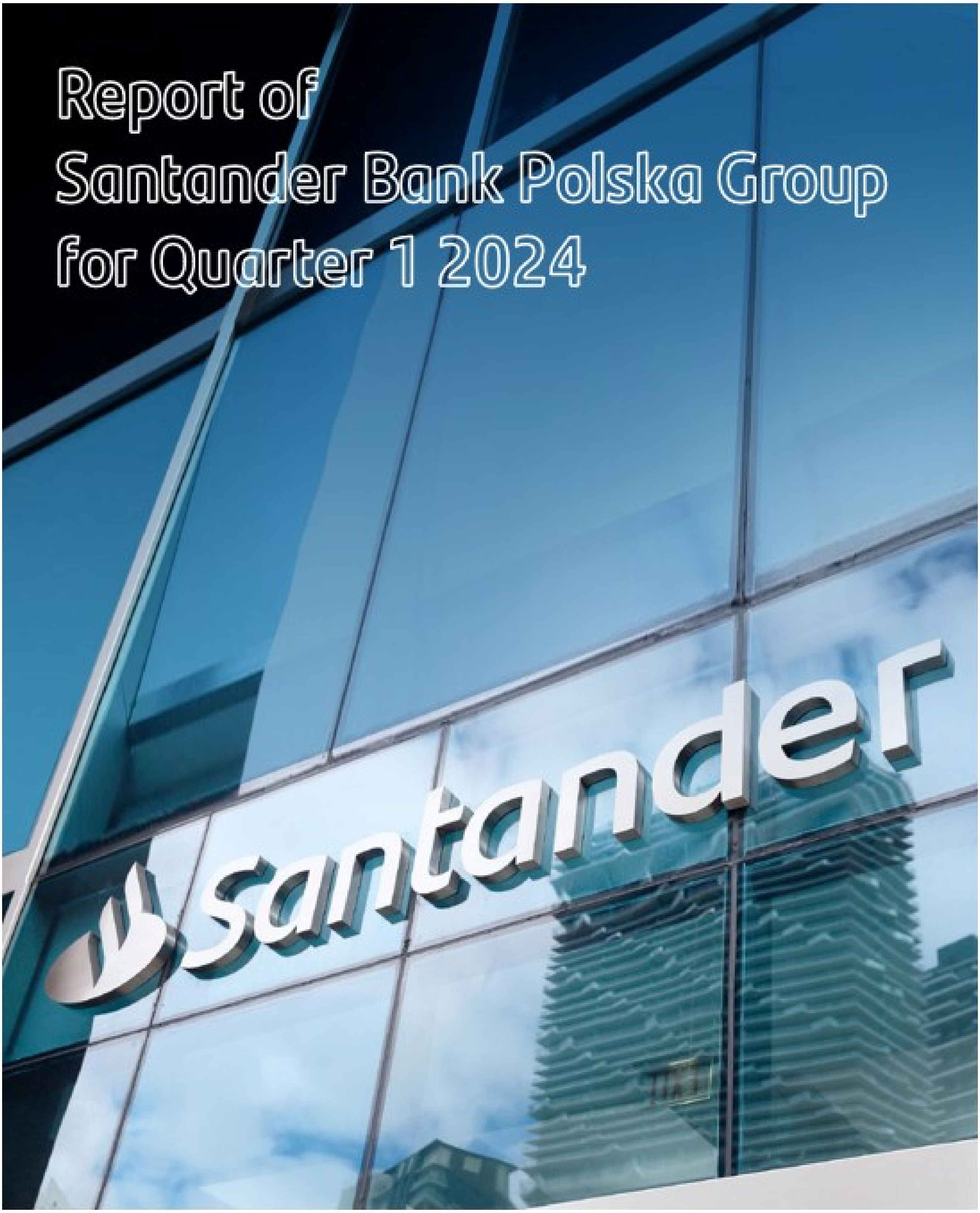
Report of Santander Bank Polska Group for Quarter 1 2024



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FINANCIAL HIGHLIGHTS

		PLN k		EUR k	
		01.01.2024-31.03.2024	01.01.2023-31.03.2023*	01.01.2024-31.03.2024	01.01.2023-31.03.2023*
	Consolidated financial statements of Santander Bank Polska Group				
I	Net interest income	3 387 338	3 092 291	783 906	657 864
II	Net fee and commission income	728 555	662 395	168 604	140 920
III	Profit before tax	2 096 647	1 656 008	485 211	352 305
IV	Net profit attributable to owners of the parent entity	1 564 744	1 191 990	362 117	253 588
V	Total net cash flows	(5 223 979)	(5 620 409)	(1 208 947)	(1 195 704)
VI	Profit of the period attributable to non-controlling interests	32 830	24 819	7 598	5 280
VII	Profit per share in PLN/EUR	15,31	11,66	3,54	2,48
VIII	Diluted earnings per share in PLN/EUR	15,31	11,66	3,54	2,48
	Separate financial statements of Santander Bank Polska S.A.				
I	Net interest income	2 930 501	2 701 891	678 184	574 809
II	Net fee and commission income	640 044	598 991	148 121	127 431
III	Profit before tax	1 923 700	1 503 411	445 188	319 841
IV	Profit for the period	1 472 646	1 103 199	340 803	234 698
V	Total net cash flows	(4 822 998)	(5 705 020)	(1 116 151)	(1 213 705)
VI	Profit per share in PLN/EUR	14,41	10,80	3,33	2,30
VIII	Diluted earnings per share in PLN/EUR	14,41	10,80	3,33	2,30

FINANCIAL HIGHLIGHTS

		PLN k		EUR k	
		31.03.2024	31.12.2023	31.03.2024	31.12.2023
	Consolidated financial statements of Santander Bank Polska Group				
I	Total assets	280 024 890	276 651 885	65 108 440	63 627 388
II	Deposits from banks	4 216 870	4 156 453	980 462	955 946
III	Deposits from customers	210 308 153	209 277 356	48 898 638	48 131 867
IV	Total liabilities	245 009 862	242 960 867	56 967 114	55 878 764
V	Total equity	35 015 028	33 691 018	8 141 326	7 748 624
VI	Non-controlling interests in equity	1 958 929	1 928 373	455 470	443 508
VII	Number of shares	102 189 314	102 189 314		
VIII	Net book value per share in PLN/EUR	342,65	329,69	79,67	75,83
IX	Capital ratio	17,81%	18,56%		
X	Declared or paid dividend per share in PLN/EUR	44,63**	23,25	10,33**	5,13
	Separate financial statements of Santander Bank Polska S.A.				
I	Total assets	255 686 960	252 401 201	59 449 641	58 049 954
II	Deposits from banks	2 885 644	2 668 293	670 940	613 683
III	Deposits from customers	196 580 275	195 365 937	45 706 776	44 932 368
IV	Total liabilities	225 000 451	222 915 704	52 314 737	51 268 561
V	Total equity	30 686 509	29 485 497	7 134 904	6 781 393
VI	Number of shares	102 189 314	102 189 314		
VII	Net book value per share in PLN/EUR	300,29	288,54	69,82	66,36
VIII	Capital ratio	20,14%	21,24%		
IX	Declared or paid dividend per share in PLN/EUR	44,63**	23,25	10,33**	5,13

*Details in note 2.5

**Detailed information are described in note 43.

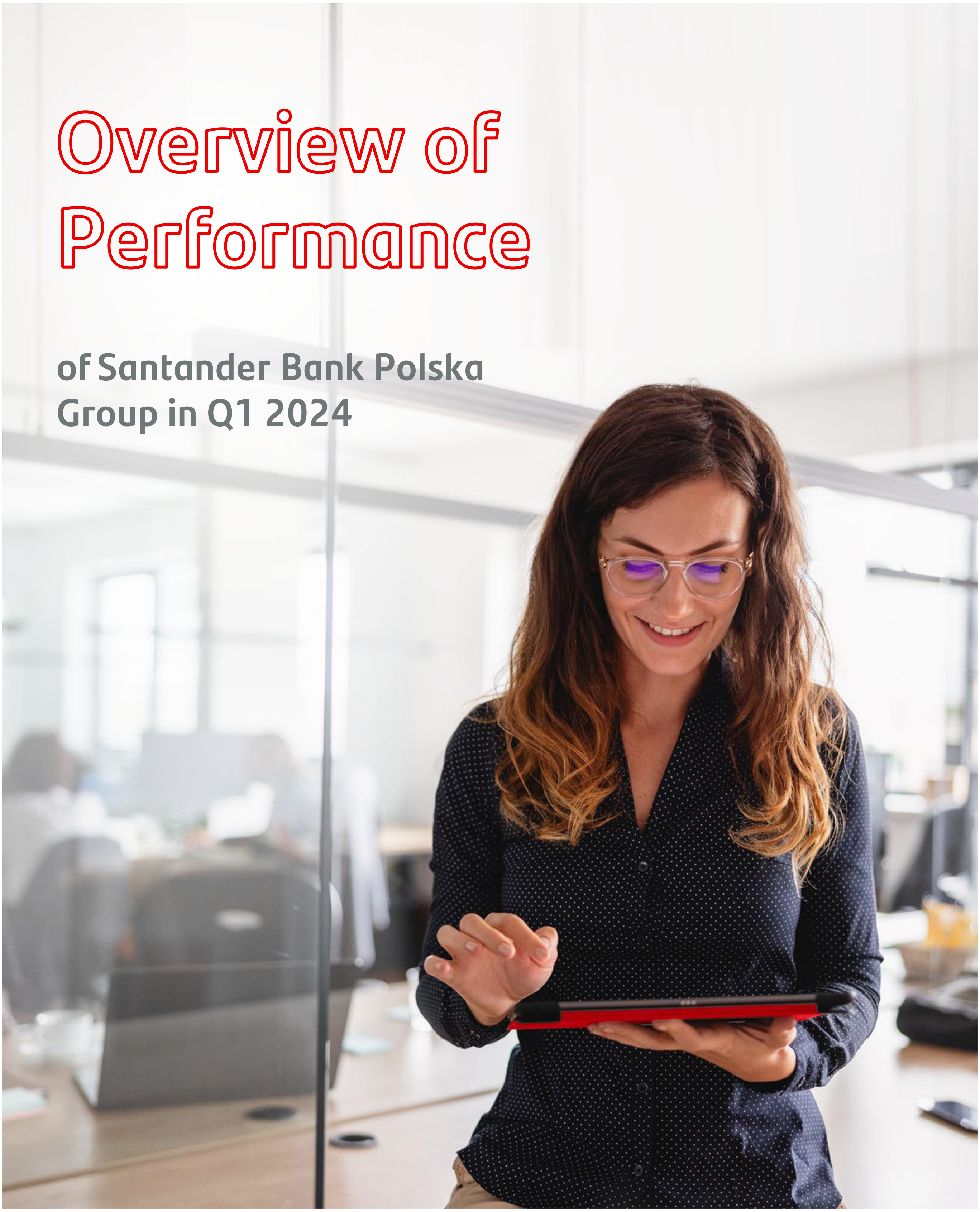
The following rates were applied to determine the key EUR amounts for selected financial statements line items:

- for balance sheet items – average NBP exchange rate as at 31.03.2024: EUR 1 = PLN 4,3009 and sa at 31.12.2023: EUR 1 = PLN 4,3480
- for profit and loss items – as at 31.03.2024 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2024: EUR 1 = PLN 4,3211; as at 31.03.2023 - 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 4,7005

  As at 31.03.2024, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 064/A/NBP/2024 dd. 29.03.2024.

