Santander

Information on Capital Adequacy of Santander Bank Polska Group as at 30th June 2021

I. Introduction

This document is issued under the Santander Bank Polska Group Disclosure Strategy formulated based on Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019. (CRR) which formed the legal basis of the reporting date i.e. 30 June 2021.

Starting from January 1st, 2014 by the decision of the European Parliament and of the Council the new regulations of the CRD IV/CRR package come into force. The CRD IV/CRR package consist of two parts, the CRD IV Regulation and CRR Directive. Amendments to the above regulations are introduced by the CRD V / CRR II package as well as Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic. The regulations are directly applicable in all EU member states. The Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system transposes CRD IV into the Polish law.

Santander Bank Polska S.A. is the significant subsidiary of Banco Santander S.A. with its seat in Spain, which is the EU parent institution. Santander Bank Polska S.A. discloses information about the capital adequacy on a consolidated basis – at the highest local level of prudential consolidation – i.e. based on the data of Santander Bank Polska Group.

The objective of the report is to present information about the capital adequacy of Santander Bank Polska Group in accordance with the requirements set out in Article 13 of CRR II. Information is published in accordance with the Commission Implementing Regulation (UE) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 and EBA/GL/2020/07 Guidelines from 02 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis.

The data presented in the report were prepared as at 30 June 2021. The information contained herein refers to the foregoing regulations to the extent applicable to the Bank and Santander Bank Polska Group. The figures presented in the Report are expressed in thousand PLN, unless otherwise stated. Any potential differences in the sums and percentages are due to presentation of the amounts with a specific degree of accuracy.

Disclosure of capital adequacy	Guidelines on disclosures	Article of CRR
I. Introduction		
2. Capital Group 3. Outline of differences in consolidation	Scope of application of the regulatory framework	Article 436 point b)
II. Own funds	Own funds	Article 437 point (a)
	Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds	Guidelines EBA/GL/2020/12
	Own funds and eligible liabilities	Article 437a
III. Capital requirements	Capital requirements	Article 438 point d), Article 447
1. Total capital requirements		
2. Credit risk	Credit risk and its mitigation	Article 442 point (c), (e), (f), (g), Article 444 point (e), Article 453 point (f)–(j)
3. Counterparty credit risk	Counterparty credit risk	Article 439 points (e)-(l), Article 444 point (e)
4. Market risk	Market risk	Article 445
IV. Capital buffers	Macroprudential supervisory measures	Article 440
V. Capital adequacy		
1. Capital adequacy management		
2. Regulatory capital adequacy		
3. Internal capital adequacy		
VI. Securitization	Exposure to securitization positions	Article 449 point (j)–(l)
VII. Leverage ratio	Leverage ratio	Article 451(1) points (a) and (b)
VII. Remuneration Policy	Remuneration	Article 450
VIII. Liquidity measures	Liquidity information	Article 448(1) point (a) and (b), Article 451a(2)(3)
X. Impact of Covid-19 on the Bank's position		Guidelines EBA/GL/2020/07
N/A	Specialised lending	Article 438 point (e)
N/A	The IRB approach for credit risk purpose	Article 452 point (g)
N/A	Use of internal market risk measurement models	Article 455 point (d), (e), (g)
N/A	The variations in the risk-weighted exposure amounts hat result from the use of internal models.	Article 438 Point (h)

1. Capital Group

Santander Bank Polska S.A. forms a Group with following subsidiaries which are consolidated in accordance with IFRS 10 and associates which are accounted for using the equity method.

EU LI3 – OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY) AS AT 30.06.2021

Name of the entity	Accounting consolidation method	Regulatory consolidation method					Business profile
		Full consolidation	Equity method consolidation	Proportional consolidation	Neither consolidated nor deducted from common equity	Deducted	
Santander Factoring Sp. z o.o.	Full consolidation	X					Factoring services
Santander F24 S.A.	Full consolidation	X					Lending services
Santander Leasing S.A.	Full consolidation	X					Lease services
Santander Finanse Sp. z o.o.	Full consolidation	X					Financial, lease and insurance intermediary services
Santander Inwestycje Sp. z o.o.	Full consolidation	X					Purchase and sale of shares in commercial companies and other securities; prospecting activities
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	Full consolidation	X					Management of open-end investment funds, specialised open-end investment funds and portfolios comprising one or more financial instruments
Santander Leasing Poland Securitization 01	Full consolidation	X					SPV set up for the purpose of securitisation
Santander Consumer Bank S.A.	Full consolidation	X					Banking services
Santander Consumer Multirent Sp. z o.o.	Full consolidation	X					Lease and factoring services
Santander Consumer Finanse Sp. z o.o. [1)]	Full consolidation	X					Investing cash surpluses and financial intermediary services
SC Poland Consumer 16-1 Sp. z o.o.	Full consolidation	X					SPV set up for the purpose of securitisation
SCM Poland Auto 2019-1 DAC	Full consolidation	X					SPV set up for the purpose of securitisation
Santander Consumer Financial Solutions Sp. z o.o.	Full consolidation	X					Lease services
PSA Consumer Finance Polska Sp. z o.o.	Full consolidation	X					Financial services supporting the sale of Peugeot and Citroën vehicles (consumer loans)
PSA Finance Polska Sp. z o.o.	Full consolidation	X					Financial services supporting the sale of Peugeot and Citroën vehicles (lease, factoring)
Santander - AVIVA Towarzystwo Ubezpieczeń S.A.	Equity method		X				Insurance services (personal and property insurance)
Santander - AVIVA Towarzystwo Ubezpieczeń na Życie S.A.	Equity method		X				Insurance services (life insurance)
Polfund - Fundusz Poręczeń Kredytowych S.A.	Equity method		X				Issuing loan guarantees, investing and managing entrusted funds

1) The General Meeting held on 23 December 2020 adopted a resolution to dissolve Santander Consumer Finanse Sp. z o.o. and start the liquidation process.

Compared to 31 December 2020, the list of members of Santander Bank Polska Group was reduced by one company: SC Poland Consumer 15-1 Sp. z o.o. Santander Consumer Bank S.A. ceased to control the entity after the latter had ended and settled its securitisation transaction on 17 June 2021.

Compared with 31 December 2020, the list of associates did not change.

II. Own funds

The level of own funds of the Santander Bank Polska Group is adjusted to the Group's business.

Own funds are calculated in accordance with the Banking Law and the rules set out in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019.

According to CRR, own funds of the Group are a sum of:

- Tier I capital,
- Tier II capital.

Tier I capital consists of:

- Common Equity Tier I capital, which is a sum of items of Common Equity Tier I capital items after adjustments, deductions and inclusions
- Additional Tier I capital

Tier II capital includes items of Tier II capital after deductions.

Common Equity Tier I consists of:

1. Share capital, fully paid and registered at its nominal value
2. Emission premium
3. Supplementary capital
4. Profit or loss eligible– pursuant to Art. 26 of CRR, the non-audited profit for the current period or the annual profit may be included in Common Equity Tier I capital, as long as the Bank is granted approval from a relevant authority (KNF in this case). Relevant authority shall issue the approval on conditions that:
    a. Profits have been verified by institution-independent persons responsible for analysing financial statements of the institution
    b. The institution has satisfactorily proved that the profit amount has been reduced by all forseeable encumbrances and dividends
5. Accumulated other comprehensive income
6. Other reserves
7. Funds for general banking risk
8. Minority interest recognised in Common Equity Tier I capital – calculated in line with the standards indicated in Art. 84 of CRR
9. Adjustment and deductions from Common Equity Tier I items:
    a. Additional value adjustments due to the requirements of prudent valuation – acc. to Article 34 and 105 of CRR
    b. Goodwill arising on acquisition
    c. Other intangible assets
    d. Surplus of deferred tax assets or liabilities exceeding 10% of Tier I - according to EBA’s interpretation re. inclusion of assets and reserves under deferred tax, in line with the answer Q&A 2014_980, the Bank nets deferred tax assets and deferred tax liabilities in order to determine the treshold value necessary to calculate the deductible amount
    e. Surplus of material exposure in financial sector institutions exceeding 10% of Tier I

f. Portion of deferred income tax assets depending on future profitability and arising from temporary differences, as well as direct and indirect holdings in Common Equity Tier I instruments, where the institution has invested a considerable amount of funds, which shall be deducted
g. Defined benefit pension fund assets
h. Cash flow hedge reserve
i. Adjustments re IFRS 9 phase in – acc. to Article 473a
j. Securitisation positions which can alternatively be subject to a 1 250% risk weight
k. Shortage of coverage due to non-performing exposures acc. to Article 47 of CRR.

Tier II capital includes eligible subordinated loans of the bank and instruments issued by subsidiaries that are given recognition in Tier II Capital.

Reconciliation between balance sheet items used to calculate own funds and regulatory own funds, according to methodology described in Annex to the Commission Implementing Regulation (UE) 2021/637, is presented in the table below.

EU CC2 - RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE FINANCIAL STATEMENTS (PLN K)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements			
1 Intangible fixed assets	658 384	354 606	III. Condensed consolidated statement of financial position (Assets)
2 Goodwill	1 712 056	1 712 056	
3 Deferred tax assets (net)	1 922 827	1 977 369	
- including assets that do not exceed the threshold set in Article 48(1)(a)	1 922 827	1 977 369	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements			
1 Subordinated obligations	2 720 923	-	III. Condensed consolidated statement of financial position (Liabilities and Equity) - Note 26
- including loans eligible as instruments under Tier II	2 614 378	2 532 924	
Shareholders' Equity			
1 Share capital	1 021 893	1 021 893	III. Condensed consolidated statement of financial position (Liabilities and Equity)
2 Other capital items	22 399 073	21 907 204	
3 Revaluation reserve	1 754 592	1 754 592	
4 Non-controlling interests	1 648 147	680 662	
5 Retained earnings	1 734 392	1 710 713	
6 Current year profit	374 297	-	
Total Equity	28 932 394	27 075 064	

As at 30 June 2021, the total own funds of the Santander Bank Polska Group amounted to PLN **27 787 749k**.

The amounts and nature of their specific items are presented in EU CC1 table. The disclosure uses the template presented in Annex of Commission Implementing Regulation (UE) 2021/637, which states the disclosure requirement of own funds items. The table is limited to lines relevant for Santander Bank Polska Group.

EU CC1 - COMPOSITION OF REGULATORY OWN FUNDS (PLN K)

		Amounts
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	9 003 867
	of which: Instrument type 1	9 003 867
2	Retained earnings	1 710 713
3	Accumulated other comprehensive income (and other reserves)	15 030 012
EU-3a	Funds for general banking risk	649 810
5	Minority interests (amount allowed in consolidated CET1)	680 662
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**27 075 064**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-126 737
8	Intangible assets (net of related tax liability) (negative amount)	-2 066 662
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-26 170
15	Defined-benefit pension fund assets (negative amount)	-7 848
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-18 206
EU-20c	of which: securitisation positions (negative amount)	-18 206
27a	Other regulatory adjustments	298 324
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-1 947 298**
29	**Common Equity Tier 1 (CET1) capital**	**25 127 766**
Additional Tier 1 (AT1) capital: instruments		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**
Additional Tier 1 (AT1) capital: regulatory adjustments		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**
44	**Additional Tier 1 (AT1) capital**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**25 127 766**
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	2 532 924
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	127 059
51	**Tier 2 (T2) capital before regulatory adjustments**	**2 659 983**
Tier 2 (T2) capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**
58	**Tier 2 (T2) capital**	**2 659 983**
59	**Total capital (TC = T1 + T2)**	**27 787 749**
60	**Total Risk exposure amount**	**131 302 855**
Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	19,14%
62	Tier 1 capital	19,14%
63	Total capital	21,16%
64	Institution CET1 overall capital requirements	3,26%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical capital buffer requirement	0,01%
67	of which: systemic risk buffer requirement	0,00%
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,75%
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**14,64%**
Amounts below the thresholds for deduction (before risk weighting)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	1 039 084
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	1 977 369

1. Tier I

Common Equity Tier I

Share capital in accordance with the Bank's Statutes and the entry to the Court Register as at 30 June 2021 amounted to PLN **1 021 893k.**

Detailed information about prices of the above instruments, including Tier 1 capital, are presented in Table 3.

