

Report of Santander Bank Polska Group for Quarter 3 2023



FINANCIAL HIGHLIGHTS

		PLN k		EUR k	
		1.01.2023-	1.01.2022-	1.01.2023-	1.01.2022-
		30.09.2023	30.09.2022	30.09.2023	30.09.2022
Condensed consolidated financial statements of Santander Bank Polska Group					
I	Net interest income	9 688 023	6 819 497	2 116 537	1 454 671
II	Net fee and commission income	2 006 904	1 947 230	438 447	415 365
III	Profit before tax	5 336 633	3 003 925	1 165 891	640 769
IV	Net profit attributable to owners of the parent entity	3 850 986	1 895 773	841 323	404 388
V	Total net cash flows	6 864 725	14 802 701	1 499 732	3 157 573
VI	Profit of the period attributable to non-controlling interests	90 000	166 218	19 662	35 456
VII	Profit per share in PLN/EUR	37,68	18,55	8,23	3,96
VIII	Diluted earnings per share in PLN/EUR	37,68	18,55	8,23	3,96
Condensed interim separate financial statements of Santander Bank Polska S.A.					
I	Net interest income	8 462 281	5 621 035	1 848 749	1 199 026
II	Net fee and commission income	1 782 469	1 739 266	389 415	371 004
III	Profit before tax	5 073 176	2 452 767	1 108 334	523 201
IV	Net profit for the period	3 780 924	1 650 017	826 016	351 966
V	Total net cash flows	6 619 275	14 978 261	1 446 109	3 195 022
VI	Profit per share in PLN/EUR	37,00	16,15	8,08	3,44
VII	Diluted earnings per share in PLN/EUR	37,00	16,15	8,08	3,44

FINANCIAL HIGHLIGHTS

		PLN k		EUR k	
		30.09.2023	31.12.2022	30.09.2023	31.12.2022
		Condensed consolidated financial statements of Santander Bank Polska Group			
I	Total assets	278 049 339	259 167 215	59 981 305	55 260 712
II	Deposits from banks	3 788 309	4 031 252	817 221	859 560
III	Deposits from customers	210 038 315	196 496 806	45 309 844	41 897 867
IV	Total liabilities	242 749 594	229 051 877	52 366 381	48 839 395
V	Total equity	35 299 745	30 115 338	7 614 925	6 421 318
VI	Non-controlling interests in equity	1 917 265	1 797 255	413 596	383 218
VII	Number of shares	102 189 314	102 189 314		
VIII	Net book value per share in PLN/EUR	345,43	294,70	74,52	62,84
IX	Capital ratio	20,61%	21,13%*		
X	Declared or Paid dividend per share in PLN/EUR	-**	2,68	-**	0,57
Condensed interim separate financial statements of Santander Bank Polska S.A.					
I	Total assets	254 757 593	238 098 041	54 956 768	50 768 255
II	Deposits from banks	2 558 775	2 245 128	551 984	478 716
III	Deposits from customers	196 815 498	185 655 260	42 457 395	39 586 187
IV	Total liabilities	223 561 046	211 802 781	48 226 992	45 161 471
V	Total equity	31 196 547	26 295 260	6 729 775	5 606 785
VI	Number of shares	102 189 314	102 189 314		
VII	Net book value per share in PLN/EUR	305,28	257,32	65,86	54,87
VIII	Capital ratio	23,96%	24,32%*		
IX	Declared or Paid dividend per share in PLN/EUR	-**	2,68	-**	0,57

*The data includes profits included in own funds, taking into account the applicable EBA guidelines

**Detailed information are described in Note 43.

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

- for balance sheet items – average NBP exchange rate as at 30.09.2023: EUR 1 = PLN 4,6356 and as at 31.12.2022: EUR 1 = PLN 4,6899
- for profit and loss items – as at 30.09.2023 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2023: EUR 1 = PLN 4,5773; as at 30.09.2022 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2022: EUR 1 = PLN 4,6880

As at 30.09.2023, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 189/A/NBP/2023 dd. 29.09.2023.

Overview of Performance

of Santander Bank Polska
Group in Q3 2023



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I. Basic information about Santander Bank Polska Group in Q3 2023

1. Key achievements

EFFICIENCY AND SECURITY

- ▶ Group's solid capital position confirmed by capital ratios as at 30 September 2023, including the total capital ratio of 20.61% (18.93% as at 30 September 2022).
- ▶ Higher ROE YoY on a comparative basis (19.3% vs 8.7% as at 30 September 2022).
- ▶ Sound liquidity position. Net customer loans to deposits ratio at 75.3%. Supervisory liquidity ratios well above the regulatory minimum.
- ▶ Close monitoring of risk and implementation of relevant prudential measures.
- ▶ Increase in cost efficiency supported by high income growth rate. Decline in the cost-to-income ratio from 41.9% to 29.6% during the three quarters of 2023.
- ▶ Further automation and optimisation of operational processes.
- ▶ Improved availability, reliability, performance and cybersecurity of the Group's systems.

BUSINESS VOLUMES AND ASSET QUALITY

- ▶ 5.6% YoY increase in total assets to PLN 278.0bn.
- ▶ 10.8% YoY growth in deposits from customers to PLN 210.0bn as a combined effect of a dynamic increase in term deposits (+58.4% YoY) and a decrease in current account balances (-3.5% YoY).
- ▶ 3.0% YoY increase in gross loans and advances to customers to PLN 164.4bn, including loans to business customers and the public sector (+5.8% YoY) and lease receivables (+12.5% YoY).
- ▶ Good quality of the credit portfolio, with the NPL ratio of 4.9%.
- ▶ Growth in an annualised net interest margin from 4.10% for the three quarters of 2022 to 5.37% for the three quarters of 2023, supported by an increase in business volumes.
- ▶ 3.1% YoY rise in net fee and commission income on account of higher income from banking activities and stable income from stock trading and investment funds.
- ▶ Growth in the number of transactions made via mobile banking during the nine months of 2023 (+28.5% YoY) and in the share of this channel in remote credit sales.

CUSTOMERS AND COMMUNITIES

- ▶ 7.5m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers.
- ▶ 5.5% increase in the number of customer accounts to 6.6m, including 3.7m Santander Accounts.
- ▶ 4.2m digital customers of both banks, including 3.1m mobile banking customers.
- ▶ Further automation, robotisation, optimisation and simplification of operational processes.
- ▶ Continuation of IT projects aimed at improving experience of customers and employees.
- ▶ Continuation of the special offer for Ukrainian citizens.
- ▶ Implementation of measures to support sustainable development and promote cybersecurity culture.
- ▶ Enhancement of functionality of remote channels (e.g. introduction of instant payments on One Trade Portal and relaunch of the Santander mobile application with a new design, additional features and better personalisation options).
- ▶ First edition of the grant programme for local governments: "Together for Eco-Change", financing electric car charging stations.

2. Key financial data of Santander Bank Polska Group

Selected income statement items		Q1-Q3 2023	Q1-Q3 2022	YoY change (2023 / 2022)
Total income	PLN m	11,822.7	8,866.8	33.3%
Total costs	PLN m	(3,501.6)	(3,711.4)	-5.7%
Net expected credit loss allowances	PLN m	(894.1)	(570.8)	56.6%
Profit before tax	PLN m	5,336.6	3,003.9	77.7%
Net profit attributable to the shareholders of the parent entity	PLN m	3,851.0	1,895.8	103.1%
Selected balance sheet items		30.09.2023	30.09.2022	YoY change (2023 / 2022)
Total assets	PLN m	278,049.3	263,395.1	5.6%
Total equity	PLN m	35,299.7	28,846.5	22.4%
Net loans and advances to customers	PLN m	158,139.7	153,538.6	3.0%
Deposits from customers	PLN m	210,038.3	189,501.0	10.8%
Selected off-balance sheet items		30.09.2023	30.09.2022	YoY change (2023 / 2022)
Net assets of investment funds ¹⁾	PLN bn	16.8	12.4	35.5%
Selected ratios ²⁾		30.09.2023	30.09.2022	YoY change (2023 / 2022)
Costs/Income	%	29.6%	41.9%	-12.3 p.p.
Total capital ratio	%	20.61%	18.93%	1.7 p.p.
ROE	%	19.3%	8.7%	10.6 p.p.
NPL ratio	%	4.9%	4.9%	0.0 p.p.
Cost of credit risk	%	0.77%	0.55%	0.2 p.p.
Loans/Deposits	%	75.3%	81.0%	-5.7 p.p.
Selected non-financial data		30.09.2023	30.09.2022	YoY change (2023 / 2022)
Electronic banking users ³⁾	m	6.5	6.1	0.4
Active digital customers ⁴⁾	m	4.2	3.5	0.7
Active mobile banking customers	m	3.1	2.6	0.5
Debit cards	m	4.8	4.6	0.2
Credit cards	m	0.9	1.0	-0.1
Customer base	m	7.5	7.3	0.2
Branch network	locations	375	397	-22
Santander Zones and off-site locations	locations	17	16	1
Partner outlets	locations	424	428	-4
Employment	FTEs	11,424	11,325	99

1) Assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A.

2) For definitions of ratios presented in the table above, see Section 3 "Selected financial ratios of Santander Bank Polska Group" of Chapter V "Financial position after Q3 2023".

3) Registered users with active access to internet and mobile banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A.

4) Active users of electronic banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A. who at least once used the services in the last month of the reporting period.

3. Key external factors

Main macroeconomic factors which impacted the financial and business performance of Santander Bank Polska Group in Q3 2023

Economic growth	▶ Gradual revival of economic growth. Weak economic climate in Europe hampering Polish exports.
Labour market	▶ Unemployment rate at record lows. Double-digit wage growth.
Inflation	▶ Rapid decline in inflation in terms of fuel, energy and food prices. ▶ Core inflation also decreasing, but more gradually.
Monetary policy	▶ Large interest rate cut by the Monetary Policy Council (MPC) in September greatly surprising the markets. Signals of further rate cuts in line with decreasing inflation.
Fiscal policy	▶ State budget results worse than in the previous year. Very low revenues in relation to GDP, average VAT income growth at several percent despite high inflation and restored VAT rate on energy. ▶ 2024 budget draft showing higher than expected fiscal deficit (GG) in 2023 (5.2%) and still large deficit in the following year (4.5%), plus a significant increase in public debt in 2024.
Credit market	▶ Revival in consumer and mortgage loans. Deposits still rising quickly due to net foreign assets.
Financial markets	▶ High volatility in debt markets due to changing expectations regarding global inflation and monetary policy prospects; market concerns over rising US bond yields; volatility in the pricing of interest rate cuts in Poland after the MPC's September decision; movements following the announcement of Poland's record borrowing needs next year. ▶ Stability of the zloty despite volatile global sentiment and EURUSD going down to the lowest level this year - until the September rate cut by the MPC, clear sell-off after the MPC decision.

4. Corporate events

Major corporate events in the reporting period until the release date of the report for Q3 2023

Extraordinary General Meeting	▶ On 20 July 2023, the Extraordinary General Meeting (EGM) of Santander Bank Polska S.A. was held. It approved the results of the collective suitability assessment of the Supervisory Board and of the individual suitability assessment of Adam Celiński, a candidate for a Supervisory Board member. The EGM appointed Adam Celiński as the Supervisory Board member for a three-year term of office, effective as of 1 August 2023. The EGM also determined the remuneration of Supervisory Board members and presented changes to the Terms of Reference of the Supervisory Board.
Impact of the interest rate cut by the Monetary Policy Council on 6 September 2023 on the financial performance of Santander Bank Polska Group	▶ As estimated by Santander Bank Polska Group on 6 September 2023, the Monetary Policy Council's decision to cut interest rates by 75 b.p. will result in a decrease of PLN 390m to PLN 545m in the consolidated net interest income during the next 12 months (PLN 375m to PLN 525m in the case of Santander Bank Polska S.A. and PLN 15m to PLN 20m in the case of Santander Consumer Bank S.A., the Bank's subsidiary). ▶ The impact will gradually materialise in the subsequent quarters and its actual scale will depend on delivery of the business objectives and potential changes in the balance sheet items. ▶ If interest rates are cut by 100 b.p., the total sensitivity of the Bank's net interest income during 12 months will be from PLN 500m to PLN 700m. ▶ The foregoing estimates and assumptions may change.

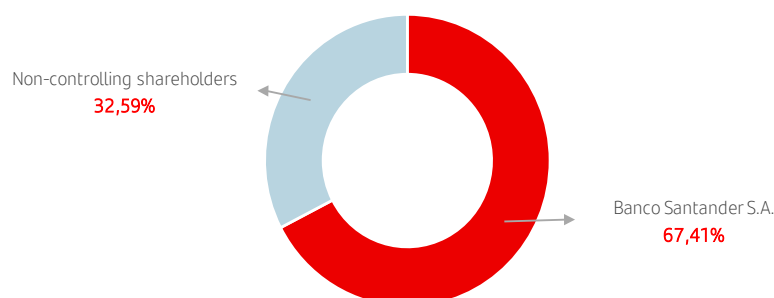
5. Ownership structure

> Entities with significant holdings of Santander Bank Polska S.A. shares as at 30 September 2023 and 31 December 2022

Shareholders with a stake of 5% and higher	Number of shares and voting rights		% in the share capital and total voting power	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
Banco Santander S.A.	68,880,774	68,880,774	67.41%	67.41%
Nationale-Nederlanden OFE ¹⁾	5,123,581	5,123,581	5.01%	5.01%
Other shareholders	28,184,959	28,184,959	27.58%	27.58%
Total	102,189,314	102,189,314	100.00%	100.00%

1) Nationale-Nederlanden Otworthy Fundusz Emerytalny (OFE) is managed by Nationale-Nederlanden Powszechno Towarzystwo Emerytalne (PTE) S.A.

Ownership structure of Santander Bank Polska share capital as at 30.09.2023



As at 30 September 2023, Banco Santander S.A. held a controlling stake of 67.41% in the registered capital of Santander Bank Polska S.A. and in the total number of votes at the Bank's General Meeting. The remaining shares were held by the minority shareholders, of which, according to the information held by the Bank's Management Board, only Nationale-Nederlanden Otworthy Fundusz Emerytalny (OFE) exceeded the 5% threshold in terms of share capital and voting power.

According to the information held by the Management Board, the ownership structure did not change in the period from the end of Q3 2023 until the authorisation of the Report of Santander Bank Polska Group for Q3 2023 for issue.

Majority shareholder

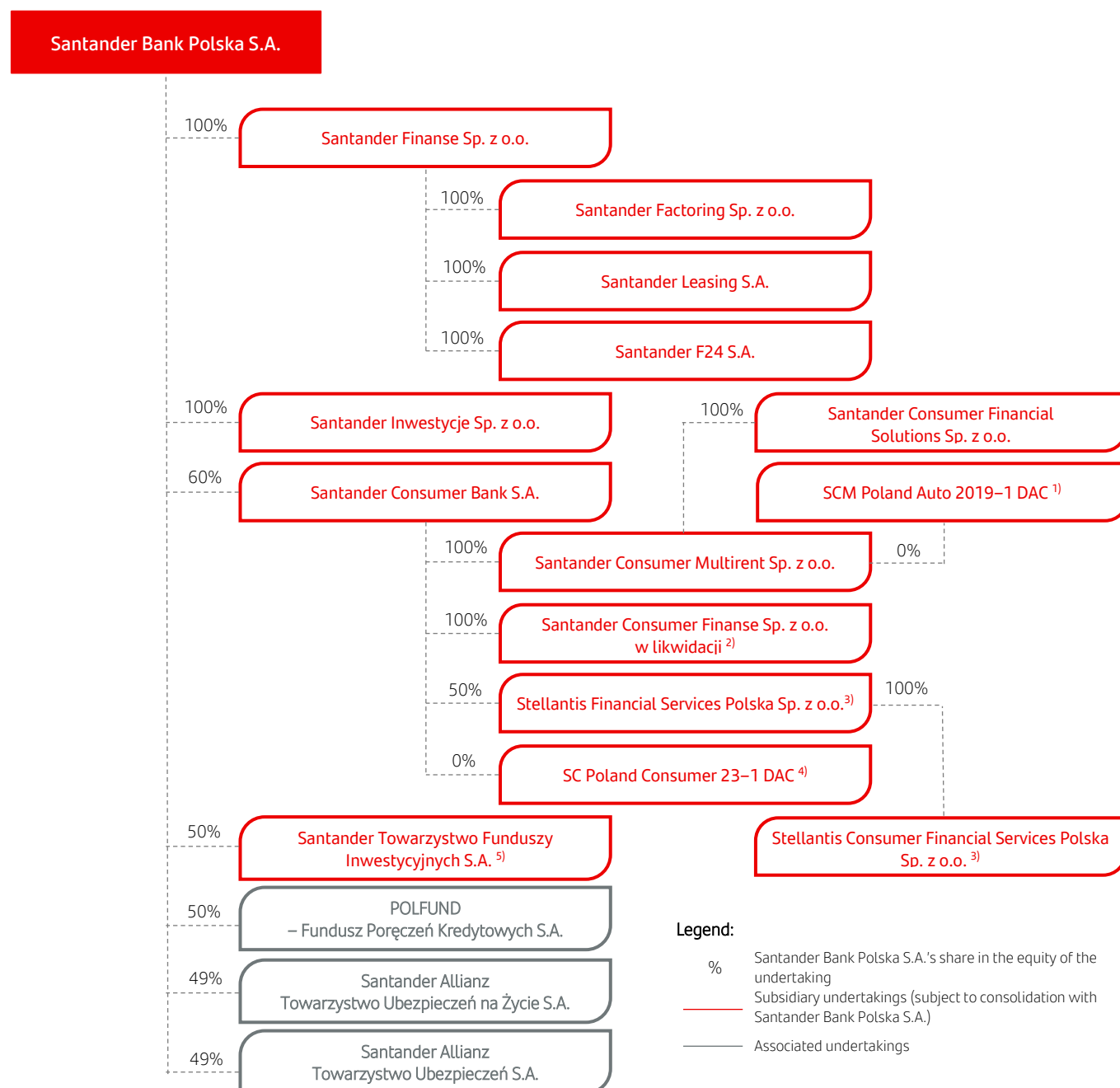
Santander Bank Polska S.A. is a member of Santander Group, with Banco Santander S.A. as a parent entity.

Banco Santander S.A., having its registered office in Santander and operating headquarters in Madrid, is one of the largest commercial banks in the world with more than 165 years of history. The bank specialises in retail banking services, but it is also very active in the private banking, business and corporate banking, asset management and insurance markets.

The business of Banco Santander S.A. is geographically diversified, but it focuses on 10 core markets – both developed and emerging, including Spain, Poland, Portugal, Germany, the UK, Brazil, Argentina, Mexico, Chile and the USA. With geographic location as the primary criterion, the Group has identified four main operating segments: Europe, North America, South America, and the Santander Open Platform.

6. Structure of Santander Bank Polska Group

> Subsidiaries and associates of Santander Bank Polska S.A. as at 30 September 2023



- 1) SCM Poland Auto 2019-1 Designated Activity Company with its registered office in Dublin was incorporated on 18 November 2019. Its shareholder is a legal person that is not connected with the Group. It is an SPV established to securitise a part of the lease portfolio of Santander Consumer Multirent Sp. z o.o., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.
- 2) Santander Consumer Finanse Sp. z o.o. w likwidacji was dissolved and put into liquidation as of 31 December 2020 under a resolution of the company's Extraordinary General Meeting of 23 December 2020.
- 3) In relation to the formation of the automotive manufacturing corporation Stellantis N.V. in 2021 as a result of merger between the Italian-American conglomerate Fiat Chrysler Automobiles and the French Groupe PSA, on 3 April 2023 PSA Finance Polska Sp. z o.o. and PSA Consumer Finance Polska Sp. z o.o. were renamed Stellantis Financial Services Polska Sp. z o.o. and Stellantis Consumer Financial Services Polska Sp. z o.o., respectively. Stellantis Financial Services Polska Sp. z o.o. is an investment in a subsidiary for the purpose of consolidated financial statements due to the fact that it is controlled by Santander Consumer Bank S.A. (directly) and Santander Bank Polska S.A. (indirectly).
- 4) SC Poland Consumer 23-1 Designated Activity Company (DAC) is a special purpose vehicle incorporated in Dublin on 17 June 2022 for the purpose of securitising a part of the retail loan portfolio of Santander Consumer Bank S.A. (SCB S.A.) The SPV does not have any capital connections with SCB S.A., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.
- 5) Co-owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of global Santander Group and hold an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska S.A. controls Santander TFI S.A. within the meaning of IFRSs because, as the main business partner and distributor of investment products, it has a real impact on the operations and financial performance of Santander TFI S.A.

7. Share price of Santander Bank Polska S.A. vs the market

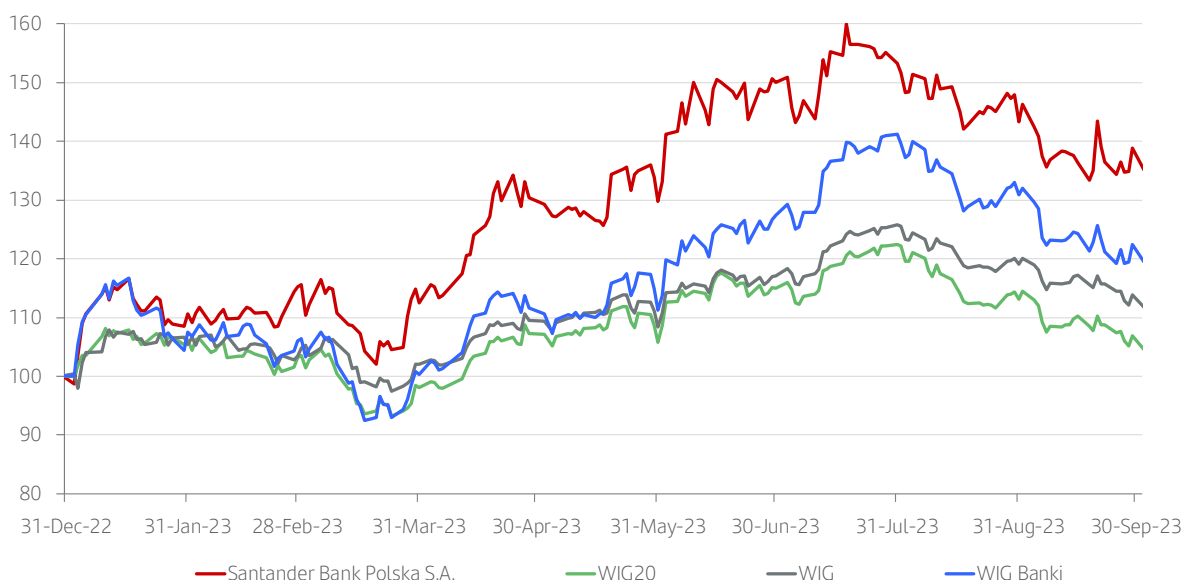
The third quarter saw a reversal of the uptrend in the share price of Santander Bank Polska S.A. observed for almost a year. The same tendencies were reported by the entire banking sector and were caused by the deterioration in global sentiment and the Monetary Policy Council's decision of 6 September 2023 to cut interest rates by 75 b.p. The reference rate declined to 6%, which adversely impacted the performance of banks listed on the WSE. On that day, the share price of Santander Bank Polska S.A. hit new lows since the beginning of July, as did stock prices of other banks. However, the downward trend is still only the correction of the bull market observed for the last year. In these circumstances, the intraday share price of Santander Bank Polska S.A. closed at its lowest on 19 September (PLN 340.40). Earlier, i.e. on 19 July, the Bank's share price hit a new high since 2018 at PLN 419. Overall, the Bank's closing price decreased by nearly 7.5% QoQ (from PLN 389 to PLN 360) but increased by 38.8% Ytd.

The banking sector suffered another hit on 4 October as the MPC decided to further cut the cost of money. The approaching parliamentary elections in Poland were another source of uncertainty.

The WIG Banks index gained on the results of the elections of 15 October 2023, only to fall quickly thereafter due to the negative sentiment abroad caused by, among other factors, the conflict in the Middle East and concerns about its escalation.

Key data on shares of Santander Bank Polska S.A.	Unit	30.09.2023	31.12.2022
Total number of shares at the end of the period	item	102,189,314	102,189,314
Nominal value per share	PLN	10.00	10.00
Closing share price at the end of the reporting period	PLN	360.00	259.40
Ytd change	%	38.8%	-25.6%
Highest closing share price Ytd	PLN	414.80	385.00
Date of the highest closing share price	-	18.07.2023	12.01.2022
Lowest closing share price Ytd	PLN	256.00	191.70
Date of the lowest closing share price	-	02.01.2023	10.10.2022
Capitalisation at the end of the period	PLN m	36,788.15	26,507.91
Average trading volume per session	item	64,557	72,485

Share price of Santander Bank Polska S.A. vs. indices in 2023
Share price of Santander Bank Polska S.A., WIG, WIG20 and WIG Banki at 31.12.2022=100



8. Rating of Santander Bank Polska S.A.

Santander Bank Polska S.A. has bilateral credit rating agreements with Fitch Ratings and Moody's Investors Service.

The tables below show the latest ratings assigned by the agencies to the Bank, which remained in effect on the date the Report of Santander Bank Polska Group for Q3 2023 was authorised for issue.

Ratings by Fitch Ratings

Rating category	Ratings changed/affirmed on 14.09.2022 and 6.09.2023 ¹⁾	Ratings changed/affirmed on 5.08.2022	Ratings changed/affirmed on 11.06.2021 and 23.09.2021
Long-term Issuer Default Rating (long-term IDR)	BBB+	BBB+	BBB+
Outlook for the long-term IDR	stable	stable	stable
Short-term Issuer Default Rating (short-term IDR)	F2	F2	F2
Viability Rating (VR)	bbb	bbb+ placed on Rating Watch Negative	bbb+
Support Rating	-	2	2
Shareholder Support Rating	bbb+	-	-
National long-term rating	AA(pol)	AA(pol)	AA(pol)
Outlook for the national long-term rating	stable	stable	stable
National short-term rating	F1+(pol)	F1+(pol)	F1+(pol)
Long-term senior preferred debt rating	BBB+	BBB+	BBB+
Long-term senior non-preferred debt rating	BBB	-	-
Short-term senior preferred debt rating	F2	F2	F2

1) Ratings of Santander Bank Polska S.A. applicable as at 30 September 2023

In its announcement of 6 September 2023, Fitch Ratings affirmed the ratings of Santander Bank Polska S.A., including the long-term Issuer Default Rating (IDR) at BBB+ with a stable outlook and the Viability Rating (VR) at bbb.

According to Fitch Ratings, both long- and short-term IDR and SSR of the Bank were driven by a high probability of support from its parent, Banco Santander S.A. (A-/Stable/a-), 2nd largest bank in terms of capitalisation in the eurozone and 27th globally (as at the end of June 2023). The one-notch difference between long-term IDR of Santander Bank Polska S.A. and Banco Santander S.A. reflects the strategic importance of the Polish bank to the parent. The stable outlook of the long-term IDR and the short-term IDR reflect the rating of the parent. The VR balances the Bank's adequate capital position, stable funding and liquidity profiles, robust earnings generation and reasonable asset quality against risks from the domestic operating environment, which negatively affect the Bank's business and risk profiles.

Ratings by Moody's Investors Service

Rating category	Ratings affirmed on 20.12.2022 ¹⁾	Ratings upgraded on 3.06.2019
Long-term/short-term counterparty risk rating	A1/P-1	A1/P-1
Long-term/short-term deposit rating	A2/P-1	A2/P-1
Outlook for long-term deposit rating	stable	stable
Baseline credit assessment (BCA)	baa2	baa2
Adjusted baseline credit assessment	baa1	baa1
Long-term/short-term counterparty risk assessment	A1 (cr)/P-1 (cr)	A1 (cr)/P-1 (cr)
Senior unsecured euro notes rating (EMTN Programme)	(P) A3	(P) A3

1) Ratings of Santander Bank Polska S.A. applicable as at 30 September 2023

On 26 September 2023, Moody's Investors Service updated its credit analysis of Santander Bank Polska S.A. (without taking any rating actions).

The A2/Prime-1 long-term and short-term deposit ratings and the A3 senior unsecured euro notes rating reflect the Bank's Baseline Credit Assessment (BCA) of baa2, the agency's assumption of moderate parental support from Banco Santander S.A. in the case of problems, the advanced loss given failure analysis, and the likelihood of support from the government if necessary.

The Bank's baa2 BCA captures its good capitalisation, moderate asset risk and good profitability despite cost pressure and legal risk connected with the CHF mortgage loan portfolio. It also reflects good liquidity and moderate market funding with some dependence on corporate deposits and derivative exposure.

The likelihood of support from Banco Santander S.A. also translates into a one-notch uplift in the Adjusted BCA to baa1 from the Assigned BCA of baa2.

The stable outlook on long-term deposit rating reflects the agency's view that the Bank's credit profile will remain broadly unchanged over the next 12–18 months despite the difficult operating conditions. The stable outlook is also in line with that of its parent.

II. Macroeconomic situation in Q3 2023

Economic growth

The Polish economy stagnated in the first half of 2023. GDP declined by 0.3% YoY in the first quarter and by 0.6% in the second quarter. There was probably a rebound in the third quarter, as evidenced by, among other things, better data on retail sales and industrial and construction production. GDP growth may have already turned positive in this period (official data will be published in November). Business and consumer sentiment indicators, describing economic activity, also continued to improve. There was also a revival in demand for credit, thanks in part to the introduction of subsidised mortgage loans with a 2% interest rate. The next quarters should bring a further economic rebound, mainly due to an improvement in private consumption.

Labour market

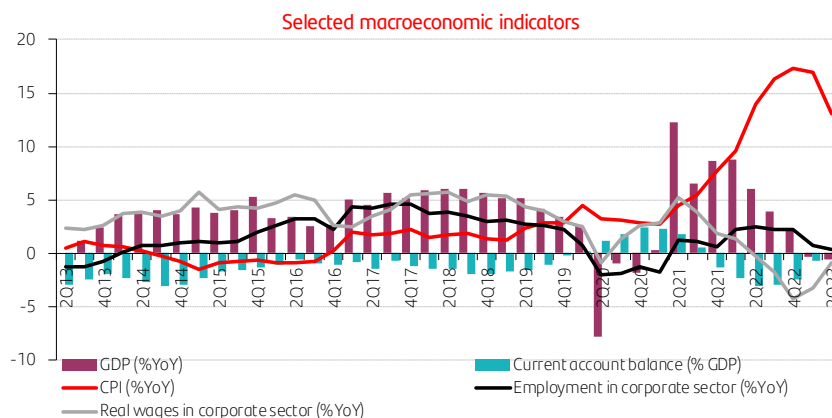
Despite low GDP growth, the labour market remained quite strong. The unemployment rate stayed at record lows (2.8% in August according to LFS). The adjustment of the labour market to the temporarily weaker economy was accomplished more by a reduction in average working hours than by lowering the number of employees. Job cuts in some sectors struggling with reduced activity, such as manufacturing, were absorbed by the service and public sectors. In the corporate sector, wage growth remained at double-digit levels and was at 11.9% YoY in August. The expected economic upturn should have a positive impact on labour market statistics.

Inflation

In 3Q 2023, CPI inflation continued decelerating, reaching 8.2% YoY in September compared to 11.5% YoY at the end of Q2. The decrease in the main gauge of inflation resulted from the decline in the growth rates of core inflation as well as in the dynamics of food and energy prices. Core CPI inflation, excluding food and energy prices, fell from 11.1% YoY in June to 8.4% YoY in September. The deceleration of CPI inflation is supported by a significant decrease in producer prices (PPI), whose growth in 3Q 2023 was negative, despite reaching over 20% YoY in January.

Monetary policy

In September, the Monetary Policy Council decreased the NBP interest rates by 75 b.p., surprising financial markets which expected a lesser scale of monetary easing. The reference rate was cut to 6.00% from 6.75%. The MPC justified the change in the policy with a decrease in both actual and expected inflation and with weaker economic growth in Poland and in the region. The MPC's members hinted that further interest rate cuts would take place.



Credit and deposit markets

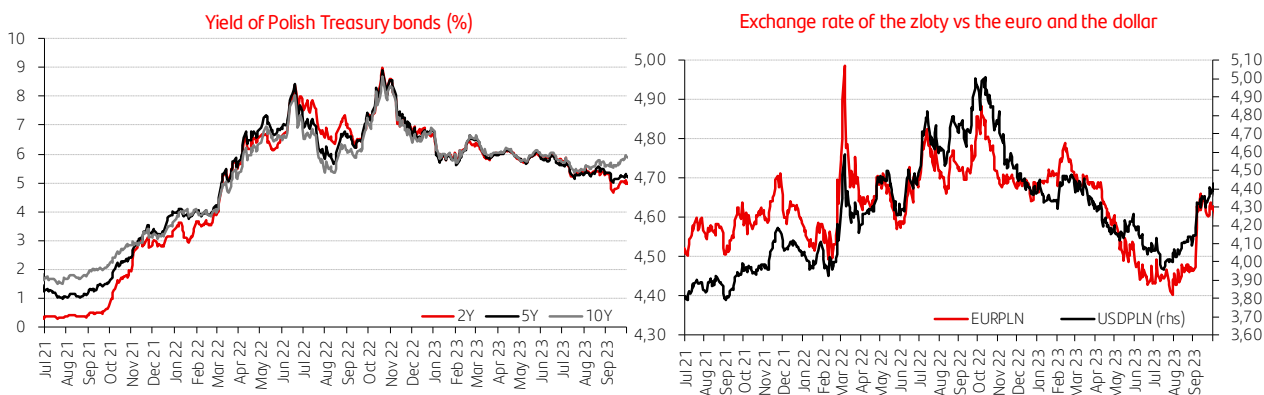
Since the mid-year, we have observed a recovery in the credit market, especially with regard to mortgage loans. They were positively affected by the introduction of the "Safe 2% Mortgage Loan" programme, which resulted in a twofold increase in the value of mortgage loan applications. However, the value of mortgage loan portfolio grew insignificantly and remained below its value from 2022. A better performance was recorded in the case of consumption loans whose volume in July was higher than a year before, after several months of decline. Corporate demand for loans remains reduced, whereas in August the volume of loans made to companies was lower than a year before for the first time since 2021.

Growth in deposits remains high at slightly above 10% YoY. Despite the weak performance of the credit market, the growth in deposits accelerated in the first half of 2023. The main source of deposit creation was banks' foreign net assets, which can be connected with the better balance of payments. The rate of growth in fixed-term deposits decreased, while the rate of growth in current deposits increased above zero.

Financial markets

The main theme in the core debt markets was the continued hawkish rhetoric of the major central banks. The ECB and the Fed continued to tighten the monetary policy by raising interest rates and reducing their balance sheet totals. The hawkish tone was matched by the Fed chairman's comments at the Jackson Hole symposium, where he suggested that rates could remain high for a long time, and noted the continuously solid data from labour markets as well as concerns that it may take time for inflation to fall closer to target. This translated into further gradual rise in bond yields in the underlying markets, particularly in the US, and a steepening of yield curves. This in turn influenced the strengthening of the dollar against the euro. The EURUSD rate reached the level of around 1.12 in July, but the dollar gradually recovered thereafter and by the end of September the EURUSD rate dipped below 1.06.

