Information on Capital Adequacy of Santander Bank Polska Group as at 30th June 2022

I. Introduction

This document is issued under the Santander Bank Polska Group Disclosure Strategy formulated based on Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019. (CRR) which formed the legal basis of the reporting date i.e. 30 June 2022.

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

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

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

The data presented in the report were prepared as at 30 June 2022. The information contained herein refers to the foregoing regulations to the extent applicable to the Bank and Santander Bank Polska Group. The figures presented in the Report are expressed in thousand PLN, unless otherwise stated. Any potential differences in the sums and percentages are due to presentation of the amounts with a specific degree of accuracy.

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

1. Capital Group

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

EU LI3 – OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY) AS AT 30.06.2022

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

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

Compared to 31 December 2021, the list of members of Santander Bank Polska Group has not changed. Compared with 31 December 2021, the list of associates did not change.

II. Own funds

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

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

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

- Tier I capital,
- Tier II capital.

Tier I capital consists of:

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

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

Common Equity Tier I consists of:

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

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

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

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

EU CC2 - RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE FINANCIAL STATEMENTS AS AT 30.06.2022 (PLN K)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements			
1 Intangible fixed assets	654 248	295 161	III. Condensed consolidated statement of financial position (Assets)
2 Goodwill	1 712 056	1 712 056	
3 Deferred tax assets (net)	2 030 765	2 117 841	
-including assets that do not exceed the threshold set in Article 48(1)(a)	2 030 765	2 117 841	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements			
1 Subordinated obligations	2 791 968	-	III. Condensed consolidated statement of financial position (Liabilities and Equity)
-including loans eligible as instruments under Tier II	2 663 443	2 395 898	
Shareholders' Equity			
1 Share capital	1 021 893	1 021 893	III. Condensed consolidated statement of financial position (Liabilities and Equity)
2 Other capital items	23 858 400	23 366 531	
3 Revaluation reserve	-1 493 680	-1 493 678	
4 Non-controlling interests	1 691 689	761 433	
5 Retained earnings	1 770 027	1 715 895	
6 Current year profit	1 616 390	-	
Total Equity	28 464 719	25 372 073	

As at 30 June 2022, the total own funds of the Santander Bank Polska Group amounted to PLN **25 874 078k**.

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

EU CC1 - COMPOSITION OF REGULATORY OWN FUNDS AS AT 30.06.2022 (PLN K)

		Amounts
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	9 003 867
	of which: Instrument type 1	9 003 867
2	Retained earnings	1 715 895
3	Accumulated other comprehensive income (and other reserves)	13 241 069
EU-3a	Funds for general banking risk	649 810
5	Minority interests (amount allowed in consolidated CET1)	761 433
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**25 372 073**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-112 207
8	Intangible assets (net of related tax liability) (negative amount)	-2 007 217
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0
15	Defined-benefit pension fund assets (negative amount)	-13 282
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-47 950
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-
EU-20c	of which: securitisation positions (negative amount)	-47 950
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	0
27a	Other regulatory adjustments	159 192
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-2 021 464**
29	**Common Equity Tier 1 (CET1) capital**	**23 350 609**
Additional Tier 1 (AT1) capital: instruments		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**
Additional Tier 1 (AT1) capital: regulatory adjustments		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**
44	**Additional Tier 1 (AT1) capital**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**23 350 609**
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	2 395 898
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	127 570
51	**Tier 2 (T2) capital before regulatory adjustments**	**2 523 469**
Tier 2 (T2) capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-
58	**Tier 2 (T2) capital**	**2 523 469**
59	**Total capital (TC = T1 + T2)**	**25 874 078**
60	**Total Risk exposure amount**	**134 891 388**
Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	17,31%
62	Tier 1 capital	17,31%
63	Total capital	19,18%
64	Institution CET1 overall capital requirements *	3,28%
65	of which: capital conservation buffer requirement	2,50%
66	of which: countercyclical capital buffer requirement	0,01%
67	of which: systemic risk buffer requirement	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,75%
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,02%
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**12,81%**
Amounts below the thresholds for deduction (before risk weighting)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	999 086
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	2 117 841

* The institution CET1 overall capital requirements were calculated taking into account the institution specific countercyclical capital buffer.

1. Tier I

Common Equity Tier I

Share capital in accordance with the Bank's Statutes and the entry to the Court Register as at 30 June 2022 amounted to PLN **1 021 893k.**

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

Supplementary capital is created from profit allocations and from share premium. By the Bank's Statutes, the supplementary capital is created from net profit allocations. Its purpose is to cover any balance sheet losses. The value of the allocations is determined by the General Meeting of Shareholders. As at 30 June 2022, the supplementary capital in own funds was PLN **9 242 690k**. incl. share premium of PLN **7 981 974k.**

Other reserves are created from net profit allocations in an amount approved by the General Meeting of Shareholders. Other reserve are used to cover balance sheet losses if they are greater than the supplementary capital. The decision to resort to the reserve capital is taken by the General Meeting of Shareholders. As at 30 June 2022, after including prudential consolidation adjustments, the other reserves and accumulated other comprehensive income in own funds were PLN **13 241 069k**.

Funds for general banking risk are used to cover costs and losses connected with unidentified banking risks that were not separately provided for. As at 30 June 2022, the general risk fund earmarked for unidentified risks of the banking business was PLN **649 810k**.

Net profit of Santander Bank Polska Group from 1 January 2022 to 30 June 2022 totaled PLN **1 740 265k**, including PLN 123 875k of profit attributable to shareholders who do not exercise control. As at 30 June 2022 Santander Bank Polska Group not included the current year profit in own funds.

As at 30 June 2022 in Own Funds of Santander Bank Polska Group the **retained earnings** are included in the amount of PLN **1 715 895k**.

In April 2022, the General Meeting of Santander Bank Polska S.A. Shareholders agreed on the distribution of the net profit of **PLN 915 878k** for the accounting year from 1 January 2021 to 31 December 2021 as follows:

- PLN 273 867k was allocated to dividend for shareholders;
- PLN 457 939k was allocated to capital reserves;
- PLN 184 071k leave undivided.

102 189 314 (say: one hundred two million, one hundred eighty nine thousand and three hundred fourteen) series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares give entitlement to the dividend to be paid out from 2021 profit (the "Dividend"). Dividend per one: A, B, C, D, E, F, G, H, I, J, K, L, N and O series share was PLN 2.68. The Dividend payment day was 1 June 2022.

The Ordinary General Meeting also distributed the undistributed net profit earned by the Bank for the financial year from 1 January 2019 to 31 December 2019 in the amount of PLN 1 056 762k as follows - the amount of PLN 1 056 762k is allocated to the dividend capital created by the Ordinary General Meeting of the Bank by Resolution No. 6 of 22 March 2021 on the distribution of profit and the creation of reserve capital ("Resolution No. 6/2021").

Minority interests

As at 30 June 2022, the minority interests recognised in the consolidated Tier 1 capital totalled PLN **761 433k** and were attributed of SCB Group.

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

Adjustment and deductions from Common Equity Tier I

Santander Bank Polska Group has calculated the additional value adjustments due to the requirements for prudent valuation according to articles 34 and 105 of CRR. It amounted to PLN **(112 207)k**.

As at 30 June 2022, the adjustment of the Common Equity Tier 1 capital due to goodwill amounted to PLN **(1 712 056)k**, including:

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

As at 30 June 2022, deduction from Common Equity Tier I regarding other intangible assets amounted to PLN **(295 161)k**. The value of the shortage in coverage due to non-performing exposures amounted to PLN **(901)k**.

2. Tier II

Subordinated liabilities

Own funds of Santander Bank Polska Group include:

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

From August 5, 2020, the amount of the first, from December 3, 2021, the amount of the second and from May 22, 2022, the amount of the third of the above-mentioned subordinated loans are amortized due to the last 5 years of maturity, in accordance with Art. 64 CRR.

Hence, as at 30 June 2022, own funds include subordinated liabilities of PLN **2 395 898k**.

Instruments issued by subsidiaries that recognised in Tier II capital

Following the acquisition of control over Santander Consumer Bank in 2014, its qualifying own funds of PLN **127 570k**, calculated in accordance with Art. 88 of CRR as own funds of a subsidiary, represent another item of Tier II capital of Santander Bank Polska Group.

More details about the subordinated liabilities are presented in Note 26 to the *Interim Report 2022 of the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022*.

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

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

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

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

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

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

As at 30th June 2022, the Group applied the updated rules for transitional arrangements related to IFRS 9. In accordance with the Regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020 the formula on the basis of which the amount included in own funds is determined has been modified in such a way that the dynamic factor is calculated in relation to the status as of 01/01/2020 instead of 01/01/2018 and the transitional period for the dynamic factor is extended until 31 December 2024. Starting from 2020, the multipliers (f2) for the dynamic factor that can be applied in the subsequent years of the transition period are: 100%, 100%, 75%, 50%, 25%, respectively. In addition, a factor was added to the formula, calculated as the change in provisions for expected credit losses between 01/01/2020 and 01/01/2018.

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

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

COMPARISON OF INSTITUTIONS' OWN FUNDS AND CAPITAL AND LEVERAGE RATIOS WITH AND WITHOUT THE APPLICATION OF TRANSITIONAL ARRANGEMENTS FOR IFRS 9 AS AT 30.06.2022 (PLN K)

	Available capital (amounts)	30.06.2022	31.03.2022	31.12.2021*	30.09.2021	30.06.2021
1	Common Equity Tier 1 (CET1) capital	23 350 609	21 838 048	23 141 977	24 555 302	25 127 766
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23 194 052	21 637 258	22 828 513	24 267 432	24 839 896
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	23 350 609	21 838 048	23 141 977	24 555 302	25 127 766
3	Tier 1 capital	23 350 609	21 838 048	23 141 977	24 555 302	25 127 766
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23 194 052	21 637 258	22 828 513	24 267 432	24 839 896
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	23 350 609	21 838 048	23 141 977	24 555 302	25 127 766
5	Total capital	25 874 078	24 438 171	25 778 873	27 231 229	27 787 749
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25 717 244	24 236 961	25 465 144	26 943 093	27 499 612
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	25 874 078	24 438 171	25 778 873	27 231 229	27 787 749
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	134 891 388	134 884 116	135 344 122	133 605 850	131 302 855
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	134 825 176	134 783 023	135 082 733	133 481 966	131 178 972
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	17,31%	16,19%	17,10%	18,38%	19,14%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,20%	16,05%	16,90%	18,18%	18,94%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17,31%	16,19%	17,10%	18,38%	19,14%
11	Tier 1 (as a percentage of risk exposure amount)	17,31%	16,19%	17,10%	18,38%	19,14%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,20%	16,05%	16,90%	18,18%	18,94%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17,31%	16,19%	17,10%	18,38%	19,14%
13	Total capital (as a percentage of risk exposure amount)	19,18%	18,12%	19,05%	20,38%	21,16%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19,07%	17,98%	18,85%	20,18%	20,96%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19,18%	18,12%	19,05%	20,38%	21,16%
	Leverage ratio					
15	Leverage ratio total exposure measure	257 502 286	255 778 223	253 598 723	247 729 473	239 903 946
16	Leverage ratio	9,07%	8,54%	9,13%	9,91%	10,47%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,01%	8,46%	9,01%	9,81%	10,36%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9,07%	8,54%	9,13%	9,91%	10,47%

* data in relevant periods include profits included in own funds based on the decisions of the Polish Financial Supervision Authority.