Supplementary capital is created from profit allocations and from share premium. By the Bank's Statutes, the supplementary capital is created from net profit allocations. Its purpose is to cover any balance sheet losses. The value of the allocations is determined by the General Meeting of Shareholders. As at 30 June 2021, the supplementary capital in own funds was PLN **9 138 606k**. incl. share premium of PLN **7 981 974k.**

Other reserves are created from net profit allocations in an amount approved by the General Meeting of Shareholders. Other reserve are used to cover balance sheet losses if they are greater than the supplementary capital. The decision to resort to the reserve capital is taken by the General Meeting of Shareholders. As at 30 June 2021, after including prudential consolidation adjustments, the other reserves in own funds was PLN **12 118 788k**.

Funds for general banking risk are used to cover costs and losses connected with unidentified banking risks that were not separately provided for. As at 30 June 2021, the general risk fund earmarked for unidentified risks of the banking business was PLN **649 810k**.

Net profit of Santander Bank Polska Group from 1 January 2021 to 30 June 2021 totaled PLN **438 381k**, including PLN 64 083k of profit attributable to shareholders who do not exercise control. As at 30 June 2021 Santander Bank Polska Group not included the current year profit in own funds.

As at 30 June 2021 in Own Funds of Santander Bank Polska Group the **retained earnings** are included in the amount of PLN **1 710 713k**, of which undistributed Bank's net profit from previous years amounted PLN 542 513k for 2018 and PLN 1 056 762k for 2019.

In March 2021, the General Meeting of Santander Bank Polska S.A. Shareholders agreed on the distribution of the net profit of **PLN 738 412k** for the accounting year from 1 January 2020 to 31 December 2020 as follows:

- PLN 369 206k was allocated to capital reserves;
- PLN 369 206k was allocated to capital reserves – dividend fund.

Due to the Covid-19 pandemic, the Polish Financial Supervision Authority ("KNF"), similarly to other EU supervisory authorities, took measures to enhance resilience of the financial sector entities by imposing restrictions on profit distribution. In the letter of 26 March 2020, Polish banks were informed that they were expected to retain the entire profit earned in the previous years.

On July 20, 2021, Bank received an individual recommendation of the Polish Financial Supervision Authority regarding the Bank's dividend policy in the second half of 202. In accordance with the PFSA Recommendation, the Bank, as at 31 March 2021 (Bank's quarterly data on own funds) and as at 31 May 2021 (the Bank's monthly data on the receivables portfolio), in terms of the basic criteria of the dividend policy, met the requirements qualifying for the payment of up to 100% of the dividend from the Bank's profit generated in the period from 1 January 2020 to 31 December 2020. After applying additional criteria specified by the Polish Financial Supervision Authority in the dividend policy for the portfolio of foreign currency housing loans for households held by the Bank, the dividend rate at the individual and consolidated level was adjusted by a total of 70 p.p. Consequently, the maximum dividend yield after applying additional criteria may amount up to 30% of the profit generated in 2020.

In addition, the Polish Financial Supervision Authority recommended the Bank not to take other actions, in particular those outside the scope of current business and operating activities, which could result in a reduction of the capital base, including possible dividend payments from undistributed profit from previous years (i.e. from 2019 and previous years) and share buybacks.

Minority interests

As at 30 June 2021, the minority interests recognised in the consolidated Tier 1 capital totalled PLN **680 662k** and were attributed of SCB Group.

Minority interest are no longer included in own funds based on the balance sheet value, but are calculated according to article 84 of CRR.

Adjustment and deductions from Common Equity Tier I

Santander Bank Polska Group has calculated the additional value adjustments due to the requirements for prudent valuation according to articles 34 and 105 of CRR. It amounted to PLN **(126 737)k**.

As at 30 June 2021, the adjustment of the Common Equity Tier 1 capital due to goodwill amounted to PLN **(1 712 056)k**, including:

- PLN 1 688 516k – goodwill arising from the merger of Santander Bank Polska S.A. and Kredyt Bank on 4 January 2013. The goodwill recognised as at the date of the merger between Santander Bank Polska S.A. and Kredyt Bank represents a control premium and arises from the possibility to generate additional benefits from the expected synergies, increase in revenues and market share, combination of staff competencies and an increase in the effectiveness of processes, in relation to the fair value of the acquired net assets.
- PLN 23 540k – goodwill arising from the acquisition by Santander Consumer Bank S.A. of shares in PSA Finance Polska sp. o.o. Santander Consumer Bank S.A. holds 50% of shares in PSA Finance Polska sp. o.o., in turn, Santander Bank Polska S.A. holds a 60% of shares in Santander Consumer Bank S.A.

As at 30 June 2021, deduction from Common Equity Tier I regarding other intangible assets amounted to PLN **(354 606)k**. The value of the shortage in coverage due to non-performing exposures amounted to PLN **(1 215)k**.

2. Tier II

Subordinated liabilities

Own funds of Santander Bank Polska Group:

- include funds raised through the issuance of variable-rate registered bonds which were taken up and paid up by the European Bank for Reconstruction and Development. In 2016, the bank amended the agreement under which subordinated registered bonds had been issued on 5 August 2010. The amendments included a maturity extension to 5 August 2025, among other things. Pursuant to the KNF decision of 18 May 2016 (letter No. DBK/DBK 2/7100/2/7/2016), the foregoing subordinated bonds of EUR 100m were allocated to Tier 2 capital.
- pursuant to the KNF decision of 24 February 2017 (letter No. DBK/DBK 2/7100/6/7/2016/2017), the subordinated bonds of EUR 120m issued by Santander Bank Polska S.A. on 2 December 2016, maturing on 3 December 2026 and taken up by investors, were allocated to Tier 2 capital.
- pursuant to the KNF decision of 19 October 2017 (letter No. DBK/DBK 2/7100/1/14/2017), the subordinated bonds of EUR 137.1m issued by Santander Bank Polska S.A. on 22 May 2017, maturing on 22 May 2027 and taken up by an investor, were allocated to Tier 2 capital.
- pursuant to the Decision of KNF of 6 June 2018 (document DBK-DBK2.7100.3.2018.) subordinated loan PLN 1b with maturity of 5 April 2028 were allocated to Tier II capital.

Hence, as at 30 June 2021, own funds include subordinated liabilities of PLN **2 532 924k**.

Instruments issued by subsidiaries that recognised in Tier II capital

Following the acquisition of control over Santander Consumer Bank in 2014, its qualifying own funds of PLN **127 059k**, calculated in accordance with Art. 88 of CRR as own funds of a subsidiary, represent another item of Tier II capital of Santander Bank Polska Group.

More details about the subordinated liabilities are presented in Note 26 to the Interim Report 2021 of the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2021.

3. Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds

On 12 December 2017, the European Parliament and the Council adopted Regulation No 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State. This Regulation entered into force on the next day following its publication in the Official Journal of the European Union and has been applicable since 1 January 2018. The European Parliament and the Council concluded that the application of IFRS 9 may lead to a sudden significant increase in expected credit loss provisions and consequently to a sudden decrease in institutions' Common Equity Tier 1 capital.

The regulation regarding the mitigation of impact of IFRS 9 on Tier 1 capital provides for the following:

- Where an institution's opening balance sheet on the day that it first applies IFRS 9 reflects a decrease in Common Equity Tier 1 capital as a result of increased expected credit loss provisions, including the loss allowance for lifetime expected credit losses for financial assets that are credit-impaired, compared to the closing balance sheet on the previous day, Santander Bank Polska Group should be allowed to include in its Common Equity Tier 1 capital a portion of the increased expected credit loss provisions for a transitional period. That transitional period should have a maximum duration of 5 years and should start in 2018. The portion of expected credit loss provisions that can be included in Common Equity Tier 1 capital should decrease over time down to zero to ensure the full implementation of IFRS 9 on the day immediately after the end of the transitional period.
- The multipliers (f1) that can be applied in consecutive years of the transitional period are as follows: 95%, 85%, 70%, 50%, 25%.
- If Santander Bank Polska Group decides to apply the IFRS 9 transitional arrangements, it should publicly disclose its own funds, capital ratios and leverage ratio both with and without the application of those arrangements in order to enable the recipients of financial statements to determine the impact of those arrangements.
- Institution should decide whether to apply those transitional arrangements and inform the Regulatory Supervision accordingly.
- During the transitional period, Institution may reverse once its initial decision, subject to the prior permission of the Polish Financial Supervision Authority, which should ensure that such decision is not motivated by considerations of regulatory arbitrage.
- Institutions that decide to apply transitional arrangements should be required to adjust the calculation of regulatory items which are directly affected by expected credit loss provisions to ensure that they do not receive inappropriate capital relief.

Having analysed Regulation No. 2017/2395, the bank as the parent company has decided to apply the transitional arrangements provided for therein, which means that the full impact of the introduction of IFRS 9 will not be taken into account for the purpose of capital adequacy assessment of Santander Bank Polska Group.

Bank fulfilled its obligations imposed by the CRR by informing the Polish Financial Supervision Authority about its intention to apply transitional provisions (letter ref. GZP/06/01/2018 of 31 January 2018).

As at 30th June 2021, the Group applied the updated rules for transitional arrangements related to IFRS 9. In accordance with the Regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020 the formula on the basis of which the amount included in own funds is determined has been modified in such a way that the dynamic factor is calculated in relation to the status as of 01/01/2020 instead of 01/01/2018 and the transitional period for the dynamic factor is extended until 31 December 2024. Starting from 2020, the multipliers (f2) for the dynamic factor that can be applied in the subsequent years of the transition period are: 100%, 100%, 75%, 50%, 25%, respectively. In addition, a factor was added to the formula, calculated as the change in provisions for expected credit losses between 01/01/2020 and 01/01/2018.

Based on the changes resulting from the above-mentioned Regulation and Art. 473a (7a) from June 2020 The Group uses a derogation in the form of assigning a risk weight equal to 100% to the adjustment value included in own funds.

Below, Santander Bank Polska Group has disclosed own funds, capital ratios, as well as the leverage ratio, both including and excluding application of transitional solutions stemming from Article 473a of Regulation (EU) No 575/2013:

COMPARISON OF INSTITUTIONS' OWN FUNDS AND CAPITAL AND LEVERAGE RATIOS WITH AND WITHOUT THE APPLICATION OF TRANSITIONAL ARRANGEMENTS FOR IFRS 9 (PLN K)

	Available capital (amounts)	**30.06.2021**	**31.03.2021**	**31.12.2020***	**30.09.2020***	**30.06.2020***
1	Common Equity Tier 1 (CET1) capital	25 127 766	25 411 155	24 862 392	23 812 776	23 753 537
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 839 896	25 123 285	24 518 170	23 615 532	23 556 293
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	25 127 766	25 411 155	24 862 392	23 812 776	-
3	Tier 1 capital	25 127 766	25 411 155	24 862 392	23 812 776	23 753 537
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 839 896	25 123 285	24 518 170	23 615 532	23 556 293
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	25 127 766	25 411 155	24 862 392	23 812 776	-
5	Total capital	27 787 749	28 143 290	27 610 413	26 552 685	26 486 532
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	27 499 612	27 855 152	27 265 816	26 355 066	26 288 912
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	27 787 749	28 143 290	27 610 413	26 552 685	-
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	131 302 855	134 692 447	135 242 155	140 950 963	140 194 561
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	131 178 972	134 568 563	135 055 858	140 862 634	140 106 233
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	19,14%	18,87%	18,38%	16,89%	16,94%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,94%	18,67%	18,15%	16,76%	16,81%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19,14%	18,87%	18,38%	16,89%	0,00%
11	Tier 1 (as a percentage of risk exposure amount)	19,14%	18,87%	18,38%	16,89%	16,94%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,94%	18,67%	18,15%	16,76%	16,81%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19,14%	18,87%	18,38%	16,89%	0,00%
13	Total capital (as a percentage of risk exposure amount)	21,16%	20,89%	20,42%	18,84%	18,89%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,96%	20,70%	20,19%	18,71%	18,76%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	21,16%	20,89%	20,42%	18,84%	0,00%
	Leverage ratio					
15	Leverage ratio total exposure measure	239 903 946	245 850 785	235 734 749	231 543 185	228 891 346
16	Leverage ratio	10,47%	10,34%	10,55%	10,28%	10,38%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,36%	10,23%	10,41%	10,21%	10,30%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	10,47%	10,34%	10,55%	10,28%	0,00%

*including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

4. Own funds and eligible liabilities

This report has been drawn up to fulfill the obligations arising from the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 amended by Regulation (EU) No 2019/876 of the European Parliament and of the

Council of 20 May 2019. Being a subsidiary and a member of international Santander Group with Banco Santander as the parent undertaking, Santander Bank Polska S.A. belongs to a group considered to be a global systemically important institution.