In the domestic financial market, the zloty weakened. After the significant appreciation of the zloty against the euro in the first half of the year and its stabilisation from June to August in the vicinity of 4.40-4.50, the beginning of September was marked by a significant repricing of the domestic currency after the MPC unexpectedly cut interest rates. After stabilising at weaker levels above 4.60, the zloty began to strengthen in October towards 4.50-4.55, following a smaller rate cut than anticipated by the market and reassuring comments from the NBP towards the exchange rate. The USDPLN rate increased in Q3 by ~7.5% to 4.37 from 4.06 at the end of June. The domestic interest rate market, on the other hand, saw a decline in market rates in the third quarter, particularly at the short end of the yield curve and the swap curve, leading to a steepening of the curves with an increase in credit spreads. The 3M WIBOR rate fell to 6.04% at the end of September from 6.86% at the end of June 2022. The 2-year bond yield fell to 5.03% from 5.85% and the 10-year bond yield rose to 5.91% from 5.78%.



Source: Bloomberg, Santander

III. Business development in Q3 2023

1. Business development of Santander Bank Polska S.A. and non-banking subsidiaries

1.1. Retail Banking Division

Product line for personal customers	Activities of the Retail Banking Division in Q3 2023
Cash loans	<ul style="list-style-type: none"> ▶ The Bank relaunched a cash loan with ECO promotion, a product classified as sustainable finance under the internal Sustainable Finance Classification System. ▶ New post-sales instructions were implemented to enable cash loan borrowers to flexibly repay their obligations (for example: suspend one principal and interest instalment, suspend principal instalments, or extend the lending period). ▶ A TV and radio campaign was run to promote cash loan sales in remote channels. ▶ A range of offers were introduced to increase online cash loan sales and a relationship campaign was launched with a lower cash loan fee. ▶ In Q3 2023, cash loan sales of Santander Bank Polska S.A. were PLN 2.4bn, up 2.8% YoY. Sales in remote channels accounted for 69% vs 55% in the corresponding period last year. As at 30 September 2023, the cash loan portfolio of Santander Bank Polska S.A. totalled PLN 16.3bn, up 9.7% YoY.
Mortgage loans	<ul style="list-style-type: none"> ▶ Another stage of centralisation and digitalisation of post-sales services for mortgage loan borrowers was completed. They can now remotely sign an annex to the loan agreement via electronic banking. ▶ The terms and conditions of family home loans were modified in accordance with the Act on state aid for saving for housing purposes. ▶ The credit policy and repayment capacity assessment criteria were differentiated according to the customer profile in order to grant higher loan amounts to existing customers who meet specific employment and earnings conditions. ▶ A campaign was launched to offer customers a home loan based on the estimated mortgage loan prelimit. ▶ The demand for home loans has been steadily rising for months. In Q3 2023, monthly sales volumes increased to levels not seen since mid-2022. Mortgage loan sales totalled PLN 2.4bn in Q3 2023 (up 44.9% QoQ and up 98.5% YoY) and PLN 4.8bn Ytd (down 26.2% YoY). ▶ As at 30 September 2023, the value of the total mortgage loan portfolio was PLN 51.2bn (down 1.8% YoY). Included in this amount were PLN loans growing at 4.5% YoY. ▶ Santander Bank Polska S.A. is the third largest mortgage lender with a 14.5% share in the new mortgage loan market (data as at the end of August 2023). ▶ In August and September, the share of five-year fixed rate mortgage loans was record high at 88% (87% in Q3 2023). The rate was regularly revised in line with IRS 5Y. ▶ The Q3 volumes were dominated by mortgage loans bundled with: current accounts, Worry-Free (Spokojna Hipoteka) life insurance, Locum Comfort property insurance and credit cards. ▶ To promote sustainable development and support transition to a low-carbon economy, a pilot of a fixed rate mortgage loan with a lower margin was launched for buyers of secondary market property who submit a loan application together with an energy performance certificate as evidence that the loan qualifies as green finance (in accordance with the EU taxonomy).

Product line for personal customers	Activities of the Retail Banking Division in Q3 2023 (cont.)
Personal accounts and bundled products, including:	<ul style="list-style-type: none"> ▶ A new account offer was introduced on 1 July 2023. Account As I Want It (Konto Jakie Chcę) was renamed Konto Santander (Santander Account). The Bank modified the conditions of the account maintenance waiver and reduced the fees for cash withdrawals from ATMs of other banks in Poland and for the ATM package. Customers were also offered the Santander Max Account (Konto Santander Max) with a range of benefits for a monthly fee of PLN 15. ▶ In July, the Bank introduced an additional service package, including Santander on the Go (Santander w Podróży) (free ATM withdrawals and transfers between Santander Group banks), discounts on the Rabaty platform, and carbon footprint tracker. ▶ On 1 July 2023, holders of the Select Account (Konto Select) were offered new benefits, such as 1% cashback for electricity, gas, TV, internet and telephone bills paid from the account (subject to monthly and annual limit). ▶ The Price Advisor service was extended, enabling the holders of Santander Account, Select Account, Standard Account, 123 Account and Customised Card to check the conditions they need to meet to pay less. ▶ In Q3 2023, the Bank continued to offer personal accounts for Ukrainian refugees on special terms. The Bank waived account maintenance fees and fees for transfers to and from Ukraine. ▶ The number of PLN personal accounts grew by 4.3% YoY and reached 4.6m as at 30 September 2023. The number of Santander Accounts (formerly: Accounts As I Want It and Accounts Worth Recommending), which are the main acquisition product for a wide group of customers, was 3.7m. Together with FX accounts, the account base was nearly 5.8m (+5.7% YoY).
▶ <i>Payment cards</i>	<ul style="list-style-type: none"> ▶ As at 30 September 2023, the personal debit card portfolio comprised 4.3m cards and increased by 3.2% YoY, generating 15.3% higher non-cash turnover YoY. ▶ The credit card portfolio of Santander Bank Polska S.A. included 628k instruments and decreased by 8.3% YoY, generating 7.7% higher non-cash turnover YoY. The credit card debt was down 2.3% YoY. ▶ In Q3 2023, the Bank continued its promotional, sales and relationship-building activities to increase card turnover. It also extended the card product offer and card functionalities. For example, it implemented a debit card for children aged 7–12 and reduced a conversion fee for Visa Select Card to PLN 0, as a result of which it is now cheaper to make transactions with this card abroad. ▶ The card plastic recycling process was underway to support sustainable development.
Deposit and investment products, including:	<ul style="list-style-type: none"> ▶ In Q3 2023, the Bank's priority in terms of managing deposit and investment products amid persistently high interest rates and high inflation was to maintain the existing portfolio while reducing its average cost and ensuring high satisfaction of savers. ▶ Changes to deposit pricing made in the reporting period resulted mainly from the NBP interest rate cut by the Monetary Policy Council (MPC) in September, which ended the series of interest rate hikes observed since September 2022. ▶ Increased deposit outflows have been noted since the beginning of Q3 2023 due to the expiry of the promotion on new funds in the savings account. This was combined with further transfers of funds from deposit accounts to investment products at levels not seen for the last two years. Despite the above trends, the total balance of deposits increased as at 30 September 2023. ▶ While the Bank's share in the retail deposit market decreased at the end of the reporting period, the share of investment funds managed by Santander TFI S.A. in the investment fund market grew considerably.
▶ <i>Deposits</i>	<ul style="list-style-type: none"> ▶ The most popular products in the reporting period were term deposits (including the Holiday Deposit/ Lokata Wakacyjna, 3-month deposits and negotiated deposits), savings accounts (particularly the Select Savings Account/ Konto oszczędnościowe Select with a special offer for active customers) and low-risk investment products (debt funds). ▶ In Q3 2023, deposit pricing was modified in line with market conditions (lower interest rates) and measures taken by competitors (reduction of deposit interest rates). For example, on 13 September the Bank reduced interest rates on all on-sale deposits and off-sale renewable deposits in response to the NBP interest rate cut. Specifically, interest rates on the following products were reduced: standard 3-, 6- and 12-month deposits, the Deposit for Investors (Lokata dla Inwestora) for buyers of investment fund units, and the Mobile Deposit (Lokata Mobilna). ▶ In July 2023, the Bank launched the Holiday Deposit (Lokata Wakacyjna) in Santander online, offering 6% on balances up to PLN 50k. At the end of Q3, the number of customers who opened that deposit exceeded 170k. ▶ To meet customers' expectations, the Bank offered promotional solutions to reward existing holders of term deposits and savings accounts and enable young people above 13 to save automatically (My Goals). <ul style="list-style-type: none"> ▶ In Q3 2023, nearly 30k minors used the My Goals service, increasing the total number of users of that functionality to more than 1 million in Q3 2023. ▶ As part of the promotion of the Select Savings Account launched in June 2023 under the slogan: "We reward active customers 8", the Bank continued to offer a 5% interest rate to loyal Select customers who make a stated number of transactions. ▶ To reward existing savings account holders, on 18 September the Bank introduced Deposit For You (Lokata Dla Ciebie), a new product available only in the Santander mobile application and offering 5.50% on balances up to PLN 50k. ▶ The share of term deposits and personal accounts increased at the expense of savings accounts. ▶ As at 30 September 2023, total deposits from retail customers were PLN 106.6bn, up 7.7% YoY and up 2.0% QoQ. Term deposit balances grew by 16.1% QoQ to PLN 36.5bn (+79.4% YoY), while current account balances (including savings accounts) decreased by 4.0% QoQ to PLN 70.1bn (-10.9% YoY).

Product line for personal customers	Activities of the Retail Banking Division in Q3 2023 (cont.)
<p>➤ <i>Investment funds</i></p>	<ul style="list-style-type: none"> ▶ Due to strong performance of investment funds managed by Santander TFI S.A., the investment solutions offered by the company continued to attract customers' interest in Q3 despite the worsening financial market conditions (correction of stock prices and increased bond yields). ▶ The most popular products were short-term debt sub-funds, whose projected rates of return have been regularly published since May 2022. ▶ In the year to date, net sales of investment funds managed by Santander TFI S.A. hit an all-time high of PLN 3.2bn, including PLN 1.2bn in Q3 alone. ▶ The company was the market leader in terms of the balance of sales and redemptions in the 9-month period ended 30 September 2023, increasing its share in the retail market by 128 b.p. to 10.59%. ▶ As at 30 September 2023, the total net assets of investment funds managed by Santander TFI S.A. were PLN 16.8bn, up 36.6% Ytd and up 35.3% YoY. ▶ During the nine months of 2023, Santander TFI S.A. took further measures to build its market position in terms of Employee Capital Plans (ECP) based on organic growth and a campaign addressed to employers supporting the first automatic enrollment. As at the end of September 2023, the company managed ECP assets of PLN 294m from 86k Santander PPK SFIO unitholders.
<p>Bancassurance</p>	<ul style="list-style-type: none"> ▶ In the reporting period, a new process was implemented in Santander internet and Santander mobile in order to sell the Worry-Free Loan (Spokojny Kredyt) insurance together with cash and consolidated loans. The process is aligned with the new mobile application and the associated risks are minimised. ▶ In Q3 2023, insurance premiums decreased by 14.2% YoY and 3.8% QoQ, as a combined effect of an increase of 15.5% YoY and 4.1% QoQ in premiums on non-related insurance and a decline of 19.7% YoY and 5.7% QoQ in premiums on related insurance caused by a rise in the maximum non-interest cost of loans and a lower volume of cash and SME loans, respectively.
<p>Private Banking</p>	<ul style="list-style-type: none"> ▶ The investment offer for Private Banking (PB) customers is continuously extended and includes a wide range of products: investment funds (Santander TFI and open-ended investment funds offered by entities outside Santander Group); the Global Value Proposition service (enabling PB customers to use global PB facilities available in various Santander Group countries); custom structured deposits; currency conversion with an FX dealer; and Santander Brokerage Poland products and services. As part of cooperation with Santander Brokerage Poland, PB customers can avail of products that reflect current market conditions. ▶ In terms of credit services, PB customers are offered a dedicated path and support from credit experts.

Small and Medium Enterprises (SMEs)

Product line for SMEs	Activities of the Retail Banking Division in Q3 2023
Business accounts and bundled products	<ul style="list-style-type: none"> ▶ In Q3 2023, the Bank offered a range of promotions for SME customers: <ul style="list-style-type: none"> ▶ another edition of the special offer of the Business Account Worth Recommending (Konto Firmowe Godne Polecenia) available online (including bonuses for specific banking operations and use of selected products and a waiver of selected fees and charges for an indefinite period); ▶ "Bonus with eAccounting" promotion for customers using eAccounting services; ▶ continuation of the promotion rewarding selected business customers making transfers to the Social Insurance Institution (ZUS) or the Tax Office; ▶ special deal on POS terminals (waiver of a subscription fee); ▶ special deal on softPOS terminals based on the softPOS application that enables customers to use their tablet or phone as a terminal; ▶ promotion with Allegro (until the end of July), as part of which customers were offered an Allegro gift card. ▶ Business customers were provided access to BLIK service in the mobile application. ▶ A new functionality was implemented: virtual debit cards. ▶ The Bank continued the #afFIRMation training sessions for entrepreneurs organised in partnership with the Polish Entrepreneurship Foundation.
Loans	<ul style="list-style-type: none"> ▶ In Q3 2023, a range of credit promotions were introduced to increase customers' satisfaction with financing solutions: <ul style="list-style-type: none"> ▶ continuation of the special offer of a loan with 0% arrangement fee; ▶ "Loan and leasing with a medical package": free private healthcare at LUX MED over 12 months for eligible borrowers and lessees; ▶ continuation of "Green 0%": a waiver of an arrangement fee on loans or leasing used to finance photovoltaic panels, heat pumps, energy storage facilities and charging stations. ▶ Measures were taken to optimise the lending process and reduce the time to yes. ▶ A prelimit offer was prepared for existing customers of the Bank and Santander Leasing S.A. ▶ The product range was extended to include liquidity loans.
Leasing	<ul style="list-style-type: none"> ▶ Santander Leasing S.A. launched the LeasyEasy offer: a loan up to PLN 20k for sole proprietors to finance purchases in selected online stores. The customer can sign a loan agreement using an smsCode within less than ten minutes after selecting a product. The offer is now available in the first online store – CoffeeDesk. This innovative procedure does not involve advisors, analysts or controllers and is available 24/7. ▶ New vendor finance schemes (including subsidised loans) were established with four manufacturers of farm equipment. ▶ The promotional offer of a consumer loan for photovoltaic panels, heat pumps, energy storage facilities and batteries was extended until the end of the year. ▶ In response to measures taken by competitors, the maximum residual value was increased up to 60% for new and second-hand vehicles (up to four years old) from authorised dealers. ▶ During the nine months of 2023, Santander Leasing S.A. financed assets of PLN 5.8bn (+18% YoY). The growth was driven mainly by sales in the vehicles segment (+35.7% YoY).

1.2. Business and Corporate Banking Division

Business highlights of Q3 2023

Increase in the number of mobile customers	+11% YoY
Increase in the number of customer transactions	+5% YoY
Increase in FX income from eFX platform	+10% YoY
Number of e-guarantees issued	+30% YoY
Growth of leasing volumes	+14% YoY
Growth of deposit volumes	+11% YoY

Area	Activities of the Business and Corporate Banking Division in Q3 2023
Business developments	<ul style="list-style-type: none"> ▶ Strong business growth in all segments and business lines, generating an increase of 47.2% YoY in income, including income from transactional banking (+68.6% YoY), leasing (+17.4% YoY), factoring (+6.0% YoY) and lending (+14.0% YoY). ▶ Sound sales performance despite challenging market conditions, notably in terms of leasing (+13.8% YoY). ▶ Increase in volumes, including deposit (+11.1% YoY) and leasing volumes (+13.8% YoY). ▶ Growing sales in digital channels, particularly in terms of currency exchange (+10.2% YoY) and e-guarantees (+30.4% YoY). ▶ 4.6% YoY increase in the number of transactions made by customers. ▶ High credit quality of the corporate lending portfolio, with a low and stable cost of risk.
Business/ digital transformation	<p>Simplification and digitalisation</p> <ul style="list-style-type: none"> ▶ Continuation of digitalisation and development projects aimed to ensure best-in-class services. ▶ Implementation of enhancements in the iBiznes24 electronic banking platform, including in relation to accounts, cards and eApplications, the Trade Finance module, as well as the iBiznes24 Connect and iBiznes24 mobile solutions. ▶ Further development of the CLP (Corporate Lending Platform) – improvement of the lending process, simplification of the procedure for customers with good standing and conditions of the LC limit sanction, including as part of the MultiLine. ▶ Further simplification related to the interbank exposure policy requirements and assignment clauses for guarantees other than rent payment guarantees. ▶ Update of the technological loan regulations in line with the new European Funds for Smart Economy 2021–2027 Programme to include the provisions about the new eco loan. <p>Products</p> <ul style="list-style-type: none"> ▶ Expansion of the product range to include instant EUR incoming payments which are processed within 10 seconds. That solution is available to all customers with no additional requirements. The fee is the same as in the case of cross-border payments and takes into account current concessions. Transactions are executed in line with the SEPA Instant Credit Transfer, a pan-European instant payment scheme. <p>Transformation</p> <ul style="list-style-type: none"> ▶ Continuation of #4US and #4Leaders – innovative transformation programmes aimed to improve work environment, develop skills and share leadership experiences. ▶ Implementation of a new simplified recourse factoring process for limits up to PLN 2m based on a fast track decision-making procedure and customer's declaration (with no source documents needed).
Commercial activities	<ul style="list-style-type: none"> ▶ Organisation of a webinar for customers: "Eco loan and other green investment solutions", to present information about EU subsidies for investments related to development and energy efficiency. ▶ Organisation of a series of events for customers: <ul style="list-style-type: none"> ▷ "Tax Train" event organised in partnership with the Polish-British Chamber of Commerce, focusing on tax reliefs and issues related to new investments; ▷ "Chile, Columbia, Mexico, Peru" seminar about the economic situation in the above markets, exports and investment prospects, opportunities and threats as well as support solutions; ▷ event organised in partnership with the Scandinavian-Polish Chamber of Commerce. ▶ Preparation of a series of market analyses about the automotive sector, including the new Sector Flash for car part manufacturers and car dealers and market forecasts for the subsequent quarters.

Area	Activities of Santander Factoring Sp. z o.o. in Q3 2023
Factoring	<ul style="list-style-type: none"> ▶ The value of the credit portfolio of Santander Factoring Sp. z o.o. grew by 11.5% YoY to PLN 7.8bn as at 30 September 2023. ▶ The receivables purchased by the company during the three quarters of 2023 increased by 13.2% YoY to PLN 33.7bn.

1.3. Corporate and Investment Banking Division

Unit	Key activities in Q3 2023
Credit Markets Department	<ul style="list-style-type: none"> ▶ Project finance and syndicated lending: <ul style="list-style-type: none"> ▷ Participation in several project finance transactions related to the development of renewable energy infrastructure (offshore wind farm, onshore wind and solar farm). ▷ A leading role (including as the ESG Coordinator) in syndicated lending for a company from the telecommunications sector. ▷ Participation in a syndicated loan for a group from the energy sector. ▷ Financing of a project in the residential and office lettings sector. ▷ A leading role in the telecoms infrastructure transaction. ▶ Active communication with key customers in terms of project finance (particularly in connection with renewable energy), securitisation structuring and finance, and debt and rating advisory services. ▶ Activities in the asset turnover and underwriting area. Despite the seasonal slowdown during the summer months, the volume of secondary market trading was stable, in particular in the case of the telecommunications sector. The main focus was placed on portfolio optimisation transactions, especially on loans for renewable energy purposes. The cost of PLN finance for foreign banks decreased at the end of the quarter, which is expected to increase the popularity of domestic debt transactions. ▶ In terms of bond issues, particularly noteworthy is the following: <ul style="list-style-type: none"> ▷ Cooperation with Santander Group in international issues, including the issue of eurobonds for a company from the multi-energy sector and a company from the retail sector, totalling EUR 500m and EUR 375m, respectively. ▷ Participation in domestic issues, in particular the issue of PLN 820m worth of sustainability-linked bonds for a customer from the TMT sector as well as the issues for customers from the financial sector with a total amount of PLN 500m.
Capital Markets Department	<ul style="list-style-type: none"> ▶ Acting as the joint global coordinator and joint bookrunner in relation to the sale of shares of a company from the new technologies sector. ▶ Intermediation in the buyback of shares by a company from the IT sector. ▶ Advisory services related to the sale of wind farms in the Wielkopolskie province, shares in a hygienic paper manufacturing company and shares in a food production and distribution company.
Global Transactional Banking Department	<ul style="list-style-type: none"> ▶ Business trends in trade finance: <ul style="list-style-type: none"> ▷ Stable QoQ utilisation of working capital finance limits and strong growth in the second half of September. Growing interest in mitigation of counterparty risk. ▷ Stable utilisation of documentary transaction limits and increased popularity of documentary letters of credit and collections used to minimise counterparty risk and the risk of the counterparty's country. ▷ High demand for stable long-term sources of financing translating into an active use of export finance products as part of existing transactions and acquisition of new business based on these structures. ▶ Business trends in transactional banking: <ul style="list-style-type: none"> ▷ Price adjustment of the entire deposit portfolio at the end of Q3 in response to the interest rate cut, with no impact on the volume (the process was completed within two weeks). ▷ Rebound in transaction profitability in Q3 2023. New residential escrow accounts opened after 12 months of slowdown in the residential property market, generating regular income on maintenance fees. Growth in customers' activity after the summer holiday period, including new requests for proposal and many inquiries about cash pooling (an increasingly popular product). Expected increase in customers' activity related to escrow accounts handled by the Cash Management Team as the number of buy/sell transactions typically rises towards the year end. ▷ Very good prospects of profit generation for 2023 given the performance for the first three quarters of the year. During the last months of the year, the Cash Management Office is to focus on generating higher net fee and commission income and finalising major tenders for 2024. ▶ Business trends in other areas: <ul style="list-style-type: none"> ▷ A 3% increase in the total amount of credit limits during the first two months of Q3 (compared to the average level in Q2) and a nearly 10% rise in their utilisation (even before the interest rate cut in September). ▷ No immediate impact of the interest rate cut on the utilisation of credit limits. ▷ No signs of deterioration in customers' financial standing measured by PD and ODR based on GTB credit facilities.

Unit	Key activities in Q3 2023 (cont.)
Financial Markets Area	<ul style="list-style-type: none"> ▶ Main activities related to services for business customers of Santander Brokerage Poland: <ul style="list-style-type: none"> ▷ Placement of shares of Grupa Pracuj as part of ABB (PLN 240m); ▷ Buyback of Asseco's shares (PLN 1.2bn); ▷ Buyback of Ciech's shares (PLN 420m); ▷ First ETC (Exchange Traded Commodity) on the WSE (gold). ▶ Equity research area: <ul style="list-style-type: none"> ▷ Publication of 217 recommendations with regard to CEE listed companies (in the year to date). ▷ Providing institutional investors with an opportunity to participate in investor conferences. ▶ Treasury Services Department: <ul style="list-style-type: none"> ▷ Increased popularity of investment products, including higher volume and number of transactions in the SME segment reported in Q3 2023. ▷ A slight YoY increase in the number of FX transactions and customers during the summer holiday period. ▷ Partnership with the CEE Treasury Forum in Slovenia. ▷ Extension of cooperation with customers in terms of debt structuring and solutions for local authorities.

2. Business development of Santander Consumer Bank Group

Development directions	Activities of Santander Consumer Bank Group in selected areas in Q3 2023
Key focus areas of Santander Consumer Bank Group's operations	<ul style="list-style-type: none"> ▶ In the reporting period, Santander Consumer Bank Group focused on: <ul style="list-style-type: none"> ▷ Maintaining the leadership position in the installment loan market through a stable share in traditional sales, maintaining relationships with large retailers and profitability of cooperation with trade partners, further growing online sales as well as identifying new sales growth opportunities. ▷ Maintaining the stable volume of loans and leases for new cars and increasing sales in the used car finance area. Growing the share of deposits in the overall funding structure. ▷ Increasing the remote access to deposit products by developing a functionality enabling customers to open a term deposit in the mobile application (mDepo distribution channel).
Lending	<ul style="list-style-type: none"> ▶ As at 30 September 2023, net loans and advances granted by SCB Group amounted to PLN 17.2bn and increased by 11.9% YoY on account of higher supply of cars subject to lease and higher demand for stock finance, factoring, installment loans and cash loans. ▶ Growth in new and used car finance along with rising profitability translated into a higher share in the car finance market. ▶ In terms of instalment loans, the bank focused on optimising new sales. ▶ At the end of August 2023, cash loan sales of Santander Consumer Bank S.A. were the highest in the last five years. The share of remote channels in these sales has reached a double digit figure and is steadily growing. ▶ The bank increased the maximum available cash loan amount and enabled customers to apply for a credit limit increase via internet banking. It also simplified the cash loan sanction process in the mobile application, as a result of which the share of this sales channel grew considerably. ▶ During the first nine months of 2023, Santander Consumer Bank S.A. sold the written-off loan portfolio of PLN 219.7m, with a P&L impact of PLN 45.6m gross.
Deposits	<ul style="list-style-type: none"> ▶ In 2023, Santander Consumer Bank S.A. has continued its strategy to increase the portfolio of customer deposits to ensure they are the main source of funding for growing credit delivery. ▶ In Q3 2023, the Bank continued to actively sell new deposits, encouraged the renewal of existing deposits and ran promotional campaigns on the savings account. ▶ As at 30 September 2023, deposits from customers of Santander Consumer Bank Group totalled PLN 12.9bn and increased by 27.9% YoY owing to the acquisition of retail and corporate customers. ▶ Interest rates on longer term deposits were reduced in line with prevailing market trends, including lower expectations of further interest rate hikes and actions taken by competitors.

IV. Organisational and infrastructure development

1. Human resources management

Employment

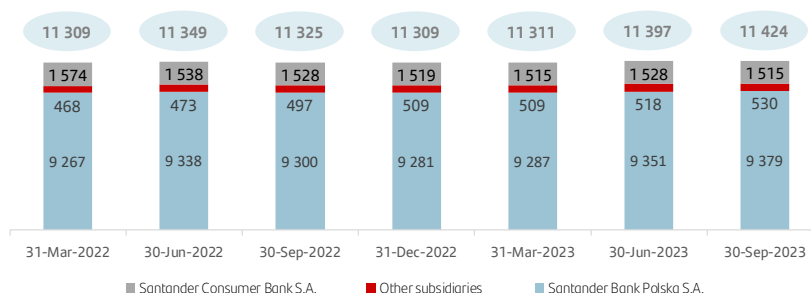
As at 30 September 2023, the number of FTEs in Santander Bank Polska Group was 11,424 (11,309 as at 31 December 2022), including 9,379 FTEs of Santander Bank Polska S.A. (9,281 as at 31 December 2022) and 1,515 FTEs of Santander Consumer Bank Group (1,519 as at 31 December 2022).

The employment in Santander Bank Polska Group increased by 115 FTEs Ytd and 99 FTEs YoY.

The Group continues the transformation of the business model through digitalisation, branch network optimisation, migration of products and services to remote distribution channels, and gradual implementation of technological and organisational solutions increasing operational efficiency of the organisation. The objective is to allocate the maximum resources to strengthen customer relationships, grow business and build skills matching the target profile for the organisation.

The HR processes take into account the present operational needs, development requirements as well as the market and regulatory environment.

Employment at Santander Bank Polska Group (in FTE)
by quarter in 2022 and 2023



Changes in the remuneration system

The Bank's Management Board approved the base salary review at Santander Bank Polska S.A., which took place at the turn of Q3 and Q4 2023.

The main objective of the process was to increase the pay of the lowest earners, reward employees engaged in the Bank's digital transformation and strategic projects and initiatives, reward top performers and employees acting in line with corporate values, benchmark base salaries, and to ensure equal pay for women and men performing the same roles.

Salary review is a standard element of the Bank's management, recognition and talent acquisition/retention. The last comprehensive review of base salaries took place in Q3 2022, leading to pay rises in Q4 2022.

Hybrid work

Since September 2022, employees of the Business Support Centre have worked in a hybrid model, combining onsite and remote work. This arrangement flexibly responds to the expectations of employees and the organisation.

In 2023, the remote work solutions applicable at Santander Bank Polska S.A. have been modified in accordance with the amended Labour Code (Act of 1 December 2022 amending the Labour Code and certain other acts, published in the Journal of Laws no. 240 of 6 February 2023). The new rules became effective on 1 October 2023. In line with the Bank's paperless agenda, a solution was implemented to enable employees to apply for remote work electronically, using self-service tools.

In Q3 2023, a quarterly remote work allowance was paid out for the first time.

Other important HR initiatives

<p>Enhancing employee experience</p>	<ul style="list-style-type: none"> ▶ In Q3 2023, changes were introduced to the scope of work of Hot Spots, multidisciplinary teams. Apart from actions taken in relation to HR areas that need improvement (pains), they also worked on those areas which have a great potential and positive impact on the employee value proposition (gains). ▶ Systemic integration of the employee dimension into the business agenda to ensure that employee experience is considered during the implementation of new processes and initiatives at the Bank (e.g. through the Employee Effort Score).
<p>Training and development</p>	<ul style="list-style-type: none"> ▶ The training offer is focused on skills of the future, both social and technical ones. ▶ In the reporting period, a leadership skills development programme was launched for retail network employees, the bootcamp training for new employees in the Agile structures was revamped, online training on Agile and customer focus was provided, the development programme for corporate banking leaders was continued, and measures were taken to address specific training and development needs of individual units. ▶ The internal mentoring and tutoring programmes were continued. ▶ Initiatives such as Santander Week Family Day and Wellbeing Day promoted values common to the entire Group.
<p>HR services for employees are continuously developed and improved.</p>	<ul style="list-style-type: none"> ▶ A solution was implemented to facilitate the application for remote work using e-Signature and e-File. Employees' requests with supporting documents are now processed within one day. At the same time, HR administration activities are being automated.
<p>Digitalisation – continuation of the paperless strategy</p>	<ul style="list-style-type: none"> ▶ In Q3 2023, the Bank tested a system that will allow employees to access their personnel files in electronic format. With the implementation of e-File, all personnel files (to the extent required by regulations) will be available to employees 24/7 in the self-service HR portal. The e-File solution will be available to all employees in Q4 2023. ▶ In the analysed period, 96% of HR processes were completed using the self-service tools. The remaining 4% of processes are exceptional cases which should be handled manually.
<p>Diversity</p>	<ul style="list-style-type: none"> ▶ As part of promotion of diversity, equity and inclusion (DE&I), the Bank supported the development of employee networks, which now include 600 members in 7 networks and 7 Diversity Ambassadors. ▶ To overcome barriers in everyday communication and cooperation, employees could participate in a sign language course, which started in September to celebrate the International Week of the Deaf and the International Day of Sign Languages.
<p>Ethics in employee relations – building employee trust</p>	<ul style="list-style-type: none"> ▶ As part of measures taken to prevent workplace misconduct, a series of educational materials were prepared for managers ("Workplace Diagnostics") and articles were published ("Discrimination – what do I know about it?", "Stop for a moment") to provide guidance on how to manage difficult situations concerning employee relations and the workplace.

2. Development of distribution channels of Santander Bank Polska S.A.

Basic statistics on distribution channels

Santander Bank Polska S.A.	30.09.2023	31.12.2022	30.09.2022
Branches (locations)	325	335	347
Off-site locations	2	2	2
Santander Zones (acquisition stands)	15	14	14
Partner outlets	171	170	165
Business and Corporate Banking Centres	6	6	6
Single-function ATMs	436	472	521
Dual-function machines	962	952	931
Registered internet and mobile banking customers ¹⁾ (in thousands)	5 058	4 869	4 810
Digital (active) mobile and internet banking customers ²⁾ (in thousands)	3 459	3 285	3 235
Digital (active) mobile banking customers ³⁾ (in thousands)	2 704	2 452	2 372
iBiznes24 – registered companies ⁴⁾ (in thousands)	26	25	24

1) The number of customers who signed an electronic banking agreement under which they can use the available products and services.

2) The number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period.

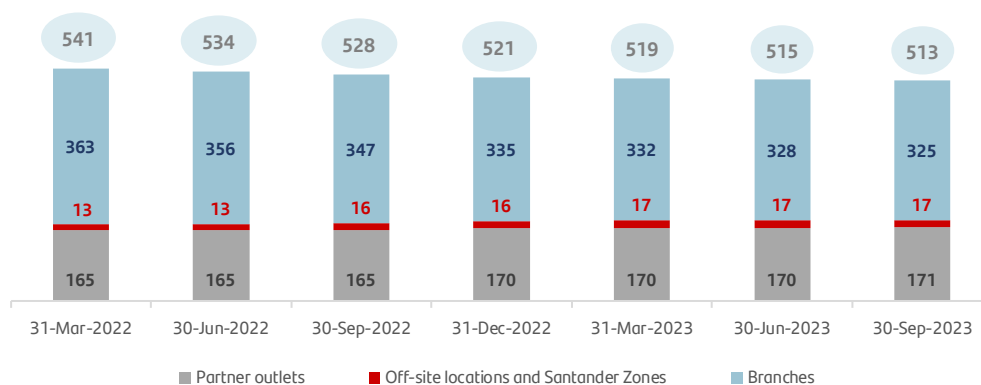
3) The number of active mobile banking customers who at least once logged into the mobile application or its light version or checked their balance without logging in the last month of the reporting period.

4) Only the customers using iBiznes24 – an electronic platform for business customers (iBiznes24, iBiznes24 mobile and iBiznes24 Connect).

Traditional distribution channels

As at 30 September 2023, Santander Bank Polska S.A. had 325 branches, 2 off-site locations, 15 Santander Zones and 171 partner outlets. During Q3 2023, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 3, and the number of partner outlets increased by 1.

Number of branches and partner outlets of Santander Bank Polska S.A. by quarter in 2022 and 2023



As at the end of September 2023, the Private Banking model covered 65 Private Bankers based in 24 outlets across Poland (4 Private Banking Centres and 20 other locations).

Services to businesses and corporations were provided by two departments: the Business Clients Department and the Corporate Clients Department with their 6 Banking Centres (3 Business Banking Centres and 3 Corporate Banking Centres) operating within three regional structures through 29 offices located Poland-wide. Premium customers and entities from the public and commercial properties sector were handled by four dedicated offices.

Intermediaries network

Indirect distribution channels, whose main role is to acquire new customers, include mainly agents and intermediaries/ brokers.

- In Q3 2023, the external network (Mobile Agent Network) employed 251 people on average per month. The Bank used their services to offer cash loans, mortgage loans, SME loans, loan insurance, personal and business accounts, and leasing facilities.
- Cooperation with financial and real estate brokers (network agents) was centrally managed under ten agreements. The mortgage loan offer did not change, neither did the terms of cooperation between the Bank and brokers.

ATMs

As at 30 September 2023, the network of self-service devices of Santander Bank Polska S.A. comprised 1,398 units, including 436 ATMs (dispensing cash only) and 962 dual function machines (including 517 recyclers, i.e. devices enabling withdrawal of cash that has been previously deposited by other customers).

Remote channels

In Q3 2023, Santander Bank Polska S.A. further improved the functionality and capacity of digital contact channels in line with its long-term strategy to increase the share of such channels in customer acquisition and sales.

The changes were intended to improve the user-friendliness of existing features and processes, and add new ones, while enhancing security of operations. Furthermore, channel integration was continued, harmonising customer service across the Bank.

