

# Interim report of Santander Bank Polska Group for the first half of 2021



**FINANCIAL HIGHLIGHTS**

	PLN k		EUR k	
	1.01.2021- 30.06.2021	1.01.2020- 30.06.2020	1.01.2021- 30.06.2021	1.01.2020- 30.06.2020
<b>Consolidated financial statements of Santander Bank Polska Group</b>				
I Net interest income	2 788 046	3 094 748	613 135	696 811
II Net fee and commission income	1 211 354	1 030 075	266 396	231 931
III Profit before tax	792 410	889 874	174 263	200 363
IV Net profit attributable to owners of Santander Bank Polska SA	374 297	475 787	82 314	107 128
V Total net cash flows	(7 314 600)	(4 689 861)	(1 608 594)	(1 055 966)
VI Profit of the period attributable to non-controlling interests	64 083	104 231	14 093	23 469
VII Profit per share in PLN/EUR	3,66	4,66	0,80	1,05
VIII Diluted earnings per share in PLN/EUR	3,66	4,66	0,80	1,05
<b>Stand alone financial statements of Santander Bank Polska S.A.</b>				
I Net interest income	2 095 143	2 290 146	460 755	515 648
II Net fee and commission income	1 033 049	835 674	227 184	188 160
III Profit before tax	630 916	621 321	138 748	139 896
IV Profit for the period	347 085	384 861	76 329	86 655
V Total net cash flows	(7 037 358)	(4 773 977)	(1 547 624)	(1 074 905)
VI Profit per share in PLN/EUR	3,40	3,77	0,75	0,85
VII Diluted earnings per share in PLN/EUR	3,40	3,77	0,75	0,85

**FINANCIAL HIGHLIGHTS**

	PLN k		EUR k	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
<b>Consolidated financial statements of Santander Bank Polska Group</b>				
I Total assets	231 378 541	229 311 309	51 180 884	49 690 411
II Deposits from banks	4 212 994	5 373 312	931 913	1 164 365
III Deposits from customers	173 180 148	171 522 255	38 307 412	37 167 863
IV Total liabilities	202 446 147	200 653 319	44 781 045	43 480 393
V Total equity	28 932 394	28 657 990	6 399 839	6 210 018
VI Non-controlling interests in equity	1 648 147	1 663 240	364 570	360 414
VII Number of shares	102 189 314	102 189 314		
VIII Net book value per share in PLN/EUR	283,13	280,44	62,63	60,77
IX Capital ratio	21,16%	20,42%*		
X Declared or Paid dividend per share in PLN/EUR*	-**	-	-**	-
<b>Stand alone financial statements of Santander Bank Polska S.A.</b>				
I Total assets	203 892 451	203 140 470	45 100 967	44 019 344
II Deposits from banks	1 544 847	2 993 349	341 720	648 641
III Deposits from customers	163 499 074	161 133 491	36 165 960	34 916 679
IV Total liabilities	178 211 406	177 717 626	39 420 325	38 510 364
V Total equity	25 681 045	25 422 844	5 680 642	5 508 981
VI Number of shares	102 189 314	102 189 314		
VII Net book value per share in PLN/EUR	251,31	248,78	55,59	53,91
VIII Capital ratio	24,41%	23,90%*		
IX Declared or Paid dividend per share in PLN/EUR*	-**	-	-**	-

\*Data in relevant period include profits included in own funds based on the decisions of the Polish Financial Supervision Authority and the applicable EBA requirements.

\*\*Detailed information are described in Note 43.

The following rates were applied to determine the key EUR amounts for selected financials:

- for balance sheet items – average NBP exchange rate as at 30.06.2021: EUR 1 = PLN 4.5208 and as at 31.12.2020: EUR 1 = PLN 4.6148
- for profit and loss items – as at 30.06.2021 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in H1 2021: EUR 1 = PLN 4.5472; as at 30.06.2020 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in H1 2020: EUR 1 = PLN 4.4413

As at 30.06.2021, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 124/A/NBP/2021 dd. 30.06.2021.

Condensed Interim Consolidated  
Financial Statements of  
Santander Bank Polska Group  
for the 6-month period ended 30 June 2021

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## I. Condensed consolidated income statement

	<b>for the period:</b>	<b>1.04.2021- 30.06.2021</b>	<b>1.01.2021- 30.06.2021</b>	<b>1.04.2020- 30.06.2020</b>	<b>1.01.2020- 30.06.2020</b>
<b>Interest income and similar to income</b>		<b>1 504 706</b>	<b>2 987 578</b>	<b>1 748 376</b>	<b>3 789 095</b>
Interest income on financial assets measured at amortised cost		1 283 969	2 550 145	1 525 476	3 332 266
Interest income on financial assets measured at fair value through other comprehensive income		216 694	429 996	209 592	416 185
Income similar to interest on financial assets measured at fair value through profit or loss		4 043	7 437	13 308	40 644
Interest expense		( 93 618)	( 199 532)	( 289 941)	( 694 347)
<b>Net interest income</b>	Note 6	<b>1 411 088</b>	<b>2 788 046</b>	<b>1 458 435</b>	<b>3 094 748</b>
Fee and commission income		720 477	1 437 970	603 635	1 265 471
Fee and commission expense		( 120 397)	( 226 616)	( 111 804)	( 235 396)
<b>Net fee and commission income</b>	Note 7	<b>600 080</b>	<b>1 211 354</b>	<b>491 831</b>	<b>1 030 075</b>
Dividend income		101 972	102 824	20 322	20 671
Net trading income and revaluation	Note 8	57 741	128 772	58 612	64 915
Gains (losses) from other financial securities	Note 9	37 575	64 366	27 056	53 542
Other operating income	Note 10	60 279	98 096	25 724	66 540
Impairment allowances for expected credit losses	Note 11	( 263 847)	( 626 926)	( 480 919)	( 947 219)
Operating expenses incl.:		(1 446 285)	(2 712 894)	(963 782)	(2 229 109)
-Staff, operating expenses and management costs	Note 12 and 13	( 730 985)	(1 602 852)	( 667 015)	(1 688 699)
-Amortisation of property, plant and equipment and Intangible assets		( 98 288)	( 198 948)	( 95 630)	( 194 772)
-Amortisation of right of use asset		( 45 470)	( 92 737)	( 51 080)	( 104 240)
-Other operating expenses	Note 14	( 571 542)	( 818 357)	( 150 057)	( 241 398)
Share in net profits (loss) of entities accounted for by the equity		19 825	39 276	20 140	36 839
Tax on financial institutions		( 147 544)	( 300 504)	( 152 499)	( 301 128)
<b>Profit before tax</b>		<b>430 884</b>	<b>792 410</b>	<b>504 920</b>	<b>889 874</b>
Corporate income tax	Note 15	( 185 362)	( 354 030)	( 157 779)	( 309 856)
<b>Consolidated profit for the period</b>		<b>245 522</b>	<b>438 380</b>	<b>347 141</b>	<b>580 018</b>
of which:					
-attributable to owners of Santander Bank Polska SA		222 544	374 297	304 853	475 787
-attributable to non-controlling interests		22 978	64 083	42 288	104 231
<b>Net earnings per share</b>					
Basic earnings per share (PLN/share)		2,17	3,66	2,99	4,66
Diluted earnings per share (PLN/share)		2,17	3,66	2,99	4,66

Notes presented on pages 9 – 64 constitute an integral part of these Financial Statements.

## II. Condensed consolidated statement of comprehensive income

	<b>1.04.2021-</b>	<b>1.01.2021-</b>	<b>1.04.2020-</b>	<b>1.01.2020-</b>
<b>for the period:</b>	<b>30.06.2021</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2020</b>
<b>Consolidated profit for the period</b>	<b>245 522</b>	<b>438 380</b>	<b>347 141</b>	<b>580 018</b>
<b>Items that will be reclassified subsequently to profit or loss:</b>				
Revaluation and sales of debt securities measured at fair value through other comprehensive income gross	(436 848)	(624 925)	575 027	550 839
Deferred tax	83 001	118 736	(109 255)	(104 659)
Revaluation of cash flow hedging instruments gross	37 025	41 750	(23 443)	37 457
Deferred tax	(7 034)	(7 932)	4 454	(7 117)
<b>Items that will not be reclassified subsequently to profit or loss:</b>	<b>(5 516)</b>	<b>382 444</b>	<b>(67 067)</b>	<b>(70 045)</b>
Revaluation and sales of equity securities measured at fair value through other comprehensive income gross	(6 786)	472 177	(79 796)	(83 472)
Deferred and current tax	1 270	(89 733)	15 162	15 860
Provision for retirement benefits – actuarial gains/losses	-	-	(3 003)	(3 003)
Deferred tax	-	-	570	570
<b>Total other comprehensive income, net</b>	<b>(329 372)</b>	<b>(89 927)</b>	<b>379 716</b>	<b>406 475</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(83 850)</b>	<b>348 453</b>	<b>726 857</b>	<b>986 493</b>
Total comprehensive income attributable to:				
Owners of the parent entity	(96 144)	295 391	677 072	877 794
Non-controlling interests	12 294	53 062	49 785	108 699

### III. Condensed consolidated statement of financial position

	as at:	30.06.2021	31.12.2020
<b>ASSETS</b>			
Cash and balances with central banks	Note 16	3 165 563	5 489 303
Loans and advances to banks	Note 17	2 935 494	2 926 522
Financial assets held for trading	Note 18	2 862 070	3 182 769
Hedging derivatives	Note 19	12 635	7 654
Loans and advances to customers incl.:	Note 20	141 989 966	141 998 745
- measured at amortised cost		139 230 260	139 549 728
- measured at fair value through other comprehensive income		1 980 668	1 556 791
- measured at fair value through profit or loss		779 038	892 226
Buy-sell-back transactions		587 269	293 583
Investment securities incl.:	Note 21	71 165 386	66 783 434
- debt securities measured at fair value through other comprehensive income		69 713 676	65 700 052
- debt securities measured at fair value through profit and loss		118 325	110 155
- equity securities measured at fair value through other comprehensive income		1 329 921	857 331
- equity securities measured at fair value through profit and loss		3 464	115 896
Assets pledged as collateral		542 154	657 664
Investments in associates	Note 22	917 143	998 397
Intangible assets		658 384	708 356
Goodwill		1 712 056	1 712 056
Property, plant and equipment		756 603	803 429
Right of use assets		633 445	710 657
Current income tax assets		151 826	-
Net deferred tax assets		1 922 827	1 996 552
Assets classified as held for sale	Note 23	4 674	11 901
Other assets		1 361 046	1 030 287
<b>Total assets</b>		<b>231 378 541</b>	<b>229 311 309</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from banks	Note 24	4 212 994	5 373 312
Hedging derivatives	Note 19	1 349 789	1 775 098
Financial liabilities held for trading	Note 18	2 114 773	3 030 340
Deposits from customers	Note 25	173 180 148	171 522 255
Sell-buy-back transactions		504 734	653 687
Subordinated liabilities	Note 26	2 720 923	2 754 605
Debt securities in issue	Note 27	13 068 826	11 241 312
Lease liabilities		529 478	624 690
Current income tax liabilities		-	79 049
Provisions for off balance sheet credit facilities	Note 28	53 612	64 541
Other provisions	Note 29	1 590 706	952 115
Other liabilities	Note 30	3 120 164	2 582 315
<b>Total liabilities</b>		<b>202 446 147</b>	<b>200 653 319</b>
<b>Equity</b>			
<b>Equity attributable to owners of Santander Bank Polska S.A.</b>		<b>27 284 247</b>	<b>26 994 750</b>
Share capital		1 021 893	1 021 893
Other reserve capital		22 399 073	21 296 994
Revaluation reserve		1 754 592	1 839 292
Retained earnings		1 734 392	1 799 404
Profit for the period		374 297	1 037 167
<b>Non-controlling interests in equity</b>		<b>1 648 147</b>	<b>1 663 240</b>
<b>Total equity</b>		<b>28 932 394</b>	<b>28 657 990</b>
<b>Total liabilities and equity</b>		<b>231 378 541</b>	<b>229 311 309</b>

Notes presented on pages 9 – 64 constitute an integral part of these Financial Statements.



## IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2021 - 30.06.2021	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
<b>As at the beginning of the period</b>	<b>1 021 893</b>	<b>21 296 994</b>	<b>1 839 292</b>	<b>2 836 571</b>	<b>26 994 750</b>	<b>1 663 240</b>	<b>28 657 990</b>
Total comprehensive income	-	-	( 78 906)	374 297	295 391	53 062	348 453
<i>Consolidated profit for the period</i>	-	-	-	374 297	374 297	64 083	438 380
<i>Other comprehensive income</i>	-	-	( 78 906)	-	( 78 906)	( 11 021)	( 89 927)
Profit allocation to other reserve capital	-	1 110 963	-	( 1 110 963)	-	-	-
Profit allocation to dividends	-	-	-	-	-	( 68 155)	( 68 155)
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	100	( 100)	-	-	-
Other changes	-	( 8 884)	( 5 894)	8 884	( 5 894)	-	( 5 894)
<b>As at the end of the period</b>	<b>1 021 893</b>	<b>22 399 073</b>	<b>1 754 592</b>	<b>2 108 689</b>	<b>27 284 247</b>	<b>1 648 147</b>	<b>28 932 394</b>

As at the end of the period revaluation reserve in the amount of PLN 1,754,592 k comprises: valuation of debt securities in the amount of PLN 754,391 k, valuation of equity securities in the amount of PLN 966,183 k, valuation of cash flow hedge activities in the amount of PLN 26,170 k and accumulated actuarial gains - provision for retirement allowances of PLN 7,848 k.

Consolidated statement of changes in equity 1.01.2020 - 30.06.2020	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
<b>As at the beginning of the period</b>	<b>1 020 883</b>	<b>20 141 925</b>	<b>1 316 061</b>	<b>2 953 118</b>	<b>25 431 987</b>	<b>1 547 523</b>	<b>26 979 510</b>
Total comprehensive income	-	-	402 007	475 787	877 794	108 699	986 493
<i>Consolidated profit for the period</i>	-	-	-	475 787	475 787	104 231	580 018
<i>Other comprehensive income</i>	-	-	402 007	-	402 007	4 468	406 475
Profit allocation to other reserve capital	-	1 153 463	-	( 1 153 463)	-	-	-
Profit allocation to dividends	-	-	-	-	-	( 86 555)	( 86 555)
Share-based payment	-	1 606	-	-	1 606	-	1 606
Other changes	-	-	6 455	-	6 455	-	6 455
<b>As at the end of the period</b>	<b>1 020 883</b>	<b>21 296 994</b>	<b>1 724 523</b>	<b>2 275 442</b>	<b>26 317 842</b>	<b>1 569 667</b>	<b>27 887 509</b>

As at the end of the period revaluation reserve in the amount of PLN 1,724,523 k comprises: valuation of debt securities in the amount of PLN 1,173,916 k, valuation of equity securities in the amount of PLN 537,557 k, valuation of cash flow hedge activities in the amount of PLN 5,573 k and accumulated actuarial gains - provision for retirement allowances of PLN 7,477 k.

## V. Condensed consolidated statement of cash flows

	for the period	1.01.2021- 30.06.2021	1.01.2020- 30.06.2020
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>792 410</b>	<b>889 874</b>
<b>Adjustments for:</b>			
Share in net profits of entities accounted for by the equity method		( 39 276)	( 36 839)
Depreciation/amortisation		291 685	299 012
Profit from investing activities		( 47 631)	( 62 318)
Interest accrued excluded from operating activities		( 270 485)	( 175 522)
Dividends		( 215 463)	( 20 641)
Impairment losses (reversal)		15 700	41 197
<b>Changes in:</b>			
Provisions		627 662	49 410
Financial assets / liabilities held for trading		( 564 385)	187 123
Assets pledged as collateral		115 510	( 40 397)
Hedging derivatives		( 386 801)	648 063
Loans and advances to banks		1 609	( 11 033)
Loans and advances to customers		(2 604 689)	(2 565 598)
Deposits from banks		(1 468 983)	( 27 058)
Deposits from customers		3 006 227	10 027 080
Buy-sell/ Sell-buy-back transactions		( 445 188)	124 443
Other assets and liabilities		391 161	473 303
Interest received on operating activities		2 581 907	3 434 038
Interest paid on operating activities		( 90 432)	( 497 702)
Paid income tax		( 488 675)	( 752 032)
<b>Net cash flows from operating activities</b>		<b>1 201 863</b>	<b>11 984 403</b>
<b>Cash flows from investing activities</b>			
<b>Inflows</b>		<b>5 462 989</b>	<b>3 159 927</b>
Sale/maturity of investment securities		4 861 680	2 763 977
Sale of intangible assets and property, plant and equipment		41 837	33 029
Dividends received		94 081	11 658
Interest received		465 391	351 263
<b>Outflows</b>		<b>(14 653 676)</b>	<b>(18 858 097)</b>
Purchase of investment securities		(14 498 814)	(18 734 467)
Purchase of intangible assets and property, plant and equipment		( 154 862)	( 123 630)
<b>Net cash flows from investing activities</b>		<b>(9 190 687)</b>	<b>(15 698 170)</b>
<b>Cash flows from financing activities</b>			
<b>Inflows</b>		<b>7 901 471</b>	<b>4 944 015</b>
Debt securities in issue		4 715 000	2 067 790
Drawing of loans		3 186 471	2 876 225
<b>Outflows</b>		<b>(7 227 247)</b>	<b>(5 920 109)</b>
Debt securities buy out		(2 806 846)	(2 867 564)
Repayment of loans and advances		(4 174 733)	(2 668 408)
Repayment of lease liability		( 91 104)	( 99 910)
Dividends to shareholders		( 68 155)	( 86 555)
Interest paid		( 86 409)	( 197 672)
<b>Net cash flows from financing activities</b>		<b>674 224</b>	<b>( 976 094)</b>
<b>Total net cash flows</b>		<b>(7 314 600)</b>	<b>(4 689 861)</b>
<b>Cash and cash equivalents at the beginning of the accounting period</b>		<b>13 632 245</b>	<b>17 265 855</b>
<b>Cash and cash equivalents at the end of the accounting period</b>		<b>6 317 645</b>	<b>12 575 994</b>

Notes presented on pages 9 – 64 constitute an integral part of these Financial Statements.

## VI. Additional notes to condensed interim consolidated financial statements

### 1. General information about issuer

Santander Bank Polska SA is a bank seated in Poland, 00-854 Warszawa, al. Jana Pawła II 17, under National Court Registry number 0000008723, TIN 896-000-56-73, National Official Business Register number (REGON) 930041341.

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 6-month period ended 30 June 2021 includes Bank's financial information as well as information from its subsidiaries and shares in associated entities (all together called Group).

The immediate and ultimate parent entity of Santander Bank Polska is Banco Santander, having its registered office in Santander, Spain.

Santander Bank Polska Group offers a wide range of banking services for individual and business customers and operates in domestic and interbank foreign markets. Additionally, it offers also the following services:

- intermediation in trading securities,
- leasing,
- factoring,
- asset/ fund management,
- distribution insurance services,
- trading in stock and shares of commercial companies,
- brokerage activity.

## Santander Bank Polska Group consists of the following entities:

### Subsidiaries:

Subsidiaries	Registered office	[%] of votes on AGM at 30.06.2021	[%] of votes on AGM at 30.06.2020
1. Santander Finanse sp. z o.o.	Poznań	100%	100%
2. Santander Factoring sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3. Santander Leasing S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4. Santander Leasing Poland Securitization 01	Dublin	subsidary of Santander Leasing S.A.	subsidary of Santander Leasing S.A.
5. Santander Inwestycje sp. z o.o.	Warszawa	100%	100%
6. Santander F24 S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
7. Santander Towarzystwo Funduszy Inwestycyjnych S.A. <sup>1)</sup>	Poznań	50%	50%
8. Santander Consumer Bank S.A.	Wrocław	60%	60%
9. Santander Consumer Finanse sp. z o.o. <sup>2)</sup>	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A. 50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.	100% of AGM votes are held by Santander Consumer Bank S.A. 50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.
10. PSA Finance Polska sp. z o.o. <sup>3)</sup>	Warszawa	100% of AGM votes are held by Banque PSA Finance S.A.	100% of AGM votes are held by Banque PSA Finance S.A.
11. PSA Consumer Finance Polska sp. z o.o. <sup>3)</sup>	Warszawa	100% of AGM votes are held by PSA Finance Polska sp. z o.o.	100% of AGM votes are held by PSA Finance Polska sp. z o.o.
12. Santander Consumer Multirent sp. z o.o.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
13. SCM POLAND AUTO 2019-1 DAC <sup>4)</sup>	Dublin	subsidary of Santander Consumer Multirent S.A.	-
14. Santander Consumer Financial Solutions Sp. z o.o. <sup>5)</sup>	Wrocław	subsidary of Santander Consumer Multirent S.A.	-
15. S.C. Poland Consumer 15-1 sp.z o.o. <sup>6)</sup>	Warszawa	-	subsidary of Santander Consumer Bank S.A.
16. S.C. Poland Consumer 16-1 sp.z o.o. <sup>6)</sup>	Warszawa	subsidary of Santander Consumer Bank S.A.	subsidary of Santander Consumer Bank S.A.

1. As at 30.06.2021, Santander Bank Polska was a co-owner of Santander Towarzystwo Funduszy Inwestycyjnych SA, together with Banco Santander SA. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska exercises control over the subsidiary Santander Towarzystwo Funduszy Inwestycyjnych SA because though it, Banco Santander implements its policy in Poland. Consequently, the company is treated as a subsidiary.

2. 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.

