

***Nordea Bank Abp Spółka Akcyjna
Oddział w Polsce [Branch in Poland]***

FINANCIAL REPORT

FOR THE PERIOD

FROM 01/01/2022 to 31/12/2022

Nordea Bank Abp Spółka Akcyjna Oddział w Polsce [Branch in Poland]
Financial Report for the period from 01/01/2022 to 31/12/2022

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CERTIFIED TRANSLATION FROM THE POLISH LANGUAGE

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Statement of comprehensive income

	Note	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Revenues, of which:		1,022,280	903,854
Revenue from sales of services	4	1,016,420	895,401
Other operating revenue	9	3,704	8,366
Finance revenue	11	2,156	87
Expenses, of which:		(972,659)	(868,975)
Costs of salaries with overheads and other employee benefits	5	(811,708)	(711,716)
Amortisation/depreciation	8	(63,467)	(73,926)
Outsourced IT services	6	(29,273)	(24,896)
Consulting services		(368)	(135)
Other administrative expenses	7	(28,915)	(23,032)
Business travel expenses		(7,219)	(808)
Costs of operation and maintenance of premises	10	(23,856)	(28,545)
Other operating expenses	9	(923)	(2,284)
Financial costs	11	(6,930)	(3,633)
Profit before tax		49,621	34,879
Income tax	12	(11,610)	(9,176)
Net profit for the reporting period		38,011	25,703
Other comprehensive income		106	1,068
Other comprehensive net income for the reporting period		0	0
Total comprehensive income for the reporting period		38,117	26,771

Statement of financial position

Assets

	Note	31/12/2022	31/12/2021
Fixed assets		333,574	371,641
Assets from the right to use assets under lease	13	223,110	258,460
Property, plant and equipment	13	81,623	87,676
Intangible assets	14	18	21
Deferred tax assets	15	25,549	21,742
Long-term investments	16	3,274	3,742
Operating assets		267,463	233,399
Trade, non-invoiced and other receivables	17	156,124	98,792
Short-term prepayments		1,475	1,962
Cash and cash equivalents	18	109,864	132,645
Total assets		601,037	605,040

Statement of financial position

Equity and liabilities

	Note	31/12/2022	31/12/2021
Liabilities			
Long-term liabilities		388,115	417,125
Long-term liabilities due to settlements with the Branch Head Office	19	142,167	145,631
Long-term lease liabilities	24	211,346	243,820
Other long-term liabilities	23	146	262
Non-current provisions	22	34,456	27,412
Short-term liabilities		212,922	187,915
Short-term lease liabilities	24	46,886	51,044
Trade liabilities	23	542	786
Income tax liabilities	23	0	6,362
Other short-term liabilities	23	163,267	128,457
Current provisions	22	2,227	1,266
Total equity and liabilities		601,037	605,040

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Cash flow statement

	Note	31/12/2022	31/12/2021
Cash flows from operations		81,613	142,858
Net profit for the reporting year		38,117	26,771
Adjustments:		43,496	116,087
Depreciation of property, plant and equipment, including the rights to use assets under lease	13	63,464	73,922
Depreciation of intangible assets	14	3	4
Foreign exchange loss		6,449	2,810
Loss from investment activities		91	1,510
Change in trade and other receivables	17	(57,332)	18,247
Change in accruals, prepayments and deferred income		487	2,294
Change in trade and other liabilities	23	34,566	30,317
Change in deferred tax assets	15	(3,807)	(4,899)
Income tax payments		(21,779)	(28,713)
Current tax liability	12	15,442	14,076
Change in provisions	22	7,874	3,926
Interest received		(2,156)	(87)
Interest paid		481	823
Other adjustments		(287)	1,858
Cash flows from investments		(10,835)	(4,928)
Sale of property, plant and equipment		2,169	(68)
Purchase of property, plant and equipment	13	(13,004)	(4,860)
Cash flows from financial activities		(93,559)	(125,209)
Interest received		2,156	87
Loans and borrowings incurred (+)/repaid (-)	20	(30)	(170)
Expenses for repayment of interest on loans, borrowings and leases		(481)	(823)
Funds received to cover losses brought forward		(41,432)	(62,961)
Payment of lease liabilities	24	(53,772)	(61,342)
Total net cash flows		(22,781)	12,721
Balance sheet change in cash, of which:		(22,781)	12,721
Change in cash due to foreign exchange gains/losses		3	(52)
Cash at the beginning of the period		132,645	119,924
Cash at the end of the period		109,864	132,645

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Notes to the Financial Report

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

The Branch's business activity consists of:

- other activities auxiliary to financial services, except insurance and pension funding;
- other monetary intermediation;
- activities of call centres;
- computer IT software activities and related activities;
- information service activities;
- accounting, bookkeeping and auditing activities; tax consultancy;
- other financial service activities, 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 at Satamaradankatu 5.

