Nordea Bank Abp Spółka Akcyjna Branch in Poland

FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 January 2021 to 31 December 2021

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Statement of comprehensive income

	Note	01.01.2021 -31.12.2021	01.01.2020 -31.12.2020
Revenues, of which:		**903,854**	**917,263**
Revenue from sales of services	**4**	895,401	908,557
Other operating revenue	**9**	8,366	8,706
Finance revenue	**11**	87	0
Expenses, of which:		**(868,975)**	**(835,844)**
Costs of salaries with overheads and other employee benefits	**5**	(711,716)	(651,481)
Amortisation/depreciation	**8**	(73,926)	(75,252)
Outsourced IT services	**6**	(24,896)	(29,628)
Consulting services		(135)	(2,103)
Other administrative expenses	**7**	(23,032)	(22,252)
Business travel expenses		(808)	(2,425)
Costs of operation and maintenance of the premises		(28,545)	(25,094)
Other operating expenses	**9**	(2,284)	(662)
Financial costs	**11**	(3,633)	(26,947)
Profit before tax		**34,879**	**81,419**
Income tax	**12**	**(9,176)**	**(14,707)**
Net profit for the reporting period		**25,703**	**66,712**
Other comprehensive income		**1,068**	**0**
Other comprehensive net income for the reporting period		**0**	**0**
Total comprehensive income for the reporting period		**26,771**	**66,712**

Statement of financial position

Assets

	Note	31 December 2021	31 December 2020
Fixed assets		**371,641**	**447,790**
Property, plant and equipment, including assets under lease	**13**	346,136	430,923
Intangible assets	**14**	21	24
Deferred tax assets	**15**	21,742	16,843
Long-term investments	**16**	3,742	0
Operating assets		**233,399**	**241,219**
Trade receivables (including non-invoiced), non-invoiced receivables and other	**17**	98,792	117,039
Short-term prepayments		1,962	4,256
Cash and cash equivalents	**18**	132,645	119,924
Total assets		**605,040**	**689,009**

Statement of financial position

Liabilities

	Note	31 December 2021	31 December 2020
Liabilities			
Long-term liabilities		**417,125**	**511,604**
Long-term liabilities due to settlements with the Branch Headquarters	**19**	145,631	181,782
Long-term lease liabilities	**20**	243,820	305,844
Other long-term liabilities	**23**	262	380
Long-term provisions	**22**	27,412	23,598
Short-term liabilities		**187,915**	**177,405**
Short-term lease liabilities	**18**	51,044	56,444
Trade liabilities	**23**	786	772
Income tax liabilities	**23**	6,362	20,999
Other short-term liabilities	**23**	128,457	98,036
Short-term provisions	**22**	1,266	1,154
Total liabilities		**605,040**	**689,009**

Cash flow statement

	Note	31 December 2021	31 December 2020
Cash flows from operations		**142,858**	**193,436**
Net profit for the reporting year		**26,771**	**66,712**
Adjustments:		116,087	126,724
Depreciation of property, plant and equipment, including the rights to use assets under lease	**13**	73,922	75,241
Depreciation of intangible assets	**14**	4	11
Foreign exchange loss		2,810	25,463
Loss from investment activities		1,510	124
Change in trade and other receivables	**17**	18,247	2,332
Change in accruals, prepayments and deferred income		2,294	(1,304)
Change in trade and other liabilities	**23**	30,317	10,362
Change in deferred tax assets	**15**	(4,899)	(10,986)
Income tax payments		(28,713)	(10,587)
Current tax liability	**12**	14,076	25,694
Change in provisions	**22**	3,926	7,412
Interest received		(87)	0
Interest paid		823	1,484
Other adjustments		1,858	1,479
Cash flows from investments		**(4,928)**	**(18,960)**
Disposal of property, plant and equipment		(68)	414
Purchase of property, plant and equipment	**13**	(4,860)	(19,374)
Cash flows from financial activities		**(125,209)**	**(71,491)**
Interest received		87	0
Loans and borrowings incurred (+)/repaid (-)	**20**	(170)	(19,888)
Expenses for repayment of interest on loans, borrowings and leasing		(823)	(1 484)
Funds received to cover losses brought forward		(62,961)	0
Payment of lease liabilities	**24**	(61,342)	(50,119)
Total net cash flows		**12,721**	**102,985**
Balance sheet change in cash, of which:		**12,721**	**102,929**
Change in cash due to foreign exchange gains/losses		(52)	(46)
Cash at the beginning of the period		**119,924**	**16,894**
Cash at the end of the period		**132,645**	**119,924**

Explanatory notes to the financial statements

Note No.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 referred to as the Branch) is based in Poland: Śmigłego-Rydza 93-281, NIP PL (Tax Identification Number) 105-000-11-72, REGON 100926668(National Business Registry Number) 105-000-11-72, registered with the District Court for Łódź-Śródmieście in Łódź, 20th Department of the National Court Register (KRS), KRS No. 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 and bookkeeping 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 on the website: 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.

Note No. 2 – Basis for preparing the financial statements

2a) Declaration of conformity
The annual separate financial statements of Nordea Bank Abp S.A.Branch in Poland for the period ending 31 December 2021 has been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union, and other applicable laws. The statements have been prepared on the assumption that the Branch will continue as a going concern for the foreseeable future and that its operations will continue unchanged to a material extent.
The financial statements have been approved by the Branch Management on 18/03/2022.

2b) New and changed standards and interpretations applied
In these financial statements, amendments have been applied to the following standards, which were in force in 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR's reform
In response to the expected reform of benchmark interest rates (IBOR reform), the International Accounting Standards Board has published the second part of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, which are applicable from 1 January 2021. The amendments address accounting issues that will arise when financial instruments based on IBOR move to the new interest rates. The amendments introduce a number of guidelines and exemptions, in particular a practical simplification for contract modifications required by the reform, which will be recognised by updating the effective interest rate, an exemption from the obligation to complete hedge accounting, a temporary exemption from the need to identify the risk component, and the obligation to include additional disclosures.