3. According to the Management Board of Santander Bank Polska Group, the investment in PSA Finance Polska Sp. z o.o. is an investment in a subsidiary for the purpose of consolidated financial statements due to the fact that it is controlled by Santander Consumer Bank S.A (directly) and Santander Bank Polska S.A. (indirectly).

4. On 18 November 2019, SCM Poland Auto 2019-1 Designated Activity Company with its registered office in Dublin was incorporated under Irish law. It is a special purpose vehicle established to securitise the lease portfolio. The company is controlled by Santander Consumer Multirent Sp. z o.o and its shareholder is a legal person that is not connected with the Group.

5. On 27 August 2020, Santander Consumer Financial Solutions Sp. z o.o. (SCFS Sp. z o.o.) with its registered office in Wrocław was incorporated under Polish law. The company will offer lease of passenger cars, lease loans and finance lease for consumers. It is a wholly-owned subsidiary of Santander Consumer Multirent Sp. z o.o.

6. SC Poland Consumer 15-1 sp. z o.o. and SC Poland Consumer 16-1 sp. z o.o. were set up for the purpose of securitisation of a part of the loan portfolio; their shareholder is polish legal entity who has no ties with the Group; the companies are controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7. On 18 June 2021, a resolution was adopted at SC Poland Consumer 15-1 Sp. z o.o. to dissolve the company and start the liquidation process. The Group lost control over the company.

## Associates:

Associates	Registered office	[%] of votes on AGM at 30.06.2021	[%] of votes on AGM at 30.06.2020
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2. Santander - Aviva Towarzystwo Ubezpieczeń S.A.	Warszawa	49%	49%
3. Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Warszawa	49%	49%

## 2. Basis of preparation of condensed interim consolidated financial statements

### 2.1 Statement of compliance

Santander Bank Polska S.A. Group applied accounting rules in accordance with the International Financial Reporting Standards Accounting (IFRS) adopted by the European Union, which are applied on a consistent basis and, in the case of matters not governed by the above Standards, in accordance with the provisions of the Accounting Act of 29 September 1994 (consolidated text: Journal of Law 2021, item 217) and related implementing acts as well as the requirements imposed on issuers whose securities are admitted to trading on regulated markets or issuers who have applied to have securities admitted to trading on regulated markets outlined in the Act of 29 July 2005 on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies.

The accounting policies have been applied consistently by Santander Bank Polska S.A. Group entities. The same accounting principles were applied as in the case of the consolidated financial statements for the period ending 31 December 2020, except for income tax, which is charged under IAS 34.30c.

## 2.2 New standards and interpretations or changes to existing standards or interpretations which can be applicable to Santander Bank Polska S.A. Group and are not yet effective or have neither been implemented earlier

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Annual improvements to IFRS standards 2018-2020	As a result of annual improvements project, amendments to four IFRSs were introduced (IFRS1, IFRS9, IFRS16, IAS 41). Amendments to IFRS 9 clarify which fees an entity applies when "10% test" is performed for derecognition of financial asset. For IFRS 16 an illustrative example for lease incentives treatments was changed, not to cause confusion.	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 37 Provisions	The changes concern the clarification of the scope of costs that should be taken into account in assessing whether the contract is a onerous contract	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 16 Property, Plant and Equipment	The changes indicate, i.a, that revenues from the sale of goods produced in the course of bringing an asset to the desired location and condition, cannot be deducted from the costs associated with this asset. Instead, such revenues should be recognized in the profit and loss account along with the costs of manufacturing these products	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.*
IFRS 17 Insurance Contracts	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts have on the financial position, financial performance and cash flows of the entity. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: aggregation levels at which the calculations are made, methods for the valuation of insurance liabilities, recognition a profit or loss over the period, reinsurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2023	The standard will not have a significant impact on consolidated financial statements.*
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments to IAS 8 include definition of accounting estimates, which should help to distinguish between accounting policies and accounting estimates.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*
Improvements to IFRS 10 and IAS 28	Improvements to IFRS 10 and IAS 28 cover sales or contributions of assets between an investor and its associate/joint venture. The improvements eliminate the inconsistencies between IFRS 10 and IAS 28. The accounting treatment hinges on whether the non-monetary assets sold or contributed to an associate/joint venture constitute a business. Should the non-monetary assets constitute a business, the investor shall recognize the profit or loss in full. Should the assets not constitute a business, the profit or loss shall be recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments were published on 11 September 2014.	The International Accounting Standards Board has not established the validity date of the amended regulations.	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 12	Amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 1	There are two amendments to IAS 1. The first one affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current. The second one concern accounting policy disclosures with regard to the scope of such disclosures.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*

\* not yet endorsed by EU

## 2.3 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2021

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Amendments to IFRS 16 Leasing-extension	The amendments provide the possibility of exempting lessees from recognizing rental concessions as modifications in accordance with IFRS 16, if they meet certain conditions and result from COVID-19. Extension by one year for rent concessions beyond 30 June 2021 ( May 2020 amendment)	1 April 2021	The amendment does not have a significant impact on consolidated financial statements.* A working group of representatives of Santander Bank Polska S.A. and subsidiaries is working on the implementation of changes resulting from the IBOR reform. The working group has not finished to analyse potential impact of amendments on consolidated financial statements.
IBOR reform -Phase 2 (amendments to IFRS 9, IAS 39,IFRS 7,IFRS 4, IFRS 16)	The amendments complement the changes introduced in Phase 1 and relate to the following areas: changes in cash flows, hedge accounting and disclosures. The change in cash flows resulting from reform will only require updating the EIR , without affecting the gross carrying amount of the financial instrument or the need to derecognise it.	1 January 2021	

\* not yet endorsed by EU

## 2.4 Basis of preparation of consolidated financial statements

Presented consolidated condensed interim financial statement, prepared in accordance with IAS 34 " Interim financial reporting" does not contain information and disclosures required in annual financial statement and should be read together with consolidated financial statements as at 31 December 2020.

Companies within Santander Bank Polska S.A. Group are able to continue as a going concern in unchanged form in a foreseeable future i.e.12 months from the date of this financial statement.

Management has taken into consideration COVID-19 impact when assessing going concern and undertaken actions aiming at limitation of pandemic negative impact on Group activities and results, are sufficient.

The financial statements are presented in PLN, rounded to the nearest thousand.

Group has produced condensed interim financial statements in accordance with the historical cost principle, except for the items below:

Item	Balance sheet valuation rules
Held-for-trading financial instruments	Fair value through profit or loss
Loans and advances to customers which do not meet the contractual cash flows test	Fair value through profit or loss
Financial instruments measured at fair value through other comprehensive income	Fair value through other comprehensive income
Share-based payment transactions	According to IFRS 2 "Share-based payment" requirements
Equity investment financial assets	Fair value through other comprehensive income – an option
Debt securities measured at fair value through profit or loss	Fair value through profit or loss
Non-current assets	The purchase price or production cost reduced by total depreciation charges and total impairment losses
Non-current assets held for sale and groups of non-current assets designated as held for sale	Are recognised at the lower of their carrying amount and their fair value less costs of disposal.

## 2.5 Changes in estimated values

Preparation of financial statements in accordance with the IFRS requires the management to make subjective judgements, estimations and assumptions which affect the applied accounting principles and the presented assets and liabilities, and revenues and expenses.

The estimates and assumptions are made based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and assumptions are reviewed on an ongoing basis. Changes to estimates are recognised in the period in which the estimate is changed if the change affects only that period, or in the period of the change and future periods if the change affects both current and future periods.

### Key estimates made by Santander Bank Polska S.A. Group

Key estimates include:

- Allowances for expected credit losses
- Fair value of financial instruments
- Estimates for legal claims
- Estimated collective provisions for risk arising from mortgage loans in foreign currencies
- Estimates regarding reimbursement of fees related to early repaid consumer loans

### Allowances for expected credit losses in respect of financial assets including COVID-19 impact and financial instruments modifications

#### The concept of modification

Santander Bank Polska S.A. Group assesses changes in cash flows resulting from annexes according to IFRS 9. If a modification does not result in derecognition of that asset (the so called minor modification), the gross carrying amount of the financial asset is recalculated and modification gain or loss is recognized in profit or loss. Change in gross carrying amount is amortised into interest income/cost using effective interest rate method.

If a modification leads to derecognition of existing financial asset, a new modified asset is recognised and modification is identified as substantial.

Details of the quantitative and qualitative criteria used to evaluate modification are described in consolidated annual financial statements as at 31 December 2020, and were not subject to any changes.

In connection with the COVID-19 pandemic, the Group offers its clients statutory moratoria (Shield 4.0) and the possibility of changing the terms of contracts aimed at reducing the amount of installments. Non-statutory moratoria are no longer available.

Deferral or suspension of installments repayments under assistance programs are evaluated according to existing in Group qualitative and quantitative criteria.



The table below present the value of gross exposure credit loss for instruments subject to statutory and non-statutory moratoria according as at 30 June 2021.

	Gross carrying amount								
	Granted	Expired	Active	Performing			Non performing		
					Of which: exposures with forbearance measures	Of which: Instruments with SICR 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
<b>Loans and advances subject to moratorium</b>	<b>18 669 419</b>	<b>17 970 343</b>	<b>699 076</b>	<b>17 504 173</b>	<b>1 005 861</b>	<b>2 736 091</b>	<b>1 165 246</b>	<b>583 419</b>	<b>741 875</b>
<b>of which: Households</b>	<b>7 844 178</b>	<b>7 726 021</b>	<b>118 157</b>	<b>7 053 702</b>	<b>137 617</b>	<b>640 378</b>	<b>790 476</b>	<b>437 808</b>	<b>531 514</b>
<i>Santander Bank Polska</i>	6 982 327	6 865 342	116 986	6 333 737	137 617	488 107	648 590	437 808	471 052
<i>Santander Consumer Bank</i>	861 843	860 671	1 171	719 957	-	152 271	141 886	-	60 462
<i>Santander Leasing</i>	8	8	-	8	-	-	-	-	-
Collateralised by residential immovable	5 600 644	5 522 552	78 092	5 254 189	91 374	378 319	346 455	274 936	313 259
<i>Santander Bank Polska</i>	5 333 636	5 255 544	78 092	5 012 391	91 374	344 636	321 245	274 936	294 008
<i>Santander Consumer Bank</i>	267 008	267 008	-	241 798	-	33 683	25 210	-	19 251
Consumer loans	2 243 534	2 203 469	40 065	1 799 513	46 243	262 059	444 021	162 872	218 255
<i>Santander Bank Polska</i>	1 648 691	1 609 798	38 893	1 321 346	46 243	143 471	327 345	162 872	177 044
<i>Santander Consumer Bank</i>	594 835	593 663	1 171	478 159	-	118 588	116 676	-	41 211
<i>Santander Leasing</i>	8	8	-	8	-	-	-	-	-
<b>of which: Non-financial corporations</b>	<b>10 825 241</b>	<b>10 244 322</b>	<b>580 919</b>	<b>10 450 471</b>	<b>868 244</b>	<b>2 095 713</b>	<b>374 770</b>	<b>145 611</b>	<b>210 361</b>
<i>Santander Bank Polska</i>	8 655 723	8 098 684	557 039	8 357 717	868 244	1 788 793	298 006	145 611	160 919
<i>Santander Consumer Bank</i>	501 922	501 874	48	497 930	-	13 739	3 992	-	888
<i>Santander Leasing</i>	1 661 637	1 639 179	22 458	1 588 865	-	291 599	72 772	-	48 554
<i>Santander Factoring</i>	5 959	4 585	1 374	5 959	-	1 582	-	-	-
SME loans	2 619 655	2 582 520	37 135	2 388 085	118 576	367 254	231 570	79 165	115 358
<i>Santander Bank Polska</i>	2 104 971	2 071 275	33 696	1 891 457	118 576	329 182	213 514	79 165	105 169
<i>Santander Consumer Bank</i>	370 161	370 114	47	366 407	-	13 220	3 754	-	651
<i>Santander Leasing</i>	144 523	141 131	3 392	130 221	-	24 852	14 302	-	9 538
Corporate loans	8 205 586	7 661 802	543 784	8 062 386	749 668	1 728 459	143 200	66 446	95 003
<i>Santander Bank Polska</i>	6 550 752	6 027 409	523 343	6 466 260	749 668	1 459 611	84 492	66 446	55 750
<i>Santander Consumer Bank</i>	131 761	131 760	1	131 523	-	519	238	-	237
<i>Santander Leasing</i>	1 517 114	1 498 048	19 066	1 458 644	-	266 747	58 470	-	39 016
<i>Santander Factoring</i>	5 959	4 585	1 374	5 959	-	1 582	-	-	-

The table below present the value of expected credit loss for instruments subject to statutory and non-statutory moratoria according as at 30 June 2021.

**Accumulated impairment, accumulated negative changes in fair value due to credit risk**

	Gross carrying amount of granted moratoria	Accumulated impairment	Performing		Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with SICR but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due <= 90 days		
<b>Loans and advances subject to moratorium</b>	<b>18 669 419</b>	<b>( 844 252)</b>	<b>( 287 900)</b>	<b>( 65 795)</b>	<b>( 195 523)</b>	<b>( 556 352)</b>	<b>( 250 066)</b>	<b>( 315 822)</b>
<b>of which: Households</b>	<b>7 844 178</b>	<b>( 505 473)</b>	<b>( 119 385)</b>	<b>( 8 455)</b>	<b>( 70 921)</b>	<b>( 386 088)</b>	<b>( 185 664)</b>	<b>( 231 303)</b>
Santander Bank Polska	6 982 327	( 372 157)	( 75 254)	( 8 455)	( 39 077)	( 296 903)	( 185 664)	( 195 679)
Santander Consumer Bank	861 843	( 133 316)	( 44 131)	-	( 31 844)	( 89 185)	-	( 35 624)
Santander Leasing	8	-	-	-	-	-	-	-
Collateralised by residential immovable property	5 600 644	( 137 672)	( 20 947)	( 2 100)	( 15 637)	( 116 725)	( 90 301)	( 105 287)
Santander Bank Polska	5 333 636	( 118 828)	( 16 556)	( 2 100)	( 11 706)	( 102 272)	( 90 301)	( 94 448)
Santander Consumer Bank	267 008	( 18 844)	( 4 391)	-	( 3 931)	( 14 453)	-	( 10 839)
Consumer loans	2 243 534	( 367 801)	( 98 438)	( 6 355)	( 55 284)	( 269 363)	( 95 363)	( 126 016)
Santander Bank Polska	1 648 691	( 253 329)	( 58 698)	( 6 355)	( 27 371)	( 194 631)	( 95 363)	( 101 231)
Santander Consumer Bank	594 835	( 114 472)	( 39 740)	-	( 27 913)	( 74 732)	-	( 24 785)
Santander Leasing	8	-	-	-	-	-	-	-
<b>of which: Non-financial corporations</b>	<b>10 825 241</b>	<b>( 338 779)</b>	<b>( 168 515)</b>	<b>( 57 340)</b>	<b>( 124 602)</b>	<b>( 170 264)</b>	<b>( 64 402)</b>	<b>( 84 519)</b>
Santander Bank Polska	8 655 723	( 305 686)	( 155 935)	( 57 340)	( 116 968)	( 149 751)	( 64 402)	( 75 466)
Santander Consumer Bank	501 922	( 4 293)	( 2 889)	-	( 1 062)	( 1 404)	-	( 223)
Santander Leasing	1 661 637	( 28 677)	( 9 568)	-	( 6 572)	( 19 109)	-	( 8 830)
Santander Factoring	5 959	( 123)	( 123)	-	-	-	-	-
SME loans	2 619 655	( 212 729)	( 75 392)	( 19 288)	( 48 689)	( 137 337)	( 52 362)	( 65 973)
Santander Bank Polska	2 104 971	( 204 380)	( 71 962)	( 19 288)	( 47 068)	( 132 418)	( 52 362)	( 64 087)
Santander Consumer Bank	370 161	( 3 799)	( 2 463)	-	( 890)	( 1 336)	-	( 157)
Santander Leasing	144 523	( 4 550)	( 967)	-	( 731)	( 3 583)	-	( 1 729)
Corporate loans	8 205 586	( 126 050)	( 93 123)	( 38 052)	( 75 913)	( 32 927)	( 12 040)	( 18 546)
Santander Bank Polska	6 550 752	( 101 306)	( 83 973)	( 38 052)	( 69 900)	( 17 333)	( 12 040)	( 11 379)
Santander Consumer Bank	131 761	( 494)	( 426)	-	( 172)	( 68)	-	( 66)
Santander Leasing	1 517 114	( 24 127)	( 8 601)	-	( 5 841)	( 15 526)	-	( 7 101)
Santander Factoring	5 959	( 123)	( 123)	-	-	-	-	-

The table below present the value of gross exposure credit loss for instruments subject to statutory and non-statutory moratoria according as at 31 December 2020.

**Gross carrying amount**

	Granted	Expired	Active	Performing			Non performing		
					Of which: exposures with forbearance measures	Of which: Instruments with SICR 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
<b>Loans and advances subject to moratorium</b>	<b>21 896 331</b>	<b>19 282 432</b>	<b>2 613 899</b>	<b>21 258 960</b>	<b>493 075</b>	<b>3 098 158</b>	<b>637 371</b>	<b>346 112</b>	<b>465 928</b>
<b>of which: Households</b>	<b>8 587 007</b>	<b>8 112 769</b>	<b>474 238</b>	<b>8 124 623</b>	<b>74 930</b>	<b>915 711</b>	<b>462 384</b>	<b>279 133</b>	<b>353 588</b>
Santander Bank Polska	7 537 027	7 096 516	440 511	7 147 624	74 930	562 757	389 403	279 133	311 172
Santander Consumer Bank	1 049 966	1 016 239	33 727	976 985	-	352 940	72 981	-	42 416
Santander Leasing	14	14	-	14	-	14	-	-	-
Collateralised by residential immovable property	5 888 091	5 579 090	309 001	5 652 832	50 223	475 551	235 259	186 989	216 015
Santander Bank Polska	5 599 602	5 295 090	304 512	5 379 603	50 223	394 492	219 999	186 989	202 607
Santander Consumer Bank	288 489	284 000	4 489	273 229	-	81 059	15 260	-	13 408
Consumer loans	2 698 916	2 533 679	165 237	2 471 792	24 707	440 160	227 124	92 144	137 573
Santander Bank Polska	1 937 425	1 801 426	135 999	1 768 021	24 707	168 265	169 404	92 144	108 565
Santander Consumer Bank	761 477	732 239	29 238	703 757	-	271 881	57 720	-	29 009
<b>of which: Non-financial corporations</b>	<b>13 309 324</b>	<b>11 169 663</b>	<b>2 139 661</b>	<b>13 134 337</b>	<b>418 145</b>	<b>2 182 447</b>	<b>174 987</b>	<b>66 980</b>	<b>112 340</b>
Santander Bank Polska	9 360 687	8 606 808	753 879	9 215 763	418 145	1 826 982	144 924	65 882	94 272
Santander Consumer Bank	536 250	524 130	12 120	534 374	-	12 389	1 876	-	240
Santander Leasing	2 106 758	2 026 261	80 497	2 080 097	-	332 695	26 661	-	16 301
Santander Factoring	1 305 629	12 464	1 293 165	1 304 103	-	10 381	1 526	1 098	1 527
SME loans	2 831 579	2 761 124	70 455	2 748 689	88 681	391 852	82 890	14 703	40 231
Santander Bank Polska	2 244 697	2 193 985	50 712	2 168 848	88 681	346 351	75 849	14 703	37 089
Santander Consumer Bank	390 759	385 465	5 294	389 009	-	11 160	1 750	-	144
Santander Leasing	196 123	181 674	14 449	190 832	-	34 341	5 291	-	2 999
Corporate loans	10 477 746	8 408 539	2 069 206	10 385 648	329 464	1 790 595	92 098	52 276	72 108
Santander Bank Polska	7 115 990	6 412 823	703 167	7 046 915	329 464	1 480 631	69 075	51 179	57 184
Santander Consumer Bank	145 491	138 665	6 826	145 365	-	1 229	126	-	96
Santander Leasing	1 910 635	1 844 587	66 048	1 889 265	-	298 354	21 370	-	13 302
Santander Factoring	1 305 629	12 464	1 293 165	1 304 103	-	10 381	1 526	1 098	1 527

The table below present the value of expected credit loss for instruments subject to statutory and non-statutory moratoria according as at 31 December 2020.

