964	1,338

In 2018, this item included lease payments for passenger cars, as well as service charges for these cars and their insurance and rent for water dispensers, coffee machines, document containers and printers.
In 2019, the recognition of lease payments for cars was discontinued here, while non-deductible VAT was left in this item. In addition, the Branch did not use leased printers in 2019. In turn, payments for the lease of bicycle lockers appeared in this item.

	2019	2018
Financial costs, lease interest costs	1,200	-

This item appeared for the first time after IFRS 16 came into force and includes interest expense on lease contracts calculated at the respective marginal interest rates applied by the Branch as a lessee.

Amortisation/depreciation	**2019**
Office premises and parking areas	37,342
Data centre	6,245
Cars	527
Total	**44,114**

Other operating income, profit on termination of lease contracts	**2019**
Office premises and parking areas	17
Total	**17**

Lease cash flow	**2019**
Repayment of the principal	41,378
Interest	1,200
Total lease in financial activities	**42,578**
Lease flows in operating activities	1,765
Total cash outflows	**44,343**

Reconciliation of lease liabilities

The table below shows the explanation of the difference between the operating lease liabilities disclosed as at 31/12/2018 in accordance with IAS 17 and the lease liabilities recognised as at 01/01/2019:

Operating lease liabilities as at 31/12/2018 in accordance with IAS 17*.	**170,505**
Discounting effect using lease interest rate	(5,045)
Lease liability as at 01/01/2019	**165,460**

*Liabilities not recognised in the balance sheet at 31/12/2018

Reconciliation of lease assets

Amount equal to the lease liability as at 01/01/2019	**165,460**
Adjustment for provision for effective rent recognised as at 31/12/2018	(9,535)

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Adjustment by the unsettled initial fee recognised as at 31/12/2018	686
Assets under the right of use as at 01/01/2019	**156,611**

Weighted average lease interest rate

The weighted average marginal lease interest rate applied by the Branch is 0.4%. It is divided into classes:

Office premises and parking areas	0.2%
Data centre	3.0%
Cars	3.0%

It was calculated on the basis of contracts in force as of 31/12/2019; however, it would not differ significantly from the status as of 01/01/2019.

23. Transactions with Subsidiaries

The Branch provides its services to other companies in the Nordea Group, including the Bank whose branch it is, and its other branches as well as companies affiliated with the Bank and its joint ventures.

23.1 Transactions with executives

Loans to the management of the Branch

No loans were granted to the Branch Management.

Executive compensations

The costs of base salary paid out in 2019 to the Branch Management were PLN 536,000 (2018: PLN 774,000). The cost of bonuses and prizes paid out to Managerial Staff in 2019 was PLN 138,000 (2018: PLN 138,000). Employee pension plan contributions for 2019 for the Branch Management was PLN 24,000 (2018: PLN 29,000).

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23.2 Transactions with subsidiaries

	01/01/2019–31/12/2019	01/01/2018–31/12/2018
Sale of services		
Nordea Bank Abp, filial i Sverige	257,436	215,303
Nordea Bank Abp	185,103	108,642
Nordea Danmark, filial af Nordea Bank Abp	156,608	93,848
Nodea Bank Abp, filial i Norge	131,524	70,362
Luminor Bank AS (Estonia)*	7,998	15,049
Luminor Bank AS (Latvia)*	6,655	15,174
Nordea Finance Finland Ltd	5,618	4,562
Nordea Finans Sverige AB	2,334	2,454
Luminor Bank AB (Lithuania)*	1,771	8,818
Nordea Finans Norge AS	1,432	1,303
Nordea Finans Danmark A/S	932	810
Luminor Liising AS*	443	566
Luminor Lizings SIA*	324	396
Luminor Lizingas UAB*	299	419
Luminor Pensions Estonia AS*	123	196
Nordea Investment Funds S.A. (Luxembourg)	72	507
Nordea Bank Abp London Branch	63	65
Nordea Bank Abp (publ) New York Branch	53	55
Nordea Bank Abp Frankfurt Branch	33	34
Nordea Bank Abp Singapore Branch	33	34
Nordea Bank Abp Shanghai Branch	33	34
IPAS Luminor Pensions Latvia*	16	21
AS “Luminor Latvijas atklatais pensiju fonds”*	3	4
Total sale of services	**758,906**	**538,656**
Sale of products		
Nordea Bank Abp, filial i Sverige (formerly Nordea Bank AB (publ))	-	39
Total sales of products	**-**	**39**