Electronic channel	Selected solutions and improvements introduced in Q3 2023
Santander.pl	<ul style="list-style-type: none"> ▶ Final stage of the work on the website accessibility (in line with WCAG/Web Content Accessibility Guidelines): 85% of all website elements were improved. ▶ Third place in the TOP 3 SEO (Search Engine Optimisation) ranking. ▶ Record number of customers acquired in September 2023 (more than 7.5k accounts).
Internet and mobile banking	<ul style="list-style-type: none"> ▶ Launch of the new Santander mobile application. ▶ Migration of customers to the new application (deactivation of the previous application on 2 October 2023).
Santander Open	<ul style="list-style-type: none"> ▶ Continuation of services as part of Santander Open, enabling customers to integrate accounts online (AIS) and initiate transfers (PIS) via electronic and mobile banking in relation to accounts held with any of the following nine banks: Alior Bank S.A., Bank Millennium S.A., BNP Paribas S.A., Credit Agricole S.A., ING Bank Śląski S.A., mBank S.A., PKO BP S.A., Pekao S.A. and Nest Bank S.A.
Multichannel Communication Centre (MCC)	<p><u>Interactive Voice Response (IVR):</u></p> <ul style="list-style-type: none"> ▶ Introduction of new IVR features to support the deployment of the new mobile application: customers can listen to tips on how to migrate to the new application and if more support is needed, they can connect with an advisor who will guide them through the process. ▶ Implementation of a targeted message mechanism to enable the identification of a target customer group in order to play dedicated messages. <p><u>Call Steering (CS):</u></p> <ul style="list-style-type: none"> ▶ A new welcome message was introduced that encourages callers to indicate a product or topic, increasing the effectiveness of routing them to the most appropriate service area (from 67% in Q2 2023 to 75% in Q3 2023). ▶ Customers can also indicate the segment, and state if they would like to discuss products for business or personal customers. ▶ Additional information was published on the Bank's most visited webpages to explain how to use CS, including how to contact an advisor with the help of the voice assistant. <p><u>Online Advisor:</u></p> <ul style="list-style-type: none"> ▶ In September 2023, the screen sharing option was made available in the new Web Agent application: the solution can be used by logged-in customers in the video channel. During the chat, the customer may share their screen with the Bank's employee to facilitate communication.

3. Development of distribution channels of Santander Consumer Bank S.A.

The section below presents the main sales channels of Santander Consumer Bank S.A.

Santander Consumer Bank S.A.	30.09.2023	31.12.2022	30.09.2022
Branches	50	50	50
Partner outlets	253	263	263
Car finance partners	1,464	1,188	1,129
Hire purchase partners	6,112	6,085	6,316
Registered internet and mobile banking customers ¹⁾ (in thousands)	1,443	1,404	1,339
Digital (active) mobile and internet banking customers ²⁾ (in thousands)	747	348	313
Digital (active) mobile banking customers ³⁾ (in thousands)	366	276	242

- 1) Customers who signed an agreement with Santander Consumer Bank S.A. and at least once used the bank's electronic banking system in the reporting period.
 2) The number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period. Starting from Q1 2023, this category also includes e-commerce customers.
 3) The number of active mobile banking customers who at least once logged into the mobile application or checked their balance without logging in the last month of the reporting period.

4. Continuation of digital transformation

The table below presents the selected IT projects delivered by Santander Bank Polska Group in Q3 2023 in line with the main directions of digital transformation.

Initiative	Key projects delivered in Q3 2023
Improvement of availability, reliability and performance of the Bank's systems	<ul style="list-style-type: none"> ▶ The Bank continued the migration of the card transaction authorisation system to a new database technology to improve its performance. ▶ Agreements were signed with two external providers of ATM cash supply and maintenance services to reduce costs and increase service availability. ▶ The outsourcing of the card personalisation process was completed. ▶ The SD-WAN project was finalised, improving the capacity of network connections at branches through the upgrade of existing routers to more modern solutions.
Participation in global optimisation initiatives of Santander Group	<ul style="list-style-type: none"> ▶ Work was underway as part of OneAML (KYC) to design a solution for personal customers in line with the approved requirements and the AML process. ▶ Azure Landing Zone (cloud platform): further measures were taken to draft documentation for cloud computing services in accordance with the KNF guidelines. ▶ Microsoft Copilot (AI assistant): a solution was designed for testing and documents were prepared in line with the KNF requirements to allow the Bank to use the service in the future. ▶ Proof of Concept was in progress for: <ul style="list-style-type: none"> ▷ ServiceNow (a Group platform for process and service management); ▷ Gluon (a Group technical platform for application development). ▶ The Microsoft Intune cloud solution is being implemented on company phones to improve user experience. ▶ Personal customers were offered new accounts: Santander Account/ Konto Santander (revamped Account As I Want It/ Konto Jakie Chcę) and Santander Max Account/ Konto Santander Max (at a subscription fee).
Enhancement of security of the Bank's systems	<ul style="list-style-type: none"> ▶ New inter-operator lines were put in place to secure the Bank's traffic in case of DDoS attacks. ▶ Active Directory (central user authentication service) was updated to enhance the security of business users, workstations and servers. ▶ Core banking system: the operating system was upgraded to guarantee IBM support in terms of security patches and new functionalities.

Initiative	Key projects delivered in Q3 2023 (cont.)
<p>Implementation of regulatory requirements</p>	<ul style="list-style-type: none"> ▶ A new method was introduced to verify customer identity via the mObywatel application using a new ID type (mDowód). ▶ The first stage of the project was completed in the Corporate Data Warehouse to implement recommendations and operating procedures related to resolution and bail-in. ▶ The TARGET platform was migrated to Eurosystem Single Market Infrastructure Gateway (ESMIG) in line with ISO20022. Preparations were made for processing SWIFT payments in the new XML (Extensible Markup Language) format as part of the cross-border payments and reporting project. ▶ Work was underway to implement WIRON as part of the benchmark reform. ▶ Further measures were taken in relation to STIR (ICT system of the clearing house) to ensure compliance with the requirements of the Tax Ordinance Act (STIR) and the Financial Information System Act (SiNF). ▶ Preparations were made for the launch of data reporting by Santander Brokerage Poland in line with regulatory requirements. ▶ Cybersecurity: <ul style="list-style-type: none"> ▷ The S46 ICT system was implemented to perform the tasks specified in the Act on the national cybersecurity system. ▷ A system was deployed to exchange information about cyber threats with key market partners and the financial supervision authority to enhance customer protection. ▷ The cybersecurity education campaign: "Don't believe in fairy tales for adults" ("Nie wierz w bajki dla dorosłych") was continued in social media. Customers are taught about cyber risk and warned of latest threats in different communication channels. The Bank promotes five cybersecurity rules by displaying relevant materials on TV screens at branches. Work is underway to launch an educational campaign on TV and in the radio for customers who are not regular internet users.
<p>Automation and optimisation of operational processes</p>	<ul style="list-style-type: none"> ▶ Commercial grace periods: <ul style="list-style-type: none"> ▷ cash loan borrowers were offered an option to flexibly amend their repayment schedule by placing an instruction via internet or mobile banking. ▷ Analysis was started for the second stage of the project aimed to offer commercial grace periods for mortgage borrowers. ▶ An insurance comparison engine was implemented for insurance policy renewals. ▶ Instant incoming payments in EUR were launched, with transfers executed in real time 24/7. ▶ Post-sales mortgage loan services were centralised and digitalised, enabling borrowers to manage their mortgage loans from the comfort of their home, place instructions, send and receive documents from the Bank and execute an annex to the agreement. ▶ A paperless mortgage loan sales process was implemented in the external sales network based on scanned documents. ▶ Robotic automation of: <ul style="list-style-type: none"> ▷ registration of de minimis guarantees and their reporting to BGK (Bank Gospodarstwa Krajowego); ▷ management of complaints about ATM card transactions. ▶ A new model was developed to centralise the processing of consumer bankruptcy requests.

V. Financial position after Q3 2023

1. Consolidated income statement

Structure of Santander Bank Polska Group's profit before tax

Condensed consolidated income statement

of Santander Bank Polska Group in PLN m (for analytical purposes)

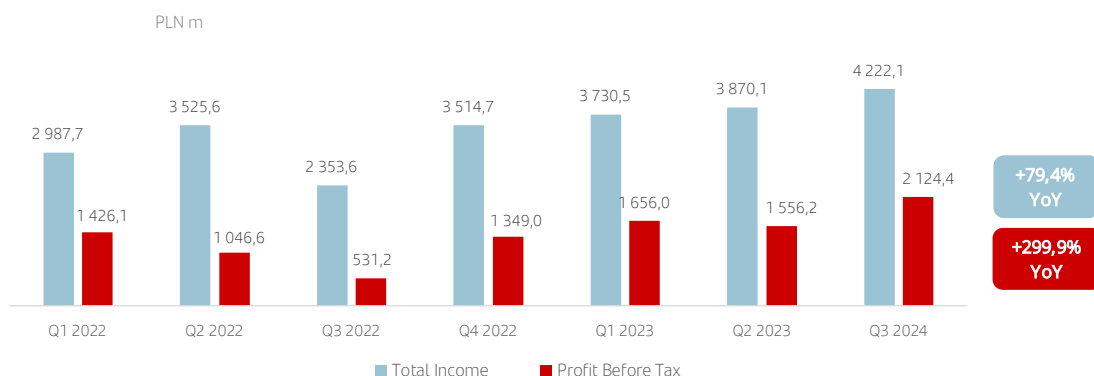
	Q1-Q3 2023	Q1-Q3 2022	YoY change
Total income	11,822.7	8,866.8	33.3%
- Net interest income	9,688.0	6,819.5	42.1%
- Net fee and commission income	2,006.9	1,947.2	3.1%
- Other income ¹⁾	127.8	100.1	27.7%
Total costs	(3,501.6)	(3,711.4)	-5.7%
- Staff, general and administrative expenses	(2,917.5)	(3,178.4)	-8.2%
- Depreciation/amortisation ²⁾	(419.7)	(393.6)	6.6%
- Other operating expenses	(164.4)	(139.4)	17.9%
Net expected credit loss allowances	(894.1)	(570.8)	56.6%
Cost of legal risk connected with foreign currency mortgage loans ³⁾	(1,579.7)	(1,070.3)	47.6%
Profit/loss attributable to the entities accounted for using the equity method	76.8	60.0	28.0%
Tax on financial institutions	(587.5)	(570.4)	3.0%
Consolidated profit before tax	5,336.6	3,003.9	77.7%
Tax charges	(1,395.6)	(941.9)	48.2%
Net profit for the period	3,941.0	2,062.0	91.1%
- Net profit attributable to the shareholders of the parent entity	3,851.0	1,895.8	103.1%
- Net profit attributable to the non-controlling shareholders	90.0	166.2	-45.8%

1) Other income includes total non-interest and non-fee income of the Group comprising the following items of the full income statement: dividend income, net trading income and revaluation, gain/loss on other financial instruments, gain/loss on derecognition of financial instruments measured at amortised cost and other operating income.

2) Depreciation/ amortisation includes depreciation of property, plant and equipment, amortisation of intangible assets and depreciation of the right-of-use asset.

3) This line item includes raised and released provisions for legal risk and legal claims related to foreign currency mortgage loans. Together with "Gain/loss on derecognition of financial instruments measured at amortised cost" (included in "Other income"), it presents the total impact of legal risk connected with the above-mentioned loans on the Group's performance in line with the accounting treatment based on IFRS 9. Starting from 1 January 2022, the Group measures and presents legal risk connected with the foreign currency mortgage loan portfolio reducing the gross carrying amount of loans in line with IFRS 9. If there is no exposure to cover the estimated provision (or the existing exposure is insufficient), the provision is recognised in accordance with IAS 37.

The Group's total income and profit before tax by quarter in 2022 and 2023



The profit before tax of Santander Bank Polska Group for the 9-month period ended 30 September 2023 was PLN 5,336.6m, up 77.7% YoY. The profit attributable to the Bank's shareholders increased by 103.1% YoY to PLN 3,851.0m.

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 16.2% YoY and

the underlying profit attributable to the shareholders of the parent entity went up by 18.8% YoY.

Comparability of periods

Selected items of the income statement affecting the comparability of periods

	Q1-Q3 2023	Q1-Q3 2022
Cost of legal risk connected with foreign currency mortgage loans <i>(income statement item)</i>	▶ PLN 1,579.7m	▶ PLN 1,070.3m
Cost of settlements connected with foreign currency mortgage loans <i>(gain/loss on derecognition of financial instruments measured at amortised cost)</i>	▶ PLN 302.2m	▶ PLN 88.7m
Negative adjustment to interest income on mortgage loans due to payment holidays <i>(interest income)</i>	▶ PLN 44.0m	▶ PLN 1,358.2m, including PLN 1,346.0m in relation to Santander Bank Polska S.A., and PLN 12.2m in relation to Santander Consumer Bank S.A.
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>	▶ Contribution of PLN 174.6m to the bank resolution fund	▶ PLN 269.2m, including a contribution of PLN 60.3m to the bank guarantee fund and PLN 208.9m to the bank resolution fund
Costs related to the Institutional Protection Scheme (IPS) <i>(general and administrative expenses)</i>	▶ PLN 0.3m	▶ PLN 445.7m
Costs related to the Borrowers Support Fund <i>(general and administrative expenses)</i>	▶ No corresponding costs	▶ PLN 165.0m, including a contribution of PLN 140.0m made by Santander Bank Polska S.A., and a contribution of PLN 25.0m made by Santander Consumer Bank S.A.

Determinants of the Group's profit during the first nine months of 2023

Changes in the key components of the consolidated profit before tax for Q1-3 2023 vs Q1-3 2022

PLN m

■ Key components with a negative impact on a YoY change in PBT
 ■ Key components with a positive impact on a YoY change in PBT
 ■ Profit before tax for Q1-3 2022 and Q1-3 2023



The largest contributor to the growth in the consolidated profit before tax of Santander Bank Polska Group for the 9-month period ended 30 September 2023 was net interest income, which increased by 42.1% YoY. Excluding an impact of the negative adjustment due to payment holidays (PLN 44.0m as at 30 September 2023 and PLN 1,358.2m as at 30 September 2022) from both analysed periods, the underlying net interest income was up 19.0% YoY. Higher net interest income is attributed to the growth in the Group's credit portfolios and the continuously high interest rate environment despite the interest rate cut of 75 b.p. in September 2023, which started the monetary policy easing cycle.

Gain on derivatives improved due to more favourable conditions in the money market, resulting in an increase of 334.7% YoY in net trading income and revaluation. Gain on other financial instruments went up too (+PLN 40.6m YoY) due to the settlement of the conversion and sale of series A shares of Visa Inc. and sale of all series C preference shares of that company, which limited the negative impact of movements in its share price.

Net fee and commission income was up 3.1% YoY on account of net fee and commission income from the core business, i.e. lending and guarantee activities and settlement and payment activities (card, electronic and payment services) as well as insurance activities and currency exchange. On the other hand, despite a higher volume of accounts a decrease was reported in account maintenance fees because of promotional and preference terms offered to customers. A slight but stable YoY increase was observed in net fee and commission income from activities in the stock and investment fund markets reflecting trading volumes, volatility of financial markets and higher value of average assets managed by the Group.

Staff, general and administrative expenses were down 8.2% YoY due to a substantially lower contribution to the aid fund of System Ochrony Banków Komercyjnych S.A., lower amounts payable to the Bank Guarantee Fund and no need to make contributions to the Borrowers Support Fund. This was partly offset by an increase in other components of general and administrative expenses and higher cost of salaries resulting from the inflationary pressure, costs of existing incentive plans and pay rises in line with market rates.

The profit before tax for the nine months of 2023 was negatively affected by the cost of PLN 1,881.9m in respect of legal risk and settlements connected with CHF mortgage loans (+62.4% YoY) and higher expected credit loss allowances (+56.6% YoY) resulting from the deterioration of the macroeconomic environment (economic slowdown, high inflation, lower consumer demand, higher geopolitical risk) and worsening situation of borrowers.

Profit before tax of Santander Bank Polska Group by contributing entities

Components of Santander Bank Polska Group's profit before tax in PLN m (by contributing entities)	Q1-Q3 2023	Q1-Q3 2022	YoY change
Santander Bank Polska S.A.	5,073.2	2,452.8	106.8%
Subsidiaries:	417.1	653.0	-36.1%
Santander Consumer Bank S.A. and its subsidiaries ¹⁾	196.6	448.1	-56.1%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	67.4	68.8	-2.0%
Santander Finanse Sp. z o.o. and its subsidiaries ²⁾ (Santander Leasing S.A., Santander Factoring Sp. z o.o., Santander F24 S.A.)	151.6	135.8	11.6%
Santander Inwestycje Sp. z o.o.	1.5	0.3	400.0%
Equity method valuation	76.8	60.0	28.0%
Exclusion of dividends received by Santander Bank Polska S.A. and consolidation adjustments	(230.5)	(161.9)	42.4%
Profit before tax	5,336.6	3,003.9	77.7%

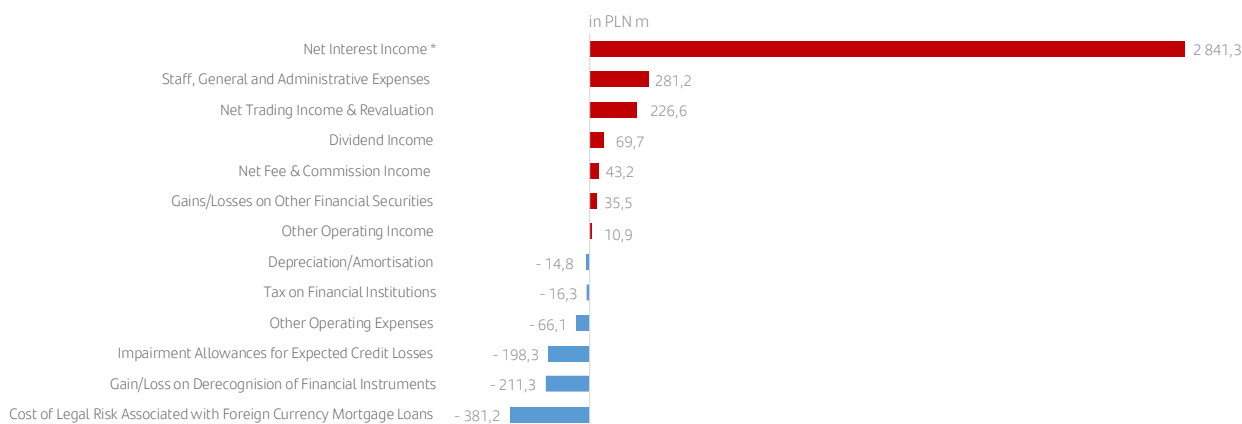
1) In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o. w likwidacji, Stellantis Financial Services Polska Sp. z o.o., Stellantis Consumer Financial Services Polska Sp. z o.o., Santander Consumer Financial Solutions Sp. z o.o. and SCM Poland Auto 2019-1 DAC. In 2022, SCB S.A. lost control over S.C. Poland Consumer 16-1 Sp. z o.o. due to the restructuring of the securitisation transaction and established a new entity to secure a retail loan portfolio: S.C. Poland Consumer 23-1 DAC. The amounts provided above represent profit before tax (after intercompany transactions and consolidation adjustments) of SCB Group for the periods indicated.

2) Due to the settlement of the securitisation transaction, in 2022 Santander Bank Polska S.A. lost control over Santander Leasing Poland Securitization 01 Designated Activity Company with its registered office in Dublin. The Bank had no capital connections with that entity.

Santander Bank Polska S.A. (parent entity of Santander Bank Polska Group)

The profit before tax of Santander Bank Polska S.A. was PLN 5,073.2m, up 106.8% YoY. Changes to the components of the Bank's profit before tax are presented below.

Year-on-year changes in the main items of the income statement of Santander Bank Polska S.A. for Q1-3 2023 in absolute numbers



* The considerable YoY change in the net interest income of Santander Bank Polska S.A. is a low base effect arising from the negative adjustment of PLN 1,346.0m recognised in Q3 2023 to account for payment holidays for PLN mortgage loan borrowers (PLN 44m for three quarters of 2023). On a comparative basis, the YoY change is PLN 1,539.2m.

Changes in the main components of the standalone profit reflect the trends relating to the consolidated profit. Similarly to the Group, the Bank's profit before tax was positively affected by changes in: net interest income, net fee and commission income, net trading income and revaluation, gain on other financial instruments, and general and administrative expenses. In addition, the Bank generated higher income on dividends from its subsidiaries. The increase in the above-mentioned items was partly offset by a rise in: cost of legal risk and settlements connected with foreign currency mortgage loans, staff expenses, other operating expenses, net expected credit loss allowances, amortisation/depreciation and tax on financial institutions.

Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a decline of 36.1% YoY in their total profit before tax.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated profit before tax of Santander Bank Polska Group for the nine months of 2023 was PLN 196.6m (after intercompany transactions and consolidation adjustments) and decreased by 56.1% YoY as a combined effect of the following:

- Stable net interest income of PLN 979.9m (+0.5% YoY) achieved in the continuously high interest rate environment whose positive financial result was offset by statutory solutions regarding the maximum non-interest costs of consumer loans (effective as of 18 December 2022).
- Stable net fee and commission income of PLN 85.2m (-0.6% YoY), including higher income on loans and lower income on credit cards and insurance products.
- Net expected credit loss allowances of PLN 197.2m compared with PLN 59.2m in the corresponding period last year, resulting from:
 - ✓ Lower sales of overdue receivables affecting the profit on sales.
 - ✓ No non-recurring events recognised in the comparative period (i.e. the release of provisions following the change in the approach to the recognition of legal risk connected with foreign currency mortgage loans and update of risk parameters).
 - ✓ Normalisation of credit risk along with changes in the credit portfolio structure (a lower share of mortgage loans and a higher share of consumer loans).
- A decrease of 9.4% YoY in other non-interest and non-fee income to PLN 46.5m reflecting lower other operating income and parallel improvement in gain on trading and other financial instruments.
- A decrease of 3.6% YoY in operating expenses to PLN 420.1m on account of lower staff, general and administrative expenses as well as other operating expenses.
- Costs of legal risk of foreign currency mortgage loans were PLN 275.3m and 87.1% higher YoY as a result of an update of provisions for legal claims and recognition of cost of legal risk of foreign currency mortgage loans reflecting the court ruling practice and borrowers' willingness to bring a case to the court.

Other subsidiaries

The profit before tax of Santander TFI S.A. for the nine months of 2023 decreased by 2.0% YoY to PLN 67.4m, mainly due to an increase in staff expenses (as a result of bonus payments and salary review) and in general and administrative expenses (on account of costs of communication services, sales support, access to market reports and other categories of inflation-driven costs). Net interest income grew by 14.5% YoY and net fee and commission income increased by 3.9% YoY as an effect of a rise in income from both success fees and management fees. Higher income from success fees is attributed to rates of return exceeding benchmarks for individual sub-funds. On the other hand, higher income from management fees was driven by a YoY increase in the average assets under management on account of strong net sales of investment funds and a positive change in the value of investment fund units. The asset growth was accompanied, however, by a lower margin reflecting changes in the asset structure (increased share of low-margin assets, particularly short-term debt sub-funds).

Profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. increased by 11.6% YoY to PLN 151.6m.

- Total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o. and Santander F24 S.A. for the nine months of 2023 grew by 30.4% YoY to PLN 96.3m, reflecting lower net expected credit loss allowances (-27.4% YoY) and higher net fee and commission income (+188.8% YoY) resulting from an increase in insurance income and reduction in fees on synthetic securitisation. Strong sales generated in the reporting period (notably in the vehicles segment) triggered a rise of 11% YoY in the lease portfolio as well as growth of 9.5% YoY in net interest income. The quality of the lease portfolio remained high, with the NPL ratio of 3.57% (+0.24 p.p. YoY). The total result of the companies was negatively affected by the valuation of IRS and currency hedges.
- The profit before tax posted by Santander Factoring Sp. z o.o. decreased by 10.8% YoY to PLN 55.3m, reflecting lower net fee and commission income combined with higher staff, general and administrative expenses.

Structure of Santander Bank Polska Group's profit before tax

Total income

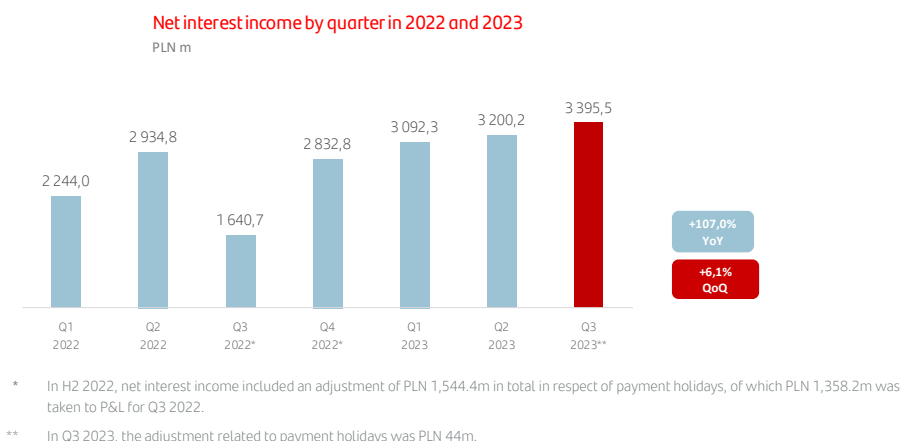
During the first nine months of 2023, total income of Santander Bank Polska Group increased by 33.3% YoY to PLN 11,822.7m. Excluding the impact of payment holidays for PLN mortgage loan borrowers and settlements with customers regarding CHF mortgage loans (a total of PLN 346.2m for three quarters of 2023 and PLN 1,446.9m for three quarters of 2022), the underlying total income was up 15.6% YoY.

Net interest income

Net interest income for three quarters of 2023 was PLN 9,688.0m, up 42.1% YoY. Excluding the impact of the negative adjustment due to payment holidays, the underlying net interest income increased by 19.0%.

In Q3 2022, the Group estimated and recognised a negative adjustment to interest income on account of payment holidays for PLN mortgage loan borrowers. The adjustment totalled PLN 1,358.2m and reflected the use of interest deferrals (up to four months per year) expected by the Group during the solution application period (2022–2023). As the assumed percentage of deferred instalments increased, the estimates were revised upwards twice, including by PLN 44.0m recognised in Q2 2023.

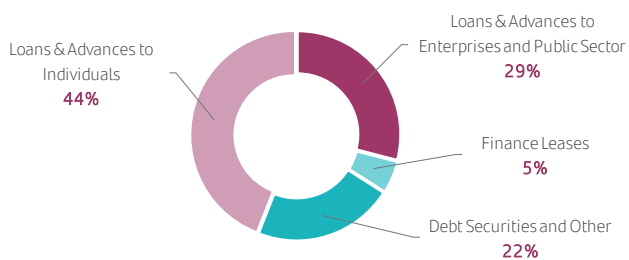
The increase of 19% YoY in the underlying net interest income was supported by growth in business volumes in the favourable high interest rate environment resulting from the series of 11 NBP interest rate hikes until September 2022 aimed at tightening the monetary policy and curbing inflation. In September 2023, the first interest rate cut of 0.75 p.p. was made since 2020 (with the reference rate reduced to 6%), marking the start of the monetary policy easing cycle.



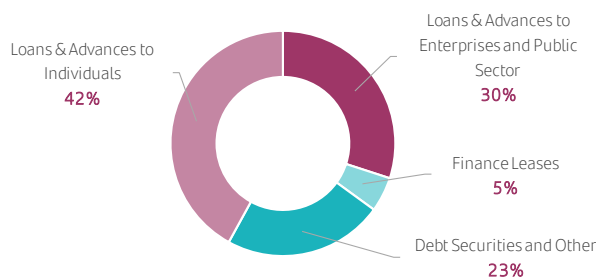
Interest income for three quarters of 2023 totalled PLN 13,689.7m and was up 61.2% YoY, supported by the key categories of earning assets, mainly loans and advances to business and personal customers and banks, and debt securities.

Interest expenses grew by 139.4% YoY to PLN 4,001.7m on the back of deposits from customers (including deposits from enterprises and the public sector and from personal customers) as well as liabilities due to subordinated liabilities and debt securities in issue.

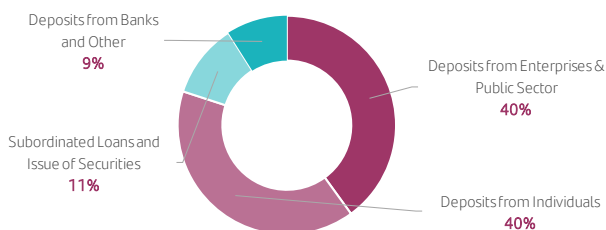
Structure of interest revenue for Q1-Q3 2023



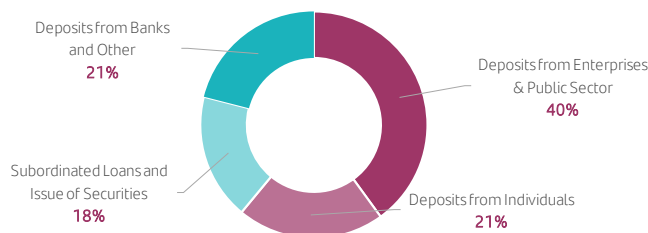
Structure of interest revenue for Q1-Q3 2022



Structure of interest expense for Q1-Q3 2023



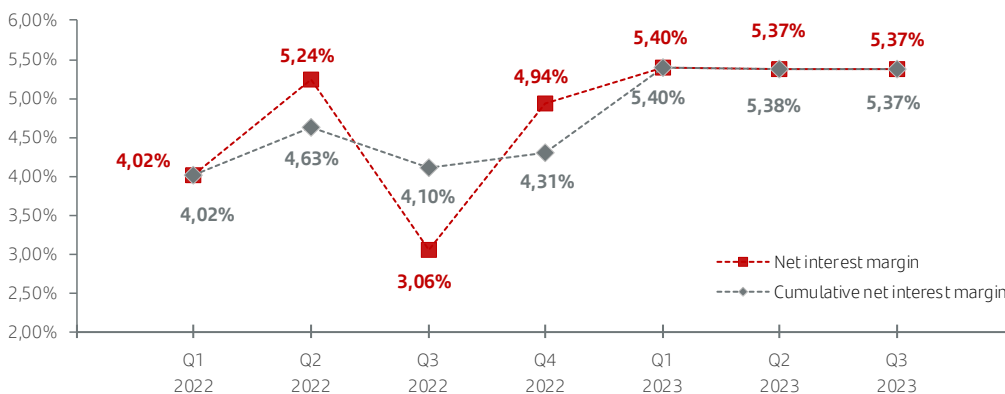
Structure of interest expense for Q1-Q3 2022



During the 9-month period ended 30 September 2023, the cumulative net interest margin (annualised on a Ytd basis) was 5.37% vs 4.10% in the corresponding period of 2022. The YoY margin increase of 1.27 p.p. is largely attributed to the charge made in the comparative period in respect of the adjustment due to payment holidays, which was preliminarily estimated for the entire period of availability of that solution. The YoY increase of 0.51 p.p. reflects trends in the money market (including higher official interest rates resulting from NBP rate hikes until September 2022) as well as higher business volumes and effectiveness of the Group's earning assets. Growth was reported in loans and advances to enterprises and the public sector (+5.8% YoY) and lease receivables (+12.5% YoY) coupled with a slight decrease in loans and advances to individuals (-0.5% YoY) caused by a slowdown in the home loans market. The above portfolios generated a total increase of 62.5% YoY in interest income. At the same time, the cost of customer deposits went up by 218.0% YoY due to the Group's acquisition activities and growth in term deposit balances.

The quarterly net interest margin (annualised on a quarterly basis) was 5.37% and stable QoQ, reflecting a further rise in balance sheet items and a relatively stable interest rate environment in Q3 2023 (until September), with markets already pricing in interest rate cuts. Lease receivables grew by 4.6% QoQ, while loans and advances to business and public sector customers declined by 1.0% QoQ. This decrease was more than offset by loans and advances to personal customers, which increased by 1.9% QoQ. Meanwhile, term deposits from individuals and from enterprises and the public sector continued to grow by 15.2% QoQ and 12.4% QoQ, respectively. The Group's deposit and credit offer was modified in both periods in line with market trends and internal objectives in terms of competitive position, balance sheet structure, liquidity and profitability. In Q3 2023, interest rates on deposit products were reduced several times (including in September 2023 in response to the NBP interest rate cut of 0.75 p.p.). At the same time, a limited range of pricing promotions were offered to grow sales.

Net interest margin¹⁾ by quarter in the years 2022 and 2023 (including swap points)²⁾



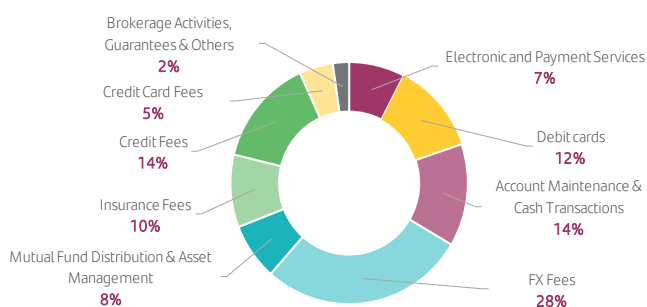
- 1) Net interest margin curve annualised on a quarterly and year-to-date basis. The margin for Q3 2022 takes into account the estimated financial impact of payment holidays and liabilities arising from regulations concerning mortgage loans in the total amount of PLN 1,430.0m compared to PLN 192.7m recognised in Q4 2022. Excluding the impact of the above adjustments on the Group's net interest income, at the end of September 2022 the cumulative margin was 4.86% and the quarterly margin was 5.58%, and at the end of December 2022 it was 4.96% and 5.28%, respectively.
- 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.

Net fee and commission income

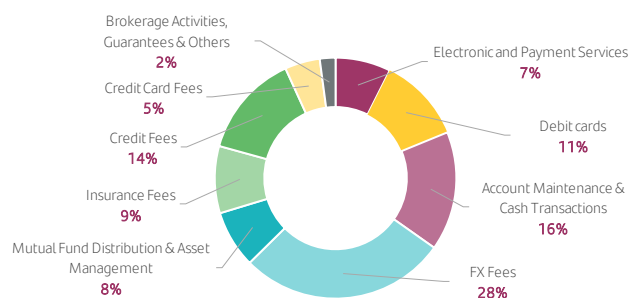
Net fee and commission income (PLN m)	Q1-Q3 2023	Q1-Q3 2022	YoY change
FX fees	562.2	541.3	3.9%
Credit fees ¹⁾	288.6	270.4	6.7%
Account maintenance and cash transactions ²⁾	275.4	311.0	-11.4%
Debit cards	244.1	221.9	10.0%
Insurance fees	195.5	175.9	11.1%
Asset management and distribution	153.5	149.1	3.0%
Electronic and payment services ³⁾	152.0	144.4	5.3%
Credit cards	91.8	92.0	-0.2%
Brokerage activities	89.6	88.7	1.0%
Guaranties and sureties	37.9	21.7	74.7%
Other fees ⁴⁾	(83.7)	(69.2)	21.0%
Total	2,006.9	1,947.2	3.1%

- 1) Net fee and commission income from lending, factoring and leasing activities which is not amortised to net interest income. This line item includes inter alia the cost of credit agency.
- 2) Fee and commission income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2023 are included in the line item "Other" (PLN 13.4m for three quarters of 2023 and PLN 14.1m for three quarters of 2022).
- 3) Fees for payments (foreign and mass payments, Western Union transfers), trade finance, services for third party institutions as well as other electronic and telecommunications services.
- 4) Issue arrangement fees and other fees.