Overview of Performance

of Santander Bank Polska Group in Q1 2024



Contents

I. Basic information about Santander Bank Polska Group in Q1 2024

1. Key achievements

EFFICIENCY AND SECURITY	▸ Group's solid capital position confirmed by capital ratios as at 31 March 2024, including the total capital ratio of 17.81% (21.04% as at 31 March 2023). ▸ Higher ROE YoY (20.1% vs 13.2% as at 31 March 2023 on a comparative basis). ▸ Sound liquidity position. Net customer loans to deposits ratio at 77.3%. Supervisory liquidity ratios well above the regulatory minimum. ▸ Close monitoring of risk and implementation of relevant prudential measures. ▸ High cost efficiency, with a cost to income ratio of 32.6% (33.5% in Q1 2023). YoY improvement driven by net income growth. ▸ Further automation and optimisation of operational processes. ▸ Improved availability, reliability, performance and cybersecurity of the Group's systems
BUSINESS VOLUMES AND ASSET QUALITY	▸ 8.8% YoY increase in total assets to PLN 280.0bn. ▸ 6.7% YoY growth in deposits from customers to PLN 210.3bn reflecting a dynamic increase in term deposits (+16.3% YoY) and higher current account balances (+2.2% YoY). ▸ 4.9% YoY increase in gross loans and advances to customers to PLN 168.4bn, including loans to business customers and the public sector (+2.4% YoY) and lease receivables (+13.0% YoY). ▸ Improved quality of the credit portfolio, with the NPL ratio of 4.6% (4.8% as at 31 March 2023). ▸ Stable annualised net interest margin (5.38% for the three months of 2024 vs 5.40% for the three months of 2023), supported by an increase in business volumes. ▸ 10.0% YoY rise in net fee and commission income on account of higher net income from the investment fund, stock and bancassurance markets and from core banking activities. ▸ Growth in the number of transactions made via mobile banking (+26.6% YoY) and in the share of this channel in remote credit sales.
CUSTOMERS AND COMMUNITIES	▸ 7.4m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.6m loyal customers. ▸ 5.1% YoY increase in the number of customer accounts to 6.7m, including 3.7m Santander Accounts. ▸ 4.3m 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. ▸ Implementation of measures to support sustainable development and promote cybersecurity culture. ▸ Further enhancement of the remote channel functions, including improvements in the new Santander mobile application and iBiznes24.
AWARDS AND RECOGNITIONS	▸ Golden Bank title for Santander Bank Polska S.A. for the best multichannel services in the ranking by Bankier.pl and Puls Biznesu. Second position in the cash loan and social media category and third in selected product categories. ▸ Award for the Private Banking of Santander Bank Polska S.A. granted by Euromoney for the fourth time in a row for the best international private banking services, quality and comprehensiveness of investment services and support for young customers. ▸ The "Ethical Company" title granted to the Bank for the third time in a competition organised by Puls Biznesu. ▸ The "Bulls and Bears" award received from Parkiet for the notable performance in the capital market (including for having the biggest impact on the markets and making a positive difference) and recognition in the "WIG 20 Company of the Year" category for record high profits, solid assets, increased sales and successful customer acquisition. ▸ Recognition for Santander Bank Polska S.A. in seven categories of the Institution of the Year ranking: top positions in the following categories: best bank for business, best customer service in remote channels, best customer service in branches, best personal banking; and lower rankings in terms of internet banking, private banking and account opening in branch. Individual recognition was given to branches that scored at least 80% in two measurements (34 branches of Santander Bank Polska S.A.).

2. Financial and business highlights of Santander Bank Polska Group

Selected income statement items		Q1 2024	Q1 2023	YoY change (2024 / 2023)
Total income	PLN m	4,151.7	3,730.5	11.3%
Total costs	PLN m	(1,353.0)	(1,250.9)	8.2%
Net expected credit loss allowances	PLN m	(231.9)	(232.6)	-0.3%
Profit before tax	PLN m	2,096.6	1,656.0	26.6%
Net profit attributable to the shareholders of the parent entity	PLN m	1,564.7	1,192.0	31.3%
Selected balance sheet items		**31.03.2024**	**31.03.2023**	**YoY change (2024 / 2023)**
Total assets	PLN m	280,024.9	257,290.1	8.8%
Total equity	PLN m	35,015.0	30,618.4	14.4%
Net loans and advances to customers	PLN m	162,653.2	154,743.6	5.1%
Deposits from customers	PLN m	210,308.2	197,172.2	6.7%
Selected off-balance sheet items		**31.03.2024**	**31.03.2023**	**YoY change (2024 / 2023)**
Net assets of investment funds [1]	PLN bn	21.1	13.7	54.0%
Selected ratios [2]		**31.03.2024**	**31.03.2023**	**YoY change (2024 / 2023)**
Costs/Income	%	32.6%	33.5%	-0.9 p.p.
Total capital ratio	%	17.81%	21.04%	-3.23 p.p.
ROE	%	20.1%	13.2%	6.9 p.p.
NPL ratio	%	4.6%	4.8%	-0.2 p.p.
Cost of credit risk	%	0.70%	0.64%	0.06 p.p.
Loans/Deposits	%	77.3%	78.5%	-1.2 p.p.
Selected non-financial data		**31.03.2024**	**31.03.2023**	**YoY change (2024 / 2023)**
Electronic banking users [3]	m	6.4	6.4	0.0
Active digital customers [4]	m	4.3	4.1	0.2
Active mobile banking customers	m	3.1	2.9	0.2
Debit cards	m	4.8	4.7	0.1
Credit cards	m	0.9	0.9	0.0
Customer base	m	7.4	7.5	-0.1
Branch network	locations	353	382	-29
Santander Zones and off-site locations	locations	17	17	0
Partner outlets	locations	431	427	4
Employment	FTEs	11,344	11,311	33

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 situation after Q1 2024".
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 the Group Santander Bank Polska S.A. in the first quarter of 2024

Economic growth	▸ Improved economic activity, especially in the area of consumption. Persistently weak economic conditions in Europe negatively affecting Polish exports.
Labour market	▸ Unemployment rate at record low level. Continued double-digit wage growth. Clear real growth in household income from work and family and pension benefits.
Inflation	▸ Further faster-than-expected decline in inflation: stronger in goods and slower in services prices.
Monetary policy	▸ A shift in the MPC's stance toward keeping interest rates unchanged for the long term diminishing prospects of further monetary easing by MPC members despite the continued decline in inflation, forcing the market to revise its views on the scale and timing of further interest rate cuts.
Fiscal policy	▸ Relatively large increases in the budget deficit in the first months of 2024 with unusually high subsidies to local governments. Improvement in revenues relative to GDP despite low inflation and large PIT refunds. ▸ General government deficit in 2023 at 5.1% of GDP. The deficit of 5.1% also budgeted for 2024 along with a sharp increase in public debt. According to the Bank, this year's result may be close to 5.5% of GDP.
Loans market	▸ The 2% Safe Mortgage programme activated households and led to record high new mortgage sales, which due to long contract processing also carried over into the first months of 2024. Consumer loans continued to gradually revive, and corporate loans stagnated.
Financial markets	▸ High volatility of debt markets amid changing expectations as to global inflation and monetary policy, especially the receding prospects of rate cuts in the US to a greater extent than in the eurozone. Market concerns over rising yields of US bonds, a geopolitical factor periodically triggering waves of "risk aversion" in global markets, revived investor interest in Polish debt despite record high borrowing needs this year. ▸ Further strengthening of the zloty (including against other emerging currencies) amid a hawkish rhetoric of MPC. Expected inflow of unfrozen EU funds and good data from the economy. The zloty's tendency to depreciate rapidly in periods of intense strengthening of the dollar.

4. Corporate events

Major corporate events in the reporting period until the release date of the report for Q1 2024

Extraordinary General Meeting	▸ On 11 January 2024, the Extraordinary General Meeting (EGM) of Santander Bank Polska S.A. was held. It amended the AGM resolution of 19 April 2023 authorising the Management Board to buy back the Bank's shares for the purpose of Incentive Plan VII by setting a new maximum price of own shares subject to buyback. The EGM also amended the Bank's Statutes and presented changes to the Terms of Reference of the Supervisory Board.
Registration of changes to the Statutes	▸ On 25 January 2024, the changes to the Statutes of Santander Bank Polska S.A. approved by the EGM of 11 January 2024 were recorded in the National Court Register.
Buyback of own shares for the purpose of Incentive Plan VII	▸ On 16 February 2024, the Bank's Management Board adopted a resolution on the buyback of own shares to pay out awards for 2023 and deferred awards for 2022 payable in 2024 to the participants of Incentive Plan VII (Buyback 2023). ▸ The maximum amount allocated to Buyback 2023 was PLN 72,357k. The maximum number of own shares to be repurchased was 271k (representing max 0.27% of the Bank's share capital and voting rights). Buyback 2023 was planned to take place in two periods: a) between 19 February 2024 and 29 March 2024 and b) between 2 May 2024 and 21 June 2024. ▸ The Bank's shares are repurchased on the regulated market of the Warsaw Stock Exchange via the agency of Santander Brokerage Poland. The price of own shares subject to Buyback 2023 could not be lower than PLN 50 and higher than PLN 1,000. The Bank could repurchase not more than 25% of average daily share volume traded in the period of 20 session days preceding the repurchase day. The Bank allocated a dedicated amount of capital reserve for that purpose. ▸ The Management Board had the right to withdraw from Buyback 2023 at any time or close it early if the maximum number of shares were repurchased or the maximum allocated amount was used.
	▸ To meet the obligations towards the participants of Incentive Plan VII (pay out the awards payable in 2024), from 19 February 2024 to 13 March 2024 the Bank bought back 134,690 own shares representing 0.132% of the share capital and the total voting power. As the amount allocated to the buyback in 2024 was used in full, on 13 March 2024 the Bank's Management Board closed the programme. ▸ By 14 March 2024, instructions were made to transfer 134,690 own shares to the brokerage accounts of the participants of Incentive Plan VII. ▸ The above measures were taken with the KNF consent for the buyback of 2,331k own shares in the period between 1 January 2023 and 31 December 2033 to meet obligations towards the Bank's employees arising from Incentive Plan VII.

Major corporate events in the reporting period until the release date of the report for Q1 2024 (cont.)

Change in the value of the bond issue programme and early redemption of series 1/2023 bonds	▸ On 19 February 2024, the Bank's Management Board adopted a resolution to change the value of the bond issue programme calculated as the nominal value of issued and outstanding bonds from PLN 5bn to PLN 10bn. Other issue terms and conditions remained unchanged. ▸ The Bank also decided to exercise a call option with regard to series 1/2023 non-preferred bonds in accordance with their issue terms and conditions. The early redemption took place on the interest payment date, i.e. 31 March 2024, and covered all the bonds issued, i.e. 3,800 bonds with the total nominal value of PLN 1.9bn. ▸ The redemption amount (nominal amount and interest accrued until the early redemption date) was paid to the investors that held the bonds on the date of determining the rights to interest, i.e. 22 March 2024. ▸ The early redemption of bonds was made through the Central Securities Depository of Poland (KDPW) in accordance with its regulations.
KNF's individual recommendation regarding the satisfaction of the criteria for payment of a dividend from the net profit earned in 2023	▸ On 21 February 2024, the Management Board of Santander Bank Polska S.A. received an individual recommendation from the KNF that the Bank should limit the risk present in its operations by: ▹ not distributing more than 75% of the profit earned in the period from 1 January 2023 to 31 December 2023 with the proviso that the maximum payout must not be higher than the annual profit reduced by profit earned in 2023 already allocated to own funds; ▹ consulting upfront with the supervisory authority any other measures which could reduce the Bank's own funds (in particular if they go beyond the scope of the ordinary business and operational activity), including the distribution of the profit retained in previous years or the buyback or redemption of own shares. ▸ The above recommendations took into consideration the following factors: ▹ As at 31 December 2023, the Bank met the basic criteria of the dividend policy to pay a dividend up to 50% of its net profit earned in 2023. ▹ In view of the sound quality of the Bank's loan portfolio measured as the share of NPLs in the total portfolio of receivables from the non-financial sector (including debt instruments), the potential dividend payout ratio was increased to 75%. ▹ The Bank's receivables arising from foreign currency home loans to households did not account for more than 5% of its total receivables from the non-financial sector.
Resignation of the Vice President of the Management Board of Santander Bank Polska S.A.	▸ On 27 February 2024, Arkadiusz Przybył resigned as the Vice President of the Bank's Management Board effective as of 1 April 2024 due to his plans to take up a new role in Santander Group.
Issue of senior non-preferred bonds	▸ On 7 March 2024, the Bank's Management Board decided to issue series 1/2024 senior non-preferred bonds as part of the bond issue programme and defined the issue terms and conditions. ▸ The issue of the bonds with the total nominal value of PLN 1.9bn was settled on 2 April 2024. The bonds were taken up on the following terms and conditions set out in current report no. 15/2024 of 7 March 2024: ▸ The nominal value per bond is PLN 500k. The bonds bear a floating interest rate equal to the sum of 6M WIBOR and the margin of 1.50% per annum. The redemption date was set to 2 April 2027 subject to the Bank's right to exercise a call option. The bonds can be classified as eligible liabilities as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and resolution. ▸ The Bank will apply for admission of the bonds to trading in the alternative trading system of the Warsaw Stock Exchange.
Management Board's recommendation on 2023 profit distribution and dividend reserve	▸ On 21 March 2024, the Management Board of Santander Bank Polska S.A. issued a recommendation on 2023 profit distribution and dividend reserve, which was approved by the Bank's Supervisory Board. ▸ The Management Board proposed that the profit of PLN 4,672,978,361.27 earned in 2023 be distributed as follows: ▹ PLN 3,504,071,577.06 to be allocated to dividend for shareholders; ▹ PLN 87,042,000.00 to be allocated to the capital reserve; ▹ PLN 1,081,864,784.21 to be left undistributed. ▸ Furthermore, the Management Board recommended that PLN 1,056,637,506.76 of the dividend reserve be allocated to dividend for shareholders. ▸ The dividend to be paid out from the 2023 profit and from the dividend reserve will total PLN 4,560,709,083.82. 102,189,314 series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares will carry dividend rights. The dividend per share will be PLN 44.63. ▸ The record date will be 16 May 2024. The dividend will be paid out on 23 May 2024.
Annual General Meeting of Santander Bank Polska S.A.	▸ The Management Board of Santander Bank Polska S.A. convened the Annual General Meeting (AGM) on 18 April 2024. Apart from transacting ordinary business, the AGM appointed the Supervisory Board members for a new term of office and set their remuneration. It created a capital reserve for the repurchase of own shares under Incentive Plan VII and reported on its execution. It also adopted an amendment to the Bank's Statutes to refine its provisions. ▸ The AGM distributed the profit and approved the dividend in accordance with the recommendation of the Bank's Management Board dated 21 March 2024.
Composition of the Supervisory Board for a new term of office	▸ Kamila Marchewka-Bartkowiak and Tomasz Sójka joined the Supervisory Board, while David Hexter and Marynika Woroszylska-Sapieha resigned. Antonio Escámez Torres was reappointed as the Chairman.

