

Selected Financial Information on Santander Bank Polska Group for 2022

This report contains inside information as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR). Article 17(1) of MAR is the legal basis for this report.

The financial information provided herein and concerning the quarter and the year ended 31 December 2022 includes the selected, preliminary, unaudited data which has been prepared for information purposes, in addition to the interim reporting obligations of Santander Bank Polska Group. The scope of disclosures does not meet the definition of an interim report required by the International Accounting Standard 34 Interim Financial Reporting or the Regulation of the Minister of Finance of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state. Some financial data may be subject to revision in the Group's Annual Report for 2022 to be published on 22 February 2023 along with an independent auditor's opinion.

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I. Consolidated income statement

	for the period:	1.10.2022- 31.12.2022	1.01.2022- 31.12.2022	1.10.2021- 31.12.2021* restated	1.01.2021- 31.12.2021* restated
Interest income and similar to interest		4 047 537	12 538 584	1 843 809	6 362 285
Interest income on financial assets measured at amortised cost		3 280 608	9 804 957	1 422 814	5 064 526
Interest income on financial assets measured at fair value through other comprehensive income		521 510	1 965 093	323 901	955 577
Income similar to interest on financial assets measured at fair value through profit or loss		34 745	96 144	6 725	17 231
Income similar to interest on finance leases		210 674	672 390	90 369	324 951
Interest expense		(1 214 727)	(2 886 277)	(1 111 611)	(400 139)
Net interest income		2 832 810	9 652 307	1 732 198	5 962 146
Fee and commission income		790 903	3 173 217	776 357	2 972 553
Fee and commission expense		(171 715)	(606 799)	(135 479)	(485 468)
Net fee and commission income		619 188	2 566 418	640 878	2 487 085
Dividend income		377	10 639	8 632	112 848
Net trading income and revaluation		61 094	126 748	94 138	267 954
Gains (losses) from other financial securities		18 429	(23 051)	(24 688)	94 918
Gain/loss on derecognition of financial instruments measured at amortised cost		(86 556)	(169 235)	(1 656)	337
Other operating income		69 395	217 706	106 700	216 329
Impairment allowances for expected credit losses		(323 864)	(894 685)	(273 701)	(1 124 188)
Cost of legal risk associated with foreign currency mortgage loans		(668 806)	(1 739 088)	(586 309)	(1 430 975)
Operating expenses incl.:		(986 297)	(4 697 706)	(1 100 614)	(3 988 256)
-Staff, operating expenses and management costs		(799 056)	(3 977 482)	(833 701)	(3 172 130)
-Amortisation of property, plant and equipment and Intangible assets		(102 298)	(381 645)	(112 406)	(411 399)
-Amortisation of right of use asset		(27 745)	(141 940)	(30 624)	(167 571)
-Other operating expenses		(57 198)	(196 639)	(123 883)	(237 156)
Share in net profits (loss) of entities accounted for by the equity method		24 040	84 049	16 696	74 068
Tax on financial institutions		(210 788)	(781 155)	(164 344)	(614 438)
Profit before tax		1 349 022	4 352 947	447 930	2 057 828
Corporate income tax		(402 238)	(1 344 172)	(238 735)	(805 422)
Consolidated profit for the period		946 784	3 008 775	209 195	1 252 406
of which:					
-attributable to owners of the parent entity		903 325	2 799 098	193 558	1 111 684
-attributable to non-controlling interests		43 459	209 677	15 637	140 722
Net earnings per share					
Basic earnings per share (PLN/share)		8,84	27,39	1,90	10,88
Diluted earnings per share (PLN/share)		8,84	27,39	1,90	10,88

*details are described in XI

II. Consolidated statement of comprehensive income

	1.10.2022- 31.12.2022	1.01.2022- 31.12.2022	1.10.2021- 31.12.2021	1.01.2021- 31.12.2021
for the period:				
Consolidated profit for the period	946 784	3 008 775	209 195	1 252 406
Items that will be reclassified subsequently to profit or loss:	307 830	240 999	(1 976 981)	(2 805 251)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	346 501	644 459	(2 383 381)	(3 425 571)
Deferred tax	(65 835)	(122 447)	452 843	650 859
Revaluation of cash flow hedging instruments gross	33 535	(346 930)	(57 337)	(37 702)
Deferred tax	(6 371)	65 917	10 894	7 163
Items that will not be reclassified subsequently to profit or loss:	14 073	17 123	15 265	426 257
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	26 838	21 032	12 684	518 751
Deferred and current tax	(5 099)	(3 996)	(2 181)	(98 352)
Provision for retirement benefits – actuarial gains/losses gross	(9 447)	124	5 863	7 216
Deferred tax	1 781	(37)	(1 101)	(1 358)
Total other comprehensive income, net	321 903	258 122	(1 961 716)	(2 378 994)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 268 687	3 266 897	(1 752 521)	(1 126 588)
Total comprehensive income attributable to:				
- owners of the parent entity	1 211 471	3 075 280	(1 732 443)	(1 220 899)
- non-controlling interests	57 216	191 617	(20 078)	94 311

III. Consolidated statement of financial position

	as at:	31.12.2022	30.09.2022	31.12.2021* restated	1.01.2021* restated
ASSETS					
Cash and balances with central banks		10 170 022	11 514 275	8 438 275	5 489 303
Loans and advances to banks		9 577 499	8 005 479	2 690 252	2 926 522
Financial assets held for trading		6 883 616	9 827 586	4 020 117	3 182 769
Hedging derivatives		549 177	923 063	163 177	7 654
Loans and advances to customers incl.:		152 508 692	153 538 643	146 391 345	141 436 291
- measured at amortised cost		137 888 696	139 204 303	133 378 724	129 357 246
- measured at fair value through other comprehensive income		2 628 660	2 594 431	1 729 848	1 556 791
- measured at fair value through profit and loss		239 694	312 994	553 830	892 226
- from finance leases		11 751 642	11 426 915	10 728 943	9 630 028
Buy-sell-back transactions		13 824 606	14 282 007	453 372	293 583
Investment securities incl.:		55 371 137	49 158 286	71 866 260	66 783 434
- debt securities measured at fair value through other comprehensive income		39 539 535	34 072 379	70 064 796	65 700 052
- debt securities measured at fair value through profit and loss		64 707	62 445	116 977	110 155
- debt investment securities measured at amortised cost		15 499 348	14 785 144	1 421 272	-
- equity securities measured at fair value through other comprehensive income		204 299	177 460	259 788	857 331
- equity securities measured at fair value through profit and loss		63 248	60 858	3 427	115 896
Assets pledged as collateral		2 318 219	8 043 599	534 437	657 664
Investments in associates		921 495	897 323	932 740	998 397
Intangible assets		740 756	655 551	692 802	708 356
Goodwill		1 712 056	1 712 056	1 712 056	1 712 056
Property, plant and equipment		688 262	639 154	732 909	803 429
Right of use asset		497 352	519 746	517 102	710 657
Current income tax assets		-	17 404	216 884	-
Deferred tax assets		2 098 733	2 275 640	2 383 710	1 996 552
Fixed assets classified as held for sale		5 973	4 875	4 817	11 901
Other assets		1 299 620	1 380 455	1 267 009	1 030 287
Total assets		259 167 215	263 395 142	243 017 264	228 748 855
LIABILITIES AND EQUITY					
Deposits from banks		4 031 252	6 391 477	4 400 138	5 373 312
Hedging derivatives		1 979 089	2 478 269	1 762 334	1 775 098
Financial liabilities held for trading		7 108 826	9 311 850	3 878 081	3 030 340
Deposits from customers		196 496 806	189 500 975	185 373 443	171 522 255
Sell-buy-back transactions		2 324 926	8 097 478	510 277	653 687
Subordinated liabilities		2 807 013	2 878 394	2 750 440	2 754 605
Debt securities in issue		9 330 648	11 474 406	12 805 462	11 241 312
Lease liabilities		419 965	463 800	452 499	624 690
Current income tax liabilities		80 751	-	-	79 049
Deferred tax liability		281	174	-	-
Provisions for financial liabilities and guarantees granted		61 869	62 316	60 811	64 541
Other provisions		627 311	621 702	499 913	389 661
Other liabilities		3 783 140	3 267 759	3 310 290	2 582 315
Total liabilities		229 051 877	234 548 600	215 803 688	200 090 865
Equity					
Equity attributable to owners of parent entity		28 318 083	27 106 503	25 531 680	26 994 750
Share capital		1 021 893	1 021 893	1 021 893	1 021 893
Other reserve capital		23 858 400	23 858 400	22 178 344	21 296 994
Revaluation reserve		(1 131 335)	(1 439 590)	(1 354 715)	1 839 292
Retained earnings		1 770 027	1 770 027	2 574 474	1 799 404
Profit for the period		2 799 098	1 895 773	1 111 684	1 037 167
Non-controlling interests in equity		1 797 255	1 740 039	1 681 896	1 663 240
Total equity		30 115 338	28 846 542	27 213 576	28 657 990
Total liabilities and equity		259 167 215	263 395 142	243 017 264	228 748 855

