NORDEA BANK ABP
SPÓŁKA AKCYJNA
BRANCH IN POLAND

FINANCIAL STATEMENT

FOR THE FISCAL YEAR ENDING ON

31 December 2020

CONTENTS

Separate financial statement of Nordea Bank Abp S.A. Branch in Poland for 2020 prepared in accordance with International Financial Reporting Standards in thous. PLN

Statement of comprehensive income

	Note	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Revenue, of which:			
Revenue from sales of services and products	4	908,557	773,029
Other operating revenue	9	8,706	2,087
Financial revenue	10	-	3,006
		917,263	778,122
Expenses, of which:			
Costs of salaries with overheads and other employee benefits	5	(651,481)	(554,812)
Depreciation/amortisation	8	(75,252)	(62,531)
Outsourced IT services	6	(29,628)	(40,914)
Other administrative expenses	7	(22,252)	(24,962)
Business travel expenses		(2,425)	(25,934)
Costs of operation and maintenance of the premises		(25,094)	(19,507)
Consulting services		(2,103)	(6,447)
Financial costs	10	(26,947)	(2,641)
Other operating expenses	9	(662)	(624)
		(835,844)	(738,372)
Profit before tax		81,419	39,750
Income tax	11	(14,707)	(10,735)
Net profit for the reporting period		66,712	29,015
Other comprehensive income			
Other comprehensive net income for the reporting period		-	-
Total comprehensive income for the reporting period		66,712	29,015

The explanatory notes on pages 7-45 are an integral part of the statement.

Separate financial statement of Nordea Bank Abp S.A. Branch in Poland for 2020 prepared in accordance with International Financial Reporting Standards in thous. PLN

Statement of financial position

ASSETS	Note	31/12/2020	31/12/2019
Tangible fixed assets	12	430,923	413,616
Intangible assets	13	24	35
Deferred tax assets	14	16,843	5,857
Long-term prepayments		-	597
Non-current assets		447,790	420,105
Trade and other receivables	15	117,039	119,371
Short-term prepayments		4,256	2,355
Cash and cash equivalents	16	119,924	16,995
Operating assets		241,219	138,721
TOTAL ASSETS		689,009	558,826

The explanatory notes on pages 7-45 are an integral part of the statement.

Statement of financial position continued

LIABILITIES	Note	31/12/2020	31/12/2019
Liabilities			
Long-term liabilities due to settlements with the Branch Headquarters	17	181,782	114,967
Long-term liabilities due to leases	22	305,844	271,727
Other long-term liabilities	21	380	774
Long-term provisions	20	23,598	16,159
Long-term liabilities		511,604	403,627
Short-term loans and borrowings	18	-	20,309
Short-term liabilities arising from leases	22	56,444	39,661
Trade liabilities	21	772	1,297
Income tax liabilities	21	20,999	5,892
Other short-term liabilities	21	98,036	86,859
Short-term provisions	20	1,154	1,181
Short-term liabilities		177,405	155,199
TOTAL LIABILITIES		689,009	558,826

The explanatory notes on pages 7-45 are an integral part of the financial statement.

Separate financial statement of Nordea Bank Abp S.A. Branch in Poland for 2020 prepared in accordance with International Financial Reporting Standards in thous. PLN

Cash flow statement

	Note	31/12/2020	31/12/2019
Cash flows from operations			
Net profit for the reporting year		66,712	29,015
Adjustments:			
Depreciation of property, plant and equipment	12	75,241	62,512
Depreciation of intangible assets	13	11	19
Foreign exchange gains/losses		25,463	(3,970)
		100,715	58,561
Profit/loss from investment activities		124	(178)
Change in trade and other receivables	15	2,332	(1,835)
Change in accruals, prepayments and deferred income		(1,304)	987
Change in trade and other liabilities	21	10,362	7,874
Change in deferred tax assets	14	(10,986)	2,399
Current income tax payments		(10,587)	(5,491)
Current tax adjustment		25,694	8,337
Change in provisions	20	7,412	6,906
Interest paid		1,484	2,617
Other adjustments		1,479	(456)
		26,009	21,160
Cash flows from operations		193,436	108,736
Disposal of property, plant and equipment		414	256
Purchase of property, plant and equipment	12	(19,374)	(66,329)
Cash flow from investing activities		(18,960)	(66,073)
Loans and borrowings incurred (+)/repaid (-)	18	(19,888)	7,806
Expenses for repayment of interest on loans, borrowings and leasing		(1,484)	(2,617)
Means received for the setoff of losses from previous years		-	-
Payment of lease liabilities	22	(50,119)	(41,378)
Cash flows from financial activities		(71,491)	(36,189)
Total net cash flows		102,985	6,474
Balance sheet change in cash, of which:		102,929	6,431
change in cash due to foreign exchange gains/losses		(46)	(43)
Cash at the beginning of the period		16,894	10,420
Cash at the end of the period		119,879	16,894

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT

1. General information about the Branch

Information about Nordea Bank ABP S.A. Oddział w Polsce

Nordea Bank ABP S.A. Branch in Poland (hereinafter: 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, XXth 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, except insurance and pension funding not elsewhere classified,
- 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 entity is exempt from preparing the Report on Activities in accordance with the Accounting Act.

2. Basis for the preparation of the financial statement

2a) Declaration of conformity

Annual separate financial statement of Nordea Bank Abp S.A. Branch in Poland for the period ending on 31 December 2020 has been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union, and other applicable laws.

The financial statement has been approved by the Branch Management on 08/03/2021.

