

## MANAGEMENT REPORT

The company is a wholly owned subsidiary of Powszechna Kasa Oszczednosci Bank Polski Spolka Akcyjna ("PKO Bank Polski SA").  
The company is domiciled in Stockholm.

### Business

The business of the company is to directly or indirectly own, manage and trade securities and to conduct other non-licensed financial business including lending and other activities compatible therewith.

During 2008 the company has entered into a "Programme for the issuance of Loan Participation Notes". Under the Programme, the company may issue bonds (Loan Participation Notes) in series. The sole purpose of issuing each series is to finance loans to the parent company. The company charged certain rights under the loans to the parent company for the benefit of the note holders.

In accordance with the "Programme for issuance of Loan Participation Notes", four tranches of Participation Notes denominated in CHF and EUR were been issued during 2010- 2012. Additionally a bond loan for the American market was issued during 2012 based on such documentation binding on the debt market in the United States and in accordance with the Rule 144A in the US Securities Act. In January 2014 an additional bond loan was issued in accordance with the above-mentioned programme which amounts to EUR 500 000 000. This bond repayment date was January 23, 2019.

All notes issued did run with fixed interest and have been used to finance loans to the parent company on basically the same terms.

In December 2017 EUR 5 500 000 was lent to the group company PKO Leasing Sverige AB, with the maturity date till December 2023. The interest is variable.

During the last part of 2021 the tax office resolved to make a re-assessment of the 2019 taxation also relating to capital gains tax on currency gains and thereby charged income tax to the company relating to this year. This tax has been paid in the beginning of 2022. The company has appealed the tax office resolution. See also notes 4 and 12 with further information on the tax situation of the company.

During 2022 the company has repaid bondloans of MUSD 1 000 and MEUR 50 respectively following re-payment of the corresponding loans of the same amounts from the parent company. For prudency reasons the company has set up provisions for the income tax which relates to the currency gains that have materialized upon repayment of the loans to the parent company and which might be levied by the tax office.

### The financial year

The income tax which was provided for in the 2022 report, has in the beginning of 2023 been paid to the company's current account with the tax office. The loan to the group company PKO Leasing Sverige AB has repaid.

The financial position, income and cash flow have not in any material way been affected of the COVID-19 pandemia.  
The company has not had any employees.

### Multi-year review (KEUR)

	2023	2022	2021	2020
Interest income	36	33 809	41 546	43 137
Income before taxes	-145	-3 137	119	890
Equity	12 546	12 616	25 006	11 270
Total assets	13 707	52 289	1 016 918	947 965

## *Risks and uncertainties*

### Market risk

There is one remaining loan to a sister-company. In addition the company has a receivable on the parent company regarding unpaid shareholders contribution. The company no longer has external loans.

All material cash at banks is held in EUR which is the reporting currency of the company.

### Liquidity risks

The company, which has been noted above, has an option to demand payment of the shareholders contribution which has been obtained from the parent company. This means that there is full coverage to repay the tax liabilities that could become due for payment. There is no other liquidity exposure.

### Credit and counterparty risk

PKO Bank Polski SA has issued a guarantee in order to secure all obligations of PKO Leasing Sverige AB resulting from the loan agreement with the company. The financial position of PKO Bank Polski SA is very good (long-term rating by Moody's is A3).

All material cash at banks is placed in SEB, Sweden.

### Currency risk

The functional currency of the company is EUR. Since all material assets and liabilities are denominated in the same currency, the currency risk of the company is insignificant.

## *Corporate governance report*

### Principles for corporate governance

The Company is headed by the Board of Directors and the Managing Director whom exercise their duties as set out according to the Articles of Association, the Instruction for the Managing Director, Rules of Procedures for the Board of Directors and the Company's Act.

### Important elements of control and risk-management related to financial reporting

The Company has established routines in order to secure the accuracy of the financial reports which among other procedures include the preparation of quarterly financial reports that - in addition to review by the Board of Directors - also are reviewed by representatives of the parent company.