The branch does not hold financial instruments based on Libor (IBOR) and therefore the changes do not affect the presentation of the Financial Statements.

Amendment to IFRS 4: Application of IFRS 9 "Financial Instruments"
The amendment to IFRS 4 "Insurance Contracts" defers the application of IFRS 9 "Financial Instruments" by 1 January 2023, until IFRS 17 "Insurance Contracts" becomes effective.
The Branch does not have IFRS 9 financial instruments or any insurance contracts.

IFRS 16 "Leases"
Due to the coronavirus pandemic (COVID-19), IFRS 16 was amended in 2020 to allow for a simplification in the assessment of whether changes to leases made during a pandemic constitute lease modifications. As a result, lessees were able to benefit from the simplification of not applying the IFRS 16 guidance on lease modifications. As this amendment related to reductions in lease payments due on or before 30 June 2021, hence in March 2021. The Council extended the availability of the practical solution for lease payment relief until June 2022. The amendment is effective from 1 April 2021 with the possibility of earlier application.

The Branch does not expect the above changes to have a significant impact on its financial statements as it did not benefit from the above simplifications during the reporting period.

2c) Published standards and interpretations that are not yet in effect and have not been applied by the Branch and may have an impact on the financial statements.
In these separate financial statements, 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 Council 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 statements.
As at the date of these financial statements, the new standard has not yet been approved by the European Union.

IAS 1 "Presentation of Financial Statements"
The Council has published amendments to IAS 1, which explain the presentation of liabilities as long-term investments. The amendments published shall apply to financial statements for periods beginning on or after 1 January 2023.
As at the date of these separate financial statements, the amendment has not yet been approved by the European Union.

IFRS 3 "Business Combinations"
The amendments to the standard, published in May 2020, are intended to update the relevant references to the Conceptual Framework in IFRSs without introducing substantive changes for merger accounting.

IAS 16 Property, plant and equipment
The amendment prohibits an adjustment to the cost of property, plant and equipment for amounts received from the sale of items produced while the property, plant and equipment is being prepared to begin operating as intended by management. Instead, the entity shall recognise the aforementioned sales revenue and related expenses directly in profit or loss. The amendment shall apply to financial statements for periods beginning on or after 1 January 2022. The Branch Director does not expect the Standard to have a significant impact on the financial statements of the Branch.

IAS 37 “Provisions, contingent liabilities and contingent assets”
The amendments to IAS 37 provide clarifications on the costs that an entity considers in analysing whether a contract is an onerous contract. The amendment shall apply to financial statements for periods beginning on or after 1 January 2022. The Branch does not expect the Standard to have a significant impact on its financial statements.

Annual Improvements to IFRSs 2018–2020
“Annual improvements to IFRSs 2018–2020” introduce changes to the following standards: IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture” and the illustrative examples to IFRS 16 “Leases”.
The improvements include explanations and clarify the standard guidance for recognition and measurement.

Amendments to IAS 1 “Presentation of Financial Statements” and guidance of the IFRS Board on disclosures related to accounting policies in practice
The amendment to IAS 1 requires disclosure of significant information about accounting policies as defined in the standard. The amendment clarifies that information on accounting policies is material if, in its absence, users of the financial statements would not be able to understand other relevant information in the financial statements. In addition, the Board's guidance on the application of the concept of materiality in practice has also been revised to provide guidance on the application of the concept of materiality to accounting policy disclosures. As at the date of these separate financial statements, the changes have not yet been approved by the European Union. The Branch does not expect the change to have a significant impact on the financial statements.

IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”
In February 2021, the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of estimates. The amendment to IAS 8 clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. As at the date of these separate financial statements, the changes have not yet been approved by the European Union. The Branch Director does not expect the Standard to have a significant impact on its financial statements.

IAS 12 “Income Tax”
The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and decommissioning liabilities. Prior to the amendment to the standard, there was ambiguity as to whether the exemption regarding the disclosure of deferred tax recognised for the first time applied to this type of transaction, i.e. where both deferred tax assets and liabilities are recognised. The amendments to IAS 12 clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that give rise to equal taxable and deductible temporary differences on initial recognition.
The amendment shall apply to financial statements for periods beginning on or after 1 January 2023. As at the date of these separate financial statements, the changes have not yet been approved by the European Union. The Branch does not expect the standard to have a material impact on the financial statements.

IFRS 17 "Insurance Contracts"
This amendment relates to transition requirements in connection with the first-time application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments”. The amendment introduces the possibility of improving the usefulness of information for investors on the first application of the new standard.
The amendment relates solely to the transition of insurers to the new standard and does not affect any other requirements in IFRS 17. The Branch Director does not expect the standard to have an impact on the financial statements. As at the date of these separate financial statements, the changes have not yet been approved by the European Union.

IFRS 14 “Regulatory Deferral Accounts”
This standard allows entities that prepare financial statements in accordance with IFRS for the first time (as at 01 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.

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. As at the date of preparation of these separate financial statements, the approval of this amendment is postponed by the European Union. The Branch Director does not expect the above change to affect the presentation of the financial statements.

2d) Basis for Appraisal
The financial statements have been prepared on the basis of the historical cost principle.

2e) Functional and presentation currency
The data in the financial statements 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 01.01.2020 to 31.12.2020.

Note No. 3 – Description of the major accounting principles

The accounting principles 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.
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 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 Branch's only financial assets measured at fair value are cash at fair value through profit or loss.

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. Cash in foreign currencies is held at the average exchange rate of the National Bank of Poland (NBP) as of the balance sheet date.

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 less accumulated depreciation and accumulated impairment write-offs. Property, plant and equipment of low unit value (below PLN 1,500) 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 “Leases” below for details.