4. Own funds and eligible liabilities

The information below fulfils the requirements arising from the entry into force of Regulation (EU) No. 575/2013 of the European Parliament and of the Council dated 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019. As a member of the international Santander Group, whose parent entity is Banco Santander, Santander Bank Polska S.A. belongs to a group considered a global systemically important institution.

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

According to Article 92a of the CRR, the requirements for own funds and eligible liabilities are calculated as 18% of the total risk exposure amount ("TREA") and 6,75% of the leverage ratio exposure measure ("LREM").

In accordance with Article 128 of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("CRD V"), institutions should not use Common Equity Tier 1 capital that is maintained to meet the combined buffer requirement to meet the risk-based components of the requirements set out in Article 92a of the CRR.

Based on these provisions, the required minimum regulatory TLAC (total loss-absorbing capacity) is increased by the value of capital buffers that the Bank is required to maintain.

This means that the minimum regulatory TLAC must be maintained at 21.25% of the TREA as of 1 January 2022. Until 31 December 2021, during the transitional period, the regulatory limit applicable to the Bank was 19.25%.

For Santander Bank Polska Group, the TLAC calculated as own funds and eligible liabilities in relation to the TREA as at 30 June 2022 is 24.60%. The TLAC calculated as own funds and eligible liabilities in relation to the LREM as at 31 December 2022 is 12.89%. The two ratios were computed with a limit of 3.5% RWA for use of liabilities that do not meet the subordination requirement, in accordance with the conditions set out in Article 72b of the CRR Regulation.

In relation to the minimum requirements specified in Article 92a of the CRR, the Bank obtained the approval from resolution authorities, in accordance with the conditions laid down in Article 72b(3) of the CEE, to use the liabilities that do not meet the subordination requirement defined in Article 72b(2)(d) of the CRR in the amount not exceeding 3.5% of the TREA as of 1 January 2022.

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

Based on the decision of the Bank Guarantee Fund of 5 May 2022, the target value of the MREL requirement for the Bank is 15.41% in relation to the total risk exposure amount and 5.91% in relation to the total exposure measure. The Bank must reach that target by 31 December 2023. At the same time, starting on 31 December 2021, the Bank should meet the interim targets set by the supervision authority at 11.72% during the 2022 and 13.57% as at 31 December 2022 in relation to the TREM (the subordination requirement is 10.69% and 12.02%, respectively) and 3% during 2022 and 4.46% at the end of 2022 in relation to the LREM.

At the same time in accordance with Article 19(2)(3), Article 21(3)(3), Article 42(3) and Article 48(3) of the Act on macro-prudential supervision, which transposes Article 128 of the CRD, Common Equity Tier 1 instruments maintained by the entity in accordance with the combined buffer requirement are not eligible for the MREL requirement expressed as a percentage of the total risk exposure. This rule does not apply to the MREL requirement expressed as a percentage of the total exposure measure.

As a result, the Bank needs to maintain the target MREL at 18.66% in relation to the total amount of risk exposure, including in respect of subordination at 16.6%. As at 30 June 2022 the minimum MREL requirement, taking into account capital buffers is 14.97%, including 13.94% in respect of subordination. By the end of 2022, considering the requirement to maintain additional capital buffers, the Bank must ensure that the MREL ratios are at 16.82% and 15.27%, respectively.

As at 30 June 2022, the Bank met both requirements. the MREL in relation to the TREM was 24.60%, while the MREL including own funds and eligible subordinated liabilities was 21.10%. As at 30 June 2022, the MREL in relation to the LREM was 12.89%, in retation to subordinated debt 11.05%.

EU KM2 – KEY METRICS - MREL AND, WHERE APPLICABLE, G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES AS AT 30.06.2022 (PLN K)

		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		a	b	c	d	e	f
		30.06.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	33 188 357	33 181 045	31 658 764	29 300 156	28 635 299	27 819 189
EU-1a	Of which own funds and subordinated liabilities	28 459 847					
2	Total risk exposure amount of the resolution group (TREA)	134 891 388	134 891 388	134 884 116	135 344 122	135 219 075	133 605 850
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	24,60%	24,60%	23,47%	21,65%	21,18%	20,82%
EU-3a	Of which own funds and subordinated liabilities	21,10%					
4	Total exposure measure of the resolution group	257 502 286	257 502 286	255 778 223	253 598 723	253 569 843	247 729 473
5	Own funds and eligible liabilities as percentage of the total exposure measure	12,89%	12,89%	12,38%	11,55%	11,29%	11,23%
EU-5a	Of which own funds or subordinated liabilities	11,05%					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		Nie	Nie	Nie	Nie	Nie
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		4 721 199	4 704 625	3 383 603	3 380 476	481 145
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		-	-	-	-	-
Minimum requirement for own funds and eligible liabilities (MREL)*							
	TLAC as a percentage of TREA		18,00%	18,00%	16,00%	16,00%	16,00%
	TLAC as percentage of TEM		6,75%	6,75%	6,00%	6,00%	6,00%
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	11,72%					
EU-8	Of which to be met with own funds or subordinated liabilities	10,69%					
EU-9	MREL requirement expressed as percentage of the total exposure measure	3,00%					
EU-10	Of which to be met with own funds or subordinated liabilities	3,00%					

* Excluding the combined buffer requirement

EU TLAC1 - COMPOSITION - MREL AND, WHERE APPLICABLE, G-SII REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES SANTANDER BANK POLSKA GROUP AS AT 30.06.2022 (PLN K)

		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII requirement for own funds and eligible liabilities (TLAC)	Memo item: Amounts eligible for the purposes of MREL, but not TLAC
Own funds and eligible liabilities and adjustments				
1	Common Equity Tier 1 capital (CET1)	23 350 609	23 350 609	-
2	Additional Tier 1 capital (AT1)	-	-	-
6	Tier 2 capital (T2)	2 523 469	2 523 469	-
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	25 874 078	25 874 078	-
Own funds and eligible liabilities: Non-regulatory capital elements				
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	2 340 300	2 340 300	-
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-	-	-
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	-	-	-
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	245 469	245 469	-
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	4 728 510	4 721 199	-7 311
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	-	-	-
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	4 728 510	4 721 199	-7 311
17	Eligible liabilities items before adjustments	7 314 279	7 306 968	-7 311
EU-17a	Of which subordinated	2 585 769	2 585 769	-
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements				
18	Own funds and eligible liabilities items before adjustments	33 188 357	33 181 045	-7 311
19	(Deduction of exposures between MPE resolution groups)		-	
20	(Deduction of investments in other eligible liabilities instruments)		-	
22	Own funds and eligible liabilities after adjustments	33 188 357	33 181 045	-
EU-22a	Of which own funds and subordinated	28 459 847		
Risk-weighted exposure amount and leverage exposure measure of the resolution group				
23	Total risk exposure amount	134 891 388	134 891 388	-
24	Total exposure measure	257 502 286	257 502 286	-
Ratio of own funds and eligible liabilities				
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	24,60%	24,60%	0,00%
EU-25a	Of which own funds and subordinated	21,10%		
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	12,89%	12,89%	0,00%
EU-26a	Of which own funds and subordinated	11,05%		
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	17,31%	17,31%	
28	Institution-specific combined buffer requirement		3,25%	
29	of which: capital conservation buffer requirement		2,50%	
30	of which: countercyclical buffer requirement		0,00%	
31	of which: systemic risk buffer requirement		0,00%	
EU-31a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		0,75%	
Memorandum items				
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) CRR		106 371 626	

Table EU TLAC3A can be found in Annex „Pillar III 2022 06 Tables", which is available on the Santander Bank Polska website.

III. Capital requirements

1. Total capital requirements

The capital requirements of Santander Bank Polska Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR") as amended, inter alia, by CRR II, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, which was the official legal basis as at 30 June 2022.

In 2022, Santander Bank Polska applied the standardised approach to the calculation of capital requirement for credit, market and operational risk. Under this approach the total capital requirement for credit risk is calculated as a sum of risk-weighted assets multiplied by 8%. To calculate risk-weighted exposures, risk weights are allocated to all exposures in accordance with the CRR. The Group measures its balance sheet assets and liabilities in accordance with International Accounting Standards and International Financial Reporting Standards.

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

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

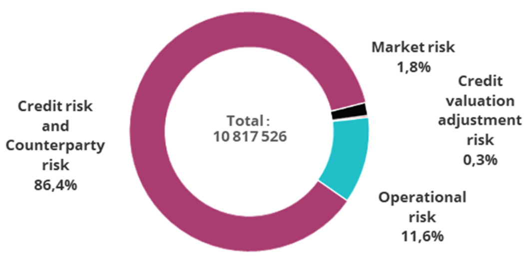
Santander Bank Polska Group calculates capital requirement separately for the exposures classified into the banking and trading book.