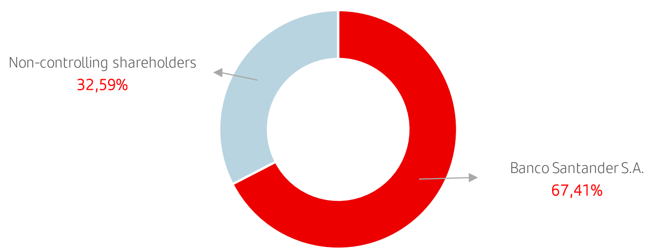
5. Ownership structure of the share capital

> The table below presents the entities with significant holdings of Santander Bank Polska S.A. shares as at 31 March 2024 and 31 December 2023.

	Number of shares and voting rights		% in the share capital and total votes at GM	
Shareholders with a stake of 5% and higher	**31.03.2024**	**31.12.2023**	**31.03.2024**	**31.12.2023**
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 Otwarty Fundusz Emerytalny (OFE) is managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne (PTE) S.A.

Ownership structure of Santander Bank Polska share capital as at 31.03.2024



As at 31 March 2024, 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 Otwarty 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 Q1 2024 until the authorisation of the Report of Santander Bank Polska Group for Q1 2024 for issue.

To meet the Bank's obligations under Incentive Plan VII (to pay the awards for 2023 and deferred awards for 2022 payable in 2024), from 19 February to 13 March 2024, the Management Board of Santander Bank Polska S.A., acting under the authorisation granted by the Annual General Meeting of 19 April 2023, bought back 134,690 own shares representing 0.132% of the share capital and voting power. As the amount allocated to the buyback in 2024 was used in full, on 13 March 2024 the buyback programme was closed. On 14 March 2024, instructions were made to transfer the above shares to brokerage accounts of the eligible participants. Having settled all the instructions, the Bank does not hold any own shares.

For more information about the share buyback under Incentive Plan VII, see "Corporate events" above.

Majority shareholder

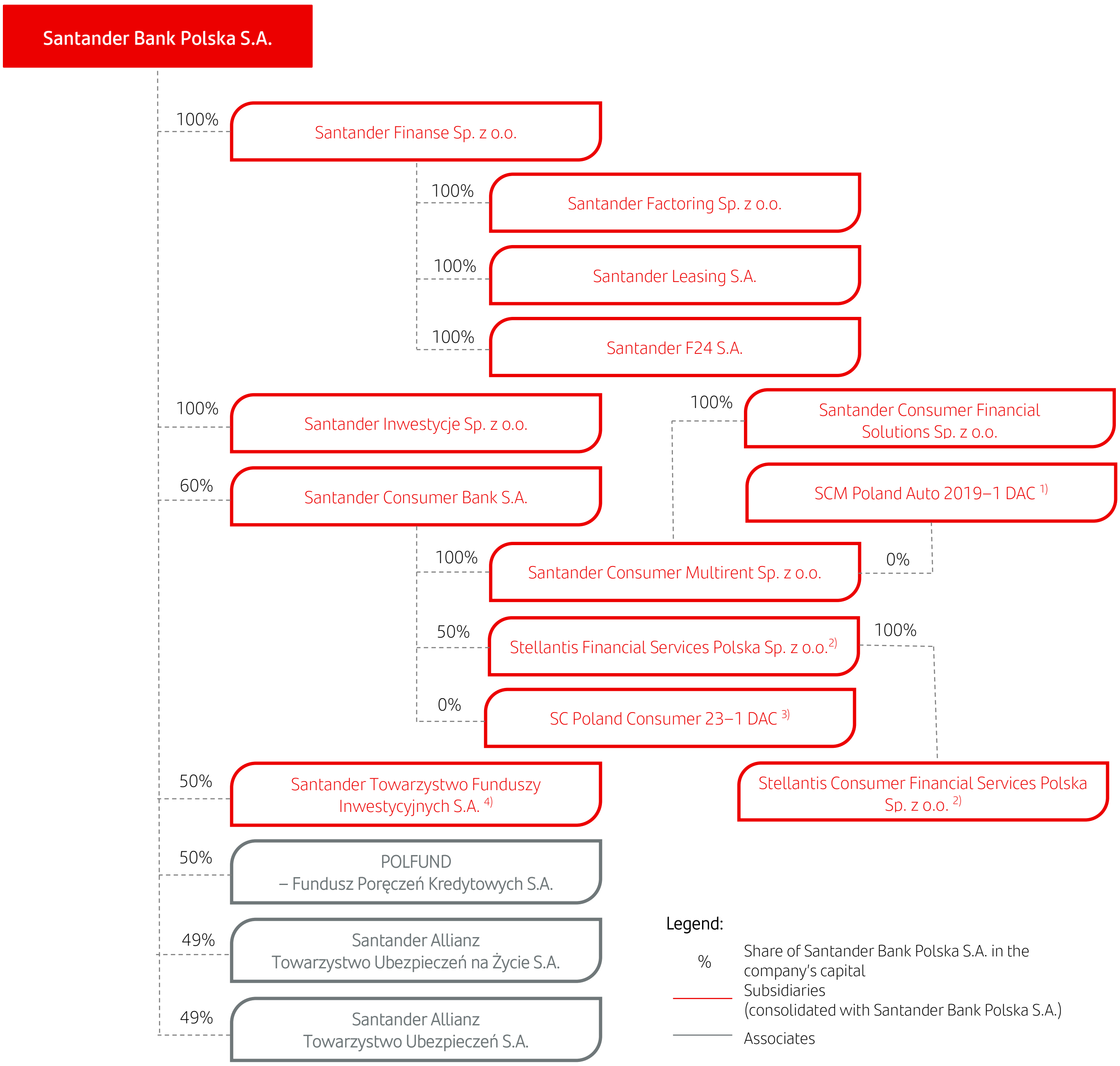
Santander Bank Polska S.A. is a member of Santander Group, with Banco Santander S.A. as a parent entity.

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 31 March 2024



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) 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).

3) 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.

4) Both 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

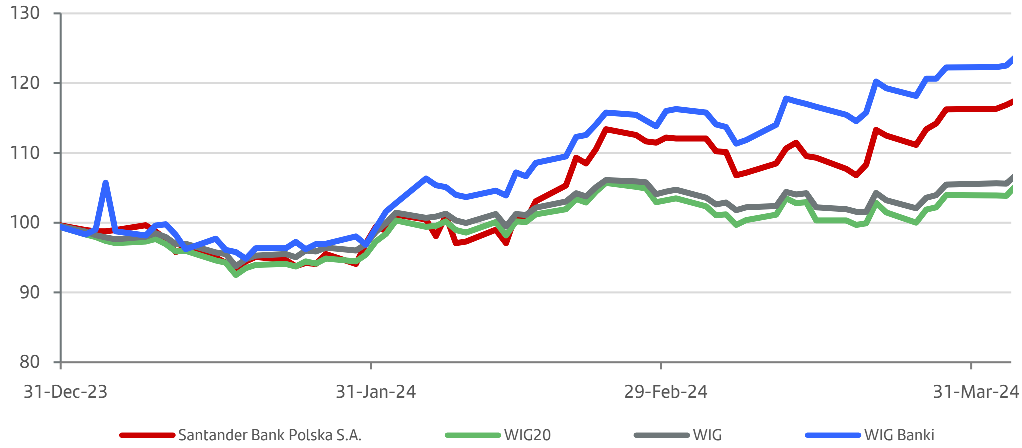
In Q1 2024, the share price of Santander Bank Polska S.A. hit new highs. The strong start to the year for the Bank's market capitalisation is the result of the sustained bullish momentum in the banking sector. Banks' stock valuation soared due to impressive performance and anticipated dividends, triggering a 22.3% rise in the WIG-Banks index during the first three months of the year. For comparison, WIG, a broad-based index, gained only 5.5%. WIG20, a blue chip index, fared even worse, up 4.0%. The share price of Santander Bank Polska S.A. climbed by 16.3%, reaching an all-time high intraday price of PLN 571.50 on 28 March. The situation in the sector was supported by the stable monetary policy of the MPC, which left interest rates at a relatively high level. Despite worse economic conditions, trends in the labour market remained positive. Low unemployment positively affected credit delivery and timely debt repayment. Another contributing factor was a relatively strong Polish zloty, which mitigated risk related to foreign currency loans.

On 21 March 2024, the Management Board of Santander Bank Polska S.A. recommended the payout of dividend at PLN 44.63 per share.

During Q1 2024, the Bank's closing share price increased by 16.3% from PLN 489.80 to PLN 569.50. The lowest closing share price was recorded on 17 January (PLN 457.60) and the highest on 28 March (PLN 569.50).

Key data on shares of Santander Bank Polska S.A.	Unit	31.03.2024	31.12.2023
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	569.50	489.80
Ytd change	%	+16.3%	+88.8%
Highest closing share price Ytd	PLN	569.50	496.20
Date of the highest closing share price	-	28.03.2023	27.12.2023
Lowest closing share price Ytd	PLN	457.60	256.0
Date of the lowest closing share price	-	17.01.2024	2.01.2023
Capitalisation at the end of the period	PLN m	58,196.81	50,052.33
Average trading volume per session	item	75,349	70,208

Share price of Santander Bank Polska S.A. vs. indices in 2024
Share price of Santander Bank Polska S.A., WIG, WIG20 and WIG Banki at 31.12.2023=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 rating assigned by the agencies to the Bank, which remained in effect on the date the Report of Santander Bank Polska Group for Q1 2024 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
Long-term Issuer Default Rating (long-term IDR)	BBB+	BBB+
Outlook for the long-term IDR	stable	stable
Short-term Issuer Default Rating (short-term IDR)	F2	F2
Viability Rating (VR)	bbb	bbb+ placed on Rating Watch Negative
Support Rating	-	2
Shareholder Support Rating	bbb+	-
National long-term rating	AA(pol)	AA(pol)
Outlook for the long-term IDR	stable	stable
National short-term rating	F1+(pol)	F1+(pol)
Long-term senior preferred debt rating	BBB+	BBB+
Long-term senior non-preferred debt rating	BBB	-
Short-term senior preferred debt rating	F2	F2

1) Ratings of Santander Bank Polska S.A. applicable as at 31 March 2024

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 31 March 2024

II. Macroeconomic situation in Q1 2024

Economic growth

The Polish economy started showing signs of gradual revival throughout 2023, reaching 0.5% YoY GDP growth in the third quarter and 1.0% YoY in the fourth quarter. In the first quarter of 2024, the rebound most likely continued, and the economy rose by around 2% YoY (data to be released in May). In the first months of the year, retail sales readings were much stronger than expected, fitting our baseline scenario of a consumption-led economic recovery in 2024. Industrial output also managed to beat expectations even though the delay in European economy revival so far does not seem to offer much growth potential to the Polish industry. On the other hand, construction output data failed to impress, which could be attributed to the weather and the finalisation of many projects with the end of the EU financial framework in December. Most business and consumer sentiment indicators kept on rising. Economic growth should climb above 3% in the second quarter of 2024 amid growing consumer activity, decent investment growth, a new inventory cycle and net exports turning negative.

Labour market

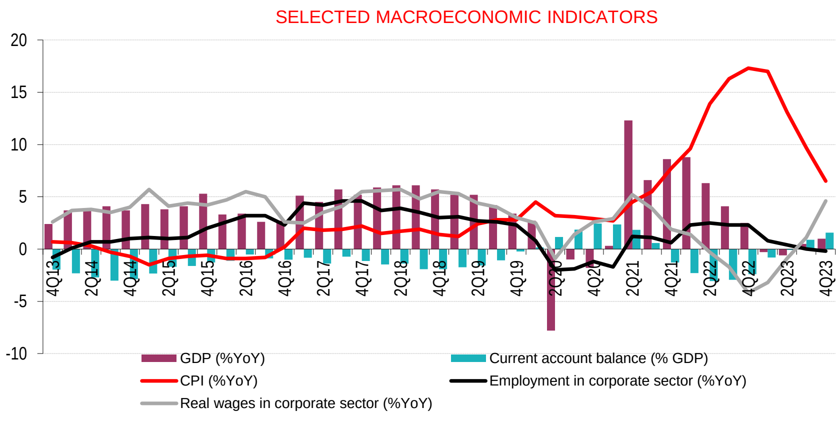
The Polish economy entered a new business cycle with the labour market already very tight. In the first quarter of 2024 the unemployment rate was still staying close to record lows (around 3% for the LFS measure), with employment almost flat and near all-time high levels. Job cuts seen in some sectors 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 12.9% YoY in February. In real terms, wages rose by 9.8% YoY, the strongest since the 1990s. Given the labour supply constraints, the ongoing economic recovery can result in continued wage pressure and restricted employment growth.