**Accumulated impairment, accumulated negative changes in fair value due to credit risk**

	Gross carrying amount of granted moratoria	Accumulated impairment	Performing			Non performing		
				Of which: exposures with forbearance measures	Of which: Instruments with SICR 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	
<b>Loans and advances subject to moratorium</b>	<b>21 896 331</b>	<b>( 626 073)</b>	<b>( 340 617)</b>	<b>( 38 834)</b>	<b>( 200 578)</b>	<b>( 285 456)</b>	<b>( 132 263)</b>	<b>( 189 903)</b>
<b>of which: Households</b>	<b>8 587 007</b>	<b>( 358 430)</b>	<b>( 144 416)</b>	<b>( 3 456)</b>	<b>( 93 964)</b>	<b>( 214 014)</b>	<b>( 112 517)</b>	<b>( 151 233)</b>
Santander Bank Polska	7 537 027	( 244 768)	( 76 325)	( 3 456)	( 37 936)	( 168 443)	( 112 517)	( 125 732)
Santander Consumer Bank	1 049 966	( 113 662)	( 68 091)	-	( 56 028)	( 45 571)	-	( 25 500)
Santander Leasing	14	-	-	-	-	-	-	-
Collateralised by residential immovable property	5 888 091	( 110 510)	( 30 244)	( 1 334)	( 24 369)	( 80 267)	( 63 116)	( 73 804)
Santander Bank Polska	5 599 602	( 92 142)	( 19 118)	( 1 334)	( 13 624)	( 73 024)	( 63 116)	( 67 264)
Santander Consumer Bank	288 489	( 18 368)	( 11 126)	-	( 10 745)	( 7 242)	-	( 6 540)
Consumer loans	2 698 916	( 247 919)	( 114 172)	( 2 122)	( 69 595)	( 133 747)	( 49 401)	( 77 429)
Santander Bank Polska	1 937 425	( 152 626)	( 57 208)	( 2 122)	( 24 312)	( 95 418)	( 49 401)	( 58 469)
Santander Consumer Bank	761 477	( 95 293)	( 56 964)	-	( 45 283)	( 38 329)	-	( 18 960)
<b>of which: Non-financial corporations</b>	<b>13 309 324</b>	<b>( 267 644)</b>	<b>( 196 201)</b>	<b>( 35 378)</b>	<b>( 106 614)</b>	<b>( 71 442)</b>	<b>( 19 746)</b>	<b>( 38 671)</b>
Santander Bank Polska	9 360 687	( 238 920)	( 175 491)	( 35 378)	( 93 922)	( 63 429)	( 19 698)	( 34 644)
Santander Consumer Bank	536 250	( 4 903)	( 4 043)	-	( 962)	( 860)	-	( 192)
Santander Leasing	2 106 758	( 21 873)	( 14 822)	-	( 11 091)	( 7 051)	-	( 3 732)
Santander Factoring	1 305 629	( 1 947)	( 1 845)	-	( 639)	( 102)	( 48)	( 102)
SME loans	2 831 579	( 150 116)	( 99 581)	( 17 062)	( 45 756)	( 50 536)	( 10 418)	( 24 447)
Santander Bank Polska	2 244 697	( 142 780)	( 94 340)	( 17 062)	( 43 193)	( 48 440)	( 10 418)	( 23 647)
Santander Consumer Bank	390 759	( 3 949)	( 3 134)	-	( 917)	( 814)	-	( 154)
Santander Leasing	196 123	( 3 388)	( 2 106)	-	( 1 646)	( 1 282)	-	( 646)
Corporate loans	10 477 746	( 117 527)	( 96 621)	( 18 316)	( 60 857)	( 20 906)	( 9 328)	( 14 223)
Santander Bank Polska	7 115 990	( 96 140)	( 81 151)	( 18 316)	( 50 729)	( 14 989)	( 9 280)	( 10 997)
Santander Consumer Bank	145 491	( 954)	( 909)	-	( 44)	( 46)	-	( 38)
Santander Leasing	1 910 635	( 18 485)	( 12 716)	-	( 9 445)	( 5 769)	-	( 3 086)
Santander Factoring	1 305 629	( 1 947)	( 1 845)	-	( 639)	( 102)	( 48)	( 102)

Type of assistance tool	Number of clients with granted assistance tools	Gross carrying amount of granted assistance tools ( in kPLN)
non-legislative moratoria	150 128	18 350 146
legislative moratoria	3 659	319 273
<b>Moratoria</b>	<b>153 787</b>	<b>18 669 419</b>
liquidity BGK	18 551	4 930 584
<b>All assistance tools</b>	<b>172 338</b>	<b>23 600 003</b>

**Expected credit loss calculation ( ECL)**

The IFRS 9 approach is based on estimation of the expected credit loss (ECL). ECL allowances reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at an amount equal to a 12-month ECL or the lifetime ECL, when it is deemed there has been a significant increase in credit risk since initial recognition. Accordingly, the ECL model gives rise to measurement uncertainty, especially in relation to:

- measurement of a 12-month ECL or the lifetime ECL;
- determination of when a significant increase in credit risk occurred;

- determination of any forward-looking events reflected in ECL estimation, and their likelihood.

As a result, ECL allowances are estimated using the adopted model developed using many inputs and statistical techniques. Structure of the models that are used for the purpose of ECL estimation consider models for the following parameters:

- PD - Probability of Default, i.e. the estimate of the likelihood of default over a given time horizon (12-month or lifetime);
- LGD - Loss Given Default, i.e. the part of the exposure amount that would be lost in the event of default;
- EAD - Exposure at Default, i.e. expectation for the amount of exposure in case of default event in a given horizon 12-month or lifetime.

Changes in these estimates and the structure of the models may have a significant impact on ECL allowances.

In accordance with IFRS 9, the recognition of expected credit losses depends on changes in credit risk level which occur after initial recognition of the exposure. The standard defines three main stages for recognising expected credit losses:

- Stage 1 - exposures with no significant increase in credit risk since initial recognition, i.e. the likelihood of the exposure being downgraded to the impaired portfolio (Stage 3 exposures) has not increased. For such exposures, 12-month expected credit losses is recognised.
- Stage 2 - exposures with a significant increase in credit risk since initial recognition, but with no objective evidence of impairment. For such exposures, lifetime expected credit losses is recognised.
- Stage 3: exposures for which the risk of default has materialised (objective evidence of impairment has been identified). For such exposures, lifetime expected credit losses is recognised.

For the purpose of the collective evaluation of ECL, financial assets are grouped on the basis of similar credit risk characteristics that indicate the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the Group's credit risk evaluation or the grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The rating/scoring systems have been internally developed and are continually being enhanced, e.g through external analysis that helps to underpin the aforementioned factors which determine the estimates of impairment charges.

In the individual approach, the ECL charge was determined based on the calculation of the total probability-weighted impairment charges estimated for all the possible recovery scenarios, depending on the recovery strategy currently expected for the customer.

In the scenario analysis, the key strategies / scenarios used were as follows:

- Recovery from the operating cash flows / refinancing / capital support;
- Recovery through the voluntary liquidation of collateral;
- Recovery through debt enforcement;
- Recovery through systemic bankruptcy/recovery proceeding/liquidation bankruptcy;
- Recovery by take-over of the debt / assets / sale of receivables
- Recovery as part of legal restructuring.

In addition, for exposures classified as POCI (purchased or originated credit impaired) - i.e. purchased or arising financial assets that are impaired due to credit risk upon initial recognition - expected losses are recognized over the remaining life horizon. Such an asset is created when impaired assets are initially recognized and the POCI classification is maintained over the life of the asset.

#### **A credit-impaired assets**

Credit-impaired assets are classified as Stage 3 or POCI. A financial asset or a group of financial assets are impaired if, and only if, there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset or asset was recognized as POCI and that impairment event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. It may not be possible to identify a single, event that caused the impairment, rather the combined effect of several events may have caused the impairment. Objective evidence that a financial asset or group of assets was impaired includes observable data:

- significant financial difficulty of the issuer or debtor;

- a breach of contract, e.g. delay in repayment of interest or principal over 90 days in an amount exceeding the materiality threshold (PLN 400 for individual and small and medium-sized enterprises and PLN 2,000 for business and corporate clients) and at the same time relative thresholds (above 1% of the amount past due in relation to the balance sheet amount);
- the Santander Bank Polska S.A. Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Santander Bank Polska S.A. Group would not otherwise consider, which fulfill below criteria:
  - (1) contingent restructuring transactions that meet the criteria for reclassification into basket 3 (quantitative and / or qualitative),
  - (2) contingent restructuring transactions previously classified as non-performing, which have been refinanced or restructured, or are more than 30 days past due to the customer's with observed financial difficulties,
  - (3) restructured transactions, where contractual clauses have been applied that defer payments through a grace period for repayment of the principal for a period longer than two years,
  - (4) restructured transactions including debt write-off, interest grace periods or repaid in installments without contractual interest,
  - (5) restructured transactions, where there was a change in the net present value of cash flows (NPV) of at least 1% compared to the NPV before the application of the forbearance measures,
  - (6) transactions where:
    - inadequate repayment schedules (initial or later, if used) were applied, which are related to, inter alia, repeated situations of non-compliance with the schedule, changes in the repayment schedule in order to avoid situations of non-compliance with it, or
    - a repayment schedule that is based on expectations, unsupported by macroeconomic forecasts or credible assumptions about the borrower's ability or willingness to repay was applied.
  - (7) transactions for which the Group has reasonable doubts as to the probability of payment by the customer.
- it becoming probable that the debtor will enter bankruptcy, recovery proceedings, arrangement or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- exposures subject to the statutory moratorium, the so-called Shield 4.0 (Act of 19 June 2020 on interest subsidies for bank loans granted to entrepreneurs affected by COVID-19) - application of a moratorium on the basis of a declaration of loss of source of income.

Impaired exposures (Stage 3) can be reclassified to Stage 2 or Stage 1 if the reasons for their classification to Stage 3 have ceased to apply (particularly if the borrower's economic and financial standing has improved) and a probation period has been completed (i.e. a period of good payment behaviour meaning the lack of arrears above 30 days), subject to the following:

- In the case of individual customers, the probation period is 180 days.
- In the case of SME customers, the probation period is 180 days, and assessment of the customer's financial standing and repayment capacity is required in some cases. However, the exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, client's death, discontinuation of business, bankruptcy, or pending restructuring/ liquidation proceedings.
- In the case of business and corporate customers, the probation period is 92 days, and positive assessment of the financial standing is required (the Group assesses all remaining payments as likely to be repaid as scheduled in the agreement). The exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, discontinuation of business, or pending restructuring/ insolvency/ liquidation proceedings.
- Additionally, if the customer is in Stage 3 and subject to the forbearance process, they may be reclassified to Stage 2 not earlier than after 365 days (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) of regular payments, repayment by the client of the amount previously overdue / written off (if any) and after

finding that there are no concerns as to the further repayment of the entire debt in accordance with the agreed terms of restructuring.

From January 2021, the Group has adopted the rules of credit risk classification to the new regulations: (a) the Guidelines of the European Banking Authority (EBA / GL / 2016/07) on the application of the definition of default, and (b) the regulation of the Minister of Finance, on materiality thresholds for overdue credit obligations.

#### **A significant increases in credit risk (SICR)**

One of the key elements of IFRS 9 is the identification of a significant increase in credit risk which determines the classification to Stage 2. The Group has developed detailed criteria for the definition of a significant increase in the level of risk based on the following main assumptions:

- Qualitative assumptions:
  - Implementing dedicated monitoring strategies for the customer following the identification of early warning signals that indicate a significant increase in credit risk
  - Restructuring actions connected with making concessions to the customers as a result of their difficult financial standing
  - Delay in payment as defined by the applicable standard, i.e. 30 days past due combined with the materiality threshold
- Quantitative assumptions:
  - A risk buffer method based on the comparison of curves illustrating the probability of default over the currently remaining lifetime of the exposure based on the risk level assessment at exposure recognition and at reporting date. Risk buffer is set in relative terms for every single exposure based on its risk assessment resulting from internal models and other parameters of exposure impacting assessment of the Group whether the increase might have significantly increased since initial recognition of the exposure (such parameters considered types of the products, term structure as well as profitability). Risk buffer methodology was prepared internally and is based on the information gathered in course of the decisioning process as well as in process of transactions structuring.
  - Fact of being covered by aid measures related to COVID-19 (excluding exposures subject to statutory moratoria (Shield 4.0)) does not automatically result in classification into Stage 2 or Stage 3. Additional client`s risk is monitored on an ongoing basis. In order to manage credit risk following COVID-19 pandemic, management reports and early warning systems have been expanded, the most vulnerable populations are reviewed in detail
  - In case of persistent financial difficulties, being an indicator for significant increase in credit risk, an exposure is recognized in Stage 2 (it is a separate premise or the existing quantitative and qualitative criteria are used).
  - In defining persistent difficulties, the Group compares the risk level before the pandemic with the current one, taking into account the backlog and additional aid granted.
  - In order to be consistent with the regulatory interpretations of the classification approach for the COVID-19 period, in March 2021 the classification rules for SME sector companies were extended for clients using capital and interest grace to include the following conditions:
    - if there were no persistent difficulties and the client / exposures are classified in Stage 1, then all client exposures are reclassified into Stage 2.
    - if there were permanent difficulties and the client used a capital and interest grace period, then all client exposures are reclassified to Stage 3.
  - Exposure in Stage 2 may be re-classified into Stage 1 without probation period as soon as significant increase in credit risk indicators after its initial recognition end e.g. when the following conditions are met: client`s current situation does not require constant monitoring, no restructuring actions towards exposure are taken, exposure has no payment delay over 30 days for significant amounts, no suspension of the contact due to Shield 4.0, no persistent difficulties and according to risk buffer method no risk increase occurs.
  - Moratoria are classified into Stage 2 according to the rules outlined above. In particular for expired moratoria, the Group continues to use the definition of persistent difficulties, also subsequent aid measures classified as restructuring are a trigger for classification into Stage 2.
  - Additionally, the long-term impact of the COVID-19 pandemic in terms of provisions calculated using the individual approach, due to the specifics of this calculation, is reflected in the individual analysis by means of additional adjustments to the original (pre COVID) assumptions. Adjustments to the assumptions include: the probabilities of the

cure scenario realization, the probabilities of the realization of operational cash flows as well as the expected recovery from the sale of tangible collateral.

Santander Bank Polska Group S.A. does not identify low credit risk exposures under IFRS 9 standard rules, which allows to recognize 12-month expected loss even in cease of significant increase of credit risk since initial recognition.

### **ECL measurement**

Another key feature introduced by IFRS 9 is the approach to the estimation of risk parameters. For the purpose of estimating allowances for expected losses, Santander Bank Polska S.A. Group uses its own estimates of risk parameters that are based on internal models. Expected credit losses are equal to the estimated PD parameter multiplied by the estimated LGD and EAD parameters. The final value of expected credit losses is the sum of expected losses from all periods (depending on the stage, either in 12 months or in the entire lifetime) discounted using the effective interest rate. The estimated parameters are adjusted for macroeconomic scenarios in accordance with the assumptions of IFRS 9. To this end, the Group determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters. The Group uses internally developed scenarios, which are updated at least every six months. The models and parameters generated for the needs of IFRS 9 are subject to model management process and periodic calibration and validation.

### **Determination of forward-looking events and their likelihood**

Forward-looking events are reflected both in the process of estimating ECL and when determining a significant increase in credit risk, by developing appropriate macroeconomic scenarios and then reflecting them in the estimation of parameters for each scenario. The final parameter value and the ECL is the weighted average of the parameters weighted by the likelihood of each scenario. Group uses three scenario types: the baseline scenario and two alternative scenarios, which reflect the probable alternative options of the baseline scenario: upside and downside scenario.

### **Management provision covering risk resulting from COVID-19 pandemic**

At the end of June 2021, in connection with the cyclical semi-annual review of risk parameters for expected credit losses calculation, the models and macroeconomic scenarios were updated, taking into account the current forecasts of the future economic situation in accordance with the requirements of IFRS 9.

The Group analyzed risks associated with COVID-19 and, based on observations from recent periods as well as expectations regarding the future behaviour of the portfolio and the impact of COVID-19, adequately included these factors in the estimated parameters of credit losses. Therefore partial release of additional allowance for expected credit losses in the form of post-model adjustments to the values resulting from the models was possible. The allowance decreased by PLN 88 600k and amounts to PLN 32 814k at the end of June 2021.

At the same time, the Group continues to closely monitor the economic situation and the behavior of credit portfolios in connection with the COVID-19 events.

### **Macroeconomic scenarios**

In 2020 the Polish economy shrank by 2.7% due to COVID-19 pandemic and economic lockdowns. The biggest toll on the economy was taken in 2Q20, due to lockdowns with the first one in the spring 2020, the second one in autumn 2020 and the third one in spring 2021. Though initially slow, a major acceleration was seen in 2Q21, supporting hopes that 2H21 will allow for a major economic rebound as no more lockdowns will be necessary.

### **Baseline scenario**

In the baseline scenario, in 2021 the economy is expected to grow by 4.7%, mostly thanks to a strong rebound in 2H21. In the following quarters, the economic growth will be supported by new EU funds, with 5.2% and 3.7% growth rates envisaged for 2022 and 2023. Strong domestic demand along with weaker PLN and higher commodity prices will be supportive for CPI inflation, which is expected to average 3.5% in 2021 and 2022.

The government responded to the crisis with a fiscal stimulus, aimed at supporting companies and encouraging them not to cut jobs. Third wave of the coronavirus triggered a need to prolong the programme into 2021. Due to these actions, the general government deficit jumped to 7.0% of GDP in 2021 and is expected to be only slightly lower in 2022. In 2020 the NBP cut the reference rate by 140bp to 0.1%, introduced liquidity tools for the banking sector and launched a bond-purchasing programme. Economic rebound as well as relatively high inflation will encourage the NBP to start slowly hiking rates at the turn of 2021 and 2022, bringing the NBP reference rates up to 2.0% in early 2026.

### **Downside**



The downside scenario was built under an assumption that COVID-19 vaccination rollout is not strong enough to secure herd immunity, causing lingering restrictions throughout 2021. This will discourage inflow of new workers, undermining the potential growth rate.

In 2021 the economy is expected to rise by 3.7% and then to slow down to 2.9% in 2022 and 2.0% in 2023 before reaccelerating again in the following years. The lower demand is expected to slightly undermine the prices growth, especially the services' and globally-trade commodities' prices. CPI inflation is expected to average 3.4% in 2021 and 3.1% in 2022.

The NBP will keep interest rates unchanged throughout the forecast horizon (i.e. until 2026). This will anchor the interbank rates at low levels.

### Upside

The upside scenario was built under an assumption that the vaccination rollout is strong and no new coronavirus waves or lockdowns appears. The economic optimism returns fast, utilisation of new EU funds is effective and inflow of workers from abroad remain robust.

In 2021 the economy is expected to grow by 6.1% and then to accelerate even to 7.2% in 2022 before slowing down in the following years, but remaining strong. Strong growth will fuel the already elevated inflation, averaging 4.0% in 2021 and 4.1% in 2022.

Economic rebound as well as relatively high inflation will encourage the NBP to start slowly hiking rates at the turn of 2021 and 2022, bringing the NBP reference rates up to 2.0% in early 2026. The assumed rate path is the same as in the baseline scenario.

### Potential ECL variability

Significant volatility for the income statement may be reclassifications to Stage 2 from Stage 1.

The theoretical reclassification of given percentage of exposures from Stage 1 with the highest risk level to Stage 2 for each type of exposure would result in an increase in write-offs according to below table (portfolio as at 30 June 2021).

reclassification from Stage 1 to Stage 2	additional expected loss ( in mPLN)	
	31.12.2020	30.06.2021
1%	34.3	45.9
5%	166.2	231.2
10%	305.5	418.1

The above estimates show expected variability of loss allowances as a result of transfers between Stage 1 and Stage 2, resulting in material changes in the degree to which exposures are covered with allowances in respect of different ECL horizons.

Changes in forecasts of macroeconomic indicators may result in significant effects affecting the level of created provisions. Adoption of macroeconomic parameter estimates at only one scenario level (pessimistic or optimistic) will result in a one-off change in ECL at the level below.

scenario	in PLN m	change in ECL level
	31.12.2020	30.06.2021
pessimistic	43.5	47.7
optimistic	-42.3	-32.5

Data as at 31.12.2020 only for Santander Bank Polska S.A

### Estimates for legal claims

Santander Bank Polska S.A. Group raises provisions for legal claims on the basis of likelihood of unfavourable verdict and recognises them in accordance with IAS 37.

The provisions have been estimated considering the likelihood of payment.

As at 30 June 2021, Santander Bank Polska S.A. Group increased provisions for legal claims in connection with the inflow of new court cases and a change in the estimated probabilities of negative conclusions for the Group.

Details on the value of the provisions and the assumptions made for their calculation are provided in Notes 29 and 32.

## Estimated collective provisions for risk arising from mortgage loans in foreign currencies

In connection with the CJEU's ruling described in Note 32, there is an increased risk that clauses in agreements from the portfolio of mortgage loans denominated in or indexed to foreign currencies may be effectively challenged by customers. The Management Board considered the risk that the scheduled cash flows may not be fully recoverable and/or a liability may arise resulting in a future cash outflow. The Group decided to maintain additional collective provision for legal risk, in addition to provisions for individual court cases.

The collective provision, in particular the provision for mortgage loans denominated in or indexed to foreign currencies, has been estimated on the basis of a specific time horizon, the likelihood of a number of events, such as finding contractual clauses abusive or losing a court case, and different scenarios for possible judgments.

The Group, based on observed data, has increased portfolio provision for mortgage loans in foreign currencies as at 30 June 2021, and will carry on with monitoring of the risk in subsequent reporting periods. Change in estimates reflects current sentencing guidelines. As at 30 June 2021 collective provision amounts to PLN 470 061k.

Details on the value of the provisions and the assumptions made for their calculation are provided in Notes 29 and 32.

## Estimates regarding reimbursement of fees related to early repaid consumer loans

Santander Bank Polska S.A. Group analyses level of partial reimbursement of fees on consumer loans repaid ahead of their contractual maturity on the ongoing basis. In the second quarter of 2021, the Group did not identify the need to update the estimated value of possible commission returns for the consumer loan portfolio due to early repayment.

Changes in value of the provisions related to early repaid consumer loans are described in Note 32.

## 2.6 Judgements that affect the amounts recognised in financial statements

In the process of applying the accounting policies, the management of Santander Bank Polska S.A. Group makes various subjective judgements, apart from those involving estimates, that can significantly affect the amounts it recognises in the financial statements. Santander Bank Polska S.A. Group did not make any new judgements, except of those described in point 2.5.

## 2.7 Changes to accounting principles

Santander Bank Polska S.A. Group applied the accounting policies consistently both to the reporting period and to the comparable period.