Santander Bank Polska S.A. as subsidiary of Santander Group, a global systemically important institution, is required to comply with Article 92a of the CRR with respect to the obligation to satisfy the requirements for own funds and bailed-in liabilities laid down in the CRR, taking into account the transitional period under Article 494 of the CRR.

According to Article 92a of the CRR, whereby institutions need to satisfy the requirements for own funds and eligible liabilities in transitional period, i.e. until 31 December 2021 are calculated as 16% of the total risk exposure amount ("TREA") and 6% of the leverage ratio exposure measure ("LREM"). From 1 January 2022 the requirements will rise to 18% of the total risk exposure amount and 6.75% of the leverage ratio exposure measure.

In accordance with Article 128 of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("CRD V"), institutions should not use Common Equity Tier 1 capital that is maintained to meet the combined buffer requirement to meet the riskbased components of the requirements set out in Articles 92a of the CRR. Based on these provisions, the required minimum TLAC (Total Loss-absorbing Capacity "TLAC") is increased by the value of capital buffers that the Bank is required to maintain.

The above-mentioned provisions of CRD V were implemented into the Polish legal system by means of an amendment to the Banking Law Act (the Act of 25 February 2021 amending the Polish Banking Law Act and certain other acts, published in the Official Journal on 13 April 2021). It means that the minimum regulatory TLAC level has increased to 19.25%.

For Santander Bank Polska Group the TLAC ratio calculated as the value of own funds and eligible liabilities related to TREA as at 30 June 2021 is 21.58%. The TLAC ratio calculated as the value of own funds and eligible liabilities related to LREM as at 30 June 2021 is 11.81%.

The Bank is also required to meet the minimum requirements for own funds and eligible liabilities ("MREL") based on Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.

In line with current guidelines, the deadline for meeting the first binding mid-term target was set for 1 January 2022; the final target has to be met on 1 January 2024. The bank has not yet received information about the minimum MREL requirement.

EU KM2 – KEY METRICS - MREL AND, WHERE APPLICABLE, G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (PLN K)

		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		a	b	c	d	e	f
		30.06.2021	30.06.2021	31.03.2021	31.12.2020*	30.09.2020*	30.06.2020*
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	28 339 137	28 339 137	28 705 770	28 145 005	26 620 131	28 773 094
EU-1a	Of which own funds and subordinated liabilities	27 869 203					
2	Total risk exposure amount of the resolution group (TREA)	131 302 855	131 302 855	134 692 447	135 242 155	140 950 963	140 194 561
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	21,58%	21,58%	21,31%	20,81%	18,89%	20,52%
EU-3a	Of which own funds and subordinated liabilities	21,23%					
4	Total exposure measure of the resolution group	239 903 946	239 903 946	245 850 785	235 734 749	231 543 185	228 891 346
5	Own funds and eligible liabilities as percentage of the total exposure measure	11,81%	11,81%	11,68%	11,94%	11,50%	12,57%
EU-5a	Of which own funds or subordinated liabilities	11,62%					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		no	no	no	no	no
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		469 934	501 738	497 188	53 563	2 286 563
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		n/a	n/a	n/a	n/a	n/a
Minimum requirement for own funds and eligible liabilities (MREL)							
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	-					
EU-8	Of which to be met with own funds or subordinated liabilities	-					
EU-9	MREL requirement expressed as percentage of the total exposure measure	-					
EU-10	Of which to be met with own funds or subordinated liabilities	-					

*including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

EU TLAC1 - COMPOSITION - MREL AND, WHERE APPLICABLE, G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES SANTANDER BANK POLSKA GROUP (PLN K)

		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII requirement for own funds and eligible liabilities (TLAC)	Memo item: Amounts eligible for the purposes of MREL, but not TLAC
Own funds and eligible liabilities and adjustments				
1	Common Equity Tier 1 capital (CET1)	25 127 766	25 127 766	-
2	Additional Tier 1 capital (AT1)	-	-	-
6	Tier 2 capital (T2)	2 659 983	2 659 983	-
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	27 787 749	27 787 749	-
Own funds and eligible liabilities: Non-regulatory capital elements				
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	-	-	-
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-	-	-
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	-	-	-
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	81 454	81 454	-
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	469 934	469 934	-
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	-	-	-
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	-	-	-
17	Eligible liabilities items before adjustments	551 388	551 388	-
EU-17a	Of which subordinated	81 454	81 454	-
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements				
18	Own funds and eligible liabilities items before adjustments	28 339 137	28 339 137	-
19	(Deduction of exposures between MPE resolution groups)			
20	(Deduction of investments in other eligible liabilities instruments)			
22	Own funds and eligible liabilities after adjustments	28 339 137	28 339 137	-
EU-22a	Of which own funds and subordinated	27 869 203		
Risk-weighted exposure amount and leverage exposure measure of the resolution group				
23	Total risk exposure amount	131 302 855	131 302 855	-
24	Total exposure measure	239 903 946	239 903 946	-
Ratio of own funds and eligible liabilities				
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	21,58%	21,58%	-
EU-25a	Of which own funds and subordinated	21,23%		
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	11,81%	11,81%	-
EU-26a	Of which own funds and subordinated	11,62%		
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	19,14%	19,14%	
28	Institution-specific combined buffer requirement		3,25%	
29	of which: capital conservation buffer requirement		2,50%	
30	of which: countercyclical buffer requirement		0,00%	
31	of which: systemic risk buffer requirement		0,00%	
EU-31a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		0,75%	
Memorandum items				
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) CRR		102 543 743	

Table EU TLAC3A can be found in Annex „Pillar III 2021 06 Tables", which is available on the Santander Bank Polska website.

III. Capital requirements

1. Total capital requirements

The capital requirements of Santander Bank Polska Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR") as amended, inter alia, by CRR II, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, which was the official legal basis as at 30 June 2021.

In 2021, Santander Bank Polska applied the standardised approach to the calculation of capital requirement for credit, market and operational risk. Under this approach the total capital requirement for credit risk is calculated as a sum of risk-weighted assets multiplied by 8%. To calculate risk-weighted exposures, risk weights are allocated to all exposures in accordance with the CRR. The Group measures its balance sheet assets and liabilities in accordance with International Accounting Standards and International Financial Reporting Standards.

The Bank calculates and monitors capital requirements for all key risks, including:

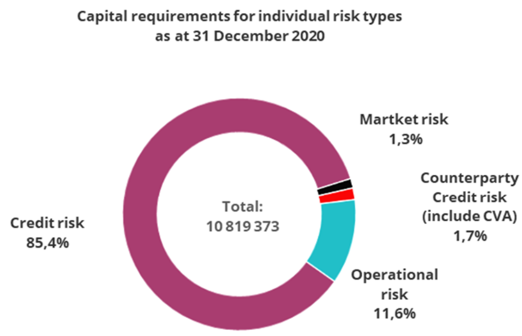
- capital requirement for credit risk
- capital requirement for market risk, including:
  - ✓ capital requirement for positions risk, including:
    - specific and general risk of debt instruments
    - specific and general risk of equity instruments
  - ✓ capital requirement for FX risk
- capital requirement for the settlement, supplier and counterparty risk
- capital requirement for credit valuation adjustments
- capital requirement for the excess of large exposures limit
- capital requirement for the excess of capital concentration limit
- capital requirement for operational risk.

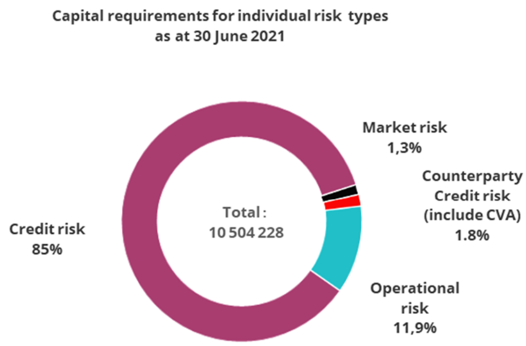
Santander Bank Polska Group calculates capital requirement separately for the exposures classified into the banking and trading book.

As at 31 June 2021, the total capital requirements of Santander Bank Polska Group calculated in line with the CRR was PLN **10 504 228k**, including:

- for credit risk **PLN 8 926 400k**
- for market risk **PLN 134 570k**
- for counterparty credit risk (including CVA risk) **PLN 193 088k**
- for operational risk **PLN 1 250 170k.**

PERCENTAGE STRUCTURE OF THE CAPITAL REQUIREMENTS FOR 12/2020 VS 06/2021





Below the most important metrics in accordance with Article 447 CRR.

EU KM1 - KEY METRICS (PLN K)

		30.06.2021	31.03.2021	31.12.2020*	30.09.2020*	30.06.2020*
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	25 127 766	25 411 155	24 862 392	23 812 776	23 753 537
2	Tier 1 capital	25 127 766	25 411 155	24 862 392	23 812 776	23 753 537
3	Total capital	27 787 749	28 143 290	27 610 413	26 552 685	26 486 532
Risk-weighted exposure amounts						
4	Total risk exposure amount	131 302 855	134 692 447	135 242 155	140 950 963	140 194 561
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	19,14%	18,87%	18,38%	16,89%	16,94%
6	Tier 1 ratio (%)	19,14%	18,87%	18,38%	16,89%	16,94%
7	Total capital ratio (%)	21,16%	20,89%	20,42%	18,84%	18,89%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,02%	0,02%	0,02%	0,02%	0,02%
EU 7b	of which: to be made up of CET1 capital (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 7c	of which: to be made up of Tier 1 capital (%)	0,00%	0,00%	0,00%	0,01%	0,01%
EU 7d	Total SREP own funds requirements (%)	8,03%	8,03%	8,03%	8,04%	8,04%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,00%	0,00%	0,00%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer (%)	0,75%	0,75%	0,75%	0,75%	0,75%
11	Combined buffer requirement (%)	3,26%	3,26%	3,25%	3,25%	3,25%
EU 11a	Overall capital requirements (%)	11,29%	11,29%	11,29%	11,29%	11,29%
12	CET1 available after meeting the total SREP own funds requirements (%)	14 919 021	14 939 167	14 351 052	12 857 216	12 855 974
Leverage ratio						
13	Total exposure measure	239 903 946	245 850 785	235 734 749	231 543 185	228 891 346
14	Leverage ratio (%)	10,47%	10,34%	10,55%	10,28%	10,38%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	-	-	-	-	-
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3,00%	na	na	na	na
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	66 061 005	61 851 300	55 119 687	49 232 052	43 242 878
EU 16a	Cash outflows - Total weighted value	38 428 389	37 430 609	35 740 205	33 903 213	32 168 496
EU 16b	Cash inflows - Total weighted value	6 760 679	7 013 594	6 686 688	7 021 382	7 235 722
16	Total net cash outflows (adjusted value)	31 667 711	30 407 306	29 053 517	26 881 831	24 932 775
17	Liquidity coverage ratio (%)	208,61%	203,41%	188,64%	181,92%	172,77%
Net Stable Funding Ratio						
18	Total available stable funding	175 235 797	-	-	-	-
19	Total required stable funding	115 161 547	-	-	-	-
20	NSFR ratio (%)	152,17%	-	-	-	-