As at 31 June 2022, the total capital requirements of Santander Bank Polska Group calculated in line with the CRR was PLN **10 791 311k**, including:

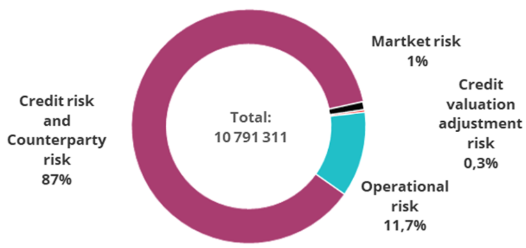
- for credit risk, counterparty credit risk, credit valuation risk, securitization **PLN 9 415 960k**
- for market risk **PLN 121 033k**
- for operational risk **PLN 1 254 318k.**

PERCENTAGE STRUCTURE OF THE CAPITAL REQUIREMENTS FOR 12/2021 VS 06/2022

Capital requirements for individual risk types as at 31 December 2021



Capital requirements for individual risk types as at 30 June 2022



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

EU KM1 - KEY METRICS AS AT 30.06.2022 (PLN K)

		30.06.2022	31.03.2022	31.12.2021*	30.09.2021	30.06.2021
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	23 350 609	21 838 048	23 141 977	24 555 302	25 127 766
2	Tier 1 capital	23 350 609	21 838 048	23 141 977	24 555 302	25 127 766
3	Total capital	25 874 078	24 438 171	25 778 873	27 231 229	27 787 749
Risk-weighted exposure amounts						
4	Total risk exposure amount	134 891 388	134 884 116	135 344 122	133 605 850	131 302 855
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	17,31%	16,19%	17,10%	18,38%	19,14%
6	Tier 1 ratio (%)	17,31%	16,19%	17,10%	18,38%	19,14%
7	Total capital ratio (%)	19,18%	18,12%	19,05%	20,38%	21,16%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,02%	0,02%	0,02%	0,02%	0,02%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%	0,01%	0,01%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0,01%	0,01%	0,01%	0,00%	0,00%
EU 7d	Total SREP own funds requirements (%)	8,03%	8,03%	8,03%	8,03%	8,03%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer (%)	0,75%	0,75%	0,75%	0,75%	0,75%
11	Combined buffer requirement (%) **	3,26%	3,26%	3,26%	3,26%	3,26%
EU 11a	Overall capital requirements (%) **	11,29%	11,29%	11,29%	11,29%	11,29%
12	CET1 available after meeting the total SREP own funds requirements (%)	11,15%	10,09%	11,02%	12,35%	13,11%
Leverage ratio						
13	Total exposure measure	257 502 286	255 778 223	253 598 723	247 729 473	239 903 946
14	Leverage ratio (%)	9,07%	8,54%	9,13%	9,91%	10,47%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	69 228 871	70 982 475	70 328 417	68 378 215	66 061 005
EU 16a	Cash outflows - Total weighted value	42 356 588	40 817 190	39 576 331	39 068 606	38 428 389
EU 16b	Cash inflows - Total weighted value	7 909 171	7 269 341	7 151 124	6 934 581	6 760 679
16	Total net cash outflows (adjusted value)	34 447 418	33 547 849	32 425 207	32 134 025	31 667 711
17	Liquidity coverage ratio (%)	201%	212%	217%	213%	209%
Net Stable Funding Ratio						
18	Total available stable funding	182 475 190	184 206 100	183 370 235	175 779 608	175 235 797
19	Total required stable funding	124 292 706	121 555 988	119 348 687	118 662 479	115 161 547
20	NSFR ratio (%)	147%	152%	154%	148%	152%

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

** the combined buffer requirement was calculated taking into account the institution specific countercyclical capital buffer.

EU OV1 – OVERVIEW OF RWA AS AT 30.06.2022 (PLN K)

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.06.2022	31.03.2022	30.06.2022
1	**Credit risk (excluding CCR)**	**112 782 777**	**112 290 877**	**9 022 622**
2	Of which the standardised approach	112 782 777	112 290 877	9 022 622
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**4 284 776**	**3 848 527**	**342 782**
7	Of which the standardised approach	3 138 414	2 838 582	251 073
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	137 479	99 002	10 998
EU 8b	Of which credit valuation adjustment - CVA	511 634	458 035	40 931
9	Of which other CCR	497 250	452 908	39 780
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**631 945**	**599 176**	**50 556**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	631 945	599 176	50 556
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**1 512 915**	**2 466 563**	**121 033**
21	Of which the standardised approach	1 512 915	2 466 563	121 033
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**15 678 974**	**15 678 974**	**1 254 318**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	15 678 974	15 678 974	1 254 318
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	7 792 317	8 130 459	623 385
29	**Total**	**134 891 388**	**134 884 116**	**10 791 311**

The biggest item is the total capital requirement of Santander Bank Polska Group is the capital requirement for credit risk (excluding counterparty credit risk), which on 30 June 2022 accounted for 84% of the total capital requirement. Santander Bank Polska S.A. manages credit risk on a priority basis, using its internal rating systems, credit concentration limits and sectoral exposure limits, seeking to maintain the possible highest quality of the credit portfolio.

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

2. Credit risk

The structure of the exposure

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

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

EU CR1 - PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS AS AT 30.06.2022 (PLN K)

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005 Cash balances at central banks and other demand deposits	5 465 400	5 465 400	-	-	-	-	-	-	-	-	-	-	-	-	-
010 Loans and advances	154 669 859	145 438 015	8 722 007	6 997 944	-	6 411 939	-1 318 283	-687 616	-628 767	-4 462 500	-	-4 203 804	-326 193	105 550 207	1 851 616
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	331 548	328 284	3 263	220	-	220	-308	-209	-98	-160	-	-160	-	63 436	57
040 Credit institutions	3 364 822	3 364 811	11	-	-	-	-122	-122	-	-	-	-	-	-	-
050 Other financial corporations	1 843 679	1 820 844	22 770	20 810	-	20 285	-9 062	-7 950	-1 111	-15 162	-	-14 853	-	218 424	5 055
060 Non-financial corporations	66 359 366	60 910 878	5 434 493	3 243 562	-	2 986 548	-536 755	-210 847	-325 823	-1 944 815	-	-1 893 770	-28 811	48 569 451	1 188 621
070 Of which SMEs	51 414 510	46 710 679	4 698 870	3 099 242	-	2 842 614	-496 873	-189 877	-306 913	-1 853 576	-	-1 802 903	-23 141	39 620 436	1 158 949
080 Households	82 770 444	79 013 197	3 261 469	3 733 352	-	3 404 886	-772 037	-468 488	-301 735	-2 502 363	-	-2 295 021	-297 382	56 698 896	657 882
090 Debt securities	63 656 777	63 539 525	-	331 098	-	261 575	-1 351	-1 351	-	-107 457	-	-85 167	-	-	221 231
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	48 350 985	48 350 985	-	-	-	-	-611	-611	-	-	-	-	-	-	-
120 Credit institutions	8 819 694	8 819 694	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	6 224 475	6 107 223	-	-	-	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	261 623	261 623	-	331 098	-	261 575	-739	-739	-	-107 457	-	-85 167	-	-	221 231
150 Off-balance-sheet exposures	47 447 637	46 401 848	923 457	69 221	-	60 047	39 283	31 519	7 667	17 665	-	14 435		-	1 938
160 Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170 General governments	981 003	981 003	-	-	-	-	27	27	-	-	-	-		-	-
180 Credit institutions	2 822 277	2 821 732	545	-	-	-	254	254	-	-	-	-		-	-
190 Other financial corporations	1 930 982	1 900 184	30 798	-	-	-	2 535	1 933	602	-	-	-		-	-
200 Non-financial corporations	34 834 549	33 977 222	739 178	49 062	-	42 507	27 599	22 984	4 564	17 648	-	14 418		-	1 938
210 Households	6 878 826	6 721 707	152 936	20 159	-	17 540	8 868	6 322	2 501	17	-	17		-	-
220 Total	**271 239 673**	**260 844 787**	**9 645 465**	**7 398 263**	**-**	**6 733 561**	**-1 358 917**	**-720 486**	**-636 434**	**-4 587 621**	**-**	**-4 303 406**	**-326 193**	**105 550 207**	**2 074 784**

As at 30.06.2022, the gross carrying amount of NPLs calculated in accordance with 2021/637 Regulation was 4.33%, it is lower compared to the previous reporting period (as at 31.12.2021 NPL was 4.63%).

EU CQ1 - CREDIT QUALITY OF FORBORNE EXPOSURES AS AT 30.06.2022 (PLN K)

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	2 691 222	2 087 822	2 087 822	2 087 469	-172 103	-1 108 757	3 064 491	809 145
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	187	213	213	213	- 49	-156	195	57
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	1 267	6 332	6 332	6 332	-248	-4 559	2 792	1 774
060 Non-financial corporations	1 810 714	1 137 233	1 137 233	1 137 233	-128 516	-562 148	2 154 198	524 284
070 Households	879 054	944 044	944 044	943 691	-43 289	-541 894	907 305	283 030
080 Debt Securities	-	289 197	289 197	219 674	-	-67 966	221 231	221 231
090 Loan commitments given	29 428	4 360	4 360	4 360	517	2 375	-	-
100 Total	**2 720 650**	**2 381 380**	**2 381 380**	**2 311 504**	**-172 620**	**-1 179 098**	**3 285 722**	**1 030 376**

EU CQ3 - CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYSW AS AT 30.06.2022 (PLN K)

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005 Cash balances at central banks and other demand deposits	5 465 400	5 465 400	0	-	-	-	-	-	-	-	-	-
010 Loans and advances	154 669 859	153 791 949	877 910	6 997 944	1 948 346	527 626	646 612	1 078 827	1 947 795	429 520	419 218	6 997 944
020 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030 General governments	331 548	331 546	2	220	21	-	192	5	3	-	-	220
040 Credit institutions	3 364 822	3 364 822	-	-	-	-	-	-	-	-	-	-
050 Other financial corporations	1 843 679	1 843 280	399	20 810	5 472	2 641	1 550	4 351	6 516	156	124	20 810
060 Non-financial corporations	66 359 366	66 164 754	194 612	3 243 562	892 100	182 787	189 934	401 807	911 548	345 191	320 194	3 243 562
070 Of which SMEs	51 414 510	51 258 335	156 175	3 099 242	865 242	180 445	172 891	392 501	876 979	324 141	287 044	3 099 242
080 Households	82 770 444	82 087 548	682 896	3 733 352	1 050 753	342 197	454 936	672 664	1 029 728	84 173	98 901	3 733 352
090 Debt securities	63 656 777	63 656 777	-	331 098	289 197	-	-	-	27 270	-	14 630	331 098
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110 General governments	48 350 985	48 350 985	-	-	-	-	-	-	-	-	-	-
120 Credit institutions	8 819 694	8 819 694	-	-	-	-	-	-	-	-	-	-
130 Other financial corporations	6 224 475	6 224 475	-	-	-	-	-	-	-	-	-	-
140 Non-financial corporations	261 623	261 623	-	331 098	289 197	-	-	-	27 270	-	14 630	331 098
150 Off-balance-sheet exposures	47 447 637			69 221								69 221
160 Central banks	-			-								-
170 General governments	981 003			-								-
180 Credit institutions	2 822 277			-								-
190 Other financial corporations	1 930 982			-								-
200 Non-financial corporations	34 834 549			49 062								49 062
210 Households	6 878 826			20 159								20 159
220 Total	**271 239 673**	**222 914 126**	**877 910**	**7 398 263**	**2 237 543**	**527 626**	**646 612**	**1 078 827**	**1 975 066**	**429 520**	**433 848**	**7 398 263**

Tables EU CR1-A, EU CR2, EU CQ5 can be found in Appendix „Pillar III 2022 06 Tables", which is available on the Santander Bank Polska website.