2b) New and changed standards and interpretations applied

In the financial statement herein, changes to the following standards, binding in 2020, have been applied:

*** IFRS 16 "Leases"**

The standard establishes rules for the recognition, measurement, presentation and disclosure 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; (b) 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 leasing by the lessor. As a consequence, the lessor continues classification according to operating leases and finance leases and differentiates the accounting treatment accordingly.

<u>Impact on Financial Statement:</u>
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 duration of the contract, and the liability is settled (reduced) by an appropriate discount rate, while recognizing interest.

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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

In the case of some parking spaces and apartments, 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 lines, 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.

In order to facilitate the application of the standard by the entities, a practical simplification was introduced thereto in 2020, dedicated exclusively to lessees who had been granted exemptions under COVID-19 pandemics, should the following obtain as a result of the following exemptions:

1) remuneration adjusted as per the lease is, in principal, identical to or reduced with respect to previous remuneration

2) decrease in lease payment rates is applicable exclusively to payments with an original maturity date not exceeding 30 June 2021

3) no other modifications as regards lease conditions have been introduced.

The Branch does not anticipate the aforementioned adjustments to have a significant impact on its financial statement as none of the aforementioned exemptions has been granted.

*

As a result of the amendment to IFRS 9, entities are able to measure financial assets with the so-called 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 Statement.

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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 also 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 Statement.

* **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 Statement.

* **IAS 19 "Employee Benefits"**
The amendments to the standard specify 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 Statement.

* **IFRS 3 "Business Combinations"**
The entities are to apply the adjusted standard with respect to the transactions of combination and purchase of assets dated on 1 January, 2020, or later,. They may be in a position to apply the standard prior to the designated period.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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.

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

IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and *[note from the translator – the full title ends with: "Errors":]*

The Board has published a new definition of the notion of "substantiality". 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.

Financial statements should cover only such information that is significant for and specific to the entity to the exclusion of information that has no bearing on the financial statement and that can obscure the picture of its material and financial position.

The Branch does not anticipate the amendments to IAS 1 and IAS 8 to affect the statement to a significant degree.

* **IBOR reform (first modification stage) IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"**

The alterations implemented close the first modification stage scheduled by the Board in response to the upcoming IBOR reform.

The Board has adopted interim simplifications and exemptions from the applicability of specified requirements of hedge accounting as regards hedging relationships that are subject to IBOR reform. As much as the amendments implemented to the standard at the first stage affect only a narrow circle of entities who exercise hedge accounting and should have little effect on financial statements, the subsequent stage will involve a much larger scope, encompassing not only hedge accounting but also the recognition of changes in cash flows of financial assets and liabilities.

The Branch does not expect the above changes to have a significant impact on its Financial Statement for 2020.

*** Changes in references to the Conceptual Framework of IFRS**

The Conceptual Framework does not constitute a standard of accounting nor does it supersede any specific standards. Nonetheless, entities drafting statements may take advantage of the Conceptual Framework in order to devise accounting policies that are meant to cover transactions unspecified in the currently binding IFRS.

The changes in references to the Conceptual Framework of IFRS will apply as of 1 January, 2020.

2c) Published standards and interpretations that are not yet in effect and have not been applied by the Branch and may affect the Financial Statement.

In this separate financial statement, the Branch has not decided to apply the following published standards, interpretations or amendments to existing standards before their effective date:

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 2023. In June 2020, the Board published amendments to the standard.

The new IFRS 17 Insurance Contracts will replace the current IFRS 4, which allows for 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 Statement.
As of the date of this financial statement, the new standard has not yet been approved by the European Union.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

* **IAS 16 "Property, Plant and Equipment"**

Pursuant to the binding IAS 16, the production cost of property, plant and equipment reflects testing costs, whether the asset operates appropriately, upon the subtraction of net revenue from sales of products obtained in the process of bringing an asset to the desired location and state.

The IAS 16 guidelines have been changed as a consequence of the divergence in the application of the aforementioned requirements that had occurred in practice. Under the amended standard, revenue from sales of products obtained in the process of bringing an asset to the desired location and state shall be recognized in the financial result.
As of the date of this financial statement, the amendment has not yet been approved by the European Union.

*** Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between the investor and the associates or joint ventures thereof**

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 of the date of this financial statement, the approval of this amendment is postponed by the European Union.

2d) Basis for measurement

The financial statement has been prepared on the basis of the historical cost principle.

2e) Functional and presentation currency

The data in the financial statement have been presented in Polish zlotys (PLN), rounded up to thousands. PLN is the functional currency of the Branch.

2f) Comparative data

Comparative data includes data for the period from 01/01/2019 to 31/12/2019.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

3. Description of major accounting principles

The accounting principles below have been applied to all reporting periods presented in the financial statement.

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.

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,
- financial liabilities measured at amortised cost,

As of 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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Impairment of financial assets

Financial assets measured at amortised cost are evaluated by the Branch at each balance sheet date as is the fact 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;

- value of money as a function of time;

- rational and documentable information available without excessive costs or efforts at the reporting date, regarding past events, current conditions and forecasts for future economic conditions.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Property, plant and equipment

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 as reduced by 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 right of use assets pursuant to 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 as reduced by 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.

Depreciation/amortisation

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 external fixed assets in conformity with contract duration
- plant and machinery 3–5 years
- equipment 5–10 years
- means of transport 5 years
- computer software 5 years
- licenses 1–5 years
- 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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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 sell 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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Lease contracts

Figures for 2020 have been included and presented according to the following rules:

The liabilities include outstanding lease payments adopted for the sake of discounting marginal interest rate as of the first day of the application of ISFR 16.