*including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

EU OV1 – OVERVIEW OF RWA (PLN K)

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.06.2021	31.03.2021	30.06.2021
1	**Credit risk (excluding CCR)**	**111 580 003**	**114 632 679**	**8 926 400**
2	Of which the standardised approach	111 580 003	114 632 679	8 926 400
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**2 413 595**	**2 372 129**	**193 088**
7	Of which the standardised approach	1 953 787	1 742 282	156 303
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	34 771	34 569	2 782
EU 8b	Of which credit valuation adjustment - CVA	319 448	439 137	25 556
9	Of which other CCR	105 590	156 141	8 447
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**-**	**-**	**-**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction *	227 574	307 421	18 206
20	**Position, foreign exchange and commodities risks (Market risk)**	**1 682 128**	**2 060 510**	**134 570**
21	Of which the standardised approach	1 682 128	2 060 510	134 570
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**15 627 129**	**15 627 129**	**1 250 170**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	15 627 129	15 627 129	1 250 170
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	7 541 133	7 549 270	603 291
29	**Total (1+6+15+16+20+EU22a+23)**	**131 302 855**	**134 692 447**	**10 504 228**

* In row EU 19a institution disclose the own funds requirement for securitisation exposures on the non-trading book deducted from own funds in accordance with Chapter 5 of Title II of Part Three CRR. This own funds requirement is deducted from own funds and does not generate risk-weighted assets (RWAs) with risk-weigh at 1 250 %.

The biggest item is the total capital requirement of Santander Bank Polska Group is the capital requirement for credit risk (excluding counterparty credit risk), which on 30 June 2021 accounted for 84.98% of the total capital requirement. Santander Bank Polska S.A. manages credit risk on a priority basis, using its internal rating systems, credit concentration limits and sectoral exposure limits, seeking to maintain the possible highest quality of the credit portfolio.
The Santander Bank Polska uses contractual netting according to art. 295-298 of CRR.

2. Credit risk

The structure of the exposure

In the capital adequacy assessment process, Santander Bank Polska Group classified each of these exposures in accordance with the standardised approach as provided for in Article 112 CRR.
The tables below present details of exposures in accordance with (UE) 2021/637 Regulation.
The exposure classes for which no items have been identified, have been disregarded.

Pursuant to Article 1 of Commission Delegated Regulation (EU) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments, the Santander Bank Polska Group's capital adequacy account includes adjustments connected with general and specific risk which were applied to Tier 1 capital to reflect losses related to credit risk, in accordance with the applicable accounting standards, and disclosed accordingly in the income statement, regardless of whether they arise from impairment, value adjustment or provisions for off-balance sheet items.

EU CR1 - PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS (PLN K)

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005 Cash balances at central banks and other demand deposits	2 392 921	2 392 921	-	-	-	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	141 797 035	133 107 175	7 822 703	8 233 833	-	7 608 413	-1 258 533	-657 944	-597 957	-5 199 917	-	-4 890 628	-321 453	101 452 581	2 088 890
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	220 627	216 481	4 146	897	-	897	-276	-203	-73	-807	-	-807	-	58 421	89
040 Credit institutions	1 671 619	1 671 619	-	-	-	-	-92	-92	-	-	-	-	-	5 860	-
050 Other financial corporations	1 290 373	1 270 277	13 174	28 411	-	27 865	-7 287	-5 983	-1 304	-19 987	-	-19 756	-	1 001 933	7 408
060 Non-financial corporations	58 746 039	53 807 083	4 930 334	3 909 022	-	3 680 718	-456 597	-187 608	-268 899	-2 406 710	-	-2 353 984	-32 186	45 454 548	1 326 493
070 Of which SMEs	45 853 653	41 670 236	4 176 181	3 771 125	-	3 555 934	-427 306	-171 454	-255 762	-2 325 591	-	-2 273 745	-24 668	37 112 881	1 293 212
080 Households	79 868 377	76 141 714	2 875 050	4 295 502	-	3 898 932	-794 282	-464 058	-327 682	-2 772 413	-	-2 516 080	-289 267	54 931 819	754 899
090 Debt securities	70 416 423	70 291 379	6 718	397 791	-	318 217	-189	-136	-54	-79 684	-	-49 308	-	-	363 830
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	53 975 058	53 968 340	6 718	-	-	-	-68	-14	-54	-	-	-	-	-	-
120 Credit institutions	10 082 665	10 082 665	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	6 251 754	6 133 429	-	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	106 946	106 946	-	397 791	-	318 217	-121	-121	0	-79 684	-	-49 308	-	-	363 830
150 Off-balance-sheet exposures	44 778 577	43 708 831	1 056 129	90 048	-	76 931	37 148	27 023	9 998	16 464	-	15 914		-	1 166
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	495 629	494 129	1 500	-	-	-	93	62	31	-	-	-		-	-
180 Credit institutions	1 960 339	1 960 339	-	-	-	-	220	220	-	-	-	-		-	-
190 Other financial corporations	1 224 666	1 161 985	62 679	7	-	7	2 298	2 025	273	-	-	-		-	-
200 Non-financial corporations	34 566 599	33 753 197	809 010	62 885	-	59 802	22 139	16 627	5 499	16 450	-	15 900		-	1 166
210 Households	6 531 344	6 339 181	182 939	27 156	-	17 122	12 398	8 090	4 195	14	-	14		-	-
220 Total	**259 384 955**	**249 500 306**	**8 885 550**	**8 721 672**	**-**	**8 003 561**	**-1 221 573**	**-631 057**	**-588 012**	**-5 263 137**	**-**	**-4 924 022**	**-321 453**	**101 452 581**	**2 453 885**

As at 31/06/2021, the gross carrying amount of NPLs calculated in accordance with 2021/637 Regulation was 5.49%, it is lower compared to the previous reporting period (as at 31.12.2020 NPL was 5.75%).

EU CQ1 - CREDIT QUALITY OF FORBORNE EXPOSURES (PLN K)

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	2 304 191	2 934 815	2 934 815	2 934 278	-161 025	-1 616 391	2 903 276	1 067 922
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	-	170	170	170	-	-80	89	89
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	2 002	6 185	6 185	6 185	-382	-4 331	3 299	1 679
060 Non-financial corporations	1 680 500	1 681 751	1 681 751	1 681 751	-119 404	-909 325	2 080 790	679 489
070 Households	621 689	1 246 710	1 246 710	1 246 172	-41 239	-702 655	819 097	386 665
080 Debt Securities	-	355 741	355 741	276 166	-	-41 109	314 631	314 631
090 Loan commitments given	36 861	4 843	4 843	4 843	850	886	-	-
100 Total	**2 341 052**	**3 295 399**	**3 295 399**	**3 215 287**	**-160 175**	**-1 656 615**	**3 217 907**	**1 382 553**

EU CQ3 - CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYSW (PLN K)

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005 Cash balances at central banks and other demand deposits	2 392 921	2 392 920	0	-	-	-	-	-	-	-	-	-
010 Loans and advances	141 797 035	141 017 365	779 669	8 233 833	2 422 075	766 377	834 284	1 444 034	2 110 795	367 971	288 296	8 233 833
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	220 627	220 623	4	897	170	-	-	2	725	-	-	897
040 Credit institutions	1 671 619	1 671 619	-	-	-	-	-	-	-	-	-	-
050 Other financial corporations	1 290 373	1 288 988	1 385	28 411	6 897	3 770	2 583	3 812	10 030	863	457	28 411
060 Non-financial corporations	58 746 039	58 537 387	208 652	3 909 022	1 067 193	450 328	305 296	540 422	1 068 143	271 900	205 742	3 909 022
070 Of which SMEs	45 853 653	45 701 738	151 915	3 771 125	1 046 992	445 928	296 046	510 126	1 039 433	236 647	195 953	3 771 125
080 Households	79 868 377	79 298 749	569 628	4 295 502	1 347 816	312 280	526 406	899 799	1 031 897	95 209	82 097	4 295 502
090 Debt securities	70 416 423	70 416 423	-	397 791	355 741	-	-	27 270	-	-	14 780	397 791
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	53 975 058	53 975 058	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	10 082 665	10 082 665	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	6 251 754	6 251 754	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	106 946	106 946	-	397 791	355 741	-	-	27 270	-	-	14 780	397 791
150 Off-balance-sheet exposures	44 778 577			90 048								90 048
160 Central banks	-			-								-
170 General governments	495 629			-								-
180 Credit institutions	1 960 339			-								-
190 Other financial corporations	1 224 666			7								7
200 Non-financial corporations	34 566 599			62 885								62 885
210 Households	6 531 344			27 156								27 156
220 Total	**259 384 955**	**213 826 709**	**779 669**	**8 721 672**	**2 777 816**	**766 377**	**834 284**	**1 471 305**	**2 110 795**	**367 971**	**303 076**	**8 721 672**

Tables EU CR1-A, EU CR2, EU CQ5 can be found in Appendix „Pillar III 2021 06 Tables", which is available on the Santander Bank Polska website.

Santander Bank Polska S.A. does not present the table EU CQ4-Quality of non-performing exposures by geography because exposures in foreign countries do not exceed 10% of total exposures. The Santander Bank Polska S.A. also does not present information on collaterals obtained by taking possession and execution processes (EU CQ7) due to the lack of such collateral.

Credit risk mitigation

The Group uses credit risk mitigation techniques both for funded credit protection and for unfunded credit protection.

In the latter case, borrowers protected by guarantees are allocated a risk grade that corresponds to the risk grade of the guarantor. Most providers of unfunded credit protection are banks, including Bank Gospodarstwa Krajowego (with its “de minimis” guarantee programme, guarantees from the Fundusz Gwarancji Płynnościowych) and the Ministry of Finance as a State unit.
On 10 February 2017, Santander Bank Polska (“the Bank”) signed a guarantee agreement (“Guarantee”) with the European Investment Bank (EIB) providing for unfunded credit protection with respect to the portfolio of selected corporate loans of the bank in accordance with EU Regulation No 575/2013.
As at the date of the agreement, the value of the bank’s loans portfolio secured by the guarantee was PLN 2,499m PLN. The coverage ratio is now 50%, which means that the maximum guarantee amount is PLN 1,249m PLN. The guarantee expires on 15 December 2034. The bank may terminate the guarantee before its expiry.
The guarantee coverage ratio depends on the volume of lending provided by the bank after the date of the guarantee agreement to SMEs which meet the definition set out in Commission Recommendation 2003/361/EC of 6 May 2003 and additional criteria stipulated in the guarantee agreement. As at the date of this report, the weighted average coverage ratio was 20.71%.

As at 30 June 2021, the the parto of Group’s debt instruments portfolio included PLN 8 595 078k worth of bonds of Bank Gospodarstwa Krajowego and PLN 6 133 429k worth of bonds of Polski Fundusz Rozwoju, which were fully guaranteed by the State Treasury. They were allocated a preferential risk weight of 0%.

In the case of funded credit protection, Santander Bank Polska Group recognizes exposures secured by financial collateral.