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

Credit risk mitigation

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

In the latter case, borrowers protected by guarantees are allocated a risk grade that corresponds to the risk grade of the guarantor. Most providers of unfunded credit protection are banks, including Bank Gospodarstwa Krajowego (with its 'de minimis' or 'cosme' guarantee programmes) and the Ministry of Finance as a State unit.
On 10 February 2017, Santander Bank Polska ("the Bank") signed a guarantee agreement ("Guarantee") with the European Investment Bank (EIB) providing for unfunded credit protection with respect to the portfolio of selected corporate loans of the bank in accordance with EU Regulation No 575/2013.
As at the date of the agreement, the value of the bank's loans portfolio secured by the guarantee was PLN 2,499m PLN. The coverage ratio is now 50%, which means that the maximum guarantee amount is PLN 1,249m PLN. The guarantee expires on 15 December 2034. The bank may terminate the guarantee before its expiry.
The guarantee coverage ratio depends on the volume of lending provided by the bank after the date of the guarantee agreement to SMEs which meet the definition set out in Commission Recommendation 2003/361/EC of 6 May 2003 and additional criteria stipulated in the guarantee agreement. As at the date of this report, the weighted average coverage ratio was 20.00%.

As at 30 June 2022, the Group's debt instruments portfolio included PLN 7 535 457k worth of bonds of Bank Gospodarstwa Krajowego and PLN 6 107 223k worth of bonds of Polski Fundusz Rozwoju (PFR), which were fully guaranteed by the State Treasury. They were allocated a preferential risk weight of 0%.
In the case of funded credit protection, Santander Bank Polska Group recognizes exposures secured by financial collateral.

EU CR3 – CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES AS AT 30.06.2022 (PLN K)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	53 950 597	107 401 823	97 725 694	9 676 128	-
2	Debt securities	63 766 644	221 231	221 231	-	
3	**Total**	**117 717 241**	**107 623 054**	**97 946 925**	**9 676 128**	**-**
4	Of which non-performing exposures	5 256 195	2 072 847	1 949 302	123 545	-
EU-5	Of which defaulted	5 256 195	2 072 847			

EU CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS AS AT 30.06.2022 (PLN K)

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	a	b	c	d	e	f
1 Central governments or central banks	53 496 018	-	72 961 053	367 803	5 548 994	7,57%
2 Regional government or local authorities	472 327	79 619	472 327	4 502	95 366	20,00%
3 Public sector entities	20 082	51 580	19 494	2 168	10 831	50,00%
4 Multilateral development banks	1 284 237	-	5 728 250	-	-	0,00%
5 International organisations	-	-	-	-	-	
6 Institutions	11 036 612	1 322 290	5 551 892	286 354	2 176 746	37,28%
7 Corporates	30 232 384	24 019 574	19 427 748	1 986 422	20 219 669	94,42%
8 Retail	47 830 522	13 177 885	45 342 239	2 288 067	33 405 461	70,13%
9 Secured by mortgages on immovable property	66 644 820	4 650 420	65 703 967	623 350	42 115 383	63,50%
10 Exposures in default	2 719 450	35 466	2 623 476	3 304	2 923 268	111,29%
11 Exposures associated with particularly high risk	1 859 748	299 732	454 025	2 799	685 237	150,00%
12 Covered bonds	-	-	-	-	-	
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	
14 Collective investment undertakings	-	-	-	-	-	
15 Equity	1 051 191	-	1 051 191	-	2 549 820	242,56%
16 Other items	6 298 179	-	6 298 179	-	3 052 002	48,46%
17 TOTAL	222 945 571	43 636 566	225 633 841	5 564 768	112 782 777	48,78%

Allocating risk weights to the credit portfolio

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

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

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

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

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

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

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

EU CR5 – STANDARDISED APPROACH AS AT 30.06.2022 (PLN K)

	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1 Central governments or central banks	69 908 408	-	-	-	1 302 607	-	-	-	-	-	-	2 117 841	-	-	-	73 328 856	72 026 249
2 Regional government or local authorities	-	-	-	-	476 828	-	-	-	-	-	-	-	-	-	-	476 828	476 828
3 Public sector entities	-	-	-	-	-	-	21 662	-	-	-	-	-	-	-	-	21 662	21 662
4 Multilateral development banks	5 728 250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5 728 250	5 728 250
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	101 359	-	-	2 343 984	-	3 373 961	-	-	18 942	-	-	-	-	-	5 838 246	397 728
7 Corporates	-	-	-	-	114 002	-	21 589	-	-	21 269 217	9 362	-	-	-	-	21 414 170	20 903 052
8 Retail exposures	-	-	-	-	-	-	-	-	47 630 306	-	-	-	-	-	-	47 630 306	47 630 306
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	31 459 989	11 650 956	-	-	15 937 231	7 279 142	-	-	-	-	66 327 318	65 404 399
10 Exposures in default	-	-	-	-	-	-	-	-	-	2 033 802	592 978	-	-	-	-	2 626 779	2 626 779
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	456 824	-	-	-	-	456 824	456 824
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	52 105	-	999 086	-	-	-	1 051 191	1 051 191
16 Other items	3 220 352	-	-	-	32 282	-	-	-	-	3 045 545	-	-	-	-	-	6 298 179	6 298 179
17 TOTAL	78 857 010	101 359	-	-	4 269 703	31 459 989	15 068 168	-	47 630 306	42 356 842	8 338 305	3 116 927	-	-	-	231 198 610	223 021 449

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3. Counterparty credit risk

The structure of the exposition

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

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

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

EU CCR1 – CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH AS AT 30.06.2022 (PLN K)

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1,4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1,4	-	-	-	-
1	SA-CCR (for derivatives)	1 312 224	2 116 416		1,4	4 800 095	4 800 095	4 800 095	3 138 414
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					3 929 715	77 966	77 966	15 593
5	VaR for SFTs					-	-	-	-
6	**Total**					**8 729 810**	**4 878 061**	**4 878 061**	**3 154 007**

* The scope of disclosed information compliant with the CRR.

EU CCR3 – STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS AS AT 30.06.2022 (PLN K)

	Risk weight											
	a	b	c	d	e	f	g	h	i	j	k	l
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1 Central governments or central banks	6	-	-	-	38 693	-	-	-	-	-	-	38 699
2 Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	64	1 581	-	-	-	-	-	1 645
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	6 763 156	-	-	1 162 474	2 162 645	-	-	-	-	-	10 088 274
7 Corporates	-	-	-	-	3 593	236 060	-	-	2 129 526	-	-	2 369 180
8 Retail	-	-	-	-	-	-	-	113 529	-	-	-	113 529
9 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	22	-	22
11 Total exposure value	**6**	**6 763 156**	**-**	**-**	**1 204 824**	**2 400 287**	**-**	**113 529**	**2 129 526**	**22**	**-**	**12 611 350**

EU CCR2 – TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK AS AT 30.06.2022 (PLN K)

		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	2 427 547	511 634
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**2 427 547**	**511 634**

EU CCR8 – EXPOSURES TO CCPS AS AT 30.06.2022 (PLN K)

		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**137 479**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	6 763 156	135 263
3	(i) OTC derivatives	6 755 622	135 112
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	7 534	151
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	110 786	2 216
10	Unfunded default fund contributions	-	-

Credit risk mitigation

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

EU CCR5 – COMPOSITION OF COLLATERAL FOR CCR EXPOSURES AS AT 30.06.2022 (PLN K)

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency	-	893 097	150 562	196 764	-	1 596 287	-	-
2 Cash – other currencies	-	134 150	272 014	1 995 242	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	2 640 479	-	-
4 Other sovereign debt	-	170 128	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	196 985	-	393 404	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	-
8 Other collateral	-	-	-	-	-	-	-	-
9 Total	**-**	**1 394 359**	**422 576**	**2 585 410**	**-**	**4 236 766**	**-**	**-**

Santander Bank Polska Group does not disclose the EU CCR6 table due to the fact that it does not have credit derivatives.

4. Market risk

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

EU MR1 - MARKET RISK UNDER THE STANDARDISED APPROACH AS AT 30.06.2022 (PLN K)

		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	1 460 047
2	Equity risk (general and specific)	52 868
3	Foreign exchange risk	0
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**1 512 915**

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

Below presented the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU and the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU at 30.06.2022 and for the comparative period for which data are available 31.12.2021.

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

EU IRRBB1 - INTEREST RATE RISKS OF NON-TRADING BOOK ACTIVITIES AS AT 30.06.2022 (PLN K)

	Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income (NII)	
		31.12.2021	30.06.2022	31.12.2021	30.06.2022
1	Parallel up	129 515	267 377	373 805	529 744
2	Parallel down	-634 032	-1 214 042	-854 008	-1 098 159
3	Steepener	228 154	44 258		
4	Flattener	-665 498	-351 050		
5	Short rates up	-470 105	-198 137		
6	Short rates down	141 641	-124 266		
	Worst case scenario	-665 498	-1 214 042		
	Tier 1 - Grupa	22 480 247	23 350 609		
	Result	**2,96%**	**5,20%**		

At 31.12.2021 for the sensitivity of the MVE, the test result is 2.96%, which means that the regulatory limit (15%) is not exceeded.

The sensitivity of NII, in the case of an increase in interest rates by approx. 200bp, would increase by PLN 373 805k.

In the event of a drop in interest rates by approx. 200bp, net interest income would decrease by PLN 854 008k.

At 30.06.2022 for the sensitivity of the MVE, the test result is 5.20%, which means that the regulatory limit (15%) is not exceeded.

The sensitivity of NII, in the case of an increase in interest rates by approx. 200bp, would increase by PLN 529 744k.

In the event of a drop in interest rates by approx. 200bp, net interest income would decrease by PLN 1 098 159k.

The main factors that affected the change in sensitivity compared to December 2021 were: a large increase in interest rates, a decrease in the portfolio of retail and wholesale deposits in PLN, decrease in the ALCo portfolio and shortening its duration.

IV. Capital buffers

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

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

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

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

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

Bank received letter from the Polish Financial Supervision Authority no DBK-DBK2B.700.7.2021 dated 26 November 2021 concerning imposing on the Bank the amount of an additional capital requirement over the amount calculated in accordance with detailed rules defined in Regulation (EU) No 575/2013 for the Bank' Group. The Polish Financial Supervision Authority imposed the additional capital requirement covering the risk of the foreign currency mortgage loans for households, at Bank's Group level at amount 0.029 p.p., for the amount calculated in accordance with article 92 item 1 letter c of the Regulation (EU) No 575/2013, which should be covered at least in 75% by Tier I funds (equivalent to own funds requirement of 0.022 p.p. over the amount calculated in accordance with article 92 item 1 letter b of the Regulation (EU) No 575/2013) and at least in 56% of the Common Equity Tier I capital (equivalent to own funds requirement of 0.016 p.p. over the amount calculated in accordance with art. 92 clause 1 letter a of the Regulation (EU) No 575/2013).