The Financial Report 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.

Note 2 - Basis for preparing the financial report

2.1 Compliance statement

Annual separate financial report of Nordea Bank Abp S.A. Branch in Poland for the period ending 31 December 2022 has been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union, and other applicable laws.

The Report has 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 Report was approved by the Branch Management on 06/03/2023.

2.2 New and changed standards and interpretations applied

In this Financial Report, amendments were applied to the following standards, which were in force in 2022:

a) Amendments to 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. The amendments to the standard do not affect the statements of the Branch.

b) Amendments to IAS 16 "Property, plant and equipment"

Amendments to IAS 16 "Property, plant and equipment" regulate the cost of property, plant and equipment and amounts received from the sale of test production items. The amended standard requires that revenues from the sale of test production and related expenses be recognised in the statement of profit or loss, eliminating the possibility of adjusting the value of constructed fixed assets by these amounts. The amendments to the standard do not affect the statements of the Branch.

c) Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets"

Amendments to IAS 37 provide clarification on which costs should be considered when assessing whether a contract will be loss-making and constitutes an onerous contract. The amendments to the standard do not affect the statements of the Branch.

d) 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 amendments to the standard do not affect the statements of the Branch.

The improvements include explanations and clarify the standard guidance for recognition and measurement.

2.3 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 report

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

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a) IFRS 17 “Insurance contracts” and amendment to IFRS 17

IFRS 17 “Insurance contracts” was issued by the International Accounting Standards Board on 18 May 2017 and the amendments to IFRS 17 were published on 25 June 2020. New amended standard is effective for annual periods beginning on or after 1 January 2023.

IFRS 17 “Insurance contracts” will replace the current IFRS 4, which allows for a variety of practices in the settlement of insurance contracts. The new standard will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts; however, the scope of the standard is not limited to insurance companies only, and contracts entered into by entities other than insurance companies may also include an element that meets the definition of an insurance contract (as defined in IFRS 17).

The Branch does not expect the standard to have a significant impact on its Financial Report.

b) 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. The amendment shall apply as of 1 January 2023.

c) Amendment to 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. The amendment shall apply as of 1 January 2023.

d) Amendments to 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 recognition of equal amounts of an asset and a liability for accounting purposes (e.g. the initial recognition of a lease) with no impact on current tax settlements necessitates the recognition of deferred tax balances, or whether the so-called initial recognition exemption applies, which says that deferred tax balances are not recognised if the recognition of an asset or liability has no impact on accounting or tax results at the time of such recognition. The amended IAS 12 addresses this issue by requiring recognition of deferred tax in the above situation by introducing an additional provision that the initial recognition exemption does not apply if an entity simultaneously recognises an asset and an equivalent liability and each creates temporary differences.

The amendment shall apply to financial statements for periods beginning on or after 1 January 2023.

e) Amendment IFRS 17 “Insurance contracts”

The amendment relates to transition requirements in connection with the first-time application of IFRS 17 “Insurance contracts” and IFRS 9 “Financial instruments”. The purpose of the amendment is to ensure the usefulness of financial information for investors in the period of initial application of the new standard by introducing certain simplifications with regard to the presentation of comparative data.

The amendment relates solely to the application of the new IFRS 17 standard and does not affect any other requirements in IFRS 17.

f) Amendments to IAS 1 “Presentation of financial statements”

In 2020, the Board published amendments to IAS 1 which explain the presentation of liabilities as long-term investments. In October 2022, the Board issued further amendments to IAS 1, which addressed the classification of liabilities as long-term and short-term, for which an entity was required to meet certain contractual requirements known as covenants. Amended IAS 1 provides that liabilities are classified as either short-term or long-term depending on the rights that exist at the end of the reporting period. Neither the entity’s expectations nor events after the reporting date (for example, waiver or breach of a covenant) affect the classification.

The amendments published shall apply to financial statements for periods beginning on or after 1 January 2024.

As at the date of this (consolidated) financial report, the improvements have not yet been approved by the European Union.

g) Amendment to IFRS 16 “Leases”

In September 2022, the Board amended IFRS 16 “Leases” by supplementing the requirements for subsequent measurement of the lease obligation for sale and leaseback transactions when the criteria of IFRS 15 are met and the transaction should be recognised as a sale.

The amendment requires the seller lessee to subsequently measure lease obligations under sale-leasebacks in such a way that no gain or loss related to the retained right-of-use is recognised. The new requirement is particularly relevant when the sale-leaseback includes variable lease payments that do not depend on an index or rate, as these payments are excluded from “lease payments” under IFRS 16. The amended standard includes a new example that illustrates the application of the

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new requirement in this regard. The amendment shall apply as of 1 January 2024. As at the date of this financial report, the amendment has not yet been approved by the European Union.

h) IFRS 14 “Regulatory deferral accounts”

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

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

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

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

If non-monetary assets constitute a “business”, the investor discloses 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 this Financial Report, the approval of this amendment is postponed by the European Union.