Licenses and software

Licenses and software are initially measured at cost of acquisition and, after initial recognition, as assets, the Branch discloses them at cost less accumulated depreciation and accumulated impairment losses. Expenditure incurred at a later date is recognised by the Branch in the carrying amount of an item of property, plant and equipment and intangible assets (e.g. the cost of replacing a part of these items) when it is incurred if it is probable that future economic benefits associated with the asset will flow to the Branch and the cost of the asset can be measured reliably. 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 third-party fixed assets according to the term of the agreement
- 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 term of the agreement.

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. The Branch has funds in the VAT account with limited disposability.

Impairment write-off on assets other than financial assets

The carrying amounts of the Branch's 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. A write-off of receivables is calculated on a simplified basis in accordance with IFRS 9, at an amount equal to the expected loss in value over the life of the receivable.

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 assets other than financial assets is the greater of their selling value less costs to sell and their 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

Liabilities disclose the remaining lease payments payable and the marginal interest rate at the date of first application of IFRS 16 is used to discount them.
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 decided to use the following practical simplification and applied a single discount rate to a portfolio of leases with broadly similar characteristics:
* 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 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) due to insignificance.
The Branch treated as short-term and low-value assets and liabilities for all leases entered into for more than 12 months, except when the asset is low-value. In this case the Branch considers USD 5,000 to be low-value. 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:
a) 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.
b) subleasing a separate block of office space, which due to materiality, was recognised under 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;
- 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 leasing 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 point e;

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;

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.

Service revenue
The Branch recognises revenues when the service is delivered by transferring the promised good (i.e. asset) or service to the customer in accordance with the contracts. An asset is transferred when the client obtains control over the asset. The services provided by the Branch are performed on the basis of internal contracts on a continuous basis with settlement periods specified in the contract. For each service provided, 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. Invoicing takes place after the settlement period specified in the contract has been completed. After the service is rendered in a given settlement period (monthly or quarterly), the Branch recognises as revenue an amount equal to the transaction price that was attributed to the performance of the service. The Branch attributes a transaction price to each service in an amount that reflects the amount of consideration to which it is entitled in exchange for transferring the promised goods or services to the customer.
If the Branch has met the obligation, it presents the contract as a contract asset in the statement of financial position. The Branch presents all unconditional rights to receive compensation separately as receivables. As a rule, revenues are invoiced on a monthly or quarterly basis, where:
a) invoices for banking support services rendered in a given month are generally issued by the 15th of the following month.
b) invoices for IT services rendered in a given month are issued as a rule by the end of a given month.
c) invoices for IT services (within DC, C&C) rendered in a given quarter are issued as a rule by the 15th day of the following month after the end of the quarter.
d) invoices for IT services rendered to an external customer in a given month are issued as a rule by the 15th day of the following month.
Furthermore, in the case of business and administrative support services for banking processes, due to the cost-plus method applied, in accordance with the accepted invoicing process, provisions are made in the last month of a given year for revenues of that period (receivables not invoiced at the balance sheet date). The payment period for the services rendered is 30 days from the date of the invoice.

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.

Note No. 4 – Revenue from sales of services

The Branch provides various support services for 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 at the balance sheet date.

Sales revenues – business structure	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**
Area of banking process support services		
Group Functions	421,464	344,278
Business Banking	14,869	13,536
Personal Banking	2,309	2,458
Asset and Wealth Management	601	121
Total revenue in the area	**439,243**	**360,393**
Area of IT services		
Group Functions	442,215	517,965
Personal Banking	13,943	30,199
Total revenue in the area	**456,158**	**548,164**
Total revenue from sales of services	**895,401**	**908,557**
Total revenue from sales of services	**895,401**	**908,557**

In addition to the above-mentioned revenues, the Branch also generated other revenues that do not relate to its core operating activities. They are presented under "other operating revenue" and include the following amounts:

Other operating income	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**
Re-invoice revenue	655	515
Other sales	85	30
Revenue from sales of fixed assets	0	87

Sales by area	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**
Sweden	301,338	284,804
Finland	207,233	236,024
Denmark	186 984	173,115
Norway	181,318	153,453
Estonia	7,949	28,151
Latvia	5,670	18,646
Lithuania	4,341	14,135
United Kingdom	438	69
United States of America	77	58
China	41	36
Singapore	12	36
Germany	0	30
Total sales	**895,401**	**908,557**

Note No. 5 – Costs of salaries with overheads and other employee benefits

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Wages and salaries	562,904	516,195
Compulsory social security contributions	99,769	91,534
Other employee benefits	19,089	20,117
Training costs	2,578	2,513
Contributions to defined contribution plans	9,684	8,479
Costs of the Company Social Benefits Fund	11,469	7,064
Costs of National Fund for the Rehabilitation of Disabled fees	6,223	5,579
Costs of salaries with overheads and other employee benefits in total	**711,716**	**651,481**

Note No. 6 – IT services

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
IT costs	24,665	26,163
IT consultant services	231	3,465
Outsourced IT services in total	**24,896**	**29,628**

In 2020, consultant services were mainly related to the provision of services to an external client. The agreement was completed in September 2020. Therefore, there is a significant decrease in costs (the remaining IT consulting services for the Nordea Group.

Note No. 7 – Other administrative expenses

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Administrative costs	6,484	6,074
Accounting and payroll services	3,990	3,800
Purchase of other materials	2,404	3,452
Postal and telecommunications charges	1,576	1,726
Leasing	2,622	1,218
Promotion and advertising services	1,483	975
Advisory costs	1,086	862
Services of recruitment companies	803	824
Bank services	769	711
Other	1,815	2,610
Other administrative expenses in total:	**23,032**	**22,252**

Note No. 8 – Depreciation

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Assets from the right to use assets under lease	51,800	53,045
Fixed assets	22,122	22,196
Intangible assets	4	11
Total depreciation	**73,926**	**75,252**

Note No. 9 – Other operating costs and other operating revenue

Other operating expenses	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Loss on disposal of non-financial non-current assets	1,510	124
Other costs	774	538
Other operating costs in total	**2,284**	**662**