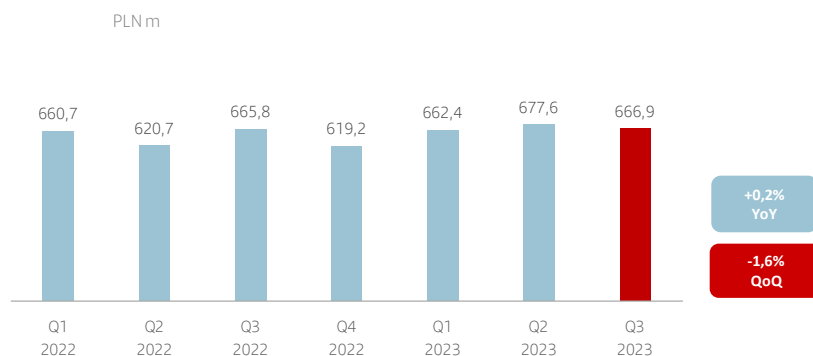
Net fee & commission income structure in Q1-Q3 2023



Net fee & commission income structure in Q1-Q3 2022



Net fee & commission income by quarter in 2022 and 2023

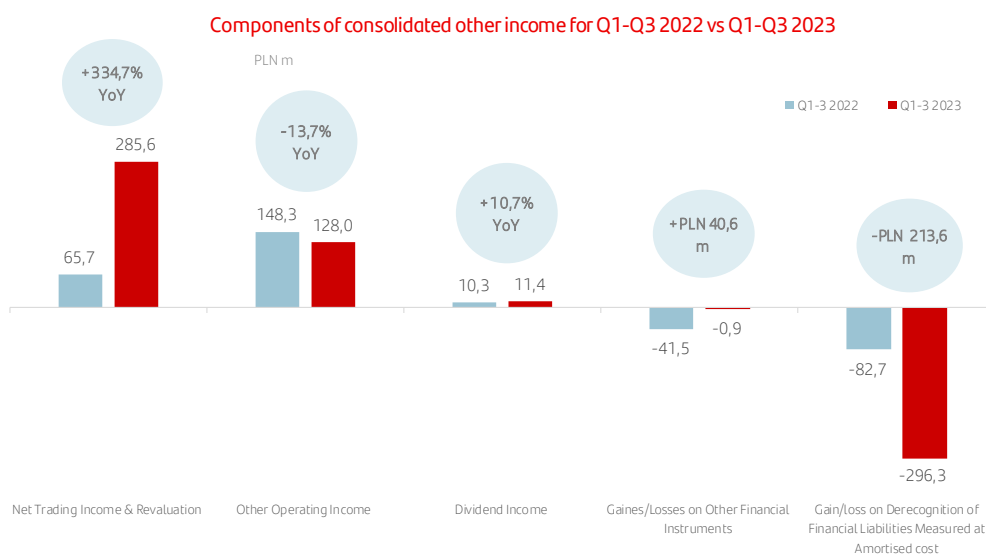


Net fee and commission income for the 9-month period ended 30 September 2023 was PLN 2,006.9m and increased by 3.1% YoY. Significant or moderate growth was reported in the majority of business lines, notably in guarantees and sureties, debit cards, loans and insurance. On the other hand, despite a moderately higher volume of accounts a decrease was reported in account maintenance fees because of the fee and charge management schemes and promotional and preference terms offered to customers.

The key changes to net fee and commission income items were as follows:

- An increase of 6.7% YoY in net credit fee income is a combined effect of the Group's services related to project finance for corporate customers, modification of fees in line with market trends and lower cost of agency services.
- A rise of 10.0% YoY in income from debit cards is a combined effect of many factors, including a growing number of cards (+3.7% YoY), a higher value of non-cash transactions made with such cards (+15.3% YoY), a positive impact of inflation and limitation of pricing concessions and promotions offered by the Group compared to the last year.
- Net fee and commission income from guarantees and sureties was up 74.7% YoY as a result of growth in guarantee business coupled with lower costs related to securitisation transactions.
- Net fee and commission income disclosed under the Group's electronic and payment services went up by 5.3% YoY as a consequence of international payments, trade finance transactions, electronic services and services provided to third party institutions.
- FX fee income increased by 3.9% YoY as a result of higher average quotations accompanied by lower FX turnover (-4.1% YoY). The turnover in the eFX channel declined in the retail customer segment, but increased in the business segments. In the traditional channel, higher turnover was observed across all customer segments.
- A decrease of 11.4% YoY in net fee and commission income from account maintenance and cash transactions reflected price concessions for corporate customers with regard to liquidity management and preferential terms for customers from Ukraine such as free-of-charge current accounts. The base of current and personal accounts operated by the Bank has been growing steadily since 2022, with a particular increase reported in the number of Santander Accounts (formerly Accounts As I Want It or Accounts Worth Recommending). These changes translate into a higher number of transactions with debit cards and an increased use of electronic services and payments.
- Net fee and commission income from issuance and management of a combined portfolio of credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. was relatively stable due to an increase in non-cash turnover, a decrease in cash turnover and an increased use of credit card transfers offered by Santander Bank Polska S.A.
- Stable income from brokerage activities (+1.0% YoY) reflects trends in the main stock market. In the comparative period, a revival reported at the start of the year was followed by higher volatility in response to Russia's invasion of Ukraine, which encouraged an increased investor activity. In 2023, the situation largely normalised until July, but investor sentiment reversed in August and September, and the volatility of the domestic market increased significantly following the sharp interest rate cut by the MPC.
- Net fee and commission income from distribution and asset management grew by 3.0% YoY on account of higher income from management and success fees collected by funds managed by Santander TFI S.A. The increase in income from management fees is attributed to higher value of net average assets resulting from strong net sales and a positive change in the value of investment fund units. The accompanying margin decrease was driven by changes in the asset structure (higher share of low-margin short-term debt sub-funds compared to the last year). The rise in income from success fees reflected higher rates of return generated by individual sub-funds.

Non-interest and non-fee income



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 127.8m and was up 27.7% YoY on account of changes in the following components:

- Net trading income and revaluation grew by 334.7% YoY to PLN 285.6m as a result of a higher gain of PLN 225.3m on transactions in derivative and interbank FX markets (vs PLN 40.2m for three quarters of 2022). An increase was also reported in the fair valuation of the credit card portfolio measured through profit or loss, reflected in a positive adjustment of PLN 11.7m in the fair value (vs PLN 5.9m in the comparative period). Trading in financial assets measured at fair value through profit or loss (both equity and debt instruments) brought in a total profit of PLN 48.6m for three quarters of 2023 vs PLN 19.6m in the comparative period.
- Other operating income was PLN 128.0m and decreased by 13.7% YoY due to lower indemnity payments from insurers and releases of lower amounts of provisions for legal claims and other assets.
- Dividend income totalled PLN 11.4m and was up 10.7% YoY on account of, among other things, higher dividends from Krajowa Izba Rozliczeniowa S.A. and Biuro Informacji Kredytowej S.A.
- Loss on other financial instruments decreased by PLN 40.6m YoY to PLN 0.9m as a combined effect of:
 - ✓ A profit of PLN 2.9m from the conversion of series A convertible preference shares of Visa Inc. to 66.8k ordinary shares sold in several stages.
 - ✓ A positive change of PLN 12.1m in the valuation of Visa Inc. shares until the sale of all 21,032 series C preference shares in September 2023 (indirectly convertible to approx. 76,430 series A ordinary shares) to limit the fluctuation of the fair value of the portfolio in line with stock price and FX movements.
- The loss on derecognition of financial instruments measured at amortised cost was PLN 296.3m vs PLN 82.7m in the corresponding period last year. This line item includes mainly costs of voluntary settlements with CHF home loan borrowers, which totalled PLN 302.2m for three quarters of 2023 vs PLN 88.7m for three quarters of 2022. By 30 September 2023, 8,407 settlements were made, both pre-court and following the lawsuits (of which 5,369 since the beginning of 2023). Settlement proposals made by Santander Bank Polska S.A. take into account both the elements of conversion proposed by the KNF Chairman in 2020, and the conditions defined internally by the Bank.
- A lower loss of PLN 14.7m was reported on hedged and hedging instruments (vs a loss of PLN 16.4m for three quarters of 2022).

Expected credit loss allowances

Net expected credit loss allowances on loans and advances measured at amortised cost (PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	Q1-Q3 2023	Q1-Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Q1-Q3 2023	Q1-Q3 2022	Q1-Q3 2023	Q1-Q3 2022
	Allowance on loans and advances to customers	(132.3)	(101.8)	(424.3)	(299.6)	(418.6)	(272.6)	58.6	68.3	(916.6)
Recoveries of loans previously written off	-	-	-	-	36.7	35.3	-	-	36.7	35.3
Allowance on off-balance sheet credit liabilities	(6.0)	2.8	(13.4)	(1.4)	5.2	(1.8)	-	-	(14.2)	(0.4)
Total	(138.3)	(99.0)	(437.7)	(301.0)	(376.7)	(239.1)	58.6	68.3	(894.1)	(570.8)

After the first nine months of 2023, the charge made by Santander Bank Polska Group to the income statement on account of net expected credit loss allowances was PLN 894.1m and increased by 56.6% YoY, reflecting the impact of the economic environment on the credit portfolio. This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 197.2m and increased by 233.1% YoY, as lower gain was generated on the sale of overdue receivables compared to the corresponding period last year, and there were no non-recurring items in the current period which would positively affect the income statement (such as the update of risk parameters with a positive financial impact of PLN 76m).

Net allowances on loans and advances to customers of Santander Bank Polska Group for three quarters of 2023 were a combined effect of:

- Half-yearly review of provisions and management adjustments, resulting in PLN 56.4m worth of top-ups.
- Slightly increased level of arrears above 30 days in the retail customer portfolio. Risk of downgrades to NPLs in the mortgage loan portfolio, partly mitigated by aid measures (a possibility for mortgage loan borrowers to suspend one instalment).
- Stable level of arrears and downgrades to NPLs in the SME segment.
- Deterioration in the financial standing of selected corporate customers resulting in downgrade of their exposures to Stage 2 or 3.
- Sale of credit receivables of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 1,034.2m at a profit before tax of PLN 131.9m (in the corresponding period last year, receivables of PLN 1,180.9m were sold at a profit before tax of PLN 137.6m).

The cost of credit risk of Santander Bank Polska Group after the three quarters of 2023 was 0.77% (vs 0.55% in the corresponding period last year), with a higher value of the credit portfolio measured at amortised cost (+3.0% YoY including finance lease receivables).

The Group closely monitors its loan portfolio, and promptly responds to changes in risk by adjusting credit ratings and classifying exposures to individual stages (taking into account the risk connected with the war in Ukraine and deteriorating macroeconomic conditions).

Total costs

Total costs (PLN m)	Q1-Q3 2023	Q1-Q3 2022	YoY change
Staff, general and administrative expenses, of which:	(2,917.5)	(3,178.4)	-8.2%
- Staff expenses	(1,646.1)	(1,345.5)	22.3%
- General and administrative expenses	(1,271.4)	(1,832.9)	-30.6%
Depreciation/amortisation	(419.7)	(393.6)	6.6%
- Depreciation/amortisation of property, plant and equipment and intangible assets	(304.0)	(279.4)	8.8%
- Depreciation of the right-of-use asset	(115.7)	(114.2)	1.3%
Other operating expenses	(164.4)	(139.4)	17.9%
Total costs	(3,501.6)	(3,711.4)	-5.7%

After three quarters of 2023, total operating expenses of Santander Bank Polska Group went down by 5.7% YoY to PLN 3,501.6m, reflecting lower contributions to the Bank Guarantee Fund and to the Institutional Protection Scheme (IPS) and no contributions required to be made to the Borrowers Support Fund. It is an effect of high contributions made by the largest banks last year both to the mechanism supporting home loan borrowers in distress (PLN 165m) and to the IPS aid fund, with PLN 445.7m contributed by Santander Bank Polska S.A. (by the end of September 2022).

On the other hand, YoY an increase was reported in staff expenses, other operating expenses in respect of provisions for other assets, and depreciation/amortisation of property, plant and equipment and intangible assets, resulting from delivery of further investment projects and capitalisation of the related costs. The level of expenses was also adversely affected by indexation and revision of pricing due to an increasing inflation rate, among other things.

As total income grew by 33.3% and total costs decreased by 5.7%, the Group's cost to income ratio was 29.6% after Q3 2023 vs 41.9% in the corresponding period last year.

Staff expenses

Staff expenses totalled PLN 1,646.1m for nine months of 2023 and increased by 22.3% YoY. The average employment in the Group was slightly higher compared to the last year. The main components of staff expenses, i.e. salaries, bonuses and statutory deductions from salaries, went up by 22.4% YoY to PLN 1,594.9m on account of the salary review in line with market rates conducted in September 2022 and the costs of PLN 97.1m related to the long-term share-based incentive plan launched in the Group (Incentive Plan VII). In the reporting period, the Group disclosed higher cost of internal meetings and recruitment in connection with the employees' return to offices as part of the hybrid work model.

General and administrative expenses

General and administrative expenses of Santander Bank Polska Group for nine months of 2023 decreased by 30.6% YoY to PLN 1,271.4m, as a high base effect connected with the contribution of PLN 445.7m made by the Bank to the IPS aid fund last year (vs PLN 0.3m in the current reporting period) and the contribution of PLN 165m to the Borrowers Support Fund made by the Group (no corresponding contribution has been made in 2023). Fees payable to market regulators (BFG, KNF and KDPW) declined by 31.3% YoY to PLN 202.9m. This included a decrease of 35.2% YoY in the charge made to the Group's income statement on account of contributions to the BFG, which totalled PLN 174.6m. It resulted from the BFG Council's decision to waive contributions to the bank guarantee fund in 2023, as the target level of deposit guarantee funds has already been exceeded. At the same time, the annual contribution to the bank resolution fund was reduced.

Excluding the mandatory contributions payable to the BFG and the Borrowers Support Fund as well as contributions made as part of the voluntary participation in the IPS, the Group's general and administrative expenses increased by 15.1% YoY, mainly on account of higher cost of IT usage and marketing as well as the cost of third party services, premises, cars and transport services.

The cost of IT usage, the largest item of the Group's general and administrative expenses, went up by 19.5% YoY in connection with delivery of multiple IT projects (business, regulatory and optimisation ones) across Santander Group and locally and due to processes related to support and maintenance of the existing infrastructure. The increase in marketing and entertainment costs (+11.5% YoY) results from advertising campaigns (promoting SME and leasing products, Max Savings Account, cash loan, etc.) and higher cost of sponsorship and entertainment. The costs of third party services were also up 39.0% YoY in relation to an increase in back office service rates and remuneration payable to temporary staff, as well as the launch of new external services as part of banking operations. Higher cost of maintenance of premises (+19.5% YoY) is attributed to higher prices of energy, heating and other service charges as well as rent indexation. External factors (higher prices of CIT services, fuel and company car service) also contributed to an increase of 12.0% YoY in the cost of car fleet and transport services.

At the same time, the Group reported a decrease in security costs (-12.4% YoY) and consulting and advisory fees (-14.0% YoY), and a moderate reduction in other cost items.

Tax and other charges

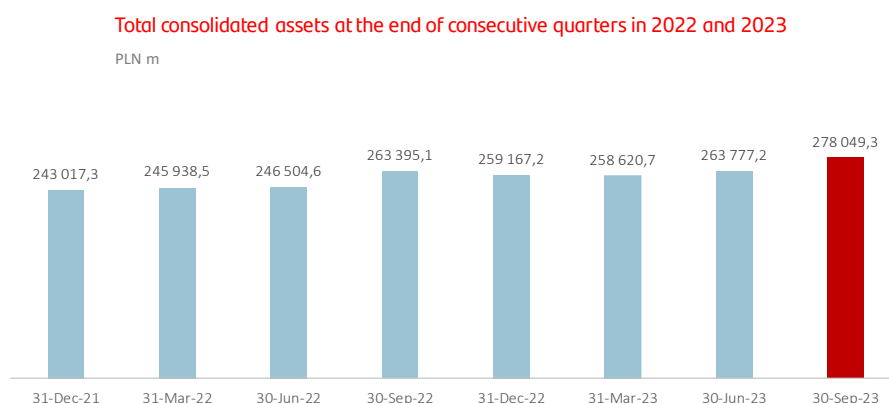
Tax on financial institutions for three quarters of 2023 totalled PLN 587.5m and was up 3.0% YoY, reflecting a YoY increase in assets, including loans and advances, and a rise in the portfolio of treasury securities which lowers the tax base.

Corporate income tax was PLN 1,395.6m and effectively lower compared to the previous year (the effective tax rate fell from 31.4% for three quarters of 2022 to 26.2% for three quarters of 2023), mainly on account of an increase in profit before tax combined with higher cost of legal risk related to foreign currency mortgage loans, higher tax on financial institutions, lower contributions to the Bank Guarantee Fund and no payments required to be made to the Borrowers Support Fund.

2. Consolidated statement of financial position

Consolidated assets

As at 30 September 2023, the total assets of Santander Bank Polska Group were PLN 278,049.3m, up 5.6% YoY and 7.3% Ytd. The value and structure of the Group's financial position is determined by the parent entity, which held 91.6% of the consolidated total assets vs 91.9% as at the end of December 2022 and 91.4 as at the end of September 2022.



Structure of consolidated assets

Assets in PLN m (for analytical purposes)	Structure		Structure		Structure		Change	Change
	30.09.2023	30.09.2023	31.12.2022	31.12.2022	30.09.2022	30.09.2022		
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers	158,139.7	56.9%	152,508.7	58.8%	153,538.6	58.3%	3.7%	3.0%
Investment securities	69,185.5	24.9%	55,371.1	21.4%	49,158.3	18.7%	24.9%	40.7%
Buy-sell-back transactions and assets pledged as collateral	12,534.9	4.5%	16,142.8	6.2%	22,325.6	8.5%	-22.3%	-43.9%
Cash and balances with central banks	10,214.8	3.7%	10,170.0	3.9%	11,514.3	4.4%	0.4%	-11.3%
Loans and advances to banks	10,149.5	3.6%	9,577.5	3.7%	8,005.5	3.0%	6.0%	26.8%
Financial assets held for trading and hedging derivatives	9,682.4	3.5%	7,432.8	2.9%	10,750.6	4.1%	30.3%	-9.9%
Property, plant and equipment, intangible assets, goodwill and right-of-use assets	3,706.1	1.3%	3,638.4	1.4%	3,526.5	1.4%	1.9%	5.1%
Other assets ¹⁾	4,436.4	1.5%	4,325.9	1.7%	4,575.7	1.6%	2.6%	-3.0%
Total	278,049.3	100.0%	259,167.2	100.0%	263,395.1	100.0%	7.3%	5.6%

1) Other assets include the following items of the full version of financial statements: investments in associates, current tax assets, net deferred tax assets, assets classified as held for sale and other assets.

In the above condensed statement of financial position as at 30 September 2023, net loans and advances to customers were the key item of the consolidated assets (56.9%). They totalled PLN 158,139.7m and increased by 3.7% compared to the end of December 2022 on account of a rise in loans for enterprises and the public sector, lease receivables, and loans and advances to individuals.

Investment securities were the second largest item. They went up by 24.9% over the first nine months of 2023 as a result of the purchase of treasury bonds (allocated to the portfolio of debt financial assets measured at amortised cost) as well as NBP bills (allocated to the portfolio of debt financial assets measured at fair value through other comprehensive income).

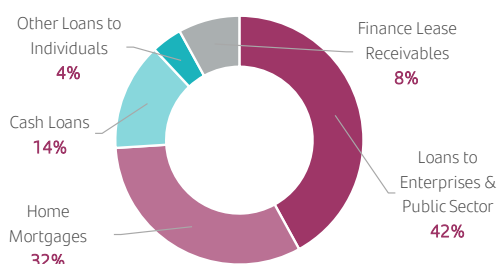
As part of ongoing liquidity management, the level of financial assets held for trading and hedging derivatives increased significantly (+30.3% Ytd), mainly on account of the trading portfolio of treasury bonds and FX derivatives.

At the same time, the Group's activity in the interbank repo market decelerated, as reflected in assets under buy-sell-back transactions and assets pledged as collateral, which declined by 22.3% Ytd.

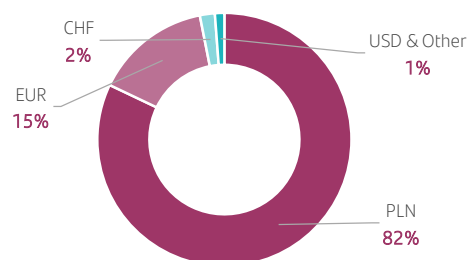
Credit portfolio

	30.09.2023	31.12.2022	30.09.2022	Change	Change
Gross loans and advances to customers in PLN m	1	2	3	1/2	1/3
Loans and advances to individuals	82,386.0	81,483.3	82,781.1	1.1%	-0.5%
Loans and advances to enterprises and the public sector	68,747.7	64,833.2	64,949.5	6.0%	5.8%
Finance lease receivables	13,159.0	11,998.3	11,693.1	9.7%	12.5%
Other	82.7	77.9	87.1	6.2%	-5.1%
Total	164,375.4	158,392.7	159,510.8	3.8%	3.0%

Product structure of consolidated loans and advances to customers as at 30.09.2023



FX structure of consolidated loans and advances to customers as at 30.09.2023

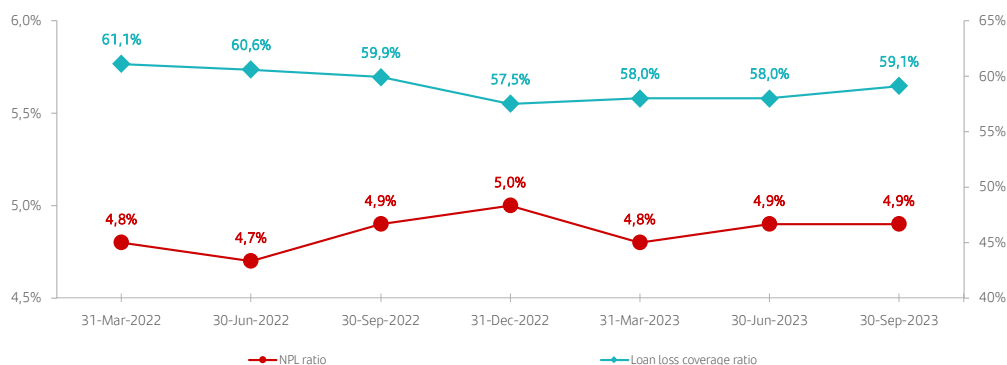


As at 30 September 2023, consolidated gross loans and advances to customers were PLN 164,375.4m and increased by 3.8% vs 31 December 2022. The portfolio includes loans and advances to customers measured at amortised cost of PLN 148,122.0m (+3.2%), loans and advances to customers measured at fair value through other comprehensive income of PLN 3,003.1m (+14.0%), loans and advances to customers measured at fair value through profit or loss of PLN 91.2m (-62.0%), and finance lease receivables of PLN 13,159.0m described below.

The section below presents the Group's credit exposures by key portfolios in terms of customer segments and products:

- Loans and advances to individuals increased by 1.1% to PLN 82,386.0m as at the end of September 2023. Home loans, which were the main contributor to this figure, totalled PLN 52,546.0m and declined by 1.2% as a result of a decrease in the foreign currency mortgage loan portfolio, a slowdown in the mortgage loan market and an increase in an adjustment to gross carrying amount in respect of legal risk connected with foreign currency mortgage loans. The second largest item was cash loans, which totalled PLN 22,525.1m (+7.1%) supported by growth in sales.
- Loans and advances to enterprises and the public sector (including factoring receivables) went up by 6.0% to PLN 68,747.7m supported by an increase in the Group's exposure on account of term loans, including loans for investment purposes in the Corporate and Investment Banking segment.
- Finance lease receivables of the subsidiaries of Santander Bank Polska S.A. rose by 9.7% to PLN 13,159.0m, supported by 19.7% growth in sales of leased assets, particularly in the vehicles segment.

Credit quality ratios by quarter in 2022 and 2023



As at 30 September 2023, the NPL ratio was 4.9% and the provision coverage ratio for impaired loans was 59.1% (vs 4.9% and 59.9% at the end of September 2022 and 5.0% and 57.5% at the end of December 2022).

Structure of consolidated equity and liabilities

Equity and liabilities in PLN m (for analytical purposes)	Structure		Structure		Structure		Change 1/3	Change 1/5
	30.09.2023	30.09.2023	31.12.2022	31.12.2022	30.09.2022	30.09.2022		
	1	2	3	4	5	6		
Deposits from customers	210,038.3	75.5%	196,496.8	75.8%	189,501.0	71.9%	6.9%	10.8%
Subordinated liabilities and debt securities in issue	11,638.0	4.2%	12,137.7	4.7%	14,352.8	5.4%	-4.1%	-18.9%
Financial liabilities held for trading and hedging derivatives	10,005.6	3.6%	9,087.9	3.5%	11,790.1	4.5%	10.1%	-15.1%
Deposits from banks and sell-buy-back transactions	3,881.1	1.4%	6,356.2	2.5%	14,489.0	5.5%	-38.9%	-73.2%
Other liabilities ¹⁾	7,186.6	2.6%	4,973.3	1.9%	4,415.7	1.7%	44.5%	62.8%
Total equity	35,299.7	12.7%	30,115.3	11.6%	28,846.5	11.0%	17.2%	22.4%
Total	278,049.3	100.0%	259,167.2	100.0%	263,395.1	100.0%	7.3%	5.6%

1) Other liabilities include lease liabilities, current tax liabilities, deferred tax liabilities, provisions for financial and guarantee liabilities, other provisions and other liabilities.

As at 30 September 2023, deposits from customers totalled PLN 210,038.3m and were the largest constituent item of the total equity and liabilities (75.5%) disclosed in the consolidated statement of financial position of Santander Bank Polska Group and the main source of funding for the Group's assets. They were up 6.9% Ytd as a result of a steady inflow of funds to term deposits, which further increased their share in the deposit structure at the expense of current account balances.

Financial liabilities held for trading and hedging derivatives grew by 10.1% Ytd, mainly on account of liabilities in respect of short sale.

A decrease was reported in other key categories of consolidated liabilities, notably in deposits from banks and sell-buy-back transactions, which went down by 38.9%, reflecting the Group's decelerated activity in the sell-buy-back market.

Subordinated liabilities and liabilities in respect of debt securities in issue decreased by 4.1% vs 31 December 2022, with the latter item falling by 5.4% to PLN 8,823.9m, as a combined effect of the issue of debt instruments with a total nominal value of PLN 2,810.0m and redemption of PLN 3,236.1m worth of securities on their maturity dates.

During the reporting period, the following issues were made:

- On 15 February 2023, Santander Factoring Sp. z o.o. issued PLN 160m worth of series P bonds with an interest rate of 1M WIBOR plus margin and a maturity date of 15 August 2023. On 16 August 2023, the company issued PLN 300m worth of series Q bonds with an interest rate based on 1M WIBOR and a maturity date of 16 February 2024. Both issues were guaranteed by Santander Bank Polska S.A.
- On 30 March 2023, Santander Bank Polska S.A. issued PLN 1.9bn worth of series 1/2023 senior non-preferred bonds as part of the programme for issuing bonds up to PLN 5bn. The bonds bear an interest rate of 6M WIBOR plus margin of 1.90% on the nominal value of the issue. They will be redeemed on 31 March 2025 subject to the Bank's right to exercise a call option. The instruments were issued for sustainability purposes.

- On 26 May 2023, Santander Consumer Multirent Sp. z o.o. issued a tranche of PLN 50m worth of mid-term (2-year) bonds as part of the debt securities issue programme delivered together with Santander Consumer Bank S.A.
- On 23 June 2023, Santander Leasing S.A. issued PLN 200m worth of 1-year series M bonds with a put option and an interest rate based on 3M WIBOR. On 14 July 2023, the company issued PLN 200m worth of series N bonds of the same type, with a maturity date of 15 July 2024.

The majority of proceeds from the bond issues are earmarked for general corporate purposes of the issuers, except for the issue made by Santander Bank Polska S.A., whose purpose was to raise capital for financing sustainable investments.

Deposit base

Deposits by entities

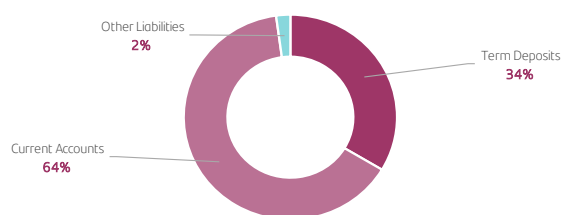
	30.09.2023	31.12.2022	30.09.2022	Change	Change
	1	2	3	1/2	1/3
Deposits from customers in PLN m					
Deposits from individuals	114,442.8	107,927.3	104,601.6	6.0%	9.4%
Deposits from enterprises and the public sector	95,595.5	88,569.5	84,899.4	7.9%	12.6%
Total	210,038.3	196,496.8	189,501.0	6.9%	10.8%

As at 30 September 2023, consolidated deposits from customers totalled PLN 210,038.3m and increased by 6.9% Ytd as an effect of high base comprising funds received by customers under state aid programmes during the pandemic and an inflow of funds since the end of 2022 accumulated by business customers for future investments.

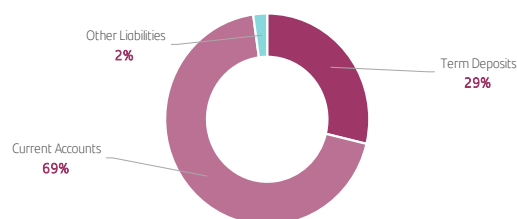
- The retail deposit base totalled PLN 114,442.8m and increased by 6.0% Ytd. Customers preferred term deposits which offered interest rates better adjusted to the high interest rate environment. As a result, their balance increased by 24.1% to PLN 43,222.2m, whereas the total balance of savings and current accounts declined by 2.6% to PLN 70,947.7m due to decreasing balances of savings accounts (-15.8%). Personal customers also invested their liquidity surpluses in investment funds managed by Santander TFI S.A., which reported strong performance and a positive balance of contributions and redemptions during three quarters of 2023.
- Deposits from enterprises and the public sector increased by 7.9% to PLN 95,595.5m as a consequence of a rise of 26.2% in term deposits to PLN 27,262.9m and growth of 1.9% in current account balances to PLN 64,088.9m.

Deposits by tenors

Structure of consolidated customer deposits as at 30.09.2023



Structure of consolidated customer deposits as at 31.12.2022

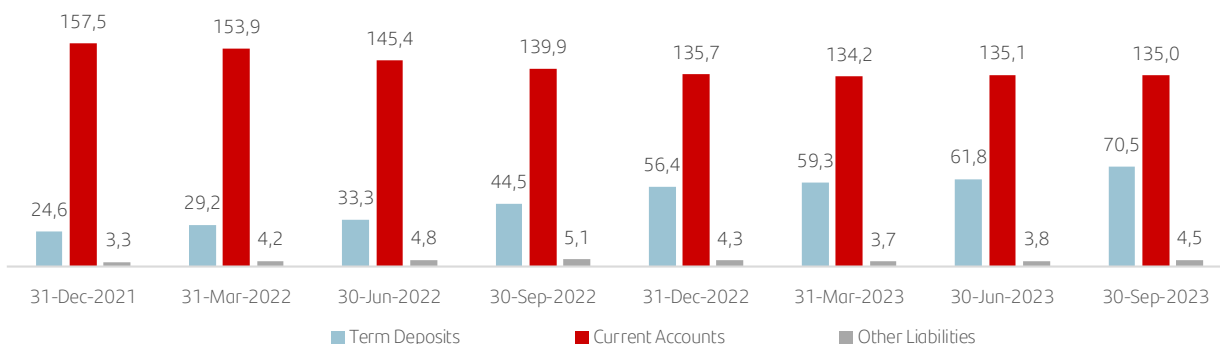


During the first nine months of 2023, the Group's total term deposits from customers increased by 24.9% to PLN 70,485.1m, current account balances fell by 0.5% to PLN 135,036.7m, and other liabilities were PLN 4,516.6m, up 4.1%.

Loans and advances from financial institutions (PLN 1,059.3m vs PLN 1,316.7m as at 31 December 2022) were one of the main components of other liabilities and were disclosed under deposits from enterprises, which included loans granted by international financial organisations (the European Investment Bank/ EIB, the European Bank for Reconstruction and Development/ EBRD and the Council of Europe Development Bank/ CEB) to finance the lending activity of the Bank and its subsidiaries. The Ytd decrease in the above line item is the result of scheduled repayments.

Term deposits and current accounts * at quarter-ends of 2022 and 2023

PLN bn



* Including savings accounts

3. Selected financial ratios of Santander Bank Polska Group

Selected financial ratios of Santander Bank Polska Group

30.09.2023

30.09.2022

	30.09.2023	30.09.2022
Cost/Income	29.6%	41.9%
Net interest income/Total income	81.9%	76.9%
Net interest margin ¹⁾	5.37%	4.10%
Net fee and commission income/Total income	17.0%	22.0%
Net loans and advances to customers/Deposits from customers	75.3%	81.0%
NPL ratio ²⁾	4.9%	4.9%
NPL provision coverage ratio ³⁾	59.1%	59.9%
Cost of credit risk ⁴⁾	0.77%	0.55%
ROE ⁵⁾	19.3%	8.7%
ROTE ⁶⁾	21.0%	9.0%
ROA ⁷⁾	1.8%	0.8%
Total capital ratio ⁸⁾	20.61%	18.93%
Tier 1 capital ratio ⁹⁾	19.14%	17.16%
Book value per share (PLN)	345.43	282.29
Earnings per ordinary share (PLN) ¹⁰⁾	37.68	18.55

- 1) Net interest income annualised on a year-to-date basis (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 the particular 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 lease receivables and loans and advances as at the end of the reporting period.
- 3) Impairment allowances for lease receivables and loans and advances to customers measured at amortised cost and classified to stage 3 and POCI exposures to the gross value of such lease receivables and loans and advances 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 year profit and dividend reserve.
- 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, dividend reserve and 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. The comparative period includes profits allocated to own funds pursuant to applicable EBA guidelines.
- 9) Tier 1 capital ratio calculated as a quotient of Tier 1 capital and risk-weighted assets for credit, market and operational risk. The comparative period includes profits allocated to own funds pursuant to applicable EBA guidelines.
- 10) Profit for the period attributable to the parent's shareholders to the average weighted number of ordinary shares.