2.4 Basis for appraisal

The Financial Report was prepared on the basis of the historical cost principle.

2.5 Functional and presentation currency

The figures in the Financial Report presented in Polish zloty (PLN), rounded up to full thousands. PLN is the functional currency of the Branch.

2.6 Comparative data

Comparative data includes data for the period from 01/01/2021 to 31/12/2021.

Note 3 - Description of the major accounting policies

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

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.

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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 4,500) are recognised in costs in the month they are put into operation. For intangible assets, the limit is PLN 1,500.

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

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

Amortisation/depreciation

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

The land is not depreciated. The estimated useful lives are as follows:

- investments in third-party fixed assets as per 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.

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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%

* office space and car parks, depending on the length of the contract term: 0% – 2.26%

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 along with the parking lots assigned to them.

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.

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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. 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

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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, outsourced IT services, 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 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.

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Sales revenues - business structure	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Area of banking process support services		
Group Functions	512,082	421,464
Business Banking	15,519	14,869
Personal Banking	2,103	2,309
Asset and Wealth Management	1,875	601
Total revenue in the area	531,579	439,243
Area of IT services		
Group Functions	475,703	442,215
Personal Banking	9,138	13,943
Total revenue in the area	484,841	456,158
Total revenue from sales of services	1,016,420	895,401
Total revenue from sales of services	1,016,420	895,401

In addition to the revenues listed above, 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	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Recharge revenue	346	655
Other sales	1	85

Sales by area	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Sweden	325,264	301,338
Denmark	249,091	186,984
Finland	234,032	207,233
Norway	206,440	181,318
United Kingdom	1,121	438
Estonia	334	7,949
United States of America	91	77
China	47	41
Latvia	0	5,670
Lithuania	0	4,341
Singapore	0	12
Total sales	1,016,420	895,401

Note 5 - Costs of salaries with overheads and other employee benefits

	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Wages and salaries	642,504	562,904
Compulsory social security contributions	112,656	99,769
Other employee benefits	28,798	23,145
Contributions to defined contribution plans	10,375	9,684
CSBF costs	8,081	7,413
Costs of National Fund for the Rehabilitation of Disabled fees	6,832	6,223
Training costs	2,462	2,578
Total costs of salaries with overheads and other employee benefits	811,708	711,716

Note 6 - Outsourced IT services

	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
IT costs	29,248	24,665
IT consultant services	25	231
Total outsourced IT services	29,273	24,896

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Note 7 - Other administrative expenses

	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Administrative costs	10,223	6,484
Accounting and payroll services	4,423	3,990
Purchase of other materials	4,322	2,404
Promotion and advertising services	2,782	1,483
Services of recruitment companies	1,744	803
Postal and telecommunications charges	1,663	1,576
Costs of external consultants	539	61
Advisory costs	514	1,086
Leasing	440	2,622
Bank services	422	769
Other	1,843	1,754
Total other administrative expenses	28,915	23,032

Note 8 - Depreciation

	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Assets from the right to use assets under lease	45,093	51,800
Fixed assets	18,371	22,122
Intangible assets	3	4
Total depreciation	63,467	73,926

Note 9 - Other operating costs and other operating revenue

	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Other operating expenses		
Loss on sale of non-financial non-current assets	91	1,510
Other costs	832	774
Total other operating costs:	923	2,284

	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Other operating income		
Reversal of unused provisions	1,848	5,888
Revenues from employee benefits	1,160	889
Cost recharge revenue	346	655
Revenue from VAT adjustments for previous years	1	162
Other income	349	772
Total other operating revenue:	3,704	8,366

Note 10 - Costs of operation and maintenance of premises

	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Operating costs	17,886	19,117
Other rental costs	4,105	7,544
Security services	1,865	1,885
Total	23,856	28,545

Note 11 - Financial income and expenses

	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Finance revenue		
Revenue from interest on funds in bank accounts	2,150	85
Revenue from interest on lease, calculated at amortised cost	6	2
Total financial income	2,156	87

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Financial costs	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Interest expense on financial liabilities measured at amortised cost	30	170
Costs on account of interest on lease, calculated at amortised cost	451	653
Net exchange differences	6,449	2,810
Total financial costs	6,930	3,633

Note 12 - Income tax

Income tax	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Current part	15,442	14,076
Income tax for the reporting period	15,442	14,076
Deferred part (calculation Note 15) included in the result	(3,832)	(4,900)
Origination of temporary differences	(3,832)	(4,900)
Total income tax	11,610	9,176