Inflation

In the first quarter of 2024, CPI inflation continued to go down, to 2.0% YoY in March from 6.2% YoY in December. The decrease was still being caused by the statistical base effect but also by decreasing global food and other commodity prices, and negative PPI inflation. Food price changes in Poland were much below the usual seasonal pattern in this period, amid an intense price competition between main retail chains. Core inflation, i.e. CPI excluding food, fuel and energy prices, fell from 6.9% YoY in December to 4.6% YoY in March. In the rest of the year, inflation will be largely affected by the measures government will take to replace the "anti-inflation shield". Generally, the March print will probably be the turning point for inflation, given the reintroduction of the 5% VAT on food, the recovering consumer demand, and tight labour market.

Monetary policy

No interest rate changes were introduced in the first quarter of 2024: the main rate was left at 5.75%. Despite frequent downside surprises with the monthly CPI data, the Monetary Policy Council has become more reluctant to apply any changes to policy rates throughout the year, justifying their stance with high regulatory and fiscal uncertainty. The March NBP inflation projection was prepared in two versions: with the government anti-inflation shields fully maintained and fully removed, and both showed that with policy rates kept at the current level, inflation should be very close to the target by the middle of 2026. The MPC members hinted that a discussion on rate cuts could take place in 2025, possibly in late 2024.



Source: GUS, NBP, Santander

Loans and deposits

Recovery in the credit market continued in the first quarter. This was driven, among other things, by the finalisation of contracts from the "2% Safe Credit" government programme, which, combined with solid demand for mortgages from those not participating in the programme, resulted in record monthly sales levels in this market segment. The housing loan portfolio declined slightly y/y, by 1.2% in February, due to a reduction in its foreign currency part and the strong zloty. On the other hand, the portfolio of PLN-denominated housing loans grew by 5.4% y/y. The consumer loan portfolio started to grow in y/y terms from July last year, and in February this year its growth rate already reached 4.0% y/y. Total corporate lending continued to decline y/y in early 2024 (down 2.7% in February), as it did for the second half of last year.

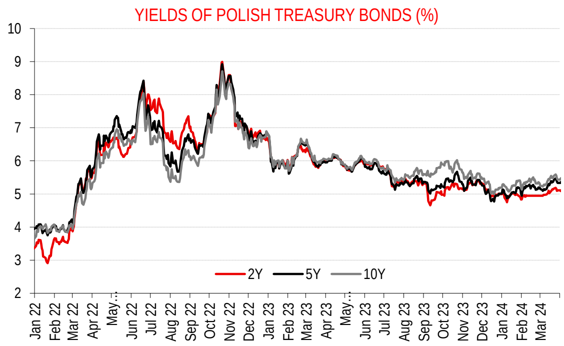
Deposit growth has remained in the 8-10% y/y range for a year, with the first months of 2024 being slightly weaker in this respect than the end of 2023. In January and February, household deposits grew faster (by around 11% y/y) than corporate deposits (up by around 5% y/y). The growth rate of time deposits fell below 10% y/y for the first time in two years, while the growth rate of current deposits rose above 7% y/y.

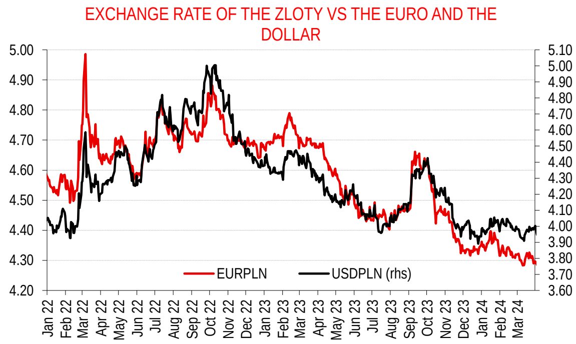
Financial markets

The beginning of the year was marked by a gradual reduction in expectations of monetary easing by major central banks. The market reduced the scale of interest rate cuts (worth 25 bp each) this year by the Fed and ECB from about 5-7 at the end of last year to about 1-2 for the US and about 2-3 for the eurozone. Long-term FRA rates rose significantly, and the swap curve flattened with a larger increase in short-term rates. Such market behaviour is the aftermath of better-than-expected data from major economies and the deceleration of the downward trend in inflation, as well as a change in the rhetoric of representatives of major central banks. The head of the Fed signalled that it will likely take longer than expected for inflation to return to the central bank's 2% target. In view of the fact that the scale of change in expectations for the US rates was greater than for the euro area, the dollar strengthened against the euro to around 1.066 from over 1.10 seen at the end of 2023. The decline in the EURUSD was also supported by increased geopolitical tension in the Middle East.

In the domestic financial market, the zloty remained relatively stable. The EURPLN exchange rate fluctuated in a range of 4.27-4.40, temporarily dropping to 4.25 in early April. The zloty behaved relatively stable to the euro despite the gradual weakening of the euro against the dollar. This was supported by the unblocking of EU funds for Poland, the relatively hawkish tone of the National Bank of Poland with the prospect of a later start of interest rate cuts than in the euro area, and the rise in real interest rates as inflation fell. A stronger fall in the EURUSD along with rising geopolitical tensions brought a correction in the EURPLN rate to around 4.33 in early April. The USDPLN rate rose to around 4.00 in 1Q from around 3.93 at the end of 2023.

In the domestic interest rate market, expectations of interest rate cuts gradually eased similar to core markets. FRA rates rose by as much as 100 bps for long-term tenors, IRS rates by about 40-100 bps. Bond yields rose to a lesser extent by about 30-45 bps. This situation meant that credit spreads fell despite large Polish government debt issuance in the face of sizeable bond purchases by the domestic banking sector and investment funds. The 3M WIBOR rate remained at 5.68% at the end of March, similar to the level at the end of 2023. The 2-year bond yield rose to 5.33% from 5.06%, and the 10-year bond yield rose to 5.74% from 5.25%.





Source: Bloomberg, Santander

III. Business development in Q1 2024

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 Q1 2024
Cash loans	▸ On 20 January 2024, customers were provided with a possibility to choose the type of interest rate (variable or adjustable fixed) on cash loans and consolidation loans via Santander internet and the Santander mobile application. ▸ Digital channels were steadily developed to suit customers' needs. ▸ Cash loan with 0% fee continued to be available online. ▸ The pricing policy was adjusted to prevailing macroeconomic conditions. ▸ Analytical work was underway in relation to regulatory changes, including planned modifications connected with the blocked PESEL database, Recommendation U and 800+ child benefit programme. ▸ In Q1 2024, cash loan sales of Santander Bank Polska S.A. were PLN 2.5bn, up 8.3% YoY. Sales generated via remote channels accounted for 70.5% vs 62.6% in Q1 2023. As at 31 March 2024, the cash loan portfolio of Santander Bank Polska S.A. totalled PLN 17.0bn, up 9.7% YoY.
Mortgage loans	▸ In Q1 2024, the Bank continued the campaign addressed to borrowers with variable-rate mortgage loans to sign annexes for an adjustable fixed interest rate. The campaign of CHF to PLN loan conversion on preferential terms was also in place. ▸ The pricing of mortgage loans was modified. 5-year fixed interest rates on loans with LTV up to 50% were reduced, as were margins on variable-rate loans. Fixed interest rates for the first five years were adjusted to 5Y IRS quotations. ▸ In Q1 2024, the value of new mortgage loans totalled PLN 4.4bn (including PLN 3.3bn worth of mortgage loans granted under the 2% Safe Mortgage programme), up 52.4% Ytd and 460.6% YoY. The gross mortgage loan portfolio of Santander Bank Polska S.A. increased by 4.9% YoY to PLN 53.3bn at 31 March 2024. PLN mortgage loans totalled PLN 51.0bn, up 10.2% YoY. ▸ The Bank is ranked third in the mortgage loan market with a share of 12.69% in terms of new mortgage loans and equity releases (data published by the Polish Bank Association as at the end of January 2024) and fourth with a share of 10.98% in terms of the value of the portfolio (data published by the Polish Bank Association as at the end of November 2023).
Personal accounts and bundled products, including:	▸ The number of PLN personal accounts grew by 3.8% YoY to 4.6m as at 31 March 2024. The number of Santander Accounts (the main acquisition product for a wide group of customers) was 3.7m. Including FX accounts, the personal accounts base totalled 5.9m (+5.2%). ▸ In Q1 2024, the Bank continued to offer personal accounts for Ukrainian refugees on special terms. The Bank waived account maintenance fees, card fees and fees for transfers to and from Ukraine. ▸ The acquisition activities were focused on the Santander Account, Max Santander Account and Select Account.
Payment cards	▸ As at 31 March 2024, the personal debit card portfolio comprised 4.4m cards and increased by 3.2% YoY, generating 15.8% higher non-cash turnover YoY. ▸ The credit card portfolio of Santander Bank Polska S.A. included 628k instruments and decreased by 4.2% YoY, generating 8.1% higher non-cash turnover YoY. The credit card debt was down 0.6% YoY. ▸ In Q1 2024, the Bank continued its promotional, sales and relationship-building activities to increase payment card turnover. ▸ Work was also in progress on the extension of the range and functionality of card products.

Product line for personal customers	**Activities of the Retail Banking Division in Q1 2024 (cont.)**
Deposit and investment products, including:	▸ In Q1 2024, the Bank's priority in terms of management of deposit and investment products amid continuously high interest rates was to grow the portfolio while reducing its average cost and ensuring high satisfaction of savers. ▸ The most popular products in the reporting period were term deposits (including Winter Deposit) and low-risk investment products (debt funds). ▸ The Bank's investment offer consisted mainly of brokerage services and investment funds, including funds managed by the Bank's subsidiary Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) and selected Polish and foreign funds. ▸ In Q1 2024, the total deposit balance went up despite the continued transfer of funds from banking deposits to investment products. ▸ The Bank maintained its share in the retail deposit market and the share of investment funds managed by Santander TFI S.A. in the investment fund market increased considerably.
➢ *Deposits*	▸ In Q1 2024, the deposit offer of Santander Bank Polska S.A. was adjusted to the banking market conditions (reduction of deposit interest rates by competitors in a stable interest rate environment). Responding to customers' expectations, a range of promotions were introduced for savers (term deposits, savings accounts). ▸ The savings product offer was modified five times, including in relation to interest rates on term deposits and PLN savings accounts. ▸ The main deposit product in Q1 2024 was the limited Winter Deposit paying 5% on max PLN 50k per customer. It was used by nearly 300k customers. ▸ In January 2024, the Bank introduced a new promotion of 3-month Investor Deposit for customers investing their money in investment funds, with an interest rate of 6.25% on up to PLN 350k. ▸ In March 2024, the Bank launched the following special offers: ▹ a promotion of the Select Savings Account: "We reward active customers 9", offering a 4.5% interest rate to loyal Select customers who make a stated number of transactions; ▹ a Spring Deposit available via Santander online, SCB paying 4.5% on funds up to PLN 50k; ▹ a promotion on new funds in the Max Savings Account, with an interest rate of 6% on up to PLN 100k (valid until the end of June). ▸ The total cost of deposits decreased in Q1 2024 owing to an effective strategy of limited promotions and optimisation of the standard deposit proposition. ▸ As at 31 March 2024, deposits from retail customers totalled PLN 111.1bn, up 9.4% YoY. Term deposit balances grew by 27.3% YoY to PLN 37.8bn and current account balances increased by 2.0% YoY to PLN 73.3bn (including a 2.2% YoY rise in savings account balances).
➢ *Investment funds*	▸ In Q1 2024, customers continued to choose investment funds to grow their wealth. ▸ Quarterly net sales of investment funds managed by Santander TFI S.A were positive at PLN 1.6bn. ▸ Santander TFI S.A. was among TOP performers in the investment fund market in terms of net sales and its share in the retail market increased to 11% as at the end of March 2024. ▸ As at 31 March 2024, the total net assets of investment funds managed by Santander TFI S.A. were PLN 21.1bn, up 11.4% Ytd and 54.2% YoY. ▸ The most popular products were debt sub-funds (short-term debt sub-funds and corporate bond sub-funds). Customers also started to invest in an absolute return fund (Santander Prestiż Alfa). ▸ In Q1 2024, the product range of Santander TFI S.A. was expanded to include Santander Prestiż Calm Investment (Santander Prestiż Spokojna Inwestycja) – a new sub-fund with a very low risk and short investment horizon launched on 7 March 2024. This debt sub-fund invests mainly in bonds issued, underwritten or guaranteed by the State Treasury or EU member states as well as in treasury bills, corporate bonds, bank bonds, certificates of deposit and covered bonds. ▸ In Q1 2024, Santander TFI S.A. continued to build its market position in terms of Employee Capital Plans (ECPs). As at the end of March 2024, the company managed ECP assets of PLN 399.1m from 93k Santander PPK SFIO unitholders.
Brokerage services	▸ In Q1 2024, Santander Brokerage Poland focused on the strategic replacement of the front-end and back-end brokerage software. Regulations were modified and tests and pre-migration dress rehearsals were underway in relation to the new system – Promak Next, which is to be launched in July 2024. ▸ Structured products have become increasingly important over the recent years due to their growing contribution to Santander Brokerage Poland's income and high rates of return. ▸ Santander Brokerage Poland had a share of 6.35% in quarterly trading on the WSE market (including block trades) and ranked second (after PKO BP) among Polish brokers.