Consolidation adjustments within consolidation process are used in order to eliminate differences in applied accounting rules between Santander Bank Polska S.A. and other companies within the Group.

### 3. Operating segments reporting

Presentation of information about business segments in Santander Bank Polska Group bases on management information model which is used for preparing of reports for the Management Board, which are used to assess performance of results and allocate resources. Operational activity of Santander Bank Polska Group has been divided into five segments: Retail Banking, Business & Corporate Banking, Corporate & Investment Banking, ALM (Assets and Liabilities Management) and Centre, and Santander Consumer. They were identified based on customers and product types.

Profit before tax is a key measure which Management Board of the Bank uses to assess performance of business segments activity.

Income and costs assigned to a given segment are generated on sale and service of products or services in the segment, according to description presented below. Such income and costs are recognized in the profit and loss account for Santander Bank Polska Group and may be assigned to a given segment either directly or based on reasonable assumptions.

Interest and similar income split by business segments is assessed by Management Board of the Bank on the net basis including costs of internal transfer funds and without split by interests income and costs.

Settlements among business segments relate to rewarding for delivered services and include:

- sale and/or service of customers assigned to a given segment, via sale/service channels operated by another segment;
- sharing of income and costs on transactions in cases where a transaction is processed for a customer assigned to a different segment;
- sharing of income and cost of delivery of common projects.

Income and cost allocations are regulated by agreements between segments, which are based on single rates for specific services or breakdown of total income and/or cost.

Assets and liabilities of a given segment are used for the operational activity and may be assigned to the segment directly or on a reasonable basis.

Santander Bank Polska Group focuses its operating activity on the domestic market.

In 2021 introduced the following changes:

- customer resegmentation between business segments; Once a year, Santander Bank Polska Group carries out the resegmentation / migration of customers between operating segments which results from the fact that customer meets the criteria of assignment for different operating segment than before. This change is intended to provide services at the highest level of quality and tailored to individual needs or the scale of customer operations.
- Transfer of Investments in associates of Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A. from Segment ALM and Centre to Segment Retail Banking as an effect of presentation change in reporting to the chief operating decision maker in Santander Bank Polska S.A. Group
- Transfer of Share in net profits of entities accounted for by the equity method of Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A. from Segment ALM and Centre to Segment Retail Banking as an effect of presentation change in reporting to the chief operating decision maker in Santander Bank Polska S.A. Group

Comparable data are adjusted accordingly.

In the part regarding Santander Bank Polska, the provisions for legal risk connected with the portfolio of FX mortgage loans and the provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the provisions for legal risk connected with the portfolio of FX mortgage loans and the provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in the Santander Consumer segment. More details regarding the above provisions are described in Note 32.

Additional write-off for expected credit losses in the form of so-called adjustments to values resulting from post model adjustments in the amount of PLN 151 262 thousand (Stage 2) was estimated and presented in the results of particular business segments in comparable data for 30 June 2020 while release of described provision in the amount of PLN 88 600 thousand was presented in data for 30 June 2021. The adjustment was also described in notes 2.5 and 11 of these Financial Statements.

The principles of income and cost identification, as well as assets and liabilities for segmental reporting purposes are consistent with the accounting policy applied in Santander Bank Polska Group.

## Retail Banking

Retail Banking generates income from the sale of products and services to personal customers and small companies. In the offer for customers of this segment there are a wide range of savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, brokerage house services, GSM phones top-ups, foreign payments and Western Union and private-banking services. For small companies, the segment provides, among others, lending and deposit taking services, cash management services, leasing, factoring, letters of credit and guarantees. Furthermore, the Retail Banking segment generates income through offering asset management services within investment funds and private portfolios.

## Business & Corporate Banking

Business & Corporate Banking segment covers products and activities targeted at business entities, local governments and the public sector, including medium companies. In addition to banking services covering lending and deposit activities, the segment provides services in the areas of cash management, leasing, factoring, trade financing and guarantees. It also covers insourcing services provided to retail customers based on mutual agreements with other banks and financial institutions.

## Corporate & Investment Banking

In the Corporate & Investment Banking segment, Santander Bank Polska Group derives income from the sale of products and services to the largest international and local corporations, including:

- transactional banking with such products as cash management, deposits, leasing, factoring, letters of credit, guarantees, bilateral lending and trade finance;
- lending, including project finance, syndicated facilities and bond issues;
- FX and interest rate risk management products provided to all the Bank's customers (segment allocates revenues from this activity to other segments, the allocation level may be subject to changes in consecutive years);
- underwriting and financing of securities issues, financial advice and brokerage services for financial institutions.

Through its presence in the interbank market, segment also generates revenues from interest rate and FX risk positioning activity.

## ALM and Centre

The segment covers central operations such as financing of other Group's segments, including liquidity, interest rate risk and FX risk management. It also includes managing the Bank's strategic investments and transactions generating income and/or costs that cannot be directly or reasonably assigned to a given segment.

## Santander Consumer

This segment includes activities of the Santander Consumer Group. Activities of this segment focus on selling products and services addressed to both individual and business customers. This segment focuses mainly on loans products, i.e. car loans, credit cards, cash loans, installment loans and lease products. In addition, Santander Consumer segment includes term deposits and insurance products (mainly related to loans products).

## Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>1.01.2021-30.06.2021</b>						
<b>Net interest income</b>	<b>1 446 785</b>	<b>374 359</b>	<b>128 794</b>	<b>267 440</b>	<b>570 668</b>	<b>2 788 046</b>
incl. internal transactions	( 1 765)	( 1 754)	3 634	5 139	( 5 254)	-
<b>Net fee and commission income</b>	<b>703 562</b>	<b>257 974</b>	<b>193 122</b>	<b>( 11 737)</b>	<b>68 433</b>	<b>1 211 354</b>
incl. internal transactions	82 916	56 039	( 136 482)	( 929)	( 1 544)	-
<b>Other income</b>	<b>29 579</b>	<b>27 689</b>	<b>79 285</b>	<b>110 895</b>	<b>43 786</b>	<b>291 234</b>
incl. internal transactions	( 645)	25 716	( 24 894)	105	( 282)	-
<b>Dividend income</b>	-	-	<b>615</b>	<b>102 202</b>	<b>7</b>	<b>102 824</b>
<b>Operating costs</b>	<b>(1 532 461)</b>	<b>( 203 075)</b>	<b>( 137 190)</b>	<b>( 158 831)</b>	<b>( 389 652)</b>	<b>(2 421 209)</b>
incl. internal transactions	-	-	-	1 218	( 1 218)	-
<b>Depreciation/amortisation</b>	<b>( 173 393)</b>	<b>( 32 263)</b>	<b>( 11 661)</b>	<b>( 47 020)</b>	<b>( 27 348)</b>	<b>( 291 685)</b>
<b>Impairment losses on loans and advances</b>	<b>( 322 393)</b>	<b>( 75 977)</b>	<b>( 112 049)</b>	<b>( 849)</b>	<b>( 115 658)</b>	<b>( 626 926)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>39 158</b>	-	-	<b>118</b>	-	<b>39 276</b>
<b>Tax on financial institutions</b>	-	-	-	<b>( 284 879)</b>	<b>( 15 625)</b>	<b>( 300 504)</b>
<b>Profit before tax</b>	<b>190 837</b>	<b>348 707</b>	<b>140 916</b>	<b>( 22 661)</b>	<b>134 611</b>	<b>792 410</b>
Corporate income tax						<b>( 354 030)</b>
<b>Consolidated profit for the period</b>						<b>438 380</b>
of which:						
attributable to owners of Santander Bank Polska SA						<b>374 297</b>
attributable to non-controlling						<b>64 083</b>

\* Includes individual customers, small companies and Wealth Management (private banking and Santander TFI SA)

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>1.04.2021-30.06.2021</b>						
<b>Net interest income</b>	<b>727 987</b>	<b>186 337</b>	<b>63 753</b>	<b>149 375</b>	<b>283 636</b>	<b>1 411 088</b>
incl. internal transactions	( 925)	( 902)	1 883	2 165	( 2 221)	-
<b>Net fee and commission income</b>	<b>360 066</b>	<b>130 187</b>	<b>90 046</b>	<b>( 11 605)</b>	<b>31 386</b>	<b>600 080</b>
incl. internal transactions	44 429	29 319	( 72 381)	( 488)	( 879)	-
<b>Other income</b>	<b>2 961</b>	<b>13 470</b>	<b>28 970</b>	<b>85 062</b>	<b>25 132</b>	<b>155 595</b>
incl. internal transactions	( 1 304)	12 386	( 11 001)	38	( 119)	-
<b>Dividend income</b>	-	-	<b>610</b>	<b>101 359</b>	<b>3</b>	<b>101 972</b>
<b>Operating costs</b>	<b>( 879 290)</b>	<b>( 101 082)</b>	<b>( 68 311)</b>	<b>( 43 644)</b>	<b>( 210 200)</b>	<b>(1 302 527)</b>
incl. internal transactions	-	-	-	1 030	( 1 030)	-
<b>Depreciation/amortisation</b>	<b>( 86 141)</b>	<b>( 16 202)</b>	<b>( 5 820)</b>	<b>( 22 329)</b>	<b>( 13 266)</b>	<b>( 143 758)</b>
<b>Impairment losses on loans and advances</b>	<b>( 154 777)</b>	<b>( 56 614)</b>	<b>9 155</b>	<b>( 882)</b>	<b>( 60 729)</b>	<b>( 263 847)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>19 559</b>	-	-	<b>266</b>	-	<b>19 825</b>
<b>Tax on financial institutions</b>	-	-	-	<b>( 140 162)</b>	<b>( 7 382)</b>	<b>( 147 544)</b>
<b>Profit before tax</b>	<b>( 9 635)</b>	<b>156 096</b>	<b>118 403</b>	<b>117 440</b>	<b>48 580</b>	<b>430 884</b>
Corporate income tax						<b>( 185 362)</b>
<b>Consolidated profit for the period</b>						<b>245 522</b>
of which:						
attributable to owners of Santander Bank Polska SA						<b>222 544</b>
attributable to non-controlling						<b>22 978</b>

\* Includes individual customers, small companies and Wealth Management (private banking and Santander TFI SA)

## Consolidated statement of financial position by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>30.06.2021</b>						
Loans and advances to customers	80 950 451	32 737 398	13 316 243	-	14 985 874	141 989 966
Investments in associates	871 313	-	-	45 830	-	917 143
Other assets	5 150 506	873 655	3 838 430	74 299 529	4 309 312	88 471 432
<b>Total assets</b>	<b>86 972 270</b>	<b>33 611 053</b>	<b>17 154 673</b>	<b>74 345 359</b>	<b>19 295 186</b>	<b>231 378 541</b>
Deposits from customers	117 719 059	35 662 074	8 635 830	2 507 202	8 655 983	173 180 148
Other liabilities	956 763	517 103	2 604 620	18 363 434	6 824 079	29 265 999
Equity	5 697 442	3 010 088	1 747 323	14 662 417	3 815 124	28 932 394
<b>Total equity and liabilities</b>	<b>124 373 264</b>	<b>39 189 265</b>	<b>12 987 773</b>	<b>35 533 053</b>	<b>19 295 186</b>	<b>231 378 541</b>

\* includes individual customers, small companies and Wealth Management (private banking and Santander TFI SA)

## Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>1.01.2020-30.06.2020</b>						
<b>Net interest income</b>	1 570 573	420 814	150 821	244 643	707 897	3 094 748
incl. internal transactions	( 865)	( 1 431)	2 445	4 314	( 4 463)	-
<b>Net fee and commission income</b>	621 133	213 422	140 787	( 13 226)	67 959	1 030 075
incl. internal transactions	78 228	44 411	( 121 457)	375	( 1 557)	-
<b>Other income</b>	15 217	18 136	67 782	66 113	17 749	184 997
incl. internal transactions	1 985	23 635	( 24 981)	( 948)	309	-
<b>Dividend income</b>	-	-	30	20 627	14	20 671
<b>Operating costs</b>	( 985 248)	( 207 163)	( 114 370)	( 260 562)	( 362 754)	(1 930 097)
incl. internal transactions	-	-	-	512	( 512)	-
<b>Depreciation/amortisation</b>	( 170 128)	( 27 145)	( 11 061)	( 57 061)	( 33 617)	( 299 012)
<b>Impairment losses on loans and advances</b>	( 598 227)	( 110 076)	( 61 870)	( 10 380)	( 166 666)	( 947 219)
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	36 461	-	-	378	-	36 839
<b>Tax on financial institutions</b>	-	-	-	( 277 661)	( 23 467)	( 301 128)
<b>Profit before tax</b>	489 781	307 988	172 119	( 287 129)	207 115	889 874
Corporate income tax						( 309 856)
<b>Consolidated profit for the period</b>						<b>580 018</b>
of which:						
attributable to owners of Santander Bank Polska SA						475 787
attributable to non-controlling						104 231

\* includes individual customers, small companies and Wealth Management (private banking and Santander TFI SA)

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>1.04.2020-30.06.2020</b>						
<b>Net interest income</b>	751 135	224 234	77 986	55 051	350 029	<b>1 458 435</b>
incl. internal transactions	( 469)	( 675)	1 280	3 061	( 3 197)	-
<b>Net fee and commission income</b>	296 711	106 875	64 343	( 6 791)	30 693	<b>491 831</b>
incl. internal transactions	35 391	23 626	( 58 833)	674	( 858)	-
<b>Other income</b>	3 410	3 372	47 733	53 255	3 622	<b>111 392</b>
incl. internal transactions	484	9 892	( 10 027)	516	( 865)	-
<b>Dividend income</b>	-	-	30	20 285	7	<b>20 322</b>
<b>Operating costs</b>	( 476 354)	( 92 878)	( 47 952)	( 40 147)	( 159 741)	<b>( 817 072)</b>
incl. internal transactions	-	-	-	178	( 178)	-
<b>Depreciation/amortisation</b>	( 84 531)	( 13 452)	( 5 633)	( 27 086)	( 16 008)	<b>( 146 710)</b>
<b>Impairment losses on loans and advances</b>	( 293 768)	( 66 763)	( 6 478)	( 2 189)	( 111 721)	<b>( 480 919)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	19 456	-	-	684	-	<b>20 140</b>
<b>Tax on financial institutions</b>	-	-	-	( 141 184)	( 11 315)	<b>( 152 499)</b>
<b>Profit before tax</b>	216 059	161 388	130 029	( 88 122)	85 566	<b>504 920</b>
Corporate income tax						<b>( 157 779)</b>
<b>Consolidated profit for the period</b>						<b>347 141</b>
of which:						
attributable to owners of Santander Bank Polska SA						<b>304 853</b>
attributable to non-controlling						<b>42 288</b>

\* includes individual customers, small companies and Wealth Management (private banking and Santander TFI SA)

## Consolidated statement of financial position by business segments

	Segment Retail Banking*	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>31.12.2020</b>						
Loans and advances to customers	79 943 150	32 662 656	13 486 099	-	15 906 840	<b>141 998 745</b>
Investments in associates	952 686	-	-	45 711	-	<b>998 397</b>
Other assets	5 836 621	1 052 307	3 467 155	71 482 558	4 475 526	<b>86 314 167</b>
<b>Total assets</b>	<b>86 732 457</b>	<b>33 714 963</b>	<b>16 953 254</b>	<b>71 528 269</b>	<b>20 382 366</b>	<b>229 311 309</b>
Deposits from customers	114 564 280	36 877 378	6 776 275	3 771 434	9 532 888	<b>171 522 255</b>
Other liabilities	632 986	606 003	3 926 625	16 889 133	7 076 317	<b>29 131 064</b>
Equity	5 845 825	3 333 447	1 992 303	13 713 254	3 773 161	<b>28 657 990</b>
<b>Total equity and liabilities</b>	<b>121 043 091</b>	<b>40 816 828</b>	<b>12 695 203</b>	<b>34 373 821</b>	<b>20 382 366</b>	<b>229 311 309</b>

\* includes individual customers, small companies and Wealth Management (private banking and Santander TFI SA)

## 4. Risk management

In the first half of 2021, Santander Bank Polska Group managed its risks in accordance with the principles laid down in the consolidated financial statements for 2020.

In H1 2021, the Group continued focus on tackling the threats posed by the COVID-19 pandemic.

In the context of the pandemic, the operational risk related to unavailability of human resources (Group and third party service providers) and buildings (both branches and headquarters) continued to be one of the key risks for the Group. If the above generic risks materialised, the continuity of the Group's critical processes could be disrupted, which might cause an increase in other bank risks, including credit risk, liquidity risk, market risk, reputational risk and regulatory risk.

During the pandemic, the importance of cyber security has also increased significantly due to mass telecommuting (covering almost all processes) and the dynamically growing use of remote channels by customers in sales and after-sales processes. The Group kept track of risks, taking mitigating measures on an ongoing basis in relation to both customers and employees. Security warnings were being released in response to cybercriminals' attempts to exploit the outbreak. The areas exposed to the risk of fraud were covered with increased surveillance.

Moreover, preventive measures were arranged, including campaigns addressed to customers and employees (e.g. educational campaigns in social media) to increase their awareness of cyber risks and build cybersecurity culture.

An increased focus was placed on risk trends in credit portfolios amid the pandemic and the lockdown of many economic activities. Dedicated management reports continued to be prepared, alongside the portfolio reviews with a particular focus on the impact of Covid-19.

In H1 2021, the Group took further measures as part of the government support programmes for customers in financial distress due to the Covid-19 pandemic (aid granted by the Polish Development Fund (PFR), guarantees issued by BGK, etc.). At the same time, it contributed to and adopted the second moratorium developed by the banking sector under the auspices of the Polish Bank Association, which laid down uniform rules for offering tools to aid those customers.

At the end of Q2 2021, the so-called post-model adjustment decreased by PLN 88,600 k. And as of June 30, 2021 it is PLN 32 814 k. The decision was based on the results of the half-yearly review of risk parameters used for calculation of expected credit losses, which included an update of the models and macroeconomic scenarios and a revision of the economic outlook in accordance with IFRS 9. Santander Bank Polska Group continues to closely monitor the economic developments and trends in credit portfolios resulting from the Covid-19 situation.

During the reporting period, the Group also focused on implementation of credit practices consistent with EBA Guidelines on loan origination and monitoring EBA/GL/2020/06. These guidelines set out standards for credit risk taking, management and monitoring, and require that institutions apply appropriate practices in relation to consumer protection and prevention of money laundering.

Alongside this, the bank implemented changes to credit processes to make sure they comply with KNF Recommendation S on best practice in the management of mortgage-backed credit exposures. While the recommendation covers only mortgage-backed loans, changes also indirectly affected credit processes related to unsecured loans. The operational and management reports were adjusted to include the elements introduced by the recommendation.

In view of the uncertainty around the further development of the pandemic, the bank continues to closely monitor the liquidity situation. The monitoring has not identified any additional liquidity threats connected with Covid-19. The bank's liquidity position is at a safe level, with the LCR comfortably above regulatory minimums. As at 30 June 2021, the consolidated LCR was 224% vs 207% as at 31 December 2020. The LCR increased in H1 2021 mainly on the back of growth of stable retail deposits. The funds obtained in this way were mainly invested in liquid assets, which strengthened the bank's secure liquidity position. In addition, due to the entry into force of Regulation (EU) No 2019/876 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the net stable funding ratio (NSFR), the bank is no longer required to calculate the local regulatory liquidity measures in relation to M3 and M4. Nonetheless, the bank calculated these measures as at 30 June 2021 and they totalled as follows: 4.51 for M3 and 1.43 for M4.

### Interest Rate Benchmark reform

In H1 2021, Santander Bank Polska Group continued work as part of the IBOR Programme to prepare the organisation for the transition to new benchmarks once the ICE Benchmark Administration Limited (IBA) ceases publication of LIBOR settings after 31 December 2021. In the reporting period, focus was placed on:

- adaptation of IT systems to the new benchmarks;



- review of transactions/ agreements concluded before the entry into force of the Benchmarks Regulation (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds).

As part of the review of agreements concluded before the entry into force of the Benchmarks Regulation, the bank particularly focused on provisions relating to the indices used and interest calculation formulas, as well as on provisions applicable in the case of a material change or unavailability of interest rate benchmarks. In the first place, the review covered large corporate transactions. In June, a campaign was started to sign annexes to EUR mortgage agreements originated before 1 January 2018.

Due to the continued legal uncertainty as to the possibility of implementing a benchmark to replace CHF LIBOR in agreements, the Group put on hold corresponding measures relating to CHF loan agreements. The Group expects that a decision on how the CHF LIBOR will be replaced will be taken towards the end of Q3, following receipt of the necessary legal opinions, which will allow it to propose changes to customer agreements in Q4 2021.

Work is underway to develop and implement alternative benchmarks in existing contracts in accordance with the requirements arising from the Benchmarks Regulation (BMR). Proposed substitutes for LIBOR, which is to be discontinued on 31 December 2021, are still being discussed. In particular, in accordance with market expectations, the European Commission should define how LIBOR CHF is to be replaced by an alternative benchmark or benchmarks. The above work may have a significant impact on the assessment of risk of changes to the effectiveness of hedging relationships established by the Group. It will be possible to present in detail reliable estimates of a potential impact of changes in hedging relationships after the European Commission publishes relevant information in this respect.

## 5. Capital management

Details on capital management have been presented in document „Information on Capital Adequacy of Santander Bank Polska Group as at 30<sup>th</sup> June 2021“.