Calculation of corporate income tax	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Gross profit	49,621	34,879
Amounts that increase the tax base	131,554	151,253
Foreign exchange losses	28,589	4,278
Balance sheet depreciation of fixed assets and intangible assets	18,247	22,253
Cost of liquidated, unamortised fixed assets	812	1,442
Rights of use of assets under lease - depreciation	45,092	51,800
Rights of use of assets under lease - interest on lease	445	650
Rights of use of assets under lease - interest on termination	1	0
Representation costs	91	22
Provision for costs	16,931	27,117
Adjustment of the provision for remaining year income	0	21,079
Actuarial reserve	7,537	4,994
National Fund for the Rehabilitation of Disabled fees	6,832	6,223
Donations - non-tax deductible costs	1	0
Tax revenues relating to prior periods recognised on the balance sheet in the current period	2,988	4,002
Cost of overdue VAT write-off	0	3
Trade union costs	32	28
Operating costs of passenger cars	1,183	1,137
VAT payable on the free transfer of services and goods	1,188	1,448
Revenues from VAT adjustments	81	3,948
Other costs not constituting tax deductible costs	1,505	829
Amounts that reduce the tax base	96,923	86,787
Tax depreciation of fixed assets and intangible assets	21,807	18,404
Rights to use assets under lease - IT lease	0	5,027
Rights of use of assets under lease - premises and cars	53,400	50,442
Rights to use assets under lease - other rights under lease, including sublease	(648)	202
Tax value of liquidated fixed assets	172	1,615
Tax costs related to IBM servers	0	6,011
Foreign exchange gains, unrealised and realised not constituting tax revenue	22,171	4,999
Other non-tax revenues	21	87
Tax base	84,253	99,345
Tax base at the end of the financial year	84,253	99,345
Income tax	16,008	18,876
Adjustments related to current income tax for previous years	(566)	(4,800)
Total current income tax	15,442	14,076

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Reconciliation of effective tax rate	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Profit/loss before tax	49,621	35,947
Tax based on the applicable tax rate (19%)	(9,428)	(6,830)
Expenses not deductible for tax purposes	(2,044)	(1,838)
Other	(138)	(508)
Tax in the Statement of Comprehensive Income	(11,610)	(9,176)

Note 13 - Property, plant and equipment, including the right to use leased assets

Property, plant and equipment from 01/01/2022 to 31/12/2022

	Own fixed assets			Right of use of assets under lease			Total
	Investments in third party fixed assets	Plant and machinery	Fixed assets under construction	Office premises and parking areas	Cars	Data centre	
Gross value as at 01/01/2022	77,146	111,377	2,192	375,945	1,826	0	568,486
Increases	223	7,682	13,004	11,212	14	0	32,135
purchase	0	0	13,004	0	0	0	13,004
lease contract conclusion/amendment	0	0	0	11,212	14	0	11,226
reclassification	223	7,682	0	0	0	0	7,905
Reductions	(1,357)	(14,959)	(7,904)	(17,274)	(498)	0	(41,992)
reclassification	0	0	(7,904)	0	0	0	(7,904)
lease contract termination	0	0	0	(15,790)	(498)	0	(16,288)
liquidation	(1,357)	(12,218)	0	0	0	0	(13,575)
sale	0	(2,741)	0	0	0	0	(2,741)
other reductions	0	0	0	(1,484)	0	0	(1,484)
Gross value as at 31/12/2022	76,011	104,100	7,292	369,884	1,342	0	558,630
Depreciation and impairment write-offs as at 01/01/2022	(26,685)	(76,354)	0	(118,390)	(921)	(0)	(222,350)
Increases	(7,319)	(11,052)	0	(44,712)	(381)	0	(63,464)
amortisation/depreciation	(7,319)	(11,052)	0	(44,712)	(381)	0	(63,464)
Reductions	1,308	14,323	0	15,790	498	0	31,919
lease contract termination	0	0	0	15,790	498	0	16,288
liquidation	1,308	12,167	0	0	0	0	13,475
sale	0	2,156	0	0	0	0	2,156
Depreciation and impairment write-offs as at 31/12/2022	(32,696)	(73,083)	0	(147,312)	(804)	(0)	(253,895)
Net value as at 31/12/2022	43,315	31,017	7,292	222,572	538	(0)	304,733

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Property, plant and equipment from 01/01/2021 to 31/12/2021