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

On 11 February 2022 the Bank received a letter from the Polish Financial Supervision Authority ("KNF") with a recommendation on mitigating the risk of the Bank's operations by maintaining, at both non-consolidated and consolidated level, own funds to cover a capital add-on in order to absorb potential losses that may arise from stress conditions; the add-on should be maintained at 0.31 p.p. above the total capital ratio referred to in Article 92 (1)(c) of Resolution no. 575/2013, increased by the additional own funds requirement referred to in Article 138 (2)(2) of the Banking Law Act and the combined buffer requirement referred to in Article 55 (4) of the Macroprudential Supervision Act. The add-on should consist in full of Common Equity Tier 1 capital.
The total recommended capital add-on for the Bank to absorb potential losses resulting from materialisation of stressed scenarios consists of the add-on based on supervisory stress tests (for Pillar II, recommended at 0.31 p.p.), and supplementary add-on based on the analysis of the impact of interest rate increases on credit risk (for Pillar II, recommended at 0.00 p.p.).
Taking into account the above requirements, as at 11 February 2022, the minimum capital ratios are as follows:

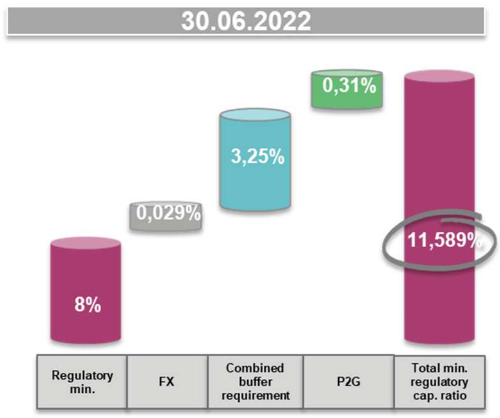
- ✓ Tier 1 capital ratio of 9.56% and 9.582% for the Bank and the Group, respectively;
- ✓ total capital ratio of 11.56% and 11.589% for the Bank and SBP Group, respectively.

The table below presents unconsolidated and consolidated minimum ratios.

CAPITAL BUFFERS OF BANK AND SANTANDER BANK POLSKA GROUP AS AT 30.06.2022

Components of the minimum capital requirement		30.06.2022
Minimal capital ratios	Common Equity Tier 1 capital ratio	4,5%
	Tier 1 capital ratio	6%
	Total capital ratio	8%
Additional capital requirement for Santander Bank Polska relating to the portfolio of FX mortgage loans for households	Santander Bank Polska	no requirement
	Santander Bank Polska Capital Group:	
	· *for total capital ratio:*	✓ 0.029 p.p.
	· *Tier 1 capital ratio:*	✓ 0.022 p.p.
	· *for Common Equity Tier 1 capital ratio:*	✓ 0.016 p.p
P2G capital recommendation		✓ 0,31 p.p.
The capital buffer for Santander Bank Polska as other systemically important institution		✓ 0.75 p.p.
The capital conservation buffer maintained in accordance with the Macroprudential Supervision Act		✓ 2.5 p.p.
The countercyclical buffer (BRS)		✓ 0 p.p.

CAPITAL BUFFER AND RATIOS OF SANTANDER BANK POLSKA GROUP AS AT 30.06.2022



Since 1 January 2016, the countercyclical capital buffer ratio of 0% has been applied to credit exposures in Poland. The ratio shall be effective until it is changed by way of an ordinance of the Finance Minister.

The institution specific countercyclical capital buffer for other countries as at 31 December 2022 for the Group amounts to nearly 0.01%. Santander Bank Polska Group calculates the bank-specific countercyclical capital buffer in accordance with the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management.

EU CCYB2 - AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER AS AT 30.06.2022 (PLN K)

1	Total risk exposure amount	134 891 388
2	Institution specific countercyclical capital buffer rate	0,01%
3	Institution specific countercyclical capital buffer requirement	11 833

Table EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer can be found in Appendix „Pillar III 2022 06 Tables", which is available on the Santander Bank Polska website.

V. Capital adequacy

The capital requirements of Santander Bank Polska Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council of 20 May 2019 and amended by Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, which was the official legal basis as at 30 June 2022.

The **total capital ratio** as at 30 June 2022 vs. 31 December 2021 was impacted by the following:

- distribution of the profit earned in the period from 01/01/2021 to 31/12/2021;
- changes in other comprehensive income.

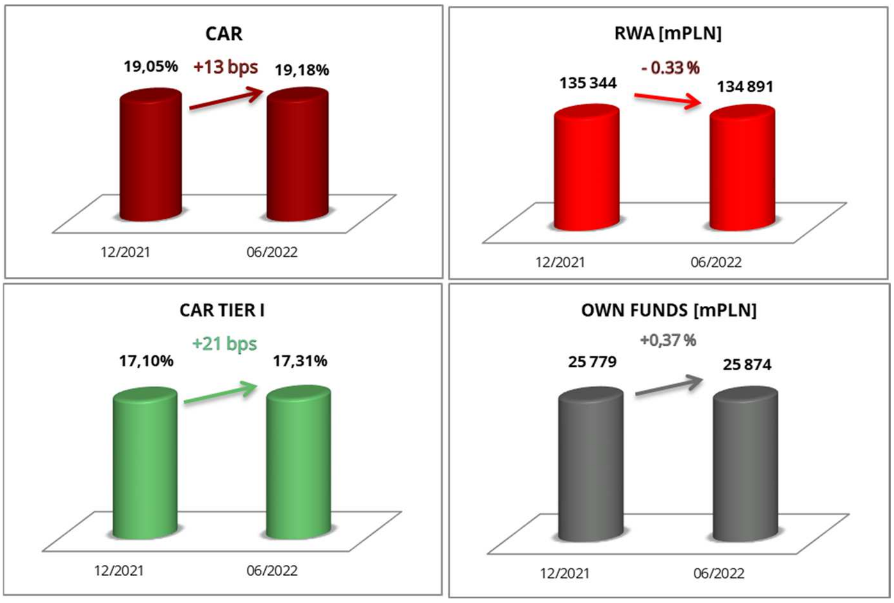
The minimum capital ratios set by the Polish Financial Supervision Authority (KNF) for Santander Bank Polska Group are as follows:

- a Tier 1 capital ratio of 9.582%;
- a total capital ratio of 11.589%.

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

The charts below presents a details of own funds, risk weighted assets and capital adequacy ratios as at 30 June 2022 vs. 31 December 2021.

OWN FUNDS, RISK WEIGHTED ASSETS AND CAPITAL RATIOS AS AT 30 JUNE 2022 VS.31 DECEMBER 2021



VI. Securatization

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

Securitization tables for the Santander Bank Polska Capital Group (EU SEC1, EU SEC3, EU SEC5) can be found in Annex „Pillar III 2022 06 Tables", which is available on the Santander Bank Polska website.

Santander Bank Polska S.A.

Synthetic securitisation 2018

On 7 December 2018, the bank signed a guarantee agreement with the European Investment Fund (EIF) in respect of PLN 2 181 196 k worth of cash loan portfolio, the purpose of which is to release capital further allocated to financing projects supporting the development of the SME, corporate and public sector client segments.

The transaction transfers credit risk to the EIF and implements the Bank's Tier 1 capital optimization strategy. The transaction is a synthetic securitization without a financing element, which does not involve financing and covers the selected portfolio of cash loans which remain on the bank's balance sheet. The entire securitized portfolio is risk weighted according to the standard approach.

The transaction is set to expire on 10 September 2031.

Santander Bank Polska is the originator of the synthetic securitisation and it does not perform any other roles in the synthetic structure in question. No Securitisation Special Purpose Entities (SSPE) participate in the transaction.

As part of the transaction, the securitised portfolio is divided into three tranches: senior (80%), mezzanine (18.5%) and junior, i.e. the first loss tranche (1.5%). As at the guarantee activation date, the senior tranche totalled PLN 1 720 025 k, the mezzanine tranche was PLN 397 756 k and the junior tranche amounted to PLN 32 251 k.

The senior and mezzanine tranches are fully guaranteed by the EIF (in relation to the principal component of the underlying exposures). In addition, the mezzanine tranche is secured by a counter-guarantee from the European Investment Bank (EIB). The first loss tranche was retained by the Bank and deducted from Common Equity Tier 1 capital in accordance with Art. 36 sec. 1 lit. k) CRR. Deduction from Common Equity Tier 1 capital implies the application of the "full deduction method" according to Art. 245 sec. 1 lit. b) CRR.

As at June 30, 2022, the total amount of deductions from Common Equity Tier 1 capital due to securitization amounts to PLN 24 497 k.

The structure of the transaction assumes that losses up to the amount of the junior tranche are covered by the Bank, and only after its consumption, further losses will be covered by the EIF guarantee.

Santander Bank Polska has adopted the following approach to assigning risk weights to other elements of the synthetic securitisation structure/ guarantee agreement in accordance with the standardised approach:

a) RW 0% is assigned to the senior tranche (risk weight of the credit protection provider – EIF);

b) RW 0% is assigned to the mezzanine tranche (risk weight of the credit protection provider – EIF/EIB);

c) RW 75% or 100%, depending on customer classification, is assigned to 5% of exposures retained by the Company under Article 405(1)(c) of the CRR (or RW 100% or 150%, respectively, if the exposures are in default);

d) RW 75% or 100%, depending on customer classification, is assigned to the interest component,

e) RW 100% or 150% is assigned to exposures which have been excluded by the bank from the securitisation structure due to default.

Synthetic securitisation 2022

On March 31, 2022, Santander Bank Polska S.A. concluded with the International Finance Corporation (IFC) a securitization transaction, as a result of which a portfolio of cash loans in the amount of PLN 2.4 b was covered by the guarantee, with the possibility of increasing this amount in the future to the level of PLN 2 900 000 k. The transaction is the first transaction concluded by the Bank and entities of the SBP Group with this investor. Its purpose is to release the capital that the Bank will allocate to finance climate projects (projects related to climate change mitigation, focusing mainly on renewable energy sources, energy efficiency and financing green real estate projects) with a total value of at least USD 600 000 k.

The transaction is a synthetic securitization without a financing element, and the selected portfolio of cash loans covered by it remains included in the Bank's balance sheet.

The transaction is set to expire on 31 October 2028.

Santander Bank Polska is the originator of the synthetic securitisation and it does not perform any other roles in the synthetic structure in question. No Securitisation Special Purpose Entities (SSPE) participate in the transaction.

The transaction is an implementation of the Bank's Tier 1 capital optimization strategy by transferring a significant part of the risk (SRT) related to securitized credit exposures to a third party (IFC), in accordance with Art. 245 (1) (a) and Art. 245 (2) (a) of the CRR Regulation. The structure of the transaction assumes the division of the securitized portfolio into three tranches: the senior tranche (82.67% of the portfolio), the guaranteed mezzanine tranche (16.5% of the portfolio) and the first loss tranche junior (0.83% of the portfolio). Only the guaranteed tranche is covered by unfunded credit protection in the form of a guarantee granted to the Bank by IFC on the basis of the Guarantee Agreement. The IFC is qualified according to Art. 117 of the CRR Regulation as a multilateral development bank which, based on the principles set out in the CRR Regulation, can be assigned a risk weight of 0%.

The risk-weighted exposure amounts for the retained tranches (ie senior and first loss tranches) are calculated using the SEC-SA standardized approach in accordance with Art. 261 (the transaction is not an STS securitization).