Other operating income	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Reversal of unused provisions	5,888	5,248
Revenue from VAT adjustments for previous years	162	1,790
Revenues from employee benefits	889	890
Other income	1,427	778
Other operating revenue in total	**8,366**	**8,706**

Note No. 10 – Costs of operation and maintenance of the premises

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Operating costs	19,117	19,540
Other lease costs	7,544	3,252
Security services	1,885	2,303
Total	**28,545**	**25,094**

Note No. 11 – Financial income and expenses

Finance revenue	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Revenue from interest on funds in bank accounts	85	0
Costs on account of interest on lease, calculated at amortised cost	2	0
Financial income, total	**87**	**0**

Financial costs	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Interest expense on financial liabilities measured at amortised cost	170	421
Costs on account of interest on lease, calculated at amortised cost	653	1,063
Net exchange differences	2,810	25,463
Total financial costs	**3,633**	**26,947**

Note No. 12 – Income tax

Income tax	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**
Current part	**14,076**	**25,694**
Income tax for the reporting period	14,076	25,694
Deferred part (calculation note no. 14)	**(4,900)**	**(10,987)**
Temporary differences	(4,900)	(10,987)
Increase of temporary differences	(8,636)	(15,005)
Reversal of temporary differences from previous years	3,736	4,018
Total income tax	**9,176**	**14,707**

Calculation of corporate income tax	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Gross profit	**34,879**	**81,419**
Amounts that increase the tax base	**151,253**	**136,200**
Foreign exchange losses	4,278	26,410
Balance sheet depreciation of fixed assets and intangible assets	22,253	22,207
Cost of liquidated, unamortised fixed assets	1,442	401
Rights of use of assets under lease - depreciation	51,800	53,045
Rights of use of assets under lease - interest on lease	650	1,063
Rights of use of assets under lease - loss on completion	0	3
Representation costs	22	15
Provision for costs	27,117	10,229
Adjustment of provision for other years' revenues	21,079	
Actuarial reserve	4,994	7,412
National Fund for the Rehabilitation of Disabled fees	6,223	5,579
Donations - non-tax deductible costs	0	23
Tax revenues relating to previous periods recognised in the balance sheet in the current period	4,002	4,803
Cost of overdue VAT write-off	3	1,059
Trade union costs	28	21
Operating costs of passenger cars	1,137	720
VAT payable on the free transfer of services and goods	1,448	962
Revenues from VAT adjustments	3,948	1,678
Other costs not constituting tax deductible costs	829	569
Amounts that reduce the tax base	**86,787**	**78,266**
Tax depreciation of fixed assets and intangible assets	18,404	22,649
Rights to use assets under lease - IT lease	5,027	6,630
Rights to use assets under lease - surfaces and cars	50,442	43,489
Rights to use assets under lease - other rights under lease	202	0
Tax value of liquidated fixed assets	1,615	238
Tax costs related to IBM servers	6,011	3,665
Unrealised and realised foreign exchange gains not constituting tax income	4,999	1,445
Adjustment of provision for other years' revenues	0	150
Other non-tax revenues	87	0
Tax base	**99,345**	**139,353**
Other deductions – donations	0	23
Tax base at the end of the financial year	**99,345**	**139,330**
Income tax	**18,876**	**26,473**
Adjustments related to current income tax for previous years	(4,800)	(779)
Total current income tax	**14,076**	**25,694**

Reconciliation of effective tax rate	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**
Profit/loss before tax	**35,947**	**81,419**
Tax based on the applicable tax rate (19%)	**(6,830)**	**(15,470)**
Expenses not deductible for tax purposes	(1,838)	(1,700)
Other	(508)	2,463
Tax in the Statement of Comprehensive Income	**(9,176)**	**(14,707)**

Note No. 13 – Property, plant and equipment, including the right to use assets under lease

Property, plant and equipment from 1 January 2021 to 31 December 2021

	Own fixed assets			Right of use of assets under lease			
	Investments in third party fixed assets	**Plant and machinery**	**Capital work in progress**	**Office premises and parking areas**	**Cars**	**Data centre**	**Total**
Gross value as at 1 January 2021	**78,463**	**127,124**	**2,826**	**391,408**	**1,997**	**20,104**	**621,922**
Increases	**160**	**5,334**	**4,860**	**5,334**	**329**	**424**	**16,441**
purchase	0	0	4,860	0	0	0	**4,860**
conclusion/amendment of the lease contract	0	0	0	5,334	329	424	**6,087**
reclassification	160	5,334	0	0	0	0	**5,494**
Reductions	**(1,477)**	**(21,081)**	**(5,494)**	**(20,797)**	**(500)**	**(20,528)**	**(69,877)**
reclassification	0	0	(5,494)	(4,951)	0	0	**(10,445)**
termination of the lease agreement	0	0	0	(4,314)	(433)	(15,363)	**(20,110)**
liquidation	(324)	(1,799)	0	0	0	0	**(2,123)**
sales	(1,153)	(19,282)	0	0	0	0	**(20,435)**
other	0	0	0	(11,332)	(67)	(5,165)	**(16,764)**
Gross value as at 31 December 2021	**77,146**	**111,377**	**2,192**	**375,945**	**1,826**	**0**	**568,486**
Depreciation and impairment write-offs as at 1 January 2021	**(20,331)**	**(81,575)**	**0**	**(77,927)**	**(811)**	**(10,355)**	**(190,999)**
Increases	**(7,635)**	**(14,488)**	**0**	**(46,249)**	**(542)**	**(5,008)**	**(73,922)**
amortisation/depreciation	(7,635)	(14,488)	0	(46,249)	(542)	(5,008)	**(73,922)**
Reductions	**1,281**	**19,709**	**0**	**5,786**	**432**	**15,363**	**42,571**
termination of the lease agreement	0	0	0	4,314	432	15,363	**20,109**
reclassification	0	0	0	1,472	0	0	**1,472**
liquidation	153	1,604	0	0	0	0	**1,757**
sales	1,128	18,105	0	0	0	0	**19,233**
Depreciation and impairment write-offs as at 31 December 2021	**(26,685)**	**(76,354)**	**0**	**(118,390)**	**(921)**	**(0)**	**(222,350)**
Net value as at 31 December 2021	**50,461**	**35,023**	**2,192**	**257,555**	**905**	**(0)**	**346,136**