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:
- a single discount rate for a portfolio of leases with substantially similar characteristics was implemented:
- cars: 3%
- data centre: 3%
- office space and car parks - depending on the length of the contract term: 0% - 0.5%

The Branch did not use any other practical simplification allowed and also used the new model for leases that ended within 12 months of the date of the first application.
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 the commencement of the lease.
The Branch also acts as a subleasing agent for subleasing office space 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 the commencement of the lease, a right of use asset is systematically depreciated for the term of the contract and the lease liability is settled (reduced) using an appropriate discount rate, with simultaneous recognition of interest.
The leased assets are calculated by the Branch in the original currency for a contract, and the conversion into PLN is made under the following circumstances:
- in the case of depreciation of assets, revaluation of assets and liabilities arising as a result of amendments - at the exchange rate used by Nordea Group for the first recognition of the contract;
- if a new contract is recognised - at the Nordea Group's exchange rate as of the end of the month in which the contract was entered into the books;
- in the case of liability settlement - at the Nordea Group's current exchange rate, i.e. on the last day of the month.
As of 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 contractual terms was approved;
b) it compares the value in a) with the value of the liability as of 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 point e;
e) if, as of 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, without a proportional increase in the fee for the lease, such a change is treated as a modification to the lease and the procedure is analogous to that in letters a–e above.

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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 contractual terms 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 point a) is compared with the amount of net assets upon the reduction referred to in point b),
d) any difference from c) is charged to the profit or loss;
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 possible amount of the difference 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 the 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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Service revenue

The Branch recognizes 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, revenue is invoiced on a monthly basis, with invoices for services provided throughout 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 revenue

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 irrecoverability 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 of the balance sheet date, including all adjustments to the tax liability for previous years.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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 of each balance sheet date and is reduced to the extent that it is not probable to realise the financial gains associated with the assets.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

4. Revenue from sales of services and products

The Branch provides various services supporting administrative and operating processes to entities of the Nordea Group located primarily in the Nordic countries and entities associated with the Nordea Group, located in the Baltic States. The Branch provides only very limited services to external customers.

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

Area of banking process support services	**01/01/2020–31/12/2020**	**01/01/2019–31/12/2019**
Group Functions	344,278	280,461
Business Banking	13,536	13,169
Personal Banking	2,458	2,528
Large Corporates & Institutions Banking	-	-
Asset and Wealth Management Banking	121	-
Total revenue in the area	**360,393**	**296,158**

Area of IT services	**01/01/2020–31/12/2020**	**01/01/2019–31/12/2019**
Group Functions	517,965	476,871
Personal Banking	30,199	-
Large Corporates & Institutions Banking	-	-
Total revenue in the area	**548,164**	**476,871**
Total revenue from sales of services	**908,557**	**773,029**
Revenue from sales of products	**-**	**-**
Revenue from sales of services and products in total	**908,557**	**773,029**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

In addition to the above revenue, 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:

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Re-invoice revenue	515	577
Other sales	30	6
Disposal of PP&E*	87	257

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 are recognised at a specific time, corresponding to the moment of transferring PP&E to the client.

Contracts with entities of the Nordea Group are signed for an indefinite period, while contracts with entities associated with the Group (as of the balance sheet date, already not subsidiaries) for a definite period. They do not include a significant financing component. The remuneration amount 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

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Wages and salaries	516,195	435,643
Compulsory social security contributions	91,534	75,645
Other employee benefits	20,117	19,228
Training costs	2,513	8,178
Contributions to defined contribution plans	8,479	5,928
CSBF costs	7,064	5,225
Costs of National Fund for the Rehabilitation of Disabled fees	5,579	4,965
Costs of salaries with overheads and other employee benefits in total	**651,481**	**554,812**

6. Outsourced IT services

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
IT costs	26,163	33,878
IT consultant services	3,465	7,036
Outsourced IT services in total	**29,628**	**40,914**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

7. Other administrative expenses

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Administrative costs	6,074	4,846
Accounting and payroll services	3,800	4,655
Purchase of other materials	3,452	3,292
Postal and telecommunications charges	1,726	1,688
Leasing	1,218	964
Promotion and advertising services	975	2,974
Advisory costs	862	963
Services of recruitment companies	824	2,905
Bank services	711	330
Other	2,494	2,111
Other administrative expenses in total:	**22,252**	**24,962**

8. Depreciation/amortisation

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Leased fixed assets	53,045	44,114
Fixed assets	22,196	18,398
Intangible assets	11	19
Total depreciation	**75,252**	**62,531**

9. Other operating costs and other operating revenue

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Loss on disposal of non-financial non-current assets	124	-
Other expenses	538	624
Other operating costs in total:	**662**	**624**

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Reversal of unused provisions	5,248	-
Revenue from VAT adjustments for previous years	1,790	-
Revenue from employee benefits	890	1,002
Profit on disposal of non-financial fixed assets	-	178
Other income	778	907
Other operating revenue in total:	**8,706**	**2,087**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

10. Financial income and expenses

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Net exchange differences	-	3,006
Financial income, total	**0**	**3,006**
Interest expense on financial liabilities measured at amortised cost	421	1,441
Costs on account of interest on lease, calculated at amortised cost	1,063	1,200
Net exchange differences	25,463	-
Total financial costs	**26,947**	**2,641**

11. Income tax

11.1 Income tax - current and deferred part

Income tax - current part

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Income tax for the reporting period	25,694	8,336
	25,694	**8,336**

Income tax - deferred part (calculation: note 14)

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Origination/reversal of temporary differences	(10,987)	2,399
Income tax (deferred part)	**(10,987)**	**2,399**
Income tax, total	**14,707**	**10,735**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