### Parent Company

Details regarding the parent Company, that owns all shares are shown in note 9.

### General meetings of Shareholders

The owners decision making rights are exercised at the General Meeting of Shareholders in accordance with law and Articles of Association.

### Board of Directors

The Board of Directors work in accordance with law, Articles of Association and based on Rules of Procedure established by the General Meeting of Shareholders.

The Board of Directors makes all decisions which it has the right to make and has not established any committees.

In view of the limited activities and low number of transactions the Board of Directors considers the control system described above to be appropriate for which reason Swedish code for Corporate Governance has not been applied.

### Future activities of the company

The future activities of the company are linked to the development of the financial markets and the macroeconomic environment. The future activities will also be affected by the final outcome of the tax issue described in note 13.

The company does not anticipate that the activities of 2023 will be materially affected by Covid-19 virus.

### **Proposal for appropriation of profits and losses**

The following earnings are available for the General Meeting of Shareholders to appropriate:

Retained earnings	EUR	7 068 147
The profit of the year	EUR	<u>-69 645</u>
Total profit of the year and retained earnings	EUR	6 998 503
To be carried forward		EUR
	EUR	<u>6 998 503</u>
	EUR	6 998 503

As regards profit and loss and balance sheet see financial reports with comments below.

# PROFIT AND LOSS STATEMENT

Amounts in euro.	Note 1,2	2023	2022
Administration and commission revenues from group companies		0	80 563
Other operating expenses	Note 3	-171 735	-206 810
<b>Operating income</b>		<b>-171 735</b>	<b>-126 247</b>
<b>Financial items</b>			
Interest income, group companies		36 099	33 808 658
Interest expenses		-965	-34 244 468
Net currency effects		-8 575	-2 575 018
<b>Income before taxes and appropriations</b>		<b>-145 176</b>	<b>-3 137 075</b>
<b>Appropriations</b>			
Dissolution of profit equalization reserve		49 853	64 644
<b>Income before taxes</b>		<b>-95 323</b>	<b>-3 072 431</b>
Deferred tax income	Note 12	67 662	31 675 782
Current tax expense	Note 4	-41 982	-40 993 517
<b>Net income</b>		<b>-69 644</b>	<b>-12 390 166</b>

The comprehensive income of the company equals the net income.

## BALANCE SHEET

Note 1, 2

Amounts in euro		2023-12-31	2022-12-31
<b>Assets</b>			
<i>Current assets</i>			
Loans granted to group companies	Note 5, 6	0	1 420 000
Receivables, parent company	Note 12	5 830 062	45 885 019
Receivables, income tax		1 599 557	-
Prepaid expenses		14 778	30 316
Accrued income, group companies	Note 7	0	247
Cash and cash equivalents		6 263 078	4 953 863
<i>Total current assets</i>		13 707 476	52 289 445
<b>Total assets</b>		<b>13 707 476</b>	<b>52 289 445</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	Note 8		
<i>Restricted equity</i>			
Share capital (500 000 shares with quote value EUR 11,09)		5 547 358	5 547 358
<i>Unrestricted equity</i>			
Retained earnings		7 068 147	19 458 313
Net income		-69 645	-12 390 166
<i>Total unrestricted equity</i>		6 998 502	7 068 147
<b>Total equity</b>		<b>12 545 860</b>	<b>12 615 505</b>
<b>Untaxed reserves</b>			
Profit equalisation reserve		493 353	543 206
<b>Liabilities</b>			
<i>Short-term liabilities</i>			
Current income tax liability	Note 4, 12	0	39 061 444
Deferred income tax liability	Note 4, 12	0	32 470
Accrued interest expenses		629 349	0
Other short-term liabilities		267	1 794
Other accrued expenses		40 331	35 026
<i>Total short-term liabilities</i>		668 264	39 130 734
<b>Total liabilities</b>		<b>668 264</b>	<b>39 130 734</b>
<b>Total liabilities and equity</b>		<b>13 707 476</b>	<b>52 289 445</b>