4. Factors which may affect the financial results in the next quarter

The following external factors may significantly affect the financial results and the operations of Santander Bank Polska Group in the next quarter:

- War between Russia and Ukraine, impact of sanctions and international trade restrictions. Migration. Potential disruptions in the supply of energy resources. Increased defence expenditure in Poland.
- Possible escalation of the conflict in the Middle East, with a potential impact on prices of crude oil and natural gas and on global risk aversion.
- Possible further changes in the monetary policy of the ECB, the Federal Reserve and other main central banks aimed at combating inflation, including announcements about the periods of increased interest rates.
- Decrease in inflation rate impacting the market pricing of changes to NBP rates and MPC's decisions on interest rates.
- Change in the parliamentary majority and possible change of the government following the elections on 15 October, with potential implications for socio-economic, fiscal and regulatory policies.
- Foreign currency loans: banks' decisions on settlements with customers; further developments in court proceedings.
- Changes in the valuation of credit risk in financial markets, including due to changes in geopolitical risk assessment.
- Changes in bond yields depending, among other factors, on monetary and fiscal policy expectations.
- Changes in credit demand in the context of liquidity, rate increases, the impact of the war and a clear rise in property prices over the last months.
- Changes in households' financial situation under the influence of labour market trends.
- Changes to customers' savings allocation decisions, impacted by expected returns on different asset classes as well as changes to the approach to saving and spending.
- Further developments in global equity markets and their impact on the demand for investment funds and shares.

VI. Risk management

1. Risk management priorities in Q3 2023

Geopolitical situation

Due to the war in Ukraine, the importance of geopolitical risk in risk management processes is still high. The Group identifies this risk both in its operations and in relation to its loan book and financial assets. It is based on the definition and assessment of material risks that may arise due to the geopolitical situation and threaten the delivery of business plans at Santander Bank Polska S.A.

To maintain business continuity, the Group closely monitors external developments and their impact on its operations. The monitoring covers, among other things, the key threats related to the above armed conflict to ensure that the Group appropriately adjusts its controls to potential scenarios and is fully prepared to minimise the impact of emerging risks. Both first and second line of defence units are involved in this process and key information is provided to senior management.

Similarly to H1 2023, in Q3 2023 the Bank regularly monitored its credit portfolio in terms of the impact of geopolitical factors on the performance of borrowers from individual segments. Particularly, the Bank assessed indirect consequences (inflation, high interest rates, changes in consumer behaviours) and direct consequences (sanctions, restriction of operations of business customers in Russia and Belarus) of the geopolitical situation for borrowers. The quality of loans held by Ukrainian citizens was closely monitored too.

Apart from the standard ongoing monitoring, the Bank assessed the impact of the geopolitical factors on individual borrowers through individual reviews, analysis of macroeconomic indicators, monitoring of behavioural models (including transactional patterns), development of management information and portfolio stress tests. The Bank also identified and analysed potential new risks for individual sectors and portfolios connected with the geopolitical situation and developed relevant mitigants.

Solutions for mortgage loan borrowers

Due to rising interest rates, new laws were introduced in 2022 under which banks offered payment holidays and increased access to the Borrowers Support Fund. Both processes, implemented in remote channels last year, remain in the Group's offer in 2023. The use of these aid solutions by customers is still closely monitored.

Cybersecurity

The importance of cybersecurity has been steadily growing because of the increasing digitalisation of the banking sector. The geopolitical situation did not improve in Q3 2023, therefore the risk of targeted attacks made by well-structured, disciplined and sophisticated hacker groups was monitored on an ongoing basis. The risk connected with the consequences of potential attacks was regularly analysed and relevant measures were taken where justified.

Disinformation campaigns aimed to destabilise the financial sector were also subject to close monitoring. The Bank kept taking measures to build awareness among employees and customers, e.g. by issuing security warnings about emerging threats. Particular focus was still placed on the problem of unauthorised transactions and on the security of processes, including the authentication and authorisation of transactions in remote channels. Other priority issue was the risk of DDoS attacks, malware and attacks against customers and employees with the use of social engineering.

Cyber attacks have become more sophisticated and specialised. Particularly popular are attacks based on new technologies offered by cybercriminals under a service model.

The Group is analysing the growing role of artificial intelligence technologies, both in terms of their use by attackers and in terms of their potential as control mechanisms that can facilitate risk and cybersecurity management. A special focus is placed on the proposed European law on artificial intelligence (EU AI Act) and its impact on the organisation.

ESG risks

In Q2 and Q3 2023, the Group completed the first edition of calculation of the financed emissions in line with the PCAF methodology. The purpose is to more precisely analyse the structure of emissions in all sectors and business segments. During the next months, the results will be analysed with external consultants to gain a better analytical and business insight and to benchmark them against peers' results.

The Group analysed in detail the KNF requirements regarding the integration of ESG factors in credit risk assessment and identified areas for further action.

As a new element of the standard analysis of credit risk and borrowers' exposure to environmental risks related to climate change, the portfolio analysis of the physical and transition risk materiality matrix was completed and will be developed going forward.

2. Material risk factors expected in the future

Macroeconomic situation and its impact on the quality of credit portfolios

The probable revival of the Polish economy triggered by consumer demand should positively affect the situation in the corporate sector over time. On the other hand, the zloty appreciation may be a detrimental factor, reducing the profitability of exports. Inflation has fallen but remains elevated, negatively affecting the purchasing power (particularly of those who do not benefit from higher deposit interest rates or returns on equity). As a result, the quality of credit portfolios will be under pressure:

- In the case of individuals, the level of arrears will remain high due to increased interest rates and negative income in real terms.
- Businesses, particularly highly leveraged companies (which account for an insignificant share of the Bank's loan book), may experience liquidity problems.

The quality of the Bank's credit portfolios is still good.

Regulatory challenges

In May 2023, the representatives of the Polish Financial Supervision Authority (KNF) announced that a new long-term financing indicator would be introduced, requiring banks to finance a specific part of the mortgage loan portfolio with long-term liabilities. The target value of the indicator has not been proposed yet. Once introduced, the indicator may cause an increase in the cost of funding for Polish mortgage lenders.

As there are no detailed guidelines or market standards for integration of ESG factors in the customer risk assessment and risk limits, the implementation of any solutions in this respect is very time consuming and involves uncertainty. Similar situation is with the approach to the assessment of transactions in line with the EU Taxonomy and calculation of GAR (Green Asset Ratio), in particular the Bank's responsibility with regard to the DNSH (Do No Significant Harm) and MSS (Minimal Social Safeguards) assessments.

Legal situation of CHF mortgage loans

In view of pending court cases, the legal situation of CHF mortgage loan is still unstable. The Group assesses the risk of lost cases on an ongoing basis. The Group manages the risk of unfavourable court rulings, taking into account an additional open FX position that may arise in the future.

Cyber threats

Cyber risk and risk related to modern digital technology have been the top concerns for many years. This relates both to human behaviour and technological aspects. The following threats will still prevail: the loss or theft of sensitive data, disruption of key services, attacks against customer assets and fraudulent transactions. They result from the dynamic growth of modern IT technologies and digital transformation.

In 2023, the risk of ransomware attacks, DDoS attacks or use of social engineering is not likely to decrease. Supply chain attacks, mobile malware attacks, cyber spying and attacks involving artificial intelligence are expected to be a growing threat to cybersecurity. Other challenges will include supplier risk management, cloud computing and shadow IT.

Due to the geopolitical situation connected with the war in Ukraine, the Group will place a special focus on the risk of targeted attacks made by well-structured, disciplined and sophisticated hacker groups.

The Group will continue to build, test and improve digital operational resilience ensuring the continuity and high quality of services in accordance with the Digital Operational Resilience Act (DORA).

VII. Other information

Bank's shares held by Supervisory and Management Board members

As at the release dates of the financial reports for the periods ended 30 September 2023, 30 June 2023 and 31 December 2022, no member of the Supervisory Board held any shares of Santander Bank Polska S.A.

The table below shows shares of Santander Bank Polska S.A. held by Management Board members as at the release dates of the above-mentioned reports and shares awarded to them as part of Incentive Plan VII.

The latter shares are deferred and will be transferred to individual brokerage accounts of Management Board members in 2024–2029.

Management Board members as at the release date of the report for Q3 2023	Number of shares of Santander Bank Polska S.A.					
	25.10.2023		26.07.2023		22.02.2023	
	Shares held	Shares awarded as part of the incentive plan ¹⁾	Shares held	Shares awarded as part of the incentive plan ¹⁾	Shares held	
Michał Gajewski	4,795	9,519	4,795	9,519	4,795	
Andrzej Burliga	1,884	2,539	1,884	2,539	1,884	
Lech Gałkowski ²⁾	-	2,956	-	2,956	951	
María Elena Lanciego Pérez ³⁾	-	-	-	-	-	
Patryk Nowakowski	-	2,484	-	2,484	-	
Juan de Porras Aguirre	3,379	3,627	3,379	3,627	3,379	
Magdalena Proga-Stępień ⁴⁾	-	-	-	-	-	
Arkadiusz Przybył ²⁾	-	2,956	-	2,956	2,999	
Maciej Reluga	2,301	2,484	2,301	2,484	2,301	
Dorota Strojowska	2,732	2,484	2,732	2,484	2,732	
Total	15,091	29,049	15,091	29,049	19,041	

1) Shares awarded to members of the Management Board of Santander Bank Polska S.A. as part of Incentive Plan VII which are deferred and will be transferred to their individual brokerage accounts in 2024–2029.

2) Lech Gałkowski and Arkadiusz Przybył sold all of their shares of Santander Bank Polska S.A. on 6 March 2023 and 9 March 2023 respectively.

3) María Elena Lanciego Pérez took up her role as a Management Board member on 1 January 2023.

4) Magdalena Proga-Stępień took up her role as a Management Board member on 4 April 2023. As a key executive, she was awarded 1,310 shares under Incentive Plan VII for 2022. The shares are deferred and will be transferred in 2024–2029.

Selected agreements

Agreement with the International Finance Corporation

On 22 September 2023, the Bank signed an Upsize Agreement with the International Finance Corporation (IFC) as a continuation of the Guarantee Agreement of 31 March 2022. The Upsize Agreement allows the Bank to increase the volume of the securitised cash loan portfolio to PLN 2.9bn and release an additional capital of approx. PLN 200m. The capital will be used to finance further ESG activities of both Santander Bank Polska S.A. and the World Bank Group (of which the IFC is a member). The Bank will grant PLN 100m worth of retail and SME loans to Ukrainian customers who live and work in Poland. It is the first initiative of this kind in Poland.

Securitisation

In September 2023, Santander Leasing S.A. securitised a portfolio of loans and leasing facilities totalling EUR 514m. As part of that synthetic securitisation, the company entered into a guarantee agreement with the European Bank for Reconstruction and Development (EBRD) to secure the selected portfolio of the above-mentioned facilities. The transaction is set to expire on 28 February 2032. The securitised portfolio is divided into three tranches: senior (88%), mezzanine (10.7%) and junior (1.3%). The mezzanine tranche is fully guaranteed by the EBRD. The first loss (junior) tranche and senior tranche are retained by Santander Leasing S.A. The transaction provides for a 12-month replenishment period.

The synthetic securitisation structure set up under the guarantee agreement does not generate any additional exposure to risks typical of traditional securitisation transactions (such as liquidity risk inherent in securitised assets). The transaction meets the STS (Simple, Transparent and Standardised) securitisation criteria specified in the CRR.

Condensed Interim Consolidated Financial Statements

of Santander Bank Polska Group
for the 9-month period ended
30 September 2023



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43. Dividend per share	70
44. Events which occurred subsequently to the end of the reporting period	70

I. Condensed consolidated income statement

	for the period:	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Interest income and similar to interest		4 804 931	13 689 682	2 589 494	8 491 047
Interest income on financial assets measured at amortised cost		3 937 672	11 211 016	1 853 098	6 524 349
Interest income on financial assets measured at fair value through other comprehensive income		612 170	1 723 330	515 658	1 443 583
Income similar to interest on financial assets measured at fair value through profit or loss		13 195	67 942	26 710	61 399
Income similar to interest on finance leases		241 894	687 394	194 028	461 716
Interest expense		(1 409 378)	(4 001 659)	(948 791)	(1 671 550)
Net interest income	Note 4	3 395 553	9 688 023	1 640 703	6 819 497
Fee and commission income		817 603	2 453 154	805 788	2 382 314
Fee and commission expense		(150 663)	(446 250)	(139 986)	(435 084)
Net fee and commission income	Note 5	666 940	2 006 904	665 802	1 947 230
Dividend income		1 476	11 418	1 343	10 262
Net trading income and revaluation	Note 6	141 659	285 543	35 423	65 654
Gains (losses) from other financial securities	Note 7	(5 518)	(883)	(8 284)	(41 480)
Gain/loss on derecognition of financial instruments measured at amortised cost	Note 29	(32 953)	(296 296)	(43 768)	(82 679)
Other operating income	Note 8	54 928	128 001	62 342	148 311
Impairment allowances for expected credit losses	Note 9	(303 902)	(894 134)	(341 288)	(570 821)
Cost of legal risk associated with foreign currency mortgage loans	Note 29	(430 171)	(1 579 650)	(122 903)	(1 070 282)
Operating expenses incl.:		(1 188 242)	(3 501 611)	(1 179 317)	(3 711 409)
-Staff, operating expenses and management costs	Note 10,11	(939 070)	(2 917 507)	(989 148)	(3 178 426)
-Amortisation of property, plant and equipment and Intangible assets		(104 609)	(304 016)	(92 219)	(279 347)
-Amortisation of right of use asset		(39 314)	(115 683)	(37 632)	(114 195)
-Other operating expenses	Note 12	(105 249)	(164 405)	(60 318)	(139 441)
Share in net profits (loss) of entities accounted for by the equity method		24 587	76 779	23 959	60 009
Tax on financial institutions		(199 932)	(587 461)	(202 781)	(570 367)
Profit before tax		2 124 425	5 336 633	531 231	3 003 925
Corporate income tax	Note 13	(546 900)	(1 395 647)	(209 505)	(941 934)
Consolidated net profit for the period		1 577 525	3 940 986	321 726	2 061 991
of which:					
-attributable to owners of the parent entity		1 528 770	3 850 986	279 383	1 895 773
-attributable to non-controlling interests		48 755	90 000	42 343	166 218
Net earnings per share					
Basic earnings per share (PLN/share)		14,96	37,68	2,73	18,55
Diluted earnings per share (PLN/share)		14,96	37,68	2,73	18,55

Notes presented on pages 17-70 constitute an integral part of this Financial Statements

II. Condensed consolidated statement of comprehensive income

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
for the period:				
Consolidated net profit for the period	1 577 525	3 940 986	321 726	2 061 991
Items that will be reclassified subsequently to profit or loss:	277 268	1 109 298	51 125	(66 831)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	111 289	678 255	126 537	297 958
Deferred tax	(21 145)	(128 868)	(24 042)	(56 612)
Revaluation of cash flow hedging instruments gross	230 044	689 990	(63 419)	(380 465)
Deferred tax	(42 920)	(130 079)	12 049	72 288
Items that will not be reclassified subsequently to profit or loss:	(1 203)	18 118	7 789	3 050
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	2 484	24 913	44	(5 806)
Deferred and current tax	(472)	(4 734)	(8)	1 103
Provision for retirement benefits – actuarial gains/losses gross	(3 969)	(2 544)	9 571	9 571
Deferred tax	754	483	(1 818)	(1 818)
Total other comprehensive income, net	276 065	1 127 416	58 914	(63 781)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 853 590	5 068 402	380 640	1 998 210
Total comprehensive income attributable to:				
- owners of the parent entity	1 784 854	4 927 681	332 290	1 863 809
- non-controlling interests	68 736	140 721	48 350	134 401

III. Condensed consolidated statement of financial position

	as at:	30.09.2023	31.12.2022
ASSETS			
Cash and balances with central banks	Note 14	10 214 806	10 170 022
Loans and advances to banks	Note 15	10 149 496	9 577 499
Financial assets held for trading	Note 16	8 503 745	6 883 616
Hedging derivatives		1 178 694	549 177
Loans and advances to customers incl.:	Note 17	158 139 731	152 508 692
- measured at amortised cost		142 214 984	137 888 696
- measured at fair value through other comprehensive income		2 970 656	2 628 660
- measured at fair value through profit and loss		91 203	239 694
- from finance leases		12 862 888	11 751 642
Reverse sale and repurchase agreements		12 442 068	13 824 606
Investment securities incl.:	Note 18	69 185 505	55 371 137
- debt securities measured at fair value through other comprehensive income		44 543 297	39 539 535
- debt securities measured at fair value through profit and loss		1 969	64 707
- debt investment securities measured at amortised cost		24 405 298	15 499 348
- equity securities measured at fair value through other comprehensive income		229 212	204 299
- equity securities measured at fair value through profit and loss		5 729	63 248
Assets pledged as collateral		92 812	2 318 219
Investments in associates	Note 19	941 025	921 495
Intangible assets		776 915	740 756
Goodwill		1 712 056	1 712 056
Property, plant and equipment		718 240	688 262
Right of use assets		498 896	497 352
Deferred tax assets		1 759 955	2 098 733
Fixed assets classified as held for sale		4 820	5 973
Other assets		1 730 575	1 299 620
Total assets		278 049 339	259 167 215

	as at:	30.09.2023	31.12.2022
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	3 788 309	4 031 252
Hedging derivatives		1 356 392	1 979 089
Financial liabilities held for trading	Note 16	8 649 197	7 108 826
Deposits from customers	Note 21	210 038 315	196 496 806
Sale and repurchase agreements		92 843	2 324 926
Subordinated liabilities	Note 22	2 814 131	2 807 013
Debt securities in issue	Note 23	8 823 853	9 330 648
Lease liabilities		390 207	419 965
Current income tax liabilities		897 628	80 751
Deferred tax liability		406	281
Provisions for financial liabilities and guarantees granted	Note 24	75 929	61 869
Other provisions	Note 25	813 616	627 311
Other liabilities	Note 26	5 008 768	3 783 140
Total liabilities		242 749 594	229 051 877
Equity			
Equity attributable to owners of the parent entity		33 382 480	28 318 083
Share capital		1 021 893	1 021 893
Other reserve capital		27 418 891	23 858 400
Revaluation reserve		(38 211)	(1 131 335)
Retained earnings		1 128 921	1 770 027
Profit for the period		3 850 986	2 799 098
Non-controlling interests in equity		1 917 265	1 797 255
Total equity		35 299 745	30 115 338
Total liabilities and equity		278 049 339	259 167 215

IV. Condensed consolidated statement of changes in equity

Equity attributable to owners of parent entity								
Consolidated statement of changes in equity 1.01.2023 - 30.09.2023	Share capital	Own shares	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	-	23 858 400	(1 131 335)	4 569 125	28 318 083	1 797 255	30 115 338
Total comprehensive income	-	-	-	1 076 695	3 850 986	4 927 681	140 721	5 068 402
Consolidated profit for the period	-	-	-	-	3 850 986	3 850 986	90 000	3 940 986
Other comprehensive income	-	-	-	1 076 695	-	1 076 695	50 721	1 127 416
Inclusion of share based incentive scheme	-	-	169 200	-	-	169 200	-	169 200
Purchase of own shares	-	(48 884)	-	-	-	(48 884)	-	(48 884)
Settlement of the purchase of own shares under share based incentive scheme	-	48 884	(48 249)	-	-	635	-	635
Profit allocation to other reserve capital	-	-	3 440 191	-	(3 440 191)	-	-	-
Profit allocation to dividends	-	-	-	-	-	-	(37 861)	(37 861)
Other changes	-	-	(651)	16 429	(13)	15 765	17 150	32 915
As at the end of the period	1 021 893	-	27 418 891	(38 211)	4 979 907	33 382 480	1 917 265	35 299 745

Details regarding the share based incentive scheme are described in note 42.

As at the end of the period revaluation reserve in the amount of PLN (38,211) k comprises: change in revaluation of debt securities in the amount of PLN (451,427) k, revaluation of equity securities in the amount of PLN 163,482 k, revaluation of cash flow hedge activities in the amount of PLN 239,066 k and accumulated actuarial gains - provision for retirement allowances of PLN 10,668 k.

Equity attributable to owners of parent entity								
Consolidated statement of changes in equity 1.01.2022 - 30.09.2022	Share capital	Own shares	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	-	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: change in 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.

V. Condensed consolidated statement of cash flows

	for the period:	1.01.2023- 30.09.2023	1.01.2022- 30.09.2022
Cash flows from operating activities			
Profit before tax		5 336 633	3 003 925
Adjustments for:			
Share in net profits of entities accounted for by the equity method		(76 779)	(60 009)
Depreciation/amortisation		419 699	393 542
Net gains on investing activities		(7 750)	12 206
Interest accrued excluded from operating activities		(1 329 506)	(1 077 221)
Dividends		(87 670)	(86 094)
Impairment losses (reversal)		3 976	4 546
Changes in:			
Provisions		200 365	123 294
Financial assets / liabilities held for trading		(124 162)	(404 016)
Assets pledged as collateral		(114 731)	377 710
Hedging derivatives		(645 813)	(12 338)
Loans and advances to banks		748 369	(420 839)
Loans and advances to customers		(16 163 104)	(13 213 867)
Deposits from banks		358 677	2 165 590
Deposits from customers		17 380 814	5 260 328
Buy-sell/ Sell-buy-back transactions		(2 696 653)	7 455 819
Other assets and liabilities		1 182 439	179 165
Interest received on operating activities		11 141 396	6 455 487
Interest paid on operating activities		(3 983 450)	(1 491 398)
Paid income tax		(507 367)	(615 703)
Net cash flows from operating activities		11 035 383	8 050 127
Cash flows from investing activities			
Inflows		11 291 913	13 067 105
Sale/maturity of investment securities		9 517 542	12 201 787
Sale of intangible assets and property, plant and equipment		25 081	35 300
Dividends received		87 670	86 094
Interest received		1 661 620	743 924
Outflows		(13 435 942)	(3 666 956)
Purchase of investment securities		(13 079 640)	(3 468 090)
Purchase of intangible assets and property, plant and equipment		(356 302)	(198 866)
Net cash flows from investing activities		(2 144 029)	9 400 149
Cash flows from financing activities			
Inflows		5 334 109	8 839 623
Debt securities in issue		2 810 000	3 861 350
Drawing of loans		2 524 109	4 978 273
Outflows		(7 360 738)	(11 487 198)
Debt securities buy out		(3 236 050)	(5 636 619)
Repayment of loans and advances		(3 306 005)	(5 060 931)
Repayment of lease liabilities		(127 364)	(129 738)
Dividends to shareholders		(37 861)	(350 125)
Purchase of own shares		(48 884)	-
Interest paid		(604 574)	(309 785)
Net cash flows from financing activities		(2 026 629)	(2 647 575)
Total net cash flows		6 864 725	14 802 701
Cash and cash equivalents at the beginning of the accounting period		34 493 039	18 346 368
Cash and cash equivalents at the end of the accounting period		41 357 764	33 149 069

Notes presented on pages 17-70 constitute an integral part of this Financial Statements

VI. Condensed income statement

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
	for the period:			
Interest income and similar to income	4 075 247	11 605 136	1 962 975	6 828 557
Interest income on financial assets measured at amortised cost	3 493 021	9 967 232	1 480 253	5 435 143
Interest income on financial assets measured at fair value through other comprehensive income	573 838	1 585 470	461 876	1 346 447
Income similar to interest on financial assets measured at fair value through profit or loss	8 388	52 434	20 846	46 967
Interest expense	(1 108 736)	(3 142 855)	(721 523)	(1 207 522)
Net interest income	2 966 511	8 462 281	1 241 452	5 621 035
Fee and commission income	696 916	2 098 850	692 845	2 032 407
Fee and commission expense	(110 103)	(316 381)	(96 423)	(293 141)
Net fee and commission income	586 813	1 782 469	596 422	1 739 266
Dividend income	1 171	241 549	1 077	171 864
Net trading income and revaluation	139 897	280 701	35 235	54 069
Gains (losses) from other financial securities	(5 862)	(4 941)	(7 399)	(40 404)
Gain/loss on derecognition of financial instruments measured at amortised cost	(32 412)	(293 977)	(43 768)	(82 679)
Other operating income	28 115	56 283	18 385	45 391
Impairment losses on loans and advances	(216 290)	(662 541)	(228 279)	(464 183)
Cost of legal risk associated with foreign currency mortgage loans	(396 722)	(1 304 345)	(124 759)	(923 165)
Operating expenses incl.:	(992 104)	(2 919 399)	(960 093)	(3 119 779)
-Staff, operating expenses and management costs	(785 838)	(2 447 193)	(824 284)	(2 728 413)
-Amortisation of property, plant and equipment and Intangible assets	(88 333)	(258 258)	(80 049)	(243 570)
-Amortisation of right of use asset	(32 112)	(94 492)	(31 140)	(94 415)
-Other operating expenses	(85 821)	(119 456)	(24 620)	(53 381)
Tax on financial institutions	(191 855)	(564 904)	(195 611)	(548 648)
Profit before tax	1 887 262	5 073 176	332 662	2 452 767
Corporate income tax	(479 708)	(1 292 252)	(158 855)	(802 750)
Net profit for the period	1 407 554	3 780 924	173 807	1 650 017
Net earnings per share				
Basic earnings per share (PLN/share)	13,77	37,00	1,70	16,15
Diluted earnings per share (PLN/share)	13,77	37,00	1,70	16,15

VII. Condensed statement of comprehensive income

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
	for the period:			
Net profit for the period	1 407 554	3 780 924	173 807	1 650 017
Items that will be reclassified subsequently to profit or loss:	227 311	983 630	37 440	14 046
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	58 329	546 037	114 789	393 067
Deferred tax	(11 083)	(103 747)	(21 810)	(74 683)
Revaluation of cash flow hedging instruments gross	222 302	668 321	(68 567)	(375 726)
Deferred tax	(42 237)	(126 981)	13 028	71 388
Items that will not be reclassified subsequently to profit or loss:	(1 734)	16 433	6 455	(8 272)
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	1 828	24 257	44	(18 137)
Deferred and current tax	(347)	(4 609)	(8)	3 446
Provision for retirement benefits – actuarial gains/losses gross	(3 969)	(3 969)	7 925	7 925
Deferred tax	754	754	(1 506)	(1 506)
Total other comprehensive income, net	225 577	1 000 063	43 895	5 774
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 633 131	4 780 987	217 702	1 655 791

VIII. Condensed statement of financial position

	as at:	30.09.2023	31.12.2022
ASSETS			
Cash and balances with central banks		10 055 676	10 135 099
Loans and advances to banks		10 163 692	9 709 800
Financial assets held for trading		8 504 385	6 879 751
Hedging derivatives		1 168 436	537 924
Loans and advances to customers incl.:		139 369 030	134 842 828
- measured at amortised cost		136 384 182	132 062 037
- measured at fair value through other comprehensive income		2 970 656	2 628 660
- measured at fair value through profit and loss		14 192	152 131
Reverse sale and repurchase agreements		12 442 068	13 824 606
Investment securities incl.:		65 102 768	52 123 963
- debt securities measured at fair value through other comprehensive income		41 649 975	36 303 503
- debt securities measured at fair value through profit and loss		-	62 907
- debt investment securities measured at amortised cost		23 228 366	15 499 348
- equity securities measured at fair value through other comprehensive income		224 427	200 170
- equity securities measured at fair value through profit and loss		-	58 035
Assets pledged as collateral		92 812	2 157 372
Investments in subsidiaries and associates		2 377 407	2 377 407
Intangible assets		629 391	625 519
Goodwill		1 688 516	1 688 516
Property, plant and equipment		460 356	497 686
Right of use asset		445 839	437 342
Deferred tax assets		966 621	1 331 258
Fixed assets classified as held for sale		4 308	4 308
Other assets		1 286 288	924 662
Total assets		254 757 593	238 098 041
LIABILITIES AND EQUITY			
Deposits from banks		2 558 775	2 245 128
Hedging derivatives		1 281 137	1 872 039
Financial liabilities held for trading		8 652 974	7 117 867
Deposits from customers		196 815 498	185 655 260
Sale and repurchase agreements		92 843	2 158 520
Subordinated liabilities		2 710 887	2 705 885
Debt securities in issue		5 383 767	5 899 300
Lease liabilities		496 951	516 881
Current income tax liabilities		842 247	85 412
Provisions for financial liabilities and guarantees granted		89 034	74 012
Other provisions		621 183	463 657
Other liabilities		4 015 750	3 008 820
Total liabilities		223 561 046	211 802 781
Equity			
Share capital		1 021 893	1 021 893
Other reserve capital		25 715 738	22 305 509
Revaluation reserve		(18 252)	(1 018 315)
Retained earnings		696 244	1 537 130
Profit for the period		3 780 924	2 449 043
Total equity		31 196 547	26 295 260
Total liabilities and equity		254 757 593	238 098 041

Notes presented on pages 17-70 constitute an integral part of this Financial Statements

IX. Condensed statement of changes in equity

Statement of changes in equity 1.01.2023 - 30.09.2023	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	1 021 893	-	22 305 509	(1 018 315)	3 986 173	26 295 260
Total comprehensive income	-	-	-	1 000 063	3 780 924	4 780 987
<i>Profit for the period</i>	-	-	-	-	3 780 924	3 780 924
<i>Other comprehensive income</i>	-	-	-	1 000 063	-	1 000 063
Inclusion of share based incentive scheme	-	-	169 200	-	-	169 200
Purchase of own shares	-	(48 884)	-	-	-	(48 884)
Settlement of the purchase of own shares under share based incentive scheme	-	48 884	(48 249)	-	-	635
Profit allocation to other reserve capital	-	-	3 289 929	-	(3 289 929)	-
Other changes	-	-	(651)	-	-	(651)
As at the end of the period	1 021 893	-	25 715 738	(18 252)	4 477 168	31 196 547

Details regarding the share based incentive scheme are described in note 42.

As at the end of the period revaluation reserve in the amount of PLN (18,252) k comprises: change in revaluation of debt securities in the amount of PLN (423,553) k, revaluation of equity securities in the amount of PLN 161,055 k, revaluation of cash flow hedge activities in the amount of PLN 235,706 k and accumulated actuarial gains - provision for retirement allowances of PLN 8,540 k.

Statement of changes in equity 1.01.2022 - 30.09.2022	Share capital	Own shares	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
<i>Profit for the period</i>	-	-	-	-	1 650 017	1 650 017
<i>Other comprehensive income</i>	-	-	-	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: change in 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.

X. Condensed statement of cash flows

	for the period	1.01.2023- 30.09.2023	1.01.2022- 30.09.2022
Cash flows from operating activities			
Profit before tax		5 073 176	2 452 767
Adjustments for:			
Depreciation/amortisation		352 750	337 985
Net gains on investing activities		(1 457)	8 306
Interest accrued excluded from operating activities		(1 494 333)	(1 256 396)
Dividends		(240 268)	(170 936)
Impairment losses (reversal)		3 966	6 902
Changes in:			
Provisions		172 548	113 241
Financial assets / liabilities held for trading		(133 931)	(396 412)
Assets pledged as collateral		(91 849)	21 462
Hedging derivatives		(589 266)	(72 233)
Loans and advances to banks		759 518	(415 584)
Loans and advances to customers		(13 241 552)	(15 302 062)
Deposits from banks		382 798	2 051 629
Deposits from customers		14 187 714	4 472 506
Buy-sell/ Sell-buy-back transactions		(2 530 677)	7 766 085
Other assets and liabilities		994 848	236 182
Interest received on operating activities		9 284 412	4 970 336
Interests paid on operating activities		(3 390 005)	(1 264 397)
Paid income tax		(405 362)	(493 634)
Net cash flows from operating activities		9 093 030	3 065 747
Cash flows from investing activities			
Inflows		9 781 201	12 390 448
Sale/maturity of investment securities		8 039 655	11 562 865
Sale of intangible assets and property, plant and equipment		11 920	22 432
Dividends received		160 268	170 936
Interest received		1 569 358	634 215
Outflows		(11 362 570)	(2 292 993)
Purchase of investment securities		(11 130 698)	(2 151 650)
Purchase of intangible assets and property, plant and equipment		(231 872)	(141 343)
Net cash flows from investing activities		(1 581 369)	10 097 455
Cash flows from financing activities			
Inflows		1 900 000	2 325 350
Debt securities in issue		1 900 000	2 325 350
Outflows		(2 792 386)	(510 291)
Debt securities buy out		(2 340 050)	-
Repayment of loans and advances		(24 901)	(48 855)
Repayment of lease liabilities		(115 675)	(112 766)
Dividends to shareholders		-	(273 867)
Purchase of own shares		(48 884)	-
Interest paid		(262 876)	(74 803)
Net cash flows from financing activities		(892 386)	1 815 059
Total net cash flows		6 619 275	14 978 261
Cash and cash equivalents at the beginning of the accounting period		34 490 824	18 029 977
Cash and cash equivalents at the end of the accounting period		41 110 099	33 008 238

Notes presented on pages 17-70 constitute an integral part of this Financial Statements

XI. Additional notes to condensed interim consolidated financial statements

1. General information about issuer

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

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 9-month period ended 30 September 2023 includes Bank's financial information as well as information of its subsidiaries (forming together the "Group").

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

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

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

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

Subsidiaries	Registered office	[%] of votes on AGM at 30.09.2023	[%] of votes on AGM at 31.12.2022
1. Santander Finanse sp. z o.o.	Poznań	100%	100%
2. Santander Factoring sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3. Santander Leasing S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4. Santander Inwestycje sp. z o.o.	Warszawa	100%	100%
5. Santander F24 S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
6. Santander Towarzystwo Funduszy Inwestycyjnych S.A. ¹⁾	Poznań	50%	50%
7. Santander Consumer Bank S.A.	Wrocław	60%	60%
8. Santander Consumer Finanse sp. z o.o. ²⁾	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
9. Stellantis Financial Services Polska Sp. z o.o. ³⁾	Warszawa	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Stellantis Financial Services S.A.	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Stellantis Financial Services S.A.
10. Stellantis Consumer Financial Services Polska Sp. z o.o. ³⁾	Warszawa	100% of AGM votes are held by Stellantis Financial Services Polska Sp. z o.o.	100% of AGM votes are held by Stellantis Financial Services Polska Sp. z o.o.
11. Santander Consumer Multirent sp. z o.o.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
12. SCM POLAND AUTO 2019-1 DAC ⁴⁾	Dublin	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
13. Santander Consumer Financial Solutions Sp. z o.o. ⁵⁾	Wrocław	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
14. S.C. Poland Consumer 23-1 DAC. ⁶⁾	Dublin	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

1. The owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of global Santander Group and hold an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska S.A. exercises control over Santander TFI S.A. within the meaning of the International Financial Reporting Standards (IFRS) because it has a real impact on the company's operations and financial performance as its main business partner and distributor of investment products.

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

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

On 3 April 2023, PSA Finance Polska Sp. z o.o. was renamed Stellantis Financial Services Polska Sp. z o.o., while PSA Consumer Finance Polska Sp. z o.o. operates under the name Stellantis Consumer Financial Services Polska Sp. z o.o.

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

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

6. On 17 June 2022, SC Poland 23-1 Designated Activity Company with its registered office in Dublin was incorporated under Irish law. It is a special purpose vehicle established to securitise the retail loan portfolio. The company is controlled by Santander Consumer Bank S.A. and its shareholder is a legal person that is not connected with the Group.

Associates:

Associates	Registered office	[%] of votes on AGM at 30.09.2023	[%] of votes on AGM at 31.12.2022
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2. Santander - Allianz Towarzystwo Ubezpieczeń S.A.	Warszawa	49%	49%
3. Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	Warszawa	49%	49%

2. Basis of preparation of condensed interim consolidated financial statements**2.1. Statement of compliance**

These condensed interim consolidated financial statements of Santander Bank Polska S.A. Group were prepared in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union.