As at 30 June 2021, the total capital ratio (TCR) and the Tier 1 capital ratio of Santander Bank Polska Group were 21.16% and 19.14%, respectively. Compared to Q1 2021, both TCR and Tier 1 capital ratio increased by 27 bps. As at 30 June 2021, the capital adequacy of the bank and the Group was assessed in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 May 2013 (CRR) as amended by Regulation (EU) 2019/876 of May 20, 2019 (CRR 2) as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

The level of own funds was additionally affected by the provisions of Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures.

Changes in the regulations concerning the calculation of capital requirements in respect of counterparty credit risk and own funds in relation to the minimum loss coverage for non-performing exposures resulted in the reduction of TCR by 4 bps in total.

## 6. Net interest income

	1.04.2021- 30.06.2021	1.01.2021- 30.06.2021	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020
<b>Interest income and similar to interest</b>				
<b>Interest income on financial assets measured at amortised cost</b>	<b>1 283 969</b>	<b>2 550 145</b>	<b>1 525 476</b>	<b>3 332 266</b>
Loans and advances to enterprises and leasing agreements	434 321	859 989	507 159	1 113 309
Loans and advances to individuals, of which:*	849 119	1 687 902	992 642	2 131 648
<i>Home mortgage loans</i>	279 689	552 573	359 484	783 393
Loans and advances to banks	( 877)	( 1 004)	2 304	12 193
Loans and advances to public sector	1 294	2 815	2 330	5 133
Reverse repo transactions	112	443	3 725	15 334
Interest recorded on hedging IRS	-	-	17 316	54 649
<b>Interest income on financial assets measured at fair value through other comprehensive income</b>	<b>216 694</b>	<b>429 996</b>	<b>209 592</b>	<b>416 185</b>
Loans and advances to enterprises	12 832	24 149	9 826	20 424
Debt securities	203 862	405 847	199 766	395 761
<b>Income similar to interest - financial assets measured at fair value through profit or loss</b>	<b>4 043</b>	<b>7 437</b>	<b>13 308</b>	<b>40 644</b>
Loans and advances to enterprises	207	414	396	904
Loans and advances to individuals	3 330	6 906	7 954	30 831
Debt securities	506	117	4 958	8 909
<b>Total income</b>	<b>1 504 706</b>	<b>2 987 578</b>	<b>1 748 376</b>	<b>3 789 095</b>
	1.04.2021- 30.06.2021	1.01.2021- 30.06.2021	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020
<b>Interest expenses</b>				
Liabilities to individuals	( 25 116)	( 58 786)	( 148 891)	( 330 104)
Liabilities to enterprises	( 9 756)	( 22 365)	( 63 211)	( 170 807)
Repo transactions	847	1 461	( 1 369)	( 8 198)
Liabilities to public sector	( 127)	( 908)	( 5 661)	( 17 559)
Liabilities to banks	( 5 883)	( 12 244)	( 15 662)	( 39 236)
Lease liabilities	( 3 747)	( 7 937)	( 5 023)	( 10 291)
Subordinated liabilities and issue of securities	( 37 835)	( 74 997)	( 50 124)	( 118 152)
Interest recorded on hedging IRS	( 12 001)	( 23 756)	-	-
<b>Total costs</b>	<b>( 93 618)</b>	<b>( 199 532)</b>	<b>( 289 941)</b>	<b>( 694 347)</b>
<b>Net interest income</b>	<b>1 411 088</b>	<b>2 788 046</b>	<b>1 458 435</b>	<b>3 094 748</b>

\* Details on the impact of the CJEU judgment in case C 383/18 on interest income are presented in note 32

## 7. Net fee and commission income

	1.04.2021- 30.06.2021	1.01.2021- 30.06.2021	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020
<b>Fee and commission income</b>				
Electronic and payment services	60 311	118 773	49 638	103 231
Current accounts and money transfer	94 908	192 878	73 557	153 265
Asset management fees	70 966	138 088	52 775	123 038
Foreign exchange commissions	136 633	256 447	104 174	225 713
Credit commissions incl. factoring commissions and other	95 712	208 829	97 888	190 976
Insurance commissions	56 910	110 376	48 450	108 760
Commissions from brokerage activities	29 860	74 650	34 127	62 401
Credit cards	35 663	71 006	39 290	74 030
Card fees (debit cards)	87 008	172 243	76 146	154 734
Off-balance sheet guarantee commissions	26 589	52 638	18 452	42 262
Finance lease commissions	6 210	12 222	5 082	11 537
Issue arrangement fees	15 353	20 740	958	8 181
Distribution fees	4 354	9 080	3 098	7 343
<b>Total</b>	<b>720 477</b>	<b>1 437 970</b>	<b>603 635</b>	<b>1 265 471</b>
<b>Fee and commission expenses</b>				
Electronic and payment services	( 13 738)	( 26 299)	( 13 390)	( 26 016)
Distribution fees	( 3 413)	( 6 542)	( 2 139)	( 4 446)
Commissions from brokerage activities	( 3 595)	( 8 917)	( 5 900)	( 9 514)
Credit cards	( 3 411)	( 6 430)	( 6 983)	( 8 505)
Card fees (debit cards)	( 24 503)	( 45 601)	( 26 979)	( 57 633)
Credit commissions paid	( 25 481)	( 41 659)	( 16 229)	( 44 913)
Insurance commissions	( 4 489)	( 8 639)	( 4 589)	( 8 929)
Finance lease commissions	( 8 008)	( 16 037)	( 6 532)	( 13 819)
Asset management fees and other costs	( 5 615)	( 11 123)	( 5 084)	( 11 085)
Other	( 28 144)	( 55 369)	( 23 979)	( 50 536)
<b>Total</b>	<b>( 120 397)</b>	<b>( 226 616)</b>	<b>( 111 804)</b>	<b>( 235 396)</b>
<b>Net fee and commission income</b>	<b>600 080</b>	<b>1 211 354</b>	<b>491 831</b>	<b>1 030 075</b>

## 8. Net trading income and revaluation

	1.04.2021- 30.06.2021	1.01.2021- 30.06.2021	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020
<b>Net trading income and revaluation</b>				
Derivative instruments	226 604	339 421	223 097	( 434 123)
Interbank FX transactions and other FX related income	( 170 307)	( 226 591)	( 174 682)	510 682
Profit on equity securities measured at fair value through profit or loss	18 161	29 541	3 422	( 9 353)
Profit on debt securities measured at fair value through profit or loss	( 17 839)	( 14 980)	15 481	14 417
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	1 122	1 381	( 8 706)	( 16 708)
<b>Total</b>	<b>57 741</b>	<b>128 772</b>	<b>58 612</b>	<b>64 915</b>

The above amounts included CVA and DVA adjustments in the amount of PLN 5,126k for H1 2021, PLN 2,251k for 2Q 2021 and PLN (9,753)k for H1 2020, PLN 5,538k for 2Q 2020.

## 9. Gains (losses) from other financial securities

<b>Gains (losses) from other financial securities</b>	<b>1.04.2021- 30.06.2021</b>	<b>1.01.2021- 30.06.2021</b>	<b>1.04.2020- 30.06.2020</b>	<b>1.01.2020- 30.06.2020</b>
Profit on sale of debt securities measured at fair value through other comprehensive income	10 006	38 182	8 500	60 476
Profit (loss) on sale of debt securities mandatorily measured at fair value through profit or loss	-	8	( 80)	( 85)
Profit on sale of equity securities measured at fair value through profit and loss	8 148	8 148	-	-
Change in fair value of financial securities mandatorily measured at fair value through profit or loss	18 924	11 577	33 205	3 275
Impairment losses on securities	( 4 015)	( 4 015)	( 8 535)	( 8 535)
<b>Total profit (losses) on financial instruments</b>	<b>33 063</b>	<b>53 900</b>	<b>33 090</b>	<b>55 131</b>
Change in fair value of hedging instruments	40 499	164 755	( 49 322)	( 228 926)
Change in fair value of underlying hedged positions	( 35 987)	( 154 289)	43 288	227 337
<b>Total profit (losses) on hedging and hedged instruments</b>	<b>4 512</b>	<b>10 466</b>	<b>( 6 034)</b>	<b>( 1 589)</b>
<b>Total</b>	<b>37 575</b>	<b>64 366</b>	<b>27 056</b>	<b>53 542</b>

## 10. Other operating income

<b>Other operating income</b>	<b>1.04.2021- 30.06.2021</b>	<b>1.01.2021- 30.06.2021</b>	<b>1.04.2020- 30.06.2020</b>	<b>1.01.2020- 30.06.2020</b>
Income on sale of services	5 415	10 845	5 449	11 469
Release of provision for legal cases and other assets	7 077	22 745	3 143	18 354
Settlements of leasing agreements	893	2 409	727	1 915
Recovery of other receivables (expired, cancelled and uncollectable)	33	72	106	308
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	3 940	1 293	1 093	2 209
Received compensations, penalties and fines	288	492	151	396
Received donation	12 233	12 223	-	-
Profit on lease modifications	10 885	12 276	3 677	4 732
Other	19 525	35 741	11 378	27 157
<b>Total</b>	<b>60 289</b>	<b>98 096</b>	<b>25 724</b>	<b>66 540</b>

## 11. Impairment allowances for expected credit losses

<b>Impairment allowances for expected credit losses on loans and advances measured at amortised cost</b>	<b>1.04.2021- 30.06.2021</b>	<b>1.01.2021- 30.06.2021</b>	<b>1.04.2020- 30.06.2020</b>	<b>1.01.2020- 30.06.2020</b>
<b>Charge for loans and advances to banks</b>	<b>5</b>	<b>15</b>	<b>( 3)</b>	<b>( 7)</b>
Stage 1	5	15	( 3)	( 7)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
<b>Charge for loans and advances to customers</b>	<b>( 253 308)</b>	<b>( 654 697)</b>	<b>( 470 681)</b>	<b>( 960 316)</b>
Stage 1	( 44 037)	( 86 650)	( 43 979)	( 56 023)
Stage 2	32 171	10 471	( 203 816)	( 464 760)
Stage 3	( 253 385)	( 602 664)	( 226 088)	( 444 600)
POCI	11 943	24 146	3 202	5 067
<b>Recoveries of loans previously written off</b>	<b>( 11 588)</b>	<b>17 083</b>	<b>( 11 486)</b>	<b>7 086</b>
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	( 11 588)	17 083	( 11 486)	7 086
POCI	-	-	-	-
<b>Off-balance sheet credit related facilities</b>	<b>1 044</b>	<b>10 673</b>	<b>1 251</b>	<b>6 018</b>
Stage 1	( 1 249)	( 2 717)	( 4 388)	3 629
Stage 2	650	2 916	( 4 865)	( 3 738)
Stage 3	1 643	10 474	10 504	6 127
POCI	-	-	-	-
<b>Total</b>	<b>( 263 847)</b>	<b>( 626 926)</b>	<b>( 480 919)</b>	<b>( 947 219)</b>

As at 30.06.2021 management provision accounting for the risk related to the COVID-19 situation was released in the amount PLN 88,600 k. As at 30.06.2020, the corresponding provision totalled PLN 151,262 k and was classified in Stage 2.

## 12. Employee costs

<b>Employee costs</b>	<b>1.04.2021- 30.06.2021</b>	<b>1.01.2021- 30.06.2021</b>	<b>1.04.2020- 30.06.2020</b>	<b>1.01.2020- 30.06.2020</b>
Salaries and bonuses	( 328 578)	( 663 245)	( 277 620)	( 638 523)
Salary related costs	( 59 291)	( 123 388)	( 50 989)	( 118 563)
Cost of contributions to Employee Capital Plans	( 2 163)	( 4 402)	( 2 366)	( 4 755)
Staff benefits costs	( 8 877)	( 17 061)	( 9 083)	( 17 742)
Professional trainings	( 2 094)	( 3 618)	( 94)	( 2 482)
Retirement fund, holiday provisions and other employee costs	( 5)	( 10)	( 412)	( 549)
Restructuring provision	( 4 600)	( 4 600)	( 5 500)	( 11 112)
<b>Total</b>	<b>( 405 608)</b>	<b>( 816 324)</b>	<b>( 346 064)</b>	<b>( 793 726)</b>

## 13. General and administrative expenses

	1.04.2021- 30.06.2021	1.01.2021- 30.06.2021	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020
<b>General and administrative expenses</b>				
Maintenance of premises	( 26 921)	( 54 317)	( 38 078)	( 68 335)
Short-term lease costs	( 2 096)	( 4 461)	( 2 528)	( 4 730)
Low-value assets lease costs	( 409)	( 758)	( 528)	( 1 527)
Costs of variable lease payments not included in the measurement of the lease liability	( 38)	( 126)	27	( 124)
Non-tax deductible VAT	( 10 832)	( 21 805)	( 9 437)	( 22 130)
Marketing and representation	( 35 605)	( 60 337)	( 18 615)	( 44 108)
IT systems costs	( 96 087)	( 189 630)	( 84 587)	( 166 951)
Cost of BFG, KNF and KDPW	( 33 017)	( 225 110)	( 44 432)	( 339 329)
Postal and telecommunication costs	( 13 744)	( 27 497)	( 16 581)	( 33 799)
Consulting and advisory fees	( 23 815)	( 38 817)	( 20 785)	( 36 498)
Cars, transport expenses, carriage of cash	( 13 857)	( 26 889)	( 14 580)	( 28 519)
Other external services	( 32 821)	( 66 166)	( 34 056)	( 73 096)
Stationery, cards, cheques etc.	( 4 944)	( 9 988)	( 5 575)	( 11 298)
Sundry taxes and charges	( 10 615)	( 20 132)	( 11 399)	( 20 570)
Data transmission	( 2 384)	( 5 125)	( 2 752)	( 5 629)
KIR, SWIFT settlements	( 6 694)	( 14 021)	( 6 213)	( 12 399)
Security costs	( 5 909)	( 11 810)	( 6 815)	( 12 508)
Costs of repairs	( 1 684)	( 3 272)	( 1 153)	( 4 267)
Other	( 3 905)	( 6 267)	( 2 864)	( 9 156)
<b>Total</b>	<b>( 325 377)</b>	<b>( 786 528)</b>	<b>( 320 951)</b>	<b>( 894 973)</b>

## 14. Other operating expenses

	1.04.2021- 30.06.2021	1.01.2021- 30.06.2021	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020
<b>Other operating expenses</b>				
Charge of provisions for legal cases and other assets*	( 424 597)	( 566 581)	( 46 747)	( 68 011)
Charge of provisions for legal risk*	( 116 772)	( 195 596)	( 63 228)	( 110 333)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	( 2 909)	( 11 692)	( 23 978)	( 32 666)
Costs of purchased services	( 1 113)	( 1 984)	( 707)	( 1 670)
Other membership fees	( 341)	( 574)	( 432)	( 620)
Paid compensations, penalties and fines	( 168)	( 892)	( 300)	( 1 075)
Donations paid	( 5 738)	( 5 764)	( 3 945)	( 5 979)
Costs of lease modifications	-	-	-	( 60)
Other	( 19 904)	( 35 274)	( 10 720)	( 20 984)
<b>Total</b>	<b>( 571 542)</b>	<b>( 818 357)</b>	<b>( 150 057)</b>	<b>( 241 398)</b>

\*Details in Note 29

## 15. Corporate income tax

	1.04.2021- 30.06.2021	1.01.2021- 30.06.2021	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020
<b>Corporate income tax</b>				
Current tax charge in the income statement	( 170 651)	( 271 313)	( 288 654)	( 463 046)
Deferred tax charge in the income statement	( 17 033)	( 85 030)	134 809	150 505
Adjustments from previous years	2 322	2 313	( 3 934)	2 685
<b>Total tax on gross profit</b>	<b>( 185 362)</b>	<b>( 354 030)</b>	<b>( 157 779)</b>	<b>( 309 856)</b>

	1.04.2021- 30.06.2021	1.01.2021- 30.06.2021	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020
<b>Corporate total tax charge information</b>				
Profit before tax	430 884	792 410	504 920	889 874
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	( 81 868)	( 150 558)	( 95 935)	( 169 076)
Non-tax-deductible expenses	( 3 607)	( 8 321)	( 1 865)	( 7 039)
Provisions for legal claims regarding fx loans	( 93 517)	( 130 127)	( 7 441)	( 8 693)
The fee to the Bank Guarantee Fund	( 4 922)	( 39 591)	( 7 673)	( 62 322)
Tax on financial institutions	( 28 033)	( 57 095)	( 28 974)	( 57 214)
Non-tax deductible bad debt provisions	( 4 635)	( 7 802)	( 8 118)	( 21 350)
Non-taxable income	19 435	25 115	3 925	7 441
Adjustment of prior years tax	2 322	2 313	( 3 934)	2 685
Other	9 463	12 036	( 7 764)	5 712
<b>Total tax on gross profit</b>	<b>( 185 362)</b>	<b>( 354 030)</b>	<b>( 157 779)</b>	<b>( 309 856)</b>

	30.06.2021	31.12.2020
<b>Deferred tax recognised in other comprehensive income</b>		
Relating to valuation of debt investments measured at fair value through other comprehensive income	( 174 797)	( 293 533)
Relating to valuation of equity investments measured at fair value through other comprehensive income	( 226 495)	( 136 762)
Relating to cash flow hedging activity	( 6 100)	1 832
Relating to valuation of defined benefit plans	( 1 914)	( 1 914)
<b>Total</b>	<b>( 409 306)</b>	<b>( 430 377)</b>

## 16. Cash and balances with central banks

	30.06.2021	31.12.2020
<b>Cash and balances with central banks</b>		
Cash	2 259 842	2 761 280
Current accounts in central banks	905 721	1 128 023
Term deposits	-	1 600 000
<b>Total</b>	<b>3 165 563</b>	<b>5 489 303</b>

Santander Bank Polska SA and Santander Consumer Bank SA hold an obligatory reserve in a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of minimal statutory reserve of the monthly average balance of the customers' deposits, which until 29 April 2020 was 3.5%.

In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

## 17. Loans and advances to banks

<b>Loans and advances to banks</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Loans and advances	484 674	87 351
Current accounts	2 450 911	2 839 277
<b>Gross receivables</b>	<b>2 935 585</b>	<b>2 926 628</b>
Allowance for expected credit losses	( 91)	( 106)
<b>Total</b>	<b>2 935 494</b>	<b>2 926 522</b>

## 18. Financial assets and liabilities held for trading

<b>Financial assets and liabilities held for trading</b>	<b>30.06.2021</b>		<b>31.12.2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Trading derivatives</b>	<b>1 933 823</b>	<b>1 758 281</b>	<b>3 003 970</b>	<b>2 963 339</b>
Interest rate operations	1 064 053	1 042 341	1 526 067	1 593 606
FX operations	869 770	715 940	1 477 903	1 369 733
<b>Debt and equity securities</b>	<b>928 247</b>	<b>-</b>	<b>178 799</b>	<b>-</b>
<b>Debt securities</b>	<b>906 535</b>	<b>-</b>	<b>147 405</b>	<b>-</b>
Government securities:	889 485	-	132 109	-
- bonds	889 485	-	132 109	-
Other securities:	17 050	-	15 296	-
- bonds	17 050	-	15 296	-
<b>Equity securities</b>	<b>21 712</b>	<b>-</b>	<b>31 394</b>	<b>-</b>
<b>Short sale</b>	<b>-</b>	<b>356 492</b>	<b>-</b>	<b>67 001</b>
<b>Total</b>	<b>2 862 070</b>	<b>2 114 773</b>	<b>3 182 769</b>	<b>3 030 340</b>

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (4,171) k as at 30.06.2021 and PLN (10,708) k as at 31.12.2020.

## 19. Hedging derivatives

<b>Hedging derivatives</b>	<b>30.06.2021</b>		<b>31.12.2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Derivatives hedging fair value	351	210 700	754	344 311
Derivatives hedging cash flow	12 284	1 139 089	6 900	1 430 787
<b>Total</b>	<b>12 635</b>	<b>1 349 789</b>	<b>7 654</b>	<b>1 775 098</b>

As at 30.06.2021 Hedging derivatives - derivatives hedging cash flow include value adjustments day first profit or loss for start forward CIRS transactions in the amount of PLN (5,934) k and PLN (6,456) k as at 31.12.2020.