11.2. Calculation of corporate income tax

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Gross profit	81,419	39,750
	81,419	**39,750**
Amounts that increase the tax base		
Foreign exchange losses	26,410	325
Balance sheet depreciation of fixed assets and intangible assets	22,207	18,417
Cost of liquidated, unamortised fixed assets	401	96
IFRS 16, Amortisation/depreciation	53,045	44,114
IFRS 16, Lease interest	1,063	1,200
IFRS 16 - Loss on termination	3	-
Representation costs	15	108
Provision for costs	10,229	5,300
Actuarial reserve	7,412	6,906
National Fund for the Rehabilitation of Disabled fees	5,579	4,965
Donations - non-tax deductible costs	23	19
Tax costs relating to previous periods recognised in the balance sheet in the current period	4,803	2,415
Cost of overdue VAT write-off	1,059	151
Trade union costs	21	38
Operating costs of passenger cars	720	899
VAT payable on the free transfer of services and goods	962	936
Revenue related to VAT adjustments	1,678	-
Other costs not constituting tax deductible costs	569	802
	136,200	86,691
Amounts that reduce the tax base		
Tax depreciation of fixed assets and intangible assets	22,649	26,759
IFRS 16, IT lease	6,630	6,426
IFRS 16, Premises and cars	43,489	36,116
IFRS 16, Lease termination profit	-	17
Tax value of liquidated fixed assets	238	86
Other IBM rents	3,665	4,050
Unrealized and realized positive currency differences that do not constitute taxable revenue	1,445	4,227
Adjustment of the provision for revenue from previous years	150	4,948
Other non-tax revenue	-	1
	78,265	82,630

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Tax base	**139,353**	**43,811**
Deduction of tax losses from previous years	-	-
Other deductions - donations	23	22
Tax base	**139,331**	**43,789**
Tax loss	**-**	**-**
Income tax	26,473	8,320
Adjustments related to income tax	(779)	16
Total current income tax	**25,694**	**8,336**

11.3 Reconciliation of effective tax rate

	01/01/2020–31/12/2020	**01/01/2019–31/12/2019**
Profit/loss before tax	**81,419**	**39,750**
Tax based on the applicable tax rate (19%)	(15,470)	(7,553)
Current tax		
Adjustments related to current income tax for previous years	779	16
Expenses not deductible for tax purposes	(1,517)	(1,344)
Other	1,501	(1,854)
Tax in the Statement of Comprehensive Income	**(14,707)**	**(10,735)**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

12. Property, plant and equipment

Year 2020

	Own fixed assets		Leased assets*				
	Investments in third party fixed assets	**Plant and machinery**	**Office premises and parking areas**	**Cars**	**Data centre**	**Tangible assets under construction, own**	**Total**
Gross value as of 1 January, 2020	**52,432**	**118,278**	**325,422**	**1,236**	**21,107**	**21,785**	**540,260**
Increases (purchase)	-	-	-	-	-	19,374	19,374
Increases (conclusion/amendment of the lease contract))	-	-	71,151	1,038	1,399	-	73,588
Increases (reclassification)	26,448	11,884	-	-	-	-	38,332
Reductions (reclassification)	-	-	-	-	-	(38,333)	(38,333)
Reductions (lease contract termination)	-	-	(5,165)	(277)	(2,402)	-	(7,844)
Reductions (liquidation)	(417)	(612)	-	-	-	-	(1,029)
Reductions (sale)	-	(2,426)	-	-	-	-	(2,426)
Gross value as of 31 December 2019	**78,463**	**127,124**	**391,408**	**1,997**	**20,104**	**2,826**	**621,922**
Depreciation and impairment write-offs as of 1 January, 2020	**(13,906)**	**(68,849)**	**(37,145)**	**(499)**	**(6,245)**	**-**	**(126,644)**
Depreciation/amortisation	(6,810)	(15,386)	(45,947)	(586)	(6,512)	-	(75,241)
Reductions (lease contract termination)	-	-	5,165	274	2,402	-	7,841
Reductions (liquidation)	385	603	-	-	-	-	988
Reductions (sale)	-	2,057	-	-	-	-	2,057
Depreciation and impairment write-offs as of 31 December, 2020	**(20,331)**	**(81,575)**	**(77,927)**	**(811)**	**(10,355)**	**-**	**(190,999)**
Net value							
As of 31 December, 2020	**58,132**	**45,549**	**313,481**	**1,186**	**9,749**	**2,826**	**430,923**

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Year 2019

	Own fixed assets		Leased fixed assets				
	Investments in third party fixed assets	**Plant and machinery**	**Office premises and parking areas**	**Cars**	**Data centre**	**Tangible assets under construction, own**	**Total**
Gross value as of 1 January 2019	**29,321**	**94,934**	**134,614**	**890**	**21,107**	**5,252**	**286,118**
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 of 31 December 2019	**52,432**	**118,278**	**325,422**	**1,236**	**21,107**	**21,785**	**540,260**
Depreciation and impairment write-offs as of 1 January 2019	**(9,585)**	**(57,580)**	**-**	**-**	**-**	**-**	**(67,165)**
Depreciation/amortisation	(4,338)	(14,060)	(37,342)	(527)	(6,245)	-	(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 of 31 December 2019	**(13,906)**	**(68,849)**	**(37,145)**	**(499)**	**(6,245)**	**-**	**(126,644)**
Net value							
As of 31 December 2019	**38,526**	**49,429**	**288,277**	**737**	**14,862**	**21,785**	**413,616**

Capital work in progress

As of 31 December 2020, the Branch classified as capital work in progress the funds which will be put into use in subsequent fiscal years with a value of PLN 2,826 thousand. (computer hardware, printers, mobile phones, investments in third party fixed assets and furniture).