# Cash-flow statement

Amounts in EUR	2023	2022
<b>Operating activities</b>		
Interest and other payments from parent company	40 068 897	46 791 682
Income taxes	-40 032 720	-363 382
Interest payments on bond loans	0	-46 582 571
Payments to suppliers, remunerations to directors	-146 961	-221 610
Other interest income	0	-22 352
<b>Cash flow from operating activities</b>	<b>-110 784</b>	<b>-398 233</b>
<b>Investing activities</b>		
Repayment loans to parent company	0	1 066 080 000
Amortization loan to group company	1 420 000	816 000
	<b>1 420 000</b>	<b>1 066 896 000</b>
<b>Financing activities</b>		
Repayment of bond loans	0	-1 066 080 000
<b>Cash flow from financing activities</b>	<b>1 420 000</b>	<b>816 000</b>
<b>Cash flow of the period</b>	<b>1 309 216</b>	<b>417 767</b>
Opening cash balance	4 953 863	4 539 220
Currency difference in cash balance	0	-3 124
<b>Closing cash balance</b>	<b>6 263 078</b>	<b>4 953 863</b>

## REPORT ON CHANGES IN EQUITY

	Share capital	Retained earnings	Net income	Total equity
Amount 2022-01-01	5 547 358	5 723 120	13 735 193	25 005 671
Retained earnings		13 735 193	-13 735 193	0
Net income			-12 390 166	-12 390 166
Amount 2022-12-31	5 547 358	19 458 313	-12 390 166	12 615 505
Amount 2023-01-01	5 547 358	19 458 313	-12 390 166	12 615 505
Retained earnings		-12 390 166	12 390 166	0
Net income			-69 644	-69 644
Amount 2023-12-31	5 547 358	7 068 147	-69 644	12 545 861

The quote value of the shares is EUR 11,09.



## NOTES

### Note 1 Basis for the preparation of the report

The annual report is prepared in accordance with the Annual Accounts Act and recommendation number 2 from the Financial Reporting Council (RFR 2); Reporting for legal entities. RFR 2 obligates the company to apply International Financial Reporting Standards (IFRS) as adopted by the European Union, to the extent this is possible within the framework of the Annual Accounts Act and taking into account the connection between accounting and taxation. The recommendation indicates exceptions and additions that are needed in relation to IFRS.

The Annual report is based on the assumption of going concern during a foreseeable future.

The functional currency is EUR which also is the reporting currency.

### Note 2 Important accounting principles.

#### New and revised standards – applicable 1 January 2022:

None of the new applicable IFRS or IFRIC interpretations effective for the financial year starting 2022-01-01 has had any material impact of the annual report of the financial reports of the Company.

#### New and amended standards and interpretations which have been published but comes into effect later than 2024-01-01

At the time of preparing the consolidated financial statements as of 31 December 2023 there are some standards and interpretations which are to take effect 2023 or later. None of these is expected to have a significant effect on the annual financial statements of PKO Finance AB.

The Company is considered to be one business segment

#### Foreign currency

Transactions in other currencies than EUR have been valued at the exchange rate which prevailed on the day of transaction. As at the reporting date all assets and liabilities denominated in other currencies than EUR have been valued using the exchange rate prevailing on the reporting date according to Oanda.

The following rates have been used :

	2023-12-31	2022-12-31
	EUR	EUR
1 SEK =	0,08979	0,08969
1 PLN =	0,22991	0,206108
1 USD =	0,90595	1,021677

#### Reporting of revenues and expenses

Interest income and expenses are reported in accordance with the effective interest method. Other revenues are reported at the time of earning and to the extent it is probable that the future economic benefits will be made available to the company and that the revenues can be estimated in a reliable way.

#### Valuation of assets and liabilities

Assets and liabilities are reported at acquisition cost and nominal value respectively if nothing else is stated.

In those cases when it can be expected that the impairment exists, the value of the asset is decreased by an relevant amount of an impairment allowance.