	Own fixed assets			Right of use of assets under lease			Total
	Investments in third party fixed assets	Plant and machinery	Fixed assets under construction	Office premises and parking areas	Cars	Data centre	
Gross value as at 01/01/2021	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
lease contract conclusion/amendment	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)
lease contract termination	0	0	0	(4,314)	(433)	(15,363)	(20,110)
liquidation	(324)	(1,799)	0	0	0	0	(2,123)
sale	(1,153)	(19,282)	0	0	0	0	(20,435)
other reductions	0	0	0	(11,532)	(67)	(5,165)	(16,764)
Gross value as at 31/12/2021	77,146	111,377	2,192	375,945	1,826	0	568,486
Depreciation and impairment write-offs as at 01/01/2021	(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
lease contract termination	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
sale	1,128	18,105	0	0	0	0	19,233
Depreciation and impairment write-offs as at 31/12/2021	(26,685)	(76,354)	0	(118,390)	(921)	0	(222,350)
Net value as at 31/12/2021	50,461	35,023	2,192	257,555	905	0	346,136

Fixed assets under construction

As at 31 December 2022, the Branch presented as fixed assets under constructions the funds which will be put into use in subsequent accounting periods with a value of PLN 7,292 thousand (computer hardware, charging stations for scooters, investments in third party fixed assets and furniture).

Impairment

As at 31 December 2022, 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 14 - Intangible assets

Table of movements of intangible assets 01/01/2022 to 31/12/2022

Description	Licenses, computer software	Intangible assets under construction	Total
Gross value as at 01/01/2022	61	0	61
Gross value as at 31/12/2022	61	0	61
Depreciation and impairment write-offs as at 01/01/2022	(40)	0	(40)
amortisation/depreciation	(3)	0	(3)
Depreciation and impairment write-offs as at 31/12/2022	(43)	0	(43)
Net value as at 31/12/2022	18	0	18

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Table of movements of intangible assets 01/01/2021 to 31/12/2021

Description	Licenses, computer software	Intangible assets under construction	Total
Gross value as at 01/01/2021	13,623	0	13,623
Reductions	(13,562)	0	(13,562)
liquidation	(13,562)	0	(13,562)
Gross value as at 31/12/2021	61	0	61
Depreciation and impairment write-offs as at 01/01/2021	(13,599)	0	(13,599)
amortisation/depreciation	(4)	0	(4)
liquidation	13,563	0	13,563
Depreciation and impairment write-offs as at 31/12/2021	(40)	0	(40)
Net value as at 31/12/2021	21	0	21

Impairment

As at 31 December 2022, the Branch's Management performed a test for impairment of intangible assets, which did not indicate the need to make write-offs.

Note 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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Property, plant and equipment and intangible assets	0	0	4,142	3,695	(4,142)	(3,695)
Cash and cash equivalents	0	10	2	0	(2)	10
Trade and other receivables	14	239	0	0	14	239
Trade liabilities	0	0	0	6	0	(6)
Accrued income	0	0	0	15	0	(15)
Provisions	23,628	19,004	0	0	23,628	19,004
Liabilities due to the right to use assets under lease	49,064	56,024	0	0	49,064	56,024
Receivables from the right to use assets under lease	0	0	42,391	49,108	(42,391)	(49,108)
Receivables from sublease of leased space	0	0	622	711	(622)	(711)
Deferred income tax assets/liabilities	72,706	75,277	47,157	53,535	25,549	21,742
Deferred income tax assets/liabilities recognised in the statement of financial position	72,706	75,277	47,157	53,535	25,549	21,742

Note 16 - Long-term investments

	as at 01/01/2022	received	increases	interest accrued	repayment	reductions	as at 31/12/2022
Receivables from lease	3,742	118	336	6	(668)	(260)	3,274

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.

Lease receivables by maturity	01/01/2022–31/12/2022	01/01/2021–31/12/2021
Up to 1 year	664	630
1 to 2 years	665	631
2 to 3 years	666	632
3 to 4 years	667	633
4 to 5 years	613	634
Above 5 years	0	582

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Total	3,274	3,742
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Invoices for sublease are issued with a 30-day payment term. At present, the Branch has not had any payment delays.

Financial result for office space sublease	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
Costs of lease related to leased space	(219)	(631)
Sublease inflows	213	667
Sublease result	(6)	36

Note 17 - Trade, non-invoiced and other receivables

	31/12/2022	31/12/2021
Trade receivables from related parties	148,906	96,290
of which: not invoiced as at the balance sheet date	0	43,118
Other trade receivables	108	739
of which: not invoiced as at the balance sheet date	5	7
Receivables from taxes, subsidies, customs, social security, health insurance and other benefits	7,001	1,653
Other receivables	109	110
Total	156,124	98,792

Note 18 - Cash and cash equivalents

	31/12/2022	31/12/2021
Cash in hand and at bank	109,864	131,110
Restricted cash (VAT account)	0	1,535
Cash and cash equivalents presented in the statement of cash flows	109,864	132,645

Note 19 - Long-term liabilities due to settlements with the Branch Head Office

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. 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.) and in 2022 it made another withdrawal of PLN 41,432 thousand. The activity of the Branch is financed from the Branch's current assets.