*details are described in XI

IV. Consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2022 - 31.12.2022	Equity attributable to owners of parent entity						Non- controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total			
As at the beginning of the period	1 021 893	22 178 344	(1 354 715)	3 686 158	25 531 680	1 681 896	27 213 576	
Total comprehensive income	-	-	276 182	2 799 098	3 075 280	191 617	3 266 897	
Consolidated profit for the period	-	-	-	2 799 098	2 799 098	209 677	3 008 775	
Other comprehensive income	-	-	276 182	-	276 182	(18 060)	258 122	
Profit allocation to other reserve capital	-	1 680 056	-	(1 680 056)	-	-	-	
Profit allocation to dividends	-	-	-	(273 867)	(273 867)	(76 258)	(350 125)	
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	(37 792)	37 792	-	-	-	
Other changes	-	-	(15 010)	-	(15 010)	-	(15 010)	
As at the end of the period	1 021 893	23 858 400	(1 131 335)	4 569 125	28 318 083	1 797 255	30 115 338	

As at the end of the period revaluation reserve in the amount of PLN (1,131,335) k comprises: revaluation of debt securities in the amount of PLN (974,410) k, revaluation of equity securities in the amount of PLN 143,301 k, revaluation of cash flow hedge activities in the amount of PLN (313,417) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,191 k.

Consolidated statement of changes in equity 1.01.2022 - 30.09.2022	Equity attributable to owners of parent entity						Non- controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total			
As at the beginning of the period	1 021 893	22 178 344	(1 354 715)	3 686 158	25 531 680	1 681 896	27 213 576	
Total comprehensive income	-	-	(31 964)	1 895 773	1 863 809	134 401	1 998 210	
Consolidated profit for the period	-	-	-	1 895 773	1 895 773	166 218	2 061 991	
Other comprehensive income	-	-	(31 964)	-	(31 964)	(31 817)	(63 781)	
Profit allocation to other reserve capital	-	1 680 056	-	(1 680 056)	-	-	-	
Profit allocation to dividends	-	-	-	(273 867)	(273 867)	(76 258)	(350 125)	
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	(37 792)	37 792	-	-	-	
Other changes	-	-	(15 119)	-	(15 119)	-	(15 119)	
As at the end of the period	1 021 893	23 858 400	(1 439 590)	3 665 800	27 106 503	1 740 039	28 846 542	

As at the end of the period revaluation reserve in the amount of PLN (1,439,590) k comprises: revaluation of debt securities in the amount of PLN (1,243,778) k, revaluation of equity securities in the amount of PLN 121,563 k, revaluation of cash flow hedge activities in the amount of PLN (337,875) k and accumulated actuarial gains - provision for retirement allowances of PLN 20,500 k.

Equity attributable to owners of parent entity

Consolidated statement of changes in equity 1.01.2021 - 31.12.2021	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non- controlling interests	Total equity
As at the beginning of the period	1 021 893	21 296 994	1 839 292	2 836 571	26 994 750	1 663 240	28 657 990
Total comprehensive income	-	-	(2 332 583)	1 111 684	(1 220 899)	94 311	(1 126 588)
<i>Consolidated profit for the period</i>	-	-	-	1 111 684	1 111 684	140 722	1 252 406
<i>Other comprehensive income</i>	-	-	(2 332 583)	-	(2 332 583)	(46 411)	(2 378 994)
Profit allocation to other reserve capital	-	1 110 963	-	(1 110 963)	-	-	-
Interim dividend	-	(220 729)	-	-	(220 729)	-	(220 729)
Profit allocation to dividends	-	-	-	-	-	(75 655)	(75 655)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	(839 982)	839 982	-	-	-
Other changes	-	(8 884)	(21 442)	8 884	(21 442)	-	(21 442)
As at the end of the period	1 021 893	22 178 344	(1 354 715)	3 686 158	25 531 680	1 681 896	27 213 576

As at the end of the period revaluation reserve in the amount of PLN (1,354,715) k comprises: revaluation of debt securities in the amount of PLN (1,500,819) k, revaluation of equity securities in the amount of PLN 164,056 k, revaluation of cash flow hedge activities in the amount of PLN (31,233) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,281 k.

V. Consolidated statement of cash flows

	for the period	1.01.2022- 31.12.2022	1.01.2021- 31.12.2021* restated
Cash flows from operating activities			
Profit before tax		4 352 947	2 057 828
Adjustments for:			
Share in net profits of entities accounted for by the equity method		(84 049)	(74 068)
Depreciation/amortisation		523 585	578 970
Net gains on investing activities		26 502	(84 139)
Interest accrued excluded from operating activities		(1 322 372)	(666 017)
Dividends		(86 460)	(224 269)
Impairment losses (reversal)		9 585	64 941
Changes in:			
Provisions		128 456	106 522
Financial assets / liabilities held for trading		327 586	26 158
Assets pledged as collateral		373 590	123 227
Hedging derivatives		(232 395)	(128 911)
Loans and advances to banks		(3 011 899)	(32 369)
Loans and advances to customers		(15 456 016)	(10 379 954)
Deposits from banks		963 275	(1 618 367)
Deposits from customers		13 403 051	15 506 863
Buy-sell/ Sell-buy-back transactions		1 858 626	(274 182)
Other assets and liabilities		414 484	625 390
Interest received on operating activities		9 998 507	5 391 466
Interest paid on operating activities		(2 642 782)	(85 022)
Paid income tax		(818 322)	(925 151)
Net cash flows from operating activities		8 725 899	9 988 916
Cash flows from investing activities			
Inflows		18 876 361	15 787 343
Sale/maturity of investment securities		17 351 882	14 424 187
Sale of intangible assets and property, plant and equipment		54 218	88 314
Dividends received		86 460	224 269
Interest received		1 383 801	1 050 573
Outflows		(5 431 137)	(21 095 319)
Purchase of investment securities		(4 982 096)	(20 670 962)
Purchase of intangible assets and property, plant and equipment		(449 041)	(424 357)
Net cash flows from investing activities		13 445 224	(5 307 976)
Cash flows from financing activities			
Inflows		10 976 551	17 810 873
Debt securities in issue		5 426 350	11 363 650
Drawing of loans		5 550 201	6 447 223
Outflows		(17 001 003)	(17 777 690)
Debt securities buy out		(9 088 033)	(9 706 612)
Repayment of loans and advances		(6 866 749)	(7 388 946)
Repayment of lease liabilities		(163 765)	(188 317)
Dividends to shareholders		(350 125)	(296 384)
Interest paid		(532 331)	(197 431)
Net cash flows from financing activities		(6 024 452)	33 183
Total net cash flows		16 146 671	4 714 123
Cash and cash equivalents at the beginning of the accounting period		18 346 368	13 632 245
Cash and cash equivalents at the end of the accounting period		34 493 039	18 346 368