Property, plant and equipment from 1 January 2020 to 31 December 2020

	Own fixed assets			Right of use of assets under lease			
	Investments in third party fixed assets	Plant and machinery	Capital work in progress	Office premises and parking areas	Cars	Data centre	Total
Gross value as at 1 January 2020	**52,432**	**118,278**	**21,785**	**325,422**	**1,236**	**21,107**	**540,260**
Increases	**26,448**	**11,884**	**19,374**	**71,151**	**1,038**	**1,399**	**131,294**
purchase	0	0	19,374	0	0	0	**19,374**
conclusion/amendment of the lease contract	0	0	0	71,151	1,038	1,399	**73,588**
reclassification	26,448	11,884	0	0	0	0	**38,332**
Reductions	**(417)**	**(3,038)**	**(38,333)**	**(5,165)**	**(277)**	**(2,402)**	**(49,632)**
reclassification	0	0	(38,333)				**(38,333)**
termination of the lease agreement	0	0	0	(5,165)	(277)	(2,402)	**(7 844)**
liquidation	(417)	(612)	0	0	0	0	**(1,029)**
sales		(2,426)	0	0	0	0	**(2,426)**
Gross value as at 31 December 2020	**78,463**	**127,124**	**2,826**	**391,408**	**1,997**	**20,104**	**621,922**
Depreciation and impairment write-offs as at 1 January 2020	**(13,906)**	**(68,849)**	**0**	**(37,145)**	**(499)**	**(6,245)**	**(126,644)**
Increases	**(6,810)**	**(15,386)**	**0**	**(45,947)**	**(586)**	**(6,512)**	**(75,241)**
amortisation/depreciation	(6,810)	(15,386)	0	(45,947)	(586)	(6,512)	**(75,241)**
Reductions	**385**	**2,660**	**0**	**5,165**	**274**	**2,402**	**10,886**
termination of the lease agreement	0	0	0	5,165	274	2,402	**7,841**
liquidation	385	603	0	0	0	0	**988**
sales	0	2,057	0	0	0	0	**2,057**
Depreciation and impairment write-offs as at 31 December 2020	**(20,331)**	**(81,575)**	**0**	**(77,927)**	**(811)**	**(10,355)**	**(190,999)**
Net value as at 31 December 2020	**58,132**	**45,549**	**2,826**	**313,481**	**1,186**	**9,749**	**430,923**

Capital work in progress
As at 31 December 2021, assets under construction to be put to use in subsequent balance sheet periods with a value of PLN 2,192 thousand (computer equipment, printers, mobile phones, investments in third-party fixed assets and furniture) were presented by the Branch in the category of fixed assets under construction.

Impairment
As at 31 December 2021, the Branch Director ordered a test for impairment of property, plant and equipment and the right to use assets under lease, which did not indicate a need for impairment losses.

Note No. 14 – Intangible assets

Table of movements of intangible assets 01.01.2021 to 31.12.2021

Title	Licenses, computer software	Intangible assets under construction	Total
Gross value as at 1 January 2021	**13,623**	**0**	**13,623**
Reductions	**(13,562)**	**0**	**(13,562)**
liquidation	(13,562)	0	**(13,562)**
Gross value as at 31 December 2021	**61**	**0**	**61**
Depreciation and impairment write-offs as at 1 January 2021	**(13,599)**	**0**	**(13,599)**
amortisation/depreciation	(4)	0	**(4)**
liquidation	13,563	0	**13,563**
Depreciation and impairment write-offs as at 31 December 2021	**(40)**	**0**	**(40)**
Net value as at 31 December 2021	**21**	**0**	**21**

Table of movements of intangible assets from 01.01.2020 to 31.12.2020

Title	Licenses, computer software	Intangible assets under construction	Total
Gross value as at 1 January 2020	**13,602**	**21**	**13,623**
Increases	**21**	**0**	**21**
purchase	21	0	**21**
Reductions	**0**	**(21)**	**(21)**
reclassification		(21)	**(21)**
Gross value as at 31 December 2020	**13,623**	**0**	**13,623**
Depreciation and impairment write-offs as at 1 January 2020	**(13,588)**	**0**	**(13,588)**
amortisation/depreciation	(11)	0	**(11)**
Depreciation and impairment write-offs as at 31 December 2020	**(13,599)**	**0**	**(13,599)**
Net value as at 31 December 2020	**24**	**0**	**24**

Impairment
As at 31 December 2021, the Branch's Management performed a test for impairment of intangible assets, which did not indicate the need to make write-offs.

Note No. 15 – 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**	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Property, plant and equipment and intangible assets	0	0	3,695	4,335	(3,695)	(4,335)
Cash and cash equivalents	10	0	0	8	10	(8)
Trade and other receivables	239	0	0	266	239	(266)
Prepayments and deferred costs	0	1,142	0	0	0	1,142
Trade liabilities	0	8	6	0	(6)	8
Deferred income	0	0	15	0	(15)	0
Provisions	19,004	13,106	0	0	19,004	13,106
Liabilities due to the right to use assets under lease	56,024	68,835	0	0	56,024	68,835
Receivables from the right of use of assets under lease	0	0	49,108	61,639	(49,108)	(61,639)
Receivables from sublease of leased space	0	0	711	0	(711)	0
Deferred income tax assets/liabilities	**75,277**	**83,091**	**53,535**	**66,248**	**21,742**	**16,843**
Deferred income tax assets/liabilities recognised in the statement of financial position	**75,277**	**83,091**	**53,535**	**66,248**	**21,742**	**16,843**

Note No. 16 – Long-term investments

	as at 01/01/2021	Receipt	increases	interest accrued	repayment	reductions	as at 31.12.2021
Lease receivables	0	3,890	124	2	(213)	(62)	3,742

In August 2021, the Branch signed a contract for sublease of one floor in a complex of buildings in Gdynia. The entity reclassified the corresponding value of the right of use in long-term investments (due to sublease of office space). The difference from the valuations of these items was recognised in other operating income.