EU CR3 – CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES (PLN K)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	48 882 499	103 541 470	95 174 893	8 366 578	-
2	Debt securities	70 450 385	363 830	314 631	49 199	
3	**Total**	**119 332 883**	**103 905 300**	**95 489 524**	**8 415 776**	**-**
4	Of which non-performing exposures	6 178 905	2 452 719	2 249 618	203 101	-
EU-5	Of which defaulted	6 178 905	2 452 719			

EU CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS (PLN K)

	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
Exposure classes	a	b	c	d	e	f
1 Central governments or central banks	56 906 464	-	75 639 272	315 068	5 401 274	7,11%
2 Regional government or local authorities	148 690	127 907	148 690	13 867	32 511	20,00%
3 Public sector entities	43 423	99 334	43 094	2 270	22 682	50,00%
4 Multilateral development banks	1 487 586	-	6 864 130	-	-	0,00%
5 International organisations	-	-	-	-	-	
6 Institutions	10 258 956	1 050 717	2 377 292	230 986	1 034 349	39,66%
7 Corporates	24 827 755	23 511 188	16 159 816	1 645 925	16 679 645	93,68%
8 Retail	47 700 305	12 992 960	45 561 218	1 828 354	33 032 805	69,70%
9 Secured by mortgages on immovable property	64 622 336	4 554 702	63 636 135	666 439	43 580 251	67,77%
10 Exposures in default	3 644 212	210 315	3 599 151	5 697	4 075 970	113,07%
11 Exposures associated with particularly high risk	1 463 512	224 550	414 203	2 502	625 058	150,00%
12 Covered bonds	-	-	-	-	-	
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	
14 Collective investment undertakings	-	-	-	-	-	
15 Equity	2 250 529	-	2 250 529	-	3 809 155	169,26%
16 Other items	5 553 890	-	5 553 890	-	3 286 304	59,17%
17 TOTAL	**218 907 658**	**42 771 674**	**222 247 420**	**4 711 108**	**111 580 003**	**49,16%**

Exposures and RWAs for credit risk in accordance with 2021/637 Regulation.

Allocating risk weights to the credit portfolio

The risk weights used in the calculation of capital requirement for credit risk in the standardised approach are based on the provision of Chapter 2, Title II, Part III of the CRR. Risk weights are allocated in line with the category of the exposure and the credit quality of the exposure/entity.

Defaulted exposures have their risk weight allocated in accordance with the rules laid down in Article 127 of the CRR.

Pursuant to Article 125(2) of the CRR, Santander Bank Polska Group additionally assigns a preferential risk weight of 35% to a part of an exposure which is fully and completely secured by a mortgage on a residential property and whose value does not exceed 80% of the market value of the property in question. Pursuant to Article 126 of the CRR and to Regulation of the Minister of Finance, Development Funds and Regional Policy of 8 October 2020 amending the Regulation on a higher risk weight for exposures secured with mortgages on properties, Santander Bank Polska Group identifies exposures effectively secured by mortgage on a commercial property used by the borrower to conduct his own business and not generating income generated by rent or profits from their sale, to which preferential risk weight is applied.

Pursuant to Regulation of the Minister of Economic Development and Finance of 25 May 2017 on a higher risk weight for exposures secured with mortgages on properties, for exposures secured by mortgages on a residential property, where the principal or interest instalment is linked to an exchange rate of a currency or currencies other than the currency of the debtor's revenue, the risk weight is set at 150%.

In each asset class, appropriate risk weight is allocated depending on the available credit rating of external rating institutions or export credit agencies. The Santander Bank Polska Group accepts ratings of the following agencies:

- Fitch Ratings;
- Moody's Investors Service;
- Standard and Poor's Ratings Services.

If two credit ratings are available for an exposure and the ratings are linked to different risk weight of the particular exposure, the Santander Bank Polska Group uses the higher risk weight. If for an exposure three or more credit ratings are available, the Bank uses two ratings with the lowest risk weights and if the two are different, the higher risk weight is applied.

EU CR5 – STANDARDISED APPROACH (PLN K)

		Risk weight														Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	71 685 791	-	-	-	2 324 422	-	-	-	-	-	-	1 977 369	-	-	-	75 987 581	73 663 160
2	Regional government or local authorities	-	-	-	-	162 557	-	0	-	-	-	-	-	-	-	-	162 557	162 557
3	Public sector entities	-	-	-	-	141	-	46 585	-	-	-	-	-	-	-	-	46 726	46 726
4	Multilateral development banks	6 864 130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 864 130	6 864 130
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1 635 950	-	-	1 599 910	-	2 280 321	-	-	1 228	-	-	-	-	-	5 517 409	2 500 237
7	Corporates	-	-	-	-	2 304	-	799 162	-	-	18 572 289	4 521	-	-	-	-	19 378 276	17 962 320
8	Retail exposures	-	-	-	-	-	-	-	-	47 571 293	-	-	-	-	-	-	47 571 293	47 571 293
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	28 077 595	11 645 204	-	-	14 828 222	9 751 552	-	-	-	-	64 302 573	63 521 264
10	Exposures in default	-	-	-	-	-	-	-	-	-	2 662 605	945 158	-	-	-	-	3 607 763	3 607 763
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	416 705	-	-	-	-	416 705	416 705
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	1 211 444	-	1 039 084	-	-	-	2 250 529	2 250 529
16	Other items	2 254 944	-	-	-	15 804	-	-	-	-	3 283 143	-	-	-	-	-	5 553 890	5 553 890
17	**TOTAL**	**80 804 865**	**1 635 950**	**-**	**-**	**4 105 138**	**28 077 595**	**14 771 272**	**-**	**47 571 293**	**40 558 931**	**11 117 936**	**3 016 453**	**-**	**-**	**-**	**231 659 432**	**224 120 573**

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3. Counterparty credit risk

The structure of the exposition

The tables below present detailed information about instruments held in trading and non-trading portfolios in relation to counterparty credit risk (CCR).

Counterparty credit risk is calculated in accordance with the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019.

Santander Bank Polska Group uses the standard approach (SA CCR) to calculate the exposures and risk weighted assets for counterparty credit risk.

EU CCR1 – CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH (PLN K)

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1,4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1,4	-	-	-	-
1	SA-CCR (for derivatives)	743 886	1 269 721		1,4	2 819 049	2 819 049	2 819 049	1 953 787
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					2 321 540	72 093	72 093	20 407
5	VaR for SFTs					-	-	-	-
6	**Total**					**5 140 589**	**2 891 142**	**2 891 142**	**1 974 194**

* The scope of disclosed information compliant with the CRR.

EU CCR3 – STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS (PLN K)

		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	33 241	-	-	-	-	-	-	33 241
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	140	1 221	-	-	-	-	-	1 361
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1 635 950	-	-	700 380	571 709	-	-	1 091	-	-	2 909 130
7	Corporates	-	-	-	-	2 304	110 405	-	-	1 459 827	-	-	1 572 536
8	Retail	-	-	-	-	-	-	-	181 721	-	-	-	181 721
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	2 914	-	2 914
11	**Total exposure value**	**-**	**1 635 950**	**-**	**-**	**736 065**	**683 336**	**-**	**181 721**	**1 460 918**	**2 914**	**-**	**4 700 904**

EU CCR2 – TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK (PLN K)

		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	1 193 022	319 448
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**1 193 022**	**319 448**

EU CCR8 – EXPOSURES TO CCPS (PLN K)

		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**34 771**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1 635 950	32 719
3	(i) OTC derivatives	1 635 950	32 719
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	71 292	2 052
10	Unfunded default fund contributions	-	-

Credit risk mitigation

The Santander Bank Polska Group uses contractual netting according to art. 295-298 of CRR.

EU CCR5 – COMPOSITION OF COLLATERAL FOR CCR EXPOSURES (PLN K)

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	-	50 170	313 489	190 208	-	994 386	-	-
2 Cash – other currencies	-	13 422	135 110	1 165 334	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	1 283 990	-	-
4 Other sovereign debt	-	338 470	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	11 794	-	259 782	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 Total	**-**	**413 856**	**448 599**	**1 615 324**	**-**	**2 278 376**	**-**	**-**

Santander Bank Polska Group does not have credit derivatives.

4. Market risk

The table below presents the elements of own funds requirements for market risk under the standardized approach.

EU MR1 - MARKET RISK UNDER THE STANDARDISED APPROACH (PLN K)

		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	1 635 373
2	Equity risk (general and specific)	46 755
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**1 682 128**

Santander Bank Polska Group presents information on exposures to interest rate risk on positions not held in the trading book with point (a) and (b) of Article 448(1).

Below presented the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU and the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU at 30.06.2021 and for the comparative period for which data are available 31.01.2021.

The tables present data for the Santander Bank Polska Group. In calculating the sensitivities for these scenarios, assumptions made by the EBA are used. The worst case scenario (WCS) is applied to Tier 1 Capital per Group. The regulatory limit is 15% and it only applies to the sensitivity of the MVE.

PLN k

Scenario	31.01.2021	
	MVE sensitivity	NII sensitivity
Parallel up	(12 547)	457 512
Parallel down	(426 982)	(594 337)
Steepener	161 021	
Flattener	(501 956)	
Short rates up	(422 921)	
Short rates down	(41 393)	
Worst case scenario	(501 956)	
Tier 1 - Grupa	24 476 755	
Result	**2,05%**	

At 31.01.2021 for the sensitivity of the MVE, the test result is 2.05%, which means that the regulatory limit (15%) is not exceeded.

The sensitivity of NII, in the case of an increase in interest rates by approx. 200bp, would increase by PLN 457 512k.

In the event of a drop in interest rates by approx. 200bp, net interest income would decrease by PLN 594 337k.

PLN k

Scenario	30.06.2021	
	MVE sensitivity	NII sensitivity
Parallel up	553 858	441 966
Parallel down	(1 302 118)	(638 028)
Steepener	369 583	
Flattener	(757 197)	
Short rates up	(347 386)	
Short rates down	(95 958)	
Worst case scenario	(1 302 118)	
Tier 1 - Grupa	25 127 766	
Result	**5,18%**	

At 30.60.2021 for the sensitivity of the MVE, the test result is 5.18%, which means that the regulatory limit (15%) is not exceeded.

The sensitivity of NII, in the case of an increase in interest rates by approx. 200bp, would increase by PLN 441 966k.

In the event of a drop in interest rates by approx. 200bp, net interest income would decrease by PLN 638 028k.

The increase in the deposit balance had the greatest impact on the change in the negative sensitivity between 31.01.2021 and 30.06.2021.

IV. Capital buffers

The Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system transposed CRD IV into the Polish law with regard to, among other things, additional capital buffers to be maintained by banks.

Moreover, the KNF set the minimum capital ratios for banks. Since 2018, banks should maintain Tier 1 capital ratios at the minimum levels under Pillar 1 as set out in Article 92 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended and under Pillar 2 ("add-on") arising from Article 138(1)(2a) of Banking Law (consolidated text: Journal of Laws of 2017, item 1876) and combined buffer requirement set out in Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management (consolidated text: Journal of Laws of 2017, item 1934).

From 1 January 2019 the conservation buffer is 2.5 p.p.

Based on the assessment of the systemic importance of the bank, the KNF in its decision of 19 December 2017, as presented in letter No DAZ/7105/5/7/2017, identified the bank as other systemically important institution (O-SII) and was imposed on the bank at that time O-SII buffer. On 18 October 2019 Bank received the Polish Financial Supervision Authority's decision (letter no DBK.7111.62.2019 dated 14 October 2019) regarding a change of the other systemically important institution buffer imposed on Bank. Pursuant to the PFSA's decision, the Bank is currently required to maintain the O-SII buffer in the amount equivalent to 0.75% of the total risk exposure amount calculated in accordance with art. 92 par. 3 of the Regulation (EU) No 575/2013.