Long-term liabilities for settlements with the Bank's Head Office	01/01/2022– 31/12/2022	01/01/2021– 31/12/2021
As at the beginning of the period	145,631	181,782
Net profit/loss	38,117	26,771
Transfer from return of profit	(41,432)	(62,961)
Value of the Head Office shares granted to employees under a bonus scheme	(148)	39
As at the end of the period	142,168	145,631

Value of the Head Office shares granted to employees under a bonus scheme as at the end of 2022 is PLN nil; the Branch is not required to deliver to the Head Office the reimbursement of the liability for shares granted.

Note 20 - Liabilities related to loans, borrowings and other debt instruments

Terms and schedule for repayment of loans and borrowings

As at 31 December 2022, 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 31/12/2022 is PLN 6 million.

The reconciliation of changes in liabilities resulting from the financial situation is presented in the table below:

Item	As at 01/01/2022	incurred	interest accrued	repayment	lease contract termination	As at 31/12/2022
Credit card liabilities	0	4,352	0	(3,566)	0	786
Lease liabilities	294,864	38,367	451	(53,400)	(22,050)	258,232

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Note 21 - Contingent liabilities

As at the balance sheet date, 31/12/2022, 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

Beneficiary	Guarantee number	Currency	Expiry date	31/12/2022	
				EUR	PLN
Tensor Poland Sp. z o.o.	13029KPA19	EUR	31/03/2023	574	0
EPP Office - Symetris Business Park sp. z o.o.	13042KPA18	EUR	11/01/2024	225	0
Olivia Star SA	13085KPA18	PLN	31/08/2024	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 thousand.

Debtor	Guarantee number	Currency	Expiry date	31/12/2022	
				EUR	PLN
Schenker Sp. z o.o.	MT22397KPA21	PLN	30/08/2026	0	331

Note 22 - Provisions

	31/12/2022	31/12/2021
Provision for pensions and related benefits - as at 1 January	28,677	24,752
Creation of provisions	9,230	4,664
long- and short-term actuarial provisions	8,630	4,664
restructuring provision	600	0
Release of provisions	(1,224)	(739)
long- and short-term actuarial provisions	(1,224)	(739)
Use of provisions	(1,224)	(739)
Value at 31 December	36,684	28,677
Provision for pensions and related benefits:		
short-term	2,227	1,266
long-term	34,456	27,412

Note 23 - Trade and other liabilities

	31/12/2022	31/12/2021
Other long-term liabilities	146	262
employee benefit liabilities	146	262
Short-term liabilities	163,809	129,243
Trade liabilities	542	786
trade payables from other parties	542	786
Other short-term liabilities	163,267	128,457
cost provision	69,656	70,789
regulatory liabilities	24,564	508
short-term liabilities to employees	68,964	57,139
prepayments and deferred costs	76	0
rental liabilities	7	21
Income tax liabilities	0	6,362
Trade and other liabilities	163,955	135,867

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In the item "Short-term liabilities to employees", the Branch includes mainly provisions for salaries in the amount of PLN 67,855 thousand.

Note 24 - Lease

Lease payments

Payments for lease contracts are as follows:

Lease between 01/01/2022 and 31/12/2022

	Office premises and parking areas	Cars	Data centre
Fixed lease payments	52,960	402	0
Variable lease payments*	409	1	0
Total	53,369	403	0

Lease between 01/01/2021 and 31/12/2021

	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

*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	01/01/2022 – 31/12/2022	01/01/2021 31/12/2021
Short-term lease	1,312	1,437
Low-value lease	33	243
Total	1,345	1,680

Lease liabilities by maturity

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

Lease liabilities by maturity	01/01/2022 – 31/12/2022	01/01/2021 31/12/2021
Up to 1 year	46,886	51,044
1–5 years	168,535	169,369
Above 5 years	42,811	74,451
Total	258,232	294,864

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 2023 in March for January and February) will amount to PLN 884 thousand in 2023.

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

There are items in the statement of comprehensive income:

Lease-related costs	01/01/2022 – 31/12/2022	01/01/2021 31/12/2021
Costs of operation and maintenance of premises	23,856	28,545
Other administrative expenses, lease	440	2,622
Financial costs, lease interest costs	451	653

Amortisation/depreciation	01/01/2022 – 31/12/2022	01/01/2021 31/12/2021
Office premises and parking areas	44,712	46,249
Data centre	0	5,008
Cars	381	543
Total	45,093	51,800

Other operating income, profit on termination of lease contracts	01/01/2022 – 31/12/2022	01/01/2021 31/12/2021
Office premises and parking areas	0	2
Cars	4	0
Data centre	0	1
Total	4	3

Lease cash flow	01/01/2022 – 31/12/2022	01/01/2021 31/12/2021
Repayment of the principal	53,400	55,470
Interest	451	653
Total lease in financial activities	53,851	56,123
Lease flows in operating activities	1,755	7,479
Total cash outflows	55,606	63,602

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%

Cars 3.0%

It was calculated for the agreements in force as of 31/12/2022.