Impairment

As of 31 December 2020, the Branch performed a test for impairment of property, plant and equipment, which did not indicate the need to make write-offs.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

12 Tangible fixed assets continued

Following the reconciliation of own fixed assets with the fixed asset register, the Branch has identified discrepancies in comparative data for 2019 in the as regards Investments in external property, Plant and equipment as well as Own fixed assets under construction. Having regard to the above, the Branch has adjusted comparative data for 2019 as follows.

Investments in external fixed assets

Item	2019 before conversion	changes	2019 after conversion
Gross value as of 1 January 2019	34,011	-4,690	29,321
Depreciation and impairment write-offs as of 1 January 2019	-14,288	4,703	-9,585
TOTAL	**19,723**	**13**	**19,736**

Plant and machinery

Item	2019 before conversion	changes	2019 after conversion
Gross value as of 1 January 2019	94,244	690	94,934
Depreciation and impairment write-offs as of 1 January 2019	-56,883	-697	-57,580
TOTAL	**37,361**	**-7**	**37,354**

Tangible assets under construction - own

Item	2019 before conversion	changes	2019 after conversion
Gross value as of 1 January 2019	5,258	-6	5,252
TOTAL	**5,258**	**-6**	**5,252**

The above change has not affected the net value of Own fixed assets

Furthermore, the Branch has identified an incongruence in the presentation of Leased fixed assets in the item Depreciation/amortisation for 2019. Hence, the following adjustment has been introduced:

Depreciation/amortisation

Item	2019 before conversion	changes	2019 after conversion
Cars	-6,245	5,718	-527
Data centre	-527	-5,718	-6,245
TOTAL	**-6,772**	**0**	**-6,772**

The above change has not affected the net value of Leased fixed assets

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

13. Intangible assets

Year 2020

	Licenses, computer software	Intangible assets under construction	Total
Gross value as of 1 January, 2020	**13,602**	**21**	**13,623**
Increases (purchase)	21	-	21
Reclassification (decrease)	-	(21)	(21)
Gross value as of 31 December, 2020	**13,623**	**-**	**13,623**
Depreciation and impairment write-offs as of 1 January, 2020	**(13,588)**	**-**	**(13,588)**
Depreciation/amortisation	(11)	-	(11)
Depreciation and impairment write-offs as of 31 December, 2020	**(13,599)**	**-**	**(13,599)**
Net value			
As of 31 December, 2020	**24**	**-**	**24**

Year 2019

	Licenses, computer software	Intangible assets under construction	Total
Gross value as of 1 January 2019	**13,594**	**8**	**13,602**
Increases (purchase)	8	21	29
Reclassification (decrease)		(8)	(8)
Gross value as of 31 December 2019	**13,602**	**21**	**13,623**
Depreciation and impairment write-offs as of 1 January 2019	**(13,569)**	**-**	**(13,569)**
Depreciation/amortisation	(19)	-	(19)
Depreciation and impairment write-offs as of 31 December 2019	**(13,588)**	**-**	**(13,588)**
Net value			
As of 31 December 2019	**14**	**20**	**35**

Impairment

As of 31 December 2020, the Branch performed a test for impairment of intangible assets, which did not indicate the need to make write-offs.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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	
	31/12/2020	**31/12/2019**	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
Property, plant and equipment and intangible assets	-	-	4,335	6,097	(4,335)	(6,097)
Cash and cash equivalents	-	1	8	-	(8)	1
Trade and other receivables	-	3	266	-	(266)	3
Prepayments	1,142	1,838	-	-	1,142	1,838
Trade liabilities	8	-	-	-	8	-
Other income/costs of the following year, VAT adjustments	-	-	-	1,069	-	(1,069)
Provisions	13,106	9,754	-	-	13,106	9,754
Tax losses to be settled in future periods	-	-	-	-	-	-
Tax costs related to 2019, recognized in 2020.	-	-	-	-	-	-
IFRS 16, Lease assets and liabilities	7,196	1,427	-	-	7,196	1,427
Deferred income tax assets/liabilities	**21,452**	**13,023**	**4,609**	**7,166**	**16,843**	**5,857**
Deferred income tax assets/liabilities recognised in the statement of financial position	**21,452**	**13,023**	**4,609**	**7,166**	**16,843**	**5,857**

15. Trade and other receivables

	31/12/2020	**31/12/2019**
Trade receivables from related parties	99,547	97,869
*- of which: not invoiced as of the balance sheet date**	34,586	72,570
Other trade receivables	6,902	4,264
*- of which: not invoiced as of the balance sheet date**	4,307	3,815
Receivables from taxes, subsidies, customs, social security, health insurance and other benefits	10,463	16,885
Other debts	127	353
	117,039	**119,371**

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

16. Cash and cash equivalents

	31/12/2020	**31/12/2019**
Cash in hand and at bank	119,924	16,995
Cash and cash equivalents presented in the statement of cash flows	**119,924**	**16,995**

17. Long-term liabilities due to settlements with the Branch Headquarters

The Bank's branch does not have equity. Settlements with the Bank's Head Office generate profits or losses for the financial years and equity of Nordea IT Polska Sp. z o.o. acquired in 2016. (PLN 46,555 thousand). In previous reporting periods, the Branch received funds to cover losses from Nordea Bank AB (publ) of PLN 5,444 thousand. 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's Head Office	**2020**	**2,019**
opening balance	114,967	85,952
result adjustment (accounting for amounts rounded up in previous years)	(7)	-
net profit/loss	66,712	29,015
value of Head Office shares granted to employees as part of bonus system	110	-
closing balance	**181,782**	**114,967**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

18. Liabilities related to loans, borrowings and other debt instruments

Terms and schedule for repayment of loans and borrowings

1. As of 31 December, 2020, the Branch's current account is not encumbered with a bank credit, the credit contract expired on 24/11/2020 .