On 12 November 2019 Bank received the decision of the Polish Financial Supervision Authority (letter no DBK.700.57.2019 dated 5 November 2019) regarding the expiry of a decision issued by Polish Financial Supervision Authority dated of 15 October 2018 (no DBK-DBK2.700.21.2018) in the subject of maintain own funds to cover the additional capital requirement to secure the risk arising from FX mortgage loans for households at over the amount calculated in accordance with the detailed rules set in Regulation. Thus, the Bank is not obliged to keep the additional capital requirement indicated in the expired decision.

Additionally, Bank received letter from the Polish Financial Supervision Authority no BDK-DBK2B.700.7.2020 dated 11 December 2020 concerning imposing on the Bank the amount of an additional capital requirement over the amount calculated in accordance with detailed rules defined in Regulation (EU) No 575/2013 for the Bank' Group. The Polish Financial Supervision Authority imposed the additional capital requirement covering the risk of the foreign currency mortgage loans for households, at Bank's Group level at amount 0.034 p.p., for the amount calculated in accordance with article 92 item 1 letter c of the Regulation (EU) No 575/2013, which should be covered at least in 75% by Tier I funds (equivalent to own funds requirement of 0.026 p.p. over the amount calculated in accordance with article 92 item 1 letter b of the Regulation (EU) No 575/2013) and at least in 56% of the Common Equity Tier I capital (equivalent to own funds requirement of 0.019 p.p. over the amount calculated in accordance with art. 92 clause 1 letter a of the Regulation (EU) No 575/2013).

To mitigate the risk of credit crunch arising from the Covid-19 pandemic, on 18 March 2020 the Minister of Finance, issued a regulation based on the recommendation of the Financial Stability Committee removing banks' obligation to keep the systemic risk buffer of 3%. The released funds may be used by banks to support their lending activity and cover potential losses in the upcoming quarters.

Removing obligation to keep the systemic risk buffer results in the reduction of the total capital ratio from 14.29% to 11.284% for the Group, and from 14.25% to 11.25% for the Bank.

Taking into account the above requirements, the minimum capital ratios as at 30 June 2021 are as follows:

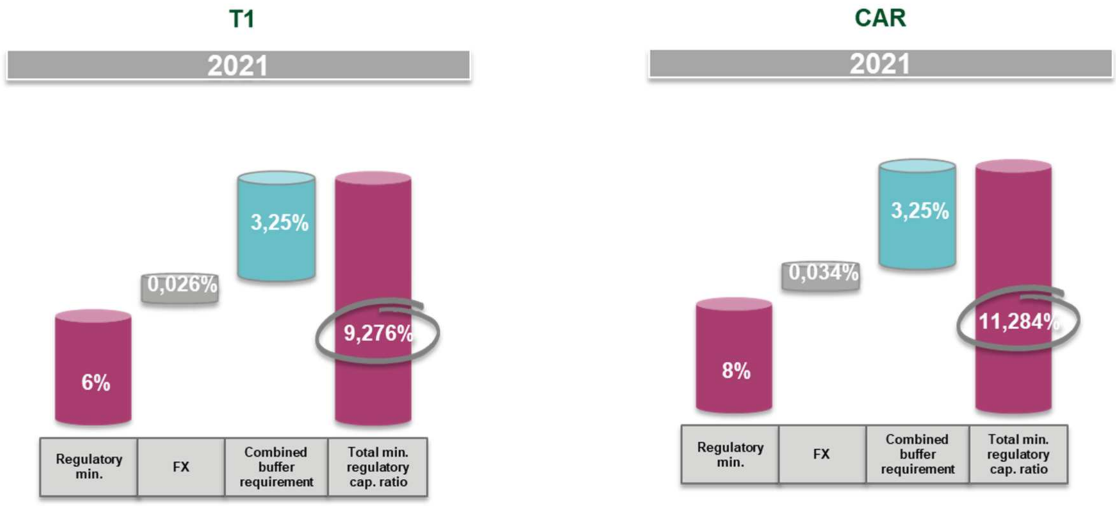
- ✓ Tier 1 capital ratio of 9.25% and 9.276% for the Bank and the Group, respectively;
- ✓ total capital ratio of 11.25% and 11.284% for the Bank and the Group, respectively.

The table below presents unconsolidated and consolidated minimum ratios.

CAPITAL BUFFERS OF BANK AND GROUP FOR 2021

	06.2021			
	BANK		GRUPA	
	CAR	TIER 1	CAR	TIER 1
Base	8%	6%	8%	6%
Systemic risk buffer	0%	0%	0%	0%
Fx buffer	0%	0%	0,034%	0,026%
Capital conservation buffer	2,5%	2,5%	2,5%	2,5%
O-SII buffer	0,75%	0,75%	0,75%	0,75%
Total minimum ratio	**11,25%**	**9,25%**	**11,284%**	**9,276%**

CAPITAL BUFFER AND RATIOS OF SANTANDER BANK POLSKA GROUP AS AT 30.06.2021



Since 1 January 2016, the countercyclical capital buffer ratio of 0% has been applied to credit exposures in Poland. The ratio shall be effective until it is changed by way of an ordinance of the Finance Minister. The institution specific countercyclical capital buffer for other countries as at 30 June 2021 for the Group amounts to nearly 0.01%.

Santander Bank Polska Group calculates the bank-specific countercyclical capital buffer in accordance with the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management.

EU CCYB2 - AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER (PLN K)

1	Total risk exposure amount	131 302 855
2	Institution specific countercyclical capital buffer rate	0,01%
3	Institution specific countercyclical capital buffer requirement	7 827

Table EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer can be found in Appendix „Pillar III 2021 06 Tables", which is available on the Santander Bank Polska website.

V. Capital adequacy

The capital requirements of Santander Bank Polska Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019 and amended by Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, which was the official legal basis as at 30 June 2021.

The **total capital ratio** as at 30 June 2021 vs. 31 December 2020 was impacted by the following:

- distribution of the profit earned in the period from 01/01/2020 to 31/12/2020;
- changes in other comprehensive income.

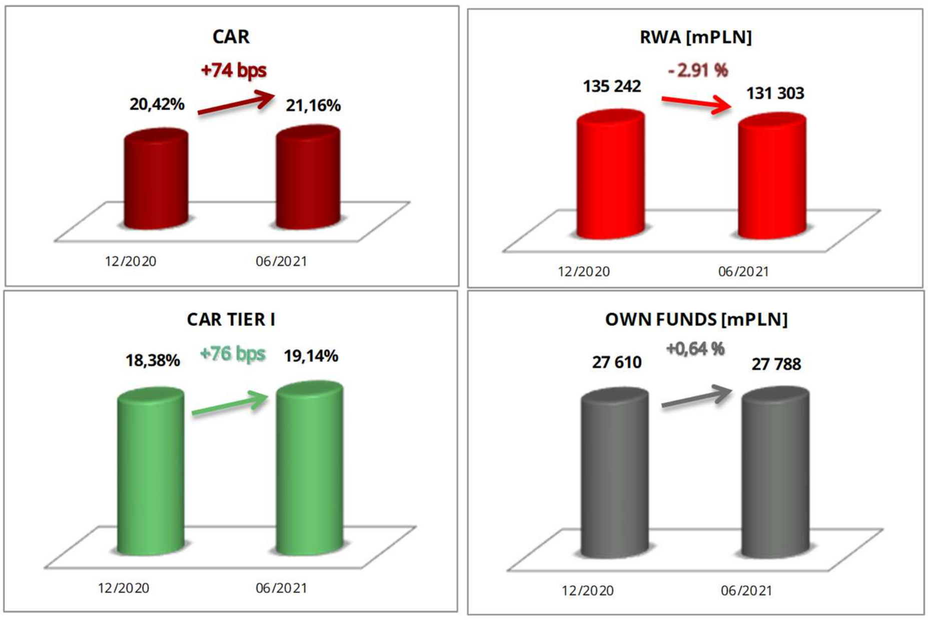
The minimum capital ratios set by the Polish Financial Supervision Authority (KNF) for Santander Bank Polska Group are as follows:

- a Tier 1 capital ratio of 9.276%;
- a total capital ratio of 11.284%.

The capital ratios of Santander Bank Polska Group calculated in accordance with the CRR amended CRR II requirements and an individual capital decision of the supervisory body are above the minimum requirements.

The charts below presents a details of own funds, risk weighted assets and capital adequacy ratios as at 30 June 2021 vs. 31 December 2020.

OWN FUNDS, RISK WEIGHTED ASSETS AND CAPITAL RATIOS AS AT 30 JUNE 2021 VS.31 DECEMBER 2020



VI. Securatization

Santander Bank Polska Group presents information on securitization in accordance with points j)-l) of Article 449 of the CRR.

Santander Bank Polska S.A.

On 7 December 2018, the Santander Bank Polska S.A. signed a guarantee agreement with the European Investment Fund (EIF) in respect of PLN 2.1bn worth of cash loan portfolio. The transaction is set to expire on 10 September 2031. The guarantee agreement meets the synthetic securitisation criteria set out in the Capital Requirements Regulation (CRR. The transaction made by the bank is a synthetic securitisation which does not involve financing and covers the selected portfolio of cash loans which remain on the bank's balance sheet.

The purpose of the synthetic securitisation made by the Santander Bank Polska S.A. is to release capital to finance projects supporting the development of SME, corporate and public sector customers. Furthermore, the agreement signed by the bank transfers part of credit risk arising from exposures included in the cash loan portfolio secured by the EIF guarantee and optimises the Tier 1 capital.

The concluded securitization transaction is not an STS (Simple, Transparent and Standard Securitization) transaction within the meaning of Article 242 (10) of the CRR. As part of the transaction, the securitised portfolio is divided into three tranches: senior (80%), mezzanine (18.5%) and junior, i.e. the first loss tranche (1.5%). As at the guarantee activation date, the senior tranche totalled PLN 1,720.0m, the mezzanine tranche was PLN 397.8m and the junior tranche amounted to PLN 32.3m. The senior and mezzanine tranches are fully guaranteed by the EIF (in relation to the principal component of the underlying exposures). In addition, the mezzanine tranche is secured by a counter-guarantee from the European Investment Bank (EIB). The interest components of the underlying exposures are not covered by the EIF guarantees and are not treated as securitisation positions.

As at 30/06/2021, the senior tranche totalled PLN 1 309,78k, the mezzanine tranche was PLN 302,89k and the junior tranche amounted to PLN 32,25k.

Santander Consumer Bank S.A.

In 2019 Santander Consumer Bank S.A. conducted a synthetic securitization transaction of the portfolio of cash loans and HP loans granted by the Santander Consumer Bank S.A. The objective of the conducted transaction was to obtain equity allowance on the retail loans portfolio which ensures additional capacity to finance projects supporting development of the SME clients. The transaction is a synthetic securitization comprising three tranches. On 5 July 2019 the Santander Consumer Bank S.A. signed an agreement with the European Investment Fund (EFI) in the frame of which it obtained a financial guarantee for 100% of the senior tranche and the mezzanine tranche. At the same time, 100% of the first loss tranche was retained by the Santander Consumer Bank S.A. and deducted from the Common Equity Tier 1 in accordance with Article 36(1)(k) of the CRR. Deduction from the Common Equity Tier 1 means the application of the "full deduction approach", as stipulated in Article 245(1)(b) of the CRR. The mezzanine tranche is secured by a counter-guarantee from the European Investment Bank (EIB). The transaction meets the requirements arising from Article 245.4 and Article 245.1(b) of the CRR. The structure of the transaction includes the Synthetic Excess Spread corresponding to the equivalent of 1.40% of the portfolio working based on the "use-it-or-lose-it" mechanism. In the frame of the transaction the Santander Consumer Bank S.A. holds randomly selected exposures corresponding to minimum 5% of the face value of securitized exposures, in line with Art. 405.1(c) of the CRR. The guarantee was disbursed on 21 November 2019 – the impact on the Bank's risk-weighted assets was recognized in December 2019. As a result, the guarantee covered the portfolio of cash loans and HP loans in the amount of PLN 1 734 million, however, the guarantee covers the principle amount part of the granted loans. The securitized portfolio is weighted with risk according to the standardized approach. The transaction includes a two-year revolving period during which the Santander Consumer Bank S.A. may supplement the amortized amount of the securitized portfolio with new exposures meeting the criteria specified in the agreement. The final date of the transaction duration is 30 June 2030. The transaction does not include the financing part, and the selected portfolio of cash loans and HP loans covered with the transaction remains in the Bank's balance sheet. The transaction is a part of the Bank's Equity Tier 1 optimization strategy.