*details are described in XI

VI. Separate income statement

	for the period:	1.10.2022- 31.12.2022	1.01.2022- 31.12.2022	1.10.2021- 31.12.2021* restated	1.01.2021- 31.12.2021* restated
Interest income and similar to interest		3 361 411	10 189 968	1 408 330	4 745 226
Interest income on financial assets measured at amortised cost		2 870 750	8 305 893	1 085 898	3 791 346
Interest income on financial assets measured at fair value through other comprehensive income		461 749	1 808 196	317 149	940 407
Income similar to interest on financial assets measured at fair value through profit or loss		28 912	75 879	5 283	13 473
Interest expense		(941 904)	(2 149 426)	(62 334)	(231 224)
Net interest income		2 419 507	8 040 542	1 345 996	4 514 002
Fee and commission income		667 330	2 699 737	638 697	2 432 517
Fee and commission expense		(128 675)	(421 816)	(88 956)	(313 108)
Net fee and commission income		538 655	2 277 921	549 741	2 119 409
Dividend income		317	172 181	6 955	277 498
Net trading income and revaluation		55 843	109 912	86 528	251 800
Gains (losses) from other financial securities		20 584	(19 820)	(23 480)	91 428
Gain/loss on derecognition of financial instruments measured at amortised cost		(86 556)	(169 235)	(1 656)	337
Other operating income		29 161	74 552	84 532	128 352
Impairment allowances for expected credit losses		(334 422)	(798 605)	(200 295)	(841 012)
Cost of legal risk associated with foreign currency mortgage loans		(505 168)	(1 428 333)	(477 706)	(1 157 849)
Operating expenses incl.:		(788 755)	(3 908 534)	(880 377)	(3 251 417)
-Staff, operating expenses and management costs		(650 239)	(3 378 652)	(679 934)	(2 594 814)
-Amortisation of property, plant and equipment and Intangible assets		(77 979)	(321 549)	(88 701)	(358 721)
-Amortisation of right of use asset		(30 967)	(125 382)	(33 987)	(145 726)
-Other operating expenses		(29 570)	(82 951)	(77 755)	(152 156)
Tax on financial institutions		(203 655)	(752 303)	(156 584)	(583 794)
Profit before tax		1 145 511	3 598 278	333 654	1 548 754
Corporate income tax		(346 485)	(1 149 235)	(190 559)	(632 876)
Profit for the period		799 026	2 449 043	143 095	915 878
Net earnings per share					
Basic earnings per share (PLN/share)		7,82	23,97	1,40	8,96
Diluted earnings per share (PLN/share)		7,82	23,97	1,40	8,96

*details are described in XI

VII. Separate statement of comprehensive income

	1.10.2022- 31.12.2022	1.01.2022- 31.12.2022	1.10.2021- 31.12.2021	1.01.2021- 31.12.2021
for the period:				
Profit for the period	799 026	2 449 043	143 095	915 878
Items that will be reclassified subsequently to profit or loss:	272 547	286 593	(1 886 719)	(2 688 163)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	311 294	704 361	(2 291 861)	(3 305 330)
Deferred tax	(59 146)	(133 829)	435 454	628 013
Revaluation of cash flow hedging instruments gross	25 184	(350 542)	(37 422)	(13 390)
Deferred tax	(4 785)	66 603	7 110	2 544
Items that will not be reclassified subsequently to profit or loss:	14 411	6 139	18 286	397 522
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	26 187	8 050	17 684	484 653
Deferred and current tax	(4 975)	(1 529)	(3 131)	(91 874)
Provision for retirement benefits – actuarial gains/losses gross	(8 397)	(472)	4 609	5 856
Deferred tax	1 596	90	(876)	(1 113)
Total other comprehensive income, net	286 958	292 732	(1 868 433)	(2 290 641)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 085 984	2 741 775	(1 725 338)	(1 374 763)

VIII. Separate statement of financial position

	as at:	31.12.2022	30.09.2022	31.12.2021* restated	1.01.2021* restated
ASSETS					
Cash and balances with central banks		10 135 099	11 409 623	8 167 900	5 369 638
Loans and advances to banks		9 709 800	8 071 231	2 743 994	2 918 962
Financial assets held for trading		6 879 751	9 827 619	4 020 966	3 218 460
Hedging derivatives		537 924	923 063	163 043	6 901
Loans and advances to customers incl.:		134 842 828	134 669 665	123 979 402	118 660 194
- measured at amortised cost		132 062 037	131 854 807	121 798 998	116 368 885
- measured at fair value through other comprehensive income		2 628 660	2 594 431	1 729 848	1 556 791
- measured at fair value through profit and loss		152 131	220 427	450 556	734 518
Buy-sell-back transactions		13 824 606	14 282 007	453 372	293 583
Investment securities incl.:		52 123 963	45 584 570	68 865 411	64 355 667
- debt securities measured at fair value through other comprehensive income		36 303 503	30 508 888	67 138 415	63 312 701
- debt securities measured at fair value through profit and loss		62 907	60 713	113 733	106 639
- debt investment securities measured at amortised cost		15 499 348	14 785 144	1 421 272	-
- equity securities measured at fair value through other comprehensive income		200 170	173 983	191 991	823 633
- equity securities measured at fair value through profit and loss		58 035	55 842	-	112 694
Assets pledged as collateral		2 157 372	7 886 872	21 462	14 392
Investments in subsidiaries and associates		2 377 407	2 377 407	2 377 407	2 377 407
Intangible assets		625 519	549 240	590 959	628 643
Goodwill		1 688 516	1 688 516	1 688 516	1 688 516
Property, plant and equipment		497 686	457 963	545 431	576 975
Right of use asset		437 342	463 138	460 682	642 396
Current income tax assets		-	11 274	212 204	-
Deferred tax assets		1 331 258	1 458 540	1 568 080	1 199 689
Fixed assets classified as held for sale		4 308	4 308	4 308	4 308
Other assets		924 662	979 554	852 009	767 587
Total assets		238 098 041	240 644 590	216 715 146	202 723 318
LIABILITIES AND EQUITY					
Deposits from banks		2 245 128	3 327 854	1 337 573	2 993 349
Hedging derivatives		1 872 039	2 275 045	1 641 824	1 686 042
Financial liabilities held for trading		7 117 867	9 321 483	3 880 926	3 053 416
Deposits from customers		185 655 260	178 831 140	175 354 581	161 133 491
Sell-buy-back transactions		2 158 520	7 920 343	21 448	14 387
Subordinated liabilities		2 705 885	2 775 257	2 649 991	2 654 394
Debt securities in issue		5 899 300	7 372 926	4 660 882	2 772 351
Lease liabilities		516 881	562 952	556 169	712 304
Current income tax liabilities		85 412	-	-	138 782
Provisions for financial liabilities and guarantees granted		74 012	74 550	73 130	74 436
Other provisions		463 657	451 728	339 907	253 493
Other liabilities		3 008 820	2 522 036	2 371 363	1 814 029
Total liabilities		211 802 781	215 435 314	192 887 794	177 300 474
Equity					
Share capital		1 021 893	1 021 893	1 021 893	1 021 893
Other reserve capital		22 305 509	22 305 509	20 790 808	20 273 125
Revaluation reserve		(1 018 315)	(1 305 273)	(1 311 047)	1 819 661
Retained earnings		1 537 130	1 537 130	2 409 820	1 569 753
Profit for the period		2 449 043	1 650 017	915 878	738 412
Total equity		26 295 260	25 209 276	23 827 352	25 422 844
Total liabilities and equity		238 098 041	240 644 590	216 715 146	202 723 318