## 20. Loans and advances to customers

30.06.2021

Loans and advances to customers	Measured at fair value through other comprehensive income			Total
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	
Loans and advances to enterprises	54 524 891	2 151 561	56 125	56 732 577
Loans and advances to individuals, of which:	80 331 508	-	722 913	81 054 421
<i>Home mortgage loans</i>	52 975 424	-	-	52 975 424
Finance lease receivables	10 307 270	-	-	10 307 270
Loans and advances to public sector	240 775	-	-	240 775
Other receivables	45 077	-	-	45 077
<b>Gross receivables</b>	<b>145 449 521</b>	<b>2 151 561</b>	<b>779 038</b>	<b>148 380 120</b>
Allowance for expected credit losses	(6 219 261)	(170 893)	-	(6 390 154)
<b>Total</b>	<b>139 230 260</b>	<b>1 980 668</b>	<b>779 038</b>	<b>141 989 966</b>

31.12.2020

Loans and advances to customers	Measured at fair value through other comprehensive income			Total
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	
Loans and advances to enterprises	55 235 227	1 608 312	66 068	56 909 607
Loans and advances to individuals, of which:	80 561 733	-	826 158	81 387 891
<i>Home mortgage loans</i>	52 758 103	-	-	52 758 103
Finance lease receivables	9 783 366	-	-	9 783 366
Loans and advances to public sector	211 489	-	-	211 489
Other receivables	33 691	-	-	33 691
<b>Gross receivables</b>	<b>145 825 506</b>	<b>1 608 312</b>	<b>892 226</b>	<b>148 326 044</b>
Allowance for expected credit losses	(6 275 778)	(51 521)	-	(6 327 299)
<b>Total</b>	<b>139 549 728</b>	<b>1 556 791</b>	<b>892 226</b>	<b>141 998 745</b>

<b>Loans and advances to enterprises</b> <b>30.06.2021</b>	<b>Gross carrying amount</b>	<b>Allowance for expected credit losses</b>	<b>Net</b>
Stage 1	45 769 529	( 174 568)	45 594 961
Stage 2	4 591 077	( 255 351)	4 335 726
Stage 3	3 828 894	(2 140 981)	1 687 913
POCI	335 392	( 76 493)	258 899
<b>Total</b>	<b>54 524 892</b>	<b>(2 647 393)</b>	<b>51 877 499</b>

<b>Loans and advances to individuals</b> <b>30.06.2021</b>	<b>Gross carrying amount</b>	<b>Allowance for expected credit losses</b>	<b>Net</b>
Stage 1	75 320 659	( 453 900)	74 866 759
Stage 2	2 429 558	( 313 844)	2 115 714
Stage 3	2 233 327	(2 422 366)	( 189 039)
POCI	347 964	( 157 974)	189 990
<b>Total</b>	<b>80 331 508</b>	<b>(3 348 084)</b>	<b>76 983 424</b>

<b>Finance lease receivables</b> <b>30.06.2021</b>	<b>Gross carrying amount</b>	<b>Allowance for expected credit losses</b>	<b>Net</b>
Stage 1	9 388 165	( 26 704)	9 361 461
Stage 2	647 695	( 28 746)	618 949
Stage 3	269 065	( 167 964)	101 101
POCI	2 345	( 371)	1 974
<b>Total</b>	<b>10 307 270</b>	<b>( 223 785)</b>	<b>10 083 485</b>

<b>Loans and advances to enterprises</b> <b>31.12.2020</b>	<b>Gross carrying amount</b>	<b>Allowance for expected credit losses</b>	<b>Net</b>
Stage 1	46 614 785	( 183 436)	46 431 349
Stage 2	4 488 420	( 350 385)	4 138 035
Stage 3	3 883 644	(2 156 968)	1 726 676
POCI	248 378	( 38 543)	209 835
<b>Total</b>	<b>55 235 227</b>	<b>(2 729 332)</b>	<b>52 505 895</b>

<b>Loans and advances to individuals</b> <b>31.12.2020</b>	<b>Gross carrying amount</b>	<b>Allowance for expected credit losses</b>	<b>Net</b>
Stage 1	72 945 044	( 378 961)	72 566 083
Stage 2	3 497 182	( 423 818)	3 073 364
Stage 3	3 645 254	(2 407 784)	1 237 470
POCI	474 253	( 182 545)	291 708
<b>Total</b>	<b>80 561 733</b>	<b>(3 393 108)</b>	<b>77 168 625</b>

<b>Finance lease receivables</b> <b>31.12.2020</b>	<b>Gross carrying amount</b>	<b>Allowance for expected credit losses</b>	<b>Net</b>
Stage 1	8 926 396	( 24 561)	8 901 835
Stage 2	672 107	( 27 029)	645 078
Stage 3	181 786	( 101 366)	80 420
POCI	3 077	( 382)	2 695
<b>Total</b>	<b>9 783 366</b>	<b>( 153 338)</b>	<b>9 630 028</b>

<b>Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period</b>	<b>1.01.2021-30.06.2021</b>	<b>1.01.2020-30.06.2020</b>
<b>Balance at the beginning of the period</b>	<b>(6 275 778)</b>	<b>(5 244 364)</b>
<b>Charge/write back of current period</b>	<b>( 570 852)</b>	<b>( 979 510)</b>
Stage 1	( 85 083)	( 56 356)
Stage 2	10 471	( 460 313)
Stage 3	( 482 712)	( 444 600)
POCI	( 13 528)	( 18 241)
<b>Write off/Sale of receivables</b>	<b>565 380</b>	<b>353 993</b>
Stage 1	-	1 177
Stage 2	-	-
Stage 3	565 380	352 816
POCI	-	-
<b>Transfer</b>	<b>48 762</b>	<b>( 1 913)</b>
Stage 1	16 100	59 478
Stage 2	190 881	233 405
Stage 3	( 158 016)	( 293 299)
POCI	( 203)	( 1 497)
<b>FX differences</b>	<b>13 227</b>	<b>( 22 225)</b>
Stage 1	757	( 1 585)
Stage 2	1 972	( 3 804)
Stage 3	10 135	( 16 736)
POCI	363	( 100)
<b>Balance at the end of the period</b>	<b>(6 219 261)</b>	<b>(5 894 019)</b>

## 21. Investment securities

<b>Investment securities</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
<b>Debt investment securities measured at fair value through other comprehensive income</b>	<b>69 713 676</b>	<b>65 700 052</b>
Government securities:	53 494 106	46 149 191
- bills	-	1 415 983
- bonds	53 494 106	44 733 208
Central Bank securities:	-	4 999 904
- bills	-	4 999 904
Other securities:	16 219 570	14 550 957
-bonds	16 219 570	14 550 957
<b>Debt investment securities measured at fair value through profit and loss</b>	<b>118 325</b>	<b>110 155</b>
<b>Equity investment securities measured at fair value through other comprehensive income</b>	<b>1 329 921</b>	<b>857 331</b>
- listed	63 320	30 594
- unlisted	1 266 601	826 737
<b>Equity investment securities measured at fair value through profit and loss</b>	<b>3 464</b>	<b>115 896</b>
- unlisted	3 464	115 896
<b>Total</b>	<b>71 165 386</b>	<b>66 783 434</b>

## 22. Investments in associates

<b>Balance sheet value of associates</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Polfund - Fundusz Poręczeń Kredytowych S.A.	45 830	45 712
Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	871 313	952 685
<b>Total</b>	<b>917 143</b>	<b>998 397</b>

  

<b>Movements on investments in associates</b>	<b>1.01.2021- 30.06.2021</b>	<b>1.01.2020- 30.06.2020</b>
<b>As at the beginning of the period</b>	<b>998 397</b>	<b>903 113</b>
Share of profits/(losses)	39 276	36 839
Dividends	( 113 254)	-
Other	( 7 276)	7 970
<b>As at the end of the period</b>	<b>917 143</b>	<b>947 922</b>

## 23. Assets classified as held for sale

<b>Assets classified as held for sale</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Land and buildings	4 308	4 308
Other fixed assets	366	7 593
<b>Total</b>	<b>4 674</b>	<b>11 901</b>

## 24. Deposits from banks

<b>Deposits from banks</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Term deposits	8 655	433 629
Loans received from banks	2 618 024	2 302 496
Current accounts	1 586 315	2 637 187
<b>Total</b>	<b>4 212 994</b>	<b>5 373 312</b>

## 25. Deposits from customers

<b>Deposits from customers</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
<b>Deposits from individuals</b>	<b>100 772 283</b>	<b>98 213 401</b>
Term deposits	14 303 714	18 443 221
Current accounts	86 249 937	79 562 177
Other	218 632	208 003
<b>Deposits from enterprises</b>	<b>65 359 308</b>	<b>67 954 371</b>
Term deposits	6 033 398	7 393 581
Current accounts	56 532 492	56 745 875
Loans received from financial institution	1 691 362	3 013 707
Other	1 102 056	801 208
<b>Deposits from public sector</b>	<b>7 048 557</b>	<b>5 354 483</b>
Term deposits	319 371	281 162
Current accounts	6 729 078	5 073 320
Other	108	1
<b>Total</b>	<b>173 180 148</b>	<b>171 522 255</b>

## 26. Subordinated liabilities

<b>Subordinated liabilities</b>	<b>Redemption date</b>	<b>Currency</b>	<b>Nominal value</b>
Issue 1	05.08.2025	EUR	100 000
Issue 2	03.12.2026	EUR	120 000
Issue 3	22.05.2027	EUR	137 100
Issue 4	05.04.2028	PLN	1 000 000
SCF Madrid	18.05.2028	PLN	100 000

<b>Movements in subordinated liabilities</b>	<b>1.01.2021- 30.06.2021</b>	<b>1.01.2020- 30.06.2020</b>
<b>As at the beginning of the period</b>	<b>2 754 605</b>	<b>2 630 271</b>
<b>Additions from:</b>	<b>33 684</b>	<b>115 851</b>
- interest on subordinated loans	33 684	41 600
- FX differences	-	74 251
<b>Disposals from:</b>	<b>( 67 366)</b>	<b>( 42 879)</b>
- interest repayment	( 34 447)	( 42 879)
- FX differences	( 32 919)	-
<b>As at the end of the period</b>	<b>2 720 923</b>	<b>2 703 243</b>
Short-term	12 461	15 307
Long-term (over 1 year)	2 708 462	2 687 936

## 27. Debt securities in issue

<b>Debt securities in issue on 30.06.2021</b>	<b>Nominal value</b>	<b>Currency</b>	<b>Date of issue</b>	<b>Redemption date</b>	<b>Book Value (In thousands of PLN)</b>
Santander Bank Polska bonds	500 000	EUR	10.09.2018	20.09.2021	2 273 156
Santander Bank Polska bonds	100 000	EUR	18.12.2020	18.12.2023	452 472
Series J bonds of Santander Factoring	655 000	PLN	03.02.2021	03.08.2021	654 919
Series K bonds of Santander Factoring	430 000	PLN	20.05.2021	22.11.2021	429 434
Series L bonds of Santander Factoring	1 000 000	PLN	31.05.2021	31.08.2021	1 000 173
Series G bonds of Santander Leasing	715 000	PLN	08.12.2020	08.12.2021	714 562
Series H bonds of Santander Leasing	1 100 000	PLN	11.03.2021	11.03.2022	1 098 664
Series I bonds of Santander Leasing	850 000	PLN	23.06.2021	23.06.2022	848 379
Senior bonds of Santander Leasing Poland Securitization 01 03/2020	330 000	EUR	25.03.2020	20.03.2036	1 491 864
SCB00038	300 000	PLN	04.08.2017	09.08.2021	301 447
SCB00040	261 400	PLN	06.10.2017	07.10.2022	261 997
SCB00041	60 000	PLN	07.12.2017	07.10.2022	60 136
SCB00043	60 000	PLN	29.03.2018	29.03.2022	60 137
SCB00047	100 000	PLN	01.04.2021	03.04.2023	100 109
SCM001	160 000	PLN	27.05.2021	26.05.2023	160 177
SCM002	120 000	PLN	25.06.2021	27.09.2021	120 001
SCM003	300 000	PLN	25.06.2021	28.10.2021	299 991
Securitized bonds Float sale	800 000	PLN	25.07.2019	16.07.2030	1 200 557
Securitized bonds Float sale	1 200 000	PLN	25.07.2019	16.07.2030	800 372
Securitized bonds Float sale	740 000	PLN	20.07.2020	31.07.2028	740 279
<b>Total</b>					<b>13 068 826</b>

<b>Debt securities in issue on 31.12.2020</b>	<b>Nominal value</b>	<b>Currency</b>	<b>Date of issue</b>	<b>Redemption date</b>	<b>Book Value (In thousands of PLN)</b>
Santander Bank Polska bonds	500 000	EUR	10.09.2018	20.09.2021	2 310 842
Santander Bank Polska bonds	100 000	EUR	18.12.2020	18.12.2023	461 509
Series H bonds of Santander Factoring	445 000	PLN	30.07.2020	29.01.2021	445 013
Series I bonds of Santander Factoring	670 000	PLN	19.11.2020	19.05.2021	669 469
Series D bonds of Santander Leasing	440 000	PLN	10.03.2020	10.03.2021	76 690
Series F bonds of Santander Leasing	450 000	PLN	22.09.2020	22.06.2021	449 630
Series G bonds of Santander Leasing	715 000	PLN	08.12.2020	08.12.2021	714 583
Senior bonds of Santander Leasing Poland Securitization 01 05/2019	1 202 500	PLN	24.05.2019	20.02.2035	774 173
Senior bonds of Santander Leasing Poland Securitization 01 03/2020	330 000	EUR	25.03.2020	20.03.2036	1 522 884
SCB00038	300 000	PLN	04.08.2017	09.08.2021	301 441
SCB00040	261 400	PLN	06.10.2017	07.10.2022	261 967
SCB00041	60 000	PLN	07.12.2017	07.10.2022	60 129
SCB00042	100 000	PLN	02.03.2018	05.03.2021	100 274
SCB00043	60 000	PLN	29.03.2018	29.03.2022	60 126
SCB00044	156 000	PLN	15.05.2018	14.05.2021	156 150
SCB00045	90 000	PLN	17.05.2018	18.05.2021	90 078
SCB00046	45 000	PLN	17.05.2018	18.05.2021	45 039
Securitized bonds Float sale	800 000	PLN	25.07.2019	16.07.2030	800 403
Securitized bonds Float sale	1 200 000	PLN	25.07.2019	16.07.2030	1 200 605
Securitized bonds Float sale	740 000	PLN	20.07.2020	31.07.2028	740 307
<b>Total</b>					<b>11 241 312</b>

	1.01.2021- 30.06.2021	1.01.2020- 30.06.2020
<b>Movements in debt securities in issue</b>		
<b>As at the beginning of the period</b>	<b>11 241 312</b>	<b>10 629 516</b>
<b>Increase (due to):</b>	<b>4 752 837</b>	<b>3 343 866</b>
- debt securities in issue	4 715 000	3 120 707
- interest on debt securities in issue	37 837	82 370
- FX differences	-	140 516
- other changes	-	273
<b>Decrease (due to):</b>	<b>(2 925 323)</b>	<b>(4 006 319)</b>
- debt securities repurchase	(2 806 846)	(2 867 564)
- debt securities redemption	-	(1 052 917)
- interest repayment	( 26 804)	( 85 838)
- FX differences	( 87 135)	-
- other changes	( 4 538)	-
<b>As at the end of the period</b>	<b>13 068 826</b>	<b>9 967 063</b>

## 28. Provisions for off balance sheet credit facilities

	30.06.2021	31.12.2020
<b>Provisions for off balance sheet credit facilities</b>		
Provisions for financial liabilities to grant loans and credit lines	36 531	45 146
Provisions for financial guarantees	16 392	18 733
Other provisions	689	662
<b>Total</b>	<b>53 612</b>	<b>64 541</b>

	1.01.2021- 30.06.2021
<b>Change in provisions for off balance sheet credit facilities</b>	
<b>As at the beginning of the period</b>	<b>64 541</b>
Provision charge	64 466
Write back	( 75 140)
Other changes	( 255)
<b>As at the end of the period</b>	<b>53 612</b>
Short-term	38 053
Long-term	15 559

	1.01.2020- 30.06.2020
<b>Change in provisions for off balance sheet credit facilities</b>	
<b>As at the beginning of the period</b>	<b>66 109</b>
Provision charge	74 203
Other changes	( 80 221)
Write back	593
<b>As at the end of the period</b>	<b>60 684</b>
Short-term	46 742
Long-term	13 942

## 29. Other provisions

	30.06.2021	31.12.2020
<b>Other provisions</b>		
Provisions for legal claims*	923 617	408 485
Provisions for legal risk**	564 118	395 968
Provisions for restructuring	102 971	147 662
<b>Total</b>	<b>1 590 706</b>	<b>952 115</b>

\*As at 30.06.2021, the Group's collective inter alia 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) inter alia 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).

<b>Change in other provisions for the period 1.01.2021 - 30.06.2021</b>	<b>Provisions for legal claims</b>	<b>Provisions for legal risk</b>	<b>Provisions for restructuring</b>	<b>Total</b>
<b>As at the beginning of the period</b>	<b>408 485</b>	<b>395 968</b>	<b>147 662</b>	<b>952 115</b>
Provision charge	548 777	194 730	4 600	748 107
Utilization	( 13 212)	( 23 555)	( 49 291)	( 86 058)
Write back	( 20 433)	( 3 025)	-	( 23 458)
<b>As at the end of the period</b>	<b>923 617</b>	<b>564 118</b>	<b>102 971</b>	<b>1 590 706</b>

<b>Change in other provisions for the period 1.01.2020 - 30.06.2020</b>	<b>Provisions for legal claims</b>	<b>Provisions for legal risk</b>	<b>Provisions for restructuring</b>	<b>Total</b>
<b>As at the beginning of the period</b>	<b>135 659</b>	<b>295 216</b>	<b>14 740</b>	<b>445 615</b>
Provision charge	46 987	110 333	13 149	170 469
Utilization	( 404)	( 51 854)	( 7 778)	( 60 036)
Write back	( 1 715)	-	( 5 594)	( 7 309)
Reclassification	-	( 48 289)	-	( 48 289)
<b>As at the end of the period</b>	<b>180 527</b>	<b>305 406</b>	<b>14 517</b>	<b>500 450</b>

## 30. Other liabilities

<b>Other liabilities</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Settlements of stock exchange transactions	88 395	126 778
Interbank and interbranch settlements	702 343	500 973
Employee provisions	260 515	266 220
Sundry creditors	1 071 904	904 997
Liabilities from contracts with customers	201 977	243 738
Public and law settlements	113 078	98 280
Accrued liabilities	551 140	297 787
Finance lease related settlements	111 898	131 781
Other	18 914	11 761
<b>Total</b>	<b>3 120 164</b>	<b>2 582 315</b>
of which financial liabilities *	2 786 195	2 228 536

\*financial liabilities include all items of Other liabilities with the exception of Public and law settlements, Liabilities from contracts with customers and Other



		<i>of which: Provisions for retirement allowances</i>
<b>Change in employee provisions</b>		
<b>1.01.2021 - 30.06.2021</b>		
<b>As at the beginning of the period</b>	<b>266 220</b>	<b>48 266</b>
Provision charge	143 691	335
Utilization	( 123 695)	( 16)
Release of provisions	( 25 857)	( 20)
Other changes	156	-
<b>As at the end of the period</b>	<b>260 515</b>	<b>48 565</b>
Short-term	211 950	-
Long-term	48 565	48 565

		<i>of which: Provisions for retirement allowances</i>
<b>Change in employee provisions</b>		
<b>1.01.2020 - 30.06.2020</b>		
<b>As at the beginning of the period</b>	<b>368 514</b>	<b>44 636</b>
Provision charge	113 657	4 125
Utilization	( 211 576)	( 7)
Release of provisions	( 74 471)	-
<b>As at the end of the period</b>	<b>196 124</b>	<b>48 754</b>
Short-term	147 370	-
Long-term	48 754	48 754

## 31. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Below is a summary of the book values and fair values of the individual groups of assets and liabilities not carried at fair value in the financial statements.

<b>ASSETS</b>	<b>30.06.2021</b>		<b>31.12.2020</b>	
	<b>Book Value</b>	<b>Fair value</b>	<b>Book Value</b>	<b>Fair value</b>
Cash and balances with central banks	3 165 563	3 165 563	5 489 303	5 489 303
Loans and advances to banks	2 935 494	2 935 494	2 926 522	2 926 522
Loans and advances to customers measured at amortised cost	139 230 260	140 577 994	139 549 728	138 836 783
<b>LIABILITIES</b>				
Deposits from banks	4 212 994	4 212 994	5 373 312	5 373 312
Deposits from customers	173 180 148	173 183 245	171 522 255	171 554 319
Subordinated liabilities	2 720 923	2 703 325	2 754 605	2 736 671

Below is a summary of the key methods and assumptions used in the estimation of fair values of the financial instruments shown in the table above.

### Financial assets and liabilities not carried at fair value in the statement of financial position

The Group has financial instruments which in accordance with the IFRS are not carried at fair value in the consolidated financial statements. The fair value of such instruments is measured using the following methods and assumptions.

**Loans and advances to banks:** The fair value of deposits is measured using discounted cash flows at the current money market interest rates for receivables of similar credit risk, maturity and currency. In the case of demand deposits without a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors. Loans and advances to banks were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

**Loans and advances to customers:** Carried at net value after impairment charges. Fair value is calculated as the discounted value of the expected future cash flows in respect of principal and interest payments. It is assumed that loans and advances will be repaid at their contractual maturity date. The estimated fair value of the loans and advances reflects changes in the credit risk from the moment of sanction (margins) and changes in interest rates. Loans and advances to customers were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs, i.e. current margins achieved on new credit transactions.

**Deposits from banks and deposits from customers:** Fair value of the deposits with maturity exceeding 6 months was estimated based on the cash flows discounted by the current market rates for the deposits with similar maturity dates. In the case of demand deposits without a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors. Deposits from banks and deposits from customers were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

**Debt securities in issue and subordinated liabilities:** The Group has made an assumption that fair value of those securities is based on discounted cash flows methods incorporating adequate interest rates. Debt securities in issue and subordinated liabilities were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

## Financial assets and liabilities carried at fair value in the statement of financial position

As at 30.06.2021 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

**Level I (active market quotations):** debt, equity and derivative financial instruments which at the balance sheet date were measured using the prices quoted in the active market. The Group allocates to this level fixed-rate State Treasury bonds, treasury bills, shares of listed companies and WIG 20 futures.

**Level II (the measurement methods based on market-derived parameters):** This level includes derivative instruments. Derivative instruments are measured using discounted cash flow models based on the discount curve derived from the inter-bank market.

**Level III (measurement methods using material non-market parameters):** This level includes equity securities that are not quoted in the active market, measured using the expert valuation model; investment certificates measured at the balance sheet date at the price announced by the mutual fund and debt securities. This level includes also part of credit cards portfolio and loans and advances subject to underwriting, i.e. portion of credit exposures that are planned to be sold before maturity for reasons other than increase in credit risk.

The objective of using a valuation technique is to determine the fair value, i.e., prices, which were obtained by the sale of an asset in an orderly transaction between market participants carried out under current market conditions between market participants at the measurement date.