#### *Financial instruments*

Loans granted to group companies and bond loans have been reported in accordance with the effective interest method which means that the difference between the discounted (book) value and the nominal values of the loans are amortized over the term over the respective loans. These amortizations are included in reported interest income/expense thus reflecting the effective interest of the respective loans. Reporting of feared credit losses is done in accordance with the simplification rule according to RFR 2 with individual impairment tests and loss provisions.

#### *The first valuation reporting*

Accounts receivable and debt instruments are reported when they are issued. Other financial assets and financial liabilities are reported when the company becomes party to the agreed terms of the instrument.

Financial liabilities are classified to accrued cost.

#### *Financial assets*

The company removes a financial asset from the balance sheet when the agreed rights to the cash flows from the financial asset ceases or if the company transfers the right to receive the rights to the agreed cash flows by a transaction in which all material risks and rewards connected with the ownership have been transferred.

#### *Financial debts*

The company removes a financial debt from the balance sheet when the agreed obligations have been met, are annulled or cease. The company also removes a financial debt when the agreed terms are modified and the cash-flows of the modified debt is materially different. In this case a new financial liability - at real value - based on the new terms is reported.

When a financial liability is removed the difference between the reported value which has been removed and the payment made (including transferred non-monetary assets and assumed debt) in the profit- and loss statement.

#### *Income tax*

Reported income taxes includes taxes that are to be paid or received relating to the reported period and adjustments regarding earlier periods. Tax-liabilities/receivables are valued at the amounts, that, in the opinion of the company are expected to be paid to or received from the tax office. Please note however the uncertainty described in note 13 and its effect on the reporting below in this paragraph. Taxable income can differ from income before taxes as reported in the profit and loss statement as this income excludes revenues and expenses that are taxable or deductible in other periods and it also excludes revenues and expenses that permanently are non-taxable or non-deductible. The tax liability which is described in in note 13 relate to such tax liabilities which is uncertain if the company finally will have to pay. These liabilities relate both to such tax which - in a situation where the Company finally is considered liable to pay tax on the capital gains described in note 13 - relate to capital gains realised during 2019 and 2022 - and deferred tax liabilities on unrealized capital gains. In accordance with RFR2 no deferred tax liability relating to the company's untaxed reserves is reported.

#### *Share capital*

Reported share capital corresponds to registered nominal value.

#### *Estimation of fair value*

Fair value of the loans granted to the parent company and of the bond loans were calculated based on listed value on the Luxembourg stock exchange according to Bloomberg as at the reporting date.

The fair value for the loan to the other group company PKO Leasing Sverige AB is estimated using yield curve and margin model.

For other financial assets and liabilities it is the opinion of the company that the reported values constitute the best possible estimate of fair value, since these assets and liabilities are short-term and have high liquidity.

#### *Estimations and assumptions*

In preparing the report the company has made estimates and assumptions. Actual results may differ from these estimates. Such an estimation relates to the final outcome in the tax matter which is referred to in note 13.



### Note 3 Other external expenses

	2023	2022
Audit fees PwC	42 092	26 855
Remunerations to directors	21 329	23 308
Administration fees	67 526	73 918
Other external fees	38 901	60 028
Bank fees	1 890	22 701
<i>Total other external expenses</i>	171 737	206 810

The remuneration paid to the Board of Directors amounted to 21 526 (2022) and 23 657 (2021).

As in 2021 there are two males and one female in the Board of Directors.

Other external fees include external legal and advisory fees.

### Note 4 Reconciliation of effective tax

	2023	2023	2022	2022
	(%)		(%)	
Income before tax but after appropriations		-95 323		-3 072 431
Tax according to current tax rate	20,60%	-19 637	20,60%	-632 921
Non-deductible expenses		6 484		17 670
Non-taxable income		0		0
Upward adjustment on dissolution of profit equalisation reserve		529		718
Tax loss carry-forward rolled over from 2021		0		
Flat-rate interest on profit equalisation reserve		1 910		591
Correction tax expense, prior years		-1 014		
Previously deferred tax expense now reclassified to current tax expense		31 555		-31 089 569
Provision for current tax		-40 968		40 993 517
Currency effects		-4 538		125 101
Reported effective tax	26,94%	-25 680	-303,26%	9 415 107