*details are described in XI

IX. Separate statement of changes in equity

Statement of changes in equity 1.01.2022 - 31.12.2022	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	1 021 893	20 790 808	(1 311 047)	3 325 698	23 827 352
Total comprehensive income	-	-	292 732	2 449 043	2 741 775
Profit for the period	-	-	-	2 449 043	2 449 043
Other comprehensive income	-	-	292 732	-	292 732
Profit allocation to other reserve capital	-	1 514 701	-	(1 514 701)	-
Profit allocation to dividends	-	-	-	(273 867)	(273 867)
As at the end of the period	1 021 893	22 305 509	(1 018 315)	3 986 173	26 295 260

As at the end of the period revaluation reserve in the amount of PLN (1,018,315) k comprises: revaluation of debt securities in the amount of PLN (865,843) k, revaluation of equity securities in the amount of PLN 141,406 k, revaluation of cash flow hedge activities in the amount of PLN (305,633) k and accumulated actuarial gains - provision for retirement allowances of PLN 11,755 k.

Statement of changes in equity 1.01.2022 - 30.09.2022	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	1 021 893	20 790 808	(1 311 047)	3 325 698	23 827 352
Total comprehensive income	-	-	5 774	1 650 017	1 655 791
Profit for the period	-	-	-	1 650 017	1 650 017
Other comprehensive income	-	-	5 774	-	5 774
Profit allocation to other reserve capital	-	1 514 701	-	(1 514 701)	-
Profit allocation to dividends	-	-	-	(273 867)	(273 867)
As at the end of the period	1 021 893	22 305 509	(1 305 273)	3 187 147	25 209 276

As at the end of the period revaluation reserve in the amount of PLN (1,305,273) k comprises: revaluation of debt securities in the amount of PLN (1,117,992) k, revaluation of equity securities in the amount of PLN 120,195 k, revaluation of cash flow hedge activities in the amount of PLN (326,033) k and accumulated actuarial gains - provision for retirement allowances of PLN 18,557 k.

Statement of changes in equity				Retained earnings and profit for the	
1.01.2021 - 31.12.2021	Share capital	Other reserve capital	Revaluation reserve	period	Total
As at the beginning of the period	1 021 893	20 273 125	1 819 661	2 308 165	25 422 844
Total comprehensive income	-	-	(2 290 641)	915 878	(1 374 763)
<i>Profit for the period</i>	-	-	-	915 878	915 878
<i>Other comprehensive income</i>	-	-	(2 290 641)	-	(2 290 641)
Profit allocation to other reserve capital	-	738 412	-	(738 412)	-
Interim dividend	-	(220 729)	-	-	(220 729)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	(840 067)	840 067	-
As at the end of the period	1 021 893	20 790 808	(1 311 047)	3 325 698	23 827 352

As at the end of the period revaluation reserve in the amount of PLN (1,311,047) k comprises: revaluation of debt securities in the amount of PLN (1,436,375) k, revaluation of equity securities in the amount of PLN 134,885 k, revaluation of cash flow hedge activities in the amount of PLN (21,694) k and accumulated actuarial gains - provision for retirement allowances of PLN 12,137 k.

X. Separate statement of cash flows

	for the period	1.01.2022- 31.12.2022	1.01.2021- 31.12.2021* restated
Cash flows from operating activities			
Profit before tax		3 598 278	1 548 754
Adjustments for:			
Depreciation/amortisation		446 931	504 447
Net gains on investing activities		18 291	(77 903)
Interest accrued excluded from operating activities		(1 584 492)	(735 547)
Dividends		(171 242)	(275 665)
Impairment losses (reversal)		12 158	64 938
Changes in:			
Provisions		124 632	85 108
Financial assets / liabilities held for trading		338 496	43 481
Assets pledged as collateral		21 462	(7 070)
Hedging derivatives		(175 256)	(147 152)
Loans and advances to banks		(3 005 112)	(34 455)
Loans and advances to customers		(18 141 728)	(9 141 906)
Deposits from banks		993 419	(1 644 201)
Deposits from customers		12 203 847	15 516 029
Buy-sell/ Sell-buy-back transactions		2 177 770	(122 009)
Other assets and liabilities		455 901	514 745
Interest received on operating activities		7 898 958	3 782 707
Interests paid on operating activities		(2 243 194)	(80 158)
Paid income tax		(683 462)	(814 683)
Net cash flows from operating activities		2 285 657	8 979 460
Cash flows from investing activities			
Inflows		17 712 343	14 868 031
Sale/maturity of investment securities		16 255 502	13 515 618
Sale of intangible assets and property, plant and equipment		35 821	41 598
Dividends received		171 242	275 665
Interest received		1 249 778	1 035 150
Outflows		(3 978 441)	(19 462 508)
Purchase of investment securities		(3 625 654)	(19 129 239)
Purchase of intangible assets and property, plant and equipment		(352 787)	(333 269)
Net cash flows from investing activities		13 733 902	(4 594 477)
Cash flows from financing activities			
Inflows		2 325 350	4 273 650
Debt securities in issue		2 325 350	4 273 650
Outflows		(1 884 062)	(4 039 854)
Debt securities buy out		(1 219 340)	(2 294 798)
Repayment of loans and advances		(75 149)	(1 255 804)
Repayment of lease liabilities		(152 101)	(160 236)
Dividends to shareholders		(273 867)	(220 729)
Interest paid		(163 605)	(108 287)
Net cash flows from financing activities		441 288	233 796
Total net cash flows		16 460 847	4 618 779
Cash and cash equivalents at the beginning of the accounting period		18 029 977	13 411 198
Cash and cash equivalents at the end of the accounting period		34 490 824	18 029 977

*details are described in XI

XI. Comparability with the results presented in prior periods

Change (1): Legal risk related to the mortgage loans portfolio denominated and indexed in foreign currencies.

Based on the analysis, due to the applicable legal situation related to mortgage loans portfolio denominated and indexed in foreign currencies, and inability to recover all contractual cash flows risk materialisation, the Group 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 Group 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.

Taking into consideration the significance of portfolio's legal risk cost and in accordance with paragraph 29 of IAS 1 Presentation of financial statements, the Group decided to present a separate line in the consolidated income statement "Cost of legal risk associated with foreign currency mortgage loans", which presents the overall impact of the portfolio's legal risk on the income statement.

The change in accounting policy was intended to provide users of financial statements with more useful information on the impact of the legal risk of the portfolio of loans denominated and indexed in foreign currencies on the financial position, financial result and cash flows of the Group.

The change also aligned the approach used in the selected financial information.

The introduced change in accounting policy did not affect the amount of the Group's net assets as at the moment of introduction, i.e. as of January 1, 2022, as well as the value of net assets in the comparative period, i.e. as of January 1, 2021 and December 31, 2021.