As at June 30, 2022 the senior tranche generated a risk-weighted exposure amount of PLN 298 132 k

Santander Bank Polska has adopted the following approach to assigning risk weights to other elements of the synthetic securitisation structure/ guarantee agreement in accordance with the standardised approach:

a) RW 0% is assigned to the mezzanine tranche (risk weight of the credit protection provider – IFC);

b) RW 75% or 100%, depending on customer classification, is assigned to 5% of exposures retained by the Company under Article 405(1)(c) of the CRR (or RW 100% or 150%, respectively, if the exposures are in default);

c) RW 75% or 100%, depending on customer classification, is assigned to the interest component,

d) RW 100% or 150% is assigned to exposures which have been excluded by the bank from the securitisation structure due to default.

The first loss tranche is deducted from Common Equity Tier 1 items pursuant to Art. 36 sec. 1 lit. k) of the CRR, as an alternative to applying a risk weight of 1,250%. Deduction from CET 1 capital implies the application of the "full deduction method" as set out in Art. 245 section 1 lit. b) of the CRR Regulation.

As at June 30, 2022 the total amount of deductions from Common Equity Tier 1 capital due to securitization amounts to PLN 5 607 k.

As at June 30, 2022, the senior tranche generated a risk-weighted exposure amount of PLN 298,132 k.

Santander Consumer Bank S.A.

Synthetic securitisation

In 2019, SCB securitised a portfolio of cash and instalment loans granted by the Bank. The purpose of the transaction was to obtain a capital relief in relation to the portfolio of retail loans, ensuring an additional capacity to finance projects supporting the growth of SME customers. The transaction is a synthetic securitisation involving a risk transfer.

The transaction does not meet the criteria of a simple, transparent and standardised securitisation (STS). The transaction is set to expire on 30 June 2030.

On 5 July 2019, the Bank signed an agreement with the EIF under which the EIF issued a financial guarantee to secure 100% of senior and mezzanine tranches (A- and B-class). At the same time, the Bank retained 100% of the C-class first loss tranche, which was deducted from the Common Equity Tier 1 in accordance with Article 36(1)(k) of the CRR. Deduction from the Common Equity Tier 1 means the application of the "full deduction approach," as stipulated in Article 245(1)(b) of the CRR. In the case of mezzanine tranches, the EIF received a financial counter-guarantee from the European Investment Bank. The transaction meets the criteria stipulated in Article 245(4) and Article 245(1)(b) of the CRR.

It provides for synthetic excess spread, which is equal to 1.40% of the performing portfolio and is used in accordance with the "use it or lose it" mechanism.

SCB is the originator of the synthetic securitisation in question and does not perform any other roles in this respect. No Securitisation Special Purpose Entities (SSPEs) are involved in the transaction.

As part of the transaction, the Bank retains randomly selected exposures which account for not less than 5% of the notional amount of the securitised exposures in accordance with Article 405(1)(c) of the CRR. The guarantee was activated on 21 November 2019, while the impact on the bank's risk-weighted assets was recognised in December 2019. The guarantee covered the portfolio of cash and instalment loans of PLN k 1 734 104 (principal amount).

The transaction is not involve financing and covers the selected portfolio of cash and instalment loans which remain on the Bank's balance sheet. It is a part of the Bank's strategy aimed at optimising Tier 1 capital.

Liquidity securitisation

Santander Consumer Bank is engaged in a traditional and revolving securitisation transaction under which the ownership of the securitised exposures is transferred to a special purpose vehicle – SC Poland Consumer 16-1 Sp. z o.o. (SPV3) with its registered office in Poland. The transaction does not meet the criteria of a simple, transparent and standardised securitisation (STS), and SCB acts as the originator in that deal.

In July 2019, the Bank restructured the transaction. The amounts of tranches A and C were revised and their maturities were extended. Tranche B was redeemed. Net contractual cash flows were settled on the date the restructuring documents were signed.

Based on the securitised assets, SPV3 issued bonds of PLN 2,000,000k as at 30 June 2022, secured by a registered pledge on SPV3 assets. The bonds bear an interest rate of 1M WIBOR plus margin. As a result of the securitisation, SCB raised funding in exchange for rights to future cash flows from the securitised credit portfolio. The bonds expire on 16 July 2030, but SCB expects that they will be fully redeemed within three years of the transaction date.

To finance the transaction, SCB provided SPV3 with a subordinated loan totalling PLN 444,301.24k as at 30 June 2022. In 2022, the Bank measured the value of the loan, which was PLN -44,491k as at 30 June 2022. The loan is subordinated to the senior secured bonds. Interest on the loan is paid in a specific order from SPV3 funds, while the principal will be repaid upon the full redemption of bonds. The loan bears a fixed interest rate.

Pursuant to IFRS 9, the contractual terms of the securitisation do not satisfy the criteria for not recognising the securitised assets in the Bank's statement of financial position. Accordingly, as at 30 June 2022 the Bank disclosed the securitised assets at the net value of PLN 1,406,415k under loans and advances to customers in the statement of financial position.

The fair value of the net securitised assets measured as at 30 June 2022 was PLN 1,271,763k.

At the same time, SCB recognises the liability in respect of cash flows from securitisation under deposits from customers in the statement of financial position. As at 30 June 2022, it totalled PLN 1,772,005k.
The fair value of the liability in respect of cash flows from the securitisation measured as at 30 June 2022 was PLN 1,732,214k.

As at 30 June 2022, SCB also had liabilities of PLN 43k in respect of ongoing settlements with SPV, which were disclosed under other liabilities in the statement of financial position.

Santander Consumer Multirent

Liquidity securitisation

In July 2020, Santander Consumer Multirent Sp. z o.o. (SCM) securitised a portfolio of lease agreements. The transaction is a traditional and revolving securitisation consisting in the transfer of ownership of the securitised exposures to a special purpose vehicle – SCM POLAND AUTO 2019-1 DAC with its registered office in Ireland (SPV4). The transaction was annexed in May 2022 and since then meets the criteria of a simple, transparent and standardised securitisation (STS), and SCM acts as the originator in that deal.

Based on the securitised assets, SPV4 issued bonds of PLN 891,000k as at 30 June 2022. The bonds bear an interest rate of 1M WIBOR plus margin. As a result of the securitisation, SCM raised funding in exchange for rights to future cash flows from the securitised credit portfolio.
To finance the transaction, SCM provided SPV4 with a subordinated loan totalling PLN 216,700k as at 30 June 2022. The loan is subordinated to the senior secured bonds. Interest on the loan is paid in a specific order from SPV4 funds, while the principal will be repaid upon the full redemption of bonds. The loan bears a floating interest rate based on 1M WIBOR.

Pursuant to IFRS 9, the contractual terms of the transaction do not satisfy the criteria for not recognising the securitised assets in SCM's statement of financial position. Accordingly, as at 30 June 2022, SCM disclosed the securitised assets of PLN 1,100,000k under finance lease receivables.

At the same time, SCM recognises the liability in respect of cash flows from securitisation under other liabilities. As at 30 June 2022, it totalled PLN 1,107,700k.

As at 30 June 2022, SCM also had receivables of PLN 7,706k in respect of ongoing settlements with SPV, which were disclosed under trade and other receivables.

Santander Leasing S.A.

Synthetic securitisation 2020

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

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

Structure of the transaction is that the securitised portfolio is divided into three tranches: senior (85% portfolio), mezzanine (14.2%) and junior, i.e., the first loss tranche (0.8%). As at the guarantee activation date, the senior tranche totalled PLN 1,700 million, the mezzanine tranche was PLN 284 million and the junior tranche amounted to PLN 16 million. The senior and mezzanine tranches are fully guaranteed by the EIF (in relation to the principal component of the underlying exposures). In addition, the mezzanine tranche is secured by a counter-guarantee from the European Investment Bank (EIB).

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

Santander Leasing is the originator of the synthetic securitisation and it does not perform any other roles in the synthetic structure in question. No Securitisation Special Purpose Entities (SSPE) participate in the transaction.

The purpose of the synthetic securitisation made by Santander Leasing is to release capital on the level of the Group of Santander Bank Polska. Furthermore, the agreement signed by Santander Leasing transfers part of credit risk arising from exposures included in the lease and loan portfolio secured by the EIF guarantee and optimises the Bank's Tier 1 capital.

Santander Leasing has adopted the following approach to assigning risk weights to other elements of the synthetic securitisation structure/ guarantee agreement in accordance with the standardised approach:

a) RW 0% is assigned to the senior tranche (risk weight of the credit protection provider – EIF);
b) RW 0% is assigned to the mezzanine tranche (risk weight of the credit protection provider – EIF);
c) RW 75% or 100%, depending on customer classification, is assigned to 5% of exposures retained by the Company under Article 405(1)(c) of the CRR (or RW 100% or 150%, respectively, if the exposures are in default);
d) RW 75% or 100%, depending on customer classification, is assigned to the interest component,
e) RW 100% or 150% is assigned to exposures which have been excluded by the bank from the securitisation structure due to default.

For the purposes of the said synthetic securitisation meeting capital adequacy, under Article 245(1)(b) of CRR the principal component of the junior tranche exposures will be deducted from common equity Tier 1. In addition, the value of common equity Tier 1 will be reduced by a value of the available Synthetic Excess Spread. As at 30 June 2022 the cumulative deductions from common equity Tier 1 on account of securitisation amount to PLN 17 846 k.

Synthetic securitisation 2021

On 16 December 2021 Santander Leasing SA made a guarantee agreement with the European Investment Fund ("EIF"). The pertinent guarantee relates to a lease and loan portfolio totalling approx. PLN 2.7 billion. The transaction is set to expire on 30 November 2030.

The guarantee agreement made by Santander Leasing SA (hereinafter "SL") conforms to the requirements set out in CRR Regulation (amended by Regulation (EU) 2017/2041) regarding synthetic securitisation, however, it is not an STS transaction. The transaction is a synthetic securitisation which does not involve financing and it covers the selected portfolio of lease and loans which remain on SL's statement of financial position.

Structure of the transaction is that the securitised portfolio is divided into two tranches: senior (87.5% portfolio) and junior, i.e. the first loss tranche (12.5% portfolio). As at the guarantee activation date, the senior tranche was PLN 2 394 191 718.96 and the junior tranche amounted to PLN 342 027 388.42. The junior tranche was guaranteed by EIF. Both the principal, as well as the interest components of the underlying exposures are covered by EIF guarantee. The Synthetic Excess Spread (SES) was not applied in the transaction.

SL is the originator of the synthetic securitisation process and does not perform any other roles in the synthetic structure in question. No Securitisation Special Purpose Entities (SSPE) participate in the transaction.

The purpose of the synthetic securitisation made by Santander Leasing is to release capital on the level of the Group of Santander Bank Polska. Furthermore, the agreement signed by Santander Leasing transfers part of credit risk arising from exposures included in the lease and loan portfolio secured by the EIF guarantee and optimises the Bank's Tier 1 capital.