### Note 5 Loans granted to group companies

Issued	To be repaid	2023-12-31	2022-12-31	2023-12-31	2022-12-31
		Currency of denomination		Reporting currency (EUR)	
2012-07-25	2022-07-25	€ 0	€ 0	0	0
2012-09-26	2022-09-26	\$ 0	\$ 0	0	0
2017-12-28	2023-12-25	€ 0	€ 1 420 000	0	1 420 000
Total				0	1 420 000
				Opening balance	1 420 000
				Final payments/amort	-1 420 000
				Currency effects	0
				Closing balance	0

### Note 6 Financial assets and liabilities

#### Information on fair values

	2023-12-31	2023-12-31	2022-12-31	2022-12-31
	Reported value	Fair value	Reported value	Fair value
Loans to parent company incl. accrued interest income	0	0	0	0
Loans to other group companies incl. accrued interest income	0	0	1 420 247	1 424 371
Accrued administrative fee, parent company	-	-	-	0
Cash and cash equivalents	6 263 078	6 263 078	4 953 863	4 953 863
Bond loans incl. accrued interest expenses	0	0	0	0

Book values are reasonable approximations of fair values in the cases where no fair values are reported for financial instruments above since their terms are short.

#### Structure of maturity for financial debts

	Book value	Maturities up to	Maturities between	Maturities over
	2023-12-31	one year	one and five years	five years
Loans to group companies	0	0	-	-
	Book value	Maturities up to	Maturities between	Maturities over
	2022-12-31	one year	one and five years	five years
Loans to group companies	1 420 000	1 420 000	-	-

The amounts relate to contractual non-discounted payments.

For other information concerning risks in financial instruments please refer to the Management report under "Risks and Uncertainties".

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**Note 7 Accrued income, group companies**

	2023-12-31	2022-12-31
Accrued interest income	0	247
Accrued administrative fee income	=	=
Total accrued income, group companies	0	247

**Note 8 Parent company**

The company is a wholly-owned subsidiary of Powszechna Kasa Oszczedności Bank Polski Spółka Akcyjna, Warsaw, Poland with corporate identity number 525-000-77-38.

**Note 9 Related party transactions**

	2023	2022
<i>Cash flow items</i>		
Interest and other payments from parent company	38 612 720	45 947 934
Interest payments from other group companies than the parent company	36 177	27 748
Repayment of loans to the parent company	0	1 066 080 000
Repayment of loans from other group companies than the parent company	1 420 000	816 000
<i>Balance sheet items</i>		
Loans granted to other group companies than the parent company - current assets	0	1 420 000
Receivable parent company - capital cover guarantee	5 830 062	45 885 019
Accrued income, parent company	0	0
Accrued income, other group companies than the parent company	0	247
<i>Profit-and loss items</i>		
Interest income, parent company	168	33 780 985
Interest income, other group companies than parent company	35 930	27 672
Administration and commission revenues	0	80 563

The loan to the group company PKO Leasing Sverige AB were amortized on a monthly basis with variable interest, linked to EURIBOR.

**Note 10 Proposal for appropriation of profits and losses**

The following profit is to be appropriated by the Annual

	2023	2022
General Meeting of Shareholders		
Retained earnings	EUR 7 068 147	19 458 313
The profit of the year	EUR -69 645	-12 390 166
Total profit of the year and retained earnings	EUR 6 998 503	7 068 147

The Board of Directors proposes that the retained earnings are appropriated as follows:

To be distributed as dividend to the shareholder	EUR 0	0
To be carried forward	EUR 6 998 503	7 068 147
	EUR 6 998 503	7 068 147