Changes (2): Changes in the presentation of selected items of the income statement and the statement of financial position

To present the financial position and financial performance of the Group in the best possible way, as well as to provide the highest value for the users of the Group's financial statements, the following items were presented separately:

- (a) "Income similar to interest on finance leases" in the consolidated income statement and "Loans and advances from finance leases" in the consolidated statement of financial position;
- (b) "Gain/loss on derecognition of financial instruments measured at amortised cost" in the consolidated income statement

Consolidated income statement

	for the period: 1.01.2021 - 31.12.2021			
	before	adjustment (1)	adjustment (2)	after
Interest income and similar to interest	6 362 584	-	(299)	6 362 285
Interest income on financial assets measured at amortised cost	5 389 776	-	(325 250)	5 064 526
Interest income on financial assets measured at fair value through other comprehensive income	955 577	-	-	955 577
Income similar to interest on financial assets measured at fair value through profit or loss	17 231	-	-	17 231
Income similar to interest on finance leases	-	-	324 951	324 951
Interest expense	(400 139)	-	-	(400 139)
Net interest income	5 962 445	-	(299)	5 962 146
Fee and commission income	2 972 591	-	(38)	2 972 553
Fee and commission expense	(485 468)	-	-	(485 468)
Net fee and commission income	2 487 123	-	(38)	2 487 085
Dividend income	112 848	-	-	112 848
Net trading income and revaluation	267 954	-	-	267 954
Gains (losses) from other financial securities	94 918	-	-	94 918
Gain/loss on derecognition of financial instruments measured at amortised cost	-	-	337	337
Other operating income	284 294	(67 965)	-	216 329
Impairment allowances for expected credit losses	(1 124 188)	-	-	(1 124 188)
Cost of legal risk associated with foreign currency mortgage loans	-	(1 430 975)	-	(1 430 975)
Operating expenses incl.:	(5 487 196)	1 498 940	-	(3 988 256)
-Staff, operating expenses and management costs	(3 172 130)	-	-	(3 172 130)
-Amortisation of property, plant and equipment and Intangible assets	(411 399)	-	-	(411 399)
-Amortisation of right of use asset	(167 571)	-	-	(167 571)
-Other operating expenses	(1 736 096)	1 498 940	-	(237 156)
Share in net profits (loss) of entities accounted for by the equity method	74 068	-	-	74 068
Tax on financial institutions	(614 438)	-	-	(614 438)
Profit before tax	2 057 828	-	-	2 057 828
Corporate income tax	(805 422)	-	-	(805 422)
Consolidated profit for the period	1 252 406	-	-	1 252 406
of which:				
-attributable to owners of the parent entity	1 111 684	-	-	1 111 684
-attributable to non-controlling interests	140 722	-	-	140 722
Net earnings per share				
Basic earnings per share (PLN/share)	10,88	-	-	10,88
Diluted earnings per share (PLN/share)	10,88	-	-	10,88

- 1) Adjustment resulting from changes in accounting policy
- 2) Adjustment resulting from changes in the presentation

Consolidated statement of financial position

	as at: 31.12.2021			
	before	adjustment (1)	adjustment (2)	after
Loans and advances to customers incl.:	148 250 421	(1 859 076)	-	146 391 345
- measured at amortised cost	145 966 743	(1 859 076)	(10 728 943)	133 378 724
- from finance leases	-	-	10 728 943	10 728 943
Total assets	244 876 340	(1 859 076)	-	243 017 264
Other provisions	2 358 989	(1 859 076)	-	499 913
Total liabilities	217 662 764	(1 859 076)	-	215 803 688

- 1) Adjustment resulting from changes in accounting policy
- 2) Adjustment resulting from changes in the presentation

as at: 1.01.2021

	before	adjustment (1)	adjustment (2)	after
Loans and advances to customers incl.:	141 998 745	(562 454)	-	141 436 291
- measured at amortised cost	139 549 728	(562 454)	(9 630 028)	129 357 246
- from finance leases	-	-	9 630 028	9 630 028
Total assets	229 311 309	(562 454)	-	228 748 855
Other provisions	952 115	(562 454)	-	389 661
Total liabilities	200 653 319	(562 454)	-	200 090 865

- 1) Adjustment resulting from changes in accounting policy
2) Adjustment resulting from changes in the presentation

Consolidated statement of cash flows

for the period: 1.01.2021 - 31.12.2021

	before	adjustment (1)	after
Changes in:			
Provisions	1 403 144	(1 296 622)	106 522
Loans and advances to customers	(11 676 576)	1 296 622	(10 379 954)

- 1) Adjustment resulting from changes in accounting policy

Separate income statement

for the period: 1.01.2021 - 31.12.2021

	before	adjustment (1)	adjustment (2)	after
Interest income and similar to income	4 745 525	-	(299)	4 745 226
Interest income on financial assets measured at amortised cost	3 791 645	-	(299)	3 791 346
Interest income on financial assets measured at fair value through other comprehensive income	940 407	-	-	940 407
Income similar to interest on financial assets measured at fair value through profit or loss	13 473	-	-	13 473
Interest expense	(231 224)	-	-	(231 224)
Net interest income	4 514 301	-	(299)	4 514 002
Fee and commission income	2 432 555	-	(38)	2 432 517
Fee and commission expense	(313 108)	-	-	(313 108)
Net fee and commission income	2 119 447	-	(38)	2 119 409
Dividend income	277 498	-	-	277 498
Net trading income and revaluation	251 800	-	-	251 800
Gains (losses) from other financial securities	91 428	-	-	91 428
Gain/loss on derecognition of financial instruments measured at amortised cost	-	-	337	337
Other operating income	196 317	(67 965)	-	128 352
Impairment losses on loans and advances	(841 012)	-	-	(841 012)
Cost of legal risk associated with foreign currency mortgage loans	-	(1 157 849)	-	(1 157 849)
Operating expenses incl.:	(4 477 231)	1 225 814	-	(3 251 417)
-Staff, operating expenses and management costs	(2 594 814)	-	-	(2 594 814)
-Amortisation of property, plant and equipment and Intangible assets	(358 721)	-	-	(358 721)
-Amortisation of right of use asset	(145 726)	-	-	(145 726)
-Other operating expenses	(1 377 970)	1 225 814	-	(152 156)
Tax on financial institutions	(583 794)	-	-	(583 794)
Profit before tax	1 548 754	-	-	1 548 754
Corporate income tax	(632 876)	-	-	(632 876)
Profit for the period	915 878	-	-	915 878
Net earnings per share				
Basic earnings per share (PLN/share)	8,96	-	-	8,96
Diluted earnings per share (PLN/share)	8,96	-	-	8,96

- 1) Adjustment resulting from changes in accounting policy
2) Adjustment resulting from changes in the presentation

Separate statement of financial position

as at: 31.12.2021			
	before	adjustment (1)	after
Loans and advances to customers incl.:	125 449 130	(1 469 728)	123 979 402
- measured at amortised cost	123 268 726	(1 469 728)	121 798 998
Total assets	218 184 874	(1 469 728)	216 715 146
Other provisions	1 809 635	(1 469 728)	339 907
Total liabilities	194 357 522	(1 469 728)	192 887 794

as at: 1.01.2021			
	before	adjustment (1)	after
Loans and advances to customers incl.:	119 077 346	(417 152)	118 660 194
- measured at amortised cost	116 786 037	(417 152)	116 368 885
Total assets	203 140 470	(417 152)	202 723 318
Other provisions	670 645	(417 152)	253 493
Total liabilities	177 717 626	(417 152)	177 300 474

1) Adjustment resulting from changes in accounting policy

Separate statement of cash flows

for the period: 1.01.2021 - 31.12.2021			
	before	adjustment (1)	after
Changes in:			
Provisions	1 137 684	(1 052 576)	85 108
Loans and advances to customers	(10 194 482)	1 052 576	(9 141 906)

1) Adjustment resulting from changes in accounting policy

XII. Overview of financial performance of Santander Bank Polska Group in 2022

External environment

After the post-pandemic period of economic recovery in Poland, the year 2022 brought the escalation of geopolitical tensions caused by Russia's invasion of Ukraine, resulting in a negative supply shock, monetary policy tightening by central banks, growing inflationary pressure and worsening economic outlook. Elevated external risk led to higher volatility of the financial markets, a decrease in valuation of securities and an increase in credit risk. The Polish Act on crowdfunding for business and support for borrowers imposed a new charge on banks: payment deferrals for PLN mortgage loan borrowers. In addition to that, banks faced an increased number of unfavourable court rulings in cases related to CHF mortgage loans.