Note 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 2022 to the Branch Management were PLN 1,135 thousand (2021: PLN 946 thousand).

The cost of bonuses and prizes paid out to the Managerial Staff in 2022 was PLN 12 thousand (2021: PLN 79 thousand).

Employee pension plan contributions for 2022 for the Branch Management was PLN 37 thousand (2021: PLN 36 thousand).

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Transactions with related companies in the Group

Sales of services	01/01/2022 – 31/12/2022	01/01/2021 31/12/2021
Nordea Bank Abp, filial i Sverige	322,481	298,757
Nordea Bank Abp	226,075	202,929
Nordea Danmark, filial af Nordea Bank Abp	247,688	185,699
Nordea Bank Abp, filial i Norge	204,173	179,299
Nordea Finance Finland Ltd	7,958	7,803
Nordea Finans Sverige AB	2,782	2,665
Nordea Finans Norge AS	2,267	2,014
Nordea Finans Danmark A/S	1,402	1,314
Nordea Bank Abp London Branch	1,121	343
Nordea Bank Abp Estonia	334	0
Nordea Bank Abp (publ) New York Branch	92	75
Nordea Bank Abp Shanghai Branch	47	40
Nordea Bank Abp Singapore Branch	0	15
Total sales of services	1,016,420	880,953

Other transactions	01/01/2022 – 31/12/2022	01/01/2021 31/12/2021
Other operating income		
Nordea Bank Abp	38	3,516
Nordea Bank Abp, filial i Sverige	19	67
Nordea Danmark, filial af Nordea Bank Abp	43	55
Nordea Bank Abp, Norwegian branch	10	0
Nordea Bank Abp Estonia branch	0	1
Total other operating revenue:	111	3,638
Costs of IT services		
Nordea Bank Abp	0	(108)
Total costs of IT services	0	(108)
Costs of IT TP services		
Nordea Danmark, filial af Nordea Bank Abp	(8,580)	(6,431)
Nordea Bank Abp, filial i Sverige	(7,804)	(5,140)
Nordea Bank Abp	(6,764)	(4,998)
Nordea Bank Abp, filial i Norge	(2,861)	(1,948)
Nordea Bank Abp Eesti filiaal	0	(2)
Total costs of IT TP services	(26,009)	(18,519)
Other costs		
Nordea Bank Abp	(1,703)	(1,669)
Nordea Danmark, filial af Nordea Bank Abp	(6)	0
Total other costs	(1,709)	(1,669)
Costs of salaries with overheads and other employee benefits		
Nordea Bank Abp	0	(176)
Nordea Bank Abp, filial and Sver	(1)	0
Nordea Danmark, Filial af Nord	0	0
Total costs of salaries with overheads and other employee benefits	(1)	(176)
Total other transactions	(27,608)	(16,834)

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Settlements with entities in the Group	31/12/2022	31/12/2021
Trade receivables (including non-invoiced)		
Nordea Bank Abp, filial i Sverige	37,206	34,359
Nordea Bank Abp	37,721	23,335
Nordea Bank Abp, filial i Norge	29,721	16,832
Nordea Danmark, filial af Nordea Bank Abp	42,976	20,537
Nordea Finance Finland Ltd	477	609
Nordea Finans Norge AS	313	168
Nordea Finans Danmark A/S	76	101
Nordea Bank Abp London Branch	188	103
Nordea Finans Sverige	163	200
Nordea Bank Abp Estonia branch	47	32
Nordea Bank Abp (publ) New York Branch	14	9
Nordea Bank Abp Shanghai Branch	4	5
Total trade receivables (including non-invoiced)	148,906	96,290
Other liabilities (cost provision)		
Nordea Bank Abp	0	(4,427)
Nordea Bank Abp, filial and Sver	0	(5,137)
Nordea Bank Abp Norway branch	0	(1,948)
Nordea Bank Abp Denmark branch	0	(6,199)
Total other liabilities (cost provision)	0	(17,711)

All transactions with related companies were concluded under market conditions.