2. The Branch also has a revolving working credit facility with PKO BP SA The limit of this loan is PLN 100,000,000. The balance of debt in this respect as of 31 December 2020 is PLN 0. 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. in the amount of PLN 426,472.75 as of 31/12/2020. The debt repayment date is January 2021. The global limit allocated to the Branch is PLN 6,000,000.

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 of 01/01/2020	incurred*	interest accrued	repayment*	termination of the Lease Contract	as of 31/12/2020
Short-term bank loans	20,000	20,000	421	40,421	0	0
Credit card liabilities	309	117	0	0	0	426
Liabilities arising from leases	311,388	102,957	1,063	49,512	3,608	362,288

* 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
Bank overdraft at PKO BP SA referred to in note 18 point 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 space. 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	31/12/2020 EUR	31/12/2020 PLN
Łużycka Plus Investment Sp. z o.o.	13019KPA18	PLN	20/02/2022	-	295
Tensor Poland Sp. z o.o.	13029KPA19	EUR	30/03/2021	673	3,108
Octa RT Sp. z o.o.	13041KPA19	EUR	30/04/2021	192	885
Biała "OP3" Sp. z o.o. SKA	13085KPA18	PLN	31/08/2022	-	4,682
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	1,374
PRIME LODZ 1 Sp. z o.o.	13130ZPA18	EUR	11/04/2021	170	787
Libra Business Center II Sp. z o.o. Sp. k.	13203KPA19	EUR	31/01/2022	532	2,455

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

20. Provisions

	31/12/2020	31/12/2019
Provision for pensions and related benefits - as of 1 January	**17,340**	**10,434**
Establishment	8,395	7,179
Use	(983)	(273)
Value as of 31 December	**24,752**	**17,340**
Provision for pensions and related benefits:	**24,752**	**17,340**
short-term	1,154	1,181
long-term	23,598	16,159

21. Trade and other liabilities

	31/12/2020	31/12/2019
Other liabilities	**380**	**737**
Employee benefit liabilities	360	737
Rental liabilities	20	
Short-term liabilities		
Trade liabilities	**772**	**1,297**
Trade payables from related parties	-	-
Trade payables from other parties	772	1,297
Other liabilities	**98,036**	**86,859**
Cost provision	43,738	33,224
Regulatory liabilities	20,806	24,172
Other short-term	33,492	29,463
Income tax liabilities	**20,999**	**5,892**
Trade and other liabilities	**120,187**	**94,785**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

22. Leasing

Lease payments

Payments for lease contracts are as follows:

2020	**Office premises and parking areas**	**Cars**	**Data centre**
Fixed lease payments	42,660	612	6,646
Variable lease payments*	43	7	-
Total	**42,703**	**619**	**6,646**

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 space and car parks, 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 space and car parks 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 space and car parks 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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Short-term lease	1,575	1,297
Low-value lease	381	404
Total	**1,956**	**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:

	31/12/2020	31/12/2019
Up to 1 year	57,184	46,670
1–5 years	194,612	193,327
Over 5 years	112,840	74,442

Estimated future variable lease payments (understood as described above, i.e. assuming that lessors of office and parking space 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

The following items are featured in the statement of comprehensive income:

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Costs of operation and maintenance of the premises	25,094	19,507

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Other administrative expenses, lease	1,218	964

	01/01/2020–31/12/2020	01/01/2019–31/12/2019
Financial costs, lease interest costs	1,063	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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Depreciation/amortisation	**01/01/2020–31/12/2020**	**01/01/2019–31/12/2019**
Office premises and parking areas	45,947	37,342
Data centre	6,512	6,245
Cars	586	527
Total	**53,045**	**44,114**

Other operating income - profit on termination of lease contracts	**01/01/2020–31/12/2020**	**01/01/2019–31/12/2019**
Office premises and parking areas	3	17
Total	**3**	**17**

Lease cash flow	**01/01/2020–31/12/2020**	**01/01/2019–31/12/2019**
Repayment of the principal	50,119	41,378
Interest	1,063	1,200
Total lease in financial activities	**51,182**	**42,578**
Lease flows in operating activities	2,005	1,765
Total cash outflows	**53,187**	**44,343**

Weighted average lease interest rate

The weighted average marginal lease interest rate applied by the Branch is 0.3%.

It is divided into classes:

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

The calculation was made on the basis of contracts in force as of 31/12/2020; however, it would not differ significantly from the status as of 01/01/2020.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

23. Transactions with affiliates

The Branch provides its services to other entities of the Nordea Group, including its parent Bank, as well as to its other branches and to entities associated 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's Management.

Salaries of managerial staff

The costs of base salary paid out in 2020 to the Branch Management were PLN 552 thousand (2019: PLN 536 thousand). The cost of bonuses and prizes paid out to Managerial Staff in 2020 amounted to PLN 60 thousand (2019 - PLN 138 thousand). Employee pension plan contributions for 2020 for the Branch Management was PLN 23 thousand (2019: PLN 24 thousand).