On the other hand, the profitability of banks was supported by the high interest rate environment.

Group's profitability

The **profit before tax of Santander Bank Polska Group** for the 12-month period ended 31 December 2022 was PLN 4,353.0m, up 111.5% YoY. The **profit attributable to the shareholders of the parent entity** increased by 151.8% YoY to PLN 2,799.1m.

The table presented in the "Comparability of periods" section below contains the selected items of the income statement of Santander Bank Polska Group which affect the comparability of the analysed periods. After the relevant adjustments:

- the **underlying profit before tax** increased by 136.0% YoY and
- the **underlying profit attributable to the shareholders of the parent entity** went up by 146.2% YoY.

Determinants of the Group's performance

The consolidated profit before tax for 2022 was driven by high net interest income (+61.9% to PLN 9,652.3m) resulting from a series of unprecedented NBP interest rate hikes and growth of the Group's key credit portfolios. The increase in net interest income was reduced by payment deferrals, whose estimated financial impact (PLN 1,544.4m) was recognised in P&L for Q3 and Q4. Interest rate increases adversely affected net trading income and revaluation (-PLN 141.2m YoY), and gains on other financial instruments (-PLN 118.0m YoY) due to higher yield of debt securities, lower value of equity instruments and lower gains on derivatives.

Apart from net interest income, the consolidated profit was also positively affected by lower expected credit loss allowances (-20.4% YoY) reflecting a stable financial standing of customers in H1 2022, and first signs of its deterioration in H2 2022 due to adverse macroeconomic environment and outlook. The profitability was also driven by higher net fee and commission income (+3.2% YoY), mainly from currency exchange, lending, insurance and debit cards.

The profit before tax for 2022 was weighed down by cost of legal risk connected with foreign currency mortgage loans (+21.5% YoY) and staff, administrative and general expenses (+25.4% YoY), which included the Group's contribution to the aid fund established by member banks of the institutional protection scheme as well as contributions to the Borrowers Support Fund and the BFG resolution fund.

This was coupled with an increase in tax on financial institutions (+27.1% YoY) following the growth in taxable assets. At the same time, dividend income was lower (-PLN 102.3m YoY) due to the divestment of three insurance companies from Aviva Group in 2021, which used to be classified to the portfolio of investment financial assets of Santander Bank Polska S.A.

Comparability of periods

Selected items of the income statement affecting the comparability of periods

	2022	2021
Negative adjustment to interest income on mortgage loans due to payment deferrals <i>(interest income)</i>	<ul style="list-style-type: none"> • PLN 1,554.4m, including PLN 1,538.0m in relation to Santander Bank Polska S.A., and PLN 6.4m in relation to Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • No corresponding adjustment
Negative adjustment to interest income on mortgage loans due to an obligation to reimburse a bridge margin and fees on prepaid/ repaid loans <i>(interest income)</i>	<ul style="list-style-type: none"> • PLN 78.3m recognised by Santander Bank Polska S.A., including a liability of PLN 37.8m in respect of reimbursement of a bridge margin and a liability of PLN 40.5m in respect of settlement of fees on partially or fully repaid mortgage loans 	<ul style="list-style-type: none"> • No corresponding adjustments
Cost of legal risk connected with foreign currency mortgage loans <i>(income statement item)</i>	<ul style="list-style-type: none"> • PLN 1,739.1m 	<ul style="list-style-type: none"> • PLN 1,431.0m
Costs related to the Institutional Protection Scheme (IPS) <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> • PLN 445.7m – a contribution made by Santander Bank Polska S.A. to the aid fund established as part of the protection scheme for commercial banks 	<ul style="list-style-type: none"> • No corresponding costs
Contributions to the Bank Guarantee Fund made by Santander Bank Polska S.A. and Santander Consumer Bank S.A. <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> • PLN 264.6m, including a contribution of PLN 55.6m to the bank guarantee fund and PLN 209.0m to the bank resolution fund 	<ul style="list-style-type: none"> • PLN 262.6m, including a contribution of PLN 108.5m to the bank guarantee fund and PLN 154.1m to the bank resolution fund
Costs related to the Borrowers Support Fund <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> • PLN 173.6m, including a contribution of PLN 139.6m made by Santander Bank Polska S.A., and a contribution of PLN 34.0m made by Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • No corresponding costs
Dividend income <i>(income statement item)</i>	<ul style="list-style-type: none"> • PLN 10.6m 	<ul style="list-style-type: none"> • PLN 112.9m, including PLN 95.6m from companies from former Aviva Group

Profit structure

Key aggregates and components of the income statement of Santander Bank Polska Group for 2022

Total income, including:	<ul style="list-style-type: none"> • Total income of Santander Bank Polska Group for 2022 increased by 35.4% YoY to PLN 12,381.5m. • Excluding from relevant periods the income items presented in the table "Selected items of the income statement affecting the comparability of periods", the underlying total income was up 55.0% YoY, reflecting a YoY increase in net interest income and net fee and commission income.
Net interest income	<ul style="list-style-type: none"> • Net interest income of Santander Bank Polska Group grew by 61.9% YoY to PLN 9,652.3m as an effect of a series of unprecedented increases in NBP interest rates started in Q4 2021 (three hikes by 1.65 p.p. in total in 2021) and continued until September 2022 (eight hikes by 5.00 p.p. in total) aimed at tightening the monetary policy and curbing inflation. At the same time, the Group generated growth in its key credit portfolios, notably loans for businesses and the public sector, and finance lease. • The consolidated net interest income includes a negative adjustment of PLN 1,544.4m recognised in P&L for Q3 and Q4 to account for the Act on crowdfunding for business and support for borrowers of 7 July 2022. Pursuant to the above legislation, borrowers who had taken out a PLN loan for own housing needs could apply for a payment deferral and have their principal and interest payments suspended for four months in 2022 and 2023. • In 2022, the cumulative net interest margin (annualised on a Ytd basis) was 4.31% vs 2.72% in 2021. The margin increase was driven by developments in the money market and growth and performance of interest-earning assets, notably loans and advances to businesses and individuals as well as lease receivables. The margin growth was also supported by the debt securities in which the Group invested its liquidity surplus. While the value of that portfolio decreased, interest income generated by it continued to grow in 2022. • In Q4 2022, the quarterly net interest margin (annualised on a quarterly basis) was 4.94% vs 3.06% in Q3 2022 and 3.09% in Q4 2021. <ul style="list-style-type: none"> → The YoY increase of 1.85 p.p. in the quarterly net interest margin was driven by the same factors as those that helped the year-on-year growth in net interest income. → The substantial QoQ rise in the net interest margin (+1.88 p.p.) was an effect of a low base caused by payment deferrals and liabilities arising from regulations concerning mortgage loans. The estimated financial impact of the above positions was predominantly recognised in P&L for Q3 2022. In Q4 2022, the additional charges to net interest income on mortgage loans resulted from changes to the estimated utilisation of payment deferrals and the scale of bridge margin reimbursements to eligible borrowers. On a comparative basis, i.e. excluding the impact of additional charges to net interest income, the quarterly margin decreased from 5.56% in Q3 2022 to 5.28% in Q4 2022, reflecting, among other things, higher interest expense resulting from an increase in deposit balances from individuals and businesses reported at the end of 2022.