The Santander Consumer Bank S.A. performed the restructuring of securitization transaction of the cash loan portfolio in July 2019. The transaction is a traditional and revolving securitization which consisted in transferring the ownership right to securitized receivables to a special purpose vehicle SC Poland Consumer 16-1 Sp. z.o.o (SPV3) with its registered office in Poland. The update covered the majority of A and C tranches with extension of the maturity date and cancellation of B tranche. On the day of signing the restructuring documentation, the cash flows resulting from the agreement were subject to net settlement.

Based on the securitised assets, SPV3 issued bonds of PLN 2,000,000k as at 30 June 2021, secured by a registered pledge on SPV3 assets. The bonds bear an interest rate of 1M WIBOR plus margin. As a result of the securitisation, SCB raised funding in exchange for rights to future cash flows from the securitised credit portfolio. The bonds expire on 16 July 2030, but SCB expects that they will be fully redeemed within three years of the transaction date.

In July 2020, Santander Consumer Multirent Sp. z o.o. (SCM) securitised a portfolio of lease agreements. The transaction is a traditional and revolving securitisation consisting in the transfer of ownership of the securitised exposures to a special purpose vehicle – SCM POLAND AUTO 2019-1 DAC with its registered office in Ireland.

Based on the securitised assets, SPV3 issued bonds of PLN 740,000k as at 30 June 2021. The bonds bear an interest rate of 1M WIBOR plus margin. As a result of the securitisation, SCM raised funding in exchange for rights to future cash flows from the securitised credit portfolio.

Santander Leasing S.A.

Liquidity securitization

The Company has signed a securitization contract in two tranches to date - EUR 330m and PLN 1,202.5k, respectively.

In May 2021 the PLN tranche was fully settled and the transaction was closed. EUR tranche is still active and the maximum period for a full redemption of bonds and loan repayment is March 2036.

Securitization is one of the sources of funding and it has a positive effect on capital adequacy ratios, liquidity and diversification of the sources of funding. The transaction (traditional securitization) involves a transfer of ownership of the securitized receivables through their paid transfer to the special-purpose company Santander Leasing Poland Securitization 01 DAC with the registered office in Ireland ("SPV"). Concomitantly, based on the assets acquired, the SPV is an issuer of bonds totalling EUR 330m. At the same time, to secure the liquidity risk and credit risk of the transaction, Santander Leasing S.A. granted a subordinated loan to the SPV. The loan will be repaid after the SPV has repaid its bond liabilities.

Synthetic securitization

On 19 June 2020 Santander Leasing SA made a guarantee agreement with the European Investment Fund ("EIF"). The pertinent guarantee relates to a lease and loan portfolio totalling approx. PLN 2b. The transaction is set to expire on 31 May 2031.

The guarantee agreement made by Santander Leasing conforms to the requirements set out in CRR Regulation (amended by Regulation (EU) 2017/2041) regarding synthetic securitization. The transaction is a synthetic securitization which does not involve financing and covers the selected portfolio of lease and loans which remain on the Company's balance sheet.

Structure of the transaction is that the securitized portfolio is divided into three tranches: senior (85% portfolio), mezzanine (14.2%) and junior, i.e. the first loss tranche (0.8%). As at the guarantee activation date, the senior tranche totalled PLN 1,700.0m, the mezzanine tranche was PLN 284.0m and the junior tranche amounted to PLN 16.0m. The senior and mezzanine tranches are fully guaranteed by the EIF (in relation to the principal component of the underlying exposures). In addition, the mezzanine tranche is secured by a counter-guarantee from the European Investment Bank (EIB). The interest components of the underlying exposures are not covered by EIF guarantees nor are they treated as securitization positions.

To ensure the stability of the portfolio structure, the transaction provides for synthetic excess spread based on the use-it-or-lose-it mechanism that makes it possible to allocate losses up to 0.7% of the portfolio per year outside the securitization structure during the first two years after activation of the guarantee. The mechanism is to be renewed every 3rd quarter.

Securitization tables for the Santander Bank Polska Capital Group (EU SEC1, EU SEC3, EU SEC5) can be found in Annex „Pillar III 2021 06 Tables", which is available on the Santander Bank Polska website.

VII. Leverage ratio

The leverage ratio of Santander Bank Polska Group is set in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019.

The leverage ratio of Santander Bank Polska Group is disclosed in accordance with the Regulation (UE) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

The leverage ratio (LR) shall be calculated as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage.

A reference day for the following data is 30 June 2021. Presented leverage ratio is calculated in relation to Tier 1 capital phase in definition. Santander Bank Polska Group disclose the information on sub-consolidated basis. Fiduciary items are not eliminated from the total leverage ratio exposure.

EU LR2 - LRCOM: LEVERAGE RATIO COMMON DISCLOSURE AS AT 30.06.2021 (PLN K)

		CRR leverage ratio exposures	
		a	b
		30.06.2021	31.12.2020*
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	229 939 607	225 616 437
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	259 782	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-1 562 622	-
6	(Asset amounts deducted in determining Tier 1 capital)	-1 947 298	-1 960 227
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**226 689 469**	**223 656 209**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1 892 870	2 824 959
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	2 652 962	1 686 015
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR) **	-200 999	-
13	**Total derivatives exposures**	**4 344 834**	**4 510 974**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1 327 154	307 581
16	Counterparty credit risk exposure for SFT assets	45 051	7 811
18	**Total securities financing transaction exposures**	**1 372 205**	**315 392**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	42 847 905	41 219 414
20	(Adjustments for conversion to credit equivalent amounts)	-35 350 467	-33 967 241
22	**Off-balance sheet exposures**	**7 497 438**	**7 252 174**
Excluded exposures			
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
23	**Tier 1 capital**	**25 127 766**	**24 862 392**
24	**Total exposure measure**	**239 903 946**	**235 734 749**
Leverage ratio			
25	Leverage ratio (%)	10,47%	10,55%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	10,47%	10,55%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	10,47%	10,55%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	-
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3,00%	-
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional

* Including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

** Including (-) Exempted CCP leg of client-cleared trade exposures (initial margin)

The scope of disclosed information compliant with the CRR.

As at 30 June 2021, the leverage ratio of Santander Bank Polska Group totalled 10.47% and was three-fold higher than the minimum requirement of 3%.

Tables EU LR1 and LR3 can be found in Appendix „Pillar III 2021 06 Tables", which is available on the Santander Bank Polska website.

VIII. Policy of variable components of remuneration

Information on the variable components of remuneration is the fulfillment of the obligations in accordance with Part eighth CRR and complements the information in the annual report Information on Capital Adequacy of Santander Bank Polska Groupas at December 31, 2020.

SUMMARY SUMMARY INFORMATION ON THE VARIABLE REMUNERATION OF THE SANTANDER BANK POLSKA EMPLOYEES COVERED BY THE VARIABLE REMUNERATION POLICY, PRESENTED BY AREAS OF ACTIVITY AND EXECUTIVES CONCERNED FOR 2020 (PLN K)

Area	Management Board*	Retail Banking	Business and Corporate Banking	Global Corporate Banking	Business Support	Subsidiares	Total
Variable remuneration**	6 270	1 563	854	1 985	3 891	7 888	22 451

*The "Management Board" line shows the aggregated data for periods during which the persons acted as the Management Board members. The remaining part of the remuneration payable to the persons who did not sit on the Management Boardwas included in a relevant group.

** Variable remuneration granted for 2020.

Data also refer to the former employees covered by the rules regarding identified employees in the Remuneration Policy of the Santander Bank Poland Group.

VARIABLE REMUNERATION (PLN K)

	VARIABLE REMUNERATION FOR 2020*		
	Headcount	Deferred bonus for 2020	Non-redeemed phantom shares (number of phantom shares)
Management Board**	9	6 270	16 684
Other persons holding managerial positions	157	16 181	20 404
including number of individuals being remunerated 1 million EUR or more	0	-	-
TOTAL	**166**	**22 451**	**37 088**

* Variable remuneration granted for 2020.

** The "Management Board" line shows the aggregated data for periods during which the persons acted as the Management Board members. The remaining part of the remuneration payable to the persons who did not sit on the Management Board was included in a relevant group.

Data also refer to the former employees covered by the rules regarding identified employees in the Remuneration Policy of the Santander Bank Poland Group.

The above data presents information on additional components of variable remuneration that have not been presented in the information on variable remuneration components presented in the annual report Information on capital adequacy of Santander Bank Polska Group as at 31 December 2020.

IX. Liquidity measures

Santander Bank Polska S.A. presents information on liquidity measures in accordance with Article 451a para. 2, 3.

EU LIQ1 - QUANTITATIVE INFORMATION OF LCR

Scope of consolidation: consolidated		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2021	31.03.2021	31.12.2020	30.09.2020
EU 1b	Number of data points used in the calculation of averag	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					66 061 005	61 851 300	55 119 687	49 232 052
	CASH - OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	124 256 634	122 392 028	113 672 670	104 229 969	9 618 573	9 360 502	8 909 840	8 376 674
3	*Stable deposits*	*76 330 470*	*70 607 318*	*64 004 379*	*57 483 049*	*3 816 524*	*3 530 366*	*3 200 219*	*2 874 152*
4	*Less stable deposits*	*41 069 411*	*41 463 108*	*40 734 002*	*39 459 319*	*5 802 049*	*5 830 136*	*5 709 621*	*5 502 522*
5	Unsecured wholesale funding	44 631 079	42 201 016	39 708 272	38 348 680	21 775 291	20 732 243	19 551 483	18 520 877
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	*1 779 556*	*3 770 191*	-	-	*444 482*	*941 600*
7	*Non-operational deposits (all counterparties)*	*44 299 569*	*41 967 128*	*37 611 216*	*34 325 119*	*21 443 782*	*20 498 355*	*18 789 501*	*17 325 908*
8	*Unsecured debt*	*331 510*	*233 888*	*317 500*	*253 370*	*331 510*	*233 888*	*317 500*	*253 370*
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	28 227 266	27 927 972	27 709 811	26 633 097	5 117 553	5 339 353	5 469 781	5 285 796
11	*Outflows related to derivative exposures and other collateral requirements*	*2 808 670*	*3 097 520*	*3 377 664*	*3 363 654*	*2 808 670*	*3 097 520*	*3 377 664*	*3 363 654*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*25 418 596*	*24 830 453*	*24 332 148*	*23 269 444*	*2 308 884*	*2 241 834*	*2 092 117*	*1 922 143*
14	Other contractual funding obligations	1 592 788	1 693 967	1 530 273	1 451 942	1 263 530	1 396 690	1 244 942	1 182 610
15	Other contingent funding obligations	14 140 740	13 561 506	12 797 694	12 037 854	653 442	601 821	564 159	537 255
16	TOTAL CASH OUTFLOWS					38 428 389	37 430 609	35 740 205	33 903 213
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	327 853	519 991	712 990	1 034 259	-	-	38	437
18	Inflows from fully performing exposures	7 161 291	7 338 155	6 807 610	6 979 356	6 034 293	6 145 178	5 569 108	5 755 537
19	Other cash inflows	726 386	868 417	1 117 542	1 265 409	726 386	868 417	1 117 542	1 265 409
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	8 215 530	8 726 563	8 638 142	9 279 024	6 760 679	7 013 594	6 686 688	7 021 382
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*8 215 530*	*8 726 563*	*8 638 142*	*9 279 024*	*6 760 679*	*7 013 594*	*6 686 688*	*7 021 382*
	TOTAL ADJUSTED VALUE								
EU-21	LIQUIDITY BUFFER					66 061 005	61 851 300	55 119 687	49 232 052
22	TOTAL NET CASH OUTFLOWS					31 667 711	30 407 306	29 053 517	26 881 831
23	LIQUIDITY COVERAGE RATIO					208,61%	203,41%	188,64%	181,92%

Main factors impacted on Liquid Coverage Ratio (LCR) are:

- on the side of outflows subseqently: retail deposits, non-operational deposits from corporates, additional outflows due to the impact of an adverse market scenario on derivatives transactions, credit committed facilities and outflows from trade finance off-balance sheet related products;

- on the side of inflows: monies from financial institutions (interbank loans and loans to central bank);

- on the side of liquid assets subsequently: Treasury Bonds or bonds fully guaranteed by Central Government (including those issued by state-owned institutions within anti-crisis programmes during the pandemic of COVID-19), central bank's bills, cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve.