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Other transactions	**01/01/2019–31/12/2019**	**01/01/2018–31/12/2018**
other operating revenue		
Nordea Bank Abp	201	100
Nordea Bank Abp Estonia branch	178	227
Nordea Danmark, filial af Nordea Bank Abp	79	114
Nordea Bank Abp, filial i Sverige	56	211
Nodea Bank Abp, filial i Norge	28	35
Joint Stock Company Nordea Bank (Russia)	-	2
Total other operating revenue:	**542**	**689**
costs of IT services		
Nordea Rahoitus Suomi Oy	(714)	-
Nordea Danmark, filial af Nordea Bank Abp	(19)	-
Nordea Bank Abp, filial i Sverige	-	(32)
Total costs of IT services	**(733)**	**(32)**
costs of IT TP services		
Nordea Danmark, filial af Nordea Bank Abp	(5,880)	(669)
Nordea Bank Abp	(4,380)	(1,398)
Nordea Bank Abp, filial i Sverige	(4,031)	(870)
Nodea Bank Abp, filial i Norge	(1,848)	(16)
Nordea Finance Finland Ltd.	(31)	-
Total costs of IT TP services	**(16,170)**	**(2,953)**
costs of training services		
Nordea Bank Abp	(162)	(23)
Nordea Danmark, filial af Nordea Bank Abp	(24)	(720)
Nordea Bank Abp, filial i Norge	(2)	-
Nordea Bank Abp, filial i Sverige	-	(15)
Total costs of training services	**(188)**	**(758)**
other costs		
Nordea Bank Abp	(944)	(114)
Nordea Bank Abp, filial i Sverige	(562)	(498)
Nordea Danmark, filial af Nordea Bank Abp	(8)	(2)
Nordea Bank Abp, filial i Norge	(3)	-
Nordea Urheilu ry, Nordea Sport rf	(2)	-
Total other costs	**(1,519)**	**(614)**
other operating expenses		
Nordea Bank Abp	(1)	-
Total other operating costs:	**(1)**	**-**
Total other transactions	**(18,069)**	**(3,668)**

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Outstanding balances

	31/12/2019	31/12/2018
Trade receivables (including non-invoiced)		
Nordea Bank Abp	27,601	20,996
Nordea Danmark, filial af Nordea Bank Abp	26,243	19,273
Nordea Bank Abp, filial i Sverige	22,505	35,395
Nodea Bank Abp, filial i Norge	20,505	16,090
Nordea Finance Finland Ltd	529	420
Nordea Finans Sverige AB	199	222
Nordea Finans Norge AS	130	113
Nordea Finans Danmark A/S	121	139
Nordea Bank Abp Estonia branch	18	20
Nordea Bank Abp (publ) New York Branch	8	10
Nordea Bank Abp London Branch	4	12
Nordea Bank Abp Shanghai Branch	2	3
Nordea Bank Abp Singapore Branch	2	6
Nordea Bank Abp Frankfurt Branch	2	3
Luminor Bank AS (Latvia)*	-	2,329
Luminor Bank AS (Estonia)*	-	2,228
Luminor Bank AB (Lithuania)*	-	1,426
Luminor Pensions Estonia AS*	-	33
Luminor Lizings SIA*	-	26
Luminor Liising AS*	-	6
Luminor Lizingas UAB*	-	7
Nordea Investment Funds S.A. (Luxembourg)	-	110
	97,869	**98,867**
Other liabilities (cost provision)		
Nordea Bank Abp	(79)	(78)
Nordea Finance Finland Ltd.	(31)	-
Nordea Bank Abp, filial i Sverige	-	(288)
	(110)	**(366)**

All transactions with related companies were concluded under market conditions.

*Luminor companies were subsidiaries to 30/09/2019.

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24. Financial instruments, Fair Value and Other Disclosures

Breakdown of financial instruments into categories

The table below shows the Branch's financial instruments by categories:

	31/12/2019	31/12/2018
Cash and cash equivalents	16,995	10,564
Total financial assets measured at fair value through profit or loss	**16,995**	**10,564**
Trade and other receivables*	25,872	47,946
Total financial assets measured at amortised cost	**25,872**	**47,946**
Loans and borrowings	20,309	12,504
Trade liabilities	1,297	5,981
Total financial liabilities measured at amortised cost	**21,606**	**18,485**

*The item includes invoiced trade receivables and deposits paid

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or an obligation satisfied, between well-informed and interested parties in a direct transaction, other than forced sales or liquidation, best reflected by the market price, if available.
Financial instruments are measured at fair value broken down by individual measurement methods. Respective levels are defined as follows:
- prices quoted (not adjusted) from active markets for identical assets or liabilities (level 1);
- input data other than quotes covered by level 1 identifiable or observable for the asset or liability component directly (that is, as prices) or indirectly (that is, on the basis of calculations relying on prices) (level 2); and
- input data for the measurement of the asset or liability component which do not rely on observable market date (that is, non-observable data) (level 3).