Note 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:

	31/12/2022	31/12/2021
Cash and cash equivalents	109,864	132,645
Total financial assets measured at fair value through profit or loss	109,864	132,645
Lease receivables	3,274	3,742
Trade and other receivables*	156,124	98,792
Total financial assets measured at amortised cost	159,398	102,534
Trade liabilities	542	786
Lease liabilities	258,232	294,864
Total financial liabilities measured at amortised cost	258,774	295,650

*The item includes invoiced and not 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		31/12/2022		31/12/2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	level 1	109,864	109,862	132,645	132,645
Trade and other receivables	level 2	156,124	156,115	98,792	98,694
Financial liabilities					
Trade liabilities	level 2	542	542	786	689

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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 24.

Note 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	31/12/2022	31/12/2021
Receivables	17	156,124	98,792
Cash	18	109,864	132,645

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	31/12/2022	31/12/2021
Denmark	28.9%	13.1%
Finland	25.6%	25.1%
Sweden	25.1%	43.4%
Norway	20.2%	17.2%
Latvia	0.1%	0.4%
Poland	0.1%	0.0%
Estonia	0.0%	0.5%
Lithuania	0.0%	0.3%
Total	100.0%	100.0%

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

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Trade receivables without impairment according to the overdue period

Receivables	Not overdue receivables	Overdue receivables in days		
		1–30	31–90	more than 90
from related parties	143,456	5,429	21	-
from other entities	108	-	-	-
Total	143,564	5,429	21	-

The above table includes both invoiced receivables (including sale 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 Manager 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 2022.

Part of the obtained funds is deposited with a bank by the Branch in the form of a short-term deposit, which is taken into account when calculating the liquidity provision.

As of 31/12/2022, there is an excess of current assets over current liabilities of approximately PLN 55 million. The change from 2021 is mainly due to an increase in trade receivables and 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, Nordea Bank Abp, as a parent entity of the Branch, constantly monitors its liquidity and is prepared for financial support for its Branch. The table below presents the analysis of financial liabilities by maturity according to the remaining period to contractual maturity as at the balance sheet date for all non-derivative financial liabilities. The amounts disclosed in the table are undiscounted contractual cash flows.

Maturity of financial liabilities as at 31/12/2022	Below 3 months PLN '000	3–12 months PLN '000	1–5 years PLN '000	Above 5 years PLN '000	Total contractual cash flows PLN '000	Carrying amount of liabilities PLN '000
Trade liabilities	542	-	-	-	542	542
Loans	-	-	-	-	-	-
Lease liabilities	12,089	35,134	169,161	42,855	259,239	258,232
Total	12,631	35,134	169,161	42,855	259,781	258,774

In 2022, the Branch did not have any derivative instruments.

Maturity of financial liabilities as at 31/12/2021	Below 3 months PLN '000	3–12 months PLN '000	1–5 years PLN '000	Above 5 years PLN '000	Total contractual cash flows PLN '000	Carrying amount of liabilities PLN '000
Liabilities due to supplies and services	786	-	-	-	786	786
Loans	-	-	-	-	-	-
Lease liabilities	13,132	38,324	170,205	74,551	296,212	294,864
Total	13,918	38,324	170,205	74,551	296,998	295,650

In 2021, the Branch did not have any derivative instruments.

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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 PLN '000	Exposure affecting the financial result as at 31/12/2022		Sensitivity to the exchange rate of PLN against other currencies as at 31/12/2022	
	Currency	PLN	+10%	-10%
			PLN	PLN
Trade receivables (EUR)	11,430	53,605	58,966	48,245
Total	11,430	53,605	58,966	48,245

The above table only includes invoiced receivables 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 2022.

As at the balance sheet date, the Branch had no loan liabilities.

Note 28 - Employment

The average annual employment at the Branch was 4,903 people in 2022 (in 2021: 4,867 people). All people employed are white-collar workers.

Note 29 - Remuneration of the entity authorised to audit the financial report

The entity auditing the financial report of the Branch is PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k.

The remuneration for this entity for 2022 is shown in the table below:

Type of services	31/12/2022	31/12/2021
Audit of the financial report	268	234
Total	268	234

No other entity from the network to which the auditing company belongs provided services for the Branch in 2022.

Note 30 - Effect of the COVID-19 pandemic on the company's financial situation

In the opinion of the company's Manager, the pandemic did not have a significant impact on the Branch 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 Branch is prepared for, as well as taking appropriate steps to meet the new challenges.

In 2022, 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 31 - Impact of Russia's aggression against Ukraine on the company's financial situation

Russia's aggression against Ukraine, which began on 24 February 2022, in the assessment of the Branch Manager, has at present no direct impact on the Branch's operational risk. 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.

Note 32 - Events after the end of the reporting period

There were no other events requiring inclusion in the Financial Report for 2022 after the balance sheet date.

Mikołaj Ługowski
Branch Director

Joanna Bielasiak-Stachowiak
Deputy Branch Director
Person responsible for making the Financial Report

Łódź, 6 March 2023