The above factors maintain stable in time. However it should be emphasized that the share of retail deposits in total outflows have raised during the pandemic of COVID-19.

Disclosed LCR in June 2021 remains on stable and historical high level, much above both the regulatory and internal Group's limits. The crucial factor is still increase in customers' current aacounts (especially in 'stable retail deposits' category), allocated mainly in high quality liquid assets.

The sources of funding - under conditions of zero-percent interest rates - concentrate on current accounts from retail customers and non-financial corporates. Own issues, both in the form of subordinated debt and other debt, are important source of activity financing, however to much less extent than funds from current accounts. The Group attempts to reduce financing from secured lending transactions.

General description of the institution's liquidity buffer structure:

High quality liquid assets (HQLAs) consists of: extremely liquid securities (mainly Treasury Bonds or bonds fully guaranteed by Central Government, and central bank's bills), cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve. As of June 2021, 30th the above mentioned categories accounted for 96%, 3% and 1%, respectively, of the liquid buffer. All components of liquid buffer are recognized as level 1 of liquid assets.

The main derivatives exposures of Group come from cross currency and fx swaps transactions. These transactions are aimed at obtaing funding in foreign currency (eg. CHF for financing of mortgages) from one side, and are the form of managing of liquidity surplus in currencies (eg. EUR) from the other hand.

LCR calculation include derivatives payables and receivables during the next 30 days, posted and received collaterals (margin calls) due to valuation of derivatives contracts and additional outflows due to impact of an adverse market scenario on derivatives transactions (calculated with the usage of regulatory method of 'historical look back approach').

As a rule, the Group maintains LCR ratio above 100% for all significant currencies (in the sense of provisions of CRR), i.e. PLN and EUR. In case the LCR for EUR position fell below 100% the Group is able to regulate its liquidity position in EUR via interbank market by obtaining liquid assets using (among others) FX swap transactions with maturities beyond the LCR horizon (30 days).

The Group finances its activities to a limited extent using secured lending instruments. However, based on existing provisions in the aggrements with suppliers of such the funding, the potential maximum amount of additional collaterals in the event of rating downgrade by 1 notch (to BBB) would be PLN 41m as of June 2021, 30th.

It should be emphasized that the aforementioned potential liability is not unconditional and its final amount would depend on the result of negotiations between the Bank and the suppliers of the above-mentioned funding.

EU LIQ2: NET STABLE FUNDING RATIO PLN K

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**27 787 749**	**-**	**-**	**2 659 983**	**27 787 749**
2	*Own funds*	*25 127 766*	*-*	*-*	*2 659 983*	*27 787 749*
3	*Other capital instruments*		*-*	*-*	*-*	*-*
4	**Retail deposits**		**124 635 539**	**1 689 435**	**1 277 295**	**119 016 477**
5	*Stable deposits*		*80 934 092*	*-*	*-*	*76 887 388*
6	*Less stable deposits*		*43 701 447*	*1 689 435*	*1 277 295*	*42 129 089*
7	**Wholesale funding:**		**53 370 367**	**4 264 102**	**5 167 040**	**26 441 856**
8	*Operational deposits*		*-*	*-*	*-*	*-*
9	*Other wholesale funding*		*53 370 367*	*4 264 102*	*5 167 040*	*26 441 856*
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**215 902**	**8 280 013**	**55 422**	**1 962 004**	**1 989 715**
12	*NSFR derivative liabilities*	*215 902*				
13	*All other liabilities and capital instruments not included in the above categories*		*8 280 013*	*55 422*	*1 962 004*	*1 989 715*
14	**Total available stable funding (ASF)**					**175 235 797**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**1 753 868**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**		**-**	**-**	**-**	**-**
17	**Performing loans and securities:**		**19 613 661**	**10 216 418**	**106 019 571**	**93 819 425**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*588 231*	*-*	*-*	*-*
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*1 084 402*	*39 983*	*141 912*	*270 344*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*9 921 978*	*8 686 046*	*60 955 406*	*63 031 908*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*-*	*-*	*-*	*-*
22	*Performing residential mortgages, of which:*		*1 245 897*	*1 281 586*	*42 645 814*	*27 799 347*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*1 177 236*	*1 213 363*	*40 929 305*	*27 799 347*
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*6 773 153*	*208 803*	*2 276 439*	*2 717 825*
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**		**3 427 545**	**32 774**	**17 191 148**	**17 560 534**
27	*Physical traded commodities*				*-*	*-*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*			*0*		*-*
29	*NSFR derivative assets*			*25*		*25*
30	*NSFR derivative liabilities before deduction of variation margin posted*			*2 064 328*		*103 216*
31	*All other assets not included in the above categories*		*1 363 192*	*32 774*	*17 191 148*	*17 457 293*
32	**Off-balance sheet items**		**39 759 715**	**810 345**	**2 110 206**	**2 027 720**
33	**Total RSF**					**115 161 547**
34	**Net Stable Funding Ratio (%)**					**152,17%**

X. Impact of Covid-19 on the Bank's position

In response to the need to address negative economic consequences of COVID-19 pandemic, the European Union (EU) and Member States have introduced a wide range of mitigating measures to support the real economy and the financial sector.

As part of such measures, some Member States have introduced legislative moratoria on loan repayments granting the borrowers various forms of payment holidays on their existing loans or various forms of public guarantees.

As a coordinated approach to the, the EBA is introduced additional disclosure covering collection of information regarding the application of the payment moratoria to the existing loans and public guarantees in response to COVID-19 pandemic - EBA/GL/2020/07 of 2 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis.

In connection with the crisis caused by the COVID-19 pandemic, Santander Bank Polska S.A. Group offered its clients a number of assistance tools aimed at temporarily reducing their financial liabilities.

In connection with the COVID-19 pandemic, the Group offers its clients statutory moratoria-Shield 4.0 (from 01/04/2021 as defined by EBA, no longer considered moratoria) and the possibility of changing the terms of contracts aimed at reducing the amount of installments. Non-statutory moratoria are no longer available.

BREAKDOWN OF LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA BY RESIDUAL MATURITY OF MORATORIA (PLN K)

		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	176 541	19 859 350							
2	Loans and advances subject to moratorium (granted)	153 787	18 669 420	319 273	17 970 343	387 826	311 250	-	-	-
3	of which: Households		7 844 178	319 273	7 726 021	83 481	34 677	-	-	-
4	of which: Collateralised by residential immovable property		5 600 644	205 255	5 522 552	46 477	31 615	-	-	-
5	of which: Non-financial corporations		10 825 241	0	10 244 322	304 346	276 573	-	-	-
6	of which: Small and Medium-sized Enterprises		2 619 655	0	2 582 520	31 039	6 097	-	-	-
7	of which: Collateralised by commercial immovable property		-	-	-	-	-	-	-	-

* Data refer to active loans as at 30/06/2021.

The bank offers a grace period for principal repayment for a period not longer than 6 months and a grace period for principal and interest repayment for a period not longer than 3 months. The bank also offers an extension of the grace period.

INFORMATION ON NEWLY ORIGINATED LOANS AND ADVANCES PROVIDED UNDER NEWLY APPLICABLE PUBLIC GUARANTEE SCHEMES INTRODUCED IN RESPONSE TO COVID-19 CRISIS (PLN K)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1 Newly originated loans and advances subject to public guarantee schemes	4 930 584	-	3 923 542	5 632
2 of which: Households	-			-
3 of which: Collateralised by residential immovable property	-			-
4 of which: Non-financial corporations	4 930 584	-	3 923 542	5 632
5 of which: Small and Medium-sized Enterprises	1 815 263			5 374
6 of which: Collateralised by commercial immovable property	-			-

The government guarantees granted cover clients from the SME and Corporate portfolio. The guarantees cover up to 80% of the exposure.

LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA (PLN K)

		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	18 669 420	17 504 172	1 005 861	2 736 090	1 165 248	583 419	741 875	-844 252	-287 900	-65 795	-195 522	-556 352	-250 066	-315 822	914 208
2	of which: Households	7 844 178	7 053 702	137 617	640 378	790 477	437 808	531 514	-505 473	-119 384	-8 455	-70 921	-386 088	-185 664	-231 303	595 285
3	of which: Collateralised by residential immovable property	5 600 644	5 254 189	91 374	378 319	346 455	274 936	313 259	-137 672	-20 947	-2 100	-15 637	-116 725	-90 302	-105 288	282 756
4	of which: Non-financial corporations	10 825 241	10 450 471	868 244	2 095 713	374 771	145 611	210 361	-338 779	-168 515	-57 340	-124 602	-170 263	-64 402	-84 519	318 923
5	of which: Small and Medium-sized Enterprises	2 619 655	2 388 085	118 576	367 254	231 571	79 165	115 358	-212 729	-75 392	-19 288	-48 689	-137 336	-52 362	-65 973	206 575
6	of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Data refer to active loans as at 30/06/2021

The Santander Bank Polska offers options a grace of period for principal and a grace of period for principal and interest for retail, SME and Corporate portfolio.

XI. Other important issues

Court proceedings on CHF mortgage loans

As at 30.06.2021, the Group's CHF retail mortgage loan exposure totalled PLN 9,066,780 k (as at 31.12.2020 – PLN 9,853,480k).. The portfolio included both denominated and indexed loans.

The Group regularly monitors courts' rulings on loans indexed to, or denominated in, a foreign currency in terms of possible changes in courts' ruling practice.

The Group identified the risk that the scheduled cash flows from the portfolio of mortgage loans denominated in and indexed to foreign currencies might not be fully recoverable and/or that a liability might arise, resulting in a future cash outflow. The Group raises provisions for disputes (individual court cases) and legal risk (on a collective basis) in line with IAS 37 Provisions, contingent liabilities and contingent assets. The amount of provisions was estimated taking into account a number of assumptions, which significantly influence the estimate reflected in the Group's financial statements.

As at 30.06.2021, the Group's provisions for disputes over contractual clauses in mortgage loan agreements indexed to and denominated in foreign currencies totalled PLN 833 950k (PLN 324,920k as at 31.12.2020).

As at 30.06.2021, the Group's collective provisions for legal risk totalled PLN 470,061k (PLN 278,247k as at 31.12.2020) due to the higher number of cases related to contractual clauses in agreements on mortgage loans indexed to and denominated in foreign currencies. The above provisions for Santander Bank Polska S.A. was PLN 325,501k and for Santander Consumer Bank S.A. was PLN 144,560k (PLN 191,900k and 86,347k, respectively, as at 31.12.2020). The Group will continue to monitor and evaluate the adequacy of the above-mentioned provisions in subsequent reporting periods.

The Group will continue to monitor and evaluate the adequacy of the above-mentioned provisions in subsequent reporting periods.

Detailed information on court proceedings regarding CHF-based mortgage loans are presented the Consolidated Financial Statements of Santander Bank Polska Group.