**Note 11 Pledged assets and contingent liabilities**

	2023-12-31	2022-12-31
<b>Pledged assets</b>		
Loans, group companies	EUR 0	0

## Note 12 Provisions, deferred tax liability, capital injection

In the beginning of 2018 it was discovered that a strict application of current income tax rules for companies with EUR as their reporting currency, possibly could have the effect that the fluctuations of the exchange rates SEK/EUR during the period between the disbursements and repayments of the intergroup loans are differently taxed than if the same loans had been made by a company with SEK as reporting currency. Due to the doubts relating to taxation of foreign exchange differences on loans granted to the Bank and issue commitments in the territory of Sweden, PKO Finance AB, whose reporting currency is the EUR, applied to the Swedish Council for advance ruling for such a ruling. PKO Finance AB lends funds obtained from bonds issued to PKO Bank Polski ("Bank") and at the same time recognizes receivables from the loans and liabilities relating to the issue.

Changes in foreign exchange rates have a symmetrical impact on the valuation of such receivables and liabilities, because foreign exchange differences on the valuation of loans granted are matched with the opposite foreign exchange differences on the valuation of liabilities in respect of the bonds issued. According to the individual ruling obtained by PKO Finance AB from the Swedish Council for Tax Rulings (Skatterättsnämnden) on 14 March 2019, a company for which EUR is the reporting currency should tax the EUR/SEK exchange differences on the loans (SEK/EUR) between the maturity date and repayment date. At the same time it is not possible to recognize a tax cost related to foreign exchange differences on the company's liabilities in respect of the bond issue at the maturity date. If the Council's ruling would gain legal force, it would mean that a different approach is applied

in Sweden to companies reporting in EUR compared with companies reporting in SEK (which can also include foreign exchange differences on liabilities in their tax settlements), and this would increase the economic risk and hamper effective hedging of the currency risk.

In the opinion of the Company, such an approach would be contrary to Article 63 of the Treaty on the Functioning of the European Union (TFEU) related to the need to ensure free flow of capital in the EU or Article 49 and 54 of TFEU related to the freedom of business activities.

On May 4, 2020 the SAC resolved to quash (set aside) the ruling of the Council for Tax Rulings.

During 2020 the STA accepted the company's tax return for 2019. In the end of 2021 however the tax office resolved to make a reassessment of the 2019 tax return, based on - in broad terms - the same arguments that the Council for advance tax rulings used in the quashed advance ruling, referred to above. The company has, as has been reported previously, for prudence reasons made a provision in the accounts for the income tax and interest which follows from the abovementioned re-assessment relating to 2019 and which amounts to EUR 15 668 110.

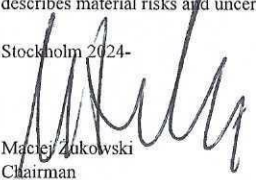
In the beginning of 2022 the company has paid the tax which the above re-assessment shows and appealed the tax office re-assessment resolution to the administrative court. During 2022 the company has repaid the last two bond loans following repayment of the corresponding loans to the parent company. In accordance with the view of the tax office the company has set up provisions for income tax on the capital gains which according to the view of the tax office has materialized during 2022. In February 2023 the tax has been paid. The tax office has accepted the tax return for 2022. If the tax office decides to reassess the 2022 tax return the company will appeal the tax office resolution to the administrative court.

## Note 13 Events subsequent to the end of the financial year

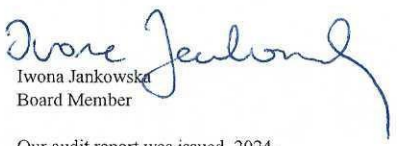
The company's balance sheet and income statement will be presented to the annual general meeting during 2023 for adoption.

The board of directors and the managing director certifies that the annual report has been prepared in accordance with the annual accounts act and RFR 2. The annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the company's income and financial position. The management report for the company provides a fair overview of the development of the business of the company, financial position and income and describes material risks and uncertainties that face the company.

Stockholm 2024-

  
Maciej Zukowski  
Chairman

  
Håkan Ambjörnsson  
Managing Director

  
Iwona Jankowska  
Board Member

Our audit report was issued 2024-  
PricewaterhouseCoopers AB

Susanne Sundvall  
Authorized auditor