Product line for personal customers	Activities of the Retail Banking Division in Q1 2024 (cont.)
Bancassurance	▶ Two new benefits were offered as part of the key non-linked Life and Health insurance: Medicines for you and Recovery, with a range of additional services available to customers. ▶ Customers were also provided with an option to buy a motor insurance via helpline (previously available via mobile and internet banking). ▶ In Q1 2024, the insurance premium increased by 19.8% YoY, mainly on account of insurance products linked to credit facilities, notably mortgage loans.
Private Banking	▶ In Q1 2024, the Bank's offer was expanded to include Santander Prestiż Calm Investment, a new sub-fund of Santander Prestiż SFIO managed by Santander TFI S.A. ▶ Customers were also provided access to the full range of solutions available under a new sub-fund: Fidelity International – Fidelity Funds US Dollar Bond Fund A (Acc) (EUR) (hedged).

Small and Medium Enterprises (SMEs)

Product line for SMEs	Activities of the Retail Banking Division in Q1 2024
Business accounts and bundled products	▶ In Q1 2024, the Bank offered a range of promotions for SME customers: ▷ 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); ▷ a new special deal on POS terminals (waiver of a subscription fee); ▷ a new promotion of softPOS terminals (enabling customers to use their tablet or phone as a terminal with the softPOS application). ▶ In partnership with the Polish Entrepreneurs Foundation and Polfund, the Bank launched the "EmPOWERed in business" ("MOCni w biznesie") project, i.e. a series of ten free workshops for existing and prospective business owners with the participation of experts. As part of the project, three business plans will be awarded in four categories: New business idea, Business growth idea, Ecology and Barrier-free business.
Deposits	▶ The liquidity and pricing policy related to deposits for SMEs reflected the Bank's balance sheet position and trends in the interest rate market: ▷ The interest rates and tenors of standard deposits were not changed; ▷ The negotiated deposit offer for customers with higher cash surpluses was modified. ▶ The Bank's offer comprised investment products, including structured deposits for customers with higher cash surpluses looking for higher rates of return.
Loans	▶ In Q1 2024, the Bank introduced a range of promotions to increase customers' satisfaction with financing solutions, including the following special deals on credit facilities: ▷ A waiver of an arrangement fee on a variable-rate business loan (promotion available in remote channels); ▷ A voucher for free private healthcare at LUX MED over 12 months for customers availing of a business loan with a medical package. ▶ In February 2024, a new campaign was launched to enable transfer to a fixed-rate loan. ▶ Customers with access to the credit offer in Smart Loans could apply for a Business Express loan with annuity instalments in any path or channel. ▶ On 22 February 2024, a loan supporting financial liquidity of agricultural producers was relaunched (UP line). ▶ On 5 March 2024, new lending rules were introduced for customers looking to transfer their exposure from other banks (Balance Transfer).

Product line for SMEs	Activities of the Retail Banking Division in Q1 2024 (cont.)
Leasing	▸ As part of simplification of communication with customers, loan agreements, general conditions and related documents were modified in accordance with plain language rules and made available to customers in January 2024. The documents also have a new layout, which makes them easier to read and navigate. ▸ On 7 January 2024, changes were introduced to financing for consumers and farmers in line with the regulations on lombard loans as well as the amended Consumer Loan Act and Civil Code. ▸ Changes were introduced to improve and digitalise the processes: ▹ automated notification of customers (consumers) who have been denied financing; ▹ automated verification in the sales system if the customer can conclude an agreement without a security in the form of a promissory note; ▹ a possibility for customer advisors to draft a fixed-rate lease/ loan agreement using an electronic signature (BioSignature). ▸ New vendor schemes were launched in cooperation with partners. ▸ A simplified procedure was introduced for the financing of solar systems up to 150 kW. The corresponding process for solar panels up to 50 kW was improved. ▸ During the first three months of 2024, Santander Leasing S.A. financed assets of PLN 2.1bn (+12.1% YoY). The growth was driven mainly by sales in the vehicles segment (+27.7% YoY).

1.2. Business and Corporate Banking Division

Business highlights of Q1 2024 (vs 1Q 2023)

→ Increase in the number of mobile customers	+10.0% YoY
→ Increase in the number of customer transactions	+7.0% YoY
→ Increase in FX income from the eFX platform	+12.8% YoY
→ Utilisation of trade finance limits	+14.8% YoY
→ Growth of leasing volumes	+8.4% YoY

Direction	Activities of the Business and Corporate Banking Division in Q1 2024
Business developments	▸ Progressive business growth across all segments and business lines, translating into higher income from trade finance (+11.1% YoY), leasing (+12.0% YoY) and lending (+7.1% YoY). ▸ Sound sales performance despite challenging market conditions, notably in terms of leasing (+30.5% YoY), factoring (+12.2% YoY) and trade finance (+11.6% YoY). ▸ Overall increase in volumes, including in lease facilities (+8.4% YoY). 6.2% YoY rise in credit limits. ▸ 3.6% YoY increase in deposit volumes. ▸ Growing sales in digital channels, particularly in terms of currency exchange (+12.8% YoY). ▸ 7.0% YoY increase in the volume of transactions made by customers. ▸ High credit quality of the corporate lending portfolio, with a low and stable cost of risk.

<table>
<tr><th>Direction</th><th>Activities of the Business and Corporate Banking Division in Q1 2024 (cont.)</th></tr>
<tr><td>Business/digital transformation</td><td>Simplification and digitalisation
▶ Continuation of digitalisation and development projects aimed at ensuring best-in-class services.
▶ Implementation of solutions for users of a new version of the iBiznes24 electronic banking platform and iBiznes24 mobile application:
▶ adding a new identity document (mDowód);
▶ introducing several functional changes in the mobile application to make it more user friendly;
▶ implementing changes in the e-FX module;
▶ improving batch management.
▶ Implementation of GTS/One Trade Portal for corporate customers. Launch of outgoing instant transfers in EUR for corporate customers participating in Target Instant Payment Settlement (TIPS)/ Euro Express Elixir.
▶ Further development of the CLP (Corporate Lending Platform) – introduction of changes resulting in a considerable increase in the number of credit customers handled by the Bank and substantial limitation of email correspondence on the business side, reducing turnaround times:
▶ introducing new currency pairs to calculate the FX limit amount;
▶ offering a new version of the EU working capital loan;
▶ introducing a clause on currency exchange transactions (FX covenant);
▶ automating the update of promissory notes and guaranteed promissory notes;
▶ implementing a number of other functions that make the CLP more user friendly.
Products
▶ Conclusion of an agreement with BGK to sanction loans secured by Biznesmax and Ekomax guarantees.
▶ Implementation of a new simplified cross-sales process that complies with applicable regulations.
Transformation
▶ Continuation of #4US and #4Leaders – innovative transformation programmes aimed at improving work environment, developing skills and sharing leadership experiences.</td></tr>
<tr><td>Commercial activities</td><td>▶ The Bank was a supporting partner of 8th Entrepreneurship and Financial Education Convention organised by the Warsaw Institute of Banking and the WSE Foundation.
▶ Sector flash reports on freight transport by road and automotive market analysis were prepared.</td></tr>
<tr><td>Awards and recognitions</td><td>▶ The Bank was named Leader of Biznesmax Guarantees at the awards gala organised by BGK in recognition of satisfactory cooperation with the state bank, highly automated guarantee issuance process as well as high quality of the guarantee portfolio and documents.</td></tr>
</table>

Area	Activities of Santander Factoring Sp. z o.o. in Q1 2024
Factoring	▶ The value of the credit portfolio of Santander Factoring Sp. z o.o. declined by 2.1% YoY to PLN 7.4bn as at 31 March 2024. ▶ The receivables purchased by the company over the first three months of 2024 fell by 5.3% YoY to PLN 10.8bn.

1.3. Corporate and Investment Banking Division

Unit	Key activities in Q1 2024
Credit Markets Department	▸ Project finance and syndicated lending: ▹ Leading role in the financing of wind farms. ▹ Co-financing of acquisition of a company from the manufacturing sector. ▹ Co-financing of a telecommunications infrastructure development project. ▹ Participation in the securitisation transaction. ▸ Active communication with key customers in terms of project finance (particularly in connection with renewable energy), securitisation structuring and financing, and debt, rating and ESG advisory services. ▸ Sustained performance in the asset turnover and underwriting area. Stable activity in the local bank debt market. The main debt transactions concerned the renewable energy, telecommunications and logistics sectors. ▸ Bond issues: ▹ Participation in the issue of eurobonds of EUR 2.0bn and dollar bonds of USD 8.0bn for customers from the public sector. ▹ Participation in the issue of PLN 230m worth of corporate bonds for a customer from the property sector. ▹ Issue of PLN 1.9bn worth of MREL/TLAC-eligible bonds by the Bank (March). ▹ Participation in bond issues for customers from the financial sector with a total amount of PLN 800m.
Capital Markets Department	▸ Acting as the global joint coordinator in the accelerated book building for shares of a company from the financial sector. ▸ Transactional advisory and intermediary services for an acquirer in the tender offer for shares of a company from the electrical goods distribution sector.
Global Transactional Banking Department	▸ Business trends in trade finance: ▹ The demand for working capital finance was slightly higher compared to the previous year. The limit utilisation declined, as a clear effect of high PLN reference rates. A growing number of customers were interested in mitigating counterparty risk on a standalone and portfolio basis. ▹ Documentary letters of credit and collections were increasingly used to mitigate counterparty risk and the risk of the counterparty's country. The cooperation with foreign banks was expanded. ▹ Customers looking for stable long-term sources of financing actively used export finance products as part of existing transactions and new relationships. ▸ Business trends in transactional banking: ▹ Net interest income fluctuated considerably throughout the first quarter of 2024. While the high money supply observed in December supported the performance in January 2024, February saw a decline in investment sentiment. The average levels went down but the Division's results were not affected. ▹ Net income from transactional banking was stable. Two tenders won in Q1 give good prospects for the next quarters. ▹ The initiatives undertaken by the Division in 2023 brought about notable results. The cash initiatives contributed to an increase in sealed deposit turnover. The successful bid and ongoing negotiations with new customers are a milestone in building the Bank's position in the cash deposit market. The business initiatives which are currently in progress increase the volume of cash deposits across the Bank by 50% YoY. Another initiative concern the residential market. The Division's ambition is to be a part of the projected changes in that market and position the Bank as the leader in terms of the product offer. ▸ Business trends in other areas: ▹ The trend in the utilisation of overdrafts continued in the first quarter – the average drawdown between December 2023 and February 2024 was 72% vs 92% in the corresponding period last year.

Unit	Key activities in Q1 2024 (cont.)
Financial Markets Area	▸ Main activities related to services for business customers of Santander Brokerage Poland: ▹ Accelerated book building for shares of a company from the car parts distribution sector. ▹ Successful completion of a tender offer for shares of a company from the electrical goods distribution sector: the Bank provided services to the acquirer who took up 95% of all shares. ▸ Equity research area: ▹ Publication of 41 recommendations with regard to CEE listed companies (Q1 2024). ▸ Treasury Services Department: ▹ Organisation of two conferences for corporate customers during the visit of the Economist of Banco Santander S.A. ▹ Onboarding of the first Polish customer from the emission trading market (in Madrid). ▸ Launch of a new 360T FX platform for one of the Division's largest customers.

2. Business Development of Santander Consumer Bank Group

Direction	Activities of Santander Consumer Bank Group in selected areas in Q1 2024
Key focus areas of Santander Consumer Bank Group's operations	▸ In the reporting period, Santander Consumer Bank Group (SCB Group) focused on: ▹ Maintaining the position in the installment loan market with a stable share in traditional sales, continued relationships with large retailers and profitability of cooperation with trade partners and growing online sales. ▹ Maintaining the volume of loans and leases financing new cars and increasing sales in the used car finance area. ▹ Attracting new customers to the credit card offer, notably in the remote channel. Activating existing customers to make card transactions and use internet/ mobile banking. ▹ Delivering projects to adjust the cash loan and deposit offer to present challenges, such as changing consumer behaviour, increased market competition and high cost of funding. ▹ Acquiring better-profile customers by aligning price segmentation with the customer's sensitivity in terms of risk and profitability. ▹ Increasing price efficiency of deposit products.
Lending	▸ As at 31 March 2024, net loans and advances granted by SCB Group totalled PLN 17.0bn and increased by 5.7% YoY on account of higher supply of cars financed with lease, stock finance and factoring as well as car loans for individuals. While cash loan sales accelerated (particularly in the remote channel), the value of instalment and mortgage loan portfolio decreased. ▸ Due to a highly competitive environment, SCB offered further special deals on consolidation loans and took intensive measures towards inactive customers with a sound credit risk profile. ▸ The maximum cash loan amount available to standard customers was increased. ▸ In Q1 2024, Santander Consumer Bank S.A. sold the written-off loan portfolio of PLN 219.1m, with a positive P&L impact of PLN 41.8m (PLN 33.9m net).
Deposits	▸ As at 31 March 2024, deposits from customers of SCB Group totalled PLN 13.7bn and increased by 22.4% YoY owing to continuously high sales of term deposits for personal customers. ▸ In the environment of stable interest rates and decreasing inflation, SCB focused on increasing the price efficiency of the deposit base. It actively managed prices of new and renewed deposits to grow the profitability of the deposit portfolio. Interest rates on term deposits were lowered by 0.5 p.p. on average.
Other	▸ In Q1 2024, SCB signed a cooperation agreement with Ford Polska on wholesale financing for Ford dealers. ▸ In the reporting period, credit card CPI was modified to meet the requirements arising from the new Recommendation U.