The maximum value of credit losses attributable to the EIF-guaranteed exposures is equal to the current amount of the junior tranche.

The guarantee agreement made by Santander Leasing does not give grounds for removing from the balance sheet the receivables from the above contracts in full or in part.

Santander has adopted the following approach to assigning risk weights to other elements of the synthetic securitisation structure/ guarantee agreement in line with the standard method - Santander Leasing assigns:

a) RW 0% is assigned to the junior tranche (risk weight of the credit protection provider – EIF);

b) RW 75% or 100%, depending on customer classification, is assigned to 5% of exposures retained by the Company under Article 405(1)(c) of the CRR (or RW 100% or 150%, respectively, if the exposures are in default);

c) RW 75% or 100%, depending on customer classification, is assigned to the interest component;

d) RW 100% or 150% is assigned to exposures which have been excluded by the bank from the securitisation structure due to default.

The amount of risk-weighted exposure with respect to the retained tranche is defined with the use of a standard SEC-SA method, in line with Article 262 of CRR.

As at 30 June 2022 the senior tranche generated risk-weighted exposure of PLN k 333 813.

Liquidity securitisation 2018/2019

Since 2018 Santander Leasing S.A. (the "Company") has performed a liquidity securitisation contract in two tranches, EUR 330 000 k and PLN 1 202 500 k respectively.

The transaction was a traditional STS securitisation which involved a transfer of ownership of the securitised receivables through their paid transfer to the special-purpose company Santander Leasing Poland Securitisation 01 DAC with the registered office in Ireland (hereinafter: SSPE). In order to secure the liquidity risk and credit risk of the transaction, , Santander Leasing S.A. granted a subordinated loan to the SSPE. The loan was repaid after the SSPE had repaid its bond liabilities. As a result of securitising both the tranches, Santander Leasing S.A. raised funding for its operations in exchange for transferring the rights to future cash flows from the securitised portfolio of lease and loan contracts.

Securitisation was one of the sources of funding and it had a positive effect on capital adequacy ratios, liquidity and diversification of the sources of funding.

As at 30 June 2022 both the tranches were fully settled and the transaction was closed in May 2021 (PLN) and in March 2022 (EUR).

The liquidation process is to be complete by end 2022.

VII. Leverage ratio

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

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

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

A reference day for the following data is 30 June 2022. Presented leverage ratio is calculated in relation to Tier 1 capital phase in definition. Santander Bank Polska Group disclose the information on sub-consolidated basis. Fiduciary items are not eliminated from the total leverage ratio exposure.

EU LR2 - LRCOM: LEVERAGE RATIO COMMON DISCLOSURE AS AT 30.06.2022 (PLN K)

		CRR leverage ratio exposures	
		a	b
		30.06.2022	31.12.2021*
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	237 907 505	240 797 069
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	385 690	346 318
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-2 009 448	-1 734 788
6	(Asset amounts deducted in determining Tier 1 capital)	-2 021 464	-2 136 289
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**234 262 283**	**237 272 309**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	7 825 450	3 597 200
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	4 363 547	2 894 714
13	**Total derivatives exposures**	**12 188 997**	**6 491 915**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	2 700 248	1 280 909
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	63 763	25 295
18	**Total securities financing transaction exposures**	**2 764 012**	**1 306 204**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	43 695 955	45 539 093
20	(Adjustments for conversion to credit equivalent amounts)	-35 408 960	-37 010 799
22	**Off-balance sheet exposures**	**8 286 995**	**8 528 294**
Excluded exposures			
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
23	**Tier 1 capital**	**23 350 609**	**23 141 977**
24	**Total exposure measure**	**257 502 286**	**253 598 723**
Leverage ratio			
25	Leverage ratio (%)	9,07%	9,13%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	9,07%	9,13%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	9,07%	9,13%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-27a	Overall leverage ratio requirement (%)	3,00%	3,00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	3 774 529	3 325 880
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	2 700 248	1 280 909
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	258 576 566	255 643 693
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	258 576 566	255 643 693
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9,03%	9,05%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9,03%	9,05%

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

As at 30 June 2022, the leverage ratio of Santander Bank Polska Group totalled 9.07% and was three-fold higher than the minimum requirement of 3%.

Tables EU LR1 and LR3 can be found in Appendix „Pillar III 2022 06 Tables", which is available on the Santander Bank Polska website.

VIII. Policy of variable components of remuneration

Information on the variable components of remuneration is the fulfillment of the obligations in accordance with Part eighth CRR and complements the information in the annual report Information on Capital Adequacy of Santander Bank Polska Groupas at December 31, 2021.

EU REM1 - REMUNERATION AWARDED AS AT 31.12.2021 (PLN K)

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	11	10	36	121
2		Total fixed remuneration	2 077	14 020	19 049	34 351
3		Of which: cash-based	2 068	11 877	17 996	33 604
7		Of which: other forms	8	2 143	1 053	747
9	Variable remuneration*	Number of identified staff	11	10	36	121
10		Total variable remuneration	-	13 575	12 251	20 433
11		Of which: cash-based	-	6 787	6 488	12 322
12		Of which: deferred	-	2 895	2 305	3 244
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	6 787	5 763	8 111
EU-14b		Of which: deferred	-	2 895	2 305	3 244
17	Total remuneration (2 + 10)		2 077	27 595	31 300	54 783

* No data on variable components of remuneration for the analysed financial year were available at the day of preparing the report.

EU REM5 - INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE AS AT 31.12.2021 (PLN K)

		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										178
2	Of which: members of the MB	11	10	21							
3	Of which: other senior management				5	5	7	3	6	10	
4	Of which: other identified staff				3	4	13	2	7	92	
5	Total remuneration of identified staff	2 077	27 595	29 671	6 915	6 860	10 733	5 448	9 001	47 127	
6	Of which: variable remuneration	-	13 575	13 575	2 908	2 314	4 131	2 034	3 581	17 715	
7	Of which: fixed remuneration	2 077	14 020	16 097	4 007	4 546	6 603	3 413	5 419	29 412	

The above data presents information on additional components of variable remuneration that have not been presented in the information on variable remuneration components presented in the annual report Information on capital adequacy of Santander Bank Polska Group as at 31 December 2021.

IX. Liquidity measures

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

The table below presents the disclosure of the amount and components of the net income coverage ratio.

EU LIQ1 - QUANTITATIVE INFORMATION OF LCR AS AT 30.06.2022 (PLN K)

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2022	31.03.2022	31.12.2021	30.09.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					69 228 871	70 982 475	70 328 417	68 378 215
	CASH - OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	132 359 154	130 669 051	128 491 942	126 080 865	10 585 994	10 364 807	10 120 380	9 858 735
3	*Stable deposits*	82 483 444	82 195 587	80 957 649	78 961 475	4 124 172	4 109 779	4 047 882	3 948 074
4	*Less stable deposits*	45 365 687	43 994 757	42 795 093	41 779 189	6 461 822	6 255 028	6 072 498	5 910 661
5	Unsecured wholesale funding	50 175 761	49 433 200	47 979 510	46 383 905	25 124 193	24 464 080	23 285 878	22 508 154
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	49 345 748	48 528 854	47 338 499	45 824 456	24 294 179	23 559 734	22 644 866	21 948 705
8	*Unsecured debt*	830 014	904 346	641 011	559 449	830 014	904 346	641 011	559 449
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	28 843 832	28 496 681	28 276 188	28 429 740	4 939 969	4 635 953	4 715 350	5 002 672
11	*Outflows related to derivative exposures and other collateral requirements*	2 778 714	2 489 649	2 466 537	2 632 893	2 778 714	2 489 649	2 466 537	2 632 893
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	26 065 118	26 007 032	25 809 651	25 796 848	2 161 255	2 146 304	2 248 813	2 369 779
14	Other contractual funding obligations	1 354 427	965 133	1 152 290	1 370 713	984 575	598 380	783 346	1 033 978
15	Other contingent funding obligations	15 275 829	15 435 547	14 931 506	14 615 329	721 858	753 970	671 378	665 068
16	TOTAL CASH OUTFLOWS					42 356 588	40 817 190	39 576 331	39 068 606
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	659 374	586 500	466 656	434 214	-	-	-	-
18	Inflows from fully performing exposures	7 432 008	7 104 797	7 388 529	7 360 701	6 432 539	6 100 891	6 342 011	6 251 280
19	Other cash inflows	1 476 632	1 168 450	809 113	683 301	1 476 632	1 168 450	809 113	683 301
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	9 568 014	8 859 747	8 664 298	8 478 216	7 909 171	7 269 341	7 151 124	6 934 581
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	9 568 014	8 859 747	8 664 298	8 478 216	7 909 171	7 269 341	7 151 124	6 934 581
	TOTAL ADJUSTED VALUE								
EU-21	LIQUIDITY BUFFER					69 228 871	70 982 475	70 328 417	68 378 215
22	TOTAL NET CASH OUTFLOWS					34 447 418	33 547 849	32 425 207	32 134 025
23	LIQUIDITY COVERAGE RATIO					201%	212%	217%	213%

The main factors influencing the Liquidity Coverage Ratio (hereinafter 'LCR') are:

- on the outflow side, retail deposits, and then non-operating non-retail deposits, additional outflows due to the impact of a negative market scenario on the valuation of derivatives and outflows due to irrevocable off-balance sheet liabilities, including those related to trade financing,

- on the inflows side, these are mainly the expected inflows from receivables from financial institutions (interbank and central bank deposits),

- on the side of liquid assets, the main part are liquid Treasury bonds or bonds fully guaranteed by the Treasury (including securities issued by the Polish Development Fund and Bank Gospodarstwa Krajowego as part of anti-crisis shields during the COVID-19 pandemic), NBP bills (NBP), and then cash and the surplus on NBP accounts over the amount of the required reserve.

The main factors remain substantially the same over time, although it should be emphasized that during the COVID-19 pandemic, the share of retail deposits in outflows increased.

Disclosed LCR in June 2022 remains on high and safe level, much above both the regulatory and internal Group's limits. The indicator that remains at a high level is primarily the result of high level of deposit base (especially in 'stable retail deposits' category) and realized issues, allocated mainly in high quality liquid assets.In line with the Liquidity Risk Policy, the Group prudently manages an appropriately diversified deposit base. Financing is mostly based on the current accounts and term deposits of individual clients and enterprises, mainly non-financial. The Group also focuses on increasing the level of diversification of long-term financing sources, expanding its presence on wholesale markets by issuing debt and taking long-term loans on the financial market. A significant, but much smaller than the aforementioned, part of financing are own issues in the form of both subordinated and ordinary debt. It should be noted that in June 2022 r. Santander Leasing issue PLN 235 million of bonds. In the current strategy, the Group attempts to minimize the share of secured financing.