Key aggregates and components of the income statement of Santander Bank Polska Group for 2022 (cont.)

<p>Net interest income (cont.)</p>	<p style="text-align: center;">NET INTEREST MARGIN¹⁾ BY QUARTER IN THE YEARS 2021 AND 2022 (INCLUDING SWAP POINTS)²⁾</p> <p>1) Net interest margin in consecutive quarters, annualised on a quarterly and year-to-date basis. 2) The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading.</p>
<p>Net fee and commission income</p>	<ul style="list-style-type: none"> • Net fee and commission income for 2022 totalled PLN 2,566.4m and increased by 3.2% YoY on account of higher net income from the majority of product lines, including currency exchange, insurance, lending, debit card issuance and related services, electronic and payment services, account maintenance and cash transactions, and brokerage services. At the same time, net fee and commission income from distribution and asset management declined considerably (-28.0% YoY) on account of lower income from management fees and success fees collected by funds managed by Santander TFI S.A. This was largely due to the downturn in the equity and debt markets as well as statutory reduction of the maximum annual management fee. Net fee and commission income from guarantees and sureties was down too (-38.1% YoY) as a result of higher cost of services related to securitisation coupled with a stable level of income from guarantee products.
<p>Other income</p>	<ul style="list-style-type: none"> • Other income, which includes the Group's total non-interest and non-fee income, went down by 76.5% YoY to PLN 162.8m as a combined effect of the following changes: <ul style="list-style-type: none"> → A decrease of 52.7% YoY in net trading income and revaluation to PLN 126.8m, reflecting lower total gains on derivatives and FX transactions (-60.5% YoY) and a lower positive change in the fair value of credit card receivables obligatorily measured at fair value through profit or loss. At the same time, the Group generated higher YoY gains on transactions in equity and debt financial assets (+12.7% YoY). → A decline of PLN 118.0m in gains on other financial instruments to -PLN 23.1m on account of a loss of PLN 10.2m on bond sales compared to a profit of PLN 91.8m in the comparative period, higher loss on hedging and hedged instruments (-PLN 8.8m in 2022 vs -PLN 3.1m in 2021) and a negative change in the valuation of Visa Inc. shares (a negative adjustment to the fair value of Visa Inc. shares at PLN 3m for 2022 vs a positive adjustment of PLN 2.2m for 2021). Furthermore, in 2022 there were no transactions involving conversion and sale of series A convertible preference shares of Visa Inc. In the comparative period, such transactions generated a profit of PLN 8.1m. → A decrease of 90.6% YoY in dividend income to PLN 10.6m following the divestment of three insurance companies from Aviva Group included in the portfolio of investment financial assets of Santander Bank Polska S.A. closed in November 2021. In the comparative period, the above-mentioned companies paid a dividend of PLN 95.6m in total to the Bank. → In 2022, the Group incurred a loss of PLN 169.2m on derecognition of financial instruments measured at amortised cost (a gain of PLN 0.3m in 2021), including PLN 183.3m in relation to settlements (PLN 94.6m in Q4 2022).
<p>Cost of legal risk</p>	<ul style="list-style-type: none"> • Costs of legal risk connected with foreign currency mortgage loans increased by 21.5% YoY to PLN 1,739.1m due to, among other things, new court cases and the update of estimates based on the expected number of lawsuits and the assessment of likelihood of negative court rulings for the Group. In Q4 2022, these costs totalled PLN 668.8m, including an adjustment of PLN 513.2m to the gross carrying amount, and a provision and other costs of PLN 155.6m.

Key aggregates and components of the income statement of Santander Bank Polska Group for 2022 (cont.)

Net allowances	<ul style="list-style-type: none"> Despite first signs of slowdown in the credit market, a worsening financial standing of customers and growing credit risk in the third and fourth quarter, the year 2022 was better in terms of net allowances of Santander Bank Polska Group than 2021, the year of post-pandemic recovery. Net expected credit loss allowances totalled PLN 894.7m and decreased by 20.4% YoY, with a concurrent increase of 4.0% in gross loans and advances. The balance of allowances for loans and advances to customers reflects a gradual increase in financing for businesses and stabilisation or decrease in the cost of risk of individual credit portfolios in H1 2022, and a moderate rise in the cost of risk in H2 2022 resulting from deterioration in customers' standing and prospects due to geopolitical and macroeconomic developments, notably an increase in prices (including energy). The level of net allowances was positively affected by the sale of credit receivables from personal and business customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 1,689.7m at a profit before tax of PLN 185.8m (last year, credit receivables of PLN 2,474.0m were sold at a profit before tax of PLN 120.9m).
Total operating expenses, including:	<ul style="list-style-type: none"> Total operating expenses went up by 17.8% YoY to PLN 4,697.7m on account of an increase in salaries, the Bank's participation in the newly established institutional protection scheme, mandatory contribution to the Borrowers Support Fund, and dynamically growing cost of marketing and IT usage. Other negative factors included indexation and revision of pricing due to an increasing inflation rate, among other things. Excluding the impact of contributions to the Borrowers Support Fund and the funds operated under institutional and mandatory protection schemes to ensure stability of the banking sector, total operating expenses were up 2.4% YoY. As total income grew faster than operating expenses, the Group's cost to income ratio was 37.9% for 2022 vs 43.6% for 2021.
Staff and general expenses	<ul style="list-style-type: none"> Staff and general expenses increased by 25.4% YoY to PLN 3,977.5m. This included: <ul style="list-style-type: none"> → A rise of 7.2% YoY in staff expenses to PLN 1,815.8m, reflecting salary review in line with market rates conducted in October 2021 and September 2022 and the higher bonus pool calculated against the increased base salary. In 2022, Santander Bank Polska S.A. released the unused portion of PLN 35.8m of the provision for collective redundancies completed at the end of December 2022. In 2021, Santander Consumer Bank S.A. raised a restructuring provision of PLN 12.8m. In the reporting period, the cost of training increased by 32.2% YoY to PLN 12.3m, reflecting a low base connected with the Covid-19 pandemic in 2021. → General and administrative expenses grew by 46.3% YoY to PLN 2,161.7m, mainly on account of contributions to the aid fund established with seven other commercial banks as part of the institutional protection scheme and to the Borrowers Support Fund operating in a new form since July 2022, as specified in the Act on crowdfunding for business and support for borrowers of 7 July 2022. The Group incurred PLN 445.7m and PLN 173.6m for those purposes, respectively. The charge to the Group's income statement on account of contributions to the Bank Guarantee Fund totalled PLN 264.6m and was relatively stable (+0.8% YoY), as an increase of 35.6% YoY to PLN 209.0m in an annual contribution to the bank resolution fund was offset by a decrease of 48.7% YoY to PLN 55.6m in a quarterly contribution to the bank guarantee fund. Excluding the mandatory contributions payable to the BFG and contributions to the new protection scheme for commercial banks and the Borrowers Support Fund, the Group's general and administrative expenses increased by 5.1% YoY, mainly on account of higher cost of IT usage and marketing.
Other operating expenses	<ul style="list-style-type: none"> Other operating expenses went down by 17.1% YoY to PLN 196.6m, mainly on account of lower impairment allowances in respect of property, plant and equipment and intangible assets arising from lease contracts and other non-current assets.
Taxes	<ul style="list-style-type: none"> Tax on financial institutions totalled PLN 781.1m (+27.1% YoY), reflecting an increase in assets, including loans and advances, and a decrease in the portfolio of treasury securities which lowers the tax base. Corporate income tax was PLN 1,344.2m and effectively lower compared to the previous year (the effective tax rate fell from 39.1% for 2021 to 30.9% for 2022), mainly due to a strong increase in profit before tax combined with higher cost of legal risk related to foreign currency mortgage loans, contributions to the Bank Guarantee Fund, tax on financial institutions and additional costs connected with the Borrowers Support Fund.