Note No. 17 – Trade receivables (including non-invoiced), non-invoiced receivables and other

	31 December 2021	31 December 2020
Trade receivables from related parties	96,290	99,547
including: not invoiced as at the balance sheet date	43,118	34,586
Other trade receivables	739	6,902
including: not invoiced as at the balance sheet date	7	4,307
Receivables from taxes, subsidies, customs, social security, health insurance and other benefits	1,653	10,463
Other receivables	110	127
Total	**98,792**	**117,039**

Note No. 18 – Cash and cash equivalents

	31 December 2021	31 December 2020
Cash in hand and at bank	131,110	119,924
Restricted cash (VAT account)	1,535	0
Cash and cash equivalents presented in the statement of cash flows	**132,645**	**119,924**

Note No. 19 – Long-term liabilities due to settlements with the Branch Headquarters

The Bank's Branch has no 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. In 2021, the Branch paid PLN 62,961 thousand to Nordea Bank ABP based in Finland for the settlement of the result from previous years (including PLN 46,555 thousand for the return of the capital of acquired Nordea IT Polska Sp. o.o.). The activity of the Branch is financed from the Branch's current assets.

Long-term liabilities for settlements with the Bank's Head Office	**01.01.2021 - 31.12.2021**	**01.01.2020 - 31.12.2020**
opening balance	**181,782**	**114,967**
adjustment of profit/loss (rounding from previous years)	0	(7)
net profit/loss	26,771	66,712
transfer from return of profit	(62,961)	0
value of the Head Office shares granted to employees under a bonus scheme	39	110
closing balance	**145,631**	**181,782**

Note No. 20 – Liabilities related to loans, borrowings and other debt instruments

Terms and schedule for repayment of loans and borrowings
As at 31 December 2021, the Branch has no bank overdraft facility; the loan agreement expired on 24 November 2020.
Moreover, the Branch has no liabilities due to the settlement of credit cards issued by PKO BP S.A.
The current global limit as at 31/12/2021 is PLN 6 million.
The reconciliation of changes in liabilities resulting from the financial situation is presented in the table below:

Item	As at 1 January 2021	incurred	interest accrued	repayment	termination of the Lease Contract	As at 31 December 2021
Credit card liabilities	426	1,249	0	(1,675)	0	0
Lease liabilities	362,288	30,443	653	(55,470)	(43,050)	294,864

The layout of the above table underlines that the accrued interest has been paid

Note No. 21 – Contingent liabilities

As at the balance sheet date, 31 December 2021, the Branch has no liabilities due to the loan.

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

				31 December 2021	
Beneficiary	Guarantee number	Currency	Expiry date	EUR	PLN
Łużycka Plus Investment Sp. z o.o.	13019KPA18	PLN	20.02.2022	0	295
Tensor Poland Sp. z o.o.	13029KPA19	EUR	31.03.2022	574	0
Octa RT Sp. z o.o.	13041KPA19	EUR	30.04.2022	192	0
Flaxton Investments Sp. z o.o. Sp.k.	13042KPA18	EUR	30.04.2022	265	0
Biała "OP3" Sp. z o.o. SKA	13085KPA18	PLN	31.08.2022	0	3,730
Łużycka Park Investment Sp. z o.o.	13127KPA17	PLN	31.08.2023	0	1,182
Łużycka Park Investment Sp. z o.o.	13128KPA17	PLN	31.08.2023	0	1,129
VIG Fund,a.s.	13129ZPA17	EUR	31.08.2023	298	0
Libra Business Center II Sp. z o.o. Sp. k.	13203KPA19	EUR	31.01.2024	571	686

Guarantees received:

On the basis of an agreement concluded on 30 August 2021, the Branch sub-leases office space in Gdynia. As collateral for the receivables, it received a bank guarantee in the amount of PLN 331,324.96.

				31 December 2021	
Debtor	**Guarantee number**	**Currency**	**Expiry date**	**EUR**	**PLN**
Schenker Sp. z o.o.	MT22397KPA21	PLN	30.08.2026	0	331

Note No. 22 – Provisions

	31 December 2021	31 December 2020
Provision for pensions and related benefits – as at 1 January	**24,752**	**17,340**
Creation of provisions	**4,664**	**8,395**
Long- and short-term actuarial provisions	4,664	8,395
Release of provisions	**(739)**	**(983)**
Long- and short-term actuarial provisions	(739)	(983)
Use of provisions	**(739)**	**(983)**
Value at 31 December	**28,677**	**24,752**
Provision for pensions and related benefits:	**28,678**	**24,752**
short-term	1,266	1,154
long-term	27,412	23,598

Note No. 23 – Trade and other liabilities

	31 December 2021	31 December 2020
Other liabilities	**283**	**380**
Employee benefit liabilities	262	360
Rental liabilities	21	20
Trade liabilities	**786**	**772**
Trade payables from other parties	786	772
Other liabilities	**128,436**	**98,036**
Cost provision	70,789	43,738
Regulatory liabilities	508	20,806
Short-term liabilities to employees	57,139	33,492
Income tax liabilities	6,362	20,999
Trade and other liabilities	**135,867**	**120,187**

In the item “Short-term liabilities to employees”, the Branch included liabilities to employees, which consist mainly of provisions for salaries in the amount of PLN 56,294 thousand.