Valuation of major capital investments classified to Level III:

- a) AVIVA Towarzystwo Ubezpieczeń na Życie SA (AVIVA TUŻ),
- b) AVIVA Powszechne Towarzystwo Emerytalne SA (AVIVA PTE),
- c) AVIVA Towarzystwo Ubezpieczeń Ogólnych SA (AVIVA TUO),

were based on the provisions of conditional sales contracts concluded on March 26, 2021, the finalization of which depends on obtaining regulatory approvals.

Details are presented in Note 37.

### Level 3: Other valuation techniques

Financial assets and liabilities whose fair value is determined using valuation models for which input data is not based on observable market data (unobservable input data). In this category, the Group classifies financial instruments, which are valued using internal valuation models:

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method	Effective margin on loans
C-SERIES PREFERENCE SHARES OF VISA INC.	Estimating the fair value based on the current market value of the listed ordinary shares (A-series) of Visa Inc., including a discount which takes into account the limited liquidity of C-series preferential shares.	Discount taking into account the limited liquidity of C-series preferential shares.
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company
SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company; selection of peer group
SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION	Estimation of the fair value based on the net assets value of the company and average FX	Net asset value of the company
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA	Estimation of the fair value based on the net assets value of the company	Net asset value of the company
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK” SP Z O.O.	Estimation of the fair value based on the net assets value of the company	Net asset value of the company
SHARES IN AVIVA POWSZECHNE TOWARZYSTWO EMERYTALNE AVIVA SANTANDER SA	Estimation of the fair value based on the provisions of conditional sales contracts concluded on March 2021.	Price components included in sales contracts
AVIVA TOWARZYSTWO UBEZPIECZEŃ NA ŻYCIE SA	Estimation of the fair value based on the provisions of conditional sales contracts concluded on March 2021.	Price components included in sales contracts
AVIVA TOWARZYSTWO UBEZPIECZEŃ OGÓLNYCH SA	Estimation of the fair value based on the provisions of conditional sales contracts concluded on March 2021.	Price components included in sales contracts
LEGNICKA SPECJALNA STREFA EKONOMICZNA SA	Current valuation based on estimated transactional value due to planned sale	Not applicable
POLSKI HOLDING OBRONNY SP. Z O.O. BUMAR	Current valuation based on estimated transactional value due to planned sale	Not applicable

As at 30.06.2021 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

<b>30.06.2021</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	928 247	1 932 022	1 801	2 862 070
Hedging derivatives	-	12 635	-	12 635
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 980 668	1 980 668
Loans and advances to customers measured at fair value through profit and loss	-	-	779 038	779 038
Debt securities measured at fair value through other comprehensive income	56 276 154	13 434 046	3 476	69 713 676
Debt securities measured at fair value through profit and loss	-	-	118 325	118 325
Equity securities measured at fair value through other comprehensive income	-	-	3 464	3 464
Equity securities measured at fair value through other comprehensive income	63 320	-	1 266 601	1 329 921
<b>Total</b>	<b>57 267 721</b>	<b>15 378 703</b>	<b>4 153 373</b>	<b>76 799 797</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	356 492	1 758 082	199	2 114 773
Hedging derivatives	-	1 349 789	-	1 349 789
<b>Total</b>	<b>356 492</b>	<b>3 107 871</b>	<b>199</b>	<b>3 464 562</b>

<b>31.12.2020</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	178 799	3 001 906	2 064	3 182 769
Hedging derivatives	-	7 654	-	7 654
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 556 791	1 556 791
Loans and advances to customers measured at fair value through profit and loss	-	-	892 226	892 226
Debt securities measured at fair value through other comprehensive income	65 501 421	191 139	7 492	65 700 052
Debt securities measured at fair value through profit and loss	-	-	110 155	110 155
Equity securities measured at fair value through other comprehensive income	-	-	115 896	115 896
Equity securities measured at fair value through other comprehensive income	30 594	-	826 737	857 331
<b>Total</b>	<b>65 710 814</b>	<b>3 200 699</b>	<b>3 511 361</b>	<b>72 422 874</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	67 001	2 963 339	-	3 030 340
Hedging derivatives	-	1 775 098	-	1 775 098
<b>Total</b>	<b>67 001</b>	<b>4 738 437</b>	<b>-</b>	<b>4 805 438</b>

The tables below show reconciliation of changes in the balance of financial instruments whose fair value is established by means of the valuation methods using material non-market parameters.

Level III	Financial assets						
	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
<b>30.06.2021</b>							
<b>As at the beginning of the period</b>	<b>2 064</b>	<b>892 226</b>	<b>1 556 791</b>	<b>110 155</b>	<b>7 492</b>	<b>826 737</b>	<b>115 896</b>
Profit or losses							
<i>recognised in income statement</i>	( 591)	5 314	-	7 141	-	-	4 271
<i>recognised in equity (OCI)</i>	-	-	24 149	-	-	439 864	-
Purchase/granting	353	189 674	1 713 459	-	-	-	-
Sale	-	( 284)	( 845 276)	-	-	-	( 116 422)
Matured	-	( 305 997)	( 342 360)	-	-	-	-
Transfer	( 25)	-	-	-	-	-	-
Other	-	( 1 895)	( 126 095)	1 029	( 4 016)	-	( 281)
<b>As at the end of the period</b>	<b>1 801</b>	<b>779 038</b>	<b>1 980 668</b>	<b>118 325</b>	<b>3 476</b>	<b>1 266 601</b>	<b>3 464</b>

Level III	Financial assets						
	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
<b>31.12.2020</b>							
<b>As at the beginning of the period</b>	<b>-</b>	<b>1 196 447</b>	<b>923 811</b>	<b>194 285</b>	<b>16 027</b>	<b>864 916</b>	<b>-</b>
Profit or losses							
<i>recognised in income statement</i>	( 24)	9 378	-	15 957	-	-	17 245
<i>recognised in equity (OCI)</i>	-	-	40 498	-	-	( 37 254)	-
Purchase/granting	1 379	419 520	1 181 483	-	-	-	101 550
Sale	-	( 3)	( 275 370)	( 102 550)	-	( 925)	-
Matured	-	( 591 551)	( 278 668)	-	-	-	-
Transfer	709	( 132 614)	-	-	-	-	-
Other	-	( 8 951)	( 34 963)	2 463	( 8 535)	-	( 2 899)
<b>As at the end of the period</b>	<b>2 064</b>	<b>892 226</b>	<b>1 556 791</b>	<b>110 155</b>	<b>7 492</b>	<b>826 737</b>	<b>115 896</b>

## 32. Contingent liabilities

### Significant court proceedings

**As at 30.06.2021** the value of all litigation amounts to PLN 2,959,302 k. This amount includes PLN 1,030,452 k claimed by the Group, PLN 1,872,929 k in claims against the Group and PLN 55,921 k of the Group's receivables due to bankruptcy or arrangement cases.

The amount of all court proceedings which had been completed in the period from 1.01.2021 to 30.06.2021 amounted to PLN 226,318 k.

As at 30.06.2021, the value of provisions for legal claims was PLN 923,617 k. In 441 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), as at the balance sheet date, the amount of provision was PLN 211,070 k.

### 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.

There are significant differences in court rulings on CHF loan cases:

- Courts deciding in favour of banks hold that indexation clauses are not unfair and dismiss the cases.
- Courts deciding against banks generally rule that: (1) loan indexation and application of an exchange rate from the bank's exchange rates table is unfair, and therefore the indexation mechanism is to be removed, and the loan concerned is to be treated as a PLN loan with an interest rate based on CHF LIBOR; or (2) the indexation and exchange rate calculation terms are unfair and render the loan agreement null and void.
- Some courts argue that loan indexation itself is lawful but application of an exchange rate based on the bank's FX table is unfair and should be eliminated. Accordingly, an objective indexation rate should be used, i.e. an average NBP exchange rate. This may result in particular claims being admitted, but only in an amount equal to the FX differences close to the currency spread.

On 3 October 2019, the Court of Justice of the European Union (CJEU) ruled on the case of a loan granted by Raiffeisen Bank Polska S.A. regarding the consequences of potentially unfair terms in a CHF-indexed loan agreement. The CJEU found that if the indexation clause was held to be unfair and if after the removal of the indexation mechanism the nature of the main subject matter of the agreement was likely to alter, the national court might annul the agreement, having presented to the borrower the consequences of this solution and having obtained their consent. At the same time, according to the CJEU, the national court might decide that the agreement should continue in existence after the indexing mechanism is removed (whereby the loan at issue would be treated as a PLN loan with an interest rate based on LIBOR); however, such a solution was deemed uncertain. The CJEU precluded the possibility to substitute unfair terms of the agreement with general provisions of the Polish law, but confirmed the possibility of replacing the gaps in the agreement with explicit supplementary provisions or other rules agreed by the parties.

The CJUE ruling did not resolve the doubts as to the consequences of potentially unfair terms in foreign currency loan agreements. Most court decisions taken after the CJUE ruling of 3 October 2019 are not favourable for the Group, but the case law has not become consistent yet. Some courts have requested preliminary rulings from the CJEU, which may affect future court verdicts.

On 29 April 2021, the CJEU issued another ruling concerning a loan indexed to a foreign currency (the case of Bank BPH SA), in which it indicated that the purpose of Directive 93/13/EEC on unfair terms in consumer contracts is not to annul the credit agreement, but to restore the contractual balance, and noted that when assessing the effects of abusiveness of a contract, the court should take into account objective criteria, not only the consumer's situation. In addition, the CJEU stated that in order to ensure that the contract can continue in existence, the court should apply all available measures, including an analysis of the possibility of removing only some of the clauses considered unfair; at the same time, the national court should not change the substance of the contractual obligation. The court should always inform the consumer of all potential claims that the bank might have due to possible annulment of the contract. Although the CJEU ruling of 29 April 2021 indicated the primacy of the resolution under which an agreement should continue in existence and the balance between the contractual parties should be restored, most court decisions continue to be unfavourable for the Group. It is still difficult to assess the potential impact of the CJUE ruling on judgments of Polish courts in cases regarding foreign currency loans.

The established opinion of the Supreme Court may be of importance here.

In terms of abusiveness of FX rate clauses, the Supreme Court previously was of the opinion that indexed loan agreements are permissible and compliant with the law and that they continue to be indexed loan agreements. In 2019, the Supreme Court in some cases invalidated the indexation and decided that the loan should be considered as a PLN loan with LIBOR-based interest rate, which was an exception given the Court's previous decisions.

In April 2020, the Supreme Court published justification of the decision of 11 December 2019 given in the case against Santander Bank Polska S.A. The Supreme Court decided that invalidation of indexation and continuation of the agreement as a PLN loan with LIBOR-based interest rate is not permissible because indexation clauses are the element of main contractual obligations of the parties, so their unfairness and elimination from the agreement makes the loan agreement invalid. This triggers the need for mutual settlements between the parties due to unjust enrichment; at the same time, the Supreme Court stated that the previous rulings of the CJEU do not rule out the possibility for the bank to demand compensation for unjustified (i.e. without an agreement) use of the loan principal as a result of invalidation of the agreement. In its ruling of 16 February 2021, the Supreme Court stated that the borrower whose loan agreement is declared invalid may claim reimbursement of the sums paid to the bank irrespective of whether and to what extent they owe the amounts to the bank in respect of unduly received loan proceeds (the "two separate claims theory"). At the same time, the Supreme Court held that there are legal instruments in place, such as set-off and the right of retention, which make it possible to concurrently account for mutual settlements in relation to unjust enrichment following the invalidation of the loan agreement. In its resolution of 7 May 2021 adopted by a bench of seven judges (and having the force of a legal rule), the Supreme Court stated that the parties may make unjust enrichment claims in the event of annulment of the loan agreement, with the settlement being made in accordance with the two separate claims theory (confirming the position expressed in the ruling of 16 February 2021). The Supreme Court also pointed out that the limitation of the bank's claims for return of unjust enrichment may not commence until the contract is considered permanently ineffective, i.e. until the consumer's informed decision as to invalidity of the contract, taken after he has been duly informed about the abusiveness of contractual provisions and the related effects.

On 11 May 2021, at the request of the First President of the Supreme Court, the Supreme Court was expected to take a position (in the form of a resolution of the entire Civil Chamber) on the key aspects of court cases concerning foreign currency loans (i.e. the possibility to keep a loan agreement after removing unfair clauses, as well as the consequences of possible invalidation of the entire agreement, including the basic principles of settlements between the borrower and the bank in this regard). The position of the Supreme Court is to clarify the discrepancies and harmonise the case law with respect to loans based on a foreign currency. Due to the fact that the position is to be formally presented as a resolution of the entire Civil Chamber (and as such will have the force of a legal rule), it may have a significant influence on the ruling practice. The resolution has not been adopted yet – the Supreme Court stayed the case and approached the Polish Financial Supervision Authority (KNF), the Commissioner of Human Rights, the Financial Ombudsman and the Children's Ombudsman for opinion. The hearing was scheduled for 2 September 2021. The model used by the Group to raise provisions for legal risk associated with the portfolio of loans indexed to or denominated in a foreign currency takes into account different possible judgments which are the subject of the request for the above-mentioned resolution. In particular, the Supreme Court's position may trigger revision of the model assumptions, and lead to potentially significant changes in the estimated collective and individual provisions for legal risk. As it is not possible to predict the Supreme Court's decisions on individual cases, the Management Board believes that the impact of those decisions on the level of provisions recognised as at 30 June 2021 cannot be reliably estimated at the time of preparation of these financial statements.

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, there were 6,500 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 1,472,431k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 548 CHF-indexed loans, with the disputed amount of PLN 50,283k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

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). 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 total provisions for legal claims and collective provisions account for 14% of the active portfolio of CHF loans.

The increase in the above provisions in 2021 is mainly due to new court cases (+2,311 compared to December 2020) and a change in total loss on credit exposure should the Group lose the case resulting from changes to the level of the likelihood of claims being resolved in favour of customers.

The Group estimated the likelihood of claims being made by borrowers based on the existing claims against the Group and the estimated growth in their number (using a model for predicting the number of potential court cases). The model is based on a range of behavioural characteristics related to the loan and the customer. The Group assumes that claims have been or will be made against the Group in relation to approx. 17.9% of loans (active and repaid). These assumptions are highly sensitive to a number of external factors, including but not limited to the ruling practice of Polish courts, the level of publicity around individual rulings, measures taken by the mediating law firms and the cost of proceedings. The Group expects that most of the cases will be filed by the end of 2022, and then the number of new claims will drop as the legal environment will become more structured.

The Group also estimated the likelihood of negative rulings in relation to existing and potential claims. The estimated likelihoods differ between indexed loans and denominated loans. The Group used the support of external law firms when assessing these likelihoods.

As the current case law is not uniform, the bank considered the following scenarios of possible negative court rulings:

- Invalidating the loan agreement clauses identified as unfair, which causes the loan to be converted into PLN, with the CHF LIBOR-based interest rate being maintained;
- Invalidating the whole loan agreement as it contains unfair clauses, with no cost of capital to be reimbursed by the borrower;
- Court decisions leading to settlement of the cost of capital by the borrower (invalidating the whole loan agreement as it contains unfair clauses, with the cost of capital to be reimbursed by the borrower, or converting the loan to PLN with an interest rate based on WIBOR).
- Invalidating the loan agreement clauses identified as unfair with respect to the FX differences determination mechanism, which causes the average NBP rate to be applied.

The likelihoods of these scenarios also vary depending on whether the loan is indexed or denominated, and are based on a relatively small and thus statistically unrepresentative sample of rulings, and were estimated with the support of external law firms independent from the Group. Each of these scenarios has a statistically estimated expected loss level based on the available historical data.

In the Group's opinion, the value of estimated provisions is also affected by the duration of court cases (also estimated based on a relatively short time horizon of available statistics, which does not meet the conditions for application of quantitative methods) and the growing costs related to the instigation and continuation of court proceedings.

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

Due to the high uncertainty around both individual assumptions and their total impact, the Group carried out the following sensitivity analysis of the estimated provision by estimating the impact of variability of individual parameters on the provision value.

The estimates are based on a univariate analysis of provision value sensitivity.

Taking into account the different scenarios outlined below, the impact on the collective provision for legal risk estimated as at 30 June 2021 is as follows:

Scenario	Change in the collective provision
Tripling the number of customers filing a lawsuit	940
Doubling the number of customers filing a lawsuit	471
50% reduction in the number of customers filing a lawsuit	-235
Relative increase of 50% in likelihood of losing the case	139
Relative decrease of 50% in likelihood of losing the case	-218



For all the parameters, the variability range in the sensitivity analysis was estimated taking into account the existing market conditions. The adopted variability ranges may change depending on market developments, which may significantly affect the results of the sensitivity analysis.

Taking into account the different scenarios outlined below, the impact on the provision for individual legal claims as at 30 June 2021 is estimated as follows:

<b>Scenario</b>	<b>Change in the individual provision</b>
Relative increase of 50% in likelihood of losing the case	276
Relative decrease of 50% in likelihood of losing the case	-422

In December 2020, the Chairman of the Polish Financial Supervision Authority (KNF) presented a proposal for voluntary settlements between banks and borrowers under which CHF loans would be retrospectively settled as PLN loans bearing an interest rate based on WIBOR plus margin. This proposal is currently being analysed by the Bank and representatives of banks and consulted with the KNF and the Ministry of Finance. The Bank is now conducting tests to assess potential effects of those settlements. Depending on the test results, further steps will be considered, including a pilot on a selected sample of borrowers. The overall outcome will be a significant factor for the Bank to decide whether or not to roll out the settlement process. As the decision to commence the process of entering into settlements might have a high impact on the Group's financial position, approval of the General Meeting will be required. If the Group decides to go ahead with the roll-out, it will take into account additional scenarios in the models for calculation of provisions for legal risk and will reflect the estimated impact of settlements on the level of those provisions.

### Court proceedings relating to a partial reimbursement of arrangement fees on consumer loans

As at 30.06.2021, Santander Bank Polska Group was sued in 1,037 cases concerning partial refund of an arrangement fee on consumer loans, including 359 cases against Santander Consumer Bank S.A. and 678 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Polska Group raised provisions in the total amount of PLN 150k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 28k and provisions raised by Santander Bank Polska S.A. in the amount of PLN 122k.

On 11.09.2019, the CJEU issued a ruling in case C 383/18, in which it held that pursuant to Article 16(1) in conjunction with Article 3(g) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers ("Directive") the consumer is entitled to an equitable reduction in the total cost of the credit (except for notarial fees and taxes), irrespective of whether such costs are linked to the lending period.

However, the CJEU's ruling concerns the interpretation of the provisions of the Directive which are not directly binding and must be transposed by respective member states. Accordingly, it is the national law and its interpretation that are key to resolving disputes over the refund of fees for consumer loans, therefore, it is important to settle the interpretation of national law, which will indicate the method on the basis of which the settlements should be made, and the time horizon covered by the obligation to refund the commission.

On 12.12.2019 The Supreme Court issued a ruling in case III CZP 45/19 in which it held that the interpretation of art. 49 of the Consumer Credit Act indicates that the arrangement fee as part of the total cost of the loan should be refunded in the event of early repayment of the loan. At the same time, the Supreme Court did not indicate how the fee is related to the period by which the duration of the contract was shortened and what part of the fee is covered by the period of which the duration of the contract was shortened.

When assessing legal risk associated with Article 49 of the Consumer Credit Act, the Santander Bank Polska Group raises provisions for legal risks related to disputes regarding art. 49 of the Consumer Credit Act taking in to account interpretation differences. In relation to both banks, UOKiK conducted explanatory proceedings regarding the correct settlement of commissions based on art. 49 of the Consumer Credit Act, both proceedings were discontinued.

During the first six months of 2021, the provisions for expected partial reimbursements of fees on early repaid loans (calculated on a straight-line basis) and the associated liabilities recognised by the Group had the following impact on its P&L:

The total amount taken by the Group to its P&L was PLN 58,907k, that decreased the Group's net interest income (during the first six months of 2020 the Group's P&L was charged of PLN 92,617k to net interest income and PLN 47,105k to other operating expenses). The above amount for the Santander Bank Polska was PLN 28,268k. The remaining amount charged to the Group's profit or loss represent the amount recognized in the result of the subsidiary Santander Consumer Bank.

As at 31.12.2020 the value of all litigation amounts to PLN 2,317,882 k. This amount includes PLN 1,004,690 k claimed by the Group, PLN 1,261,620 k in claims against the Group and PLN 51,572 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2020 the amount of all court proceedings which had been completed amounted to PLN 735,191 k.

As at 31.12.2020, the value of provisions for legal claims was PLN 408,485 k. In 229 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), as at the balance sheet date, the amount of provision was PLN 70,373 k.

Santander Bank Polska SA raises provisions for legal risk where an internal risk assessment for a particular case indicates a possible outflow of cash. Provisions for cases disputed in court are presented in Note 29.

## Off-balance sheet liabilities

The value of contingent liabilities and off-balance sheet transactions are presented below. The value of liabilities sanctioned and provision for off-balance sheet liabilities are presented also presented by categories. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations towards third parties.