The accounting principles were applied uniformly by individual units of the Santander Bank Polska S.A. Group. Santander Bank Polska S.A. Group applied the same accounting principles and calculation methods as in the preparation of the consolidated financial statements for the year ended as at 31 December 2022, except for the income tax charge, which was calculated in accordance with the principles set out in IAS34.30c and changes in accounting standards p. 2.4.

2.2. Basis of preparation of financial statements

Presented consolidated condensed interim financial statement does not contain information and disclosures required in annual financial statement and should be read together with consolidated financial statements as at 31 December 2022.

These consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concern in the foreseeable future, i.e. for a period of at least 12 months from the date on which these financial statements were prepared.

In its assessment, the Management Board considered, inter alia, the impact of current situation in Ukraine and has determined that it does not create material uncertainty about the Group's ability to continue as a going concern.

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

These condensed interim consolidated financial statements of Santander Bank Polska S.A. Group have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting" adopted by the European Union. Santander Bank Polska S.A. Group prepared consolidated financial statements in accordance with following valuation rules:

Item	Balance sheet valuation rules
Held-for-trading financial instruments	Fair value through profit or loss
Loans and advances to customers which meet the contractual cash flows test	Amortized cost
Loans and advances to customers which do not meet the contractual cash flows test	Fair value through profit or loss
Financial instruments measured at fair value through other comprehensive income	Fair value through other comprehensive income
Share-based payment transactions	According to IFRS 2 "Share-based payment" requirements
Equity investment financial assets	Fair value through other comprehensive income – an option
Equity financial assets-trading	Fair value through profit or loss
Debt securities measured at fair value through profit or loss	Fair value through profit or loss
Non-current assets	The purchase price or production cost reduced by total depreciation charges and total impairment losses
Right of use assets (IFRS 16)	Initial measurement reduced by total depreciation charges and total impairment losses
Non-current assets held for sale and groups of non-current assets designated as held for sale	Are recognised at the lower of their carrying amount and their fair value less costs of disposal.

2.3. New standards and interpretations or changes to existing standards or interpretations which can be applicable to Santander Bank Polska S.A. Group and are not yet effective and have not been early adopted

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Amendments to IAS 1	The amendments affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current.	1 January 2024	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IFRS 16	Change in the calculation of the lease liability in sale and leaseback transactions.	1 January 2024	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 7/ IFRS 7: Supplier Finance Agreements	Amendments require an entity to disclose qualitative and quantitative information about its supplier finance programs, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.	1 January 2024	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 21: Lack of Exchangeability	Amendments require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.	1 January 2025	The amendment will not have a significant impact on consolidated financial statements.*

*New standards and amendments to the existing standards issued by the IASB, but not yet adopted by EU.

2.4 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2023

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
IFRS 17 Insurance Contracts	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts have on the financial position, financial performance and cash flows of the entity. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: aggregation levels at which the calculations are made, methods for the valuation of insurance liabilities, recognition a profit or loss over the period, reinsurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2023	The Group considered the impact of the standard on the valuation of investments in associates and performance guarantee. The Group assesses this impact on the consolidated financial statements as insignificant.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments to IAS 8 include definition of accounting estimates, which should help to distinguish between accounting policies and accounting estimates.	1 January 2023	The amendment does not have a significant impact on consolidated financial statements.
Amendments to IAS 12	Amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023	The amendment does not have a significant impact on consolidated financial statements.
Amendments to IAS 1	The amendment concern accounting policy disclosures with regard to the scope of such disclosures.	1 January 2023	The amendment does not have a significant impact on consolidated financial statements.

2.5 Use of estimates

Preparation of financial statement in accordance with the IFRS requires the management to make subjective judgements and assumptions, which affects the applied accounting principles as well as presented assets, liabilities, revenues and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

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

Key estimates include:

- Allowances for expected credit losses
- Estimates for legal claims
- Estimates for legal risk arising from mortgage loans in foreign currencies
- Estimates of the impact of payment deferrals under the Crowdfunding Act for business and support to borrowers

Allowances for expected credit losses in respect of financial assets

The IFRS 9 approach is based on estimation of the expected credit loss (ECL). ECL allowances reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at an amount equal to a 12-month ECL or the lifetime ECL, when it is deemed there has been a significant increase in credit risk since initial recognition (Stage 2) or impairment (Stage 3). Accordingly, the ECL model gives rise to measurement uncertainty, especially in relation to:

- measurement of a 12-month ECL or the lifetime ECL;
- determination of whether/when a significant increase in credit risk occurred;
- determination of any forward-looking information reflected in ECL estimation, and their likelihood.

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

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

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

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

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

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

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

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

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

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

A credit-impaired assets

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

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

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

- In the case of individual customers, the probation period is 180 days.
- In the case of SME customers, the probation period is 180 days, and assessment of the customer's financial standing and repayment capacity is required in some cases. However, the exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, client's death, discontinuation of business, bankruptcy, or pending restructuring/ liquidation proceedings.
- In the case of business and corporate customers, the probation period is 92 days, and positive assessment of the financial standing is required (the Group assesses all remaining payments as likely to be repaid as scheduled in the agreement). The exposure cannot

be reclassified to Stage 1 or 2 in the case of fraud, discontinuation of business, or pending restructuring/ insolvency/ liquidation proceedings.

- Additionally, if the customer is in Stage 3 and subject to the forbearance process (incl. so-called Shield 4.0 moratoria), they may be reclassified to Stage 2 not earlier than after 365 days (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) of regular payments, repayment by the client of the amount previously overdue / written off (if any) and after finding that there are no concerns as to the further repayment of the entire debt in accordance with the agreed terms of restructuring.

A significant increases in credit risk

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

- Qualitative assumptions:
 - Implementing dedicated monitoring strategies for the customer following the identification of early warning signals that indicate a significant increase in credit risk
 - Restructuring actions connected with making concessions to the customers as a result of their difficult financial standing
 - Delay in payment as defined by the applicable standard, i.e. 30 days past due combined with the materiality threshold
- Quantitative assumptions:
 - A risk buffer method based on the comparison of curves illustrating the probability of default over the currently remaining lifetime of the exposure based on the risk level assessment at exposure recognition and at reporting date. Risk buffer is set in relative terms for every single exposure based on its risk assessment resulting from internal models and other parameters of exposure impacting assessment of the Group whether the increase might have significantly increased since initial recognition of the exposure (such parameters considered types of the products, term structure as well as profitability). Risk buffer methodology was prepared internally and is based on the information gathered in the course of the decision process as well as in the process of transactions structuring.

The fact that the exposure is supported by the Borrowers' Support Fund is reported as a forbore and a significant increase in credit risk (Stage 2), and in justified cases (previously identified impairment, subsequent restructuring action, inability to service debt forecast based on defined criteria) exposure is classified in Stage 3.

Exposure in Stage 2 may be re-classified into Stage 1 without probation period as soon as significant increase in credit risk indicators after its initial recognition end e.g. when the following conditions are met: client's current situation does not require constant monitoring, no restructuring actions towards exposure are taken, exposure has no payment delay over 30 days for significant amounts, no suspension of the contact due to Shield 4.0, and according to risk buffer method no risk increase occurs.

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

ECL measurement

Another key feature required by IFRS 9 is the approach to the estimation of risk parameters. For the purpose of estimating allowances for expected losses, Santander Bank Polska S.A. Group uses its own estimates of risk parameters that are based on internal models. Expected credit losses are the sum of individual products for each exposure of the estimated values of PD, LGD and EAD parameters in particular periods (depending on the stage either in the horizon of 12 months or in lifetime) discounted using the effective interest rate.

The estimated parameters are adjusted for macroeconomic scenarios in accordance with the assumptions of IFRS 9. To this end, the Group determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters. The Group uses scenarios developed internally by the analytical team, which are updated on a monthly basis at least every six months. The models and parameters generated for the needs of IFRS 9 are subject to model management process and periodic calibration and validation. These tools are also used in the financial planning process.

Management provisions

At the end of the third quarter of 2023, in addition to ECL resulting from the complex calculation model implemented in the system, previously created management adjustments were maintained, updating the risk level with current and expected future events that are not covered by the current model. In the third quarter of 2023, the following management adjustments remained at the level of the second quarter of 2023, i.e.:

- Management provision in the amount of PLN 46,300 k on the corporate performing loan portfolio due to the observed LGD underestimation. Currently there is work under way to incorporate this observation in the model,
- Management provision in the amount of PLN 20,250 k on the corporate loan portfolio including the Property portfolio due to increased ECB interest rates,
- Management provision in the amount of PLN 10,690 k on the portfolio of corporate loans due to risk of overestimation in the LGD model of expected recovery from collateral in the form of guarantees of Bank Gospodarstwa Krajowego,
- Management provision in the amount of PLN 17,000 k due to the negative impact of macroeconomic factors and the deterioration of the financial situation of entities managed in the Global Relations Model operating in the sector of production/distribution and sale of household goods,
- Management provision in the amount of PLN 19,600 k on the portfolio of mortgage-secured retail loans, the risk of which may increase after the cessation of assistance activities – payment holidays,
- Management provision in the amount of PLN 20,000 k on the portfolio of SME leasing loans in order to cover the expected impact of the change in the rating model,
- Management provision in the amount of PLN 34,900 k for the write-offs planned in the second half of 2023, which require the creation of provision up to 100%.

Estimates for legal claims

Santander Bank Polska S.A. Group raises provisions for legal claims in accordance with IAS 37. The provisions have been estimated considering the likelihood of unfavourable verdict and amount to be paid, and their impact is presented in other operating income and cost.

Details on the value of the provisions and the assumptions made for their calculation are provided in Note 25.

Due to their specific nature, estimates related to legal claims of mortgage loans in foreign currencies are described below.

Estimates for legal risk arising from mortgage loans in foreign currencies

Due to the revolving legal situation related to mortgage loans portfolio denominated and indexed to foreign currencies, and inability to recover all contractual cash flows risk materialisation, Group estimates impact of legal risk on future cash flows.

Gross book value adjustment resulting from legal risk is estimated based on a number of assumptions, taking into account: a specific time horizon and a number of probabilities such as:

- the probability of possible settlements and
- the probability of submitting claims by borrowers, and
- the probability in terms of the number of disputes

which are described in more details in Note 29.

In 2022, the Group prepared a settlement scenario which reflects the level of losses for future settlements.

Legal risk is estimated individually for each exposure in the event of litigation and in terms of portfolio in the absence of such.

Santander Bank Polska Group accounts for the impact of legal risk as an adjustment to the gross book value of the mortgage loans portfolio. If there is no credit exposure or its value is insufficient, the impact of legal risk is presented as a provision according to IAS 37.

The result on legal risk is presented in a separate position in income statement "Cost of legal risk associated with foreign currency mortgage loans" and "Gain/loss on derecognition of financial instruments measured at amortised cost".

In the third quarter 2023, the Group recognized PLN (430 171) k as cost of legal risk related to mortgage loans in foreign currencies and PLN (34 674) k as a negative result of derecognition of financial instruments due to concluded settlements.

The Group will continue to monitor this risk in subsequent reporting periods.

Details presenting the impact of the above-mentioned risk on financial statement, assumptions adopted for their calculation are contained in notes 25 and 29, respectively.

2.6 Change of accounting policy

Santander Bank Polska S.A. Group consistently applied the adopted accounting principles both for the reporting period for all reporting periods presented in these financial statements.

3. Operating segments reporting

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

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

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

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

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

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

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

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

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

In 2023 the following changes were introduced:

- customer resegmentation between business segments; Once a year, Santander Bank Polska Group carries out the resegmentation / migration of customers between operating segments which results from the fact that customer meets the criteria of assignment for different operating segment than before. This change is intended to provide services at the highest level of quality and tailored to individual needs or the scale of customer operations.
- allocation of tax on financial institutions on business segments
- change of allocation criteria of capital and net interest income from capital into business segments.

Comparable data are adjusted accordingly.

In the part regarding Santander Bank Polska, the cost of legal risk connected with the portfolio of FX mortgage were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the cost of legal risk connected with the portfolio of FX mortgage loans were presented in the Santander Consumer segment. More details regarding the above provisions are described in the note 29.

In the part regarding Santander Bank Polska, the liability for reimbursement of the mortgage loan fee due to partial and total early loan repayments, and the liability due to the return of additional costs of mortgage loans incurred by individual customers until the mortgage entry were presented in comparable figures in Retail Banking segment.

Contribution to fund under Institutional Protection Scheme (IPS) was divided by business Segments based on customer assets structure and was presented in comparable figures. More details regarding the above contribution are described in the note 11.

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

Retail Banking

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

Business & Corporate Banking

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

Corporate & Investment Banking

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

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

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

ALM and Centre

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

Santander Consumer

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

Consolidated income statement by business segments

	Segment Retail	Segment Business and	Segment Corporate&	Segment ALM	Segment Santander	Total
1.07.2023 - 30.09.2023	Banking *	Corporate Banking	Investment Banking	and Centre	Consumer	
Net interest income	1 985 990	597 365	230 993	234 799	346 406	3 395 553
incl. internal transactions	(374)	(1 840)	2 195	29 286	(29 267)	-
Fee and commission income	491 178	157 274	115 076	-	54 075	817 603
Fee and commission expense	(112 297)	(8 306)	(8 813)	-	(21 247)	(150 663)
Net fee and commission income	378 881	148 968	106 263	-	32 828	666 940
incl. internal transactions	86 009	46 258	(130 154)	-	(2 113)	-
Other income	(20 007)	16 313	60 594	90 642	10 574	158 116
incl. internal transactions	3 722	13 670	(16 587)	(807)	2	-
Dividend income	434	-	1 033	-	9	1 476
Operating costs	(665 844)	(135 663)	(104 715)	(21 059)	(117 038)	(1 044 319)
incl. internal transactions	-	-	-	278	(278)	-
Depreciation/amortisation	(101 132)	(16 629)	(9 100)	-	(17 062)	(143 923)
Impairment losses on loans and advances	(181 251)	(19 072)	(29 149)	(951)	(73 479)	(303 902)
Cost of legal risk associated with foreign currency mortgage loans	(396 723)	-	-	-	(33 448)	(430 171)
Share in net profits (loss) of entities accounted for by the equity method	23 861	-	-	726	-	24 587
Tax on financial institutions	(105 598)	(43 776)	(42 482)	-	(8 076)	(199 932)
Profit before tax	918 611	547 506	213 437	304 157	140 714	2 124 425
Corporate income tax						(546 900)
Consolidated profit for the period						1 577 525
of which:						
attributable to owners of the parent entity						1 528 770
attributable to non-controlling interests						48 755

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

	Segment Retail	Segment Business and	Segment Corporate&	Segment ALM	Segment Santander	Total
1.07.2023-30.09.2023	Banking *	Corporate Banking	Investment Banking	and Centre	Consumer	
Fee and commission income	491 178	157 274	115 076	-	54 075	817 603
Electronic and payment services	47 443	17 957	6 750	-	-	72 150
Current accounts and money transfer	68 204	26 417	3 864	-	364	98 849
Asset management fees	52 785	101	-	-	-	52 886
Foreign exchange commissions	84 308	46 201	60 219	-	-	190 728
Credit commissions incl. factoring commissions and other	35 648	38 438	23 764	-	16 237	114 087
Insurance commissions	50 337	3 291	296	-	20 416	74 340
Commissions from brokerage activities	22 236	17	9 024	-	-	31 277
Credit cards	22 641	-	-	-	11 772	34 413
Card fees (debit cards)	100 813	4 438	492	-	-	105 743
Off-balance sheet guarantee commissions	1 321	19 664	10 140	-	(151)	30 974
Finance lease commissions	2 542	552	48	-	5 437	8 579
Issue arrangement fees	-	198	479	-	-	677
Distribution fees	2 900	-	-	-	-	2 900

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2023 - 30.09.2023						
Net interest income	5 577 982	1 737 226	656 293	737 409	979 113	9 688 023
incl. internal transactions	(1 128)	(4 083)	7 532	82 828	(85 149)	-
Fee and commission income	1 453 859	463 494	381 642	-	154 159	2 453 154
Fee and commission expense	(323 692)	(27 425)	(26 997)	-	(68 136)	(446 250)
Net fee and commission income	1 130 167	436 069	354 645	-	86 023	2 006 904
incl. internal transactions	245 194	138 425	(381 293)	-	(2 326)	-
Other income	(253 127)	65 528	167 040	97 956	38 968	116 365
incl. internal transactions	9 952	49 074	(57 008)	(2 023)	5	-
Dividend income	10 109	-	1 281	-	28	11 418
Operating costs	(1 904 918)	(423 850)	(344 792)	(45 765)	(362 587)	(3 081 912)
incl. internal transactions	-	-	-	1 333	(1 333)	-
Depreciation/amortisation	(295 031)	(48 497)	(26 508)	-	(49 663)	(419 699)
Impairment losses on loans and advances	(531 018)	(109 104)	(55 548)	(1 731)	(196 733)	(894 134)
Cost of legal risk associated with foreign currency mortgage loans	(1 304 345)	-	-	-	(275 305)	(1 579 650)
Share in net profits (loss) of entities accounted for by the equity method	75 060	-	-	1 719	-	76 779
Tax on financial institutions	(321 132)	(137 817)	(105 956)	-	(22 556)	(587 461)
Profit before tax	2 183 747	1 519 555	646 455	789 588	197 288	5 336 633
Corporate income tax						(1 395 647)
Consolidated profit for the period						3 940 986
of which:						
attributable to owners of the parent entity						3 850 986
attributable to non-controlling interests						90 000

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2023-30.09.2023						
Fee and commission income	1 453 859	463 494	381 642	-	154 159	2 453 154
Electronic and payment services	138 091	53 644	19 559	-	-	211 294
Current accounts and money transfer	197 543	77 651	12 430	-	1 137	288 761
Asset management fees	153 847	288	-	-	-	154 135
Foreign exchange commissions	241 761	139 365	181 077	-	-	562 203
Credit commissions incl. factoring commissions and other	103 708	107 946	95 360	-	48 722	355 736
Insurance commissions	142 970	9 018	1 049	-	53 229	206 266
Commissions from brokerage activities	71 892	41	27 500	-	-	99 433
Credit cards	69 386	-	-	-	36 475	105 861
Card fees (debit cards)	313 646	13 868	1 548	-	-	329 062
Off-balance sheet guarantee commissions	3 253	59 329	32 870	-	-	95 452
Finance lease commissions	7 701	1 628	190	-	14 596	24 115
Issue arrangement fees	-	716	10 059	-	-	10 775
Distribution fees	10 061	-	-	-	-	10 061

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

Consolidated income statement by business segments

1.07.2022 - 30.09.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	(2 147)	412 924	154 986	751 786	323 154	1 640 703
incl. internal transactions	(381)	(1 183)	1 538	20 214	(20 188)	-
Fee and commission income	479 405	155 616	119 749	-	51 018	805 788
Fee and commission expense	(100 840)	(10 747)	(6 420)	-	(21 979)	(139 986)
Net fee and commission income	378 565	144 869	113 329	-	29 039	665 802
incl. internal transactions	82 032	44 574	(125 943)	-	(663)	-
Other income	(22 625)	32 471	27 822	(16 011)	24 056	45 713
incl. internal transactions	823	21 902	(21 943)	(784)	2	-
Dividend income	541	-	799	-	3	1 343
Operating costs	(664 739)	(111 289)	(90 177)	(28 919)	(154 342)	(1 049 466)
incl. internal transactions	-	-	-	151	(151)	-
Depreciation/amortisation	(92 163)	(14 855)	(8 891)	-	(13 942)	(129 851)
Impairment losses on loans and advances	(203 847)	(46 616)	(120)	495	(91 200)	(341 288)
Cost of legal risk associated with foreign currency mortgage loans	(124 761)	-	-	-	1 858	(122 903)
Share in net profits (loss) of entities accounted for by the equity method	23 345	-	-	614	-	23 959
Tax on financial institutions	(125 169)	(43 404)	(27 049)	-	(7 159)	(202 781)
Profit before tax	(833 000)	374 100	170 699	707 965	111 467	531 231
Corporate income tax						(209 505)
Consolidated profit for the period						321 726
of which:						
attributable to owners of the parent entity						279 383
attributable to non-controlling interests						42 343

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

1.07.2022-30.09.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	479 405	155 616	119 749	-	51 018	805 788
Electronic and payment services	43 236	17 367	5 513	-	(69)	66 047
Current accounts and money transfer	65 665	28 478	5 241	-	438	99 822
Asset management fees	46 269	79	-	-	-	46 348
Foreign exchange commissions	79 364	44 635	56 840	-	-	180 839
Credit commissions incl. factoring commissions and other	38 398	37 085	32 835	-	15 006	123 324
Insurance commissions	42 457	2 479	284	-	19 008	64 228
Commissions from brokerage activities	21 654	20	6 199	-	-	27 873
Credit cards	25 445	-	-	-	12 942	38 387
Card fees (debit cards)	109 202	4 358	484	-	-	114 044
Off-balance sheet guarantee commissions	2 750	20 630	8 114	-	(667)	30 827
Finance lease commissions	2 477	485	57	-	4 360	7 379
Issue arrangement fees	-	-	4 182	-	-	4 182
Distribution fees	2 488	-	-	-	-	2 488

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2022 - 30.09.2022						
Net interest income	2 619 981	1 093 554	399 728	1 732 227	974 007	6 819 497
incl. internal transactions	(2 424)	(1 535)	3 933	38 898	(38 872)	-
Fee and commission income	1 388 285	479 558	360 747	-	153 724	2 382 314
Fee and commission expense	(318 592)	(31 256)	(17 938)	-	(67 298)	(435 084)
Net fee and commission income	1 069 693	448 302	342 809	-	86 426	1 947 230
incl. internal transactions	239 632	136 222	(373 607)	-	(2 247)	-
Other income	(54 237)	110 336	218 842	(237 872)	52 737	89 806
incl. internal transactions	2 864	90 907	(91 530)	(2 243)	2	-
Dividend income	9 320	-	928	-	14	10 262
Operating costs	(2 060 385)	(474 220)	(325 250)	(63 018)	(394 994)	(3 317 867)
incl. internal transactions	-	-	-	1 003	(1 003)	-
Depreciation/amortisation	(280 186)	(45 756)	(26 067)	-	(41 533)	(393 542)
Impairment losses on loans and advances	(425 433)	(75 153)	(12 386)	1 217	(59 066)	(570 821)
Cost of legal risk associated with foreign currency mortgage loans	(923 165)	-	-	-	(147 117)	(1 070 282)
Share in net profits (loss) of entities accounted for by the equity method	59 268	-	-	741	-	60 009
Tax on financial institutions	(355 286)	(124 347)	(69 034)	-	(21 700)	(570 367)
Profit before tax	(340 430)	932 716	529 570	1 433 295	448 774	3 003 925
Corporate income tax						(941 934)
Consolidated profit for the period						2 061 991
of which:						
attributable to owners of the parent entity						1 895 773
attributable to non-controlling interests						166 218

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2022-30.09.2022						
Fee and commission income	1 388 285	479 558	360 747	-	153 724	2 382 314
Electronic and payment services	126 714	51 477	18 065	-	(212)	196 044
Current accounts and money transfer	200 561	101 884	21 266	-	1 331	325 042
Asset management fees	152 154	374	-	-	-	152 528
Foreign exchange commissions	233 126	133 254	174 885	-	-	541 265
Credit commissions incl. factoring commissions and other	104 578	113 271	85 579	-	44 980	348 408
Insurance commissions	123 162	7 720	1 007	-	57 029	188 918
Commissions from brokerage activities	71 158	1 991	27 187	-	(2)	100 334
Credit cards	67 669	-	-	-	39 750	107 419
Card fees (debit cards)	284 505	11 528	1 325	-	-	297 358
Off-balance sheet guarantee commissions	6 549	56 765	21 844	-	(1 934)	83 224
Finance lease commissions	6 140	1 294	167	-	12 782	20 383
Issue arrangement fees	-	-	9 422	-	-	9 422
Distribution fees	11 969	-	-	-	-	11 969

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

Consolidated statement of financial position by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
30.09.2023						
Loans and advances to customers	83 760 594	38 889 912	18 252 331	-	17 236 894	158 139 731
Investments in associates	892 573	-	-	48 452	-	941 025
Other assets	9 048 102	1 944 596	10 696 716	91 806 369	5 472 800	118 968 583
Total assets	93 701 269	40 834 508	28 949 047	91 854 821	22 709 694	278 049 339
Deposits from customers	131 716 950	42 518 566	20 351 952	2 590 848	12 859 999	210 038 315
Other liabilities	1 318 556	897 634	7 130 446	17 929 105	5 435 538	32 711 279
Equity	6 713 488	4 388 002	2 882 341	16 901 757	4 414 157	35 299 745
Total equity and liabilities	139 748 994	47 804 202	30 364 739	37 421 710	22 709 694	278 049 339

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
31.12.2022						
Loans and advances to customers	82 212 188	38 524 736	16 137 424	-	15 634 344	152 508 692
Investments in associates	874 763	-	-	46 732	-	921 495
Other assets	10 210 612	2 255 636	8 080 111	80 507 545	4 683 124	105 737 028
Total assets	93 297 563	40 780 372	24 217 535	80 554 277	20 317 468	259 167 215
Deposits from customers	126 245 713	41 098 731	14 938 881	3 863 549	10 349 932	196 496 806
Other liabilities	1 027 334	810 140	6 321 369	18 569 343	5 826 885	32 555 071
Equity	5 294 919	4 028 975	2 606 734	14 044 059	4 140 651	30 115 338
Total equity and liabilities	132 567 966	45 937 846	23 866 984	36 476 951	20 317 468	259 167 215

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

4. Net interest income

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Interest income and similar to interest				
Interest income on financial assets measured at amortised cost	3 937 672	11 211 016	1 853 098	6 524 349
Loans and advances to enterprises	1 268 398	3 696 631	1 038 089	2 440 947
Loans and advances to individuals, of which:	2 090 537	6 002 299	522 878	3 496 093
<i>Home mortgage loans</i>	1 064 418	3 031 561	(420 150)	988 548
Loans and advances to banks	223 670	613 360	132 934	250 668
Loans and advances to public sector	20 028	62 528	23 073	32 389
Reverse repo transactions	183 515	440 641	52 489	117 474
Debt securities	164 697	396 688	71 357	158 799
Interest recorded on hedging IRS	(13 173)	(1 131)	12 278	27 979
Interest income on financial assets measured at fair value through other comprehensive income	612 170	1 723 330	515 658	1 443 583
Loans and advances to enterprises	81 718	173 631	44 906	90 647
Loans and advances to public sector	6 401	19 497	-	-
Debt securities	524 051	1 530 202	470 752	1 352 936
Income similar to interest - financial assets measured at fair value through profit or loss	13 195	67 942	26 710	61 399
Loans and advances to enterprises	-	1 420	1 175	3 194
Loans and advances to individuals	5 650	22 153	13 749	38 928
Debt securities	7 545	44 369	11 786	19 277
Income similar to interest on finance leases	241 894	687 394	194 028	461 716
Total income	4 804 931	13 689 682	2 589 494	8 491 047
Interest expenses				
Interest expenses on financial liabilities measured at amortised cost	(1 409 378)	(4 001 659)	(948 791)	(1 671 550)
Liabilities to individuals	(579 019)	(1 614 653)	(225 208)	(348 839)
Liabilities to enterprises	(457 369)	(1 318 021)	(291 450)	(520 115)
Repo transactions	(49 490)	(176 969)	(157 010)	(221 249)
Liabilities to public sector	(102 863)	(281 698)	(76 281)	(141 893)
Liabilities to banks	(55 548)	(157 296)	(66 137)	(125 675)
Lease liability	(4 530)	(13 484)	(3 534)	(10 612)
Subordinated liabilities and issue of securities	(160 559)	(439 538)	(129 171)	(303 167)
Total costs	(1 409 378)	(4 001 659)	(948 791)	(1 671 550)
Net interest income	3 395 553	9 688 023	1 640 703	6 819 497

5. Net fee and commission income

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Fee and commission income				
eBusiness & payments	72 150	211 294	66 047	196 044
Current accounts and money transfer	98 849	288 761	99 822	325 042
Asset management fees	52 886	154 135	46 348	152 528
Foreign exchange commissions	190 728	562 203	180 839	541 265
Credit commissions incl. factoring commissions and other	114 087	355 736	123 324	348 408
Insurance commissions	74 340	206 266	64 228	188 918
Commissions from brokerage activities	31 277	99 433	27 873	100 334
Credit cards	34 413	105 861	38 387	107 419
Card fees (debit cards)	105 743	329 062	114 044	297 358
Off-balance sheet guarantee commissions	30 974	95 452	30 827	83 224
Finance lease commissions	8 579	24 115	7 379	20 383
Issue arrangement fees	677	10 775	4 182	9 422
Distribution fees	2 900	10 061	2 488	11 969
Total	817 603	2 453 154	805 788	2 382 314
Fee and commission expenses				
eBusiness & payments	(21 668)	(59 344)	(18 861)	(51 619)
Distribution fees	(2 427)	(6 692)	(1 951)	(6 209)
Commissions from brokerage activities	(3 060)	(9 803)	(3 453)	(11 610)
Credit cards	(4 910)	(14 034)	(6 033)	(15 366)
Card fees (debit cards)	(28 255)	(84 972)	(24 588)	(75 433)
Credit commissions paid	(16 842)	(55 919)	(17 926)	(65 043)
Insurance commissions	(3 538)	(10 747)	(4 171)	(13 061)
Finance lease commissions	(12 143)	(35 290)	(11 185)	(33 381)
Asset management fees and other costs	(1 204)	(3 982)	(691)	(9 179)
Off-balance sheet guarantee commissions	(17 118)	(57 574)	(20 482)	(61 473)
Other	(39 498)	(107 893)	(30 645)	(92 710)
Total	(150 663)	(446 250)	(139 986)	(435 084)
Net fee and commission income	666 940	2 006 904	665 802	1 947 230

6. Net trading income and revaluation

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Net trading income and revaluation				
Derivative instruments	(76 410)	15 168	(273 241)	(387 677)
Interbank FX transactions and other FX related income	192 487	210 096	309 287	427 869
Net gains on sale of equity securities measured at fair value through profit or loss	(1 422)	16 183	(1 555)	(8 220)
Net gains on sale of debt securities measured at fair value through profit or loss	25 652	32 419	(1 816)	27 773
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	1 352	11 677	2 748	5 909
Total	141 659	285 543	35 423	65 654

The above amounts included CVA and DVA adjustments in the amount of PLN (3,135)k for 1-3Q 2023, PLN (1,405)k for 3Q 2023 and PLN 11,392 k for 1-3Q 2022, PLN 194 k for 3Q 2022.

7. Gains (losses) from other financial securities

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Gains (losses) from financial securities				
Net gains on sale of debt securities measured at fair value through other comprehensive income	4 630	927	(1 222)	(1 010)
Net gains on sale of equity securities measured at fair value through profit and loss	-	2 887	-	-
Change in fair value of financial securities measured at fair value through profit or loss	(3 731)	12 050	(10 519)	(22 962)
Impairment losses on securities	-	(2 016)	-	(1 066)
Total profit (losses) on financial instruments	899	13 848	(11 741)	(25 038)
Change in fair value of hedging instruments	(134 347)	(387 565)	(46 081)	532 662
Change in fair value of underlying hedged positions	127 930	372 834	49 538	(549 104)
Total profit (losses) on hedging and hedged instruments	(6 417)	(14 731)	3 457	(16 442)
Total	(5 518)	(883)	(8 284)	(41 480)

8. Other operating income

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Other operating income				
Income from services rendered	17 851	26 069	11 883	29 905
Release of provision for legal cases and other assets	7 819	18 053	23 585	32 924
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	1 714	3 936	-	-
Recovery of other receivables (expired, cancelled and uncollectable)	63	180	16	57
Received compensations, penalties and fines	4 735	6 073	683	1 527
Gains on lease modifications	2 277	9 215	-	1 881
Settlements of leasing agreements /Income from claims received from the insurer	3 085	8 796	11 232	33 009
Other	17 384	55 679	14 943	49 008
Total	54 928	128 001	62 342	148 311

9. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Charge for loans and advances to banks	1 468	(28)	41	25
Stage 1	1 468	(28)	41	25
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	(296 013)	(916 605)	(329 919)	(605 669)
Stage 1	(41 326)	(132 289)	(56 624)	(101 780)
Stage 2	(133 064)	(424 301)	(151 097)	(299 570)
Stage 3	(136 329)	(418 633)	(130 133)	(272 658)
POCI	14 706	58 618	7 935	68 339
Recoveries of loans previously written off	2 138	36 695	(6 794)	35 257
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	2 138	36 695	(6 794)	35 257
POCI	-	-	-	-
Off-balance sheet credit related facilities	(11 495)	(14 196)	(4 616)	(434)
Stage 1	(2 680)	(5 991)	(1 362)	2 803
Stage 2	(10 354)	(13 423)	(2 756)	(1 395)
Stage 3	1 539	5 218	(498)	(1 842)
POCI	-	-	-	-
Total	(303 902)	(894 134)	(341 288)	(570 821)

10. Employee costs

Employee costs	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Salaries and bonuses	(471 087)	(1 360 165)	(379 771)	(1 101 556)
Salary related costs	(81 229)	(234 732)	(65 693)	(201 015)
Cost of contributions to Employee Capital Plans	(3 615)	(10 228)	(2 500)	(7 232)
Staff benefits costs	(12 511)	(32 929)	(9 650)	(28 575)
Professional trainings	(3 058)	(8 134)	(2 640)	(6 831)
Retirement fund, holiday provisions and other employee costs	543	526	(264)	(281)
Restructuring provision	-	(400)	-	-
Total	(570 957)	(1 646 062)	(460 518)	(1 345 490)

11. General and administrative expenses

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
General and administrative expenses				
Maintenance of premises	(33 336)	(97 431)	(26 106)	(81 525)
Short-term lease costs	(2 222)	(6 683)	(2 077)	(6 051)
Low-value assets lease costs	(316)	(927)	(295)	(922)
Costs of variable lease payments not included in the measurement of the lease liability	39	(361)	(17)	(693)
Non-tax deductible VAT	(9 178)	(29 344)	(9 519)	(28 312)
Marketing and representation	(46 934)	(124 203)	(43 095)	(111 368)
IT systems costs	(132 067)	(385 734)	(104 605)	(322 695)
Cost of BFG, KNF and KDPW	(8 605)	(202 886)	(10 702)	(295 444)
Cost for payment to protection system (IPS)	(18)	(256)	(38 442)	(445 704)
Postal and telecommunication costs	(13 672)	(44 424)	(12 900)	(44 495)
Consulting and advisory fees	(18 947)	(50 921)	(24 698)	(59 189)
Cars, transport expenses, carriage of cash	(15 134)	(49 008)	(14 979)	(43 740)
Other external services	(47 144)	(151 889)	(33 498)	(109 274)
Stationery, cards, cheques etc.	(4 923)	(15 439)	(4 650)	(13 530)
Sundry taxes and charges	(11 103)	(32 995)	(12 207)	(33 859)
Data transmission	(5 479)	(17 840)	(5 027)	(14 475)
KIR, SWIFT settlements	(8 063)	(26 254)	(7 933)	(23 559)
Security costs	(4 475)	(13 624)	(4 901)	(15 556)
Costs of repairs	(1 607)	(3 627)	(3 179)	(4 925)
Cost of payment to the Borrowers Support Fund	-	-	(165 000)	(165 000)
Other	(4 929)	(17 599)	(4 800)	(12 620)
Total	(368 113)	(1 271 445)	(528 630)	(1 832 936)

12. Other operating expenses

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Other operating expenses				
Charge of provisions for legal cases and other assets	(31 583)	(62 293)	(21 033)	(40 750)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(455)	(3 683)	(453)	(7 109)
Costs of purchased services	(13 680)	(14 933)	(8 644)	(14 022)
Other membership fees	(325)	(1 157)	(311)	(997)
Paid compensations, penalties and fines	(42)	(303)	(85)	(688)
Donations paid	(628)	(4 439)	(1 584)	(4 465)
Other	(58 536)	(77 597)	(28 208)	(71 410)
Total	(105 249)	(164 405)	(60 318)	(139 441)

13. Corporate income tax

	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Corporate income tax				
Current tax charge in the income statement	(516 191)	(1 343 491)	(468 463)	(799 500)
Deferred tax	(30 709)	(71 403)	258 972	(135 689)
Adjustments from previous years for current and deferred tax	-	19 247	(14)	(6 745)
Total tax on gross profit	(546 900)	(1 395 647)	(209 505)	(941 934)

Corporate total tax charge information	1.07.2023- 30.09.2023	1.01.2023- 30.09.2023	1.07.2022- 30.09.2022	1.01.2022- 30.09.2022
Profit before tax	2 124 425	5 336 633	531 231	3 003 925
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(403 641)	(1 013 960)	(100 934)	(570 746)
Non-tax-deductible expenses	(13 180)	(27 058)	(3 172)	(9 994)
Cost of legal risk associated with foreign currency mortgage loans	(69 857)	(248 079)	(32 389)	(194 893)
The fee to the Bank Guarantee Fund	-	(33 170)	(479)	(51 151)
The Borrowers Support Fund	-	-	(31 350)	(31 350)
Tax on financial institutions	(37 966)	(111 580)	(38 526)	(108 366)
Non-taxable income	1 256	10 475	256	11 641
Adjustment of prior years tax	-	19 247	(14)	(6 745)
Tax effect of consolidation adjustments	-	14 731	-	14 584
Non-tax deductible bad debt provisions	(10 371)	(18 469)	(2 914)	(9 405)
Expected weighted average annual tax rate adjustment*	(16 744)	14 944	(4 147)	1 936
Other	3 603	(2 728)	4 164	12 555
Total tax on gross profit	(546 900)	(1 395 647)	(209 505)	(941 934)

*) in accordance with IAS 34.30(c), refers to Santander Consumer Bank S.A.