Note No. 24 – Lease

Lease payments

Payments for lease contracts are as follows:

Lease between 1 January 2021 and 31 December 2021

	Office premises and parking areas	Cars	Data centre
Fixed lease payments	49,929	569	5,045
Variable lease payments*	4,157	6	1,636
Total	**54,086**	**575**	**6,681**

Lease between 1 January 2020 and 31 December 2020

	Office premises and parking areas	Cars	Data centre
Fixed lease payments	42,660	612	6,646
Variable lease payments*	43	7	0
Total	**42,703**	**619**	**6,646**

**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. Penalties associated with the termination of lease agreements are also recorded here.*

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.

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

Short-term and low-value lease	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Short-term lease	1,437	1,575
Low-value lease	243	381
Total	**1,680**	**1,956**

Lease liabilities by maturity

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

Lease liabilities by maturity	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Up to 1 year	51,455	57,184
1–5 years	170,205	194,612
Above 5 years	74,551	112,840

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 2022 in March for January and February) will amount to PLN 126,000 in 2021.

Explanation of the statement of comprehensive income items related to the lease
There are items in the statement of comprehensive income:

Lease-related costs	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Costs of operation and maintenance of the premises	28,545	25,094
Other administrative expenses – lease	2,622	1,218
Financial costs – lease interest costs	653	1,063

Amortisation/depreciation	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Office premises and parking areas	46,249	45,947
Data centre	5,008	6,512
Cars	543	586
Total	**51,800**	**53,045**

Other operating income, profit on termination of lease contracts	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Office premises and parking areas	2	3
Data centre	1	0
Total	**3**	**3**

Lease cash flow	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Repayment of the principal	55,470	50,119
Interest	653	1,063
Total lease in financial activities	**56,123**	**51,182**
Lease flows in operating activities	7,479	2,005
Total cash outflows	**63,602**	**53,187**

Weighted average lease interest rate
The weighted average marginal lease interest rate applied by the Branch is 0.2%.
It is divided into classes:
Office premises and parking areas – 0.2%
Data centre – 3.0%
Cars – 3.0%
It was calculated for the agreements in force as of 31 December 2021.

Note No. 25 – Transactions with related companies

The Branch provides its services to other entities in the Nordea Group, including the Bank of which it is a Branch, as well as to other branches of the Bank, and to the Bank's affiliates and joint ventures, and all transactions are carried out on an arm's length basis.

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 2021 to the Branch Management were PLN 946 thousand (2020: PLN 552 thousand). The cost of bonuses and prizes paid out to the Managerial Staff in 2021 was PLN 79 thousand (2020: PLN 60 thousand). Employee pension plan contributions for 2021 for the Branch Management was PLN 36 thousand (2020: PLN 23 thousand).

Transactions with related companies in the Group

Sales of services	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Nordea Bank Abp, filial i Sverige	298,757	282,379
Nordea Bank Abp	202,929	228,991
Nordea Danmark, filial af Nordea Bank Abp	185,699	172,104
Nodea Bank Abp, filial i Norge	179,299	151,749
Nordea Finance Finland Ltd	7,803	7,028
Nordea Finans Sverige AB	2,665	2,419
Nordea Finans Norge AS	2,014	1,702
Nordea Finans Danmark A/S	1,314	997
Nordea Bank Abp London Branch	343	69
Nordea Bank Abp (publ) New York Branch	75	58
Nordea Bank Abp Singapore Branch	15	36
Nordea Bank Abp Shanghai Branch	40	36
Nordea Bank Abp Frankfurt Branch	0	30
Total sales of services	**880,953**	**847,598**

Other transactions	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Other operating income		
Nordea Bank Abp	3,516	266
Nordea Bank Abp Estonia branch	1	53
Nordea Bank Abp, filial i Sverige	67	39
Nordea Danmark, filial af Nordea Bank Abp	55	19
Other operating revenue in total	**3,639**	**377**
Costs of IT services		
Nordea Danmark, filial af Nordea Bank Abp	0	(71)
Nordea Bank Abp	(108)	(12)
Costs of IT services in total	**(108)**	**(83)**
Costs of IT TP services		
Nordea Danmark, filial af Nordea Bank Abp	(6,431)	(5,077)
Nordea Bank Abp, filial i Sverige	(5,140)	(4,217)
Nordea Bank Abp	(4,998)	(4,058)
Nodea Bank Abp, filial i Norge	(1,948)	(1,588)
Nordea Finance Finland Ltd.	0	(32)
Nordea Bank Abp Eesti filiaal	(2)	0
Total costs of IT TP services	**(18,519)**	**(14,972)**
Costs of training services		
Nordea Finans Sverige AB	0	(6)
Costs of training services in total	**0**	**(6)**
other costs		
Nordea Bank Abp	(1,669)	(1,381)
Nordea Danmark, filial af Nordea Bank Abp	0	(33)
Other costs in total	**(1,669)**	**(1,414)**
Costs of salaries with overheads and other employee benefits		
Nordea Bank Abp	(176)	(221)
Costs of salaries with overheads and other employee benefits in total	**(176)**	**(221)**
Total other transactions	**(16,833)**	**(16,319)**

Settlements with entities in the Group	31 December 2021	31 December 2020
Trade receivables (including non-invoiced)		
Nordea Bank Abp, filial i Sverige	34,331	35,661
Nordea Bank Abp	23,316	26,175
Nodea Bank Abp, filial i Norge	16,815	18,483
Nordea Danmark, filial af Nordea Bank Abp	20,524	17,787
Nordea Finance Finland Ltd	609	835
Nordea Finans Norge AS	168	163
Nordea Finans Danmark A/S	101	130
Nordea Bank Abp London Branch	103	7
Nordea Bank Abp Shanghai Branch	5	6
Nordea Bank Abp (publ) New York Branch	9	6
Nordea Bank Abp Estonia branch	32	4
Nordea Bank Abp Singapore Branch	0	3
Nordea Bank Abp Frankfurt Branch	0	3
Trade receivables (including non-invoiced)	**96,012**	**99,263**
Other liabilities (cost provision)		
Nordea Bank Abp	(4,427)	(96)
Nordea Bank Abp, filial and Sver	(5,137)	0
Nordea Bank Abp Norway branch	(1,948)	0
Nordea Bank Abp Denmark branch	(6,199)	0
Total other liabilities (cost provision)	**(17,711)**	**(96)**

All transactions with related companies were concluded under market conditions.