General description of the institution's liquidity buffer structure:

High quality liquid assets (HQLAs) consists of: extremely liquid securities (mainly Treasury Bonds or bonds fully guaranteed by Central Government), central bank assets (including NBP bills), cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve. As of June 2022, 30th the above mentioned categories accounted for 94.5%, 0.4%, 5.1% and 0%, respectively, of the liquid buffer. All components of liquid buffer are recognized as level 1 of liquid assets.

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

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

Notwithstanding the fulfillment of the required LCR limits at the aggregated level for all currencies, the Group maintains the LCR ratio above 100% for the domestic currency (PLN). In the case of the second currency identified as significant within the meaning of the CRR provisions, the occurring mismatches are additionally monitored as part of the adjusted gap analysis and stress scenarios for the EUR currency. The Bank has the option of adjusting the liquidity position in EUR by acquiring liquid funds in this currency on the wholesale financial market, including, inter alia, FX swap transactions on dates beyond the LCR horizon (i.e. over 30 days).

The Group uses secured instruments to fund its activity to a limited degree only. However, in accordance with the existing contractual provisions, if the Group's rating is reduced by one notch (to BBB), the maximum potential additional security on account of those instruments would be as at June 2022, 30th PLN 32.2 m. At the same time, it should be noted that this potential obligation is not unconditional and its final value would depend on negotiations between the bank and its counterparty in relation to the above transactions.

EU LIQ2: NET STABLE FUNDING RATIO AS AT 30.06.2022 (PLN K)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**25 874 078**	**-**	**-**	**2 523 469**	**25 874 078**
2	*Own funds*	*23 350 609*	-	-	*2 523 469*	*25 874 078*
3	*Other capital instruments*		-	-	-	-
4	**Retail deposits**		**130 230 472**	**1 747 912**	**665 542**	**123 522 962**
5	*Stable deposits*		*81 444 994*	*92 486*	*0*	*77 460 606*
6	*Less stable deposits*		*48 785 478*	*1 655 426*	*665 542*	*46 062 356*
7	**Wholesale funding:**		**52 404 937**	**1 108 563**	**10 114 145**	**30 894 947**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		*52 404 937*	*1 108 563*	*10 114 145*	*30 894 947*
10	**Interdependent liabilities**		**-**	**-**	**-**	**-**
11	**Other liabilities:**	**72 560**	**9 105 583**	**51 970**	**2 157 219**	**2 183 204**
12	*NSFR derivative liabilities*	*72 560*				
13	*All other liabilities and capital instruments not included in the above categories*		*9 105 583*	*51 970*	*2 157 219*	*2 183 204*
14	**Total available stable funding (ASF)**					**182 475 190**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**1 586 496**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**-**	**-**	**-**	**-**
16	**Deposits held at other financial institutions for operational purposes**		**-**	**-**	**-**	**-**
17	**Performing loans and securities:**		**23 253 682**	**9 602 622**	**117 150 725**	**102 795 450**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*1 286 240*	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*2 399 100*	*58 728*	*136 624*	*405 898*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*10 656 833*	*8 391 197*	*69 129 802*	*68 479 781*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	*Performing residential mortgages, of which:*		*864 904*	*912 063*	*44 731 384*	*30 296 025*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*796 466*	*843 570*	*43 070 673*	*28 815 956*
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*8 046 605*	*240 634*	*3 152 915*	*3 613 746*
25	**Interdependent assets**		**-**	**-**	**-**	**-**
26	**Other assets:**		**6 149 091**	**40 412**	**17 281 388**	**17 843 530**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		*2 410 635*			*120 532*
31	*All other assets not included in the above categories*		*3 738 455*	*40 412*	*17 281 388*	*17 722 998*
32	**Off-balance sheet items**		**39 365 254**	**1 182 486**	**2 433 329**	**2 067 230**
33	**Total RSF**					**124 292 706**
34	**Net Stable Funding Ratio (%)**					**147%**

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

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

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

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

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

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

BREAKDOWN OF LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA BY RESIDUAL MATURITY OF MORATORIA AS AT 30.06.2022 (PLN K)

			Gross carrying amount							
		Number of obligors		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	173 244	14 833 171							
2	Loans and advances subject to moratorium (granted)	150 490	14 686 143	223 121	14 686 143	-	-	-	-	-
3	of which: Households		6 457 674	223 121	6 457 674	-	-	-	-	-
4	of which: Collateralised by residential immovable property		5 053 885	157 384	5 053 885	-	-	-	-	-
5	of which: Non-financial corporations		8 228 469	-	8 228 469	-	-	-	-	-
6	of which: Small and Medium-sized Enterprises		1 846 794	-	1 846 794	-	-	-	-	-
7	of which: Collateralised by commercial immovable property		-	-	-	-	-	-	-	-

* Data refer to active loans as at 30/06/2022

INFORMATION ON NEWLY ORIGINATED LOANS AND ADVANCES PROVIDED UNDER NEWLY APPLICABLE PUBLIC GUARANTEE SCHEMES INTRODUCED IN RESPONSE TO COVID-19 CRISIS AS AT 30.06.2022 (PLN K)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1 Newly originated loans and advances subject to public guarantee schemes	6 438 980	-	5 587 570	38 085
2 of which: Households	-			-
3 of which: Collateralised by residential immovable property	-			-
4 of which: Non-financial corporations	6 438 980	-	5 587 570	38 085
5 of which: Small and Medium-sized Enterprises	2 391 650			14 940
6 of which: Collateralised by commercial immovable property	-			-

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

LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA AS AT 30.06.2022 (PLN K)

		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	14 686 143	13 629 967	1 336 150	2 403 082	1 056 176	439 660	477 948	-770 564	-193 610	-84 223	-143 652	-576 954	-212 182	-200 465	787 156
2	of which: Households	6 457 674	5 896 112	374 201	690 640	561 562	186 421	204 900	-374 533	-58 768	-11 276	-35 464	-315 765	-95 312	-89 145	385 386
3	of which: Collateralised by residential immovable property	5 053 885	4 869 179	293 218	521 653	184 705	86 732	111 146	-72 235	-18 887	-5 061	-13 642	-53 347	-27 644	-31 639	138 942
4	of which: Non-financial corporations	8 228 469	7 733 855	961 949	1 712 442	494 614	253 239	273 048	-396 031	-134 842	-72 947	-108 189	-261 189	-116 870	-111 320	401 770
5	of which: Small and Medium-sized Enterprises	1 846 794	1 563 742	68 342	231 456	283 052	120 265	114 872	-242 211	-43 513	-10 252	-28 722	-198 697	-86 753	-73 562	263 916
6	of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Data refer to active loans as at 30/06/2022

XI. Other important issues

Change of classification of specific bonds portfolio

In the first quarter of 2022, the Management Board of the Bank performed a review of its asset and liability management policy. The Management Board identified the need to verify the existing strategy and the related business model for managing customer deposits. As a result of the review, the Bank has reclassified certain debt securities measured at fair value through other comprehensive income as debt securities measured at amortised cost.

Note 21 Investment securities in the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022 presents in detail the impact of reclassifying certain financial instruments on the Bank's financial standing and on the structure of the Bank's assets as at 1 April 2022. Debt investment securities measured at fair value through other comprehensive income of PLN 10,521.72m have been reclassified and related fair value adjustment has been reversed. Additionally, the related deferred tax asset of PLN 353.11m has been released. Debt investment securities measured at amortised cost of PLN 12,380.19m have been recognised. The changes resulted in the net other comprehensive income increase in the amount of PLN 1,505.36m.

Establishing a new IPS for commercial banks

On 10 June 2022, the KNF approved the draft agreement and recognised the institutional protection scheme (IPS) for commercial banks referred to in Article 4(1)(9a) of the Polish Banking Law Act of 29 August 1997.

Santander Bank Polska S.A., together with seven other commercial banks: Alior Bank S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A. and PKO Bank Polski S.A. ("Member Banks") signed the institutional protection scheme agreement and established a Polish joint-stock company ("spółka akcyjna") to manage the scheme ("Managing Entity"). The company is currently awaiting registration and consent from the President of the Office of Competition and Consumer Protection (UOKiK).

An aid fund will be set up in the Managing Entity to finance the operation of the protection scheme. Member Bank will make contributions to the aid fund at 0.40% of the sum of a given bank's guaranteed funds covered by the mandatory deposit guarantee scheme referred to in Article 2(34) of the Polish Act on the Bank Guarantee Fund, deposit guarantee scheme and resolution of 10 June 2016.

Detailed information about the above issue can be found in Note 38 Character and amounts of items which are extraordinary due to their nature, volume or occurrence in the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022.

Impact of costs of legal risk connected with foreign currency mortgage loans on the financial result

Based on the analysis, due to the applicable legal situation related to mortgage loans portfolio denominated and indexed in foreign currencies, the Bank decided to change the accounting policy for their recognition, starting from 1 January 2022.

Prior to the amendment, the legal risk of this portfolio was recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. From 1 January 2022, the Group decided to apply IFRS 9 Financial Instruments.

Due to the inability to recover some of the planned cash flows, the Bank decided to reduce, from 1 January 2022, the gross carrying amount of mortgage loans denominated and indexed in foreign currencies in accordance with IFRS 9 (IFRS 9 B5.4.6) and in the absence of exposure or insufficient exposure, create provision according to IAS 37.

As at 30 June 2022, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 2,964,477k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN (2,651,167)k (including PLN (2,124,195)k in the case of Santander Bank Polska S.A. and PLN (526,972)k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN (313,310)k (including PLN (235,297)k in the case of Santander Bank Polska S.A. and PLN (78,013)k in the case of Santander Consumer Bank S.A.)

The adjustment to the gross carrying amount as at 30/06/2022 had the following impact on the capital adequacy of the Santander Bank Polska S.A.Capital Group:

- credit risk requirement PLN (318 140)k,
- CAR +55 b.p.,
- CET1 +50 b.p.

Detailed information about the above issue can be found in Notes 2.5 and 33 in the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022.

Events after the balance sheet date

Act on crowdfunding for business and support for borrowers

On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for business and support for borrowers. One of the purposes of the Act is to help the mortgage borrowers who are experiencing financial difficulties by enabling them to defer their repayments.

According to the Act:

- the borrowers will be able to defer the repayment of loan instalments in two months of Q3 and Q4 2022 and in one month of each quarter of 2023;

- the deferred instalments will extend the lending period;

- the payment deferral will be available to the borrowers who are repaying PLN mortgage loans taken out for housing purposes before 1 July 2022;

- the borrowers who have taken out more than one mortgage loan can only defer the repayment of one of their loans;

– the bank will not accrue interest on the deferred instalment.

The Group estimates that the impact of costs arising from the introduced payment deferral solutions on the Group's and Bank's profit before tax in Q3 2022 will be approximately PLN 1.358bn and PLN 1.346bn respectively, assuming that the solution is used by 50% of eligible customers.

Detailed information about the above issue can be found in Note 44 Events which occurred subsequently to the end of the period in the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022.