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

23. 2

Sales of services	**01/01/2020–31/12/2020**	**01/01/2019–31/12/2019**
Nordea Bank Abp, filial i Sverige	282,379	257,436
Nordea Bank Abp	228,991	185,103
Nordea Danmark, filial af Nordea Bank Abp	172,104	156,608
Nodea Bank Abp, filial i Norge	151,749	131,524
Nordea Finance Finland Ltd	7,028	5,618
Nordea Finans Sverige AB	2,419	2,334
Nordea Finans Norge AS	1,702	1,432
Nordea Finans Danmark A/S	997	932
Nordea Bank Abp London Branch	69	63
Nordea Bank Abp (publ) New York Branch	58	53
Nordea Bank Abp Singapore Branch	36	33
Nordea Bank Abp Shanghai Branch	36	33
Nordea Bank Abp Frankfurt Branch	30	33
Luminor Bank AS (Estonia)*	-	7,998
Luminor Bank AS (Latvia)*	-	6,655
Luminor Bank AB (Lithuania)*	-	1,771
Luminor Liising AS*	-	443
Luminor Lizings SIA*	-	324
Luminor Lizingas UAB*	-	299
Luminor Pensions Estonia AS*	-	123
Nordea Investment Funds S.A. (Luxembourg)	-	72
IPAS Luminor Pensions Latvia*	-	16
AS " Luminor Latvijas atklatais pensiju fonds"*	-	3
Total sales of services	**847,598**	**758,906**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Other transactions	**01/01/2020–31/12/2020**	**01/01/2019–31/12/2019**
other operating revenue		
Nordea Bank Abp	266	201
Nordea Bank Abp Estonia branch	53	178
Nordea Bank Abp, filial i Sverige	39	56
Nordea Danmark, filial af Nordea Bank Abp	19	79
Nodea Bank Abp, filial i Norge	-	28
Other operating revenue in total:	**377**	**542**
costs of IT services		
Nordea Danmark, filial af Nordea Bank Abp	(71)	(19)
Nordea Bank Abp	(12)	-
Nordea Rahoitus Suomi Oy	-	(714)
Costs of IT services in total	**(83)**	**(733)**
costs of IT TP services		
Nordea Danmark, filial af Nordea Bank Abp	(5,077)	(5,880)
Nordea Bank Abp, filial i Sverige	(4,217)	(4,031)
Nordea Bank Abp	(4,058)	(4,380)
Nodea Bank Abp, filial i Norge	(1,588)	(1,848)
Nordea Finance Finland Ltd.	(32)	(31)
Total costs of IT TP services	**(14,972)**	**(16,170)**
costs of training services		
Nordea Finans Sverige AB	(6)	
Nordea Bank Abp	-	(162)
Nordea Danmark, filial af Nordea Bank Abp	-	(24)
Nordea Bank Abp, filial i Norge	-	(2)
Nordea Bank Abp, filial i Sverige	-	-
Costs of training services in total	**(6)**	**(188)**
Nordea Bank Abp	(1,381)	(944)
Nordea Danmark, filial af Nordea Bank Abp	(33)	(8)
Nordea Bank Abp, filial i Sverige	-	(562)
Nordea Bank Abp, filial i Norge	-	(3)
Nordea Urheilu ry, Nordea Sport rf	-	(2)
Other costs in total	**(1,414)**	**(1,519)**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Other transactions	**01/01/2020–31/12/2020**	**01/01/2019–31/12/2019**
other operating expenses		
Nordea Bank Abp	-	(1)
Other operating costs in total:	**-**	**(1)**
Costs of salaries with overheads and other employee benefits		
Nordea Bank Abp	(221)	-
Costs of salaries with overheads and other employee benefits	**(221)**	**-**
Total other transactions	**(16,319)**	**(18,069)**

Unsettled balances	**31/12/2020**	**31/12/2019**
Trade receivables (including non-invoiced)		
Nordea Bank Abp, filial i Sverige	35,661	22,505
Nordea Bank Abp	26,175	27,601
Nodea Bank Abp, filial i Norge	18,483	20,505
Nordea Danmark, filial af Nordea Bank Abp	17,787	26,243
Nordea Finance Finland Ltd	835	529
Nordea Finans Norge AS	163	130
Nordea Finans Danmark A/S	130	121
Nordea Bank Abp London Branch	7	4
Nordea Bank Abp Shanghai Branch	6	2
Nordea Bank Abp (publ) New York Branch	6	8
Nordea Bank Abp Estonia branch	4	18
Nordea Bank Abp Singapore Branch	3	2
Nordea Bank Abp Frankfurt Branch	3	2
	99,263	**97,670**
Other liabilities (cost provision)		
Nordea Bank Abp	(96)	(79)
Nordea Finance Finland Ltd.	-	(31)
	(96)	**(110)**

All transactions with related companies were concluded under market conditions.
*Luminor companies were subsidiaries till 30/09/2019.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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:

	31/12/2020	31/12/2019
Cash and cash equivalents	119,924	16,995
Total financial assets measured at fair value through profit or loss	**119,924**	**16,995**
Trade and other receivables*	67,673	25,872
Total financial assets measured at amortised cost	**67,673**	**25,872**
Loans and borrowings	-	20,309
Trade liabilities	772	1,297
Total financial liabilities measured at amortised cost	**772**	**21,606**

*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 (unadjusted) in active markets for identical assets or liabilities (level 1)
- entry data other than quotes within level 1 scope and subject to determination or noticing for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on calculations derived from prices) (level 2)
- entry data serving for the appraisal of asset or liability obtained otherwise that from observable market data (i.e. unobservable data) (level 3)

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

		31/12/2020		31/12/2019	
Specification		**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets					
Cash and cash equivalents	level 1	119,924	119,924	16,995	16,995
Trade and other receivables	level 3	67,673	67,673	25,872	25,872
Financial liabilities					
Short-term loans and borrowings	level 3	-	-	20,309	20,309
Trade liabilities	level 3	772	772	1,297	1,297

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Determining the fair value

Below is a synopsis of the main methods and assumptions used when estimating the fair value for financial instruments presented in the table above.