IV. Organisational and infrastructure development

1. Human resources management

Employment

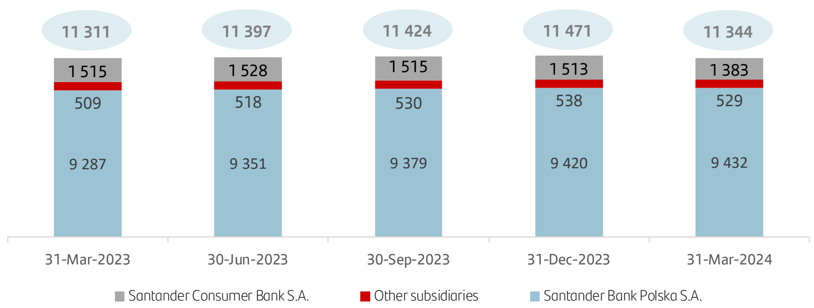
As at 31 March 2024, the number of FTEs in Santander Bank Polska Group was 11,344 (11,471 as at 31 December 2023), including 9,432 FTEs of Santander Bank Polska S.A. (9,420 as at 31 December 2023) and 1,383 FTEs of Santander Consumer Bank Group (1,513 as at 31 December 2023).

The employment in Santander Bank Polska Group decreased by 127 FTEs Ytd and increased by 33 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. 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 present operational needs, development requirements as well as the market and regulatory environment.

Employment at Santander Bank Polska Group (in FTE)
by quarter in 2023 and 2024



Delivery of the strategic objectives

The strategic HR objectives of Santander Bank Polska Group include:

- focus on employee experience
- process digitalisation (continuation of the paperless strategy)
- development of new technologies for HR.

The strategic priorities for 2024 are the following: to enhance positive employee experience (EX), to support the Bank's effective transformation towards Total Experience (TX), to build the position of the first choice bank for the best talents in the market, to continue digitalisation and improve HR process efficiency (with the use of new technologies), to build strong human-centric leadership.

In Q1 2024, the Bank started to implement and embed the Total Experience (TX) approach, according to which employee experience (EX) is as important as customer experience (CX). To this end, changes were developed and in-house design methodology and tools were used in accordance with the TX strategy delivery plan for 2024–2026 (organisation and implementation of a training programme, communication activities, tool testing, business workshops).

The Bank completed design activities around EX Health Check, a solution to monitor the impact of key initiatives and processes on employee experience (using e.g. the Employee Effort Score). The full deployment is planned for Q2 2024. Alongside this, the Bank will look for further EX system solutions that may be applied at Santander Bank Polska S.A. All measures taken in this respect are driven by data and research results

The culture of dialogue with employees is fostered continuously by various initiatives such as EX #WDrodze meetings in a number of locations in Poland, aiming to improve experience by co-creating internal banking solutions. In Q1 2024, a test version of the co-creation platform was developed, which will enable even more effective involvement of employees in co-creation of banking products and solutions.

Variable remuneration

As the business and quality targets were met at the level triggering a bonus pool for 2023, in Q1 2024 the Bank's Management Board decided to pay variable remuneration in its full amount. Objectives were also achieved to pay the awards under the long-term Incentive Plan VII,

which 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. This mechanism is intended to strengthen the employees' relationship with the Group, while encouraging them to act in its long-term interests. The Plan obligatorily covers all persons with an identified employee status in Santander Bank Polska Group. Key function holders designated by the Management Board and approved by the Supervisory Board participate in the Plan on a voluntary basis. The participants are entitled to variable remuneration in the form of the Bank's shares provided that they meet the terms and conditions stipulated in the participation agreement and the resolution. To that end, Santander Bank Polska S.A. can buy back up to 2,331,000 own 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.

The Annual General Meeting of Santander Bank Polska S.A. held on 19 April 2023 authorised Management Board members to repurchase fully covered own shares for the Plan participants in respect of the awards for 2023 and part of the award for 2022 (which was subject to annual retention). As the amount allocated to the buyback in 2024 was used in full, on 13 March 2024 the programme was closed. The Bank bought back 134,690 own shares (of 271,000 shares eligible for buyback) with the value of PLN 72,333,668 (from PLN 72,357,000 worth of capital reserve allocated to the delivery of the Plan for 2024). The average buyback price per share in 2024 was PLN 539.15. All shares were transferred to brokerage accounts of the eligible participants. Having settled all the instructions, the Bank does not hold any own shares.

In Q1 2024, the total amount recognised in the Group's equity in line with IFRS 2 was PLN 18.3m, and PLN 18.5m was taken to staff expenses for the three months of 2024. The latter item comprises expenses incurred in 2024 and part of the costs attributable to subsequent years of the Incentive Plan as the award will be vested in stages.

Training and development

Santander Bank Polska S.A. provides a variety of training and development programmes for employees, particularly leaders and specialists. The training offer is centred on digital competencies of the future.

In Q1 2024, the "Power of emotions" development programme was designed and implemented for senior managers to support the transformation of leadership, focusing on its emotional sphere.

Two educational initiatives were organised for employees and managers in relation to the Bank's new strategy, day-to-day corporate behaviours, objective setting, cooperation and neurodiversity.

A range of culture-related initiatives were undertaken to build a positive employee experience: webinars on the Women's Day; appreciation emails from the Group Executive Chair as well as webinars and articles on the Appreciation Day. A new employee network – Zoomers (Zetki) – was set up for members of Generation Z (born from 1995 onward).

Other HR initiatives

In Q1 2024, intensive efforts were taken in relation to PIT and IMIR documents provided to employees and contractors. Thanks to the system and process solutions in place, all forms were sent to employees and tax offices. In addition, to meet employees' expectations the Bank continued to send PIT and IMIR documents to their private email addresses.

In March, another stage of document digitalisation was completed – each employee received a consent for processing personal data in HR Portal. The consent is signed with a qualified signature of the employer's representative and will be stored in the employee's eFile. As a result, employees can now confirm that they have read the document with just one click, and the employer can report and manage this process in an automated way.

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

Basic statistics on distribution channels

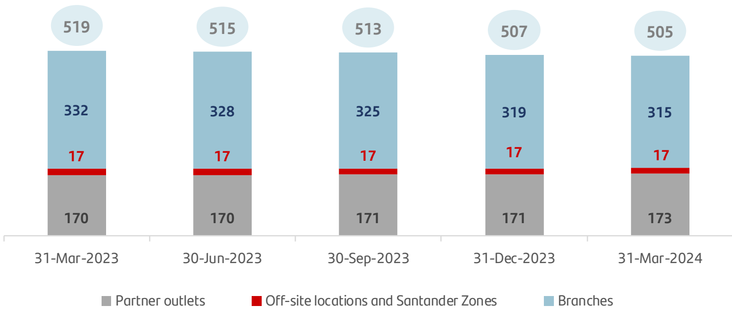
Santander Bank Polska S.A.	31.03.2024	31.12.2023	31.03.2023
Branches (locations)	315	319	332
Off-site locations	2	2	2
Santander Zones (acquisition stands)	15	15	15
Partner outlets	173	171	170
Business and Corporate Banking Centres	6	6	6
Single-function ATMs [1]	370	351	456
Dual-function machines [1]	1,029	890	959
Registered internet and mobile banking customers [2] (in thousand)	5,071	5,012	4,949
Digital (active) mobile and internet banking customers[3] (in thousand)	3,591	3,497	3,367
Digital (active) mobile banking customers [4] (in thousand)	2,707	2,608	2,533
iBiznes24 – registered companies [5] (in thousand)	26	26	25

1) Network of ATMs of Santander Bank Polska S.A. managed by the Bank and by specialised operators.
2) The number of customers who signed an electronic banking agreement under which they can use the available products and services
3) 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.
4) 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.
5) Customers using iBiznes24 – an electronic platform for business customers (the customers having access to Moja Firma plus and Mini Firma platforms are not included).

Traditional distribution channels

As at 31 March 2024, Santander Bank Polska S.A. had 315 branches, 2 off-site locations, 15 Santander Zones and 173 partner outlets. During Q1 2024, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 4, and the number of partner outlets increased by 2.

Number of branches and partner outlets of Santander Bank Polska S.A.
by quarter in 2023 and 2024



At the end of March 2024, the Private Banking model included 64 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 Q1 2024, the external network (Mobile Agent Network) employed 232 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 network agents in terms of mortgage loans was centrally managed under ten agreements. The mortgage loan offer did not change, neither did the terms of cooperation between the Bank and brokers.

→ The Bank also collaborated with network and local agents in terms of cash loans, SME products and personal accounts

ATMs

In September 2023, the Bank started to migrate the machines to the ATM–as–a–service model of Euronet and IT Card. Through the partnership with specialised operators, the Bank can provide customers with access to innovative and convenient ATMs and CDMs as well as faster and more efficient maintenance and support in the case of any incidents. As at 31 March 2024, 584 machines were outsourced, i.e. 93 ATMs and 491 dual function machines (including 443 recyclers, i.e. devices enabling withdrawal of cash that has been previously deposited by other customers). The migration is planned to be completed in November 2024.

As at 31 March 2024, the network of self-service devices of Santander Bank Polska S.A. – managed single-handedly by the Bank – comprised 815 units, i.e. 277 ATMs (dispensing cash only) and 538 dual function machines (including 221 recyclers).

The Bank took further intensive measures to upgrade the machines, both as part of internal processes and cooperation with the outsourcer.

Remote channels

In Q1 2024, Santander Bank Polska S.A. further improved the functionality and capacity of digital contact channels in line with its long-term strategy which is 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 Q1 2024
santander.pl	▸ In Q1 2024, the Bank continued to increase the digital accessibility of its portal, ensuring compliance with the Web Content Accessibility Guidelines (WCAG) in 84%. This is in line with the Bank's strategic direction of Total Responsibility. Further fixes and improvements will be implemented in the next quarter. ▸ A roadmap for 2024 has been developed, including initiatives related to such areas as sales via santander.pl, calculators (e.g. for deposits and a consolidation loan), ads and reporting. In 2024, the Bank intends to grow sales of accounts and buy-by-click products via the portal. ▸ NPS for santander.pl was introduced to capture the voice of customer on an ongoing basis and modify the features of the portal to suit customers' preferences and needs.
Internet and mobile banking	▸ In Q1 2024, the Bank focused on improving and stabilising the new version of the application and on implementation of fixes to enhance its accessibility. ▸ Games and multimedia features were introduced in the Transport, Tickets, Services section. Customers can buy top-ups for games, films, music, and office apps there. ▸ New tips on ATMs were added to the Price Advisor functionality.
Santander Open	▸ The Bank continued to provide account integration service (AIS) in relation to accounts held with any of the following nine banks: Alior Bank, Bank Millennium, BNP Paribas, Credit Agricole, ING Bank Śląski, mBank, Nest Bank, PKO BP and Pekao S.A. as well as the payment initiation service (PIS) for the accounts held with the above banks (except for Nest Bank). AIS and PIS are available both in Santander internet and Santander mobile.
Multichannel Communication Centre (MCC)	▸ The MCC launched sales of motor insurance by phone. ▸ Customers were provided with an option to terminate Santander online or Mini Firma services by phone or via Online Advisor. ▸ Borrowers who want to repay business loans early can now do it via helpline or Online Advisor.

E-commerce channel

The Bank continued e-commerce activities, steadily increasing the share of the online channel in product sales. As part of online acquisition, the Bank sells personal accounts, business accounts and cash loans.

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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.	31.03.2024	31.12.2023	31.03.2023
Branches	38	50	50
Partner outlets	258	250	257
Car loan sales partners	1,252	1,266	1,260
Instalment loan sales partners	5,727	5,887	6,048
Registered internet and mobile banking customers [1] (in thousand)	1,375	1,413	1,462
Digital (active) mobile and internet banking customers[2] (in thousand)	739	751	767
Digital (active) mobile banking customers [3] (in thousand)	438	403	337

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. This category also includes e-commerce customers of SCB S.A.
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. Continuation of digital transformation

The table below presents the selected IT projects delivered by Santander Bank Polska Group in Q1 2024 in line with the main directions of digital transformation.