Below is a summary of the carrying amounts and fair values of each group of assets and liabilities.

		31/12/2019		31/12/2018	
Description		**Balance sheet value**	**Fair value**	**Balance sheet value**	**Fair value**
Financial assets					
Cash and cash equivalents	level 1	16,995	16,995	10,564	10,564
Trade and other receivables	level 3	25,872	25,872	47,946	47,946
Financial liabilities					
Short-term loans and borrowings	level 3	20,309	20,309	12,504	12,504
Trade liabilities	level 3	1,297	1,297	5,981	5,981

Fair value determination

Below please find the summary of the key methods and assumptions followed to estimate the fair value for the financial instruments presented in the above table.
For short-term financial assets and liabilities, it is assumed that the balance sheet value of such instruments is approximately equal to their fair value.

Cash and cash equivalents: For bank deposits and cash at the current accounts of the Branch, it is assumed that their fair value is not substantially different from the balance sheet value due to their maturity date.

Trade and other receivables: These are recognised as net values considering impairment loss (at present, there are no impairment losses). Given a short maturity, it is assumed that the balance sheet value is equal to the fair value.

Liabilities due to loans and borrowings and trade liabilities: For loans without repayment schedule, the fair value is considered as the amount that would have been paid on demand as at the balance sheet date.

In the case of liabilities to suppliers, it is assumed that their fair value does not significantly differ from the carrying amount, due to short maturity.

Other disclosures

The Branch did not reclassify financial instruments between categories in the current or previous period.

The Branch does not offset financial assets and liabilities.
No collateral for liabilities or contingent liabilities was established against the Branch's financial assets.

The Branch has no derivative instruments.
The only item in the statement of comprehensive income that relates to financial instruments is interest expenses on bank loans, disclosed in Note 18.

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25. Financial Instruments, Financial Risk Management

25.1 Credit risk

The carrying amounts of financial assets correspond to the maximum exposure to credit risk. As at the end of the reporting period, the maximum exposure to the credit risk is as follows:

	Note	Carrying amount as at 31/12/2019	Carrying amount as at 31/12/2018
Receivables	15	119,371	119,679
Cash and cash equivalents	16	16,995	10,564
		136,366	130,243

The table above includes all receivables exposed to credit risk, including those that do not constitute financial assets.

By credit risk, the Branch understands the probability that the counterparty will meet the obligations untimely or will completely fail to meet them. Financial assets potentially exposing the Branch to the concentration of the credit risk include mainly trade receivables.

In the case of the Branch, the majority of counterparties are units of the same group and are financial institutions (banks) or leasing and factoring companies. In the opinion of the Branch Management, the financial performance of individual entities of the Nordea Group do not indicate a risk in connection with meeting the obligations to the Branch. What is more, as most of them are banks, they must have adequate liquidity and provisions to secure it.

The Branch does not believe that the current risk concentration is significant: counterparties are from several dozen different countries, the Branch defines its credit risk exposure as total unsettled receivables (including overdue balances) and monitors balances regularly for each counterparty. The adopted repayment period for receivables related to the normal sales of services is from 14 to 30 days.

The concentration of trade receivables expressed as a percentage of aggregate trade receivables is shown below:

(Net) trade receivables without impairment	**31/12/2019**	**31/12/2018**
Finland	28%	22%
Denmark	26%	19%
Sweden	22%	38%
Norway	20%	16%
Estonia	2%	2%
Latvia	1%	2%
Lithuania	1%	1%
Total:	**100%**	**100%**

The above table includes both invoiced receivables (including disposal of PP&E) as well as non-invoiced receivables, without any deposit receivables.

Trade receivables without impairment according to the overdue period

	not overdue receivables	overdue receivables in days		
		1-30	31-90	more than 90
from subsidiaries	95,096	2,772	-	1
from other companies	4,264	-	-	-
	99,360	2,772	-	1

The above table includes both invoiced receivables (including disposal of PP&E) as well as non-invoiced receivables, without any deposit receivables.

The credit quality of overdue receivables without impairment is satisfactory. These are mainly receivables from related companies, other banks in the Nordea Group, with liquidity at a safe level.
The expected credit losses as at the balance sheet date are PLN 0.

25.2 Liquidity risk

The main task in the liquidity risk management process is ongoing control and planning of the liquidity level.