In the case of short-term financial assets and liabilities, it is assumed that the carrying amount of these instruments is approx. equal to their fair value.

Cash and cash equivalents: In the case of bank deposits and funds on the Branch's current accounts, it is assumed that their fair value does not significantly differ from the carrying amount due to their short maturity.

Trade and other receivables: They are disclosed in net value after taking into account impairment write-offs (currently there are no impairment write-offs). Due to the short maturity, it is assumed that the carrying amount is equal to fair value.

Liabilities related to loans and borrowings and trade payables: In the case of loans without established repayment schedules, the fair value is assumed to be the amount that would have been paid on demand on 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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

25. Financial instruments - financial risk management

25.1 Credit risk

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

	Note	31/12/2020	31/12/2019
Receivables	15	117,039	119,371
Cash and cash equivalents	16	119,924	16,995
		236,963	136,366

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 entities 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 total trade receivables is presented below:

Trade receivables (net) without impairment	**31/12/2020**	**31/12/2019**
Sweden	34%	22%
Finland	25%	28%
Norway	18%	20%
Denmark	17%	26%
Estonia	3%	2%
Latvia	2%	1%
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.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Trade receivables without impairment according to the overdue period

		overdue receivables in days		
	not overdue receivables	1-30	31-90	more than 90
from related parties	99,498	49	-	-
from other entities	5,179	1,230	167	326
	104,677	1,279	167	326

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 entities - other banks of the Nordea Group that have liquidity at a safe level. The expected credit losses as of the balance sheet date are PLN 0.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

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.

The Branch had sought to mitigate liquidity risk to the effect of having a revolving working capital facility limit granted in the amount of PLN 100,000 thousand as of 31 December, 2020.

A part of the funds obtained is submitted by the Branch in the form of a short-term deposit, which is to be taken into account when calculating the liquidity provision.

As of 31/12/2020, there is a surplus of current assets over short-term liabilities in the amount of approx. PLN 64 million. The difference with respect to 2019 is mainly due to an increase in cash on bank accounts, caused by a curtailed number of investments in novel office spaces and fewer purchases of fixed assets for the Branch as well as improved revenue recoverability. Moreover, the Management sees no threat to liquidity as credit limits have been granted. Nordea Bank Abp, as a parent entity of the Branch, constantly monitors its liquidity and is prepared to extend financial support to its Branch.

More detailed information is presented in note 18.

25.3 Market risk

Exchange rate risk

The revenue and expenses of the Branch are expressed mainly in the Polish currency. Some trade payables and receivables are expressed in foreign currencies: EUR, USD, DKK, SEK and NOK. The table below presents the main currency exposures of the Branch and potential foreign exchange profits/losses on these exposures resulting from a hypothetical 10% appreciation/depreciation of the PLN against other currencies.

Financial instrument (PLN '000)	Exposure influencing the financial result As of 31/12/2020		Sensitivity to the exchange rate of PLN against other currencies As of 31/12/2020	
	Currency	**PLN**	**+10% PLN**	**-10% PLN**
Trade receivables (EUR)	12,502	57,695	5,770	(5,770)
Total:	**12,502**	**57,695**	**5,770**	**(5,770)**

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will change as a result of changes in interest rates. 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 analysis to assess the interest rate risk.

The table presents the Branch exposures for interest rate risk assuming a hypothetical one-percent decrease/increase in interest rates.

Financial instrument (PLN '000)	Exposure influencing the financial result As of 31/12/2020	Sensitivity to changes in loan interest rate As of 31/12/2020	
		+1%	-1%
	PLN	PLN	PLN
Working capital loan liabilities	0	-	-
Total:	**0**	**-**	**-**

As of the balance sheet date, the Branch had no liabilities arising from credits.

26. Employment

The average annual employment at the Branch was 4,583 people in 2020 (in 2019: 4,182 people). All persons employed are white-collar workers.

27. Remuneration of the entity authorised to audit financial statements

The entity auditing the financial statement of the Branch is PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. The remuneration for this entity for 2020 is shown in the table below:

Financial statement audit:	PLN 219,500
Other services:	PLN 0

No other entity from the network to which the auditing company belongs provided services for the Branch in 2020.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENT continued

28. Impact of COVID-19 pandemics on the financial standing of the entity

The head of the entity reckons pandemics as not having affected the entity in terms of either liquidity or material and financial standing. According to this judgement, the pandemics is unlikely to exert any influence thereupon in the future.

At the time of drafting the financial statement, the banking sector as well as the financial industry, within which the Branch operates, appear stable. The Management of the Branch has received no signals from the counterparties indicative of a possible decrease in the near future in the demand for the services provided by the entity. In the wake of pandemics, mobile as well as on-line services have been seen to be on the rise, with the Branch braced for the circumstances. The Branch has also undertaken suitable measures in order to rise to the challenge.

Throughout 2020, the entity took adequate precautions to protect its employees against the consequences of COVID-19 pandemics by putting a home office working regime in place as well as purchasing and applying indispensable personal protection equipment.

29. Events after the end of the reporting period

There were no events requiring inclusion in the Financial Statement for 2020 after the balance sheet date.

....	....
Mikołaj Ługowski	Joanna Bielasiak-Stachowiak
Branch Director	*Deputy Head of Branch Person in charge of the elaboration of the financial statement*

Łódź, March 8, 2021