Initiative	Key projects delivered in Q1 2024
Improvement of availability, reliability and performance of the Bank's systems	▸ Work is underway to migrate the main system for card transaction authorisation to a new database technology to enhance reliability of the system. ▸ The Bank implemented the first components to transfer the BLIK processes to the new OpenShift technology, improving the reliability and efficiency of payments made using this method. ▸ The stability of electronic channels was increased by optimising the database of electronic banking systems.
Participation in global optimisation initiatives of Santander Group	▸ A range of improvements proposed by customers were implemented in Santander mobile application (e.g. new icons and shortcuts). ▸ Measures are underway to conclude an outsourcing agreement on processing payments as part of the global PagoNxt Payments platform. ▸ The migration of syndicated loans to the dedicated LoanIQ platform was launched. ▸ As part of OneAML, work connected with the monitoring of transactions made by retail customers was completed.
Enhancement of security of the Bank's systems	▸ Technological changes were implemented in the Bank's critical settlement systems in accordance with the security requirements and recommendation of the cybersecurity function. ▸ Fraud prevention system rules were developed and improved (e.g. based on customers' experience) to make sure they take into account the changing modus operandi of cybercriminals. ▸ The security of direct network connections between the Bank and its suppliers was enhanced. ▸ The Secure Software Development Lifecycle standard, process and tools were put in place to verify the quality and security of software. ▸ The education campaign: "Don't believe in fairy tales for adults" ("Nie wierz w bajki dla dorosłych") was continued in social media. Messages were sent to SME and personal customers (including the youngest customers aged between 13 and 17) in internet and mobile banking on how to stay safe online.

Initiative	Key projects delivered in Q1 2024 (cont.)
Implementation of regulatory requirements	▸ As an issuer of electronic identification means, the Bank was connected to the national node, as a result of which customers can now confirm their identity and sign in to government websites using the mojeID service. ▸ Changes were introduced to an application for a child benefit under the Family 800+ programme, which replaced the Family 500+ programme. ▸ A new component was implemented to enable the Bank to connect with the PESEL database and check the status of the PESEL number (if not blocked). Work is underway to adjust other systems to ensure compliance with regulations concerning the management and verification of blocked PESEL numbers. ▸ The bot dedicated to de minimis guarantee agreements was modified in line with the new agreement with the BGK. ▸ Measures are in progress to launch the reporting of: ▹ payments via the Central Electronic System of Payments (CESOP) in accordance with the guidelines set out in the VAT Act and the Act on the National Revenue Administration; ▹ transactions to the Trade Repository of the Central Securities Depository (KDPW TR) in line with EMIR Refit. ▸ Due to the Bank's reporting obligations, an automatic solution was implemented in internet banking to collect and update information about the number of employees of business customers. ▸ The corporate data warehouse was fed with data for ESG reporting purposes. ▸ As part of the WIBOR reform: ▹ the implementation of a new solution based on lookback compound interest calculation in the core banking system was completed; ▹ work was underway in relation to the launch of sales of products referencing WIRON. ▸ An audit was conducted to confirm the discontinuation of the card personalisation business (outsourced to a third party).
Automation and optimisation of operational processes	▸ mDowód was included as an identity verification method in credit document templates for personal customers (mObywatel 2.0). ▸ The following processes were robotised: ▹ checking the accuracy of mortgage loan agreements; ▹ closing dormant accounts; ▹ opening negotiated deposits; ▹ sending letters concerning the complaint procedure to non-customers. ▸ Analytical work is underway in relation to the implementation of a new marketing platform: NEXTGEN CRM (Customer Relationship Management). ▸ A credit process with an annuity instalments mechanism was introduced for SME customers. ▸ The migration of ATM maintenance to Euronet and ITCARD is in progress. ▸ Measures were underway to replace the existing system supporting transactional, sales and post-sales processes in branches, operation centres and call centres. The objective of the project is to ensure business continuity, optimise processes and achieve synergies with Santander Group. ▸ A screen sharing solution was introduced for users of iBiznes24, enabling customer advisors to provide immediate help with electronic banking or assist in placing orders or completing electronic applications during a phone call with a customer. ▸ A self-service cash deposit solution was implemented, whereby customers can deposit money at a back-office device located on their own premises and have it recorded in their online account (integration of the software with a CIT company). ▸ DRONN service was launched, featuring a voicebot that calls customers at an early arrears stage. ▸ Work on mortgage loan refinancing was started (switch from variable to adjustable fixed rate). As part of the process, customers will be issued automatic credit decisions and will not have to provide documents confirming their repayment capacity or property valuation. The key benefits are the limited impact of interest rate movements on the existing mortgage loan portfolio and predictable mortgage payments (during the fixed-rate period). ▸ The centralisation of direct debit and standing order processes helped to improve the quality of service and reduce the workload and customer complaints.

V. Financial situation after Q1 2024

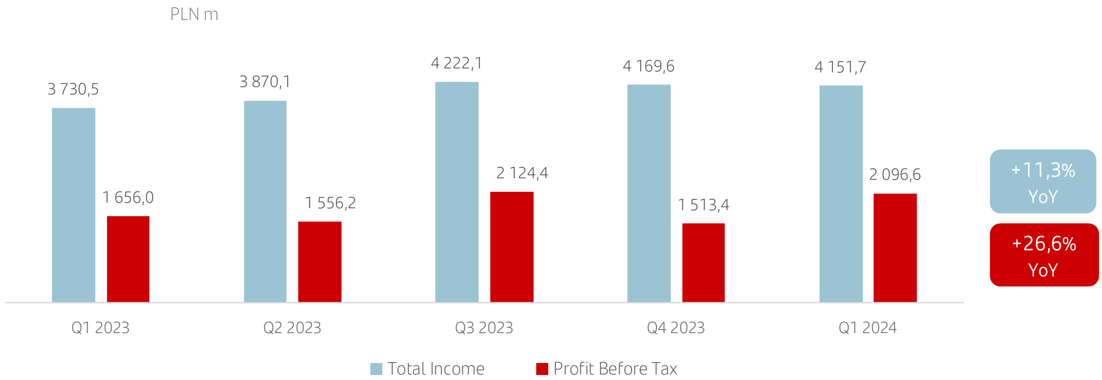
1. Consolidated income statement

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 2024	Restated data Q1 2023	YoY change
Total income	**4,151.7**	**3,730.5**	**11.3%**
- Net interest income	3,387.3	3,092.3	9.5%
- Net fee and commission income	728.6	662.4	10.0%
- Other income [1]	35.8	(24.2)	
Total costs	**(1,353.0)**	**(1,250.9)**	**8.2%**
- Staff, general and administrative expenses	(1,168.3)	(1,089.7)	7.2%
- Depreciation/amortisation [2]	(152.9)	(134.3)	13.8%
- Other operating expenses	(31.8)	(26.9)	18.2%
Net expected credit loss allowances	**(231.9)**	**(232.6)**	**-0.3%**
Cost of legal risk connected with foreign currency mortgage loans [3]	**(296.1)**	**(420.6)**	**-29.6%**
Profit/loss attributable to the entities accounted for using the equity method	24.3	25.1	-3.2%
Tax on financial institutions	(198.4)	(195.5)	1.5%
Consolidated profit before tax	**2,096.6**	**1,656.0**	**26.6%**
Corporate income tax	(499.1)	(439.2)	13.6%
Net profit for the period	**1,597.5**	**1,216.8**	**31.3%**
- Net profit attributable to the shareholders of the parent entity	**1,564.7**	**1,192.0**	**31.3%**
- Net profit attributable to the non-controlling shareholders	32.8	24.8	32.3%

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" in the table above), 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 2023 and 2024



The profit before tax of Santander Bank Polska Group for the 3-month period ended 31 March 2024 was PLN 2,096.6m, up 26.6% YoY. The profit attributable to the shareholders of the parent entity increased by 31.3% YoY to PLN 1,564.7m.

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 6.4% YoY;
- the underlying profit attributable to the shareholders of the parent entity went up by 6.1% YoY.

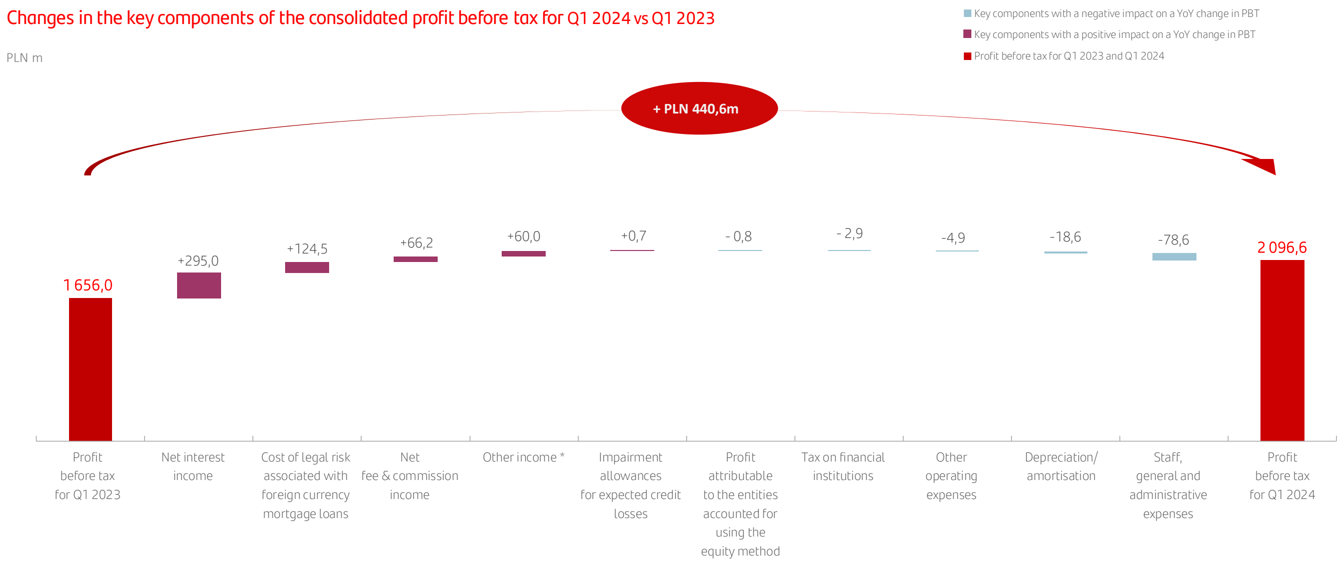
Comparability of periods

Selected items of the income statement affecting the comparability of periods	Q1 2024	Q1 2023
Cost of legal risk connected with foreign currency mortgage loans *(income statement item)*	PLN 296.1m	PLN 420.6m
Cost of settlements connected with foreign currency mortgage loans *(gain/loss on derecognition of financial instruments measured at amortised cost)*	PLN 9.1m	PLN 185.8m
Contributions to the Bank Guarantee Fund made by Santander Bank Polska S.A. and Santander Consumer Bank S.A. *(general and administrative expenses)*	PLN 205.6m including a contribution of PLN 202.4m1) to the bank resolution fund and PLN 3.2m to the guarantee fund	PLN 187.4m, including a contribution of PLN 184.5m to the bank resolution fund and PLN 2.9m to the guarantee fund

1) In Q1 2024, the Group posted the contribution payable to the BFG in respect of the bank resolution fund in the amount of PLN 202.4m estimated on the basis of available data. Pursuant to the resolution of the Bank Guarantee Fund Council of 16 April 2024, the actual amount of the above contribution payable by Santander Bank Polska S.A. (taking into account the adjustment calculated for 2019–2023) is PLN 233.1m. The amount of respective contribution to the fund due from Santander Consumer Bank S.A. has been set at PLN 16.8m. The remaining charge to the consolidated P&L Account will be recognised in this respect in Q2 2024.

Determinants of the Group's profit for Q1 2024

Changes in the key components of the consolidated profit before tax for Q1 2024 vs Q1 2023



* Other income includes, among others, loss on derecognition of financial instruments measured at amortised cost.

During the first three months of 2024, Santander Bank Polska Group generated solid growth in net interest income, while maintaining high net interest margin in an environment of continuously high interest rates and increased credit demand, notably in the retail banking segment. Credit delivery to retail customers accelerated on account of higher private consumption driven by increased household income and improved consumer sentiment. Mortgage loan sales grew considerably too, supported by the 2% Safe Mortgage government programme. The volumes of lease receivables and investment loans (notably in the investment and corporate banking segment) also continued to rise.

Net fee and commission income grew by 10.0% YoY, mainly due to the sustained upturn in the stock and investment fund markets, which translated into higher net income from brokerage fees (+16.6% YoY) and distribution and asset management fees (+52.8% YoY). Income from insurance fees increased substantially too (+31.2% YoY) owing to record high sales of mortgage loans. Also noteworthy is the higher net fee and commission income from the selected core banking lines, including currency exchange (+13.6% YoY), guarantees (+93.8% YoY), account maintenance and cash transactions (+4.7% YoY) and electronic and payment services (+6.1% YoY).

The consolidated profit before tax was positively affected by 49.7% YoY lower charge made in the current reporting period in respect of total cost of legal risk and settlements related to foreign currency mortgage loans. The above decrease resulted from an update of the number of expected settlements and change in total loss in relation to the expected rulings as well as gradual stabilisation of the number of lawsuits. The zloty appreciation was another contributing factor.

Settlements with foreign currency mortgage loan borrowers are presented in the full income statement under gain/loss on derecognition of financial instruments measured at amortised cost, which is a component of the other income aggregate in the figure above. The contribution of settlements to the YoY change in other income was +PLN 176.7m. However, another component of this line item, i.e. net trading income and revaluation, went down by PLN 127.1m YoY as a result of lower gain on currency swaps.

Expected credit loss allowances were stable (-0.3% YoY) due to more favourable economic conditions and better standing of households thanks to higher income.