Contingent liabilities	30.06.2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Liabilities sanctioned</b>	<b>41 661 082</b>	<b>1 059 621</b>	<b>73 584</b>	<b>42 794 287</b>
<b>- financial</b>	<b>33 815 171</b>	<b>764 819</b>	<b>65 414</b>	<b>34 645 404</b>
- credit lines	28 481 447	658 023	54 703	29 194 173
- credit cards debits	3 846 711	79 189	8 727	3 934 627
- import letters of credit	1 487 013	27 607	1 984	1 516 604
<b>- guarantees</b>	<b>7 872 934</b>	<b>304 927</b>	<b>24 634</b>	<b>8 202 495</b>
<b>Provision for off-balance sheet liabilities</b>	<b>( 27 023)</b>	<b>( 10 125)</b>	<b>( 16 464)</b>	<b>( 53 612)</b>
<b>Liabilities received</b>				<b>54 634 179</b>
<b>- financial</b>				<b>6 715</b>
<b>- guarantees</b>				<b>54 627 464</b>
<b>Total</b>	<b>41 661 082</b>	<b>1 059 621</b>	<b>73 584</b>	<b>97 428 466</b>

Contingent liabilities	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Liabilities sanctioned</b>	<b>41 296 843</b>	<b>853 890</b>	<b>95 625</b>	<b>42 246 358</b>
<b>- financial</b>	<b>34 006 951</b>	<b>634 428</b>	<b>83 603</b>	<b>34 724 982</b>
- credit lines	28 831 615	494 054	67 902	29 393 571
- credit cards debits	3 960 832	131 695	13 914	4 106 441
- import letters of credit	1 194 014	8 679	1 787	1 204 480
- term deposits with future commencement term	20 490	-	-	20 490
<b>- guarantees</b>	<b>7 315 501</b>	<b>231 608</b>	<b>38 808</b>	<b>7 585 917</b>
<b>Provision for off-balance sheet liabilities</b>	<b>( 25 609)</b>	<b>( 12 146)</b>	<b>( 26 786)</b>	<b>( 64 541)</b>
<b>Liabilities received</b>				<b>60 810 347</b>
<b>- financial</b>				<b>153 119</b>
<b>- guarantees</b>				<b>60 657 228</b>
<b>Total</b>	<b>41 296 843</b>	<b>853 890</b>	<b>95 625</b>	<b>103 056 705</b>

### 33. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	28.07.2021	28.04.2021	28.07.2021	28.04.2021	28.07.2021	28.04.2021	28.07.2021	28.04.2021
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,01%	5 123 581	5 123 581	5,01%	5,01%
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
<b>Total</b>	<b>102 189 314</b>	<b>102 189 314</b>	<b>100%</b>	<b>100%</b>	<b>102 189 314</b>	<b>102 189 314</b>	<b>100%</b>	<b>100%</b>

\* Nationale-Nederlanden OFE is managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne SA

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 1H 2021 /28.07.2021/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne SA.

### 34. Related parties

The tables below present intercompany transactions. They are effected between associates and related entities. Transactions between Santander Bank Polska Group companies and its related entities are banking operations carried out on an arm's length business as part of their ordinary business and mainly represent loans, bank accounts, deposits, guarantees and leases. Intercompany transactions effected within the Group by the Bank and its subsidiaries have been eliminated from the consolidated financial statements. In the case of internal Group transactions, a documentation is prepared in accordance with requirements of tax regulations for transfer pricing.

Transactions with associates	30.06.2021	31.12.2020
<b>Assets</b>	<b>113 334</b>	<b>77</b>
Other assets	113 334	77
<b>Liabilities</b>	<b>111 222</b>	<b>88 102</b>
Deposits from customers	111 139	87 998
Other liabilities	83	104
<b>Transactions with associates</b>	<b>1.01.2021- 30.06.2021</b>	<b>1.01.2020- 30.06.2020</b>
<b>Income</b>	<b>24 804</b>	<b>20 041</b>
Fee and commission income	24 804	20 041
<b>Expenses</b>	<b>1</b>	<b>1 047</b>
Interest expense	1	486
Fee and commission expense	-	561

Transactions with Santander Group	with the parent company		with other entities	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
<b>Assets</b>	<b>1 335 502</b>	<b>1 874 598</b>	<b>4 465</b>	<b>9 068</b>
Loans and advances to banks, incl:	413 094	766 201	4 465	8 184
<i>Current accounts</i>	413 094	766 201	4 465	8 184
Financial assets held for trading	921 707	1 107 257	-	4
Other assets	701	1 140	-	880
<b>Liabilities</b>	<b>4 516 766</b>	<b>3 542 443</b>	<b>143 332</b>	<b>555 327</b>
Deposits from banks incl.:	3 133 475	1 521 825	14 612	448 183
<i>Current accounts</i>	771 803	490 902	14 612	448 183
<i>Loans from other banks</i>	2 361 672	1 030 923	-	-
Financial liabilities held for trading	913 384	1 556 881	-	-
Deposits from customers	-	-	88 059	84 596
Lease liabilities	-	-	25	25
Debt securities in issue	452 472	461 509	-	-
Other liabilities	17 435	2 228	40 636	22 523
<b>Contingent liabilities</b>	<b>5 322 722</b>	<b>5 120 775</b>	<b>64 446</b>	<b>64 329</b>
Sanctioned:	34	-	32 473	32 505
<i>financial</i>	34	-	-	-
<i>guarantees</i>	-	-	32 473	32 505
Received:	5 322 688	5 120 775	31 973	31 824
<i>guarantees</i>	5 322 688	5 120 775	31 973	31 824

Transactions with Santander Group	with the parent company		with other entities	
	1.01.2021- 30.06.2021	1.01.2020- 30.06.2020	1.01.2021- 30.06.2021	1.01.2020- 30.06.2020
<b>Income</b>	<b>296 583</b>	<b>141 256</b>	<b>451</b>	<b>472</b>
Interest income	( 1 149)	915	9	5
Fee and commission income	3 462	830	66	142
Other operating income	1	3	376	21
Net trading income and revaluation	294 269	139 508	-	304
<b>Expenses</b>	<b>32 606</b>	<b>37 845</b>	<b>48 383</b>	<b>35 624</b>
Interest expense	10 280	15 860	-	81
Fee and commission expense	4 726	3 609	245	59
Net trading income and revaluation	-	-	102	-
Operating expenses incl.:	17 600	18 376	48 036	35 484
<i>Staff, Operating expenses and management costs</i>	17 535	18 376	48 036	35 484
<i>Other operating expenses</i>	65	-	-	-

## Transactions with Members of Management and Supervisory Boards

### Remuneration of Santander Bank Polska Management Board Members, Supervisory Board Members and key management Santander Bank Polska Group's.

#### Loans and advances granted to the key management personnel

As at 30.06.2021, 31.12.2020 and 30.06.2020 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

Loans and advances have been sanctioned on regular terms and conditions.

Transactions with members of Management Board and Key Management Personnel	Management Board Members		Key Management Personnel	
	1.01.2021-30.06.2021	1.01.2020-30.06.2020	1.01.2021-30.06.2021	1.01.2020-30.06.2020
Fixed remuneration	6 590	6 286	24 889	23 215
Additional benefits (e.g among others, life insurance cover without pension option, medical cover, travel expenses and school fees)	878	587	1 039	604
The awards paid in 2021 and 2020 *	7 069	8 826	15 504	22 031
Equivalent paid for unused annual leave	-	-	103	47
Additional compensation for termination of the contract and the non-competition clause	396	-	2 438	-
Provisions for retirement benefits and provision for unused holidays	1 396	1 728	7 679	7 135
The number of conditional rights to shares **	-	22 260	-	31 039

	Management Board Members		Key Management Personnel	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Loans and advances made by the Bank to the Members of the Management Board/Key Management and to their relatives	5 193	6 528	23 289	27 088
Deposits from The Management Board/Key management and their relatives	15 227	18 351	24 463	23 134

\* included part of the award for 2020, 2019, 2018, 2017 and 2016 which was conditional and deferred in time

\*\*details about share base payments are presented in Note 42.

The category of key management personnel includes the persons covered by the principles outlined in the "Santander Bank Polska Group Remuneration Policy" and in the justified cases – by the principles separately specified in the companies.

Santander Bank Polska Group applies the "Santander Bank Polska Group Remuneration Policy". The Policy has been approved by the bank's Management Board and Supervisory Board and is reviewed annually or each time significant organisational changes are made.

Persons holding managerial positions are paid variable remuneration once a year following the end of the settlement period and release of the bank's results. Variable remuneration is awarded in accordance with applicable bonus regulations and paid in cash and in the form of shares or related financial instruments - phantom shares. The latter shall represent min. 50% of the total amount of variable remuneration. Payment of min. 40% of variable remuneration referred to above is conditional and deferred for the period of three years with the possibility of extending the period to 5 years. Variable remuneration is paid in arrears in equal annual instalments depending on individual performance in the period subject to assessment and the value of the shares or related financial instrument.

In H1 2021, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 1,042 k. Mr John Power received remuneration of PLN 47.5 k from subsidiaries for his membership in their Supervisory Boards.

In H1 2020, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 734 k. Mr John Power received remuneration of PLN 25.6 k from subsidiary for his membership in her Supervisory Board.

## 35. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs

There were no changes in the business or economic circumstances that would affect the fair value of the entity's financial assets or financial liabilities, whether these assets or liabilities were recognised at fair value or amortised cost. Details in Note 31.

### 36. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period

No such events took place in the reporting period and the comparable period.

### 37. Character and amounts of items which are extraordinary due to their nature, volume or occurrence

The execution of the share purchase agreement relating to the shares held by the Bank in AVIVA Towarzystwo Ubezpieczeń na Życie S.A., AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A., AVIVA Powszechne Towarzystwo Emerytalne Aviva Santander S.A.; a change in the partner of the Bank with respect to Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A.

On 26 March 2021:

1. the Bank executed a share purchase agreement relating to: 4,125 shares in AVIVA Towarzystwo Ubezpieczeń na Życie S.A., representing ca. 10% of the share capital of this company; and 2,968 shares in AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A., representing ca. 10% of the share capital of this company, to ALLIANZ HOLDING EINS GMBH ("Allianz"), for the total purchase price of EUR 243,000,000 (whereby the purchase price may be subject to adjustments as set out in the share purchase agreement);
2. the Bank undertook to executed a share purchase agreement relating to 1,370 shares in AVIVA Powszechne Towarzystwo Emerytalne Aviva Santander S.A., representing ca. 10% of the share capital of this company, to AVIVA Towarzystwo Ubezpieczeń na Życie S.A., for the purchase price of EUR 14,000,000 (whereby the purchase price may be subject to adjustments as set out in the share purchase agreement); and
3. the Bank undertook to execute with Aviva International Holdings Limited, Aviva International Insurance Limited, Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A. a termination agreement effective as at the completion of the aforementioned transactions involving the agreements concerning the cooperation of the Bank and Aviva International Holdings Limited in Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A. (including the shareholders agreements relating to Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A.),

One of the parts of the Transaction will be the execution of the new shareholder agreements with Allianz, which will be the new partner to the Bank with respect to Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A., where Allianz will hold approximately 51% of the shares in their respective share capitals as a result of the Transaction, as well as new bancassurance agreements with Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A.

The Bank further announces that the completion of the transaction is dependent on the receipt of all the regulatory approvals required by law, including the required decisions of the Polish Financial Supervision Authority and the European Commission, and the satisfaction of the other conditions specified in the Transaction documentation. It is assumed that the transaction will be completed within 12 months.

Furthermore, the Bank is entitled to an additional payment of EUR 10m after closing the transaction.

Pursuant to the share purchase agreement, PLN 89m worth of dividends paid to the bank by Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. in June 2021 will be deducted from the amount to be paid to the bank by Allianz at the time of closing the transaction.

### 38. Information concerning issuing loan and guarantees by an issuer or its subsidiary

As at 30.06.2021 and 31.12.2020 Santander Bank Polska and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

## 39. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets

Details in Note 14.

## 40. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets

As at 30.06.2021 and 31.12.2020 or Santander Bank Polska S.A. or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

## 41. Acquisitions and disposals of investments in subsidiaries and associates

### Start of liquidation of SC Poland Consumer 15-1 Sp. z o.o.

On 18 June 2021, a resolution was adopted at SC Poland Consumer 15-1 Sp. z o.o. to dissolve the company and start the liquidation process. The Group lost control over the company.

## 42. Share based incentive scheme

Santander Bank Polska S.A. does not have active share-based payment incentive scheme as at 30 June 2021.

The sixth edition of the incentive scheme has been completed as at 20/02/2020. The vesting level is 100% in relation to annual award for 2017 and 2018 and 65.34% of the annual award for 2019. Its realization through issuance of new shares and their allocation to individual accounts of entitled individuals was finalised in Q3 2020.

Three-year Incentive Scheme no. VI was approved on 17.05.2017 by Annual General Meeting of the Shareholders of Santander Bank Polska S.A. which participants are employees of the Santander Bank Polska Group (including Members of the Management Board), however not more than 250 individuals. On 26.06.2017 the Supervisory Board approved the list of entitled individuals ("grant date").

Vesting condition was considered from two perspectives, separately for every year of operation of the scheme and on a cumulative basis after 3 years.

In every single year annual award not exceeding one third on total award was considered. Shares were vest on a linear pattern between 25% and 100% contingent on profit after tax (PAT) growth and on RORWA ratio growth. The range of the scale required PAT growth between "lower level" set to 80% of assumed level of realization in 2017 and "upper level" of nominal growth at 17,8% in first year and between "lower level" set to 80% of assumed level of realization in 2018 and 2019 and "upper level" of nominal growth at 13,4% in second and third year of duration of scheme. The range of the scale required RORWA ratio growth between "lower level" set to 80% of assumed level of realization in 2017 and "upper level" of nominal growth at 2,24% in first year, between "lower level" set to 80% of assumed level of realization in 2018 and "upper level" of nominal growth at 2,37% in second year and between "lower level" set to 80% of assumed level of realization in 2019 and "upper level" of nominal growth at 2,5% in third year of duration of scheme.

Additionally the qualitative factors were taken into account – participants were entitled to annual award depending on the level of an external customer satisfaction and engagement survey results (an internal customer). The level of customer satisfaction would be met when in the peer group Bank was on second place in first and second year and on the first place in third year of duration of the scheme. The engagement survey results would not be lower than 50% in first year, 60% in second year and 70% in third year of duration of scheme.

Additionally, after 3 years cumulative award was considered. Shares vested on a linear pattern between 25% and 100% contingent on PAT compound annual growth rate in 3 years' time between 11,7% and 15% and on average value of RORWA ratio in 3 years' time between 1,9% and 2,38%. If number of shares resulting from cumulative assessment would be higher than sum of annual awards vested to date, additional shares would be allocated to individuals up to the amount resulting from cumulative assessment.

The Black Scholes model has been used to value awards granted at the grant date. The expected volatility of the values of shares is based on an analysis of historical volatility of share prices based on 160 sessions preceding the grant date. The following table details the assumptions used, and the resulting fair value.

Share based payments granted in 2017:

	<b>2017</b>
Number of share based payments	131 262
Share price	350.00 PLN
Exercise price in PLN	10
Vesting period	3 years
Expected volatility of share prices	30.07%
Award life	3 years
Discounted risk free rate	2.12%
Fair value per award	323.36 PLN
Dividend yield	1.71%

The table below summaries movement in the plan:

	<b>6 months of 2021</b> <b>6 months of 2020</b>	
	<b>Number of share based payments</b>	<b>Number of share based payments</b>
<b>Outstanding at 1 January</b>	-	<b>115 219</b>
Granted	-	120
Exercised	-	-
Forfeited	-	( 1 695)
Expired	-	( 12 635)
<b>Outstanding at 30 June</b>	-	<b>101 009</b>
<b>Exercisable at 30 June</b>	-	-

For the share based payments outstanding as at 30 June 2021 and as at 30 June 2020 the average remaining contractual life is 0 year for both periods.

The expenses of sixth edition of equity settled share-based payments scheme recognized in profit and loss account for 6 months of 2021 and 2020 amounts to PLN 0 k and PLN 1 606 k.

The table below presents information about the number of conditional rights to shares vested in Santander Bank Polska SA Management Board members under the Long-term 6th Incentive Scheme, which has been completed in 2020.

<b>No. of awards</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
<b>Outstanding at 1 January</b>	-	<b>25 160</b>
Granted	-	-
Expired	-	( 2 900)
Exercised	-	-
Resignation from the function	-	-
<b>Outstanding at 30 June</b>	-	<b>22 260</b>
<b>Exercisable at 30 June</b>	-	-



The table below presents information about the number of conditional rights to shares vested in Santander Bank Polska Group Key Management.

<b>No. of awards</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
<b>Outstanding at 1 January</b>	-	<b>38 303</b>
Granted	-	120
Expired	-	(4 701)
Exercised	-	-
Change due to inclusion in key management personnel	-	3 234
Change due to exclusion from key management personnel	-	(5 917)
<b>Outstanding at 30 June</b>	-	<b>31 039</b>
<b>Exercisable at 30 June</b>	-	-

### 43. Dividend per share

The Management Board of Santander Bank Polska S.A. announced that on 17 March 2021 it had decided to change its recommendation presented in the current report of 23 February 2021, i.e. to retain the Bank's entire net profit of PLN 738,411,718.72 for the accounting year from 1 January 2020 to 31 December 2020 and to allocate 50% of that amount, i.e. PLN 369,205,859.36 to the capital reserve, and leave PLN 369,205,859.36 undistributed.

When taking the decision to change its recommendation of 23 February 2021, the Management Board took into account the current macroeconomic environment as well as the recommendations and current position of the Polish Financial Supervision Authority (KNF). The Management Board also considered the fact that profit distribution falls within the exclusive powers of the Annual General Meeting.

The amended recommendation was approved by the Bank's Supervisory Board and the Annual General Meeting.

As recommended by the Management Board, the Bank's Annual General Meeting distributed the Bank's net profit of PLN 738,411,718.72 for the accounting year from 1 January 2020 to 31 December 2020 as follows:

- PLN 369,205,859.36 was allocated to the capital reserve;
- PLN 369,205,859.36 was allocated to the dividend reserve.

Both of the above-mentioned amounts are presented in the financial statements under "Other reserve capital".

The Annual General Meeting set aside the capital reserve for payment of dividend/ interim dividend ("dividend reserve") and authorised the Management Board to use this reserve to pay interim dividend pursuant to Article 349(2) of the Commercial Companies Code.

The recommended profit distribution by the Annual General Meeting is without prejudice to the Management Board's right to decide on distribution of the profit to the shareholders in the form of interim dividend and to use the dividend reserve for that purpose in H2 2021 pursuant to the authorisation given to the Management Board under § 50(4) of the Bank's Statutes. This will be subject to the receipt of the KNF's position on the dividend policy in H2 2021 that will permit such distribution. The Management Board's potential decision to pay interim dividend in H2 2021 will also require the approval of the Supervisory Board.

The following information and recommendation received after the balance sheet date:

- Polish Financial Supervision Authority information in respect on dividend policy in the second half of 2021 and the individual stress test add-on used in the dividend policy.
  - Individual recommendation of the Polish Financial Supervision Authority regarding the fulfillment of the criteria for the payment of dividends from the net profit generated in 2020
- are described in Note 44.

## 44. Events which occurred subsequently to the end of the reporting period

### Polish Financial Supervision Authority information in respect on dividend policy in the second half of 2021 and the individual stress test add-on used in the dividend policy.

The Management Board of Santander Bank Polska S.A announced that on 2 July 2021 the Bank received a letter from the Polish Financial Supervision Authority regarding the dividend policy of commercial banks for H2 2021, providing for the conditions to be satisfied by banks for dividend payout in the amount of up to 50%, 75% and 100% of net profit respectively adopted by PFSA on June 24, 2021.

In their letter, the PFSA also communicated the individual add-on ST for the Bank. The add-on ST measures the Bank's sensitivity to an adverse macroeconomic scenario. It is defined as the difference between the total capital ratio (TCR) in the baseline scenario and the TCR in the stress scenario as at the end of the forecast period (2021), considering the supervisory adjustments. As a result of analyses made during the stress tests conducted by the PFSA, the individual add-on ST for the Bank was set, considering the supervisory adjustments, at 1.73%. The PFSA stated that the Bank's sensitivity is identical for both the payout from up to 75% and 100% of net profit.

As at 31st March 2021 the Bank meets the criteria to pay a dividend up to 100% of the Bank's net profit for the period from 1st January 2020 to 31st December 2020. After applying additional criteria regarding exposure arising from foreign currency home loans the dividend payout is adjusted by 70 p.p. As a consequence, the maximum dividend payout, after applying additional criteria, can reach up to 30% of profit for 2020.

Furthermore, the PFSA stated that their stance on the dividend policy applied only to the payout from the 2020 profit and that they would present an additional stance on the retained earnings (including the 2019 profit) at the 2021 yearend along with the 2022 dividend policy.

### Individual recommendation of the Polish Financial Supervision Authority regarding the fulfillment of the criteria for the payment of dividends from the net profit generated in 2020

With reference to the current report of July 2, 2021, the Management Board of Santander Bank Polska S.A. announced that on July 20, 2021, it received an individual recommendation of the Polish Financial Supervision Authority regarding the Bank's dividend policy.

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 year i.e. from 2019 and previous years and share buybacks.

## Signatures of the persons representing the entity

Date	Name	Function	Signature
27.07.2021	Michał Gajewski	President	
27.07.2021	Andrzej Burliga	Vice-President	
27.07.2021	Juan de Porras Aguirre	Vice-President	
27.07.2021	Arkadiusz Przybył	Vice-President	
27.07.2021	Lech Gałkowski	Member	
27.07.2021	Patryk Nowakowski	Member	
27.07.2021	Carlos Polaino Izquierdo	Member	
27.07.2021	Maciej Reluga	Member	
27.07.2021	Dorota Strojowska	Member	

## Signature of a person who is responsible for maintaining the book of account

Date	Name	Function	Signature
27.07.2021	Wojciech Skalski	Financial Accounting Area Director	