The liquidity level is controlled by preparing a cash flow forecast. Cash flow realisation is cyclically verified and includes the analysis of unrealised cash flows, their causes and effects.

To secure against liquidity risk, as at 31 December 2019 the Branch received the overdraft facility limit up to PLN 30,000,000 and the revolving credit facility limit of PLN 100,000,000.

The Branch opens a short-term deposit for a portion of the funds which is considered on the calculation of the liquidity reserve.

As of 31/12/2019, there is a surplus of short-term liabilities over current assets in the amount of about PLN 17 million. This is due to, among other things, the first application of IFRS 16, as a result of which some of the lease liabilities (not yet invoiced) are presented as short-term liabilities. Thanks to the credit limits granted, the Management sees no threat to liquidity. In addition, Nordea Bank Abp, as a parent company of the Branch, constantly monitors its liquidity and is prepared for financial support for its Branch.

More detailed information is presented in Note 18.

25.3 Market risk

Exchange rate risk

The revenues and expenses of the Branch are mostly expressed in the Polish currency. Part of the trade liabilities and receivables is expressed in foreign currencies such as euro, American dollar, Danish krone, Swedish krona and Norwegian krone. The table below shows the key currency exposures of the Branch and potential foreign exchange gains/losses on such exposures which result from a hypothetical ten-per cent appreciation/depreciation of the Polish zloty towards other currencies.

Financial instrument	Exposure influencing the financial result As at 31/12/2019		Sensitivity to the exchange rate of PLN against other currencies As at 31/12/2019	
(PLN '000)			+10%	-10%
	Currency	PLN	PLN	PLN
Trade receivables (EUR)	1,395	5,939	594	(594)
Trade payables (EUR)	3	13	1	(1)
Total:		**5,952**	**595**	**(595)**

The above table only includes invoiced receivables and liabilities, without any deposit receivables.

Interest rate risk

Interest rate risk is a risk where a fair value or future flows from financial instruments will change due to interest rate changes. The Branch is exposed to the interest rate risk resulting from possible liabilities related to overdraft and working capital loans based on a variable interest rate.

The Branch uses the below sensitivity analysis to measure the interest rate risk.

The table shows the exposures of the Branch to the interest rate risk assuming the hypothetical one-per cent drop/increase in interest rates.

Financial instrument	Exposure influencing the financial result As at 31/12/2019	Sensitivity to changes in loan interest rate As at 31/12/2019	
(PLN '000)		+1%	-1%
	PLN	PLN	PLN
Working capital loan liabilities	20,000	200	(200)
Total:	**20,000**	**200**	**(200)**

Sensitivity analysis is based on the status of instruments held as at 31/12/2019, and the impact of changes in interest rates is presented on an annual basis.

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26. Headcount

The average annual headcount at the Branch was 4,182 people in 2019 (in 2018, 3,084 people).
All people employed are white-collar workers.

27. Fee for the Company Authorised to Audit Financial Statements

The company auditing the Financial Statements of the Branch is PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.
The fee for this company for 2019 is shown in the table below:

Financial report audit:	PLN 185,000
Other services:	PLN 0

No other company from the network to which the auditing company belongs provided services for the Branch in 2019.

28. Events after the End of the Reporting Period

There were no events requiring inclusion in the Financial Statements for 2019 after the balance sheet date.

Mikołaj Ługowski
Branch Director

Vistra Corporate Services Sp. z o.o.
Person responsible for keeping the books of account

Łódź, 27 February 2020

END OF THE TRANSLATION

This is to certify that the foregoing is a true translation of the copy of the document in the Polish language; in witness whereof, I have appended a qualified electronic signature hereto.
Izabela Mazur, sworn translator of the English language entered in the list of sworn translators kept by the Minister of Justice of Poland; Entry No. TP/1885/06.
Records of Translations No. 172/2020
Ruda Śląska, Poland. 13 March 2020
Legal basis of using a qualified signature:

· Article 18(1a) of the Act of 25 November 2004 on the profession of a sworn translator and interpreter (consolidated text, Journal of Laws of 2017, item 1505, as amended);
· Act of 5 September 2016 on trust services and electronic identification (Journal of Laws of 2016, item 1579) implementing the Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market (the eIDAS Regulation).

You can verify the qualified electronic services in the document by clicking the signature field or at www.weryfikacjapodpisu.pl

Izabela Maria Mazur; tłumacz przysięgły języka angielskiego TP/1885/06

Digitally signed by Izabela Maria Mazur; tłumacz przysięgły języka angielskiego TP/1885/06
Date: 2020.03.13 11:15:48 +01'00'