Key business volumes and selected efficiency ratios

Key business data of Santander Bank Polska Group for 2022

Loans and advances to customers	<ul style="list-style-type: none"> • Gross loans and advances to customers totalled PLN 158,392.7m and were up 4.0% YoY as a combined effect of: <ul style="list-style-type: none"> → an increase of 11.4% YoY in the portfolio of loans and advances to enterprises and the public sector to PLN 64,833.2m on account of overdrafts and investment loans; → a rise of 9.7% YoY in the portfolio of finance lease receivables to PLN 11,998.3m, due to continued strong sales of vehicles, machines and equipment; → a decrease of 1.9% YoY in the portfolio of personal loans to PLN 81,483.3m, as a result of a slowdown in the mortgage loan market and the impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to the gross carrying amount.
Credit quality	<ul style="list-style-type: none"> • NPL ratio was 4.95% as at 31 December 2022 and was relatively stable YoY. The ratio of impairment allowances to average gross lease and credit receivables measured at amortised cost was 0.59% (0.76% the year before). • The provision coverage ratio for impaired loans was 57.5% compared with 60.8% as at 31 December 2021. • Total adjustment to the gross carrying amount and provisions for legal risk and legal claims account for 42.4% of the active portfolio of CHF loans. • The percentage share of foreign currency mortgage loans for households in the Bank's portfolio of loans and advances to the non-financial sector was below 5% as at 31 December 2022.
Deposits from customers	<ul style="list-style-type: none"> • Deposits from customers grew by 6.0% YoY to PLN 196,496.8m as a result of an increase of 1.6% YoY in personal deposits to PLN 107,927.3m and a rise of 12.0% YoY in deposits from enterprises and the public sector to PLN 88,569.5m. • The main drivers of growth in deposits from customers in 2022 were term deposit balances of business and public sector entities, as they deferred investments and deposited surpluses in bank accounts. Term deposit balances of personal customers grew dynamically too, but largely due to transfers from current accounts.
Liquidity	<ul style="list-style-type: none"> • Net customer loans to deposits ratio was 77.6% as at 31 December 2022 compared with 79.0% as at 31 December 2021.
Capital adequacy	<ul style="list-style-type: none"> • The total capital ratio was 19.27% (19.05% as at 31 December 2021), that is much above the regulatory minimum, ensuring security of operations and stable growth. • Tier 1 capital ratio was 17.54% vs 17.10% as at 31 December 2021.
Return on equity	<ul style="list-style-type: none"> • ROE totalled 12.1% (4.7% as at 31 December 2021).
Assets under management	<ul style="list-style-type: none"> • Net value of assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A. was PLN 12.3bn, down 30.2% YoY. • In 2022, net sales of investment funds were negative at -PLN 4.0bn. Outflows were reported for all categories of investment funds except for Santander PPK SFIO, with the highest negative net sales reported by government bond funds and equity funds. • Short-term debt funds performed best and managed to slightly increase the value of net assets during the year.
Customer base	<ul style="list-style-type: none"> • The customer base of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalled 7.4m, including 5.7m customers of the parent entity. As at the end of December 2022, the number of loyal customers of both banks was nearly 3.6m. • The number of PLN personal accounts of Santander Bank Polska S.A. was 4.4m (+6.8% YoY), including 2.9m Accounts As I Want It. Together with FX accounts, the personal accounts base totalled 5.6m (+8.7% YoY).
Electronic banking	<ul style="list-style-type: none"> • The number of customers with access to electronic banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A. was 6.3m (+9.1% YoY). • The number of active electronic banking customers, i.e. digital customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. (those who at least once used the internet or mobile banking in the last month of the year) exceeded 3.6m (+12.3% YoY), including nearly 2.7m active mobile customers (+15.6% YoY). • The payment card base of Santander Bank Polska Group included nearly 4.6m debit cards (+5.8% YoY) and 0.9m credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. (-11.7% YoY).

Selected ratios

Selected financial ratios of Santander Bank Polska Group	2022	2021 restated data ¹¹⁾
Total costs/Total income	37.9%	43.6%
Net interest income/Total income	78.0%	65.2%
Net interest margin ¹⁾	4.31%	2.72%
Net fee and commission income/Total income	20.7%	27.2%
Net loans and advances to customers/Deposits from customers	77.6%	79.0%
NPL ratio ²⁾	4.95%	5.01%
NPL provision coverage ratio ³⁾	57.5%	60.8%
Cost of credit risk ⁴⁾	0.59%	0.76%
ROE ⁵⁾	12.1%	4.7%
ROTE ⁶⁾	12.8%	5.3%
ROA ⁷⁾	1.1%	0.5%
Total capital ratio ⁸⁾	19.27%	19.05%
Tier 1 capital ratio ⁹⁾	17.54%	17.10%
Book value per share (PLN)	294.70	266.31
Earnings per ordinary share (PLN) ¹⁰⁾	27.39	10.88

1) Net interest income (excluding interest income from the portfolio of debt securities held for trading and other exposures related to trading) to average net earning assets as at the end of consecutive quarters after the end of the year preceding a given accounting year (excluding financial assets held for trading, hedging derivatives, other exposures related to trading and other loans and advances to customers).

2) Lease receivables and gross loans and advances to customers measured at amortised cost and classified to stage 3 and POCI exposures to the total gross portfolio of such loans and advances and lease receivables as at the end of the reporting period.

3) Impairment allowances for loans and advances to customers measured at amortised cost and lease receivables classified to stage 3 and POCI exposures to gross value of such loans and advances and lease receivables as at the end of the reporting period.

4) Net expected credit loss allowances (for four consecutive quarters) to average gross loans and advances to customers measured at amortised cost and lease receivables (as at the end of the current reporting period and the end of the previous year).

5) Profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the current reporting period and the end of the previous year), excluding non-controlling interests, current period profit, dividend reserve/ undistributed portion of the profit and recommended dividend.

6) Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the current reporting period and the end of the previous year) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, recommended dividend, undistributed portion of the profit/ dividend reserve, intangible assets and goodwill.

7) Profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the current reporting period and the end of the previous year).

8) The capital ratio was calculated on the basis of own funds and total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package.

9) Tier 1 capital ratio calculated as a quotient of Tier 1 capital and risk-weighted assets for credit, market and operational risk.

10) Net profit for the period attributable to shareholders of the parent divided by the average weighted number of ordinary shares.

11) All comparative ratios were calculated on the basis of data restated after the change in the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, effective as of 1 January 2022.