Note No. 26 – 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 December 2021	31 December 2020
Cash and cash equivalents	132,645	119,924
Total financial assets measured at fair value through profit or loss	**132,645**	**119,924**
Lease receivables	3,742	0
Trade and other receivables:	98,792	67,673
Total financial assets measured at amortised cost	**102,534**	**67,673**
Trade liabilities	786	772
Lease liabilities	294,864	362,288
Total financial liabilities measured at amortised cost	**295,650**	**363,060**

*The item includes invoiced and non-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:
- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that can be identified or observed for an asset or a liability, either directly (i.e. in the form of prices) or indirectly (i.e. through price-based calculations) (Level 2)
- inputs to the valuation of an asset or a liability that are not based on 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.

Fair value of assets and liabilities		31 December 2021		31 December 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	level 1	132,645	132,645	119,924	119,924
Trade and other receivables:	level 2	98,792	98,694	117,039	117,039
Financial liabilities					
Trade liabilities	level 2	786	689	772	772

Determining the fair value
Below is a summary 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 are disclosed in net value after taking into account impairment write-offs. In the opinion of the head of the entity, individual write-offs do not materially affect the material and financial situation of the Branch Due to the short maturity, it is assumed that the carrying amount is equal to fair value.
Loans and trade payables – for loans without fixed repayment schedules, the fair value is taken to be the amount that would have been paid on demand 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 leases – disclosed in note 20.

Note No. 27 – Financial risk management – 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:

Financial assets	Note	31 December 2021	31 December 2020
Receivables	15	98,792	117,039
Cash	16	132,645	119,924

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 total trade receivables is presented below:

Trade receivables (net) without impairment	31 December 2021	31 December 2020
Sweden	43.4%	33.8%
Finland	25.1%	25.4%
Norway	17.2%	17.6%
Denmark	13.1%	17.0%
Estonia	0.5%	3.2%
Latvia	0.4%	1.6%
Lithuania	0.3%	1.4%
Total	**100.0%**	**100.0%**

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

Receivables	Overdue receivables	Overdue receivables in days		
		1-30	31-90	more than 90
from related parties	96,229	61	0	0
from other entities	737	3	0	0
Total	**96,966**	**64**	**0**	**0**

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.
In the opinion of the Head of the entity, individual write-offs do not materially affect the material and financial situation of the Branch.

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 hedge against liquidity risk, the Branch has free working funds in a bank account of over PLN 100,000 thousand as at 31 December 2021.
Part of the obtained funds is deposited by the Branch in the form of a short-term deposit, which is taken into account when calculating the liquidity provision.
As of 31 December 2021, there is an excess of current assets over current liabilities of approximately PLN 64 million. The change from 2020 is mainly due to an increase in cash in bank accounts, which was impacted by less investment in new office space and the purchase of fixed assets for the Branch as well as an improvement in revenue recovery. In addition, thanks to the credit limits granted, the Management sees no threat to liquidity. In addition, Nordea Bank Abp, as a parent entity of the Branch, constantly monitors its liquidity and is prepared for financial support for its Branch.
More detailed information is presented in note 18.

Currency 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 (thousand PLN)	Exposure affecting the financial result as at 31 December 2021		Sensitivity to the exchange rate of PLN against other currencies as at 31 December 2021	
	Currency	PLN	+10% PLN	-10% PLN
Trade receivables (EUR)	10,025,843.34	46,112,863.86	4,611,286.39	(4,611,286.39)
Total	**10,025,843.34**	**46,112,863.86**	**4,611,286.39**	**(4,611,286.39)**

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

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. As the Branch does not have any loan liabilities, it was not exposed to interest rate risk arising from any loan liabilities in 2021.
As at the balance sheet date, the Branch had no loan liabilities.

Note No. 28 – Employment

The average annual employment at the Branch was 4,867 people in 2021 (in 2020: 4,583 people).
All persons employed are white-collar workers.

Note No. 29 – Remuneration of the entity authorised to audit financial statements.
The entity auditing the financial statements of the Branch is PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.
The remuneration for this entity for 2021 is shown in the table below:

Type of services	31 December 2021	31 December 2020
Audit of the financial statements:	234,350	219,500
Total	**234,350**	**219,500**

No other entity from the network to which the auditing company belongs provided services for the Branch in 2021.

Note No. 30 – The impact of the COVID-19 pandemic on the financial situation of the entity

In the opinion of the head of the unit, the pandemic did not have a significant impact on the unit in terms of liquidity or assets and financial situation. According to this assessment, its impact in the future is also unlikely to be significant. At the time of preparation of the report, the banking sector and the financial industry in which the Branch operates appear to be stable. The entity's management does not receive any indication from contractors that the demand for services provided by the Branch is expected to decrease in the near future. As a result of the pandemic, the economy as a whole is seeing an expansion of mobile and online led services, which the Division is prepared for, as well as taking appropriate steps to meet the new challenges.
In 2021, the Branch took appropriate steps to protect employees from the effects of the COVID -19 pandemic by organising home office work, as well as purchasing and applying the necessary personal protective equipment.

Note No. 31 – Events after the end of the reporting period

The Russian aggression against Ukraine, which began on 24 February 2022, in the opinion of the Branch Manager does not currently have a direct impact on the operational risk of the Branch, which does not provide services to companies located in Russia, Ukraine or Belarus. As at the balance sheet date, there are few people from countries involved in the conflict. However, the situation may have an impact on exchange rate risk due to the significant increase in exchange rates.

There were no events requiring inclusion in the financial statements for 2021 after the balance sheet date.

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Mikołaj Ługowski
Branch Director

....
Joanna Bielasiak-Stachowiak
Deputy Branch Director,
Person responsible for
preparation of the financial statements

18 March 2022, Łódź