Deferred tax recognised in other comprehensive income	30.09.2023	31.12.2022
Relating to valuation of debt investments measured at fair value through other comprehensive income	106 011	234 879
Relating to valuation of equity investments measured at fair value through other comprehensive income	(38 207)	(33 473)
Relating to cash flow hedging activity	(55 167)	74 912
Relating to valuation of defined benefit plans	(2 826)	(3 309)
Total	9 811	273 009

14. Cash and balances with central banks

Cash and balances with central banks	30.09.2023	31.12.2022
Cash	2 726 507	3 198 679
Current accounts in central banks	7 327 300	6 852 602
Term deposits	160 999	118 741
Total	10 214 806	10 170 022

Santander Bank Polska SA and Santander Consumer Bank SA hold an obligatory reserve in a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of minimal statutory reserve of the monthly average balance of the customers' deposits, which was 3.5% as at 30.09.2023 and 31.12.2022.

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

15. Loans and advances to banks

Loans and advances to banks	30.09.2023	31.12.2022
Loans and advances	6 912 874	6 290 099
Current accounts	3 236 793	3 287 543
Gross receivables	10 149 667	9 577 642
Allowance for impairment	(171)	(143)
Total	10 149 496	9 577 499

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.09.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	7 269 117	7 431 883	6 639 069	6 913 266
Interest rate operations	4 609 421	4 661 955	4 675 518	4 624 966
FX operations	2 659 696	2 769 928	1 963 551	2 288 300
Debt and equity securities	1 234 628	-	244 547	-
Debt securities	1 192 967	-	229 290	-
Government securities:	1 180 435	-	213 206	-
- bonds	1 180 435	-	213 206	-
Other securities:	12 532	-	16 084	-
- bonds	12 532	-	16 084	-
Equity securities	41 661	-	15 257	-
Short sale	-	1 217 314	-	195 560
Total	8 503 745	8 649 197	6 883 616	7 108 826

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN 1,334 k as at 30.09.2023 and PLN 1,242 k as at 31.12.2022.

17. Loans and advances to customers

Loans and advances to customers	30.09.2023				Total
	measured at amortised cost	measured at fair value through other comprehensive income	measured at fair value through profit and loss	from finance leases	
Loans and advances to enterprises	64 657 012	2 668 414	-	-	67 325 426
Loans and advances to individuals, of which:	82 294 766	-	91 203	-	82 385 969
<i>Home mortgage loans *</i>	52 546 044	-	-	-	52 546 044
Finance lease receivables	-	-	-	13 159 075	13 159 075
Loans and advances to public sector	1 087 544	334 720	-	-	1 422 264
Other receivables	82 704	-	-	-	82 704
Gross receivables	148 122 026	3 003 134	91 203	13 159 075	164 375 438
Allowance for impairment	(5 907 042)	(32 478)	-	(296 187)	(6 235 707)
Total	142 214 984	2 970 656	91 203	12 862 888	158 139 731

* Includes changes in gross receivables recognized in note 29 Legal risk connected with CHF mortgage loans and impact of the payment deferrals – details in note 2.5.

31.12.2022

Loans and advances to customers	measured at fair value through other comprehensive income		measured at fair value through profit and loss	from finance leases	Total
	measured at amortised cost				
Loans and advances to enterprises	61 207 015	2 306 972	39 205	-	63 553 192
Loans and advances to individuals, of which:	81 282 830	-	200 489	-	81 483 319
Home mortgage loans *	53 175 569	-	-	-	53 175 569
Finance lease receivables	-	-	-	11 998 301	11 998 301
Loans and advances to public sector	951 570	328 428	-	-	1 279 998
Other receivables	77 914	-	-	-	77 914
Gross receivables	143 519 329	2 635 400	239 694	11 998 301	158 392 724
Allowance for impairment	(5 630 633)	(6 740)	-	(246 659)	(5 884 032)
Total	137 888 696	2 628 660	239 694	11 751 642	152 508 692

* Includes changes in gross receivables recognized in note 29 Legal risk connected with CHF mortgage loans and impact of the payment deferrals – details in note 2.5.

Impact of the legal risk of mortgage loans in foreign currency	Gross carrying amount of mortgage loans in foreign currency before adjustment due to legal risk costs	Impact of the legal risk of mortgage loans in foreign currency	Gross carrying amount of mortgage loans in foreign currency after adjustment due to legal risk costs
30.09.2023			
Mortgage loans in foreign currency - adjustment to gross carrying amount	6 949 527	3 788 495	3 161 032
Provision in respect of legal risk connected with foreign currency mortgage loans		632 870	
Total		4 421 365	
31.12.2022			
Mortgage loans in foreign currency - adjustment to gross carrying amount	8 393 684	3 136 301	5 257 383
Provision in respect of legal risk connected with foreign currency mortgage loans		420 952	
Total		3 557 253	

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2023-30.09.2023	1.01.2022-30.09.2022
Balance at the beginning of the period	(5 630 633)	(5 648 321)
Charge/write back of current period	(913 188)	(613 225)
Stage 1	(109 878)	(91 538)
Stage 2	(391 798)	(287 476)
Stage 3	(404 092)	(236 952)
POCI	(7 420)	2 741
Write off/Sale of receivables	576 963	535 720
Stage 1	-	-
Stage 2	-	-
Stage 3	575 215	520 577
POCI	1 748	15 143
Transfer	53 528	70 787
Stage 1	92 530	80 705
Stage 2	323 360	210 711
Stage 3	(337 473)	(226 738)
POCI	(24 889)	6 109
FX differences	6 288	(44 914)
Stage 1	1 238	(3 530)
Stage 2	4 102	(7 513)
Stage 3	998	(35 529)
POCI	(50)	1 658
Balance at the end of the period	(5 907 042)	(5 699 953)

18. Investment securities

Investment securities	30.09.2023	31.12.2022
Debt investment securities measured at fair value through other comprehensive income	44 543 297	39 539 535
Government securities:	31 674 389	34 127 213
- bonds	31 674 389	34 127 213
Central Bank securities:	10 542 549	3 898 145
- bills	10 542 549	3 898 145
Other securities:	2 326 359	1 514 177
-bonds	2 326 359	1 514 177
Debt investment securities measured at fair value through profit and loss	1 969	64 707
Debt investment securities measured at amortised cost	24 405 298	15 499 348
Government securities:	12 006 992	3 156 009
- bonds	12 006 992	3 156 009
Other securities:	12 398 306	12 343 339
- bonds	12 398 306	12 343 339
Equity investment securities measured at fair value through other comprehensive income	229 212	204 299
- unlisted	229 212	204 299
Equity investment securities measured at fair value through profit and loss	5 729	63 248
- unlisted	5 729	63 248
Total	69 185 505	55 371 137

Change of classification of specific bonds portfolio

In the first quarter of 2022 the Management of the Bank performed a review of its asset and liability management policy and the classification of specific bonds portfolio was changed.

On 1.04.2023 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, also 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.

The table below shows the value of gains/losses from changes in the fair value of investment securities in the period between 1 January and 30 September 2023 that would have been recognized in the revaluation reserve if the investment securities had not been reclassified.

Reclassification of investment securities from measured at fair value through other comprehensive income to measured at amortized cost

Fair value of debt investment securities reclassified as at 30 September 2023	11 192 414
Gain/ loss on change in the fair value of debt investment securities which would have been recognised in other comprehensive income between 1 January and 30 September 2023 if the investment securities had not been reclassified (taking into account tax impact)	717 741

19. Investments in associates

Balance sheet value of associates	30.09.2023	31.12.2022
Polfund - Fundusz Poręczeń Kredytowych S.A.	48 452	46 732
Santander - Allianz Towarzystwo Ubezpieczeń S.A. and Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	892 573	874 763
Total	941 025	921 495

Movements on investments in associates	1.01.2023- 30.09.2023	1.01.2022- 30.09.2022
As at the beginning of the period	921 495	932 740
Share of profits/(losses)	76 779	60 009
Dividends	(77 533)	(76 760)
Other	20 284	(18 666)
As at the end of the period	941 025	897 323

20. Deposits from banks

Deposits from banks	30.09.2023	31.12.2022
Term deposits	431 543	162 325
Loans received from banks	1 201 474	1 747 378
Current accounts	2 155 292	2 121 549
Total	3 788 309	4 031 252

21. Deposits from customers

Deposits from customers	30.09.2023	31.12.2022
Deposits from individuals	114 442 830	107 927 297
Term deposits	43 222 203	34 841 903
Current accounts	70 947 663	72 816 188
Other	272 964	269 206
Deposits from enterprises	86 215 497	79 548 735
Term deposits	25 490 828	20 614 957
Current accounts	56 490 847	54 874 341
Loans received from financial institution	1 059 336	1 316 684
Other	3 174 486	2 742 753
Deposits from public sector	9 379 988	9 020 774
Term deposits	1 772 066	990 676
Current accounts	7 598 081	8 021 258
Other	9 841	8 840
Total	210 038 315	196 496 806

22. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2023-30.09.2023	1.01.2022-30.09.2022
As at the beginning of the period	2 807 013	2 750 440
Additions from:	145 710	178 180
- interest on subordinated loans	145 710	81 063
- FX differences	-	97 117
Disposals from:	(138 592)	(50 226)
- interest repayment	(120 099)	(50 226)
- FX differences	(18 493)	-
As at the end of the period	2 814 131	2 878 394
Short-term	62 327	44 274
Long-term (over 1 year)	2 751 804	2 834 120

23. Debt securities in issue

Debt securities in issue on 30.09.2023

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 483 375
Santander Bank Polska S.A.	Bonds	1 900 000	PLN	30.03.2023	30.03.2025	1 900 392
Santander Leasing S.A.	Bonds	200 000	PLN	23.06.2023	24.06.2024	199 740
Santander Leasing S.A.	Bonds	200 000	PLN	14.07.2023	15.07.2024	202 532
Santander Factoring Sp. z o.o.	Bonds	300 000	PLN	16.08.2023	16.02.2024	300 332
Santander Consumer Bank S.A.	Bonds	300 000	PLN	28.10.2022	06.12.2024	301 337
Santander Consumer Multirent sp. z o.o.	Bonds	50 000	PLN	26.05.2023	31.03.2025	51 136
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	221 003
Santander Consumer Multirent sp. z o.o.	Bonds	265 000	PLN	26.10.2022	28.10.2024	268 443
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 002 440
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 123
Total						8 823 853

Debt securities in issue on 31.12.2022

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 518 153
Santander Bank Polska S.A.	Bonds	500 000	EUR	30.03.2022	30.03.2024	2 381 147
Santander Leasing S.A.	Bonds	235 000	PLN	23.06.2022	23.06.2023	235 019
Santander Leasing S.A.	Bonds	100 000	PLN	10.08.2022	10.08.2023	101 551
Santander Factoring Sp. z o.o.	Bonds	150 000	PLN	28.07.2022	27.01.2023	141 053
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	101 917
Santander Consumer Bank S.A.	Bonds	300 000	PLN	28.10.2022	06.12.2024	301 361
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	161 142
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	220 784
Santander Consumer Multirent sp. z o.o.	Bonds	265 000	PLN	26.10.2022	28.10.2024	268 491
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 006 625
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 405
Total						9 330 648

Movements in debt securities in issue	1.01.2023- 30.09.2023	1.01.2022- 30.09.2022
As at the beginning of the period	9 330 648	12 805 462
Increase (due to):	3 102 518	4 459 477
- debt securities in issue	2 810 000	3 861 350
- interest on debt securities in issue	292 518	218 246
- FX differences	-	379 881
Decrease (due to):	(3 609 313)	(5 790 533)
- debt securities repurchase	(3 236 050)	(5 636 619)
- interest repayment	(326 454)	(151 691)
- FX differences	(45 625)	-
- other changes	(1 184)	(2 223)
As at the end of the period	8 823 853	11 474 406

24. Provisions for financial liabilities and guarantees granted

Provisions for financial liabilities and guarantees granted	30.09.2023	31.12.2022
Provisions for financial commitments to grant loans and credit lines	59 430	43 255
Provisions for financial guarantees	15 934	17 554
Other provisions	565	1 060
Total	75 929	61 869

Change in provisions for financial liabilities and guarantees granted	1.01.2023- 30.09.2023
As at the beginning of the period	61 869
Provision charge	113 078
Write back	(98 881)
Other changes	(137)
As at the end of the period	75 929
Short-term	37 067
Long-term	38 862

Change in provisions for financial liabilities and guarantees granted	1.01.2022- 30.09.2022
As at the beginning of the period	60 811
Provision charge	95 317
Write back	(94 883)
Other changes	1 071
As at the end of the period	62 316
Short-term	38 511
Long-term	23 805

25. Other provisions

Other provisions	30.09.2023	31.12.2022
Provision for legal risk connected with foreign currency mortgage loans	632 870	420 952
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	43 740	52 233
Provisions for legal claims and other	122 990	132 337
Provisions for restructuring	14 016	21 789
Total	813 616	627 311

Change in other provisions 1.01.2023 - 30.09.2023	Provision for legal risk connected with foreign currency mortgage loans	Provisions for reimbursement of costs related to early repayment of consumer loans	Provisions for legal claims and other	Provisions for restructuring	Total
As at the beginning of the period	420 952	52 233	132 337	21 789	627 311
Provision charge/release	245 219	22	105 188	400	350 829
Utilization	(31 966)	(8 515)	(114 535)	(8 173)	(163 189)
Other	(1 335)	-	-	-	(1 335)
As at the end of the period	632 870	43 740	122 990	14 016	813 616

*details in Note 29

Change in other provisions 1.01.2022 - 30.09.2022	Provision for legal risk connected with foreign currency mortgage loans	Provisions for reimbursement of costs related to early repayment of consumer loans	Provisions for legal claims and other	Provisions for restructuring	Total
As at the beginning of the period	176 059	80 945	148 601	94 308	499 913
Provision charge/release	158 361	-	50 708	994	210 063
Utilization	(8 059)	(14 552)	(65 974)	(27 015)	(115 600)
Other	27 326	-	-	-	27 326
As at the end of the period	353 687	66 393	133 335	68 287	621 702

26. Other liabilities

Other liabilities	30.09.2023	31.12.2022
Settlements of stock exchange transactions	54 556	43 417
Interbank and interbranch settlements	980 412	1 116 171
Employee provisions	386 749	446 011
Sundry creditors	2 389 134	1 236 882
Liabilities from contracts with customers	222 101	187 584
Public and law settlements	180 552	150 142
Accrued liabilities	629 993	405 982
Finance lease related settlements	142 974	184 200
Other	22 297	12 751
Total	5 008 768	3 783 140
of which financial liabilities *	4 583 818	3 432 663

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

Change in employee provisions 1.01.2023 - 30.09.2023	<i>of which:</i> Provisions for retirement allowances	
As at the beginning of the period	446 011	44 700
Provision charge	288 634	6 461
Utilization	(273 229)	(13)
Release of provisions	(2 557)	(1 983)
Other changes	(72 110)	-
As at the end of the period	386 749	49 165
Short-term	337 584	-
Long-term	49 165	49 165

Change in employee provisions 1.01.2022 - 30.09.2022	of which: Provisions for retirement allowances	
	As at the beginning of the period	383 915
Provision charge	252 080	1 246
Utilization	(274 347)	(23)
Release of provisions	(10 113)	(9 571)
As at the end of the period	351 535	34 380
Short-term	317 155	-
Long-term	34 380	34 380

27. Fair value

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

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

	30.09.2023		31.12.2022	
	Book Value	Fair value	Book Value	Fair value
ASSETS				
Cash and balances with central banks	10 214 806	10 214 806	10 170 022	10 170 022
Loans and advances to banks	10 149 496	10 149 496	9 577 499	9 577 499
Loans and advances to customers measured at amortised cost	142 214 984	141 771 517	137 888 696	138 751 711
Buy-sell-back transactions	12 442 068	12 442 068	13 824 606	13 824 606
Debt investment securities measured at amortised cost	24 405 298	23 346 268	15 499 348	13 332 182
LIABILITIES				
Deposits from banks	3 788 309	3 788 309	4 031 252	4 031 252
Deposits from customers	210 038 315	210 035 606	196 496 806	196 431 894
Sell-buy-back transactions	92 843	92 843	2 324 926	2 324 926
Subordinated liabilities	2 814 131	2 781 373	2 807 013	2 782 760

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

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

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

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

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

Debt investment financial assets measured at amortized cost: fair value estimated based on market quotes. Instruments classified as category I of the fair value hierarchy.

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

Debt securities in issue and subordinated liabilities: The Group has made an assumption that fair value of those securities is based on discounted cash flows methods incorporating adequate interest rates. Debt securities in issue and subordinated liabilities were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs. For Debt securities in issue and other items of liabilities, not carried at fair value in the financial statements, including: lease liabilities and other liabilities - the fair value does not differ significantly from the presented carrying amounts.

For other items of assets and liabilities, not carried at fair value in the financial statements, including: sell-buy-back, buy-sell-back transactions, lease liabilities, other liabilities and other assets - the fair value does not differ significantly from the presented carrying amounts.

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

As at 30.09.2023 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

Level II (the measurement methods based on market-derived parameters): This level includes derivative instruments. Derivative instruments are measured using discounted cash flow models based on the discount curve derived from the inter-bank market. The Group also classifies NBP bills into this category.

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

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

Level 3: Other valuation techniques

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

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method	Effective margin on loans
C-SERIES PREFERENCE SHARES OF VISA INC.	Estimating the fair value based on the current market value of the listed ordinary shares (A-series) of Visa Inc., including a discount which takes into account the limited liquidity of preferential shares.	Discount taking into account the limited liquidity of preferential shares.
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company
SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company; selection of peer group
SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION	Estimation of the fair value based on the net assets value of the company and average FX exchange rate	Net asset value of the company
SHARES IN SYSTEM OCHRONY BANKÓW KOMERCYJNYCH S.A.	Estimation of the fair value based on the net assets value of the company	Net asset value of the company
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA		
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK” SP Z O.O.		

As at 30.09.2023 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.09.2023	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 234 628	7 261 452	7 665	8 503 745
Hedging derivatives	-	1 178 694	-	1 178 694
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 970 656	2 970 656
Loans and advances to customers measured at fair value through profit and loss	-	-	91 203	91 203
Debt securities measured at fair value through other comprehensive income	34 150 295	10 392 608	394	44 543 297
Debt securities measured at fair value through profit and loss	-	-	1 969	1 969
Equity securities measured at fair value through other comprehensive income	-	-	5 729	5 729
Equity securities measured at fair value through other comprehensive income	-	-	229 212	229 212
Total	35 384 923	18 832 754	3 306 828	57 524 505
Financial liabilities				
Financial liabilities held for trading	1 217 314	7 428 632	3 251	8 649 197
Hedging derivatives	-	1 356 392	-	1 356 392
Total	1 217 314	8 785 024	3 251	10 005 589

31.12.2022	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	244 547	6 627 061	12 008	6 883 616
Hedging derivatives	-	549 177	-	549 177
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 628 660	2 628 660
Loans and advances to customers measured at fair value through profit and loss	-	-	239 694	239 694
Debt securities measured at fair value through other comprehensive income	35 435 926	4 101 199	2 410	39 539 535
Debt securities measured at fair value through profit and loss	-	-	64 707	64 707
Equity securities measured at fair value through other comprehensive income	-	-	63 248	63 248
Equity securities measured at fair value through other comprehensive income	-	-	204 299	204 299
Total	35 680 473	11 277 437	3 215 026	50 172 936
Financial liabilities				
Financial liabilities held for trading	195 560	6 904 911	8 355	7 108 826
Hedging derivatives	-	1 979 089	-	1 979 089
Total	195 560	8 884 000	8 355	9 087 915

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

Level III								
30.09.2023	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Financial liabilities held for trading
As at the beginning of the period	12 008	239 694	2 628 660	64 707	2 410	204 299	63 248	8 355
Profit or losses								
<i>recognised in income statement</i>	(3 447)	23 834	-	4 686	-	-	5 650	(3 946)
<i>recognised in equity (OCI)</i>	-	-	166 579	-	-	24 913	-	-
Purchase/granting	1 330	17 999	1 548 483	-	-	-	-	279
Sale	-	(7 416)	(50 728)	(67 888)	-	-	(64 122)	-
Matured	-	(181 745)	(1 322 519)	-	-	-	-	-
Transfer	(2 226)	-	-	-	-	-	-	(1 437)
Other	-	(1 162)	181	464	(2 016)	-	954	-
As at the end of the period	7 665	91 203	2 970 656	1 969	394	229 212	5 729	3 251

	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Financial liabilities held for trading
31.12.2022								
As at the beginning of the period	3 885	553 830	1 729 848	116 977	3 475	195 468	3 427	2 616
Profit or losses								
recognised in income statement	5 517	52 477	-	(6 326)	-	-	3 264	6 131
recognised in equity (OCI)	-	-	150 167	-	-	8 702	-	-
Purchase/granting	4 695	136 238	1 330 740	-	-	129	59 179	1 139
Sale	-	(24 145)	(430 000)	(59 179)	-	-	-	-
Matured	-	(476 789)	(154 869)	-	-	-	-	-
Transfer	(2 089)	-	-	-	-	-	-	(1 531)
Other	-	(1 917)	2 774	13 235	(1 065)	-	(2 622)	-
As at the end of the period	12 008	239 694	2 628 660	64 707	2 410	204 299	63 248	8 355

28. Contingent liabilities

Significant court proceedings

As at 30.09.2023 the value of all litigation amounts to PLN 7,348,779 k. This amount includes PLN 1,234,723k claimed by the Group, PLN 6,030,652k in claims against the Group and PLN 83,404k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.09.2023 the amount of all court proceedings which had been completed amounted to PLN 922,364 k.

As at 30.09.2023 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 572,523k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 3,056,213k. In 2,474 cases against Santander Bank Polska SA, where the claim value was high (equal or above PLN 500 k), the total value of provisions for legal claims recognised in accordance with IAS 37 and the adjustment to gross carrying amount under IFRS 9 related to legal claims was PLN 992,827 k

As at 31.12.2022 the value of all litigation amounts to PLN 5 634 583 k. This amount includes PLN 1 384 887k claimed by the Group, PLN 4 175 352 k in claims against the Group and PLN 74 344k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2022 the amount of all court proceedings which had been completed amounted to PLN 254 496 k.

As at 31.12.2022 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 274 028k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 2,149,834k. In 1,403 cases against Santander Bank Polska SA, where the claim value was high (equal or above PLN 500 k), the total value of provisions for legal claims recognised in accordance with IAS 37 and the adjustment to gross carrying amount under IFRS 9 related to legal claims was PLN 656 613 k.

Off-balance sheet liabilities

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

30.09.2023

Contingent liabilities	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned	54 650 326	1 211 494	44 604	55 906 424
- financial	39 600 161	925 918	29 884	40 555 963
- credit lines	35 454 118	876 072	19 562	36 349 752
- credit cards debits	3 408 015	41 468	9 654	3 459 137
- import letters of credit	677 843	8 378	668	686 889
- term deposits with future commencement term	60 185	-	-	60 185
- guarantees	15 086 066	310 968	29 356	15 426 390
Provision for off-balance sheet liabilities	(35 901)	(25 392)	(14 636)	(75 929)
Liabilities received				60 765 999
- financial				662 889
- guarantees				60 103 110
Total	54 650 326	1 211 494	44 604	116 672 423

31.12.2022

Contingent liabilities	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned	42 131 632	1 046 623	36 712	43 214 967
- financial	33 468 058	843 410	29 658	34 341 126
- credit lines	29 210 066	790 162	17 860	30 018 088
- credit cards debits	3 427 292	43 599	10 233	3 481 124
- import letters of credit	808 939	9 649	1 565	820 153
- term deposits with future commencement term	21 761	-	-	21 761
- guarantees	8 694 921	213 929	26 860	8 935 710
Provision for off-balance sheet liabilities	(31 347)	(10 716)	(19 806)	(61 869)
Liabilities received				56 315 458
- financial				364 732
- guarantees				55 950 726
Total	42 131 632	1 046 623	36 712	99 530 425

Proceedings of the Office of Competition and Consumer Protection on the reimbursement of costs in the case of early mortgage repayment

By the decision of 26 September 2022, UOKiK (the Office of Competition and Consumer Protection) initiated proceedings against the Bank regarding the use of practices that violate collective consumer interests. UOKiK accused the Bank that in the case of an early repayment of a mortgage loan granted under the Act on Mortgage Loans and the supervision over mortgage brokers and agents of 23.03.2017, the Bank did not proportionally reduce the one-off costs of the loan, i.e. the sanction fee and the immovable property valuation cost.

The Bank responded at length to the allegations made by the Office of Competition and Consumer Protection (UOKiK). During the proceedings, the Bank informed UOKiK about a change in practice, stating that in the case of early repayment of mortgage loans granted under the aforementioned Mortgage Credit Act, the bank applies a proportional reduction of the loan preparatory fee. The Bank's stance was based on the prevailing court practice, in particular the CJEU judgment of 9 February 2023 in case C-555/21, in which the Court stated that the right to reduction cannot cover costs which, irrespective of the duration of the contract, are payable by the consumer to either the creditor or third parties for services previously rendered in their entirety at the time of early repayment. The Bank is awaiting the grounds of judgment of the Supreme Court of 31 May 2023 in case III CZP 144/22, in which the Court held that an arrangement fee on a mortgage loan can be reduced under Article 39(1) of the Act of 23 March 2017 on mortgage loans and supervision over mortgage loan brokers and agents if its amount depends on the duration of the contract. The above judgments of both the CJEU and the Supreme Court are in line with the Bank's legal reasoning presented during the proceedings instigated by the UOKiK.

29. Legal risk connected with CHF mortgage loans

As at 30 September 2023, the Group had a portfolio of 32.3k CHF-denominated and CHF-indexed loans of PLN 6,883, 927 k gross before adjustment to the gross carrying amount at PLN 3,788,496 k reducing contractual cash flows in respect of legal risk.

As at 31 December 2022, the Group had a portfolio of 39.9k CHF-denominated and CHF-indexed loans of PLN 8,393,684k gross before adjustment to the gross carrying amount at PLN 3,136,301k reducing contractual cash flows in respect of legal risk.

In the case of both common courts and the Supreme Court, the ruling practice regarding loans indexed to or denominated in foreign currencies is still not unanimous.

The prevailing practice is the annulment of a loan agreement due to unfair clauses concerning loan indexation and application of an exchange rate from the bank's FX table. Some courts issue judgments as a result of which the loan is converted to PLN: the unfair indexation mechanism is removed and the loan is treated as a PLN loan with an interest rate based on a rate relevant for CHF. Other courts adjudicate partly in favour of banks: only the application of an exchange rate based on the bank's FX table is deemed to be unfair and is replaced by an objective indexation rate, i.e. an average NBP exchange rate or market exchange rate. Still others decide on the removal of loan indexation, as a consequence of which the loan is treated as a PLN loan with an interest rate based on WIBOR. Judgments are also passed which declare loan agreements void due to unlawful terms. Those judgments are incidental and as such, in the Group's view, have no significant impact on the assessment of legal risk of court cases regarding mortgage loans denominated in or indexed to CHF.

Lastly, there are still rulings which are entirely favourable to banks, where conversion clauses are not deemed to be unfair and the case against the bank is dismissed.

The foregoing differences in the case-law result from discrepancies in the ruling practice of the Supreme Court and the Court of Justice of the European Union (CJEU), which essentially provide guidance rather than detailed rules on how specific disputes should be adjudicated and claims settled.

Judgments passed by the Supreme Court in cases examined as part of the cassation procedure vary as to the effects of potential unfairness of indexation clauses: from the annulment of a loan agreement (prevailing practice) to its continuation in existence after the removal of unfair terms.

For example, in the judgment of 19 September 2023 (file no. II CSKP 1627/22) the Supreme Court reiterated that an agreement can continue in force if unfair clauses are eliminated, that is if they are replaced by reference to an objective market rate or average NBP rate (the same was stated in the judgment of 28 September 2022 in case no. II CSKP 412/22, and in the dissenting opinion on case no. II CSKP 701/22). Recently, several judgments have been passed in favour of banks, whereby the court refused to examine borrowers' cassation complaints based on similar grounds as above, that is the continuation of the agreement after elimination of unfair clauses (e.g. case no. I CSK 5082/22 and I CSK 7034/22).

The Supreme Court was supposed to present a comprehensive opinion on CHF loans in response to the questions asked by the First President of the Supreme Court in 2021 (file no. III CZP 11/21). However, the process has been suspended due to constitutional reasons and will be resumed after the CJEU issues a preliminary ruling in the same case.

In the resolution passed in 2021 (file no. III CZP 6/21), the Supreme Court expressed its opinion on several important matters concerning settlements between the parties in case of annulment of a loan agreement. It stated that the parties must each reimburse to the other any payments made under the agreement in accordance with the two separate claims theory. This way, the balance theory (ex officio mutual set-off of claims) was rejected. At the same time, the Supreme Court held that there are legal instruments in place, such as set-off and the right of retention, which make it possible to concurrently account for mutual settlements in relation to unjust enrichment following the invalidation of the loan agreement. As there were conflicting opinions about whether the right of retention can be exercised with respect to claims arising from a loan agreement, questions were submitted to the Supreme Court about the legal nature of a loan agreement.

In the above resolution, the Supreme Court also pointed out that the limitation of the bank's claims for return of unjust enrichment may not commence until the agreement is considered permanently ineffective, i.e. until the consumer takes an informed decision as to invalidity of the agreement, after they have been duly informed about the unfairness of contractual provisions and the related effects. This is in line with the opinion issued by the CJEU in respect of the limitation period for the consumer's claims for reimbursement of instalments paid following the annulment of the agreement, stating that it would be unreasonable to assume that this period should begin to run from the date of each payment made by the consumer as the consumer might not be aware of the existence or nature of unfair terms in the agreement.

The Supreme Court has not yet taken a clear position on banks' claims going beyond reimbursement of the nominal amount of the loan principal. However, it indicated such possibility in one of its judgments in which it stated that the CJEU case-law does not preclude such consequence of the annulment of a loan agreement (file. no. V CSK 382/18).

In its ruling practice, the CJEU generally gives priority to the protection of consumer's interests violated by unfair contractual terms. At the same time, it reiterates that the main objective of Directive 93/13/EEC on unfair terms in consumer contracts is to restore the balance between the parties, i.e. to restore the legal and factual situation which the consumer would have been in had they signed the agreement without the unfair term, while not undermining the deterrent effect sought by the Directive (detering sellers or suppliers from including unfair terms in agreements). Therefore, the court should first endeavour to keep the agreement in existence without the unfair term, where possible (i.e. if the main subject of the agreement is not changed). At the same time, the CJEU holds that it is permissible for the unfair term to be replaced by a supplementary provision of national law (even the one that entered into force after the conclusion of the agreement) or a rule which the parties have opted for. Recently, the CJEU has put forward a relatively new idea: that the parties should restore the balance through negotiations within the framework set by the court, this way protecting the consumer from adverse effects of the annulment of an agreement (particularly the need to immediately reimburse the amounts due to the bank). The CJEU takes the view that an agreement should be invalidated only as a last resort and only after the court presents the borrower with consequences of this solution and the borrower agrees to it. However, in order to ensure that the agreement can continue in existence, the court should apply all available measures, including an analysis of the possibility of removing only some of the clauses considered unfair without changing the substance of the contractual obligation. However, the prevailing practice of Polish courts is to invalidate the agreement as a result of elimination of unfair clauses.

The CJEU pointed out on several occasions (e.g. C-6/22, C-349/18 to C-351/18) that settlements between the parties following the annulment of an agreement are governed by national law (provided that the objectives of Directive 93/13/EEC are met). Consequently, the national courts have the exclusive jurisdiction over claims for restitution. That said, losses arising from the annulled agreement should not be equally distributed, i.e. the consumer should not incur a half or more than a half of the related costs.

The District Court for Warsaw-Śródmieście requested a preliminary ruling from the CJEU on claims of the parties for settlement of amounts arising from the non-contractual use of the capital in the case of annulment of an agreement pursuant to Directive 93/13/EEC. One case concerned the borrower's claims against the bank for the return of profits made using the money paid by the borrower (C-520/21) and the other case concerned the bank's claims for consideration in respect of the provision of funds under a loan agreement (C-756/22).

The judgment in case C-520/21 was passed on 15 June 2023. In the grounds of the judgment the CJEU stated that "in the context of the annulment in its entirety of a mortgage loan agreement on the ground that it cannot continue in existence after the removal of the unfair terms, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts must be interpreted as:

- not precluding a judicial interpretation of national law according to which the consumer has the right to seek compensation from the credit institution going beyond reimbursement of the monthly instalments paid and the expenses paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served, provided that the objectives of Directive 93/13/EEC and the principle of proportionality are observed and,
- precluding a judicial interpretation of national law according to which the credit institution is entitled to seek compensation from the consumer going beyond reimbursement of the capital paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served."

In its judgment, the CJEU confirmed that the effects of the annulment of an agreement are governed by the national law subject to the provisions of Directive 93/13 EEC. Consequently, claims for restitution will be assessed by the national court after examining the facts of the case. The grounds of judgment indicate that the bank's claims going beyond the reimbursement of the loan principal are contrary to the objectives of Directive 93/13/EEC, if they would cause the bank to make a similar profit to the one intended to be earned in the performance of the agreement. The deterrent effect would thus be eliminated. Having analysed the grounds of judgment, the Group has concluded that in the circumstances presented by the CJEU it could be possible for banks to claim reimbursement of the loan principal adjusted for changes in the time value of money over the period of more than ten years since sanction. Several courts have already presented their stance that is in line with the above interpretation.

At the same time, the CJEU held that the EU law does not preclude the consumer from seeking compensation from the bank beyond reimbursement of the instalments paid. But in its grounds of judgment it asserted that such claims should be assessed in the light of all the facts of the case to ensure that potential benefits derived by the consumer after annulment of the agreement do not go beyond what is necessary to restore the legal and factual situation they would have been in if they had not concluded a defective agreement and that

the benefits are not a disproportionate penalty on a seller or supplier (proportionality principle). Furthermore, as any such claims will be assessed in accordance with national laws on unjust enrichment, the decision to uphold them would be questionable as there is no actual enrichment on the part of the bank as a result of the use of funds paid by the borrower (the borrower only reimburses the money provided by the bank under an agreement declared invalid).

Case C-520/21, in which the CJEU judgment of 15 June 2023 was passed, formally concerned only additional claims of the consumer following the annulment of a loan agreement. Case C-756/22, in which questions referred for preliminary ruling concern directly the bank's claims, is pending CJEU judgment.

The final assessment of legal risk related to claims of the parties for consideration arising from the non-contractual use of the capital in the case of annulment of the agreement will largely depend on the ruling practice of national courts with regard to the enforcement of CJEU judgments and on the opinion of the Supreme Court. Some courts have been inclined to accept banks' right to claim reimbursement of the loan principal adjusted for changes in the time value of money (first favourable judgments, admission of evidence based on expert's opinion to calculate the adjusted loan principal).

As there is no unanimous ruling practice and – in the Management Board's opinion – it is not possible to predict the Supreme Court's decisions on individual cases and there are still questions pending preliminary ruling by the CJEU, at the date of these financial statements the Group estimated the legal risk associated with the portfolio of loans indexed to and denominated in a foreign currency using a model which considers different possible judgments (in the form of adjustment to the gross carrying amount for active exposures or provisions for inactive exposures), including those which are the subject of the request for the resolution of the entire Civil Chamber of the Supreme Court. The model can also be affected by subsequent CJEU rulings on questions referred by the Polish courts, the stance of the Supreme Court and the ruling practice of national courts. The Group is monitoring court decisions taken with regard to foreign currency loans in terms of the ruling practice and its possible changes. The model might also be affected by a potential intervention of legislators aimed to restore the balance between the parties following the removal of the unfair clause to protect legal relationships from mass annulment of mortgage loan agreements.

In view of the above, the Group identified the risk that in the case of lawsuits which have already been filed or are predicted to be filed based on applicable models the scheduled cash flows from the portfolio of mortgage loans denominated in and indexed to foreign currencies might not be fully recoverable and/or that a liability might arise, resulting in a future cash outflow. The Group recognises the impact of legal risk associated with foreign currency mortgage loans in line with the requirements arising from:

- IFRS 9 Financial Instruments – in the case of active loans and
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – in the case of loans repaid in full or if the gross carrying amount of an active loan is lower than the value of risk.

The adjustment to the gross carrying amount (in accordance with IFRS 9) and provisions (in accordance with IAS 37) were estimated taking into account a number of assumptions which significantly influence the estimate reflected in the Group's financial statements.

As at 30 September 2023, there were 16,420 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 5,542,806k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 354 CHF-indexed loans, with the disputed amount of PLN 50,983k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 31 December 2022, there were 12,225 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 3,609,610k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 559 CHF-indexed loans, with the disputed amount of PLN 50,983k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 30 September 2023, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 4,421,365k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 3,788,495k (including PLN 3,066,091k in the case of Santander Bank Polska S.A. and PLN 722,404k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 632,870k (including PLN 493,767k in the case of Santander Bank Polska S.A. and PLN 139,103k in the case of Santander Consumer Bank S.A.).

As at 31 December 2022, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 3,557,253k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 3,136,301k (including PLN 2,491,692k in the case of Santander Bank Polska S.A. and PLN 644,609k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 420,952k (including PLN 318,682k in the case of Santander Bank Polska S.A. and PLN 102,270k in the case of Santander Consumer Bank S.A.).

The tables below present the total cost of legal risk connected with mortgage loans recognised in the Group's income statement and statement of financial position, including the cost of settlements discussed in detail in the section below.

	1.07.2023– 30.09.2023	1.01.2023– 30.09.2023	1.07.2022– 30.09.2022	1.01.2022– 30.09.2022
Cost of legal risk connected with foreign currency mortgage loans				
Impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(263 962)	(1 019 519)	(31 674)	(770 028)
Impact of legal risk associated with foreign currency mortgage loans recognised as provision	(67 571)	(247 156)	(32 055)	(158 361)
Other costs*	(98 638)	(312 975)	(59 174)	(141 893)
Total cost of legal risk associated with foreign currency mortgage loans	(430 171)	(1 579 650)	(122 903)	(1 070 282)
Gain/loss on derecognition of financial instruments measured at amortised cost	(32 953)	(296 296)	(43 768)	(82 679)
including: settlements made	(34 674)	(302 215)	(47 858)	(88 683)
Total cost of legal risk associated with foreign currency mortgage loans and settlements made	(464 845)	(1 881 865)	(170 761)	(1 158 965)

* Other costs include but are not limited to the costs of court proceedings and costs of enforcement of court judgments.

	30.09.2023	31.12.2022
Adjustment to gross carrying amount in respect of legal risk associated with foreign currency mortgage loans	3 788 495	3 136 301
Provision for legal risk associated with foreign currency mortgage loans	632 870	420 952
Total cumulative impact of legal risk associated with foreign currency mortgage loans	4 421 365	3 557 253

As at 30 September 2023, the total adjustment to the gross carrying amount and provisions for legal risk and legal provisions (for legal claims and a collective portion) accounted for 64.2% of the gross value of the active CHF loan portfolio (before adjustment to the gross carrying amount in line with IFRS 9).

The increase in the cost of legal risk between January and September 2023 is due to an update of the number of expected settlements and expected lawsuits as well as change in total loss in respect of cases potentially lost by the Group resulting from changes in the expected rulings and the assumed level of the likelihood of claims being resolved in favour of customers. Furthermore, the number of court judgments increased in 2022 and the first three quarters of 2023.

The Group used a statistical model to estimate the likelihood of claims being made by borrowers in relation to both active and repaid loans based on the existing lawsuits against the Group and the estimated growth in their number. The model assesses the so-called lifetime risk and is based on a range of behavioural characteristics related to the loan and the customer. The Group assumes that lawsuits have been or will be filed against the Group in relation to approx. 25.9% of loans (active and repaid). These assumptions are highly sensitive to a number of external factors, including but not limited to the ruling practice of Polish courts, the level of publicity around individual rulings, measures taken by the mediating law firms and the cost of proceedings. Customers' interest in proposed settlements is another important aspect affecting the estimates, as is the practice of Polish courts with regard to the enforcement of CJEU rulings.

The Group expects that most of the lawsuits will be filed by the end of 2024, and then the number of new claims will drop as the legal environment will become more structured.

In the Group's opinion, the expected number of cases estimated based on the statistical model is also characterised by uncertainty owing to such factors as: the duration of court proceedings (also estimated based on a relatively short time horizon of available statistics, which does not meet the conditions for application of quantitative methods) and the growing costs related to the instigation and continuation of court proceedings.

For the purpose of calculating the costs of legal risk, the Group also estimated how likely it is that a specific number of lawsuits will be filed and what the possible end scenarios are in this respect. The likelihoods differ between indexed and denominated loans. The likelihood of unfavourable ruling for the Group is higher for the former and lower for the latter. The Group also considered the protracted

proceedings in some courts. As at 30 September 2023, 2,090 final and non-appealable judgments were issued in cases against the Group (including those passed after the CJEU ruling of 3 October 2019), of which 1,996 were unfavourable to the Group, and 94 were entirely or partially favourable to the Group (compared to 927 judgments as at 31 December 2022, including 861 unfavourable ones and 66 entirely or partially favourable). When assessing these likelihoods, the Group used the support of law firms and conducted thorough analysis of the ruling practice in cases concerning indexed and denominated loans.

As the current ruling practice is not unanimous, the Group considers the following scenarios of possible court rulings that might lead to financial losses (including one new scenario added in Q2 2023):

- Annulment of the whole loan agreement due to unfair clauses, with only the nominal of the capital to be reimbursed by the borrower;
- Annulment of the loan agreement clauses identified as unfair, resulting in the conversion of the loan into PLN and maintenance of an interest rate based on a rate relevant for CHF;
- Conversion of the loan to PLN with an interest rate based on WIBOR;
- Rulings leading to the settlement by the borrower of the capital obtained, taking into account changes in the time value of money;
- Annulment of the loan agreement clauses identified as unfair with respect to the FX differences determination mechanism, resulting in the average NBP rate to be applied.

These scenarios also vary in terms of likelihood depending on the type of agreement and in terms of the level of losses incurred in case of their materialisation. They were estimated with the support of external law firms independent from the Group. Each of these scenarios has an estimated expected loss level based on the available historical data.

The Group also considers an additional scenario in which it may incur financial loss on account of additional claims made by the borrower beyond the reimbursement of the nominal amount of the instalments paid.

Settlements

In December 2020, the Chairman of the Polish Financial Supervision Authority (KNF) presented a proposal for voluntary settlements between banks and borrowers under which CHF loans would be retrospectively settled as PLN loans bearing an interest rate based on WIBOR plus margin. The Group prepared settlement proposals which take into account both the key elements of conversion of home loans indexed to CHF, as proposed by the KNF Chairman, and the conditions defined internally by the Bank. The proposals are being presented to customers. This is reflected in the model which is currently used to calculate legal risk provisions, both in terms of the impact of proposed settlements on customers' willingness to bring the case to court and with respect to the potential outcomes of court proceedings. By 30 September 2023, the Group made 8,407 settlements (both pre-court and following the lawsuits), of which 5,369 ones were reached in 2023 and 1,032 ones in Q3 2023 alone.

In mid-2022, the Group developed a settlement scenario which reflects the level of losses for future settlements. The scenario is based on acceptance levels and losses on loans as part of settlement proposals described above. The acceptance level of future settlements is affected by factors such as the interest rate of PLN loans, the CHF/PLN conversion rate, the development of the ruling practice and the duration of proceedings.

30. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	25.10.2023	26.07.2023	25.10.2023	26.07.2023	25.10.2023	26.07.2023	25.10.2023	26.07.2023
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,01%	5 123 581	5 123 581	5,01%	5,01%
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
Total	102 189 314	102 189 314	100%	100%	102 189 314	102 189 314	100%	100%

* Nationale-Nederlanden OFE is managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 3Q 2023 /25.10.2023/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

31. Capital Adequacy

The capital requirements of Santander Bank Polska Capital Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), as amended, inter alia, by CRR II, which was the official legal basis as at 30.09.2023.

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

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

	a	b	c	d	e	
	30.09.2023	30.06.2023	31.03.2023*	31.12.2022*	30.09.2022	
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	27 093 399	27 054 079	26 765 107	26 423 081	23 702 494
2	Tier 1 capital	27 093 399	27 054 079	26 765 107	26 423 081	23 702 494
3	Total capital	29 162 042	29 254 437	29 047 221	28 783 032	26 151 901
Risk-weighted exposure amounts						
4	Total risk exposure amount	141 521 910	140 839 685	138 044 910	136 189 011	138 135 913
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	19,14%	19,21%	19,39%	19,40%	17,16%
6	Tier 1 ratio (%)	19,14%	19,21%	19,39%	19,40%	17,16%
7	Total capital ratio (%)	20,61%	20,77%	21,04%	21,13%	18,93%
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 (%)	0,01%	0,01%	0,01%	0,01%	0,02%
EU 7b	of which: to be made up of CET1 capital (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 7c	of which: to be made up of Tier 1 capital (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 7d	Total SREP own funds requirements (%)	8,02%	8,02%	8,02%	8,02%	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 (%)	1,00%	1,00%	1,00%	1,00%	0,75%
11	Combined buffer requirement (%)	3,51%	3,51%	3,51%	3,51%	3,26%
EU 11a	Overall capital requirements (%)	11,53%	11,53%	11,53%	11,53%	11,29%
12	CET1 available after meeting the total SREP own funds requirements (%)	12,59%	12,75%	13,02%	13,11%	10,90%
Leverage ratio						
13	Total exposure measure	291 542 637	276 388 249	271 334 767	270 469 138	282 267 175
14	Leverage ratio (%)	9,29%	9,79%	9,86%	9,77%	8,40%
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)	70 340 845	66 996 115	65 545 484	66 679 371	67 558 911
EU 16a	Cash outflows - Total weighted value	52 161 107	50 784 488	49 333 834	47 361 142	44 692 470
EU 16b	Cash inflows - Total weighted value	14 439 802	13 340 397	11 815 709	10 337 555	9 326 377
16	Total net cash outflows (adjusted value)	37 721 305	37 444 091	37 518 125	37 023 586	35 366 093
17	Liquidity coverage ratio (%)	186%	179%	175%	180%	191%
Net Stable Funding Ratio						
18	Total available stable funding	196 451 469	190 756 686	190 342 122	187 329 790	184 427 253
19	Total required stable funding	130 511 261	128 042 302	128 165 663	123 106 911	124 417 668
20	NSFR ratio (%)	151%	149%	149%	152%	148%

*data in relevant periods include profits included in own funds taking into account the decision of the General Meeting of Shareholders and applicable EBA guidelines.

As at 30 September 2023 the own funds include the profit for 2022 according to Resolution No. 6 of the Annual General Meeting of 19 April 2023.

The Annual General Meeting of Santander Bank Polska S.A. Shareholders agreed on the distribution of the net profit of PLN 2 449 043k for the accounting year from 1 January 2022 to 31 December 2022 as follows:

- PLN 72 357k was allocated to capital reserves;
- PLN 2 376 686k was allocated to the Dividend Reserve 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 capital reserve ("Resolution No. 6/2021").

Additionally, the amount of PLN 840 887k was allocated to the Dividend Reserve, which represents the profit earned on the sale of shares in AVIVA insurance companies and posted under other comprehensive income.

As at 30 September 2023 the current year profit (from 1 January 2023 to 30 September 2023) is not included in own funds.

The following table summarizes key metrics about MREL I TLAC requirements applied at the Santander Bank Polska Group level.

		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
		30.09.2023	30.09.2023	30.06.2023	31.03.2023*	31.12.2022*	30.09.2022
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	35 263 093	35 263 093	35 014 765	34 969 560	35 085 058	33 842 443
EU-1a	Of which own funds and subordinated liabilities	31 786 393					
2	Total risk exposure amount of the resolution group (TREA)	141 521 910	141 521 910	140 839 685	138 044 910	136 189 011	138 135 913
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	24,92%	24,92%	24,86%	25,33%	25,76%	24,50%
EU-3a	Of which own funds and subordinated liabilities	22,46%					
4	Total exposure measure of the resolution group	291 542 637	291 542 637	276 388 249	271 334 767	270 469 138	282 267 175
5	Own funds and eligible liabilities as percentage of the total exposure measure	12,10%	12,10%	12,67%	12,89%	12,97%	11,99%
EU-5a	Of which own funds or subordinated liabilities	10,90%					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		No	No	No	No	No
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		4 953 267	4 929 389	3 506 625	3 517 425	4 834 757
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 (%)		100,00%	100,00%	100,00%	100,00%	98,88%
Minimum requirement for own funds and eligible liabilities (MREL)**							
	TLAC as a percentage of TREA		18,00%	18,00%	18,00%	18,00%	18,00%
	TLAC as percentage of TEM		6,75%	6,75%	6,75%	6,75%	6,75%
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	11,70%					
EU-8	Of which to be met with own funds or subordinated liabilities	11,13%					
EU-9	MREL requirement expressed as percentage of the total exposure measure	4,46%					
EU-10	Of which to be met with own funds or subordinated liabilities	4,46%					

*data in relevant periods include profits included in own funds taking into account the applicable EBA guidelines

** Excluding the combined buffer requirement

The table below presents a specification of capital requirements and risk weighted assets for different risks.

	Total risk exposure amounts (TREA)		Total own funds requirements
	a	b	c
	30.09.2023	30.06.2023	30.09.2023
1 Credit risk (excluding CCR)	116 219 958	115 947 678	9 297 597
2 Of which the standardised approach	116 219 958	115 947 678	9 297 597
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	5 016 188	4 687 928	401 295
7 Of which the standardised approach	3 441 899	3 321 333	275 352
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	80 047	89 316	6 404
EU 8b Of which credit valuation adjustment - CVA	776 868	663 264	62 149
9 Of which other CCR	717 373	614 016	57 390
15 Settlement risk	-	-	-
16 Securitisation exposures in the non-trading book (after the cap)	973 365	699 924	77 869
17 Of which SEC-IRBA approach	-	-	-
18 Of which SEC-ERBA (including IAA)	75 000	75 000	6 000
19 Of which SEC-SA approach	898 365	624 924	71 869
EU 19a Of which 1250%	-	-	-
20 Position, foreign exchange and commodities risks (Market risk)	1 902 455	2 094 210	152 196
21 Of which the standardised approach	1 902 455	2 094 210	152 196
22 Of which IMA	-	-	-
EU 22a Large exposures	-	-	-
23 Operational risk	17 409 945	17 409 945	1 392 796
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	17 409 945	17 409 945	1 392 796
EU 23c Of which advanced measurement approach	-	-	-
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	7 439 812	7 599 058	595 185
29 Total	141 521 910	140 839 685	11 321 753

32. Impact of IFRS 9 on capital adequacy and leverage ratio

On 12.12.2017, 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 1.01.2018.

Having analysed Regulation No. 2017/2395, Santander Bank Polska Group 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.

From June 2020, Santander Bank Polska 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. 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 in accordance with Guidelines EBA/GL/2020/12 from 11 August 2020 amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic.

Available capital (amounts)		30.09.2023	30.06.2023	31.03.2023*	31.12.2022*	30.09.2022
1	Common Equity Tier 1 (CET1) capital	27 093 399	27 054 079	26 765 107	26 423 081	23 702 494
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 973 089	26 933 769	26 644 797	26 166 155	23 509 368
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	27 093 399	27 054 079	26 765 107	26 423 081	23 702 494
3	Tier 1 capital	27 093 399	27 054 079	26 765 107	26 423 081	23 702 494
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 973 089	26 933 769	26 644 797	26 166 155	23 509 368
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	27 093 399	27 054 079	26 765 107	26 423 081	23 702 494
5	Total capital	29 162 042	29 254 437	29 047 221	28 783 032	26 151 901
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	29 041 732	29 134 127	28 926 911	28 524 999	25 958 647
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	29 162 042	29 254 437	29 047 221	28 783 032	26 151 901
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	141 521 910	140 839 685	138 044 910	136 189 011	138 135 913
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	141 472 151	140 789 927	137 995 152	136 082 829	137 976 846
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	19,14%	19,21%	19,39%	19,40%	17,16%
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	19,07%	19,13%	19,31%	19,23%	17,04%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19,14%	19,21%	19,39%	19,40%	17,16%
11	Tier 1 (as a percentage of risk exposure amount)	19,14%	19,21%	19,39%	19,40%	17,16%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19,07%	19,13%	19,31%	19,23%	17,04%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	19,14%	19,21%	19,39%	19,40%	17,16%
13	Total capital (as a percentage of risk exposure amount)	20,61%	20,77%	21,04%	21,13%	18,93%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,53%	20,69%	20,96%	20,96%	18,81%
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	20,61%	20,77%	21,04%	21,13%	18,93%
Leverage ratio						
15	Leverage ratio total exposure measure	291 542 637	276 388 249	271 334 767	270 469 138	282 267 175
16	Leverage ratio	9,29%	9,79%	9,86%	9,77%	8,40%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,25%	9,75%	9,82%	9,68%	8,33%
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	9,29%	9,79%	9,86%	9,77%	8,40%

*data in relevant periods include profits included in own funds taking into account the applicable EBA guidelines

Santander Bank Polska Group does not apply the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR, therefore own funds, capital and leverage ratios already reflect the full impact of unrealized gains and losses measured at fair value through other comprehensive income.

33. Liquidity measures

The table below presents the liquidity coverage ratio information.

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	30.09.2023	30.06.2023	31.03.2023	31.12.2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)				
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	136 247 633	134 378 996	133 322 150	133 405 665
3	Stable deposits	82 336 673	81 295 801	80 726 238	81 506 867
4	Less stable deposits	48 814 927	48 208 542	47 748 827	47 190 944
5	Unsecured wholesale funding	60 767 090	57 925 166	55 961 102	53 595 224
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	60 386 351	57 525 817	55 505 818	53 047 179
8	Unsecured debt	380 738	399 348	455 285	548 045
9	Secured wholesale funding				
10	Additional requirements	32 813 316	31 483 786	30 480 803	29 838 504
11	Outflows related to derivative exposures and other collateral requirements	6 584 516	5 854 424	5 147 388	4 178 955
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	26 228 800	25 629 363	25 333 415	25 659 549
14	Other contractual funding obligations	1 482 533	2 099 450	2 399 201	2 440 337
15	Other contingent funding obligations	19 465 184	17 484 630	15 545 830	15 572 656
16	TOTAL CASH OUTFLOWS				
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	8 630 154	8 727 900	6 918 314	5 205 327
18	Inflows from fully performing exposures	10 846 767	10 375 425	9 493 140	8 633 913
19	Other cash inflows	4 682 490	4 064 038	3 377 164	2 727 178
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	24 159 411	23 167 362	19 788 618	16 566 418
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	24 159 411	23 167 362	19 788 618	16 566 418

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2023	30.06.2023	31.03.2023	31.12.2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	70 340 845	66 996 115	65 545 484	66 679 371
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	11 116 502	10 968 887	10 868 857	10 822 101
3	<i>Stable deposits</i>	4 116 834	4 064 790	4 036 312	4 075 343
4	<i>Less stable deposits</i>	6 999 669	6 904 097	6 832 545	6 746 758
5	Unsecured wholesale funding	29 670 387	28 833 355	28 186 758	27 280 627
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	29 289 649	28 434 007	27 731 473	26 732 582
8	<i>Unsecured debt</i>	380 738	399 348	455 285	548 045
9	Secured wholesale funding	-	-	-	-
10	Additional requirements	9 173 831	8 268 244	7 400 035	6 332 376
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	6 584 516	5 854 424	5 147 388	4 178 955
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-
13	<i>Credit and liquidity facilities</i>	2 589 314	2 413 821	2 252 647	2 153 421
14	Other contractual funding obligations	1 247 284	1 855 385	2 113 806	2 098 730
15	Other contingent funding obligations	953 103	858 616	764 378	827 307
16	TOTAL CASH OUTFLOWS	52 161 107	50 784 488	49 333 834	47 361 142
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	9 757 312	9 276 359	8 438 545	7 610 377
19	Other cash inflows	4 682 490	4 064 038	3 377 164	2 727 178
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	14 439 802	13 340 397	11 815 709	10 337 555
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	14 439 802	13 340 397	11 815 709	10 337 555
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER	70 340 845	66 996 115	65 545 484	66 679 371
22	TOTAL NET CASH OUTFLOWS	37 721 305	37 444 091	37 518 125	37 023 586
23	LIQUIDITY COVERAGE RATIO	186%	179%	175%	180%

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), government bonds of Germany, Spain and the Great Britain and bonds issued by the European Investment Bank, 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.

Disclosed LCR in September 2023 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 diversifying sources of long-term financing, being present 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 the third quarter of 2023 Santander Leasing S.A. repaid issues of PLN 100 million and issued PLN 200 million of unsecured bonds, whereas Santander Factoring Sp. z o.o. issued PLN 300 million of unsecured 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 Polish Central Government, government bonds of Germany, Spain, the Great Britain and bonds issued by the European Investment Bank), 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 September 2023, 30th the above mentioned categories accounted for 81.2%, 13.2%, 3.5% and 2.1%, respectively, of the liquid buffer. All components of liquid buffer are recognized as level 1 of liquid assets.

The main derivatives exposures of Group come from cross currency and fx swaps transactions. These transactions are aimed at 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 periodically 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 September 2023, 30th PLN 17.2 million. 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.

34. Related parties

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

Transactions with associates	30.09.2023	31.12.2022
Assets	267	214
Loans and advances to customers	213	154
Other assets	54	60
Liabilities	61 307	56 298
Deposits from customers	61 239	56 243
Other liabilities	68	55

Transactions with associates	1.01.2023- 30.09.2023	1.01.2022- 30.09.2022
Income	57 629	48 745
Interest income	5	7
Fee and commission income	57 601	48 737
Other operating income	23	1
Expenses	1 516	1 123
Interest expense	1 516	1 123

Transactions with Santander Group	with the parent company		with other entities	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
Assets	11 550 135	10 301 473	1 519	1 749
Loans and advances to banks, incl:	6 779 620	6 202 306	1 486	1 749
<i>Current accounts</i>	607 779	566 447	1 486	1 749
<i>Loans and advances</i>	6 171 841	5 635 859	-	-
Financial assets held for trading	4 766 641	4 098 301	33	-
Other assets	3 874	866	-	-
Liabilities	8 834 082	10 988 611	180 696	108 574
Deposits from banks incl.:	1 147 274	1 288 557	8 935	17 142
<i>Current accounts and advances</i>	1 037 590	595 307	8 935	17 142
<i>Loans from other banks</i>	109 684	693 250	-	-
Financial liabilities held for trading	4 150 587	3 796 232	-	-
Deposits from customers	-	-	79 437	70 288
Lease liabilities	-	-	25	25
Debt securities in issue	3 483 375	5 899 300	-	-
Other liabilities	52 846	4 522	92 299	21 119
Contingent liabilities	9 932 409	3 326 481	12 252	5 320
Sanctioned:	1 411 500	-	2 316	3 827
<i>guarantees</i>	1 411 500	-	2 316	3 827
Received:	8 520 909	3 326 481	9 936	1 493
<i>guarantees</i>	8 520 909	3 326 481	9 936	1 493

	with the parent company		with other entities	
	1.01.2023- 30.09.2023	1.01.2022- 30.09.2022	1.01.2023- 30.09.2023	1.01.2022- 30.09.2022
Transactions with Santander Group				
Income	1 055 494	625 202	7 872	12 730
Interest income	224 825	6 940	7	5
Fee and commission income	15 605	8 490	208	621
Other operating income	-	84	7 540	11 874
Net trading income and revaluation	815 064	609 688	117	230
Expenses	163 739	92 835	120 901	98 202
Interest expense	79 534	53 009	853	3 037
Fee and commission expense	31 518	5 046	172	288
Net trading income and revaluation	-	-	-	-
Operating expenses incl.:	52 687	34 780	119 876	94 877
<i>Staff, Operating expenses and management costs</i>	52 633	34 778	119 785	94 877
<i>Other operating expenses</i>	54	2	91	-

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

There were no changes in the business or economic circumstances that would affect the fair value of the entity's financial assets or financial liabilities, whether these assets or liabilities were recognised at fair value or amortised cost. Details in Note 27.

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

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

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

No such events took place in the reporting period.

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

As at 30.09.2023 and 31.12.2022 Santander Bank Polska and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Notes 8 and 12.

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

As at 30.09.2023 and 31.12.2022 or Santander Bank Polska S.A. or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

41. Acquisitions and disposals of investments in subsidiaries and associates

There were no acquisitions or sales of subsidiaries and associates in the reporting period.

42. Share based incentive scheme

In 2022, long-term Incentive Plan VII ("Plan") was established. One of the main objectives of the Plan is to ensure best employee experience and motivate the participants to increase the long-term value of Santander Bank Polska. The Plan is addressed to the employees who significantly contribute to growth in the value of the organisation. Its purpose is to motivate the participants to achieve business and qualitative goals in line with the Group's long-term strategy by providing an instrument that strengthens the employees' relationship with the organisation and encourages them to act in its long-term interest.

The Plan covers all persons with an identified employee status in Santander Bank Polska Group. The list of other key participants has been determined by the Management Board and approved by the Bank's Supervisory Board. Those employees can participate in the Plan on a voluntary basis.

The participants who satisfy the conditions stipulated in the Participation Agreement and the Resolution will be entitled to an award which is variable remuneration in the form of the Bank's shares classified as an equity-settled share-based payment under IFRS 2. To that end, Santander Bank Polska will buy back up to 2,331,000 shares from 1 January 2023 until 31 December 2033.

The Plan covers the period of five years (2022–2026). However, as the payment of variable remuneration is deferred, the share buyback and allocation will be completed by 2033.

Below are the vesting conditions that must be met jointly in a given year:

- 1) Delivery of at least 50% of the profit after tax (PAT) target of Santander Bank Polska SA ("SAN PL") for a given year.
- 2) Delivery of at least 80% of the team business targets for a given year at the level of SAN PL, Division or unit; the performance against the target is calculated as the weighted average of performance against at least three business targets defined as part of the financial plan approved by the Supervisory Board for a given year for SAN PL, Division or unit where the participant works, in particular:
 - a) PAT (profit after tax) of SAN PL (excluding Santander Consumer Bank);
 - b) ROTE (return on tangible equity expressed as a percentage) calculated in line with SAN PL reporting methodology;
 - c) NPS (Net Promoter Score) calculated in line with SAN PL reporting methodology;
 - d) RORWA (return on risk weighted assets) calculated in line with SAN PL reporting methodology;
 - e) number of customers;
 - f) number of digital customers.
- 3) The participant's performance rating for a given year at the level not lower than 1.5 on the 1–4 rating scale.

In addition, at the Management Board's request, the Supervisory Board decides to grant a retention award to a participant, if the following criteria are met:

- 1) The participant's average annual individual performance rating is at least 2.0 on the 1–4 rating scale during the period of their participation in Incentive Plan VII.
- 2) The average annual weighted performance against the Bank's targets in the years 2022–2026 is at least 80%, taking into account the following weights:
 - a) 40% for the average annual performance against the PAT target;
 - b) 40% for the average annual performance against the RORWA target;
 - c) 20% for the average annual performance against the ESG target.

For the purpose of the Plan, in Q1 2023 Santander Bank Polska bought back 165,406 shares (of 207,000 shares eligible for buyback) with the value of PLN 48,884,192 (from PLN 55,300,000 worth of capital reserve allocated to the delivery of the plan for 2022).

All the above shares were transferred to individual brokerage accounts of the participants. As the number of shares bought back by the Bank was sufficient to pay an award to the participants of Incentive Plan VII for 2022, on 16 March 2023 the Bank's Management Board adopted a resolution to end the buyback in 2023.

As at 30 September 2023, the total amount recognised in line with IFRS 2 (Share-based Payment) in the Group's equity was PLN 169,200k, including PLN 97,090k taken to staff expenses in nine months of 2023. As at 30 September 2023, PLN 48,249k worth of shares were transferred to employees.

43. Dividend per share

Recommendation of the Bank's Management Board regarding 2022 profit distribution and allocation of the undistributed profit earned on selling shares in AVIVA insurance companies.

The Management Board of Santander Bank Polska S.A. hereby announces that on 22 March 2023 it issued a recommendation on distribution of 2022 profit and the profit earned on the sale of shares in AVIVA insurance companies. The recommendation was positively reviewed by the Bank's Supervisory Board.

In line with the above decision, the Bank's Management Board recommends that:

1. the profit of PLN 2,449,042,525.50 earned in 2022 be distributed as follows:
 - PLN 72,357,000.00 - to be allocated to the capital reserve;
 - PLN 2,376,685,525.50 - to be allocated to the dividend reserve created by force of resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve (Dividend Reserve).
2. the amount of PLN 840,886,574.78 representing the profit earned on the sale of shares in AVIVA insurance companies and posted under other comprehensive income be allocated to the Dividend Reserve.

When taking its decision, the Management Board took into account the current macroeconomic environment as well as the recommendations and current position of the Polish Financial Supervision Authority (KNF), including that outlined in the KNF's letter of 16 March 2023, of which the Bank informed in its current report no. 13/2023 of 17 March 2023.

The profit distribution recommended to the Annual General Meeting will not preclude the Management Board's potential decision to distribute profit to the shareholders in the form of interim dividend and to use the Dividend Reserve for that purpose pursuant to the authorisation given to the Management Board in accordance with § 50(4) of the Bank's Statutes.

It will be contingent in particular on the positive opinion of the KNF once the CJEU takes a decision on case C-520/21 as well as economic situation and market conditions.

The Management Board's potential decision to pay an interim dividend will also require the approval of the Supervisory Board.

Re distribution of profit and decision on capital reserve created

On 19.04.2023 the Bank's Annual General Meeting adopted a resolution on re distribution of profit and decision on capital reserve created on the basis of Resolution no. 6/2021 of the Bank's Annual General Meeting of March 22, 2021

1. The Bank's Annual General Meeting distributed the Bank's net profit earned in the accounting year from 1 January 2022 to 31 December 2022 in the amount of PLN 2,449,042,525.50 as follows:
 - PLN 72,357,000.00 – to be allocated to the capital reserve;
 - PLN 2,376,685,525.50 – to be allocated to the dividend reserve (Dividend Reserve) created by force of resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve (Resolution no. 6/2021)
2. The Annual General Meeting allocates to the Dividend Reserve the amount of PLN 840,886,574.78, which represents the undistributed profit earned on the sale of shares in AVIVA insurance companies and posted under other comprehensive income

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

There were no major events subsequent to the end of the interim period.

Signatures of the persons representing the entity

Date	Name	Function	Signature
24.10.2023	Michał Gajewski	President	The original Polish document is signed with a qualified electronic signature
24.10.2023	Andrzej Burliga	Vice-President	The original Polish document is signed with a qualified electronic signature
24.10.2023	Juan de Porras Aguirre	Vice-President	The original Polish document is signed with a qualified electronic signature
24.10.2023	Arkadiusz Przybył	Vice-President	The original Polish document is signed with a qualified electronic signature
24.10.2023	Lech Gałkowski	Member	The original Polish document is signed with a qualified electronic signature
24.10.2023	María Elena Lanciego Pérez	Member	The original Polish document is signed with a qualified electronic signature
24.10.2023	Patryk Nowakowski	Member	The original Polish document is signed with a qualified electronic signature
24.10.2023	Magdalena Proga-Stępień	Member	The original Polish document is signed with a qualified electronic signature
24.10.2023	Maciej Reluga	Member	The original Polish document is signed with a qualified electronic signature
24.10.2023	Dorota Strojowska	Member	The original Polish document is signed with a qualified electronic signature

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

Date	Name	Function	Signature
24.10.2023	Wojciech Skalski	Financial Accounting Area Director	The original Polish document is signed with a qualified electronic signature