The profitability in Q1 2024 was adversely affected by staff, general and administrative expenses, which increased by 7.2% YoY on account of pay rises reflecting market rates, contribution to the BFG's bank resolution fund, and costs related to IT systems, marketing and entertainment.

Profit before tax of Santander Bank Polska Group by contributing entities

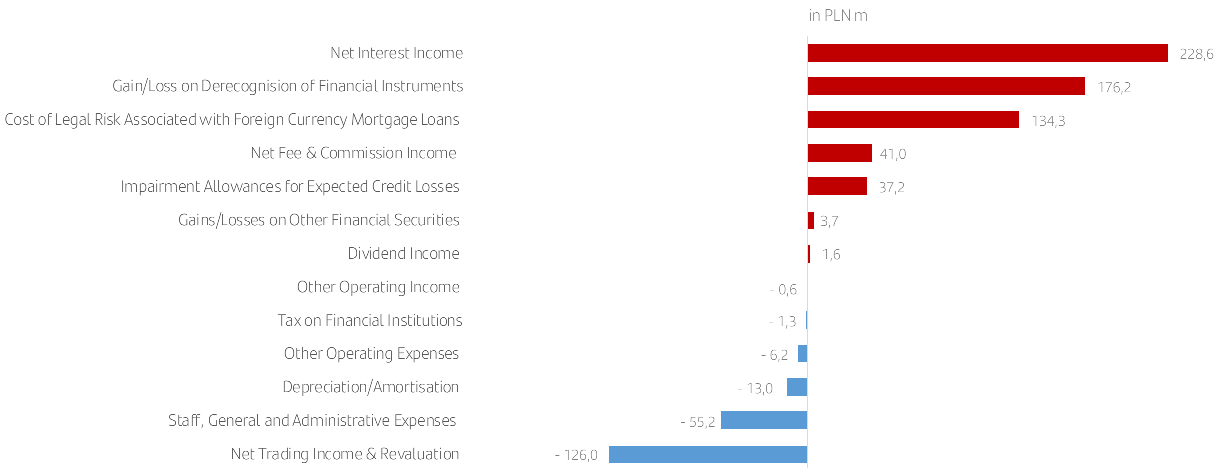
Components of Santander Bank Polska Group's profit before tax in PLN m (by contributing entities)	Q1 2024	Q1 2023	YoY change
Santander Bank Polska S.A.	1,923.7	1,503.4	28.0%
Subsidiaries:	**150.4**	**127.5**	**18.0%**
Santander Consumer Bank S.A. and its subsidiaries [1]	70.6	61.7	14.4%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	33.5	17.2	94.8%
Santander Finanse Sp. z o.o. and its subsidiaries (Santander Leasing S.A., Santander Factoring Sp. z o.o., Santander F24 S.A.)	46.0	48.3	-4.8%
Santander Inwestycje Sp. z o.o.	0.3	0.3	0.0%
Equity method valuation	**24.3**	**25.1**	**-3.2%**
Exclusion of dividends received by Santander Bank Polska S.A. and consolidation adjustments	**(1.8)**	**-**	**-**
Profit before tax	**2,096.6**	**1,656.0**	**26.6%**

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., 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., SCM Poland Auto 2019-1 DAC and S.C. Poland Consumer 23-1 DAC. In Q1 2023, SCB Group also included Santander Consumer Finanse Sp. z o.o. w likwidacji, which was struck off the register of entrepreneurs in November 2023 following its liquidation. The amounts provided above represent profit before tax (after intercompany transactions and consolidation adjustments) of SCB Group for the periods indicated.

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

The profit before tax of Santander Bank Polska S.A. was PLN 1,923.7m, up 28.0% 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 2024 in absolute numbers



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 net interest income, gain on derecognition of financial instruments, cost of legal risk connected with foreign currency mortgage loans, net fee and commission income and net expected credit loss allowances. The increase in the above-mentioned items was partly offset by a negative impact of changes in net trading income and revaluation, staff, general and administrative expenses, and amortisation/depreciation.

Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported an increase of 18.0% 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 first three months of 2024 was PLN 70.6m (after intercompany transactions and consolidation adjustments) and went up by 14.4% YoY as a combined effect of the following:

- An increase of 19.6% YoY in net interest income to PLN 371.1m, supported by continuously high interest rates and a higher share of high-margin products (and a lower share of instalment and mortgage loans).
- Higher net fee and commission income of PLN 33.1m (+44.5% YoY), including higher income from insurance fees and lower cost of credit agency.
- An increase of 3.8% YoY in other non-interest and non-fee income to PLN 13.4m driven by higher other operating income.
- Negative balance of net expected credit loss allowances of PLN 75.8m, up PLN 32.4m YoY on account of 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 rise of 11.8% YoY in operating expenses to PLN 180.6m attributed to higher staff and general and administrative expenses, and higher depreciation/ amortisation.
- Cost of legal risk connected with foreign currency mortgage loans was PLN 82.1m, up 13.4% YoY.

Other subsidiaries

Profit before tax of Santander TFI S.A. for the three months of 2024 increased by 94.8% YoY to PLN 33.5m, as a result of 56.1% YoY higher net fee and commission income, in relation to both success and management fees. Higher income from success fees is attributed to high rates of return generated by individual sub-funds, which exceeded market benchmarks. 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). At the same time, the company reported an increase in staff expenses (as a result of bonus payments and salary review) and in general and administrative expenses (on account of business and development initiatives).

The profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. decreased by 4.8% YoY to PLN 46.0m.

- Total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o. and Santander F24 S.A. for Q1 2024 declined by 14.6% YoY to PLN 30.0m, reflecting higher net expected credit loss allowances (+138.5% YoY) and higher fees on synthetic securitisation (+50.1% YoY) resulting from a new project launched in Q4 2023. Strong sales generated in the reporting period (notably in the vehicles segment) triggered an increase in lease receivables (+8.5% YoY), net interest income (+6.1% YoY) and net insurance income (+26.8% YoY). The quality of the lease portfolio remained high, with the NPL ratio of 3.90% (+0.42 p.p. YoY).
- The profit before tax posted by Santander Factoring Sp. z o.o. increased by 21.0% YoY to PLN 16.0m, reflecting higher net interest income and lower net expected credit loss allowances combined with lower net fee and commission income and higher operating expenses.

Structure of Santander Bank Polska Group's profit before tax

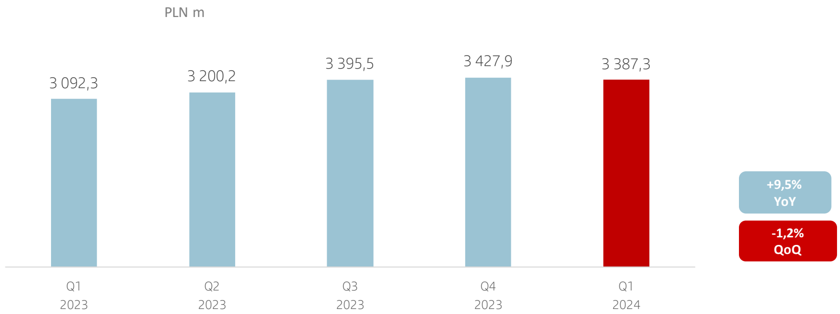
Total income

Total income of Santander Bank Polska Group for Q1 2024 increased by 11.3% YoY to PLN 4,151.7m. Excluding the impact of settlements with CHF mortgage loan borrowers (a total of PLN 9.1m for Q1 2024 and PLN 185.8m for Q1 2023), the underlying total income was up 6.2% YoY.

Net interest income

Net interest income for the first three months of 2024 totalled PLN 3,387.3m and increased by 9.5% YoY as a result of higher business volumes generated in the continuously high interest rate environment. In September 2023, interest rates were cut for the first time since 2020 by 0.75 p.p., marking the start of the monetary policy easing cycle. With the interest rate cut of 0.25 p.p. in October, the total reduction in 2023 was 1.0 p.p. and was not continued in the subsequent months. As a result, the NBP reference rate in Q1 2024 was 5.75%.

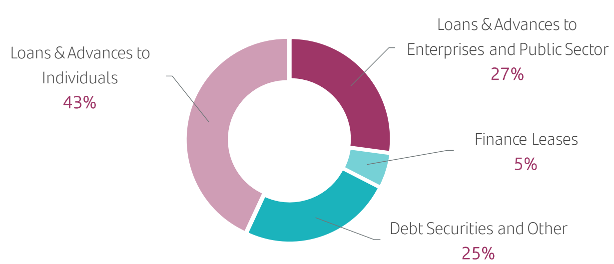
Net interest income by quarter in 2023 and 2024



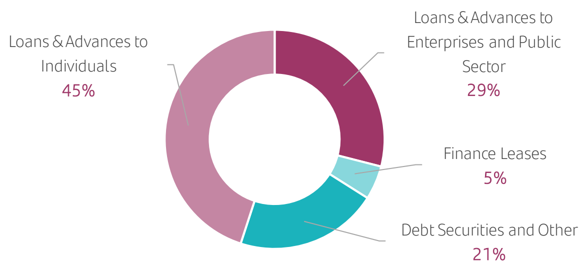
Interest income for the first three months of 2024 totalled PLN 4,646.0m and was up 7.1% YoY, supported by the key categories of earning assets, mainly debt securities, loans and advances to personal and business customers and banks, and lease receivables.

Interest expense was relatively stable at PLN 1,258.7m (+1.0% YoY), reflecting lower interest expense related to deposits from business customers and sell-by-back transactions combined with an increase in other categories of payable interest.

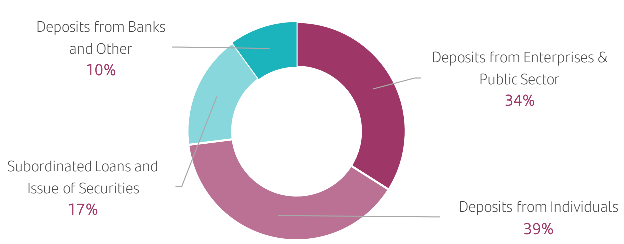
Structure of interest revenue for Q1 2024



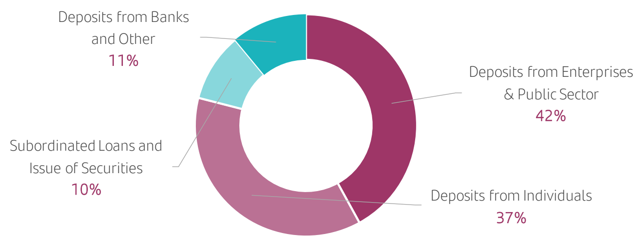
Structure of interest revenue for Q1 2023



Structure of interest expense for Q1 2024



Structure of interest expense for Q1 2023

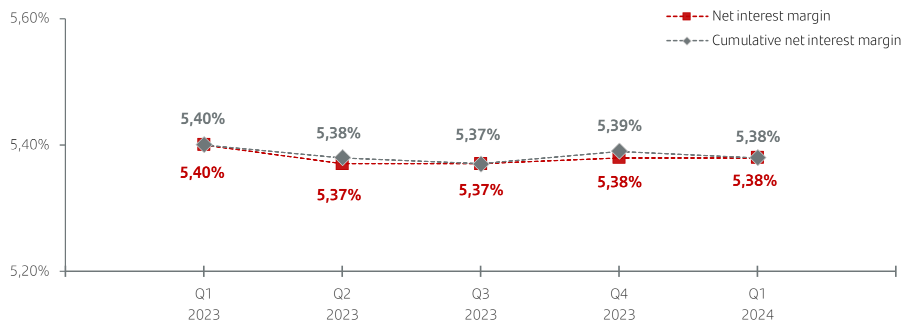


In Q1 2024, the annualised net interest margin was 5.38% vs 5.40% in Q1 2023. While the margin decreased slightly YoY (-0.02 p.p.), the adjustment measures taken by the Group to reflect slightly lower NBP rates and their projected evolution triggered substantial growth of credit and deposit volumes.

Lease receivables increased by 13.0% YoY, loans and advances to personal customers were up 5.7% YoY (including a 10.0% YoY rise in high margin cash loans), and loans and advances to enterprises and the public sector grew by 2.4% YoY. Term deposits from individuals continued to grow (+27.4% YoY), while term deposits from enterprises and the public sector held steady (-0.1% YoY).

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 Q1 2024, the Group reduced interest rates on a number of deposit products and offered an increasing range of solutions based on an adjustable fixed rate.

Net interest margin by quarter in the years 2023 and 2024 (including swap points)[1)]



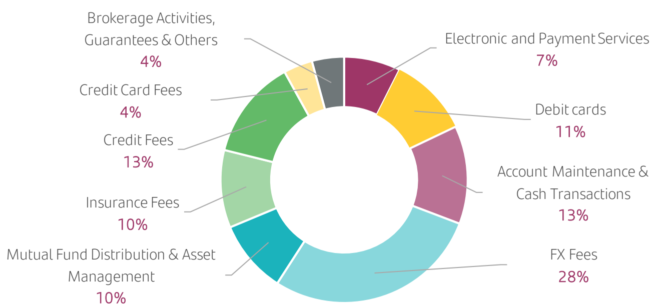
1) The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading

Net fee and commission income

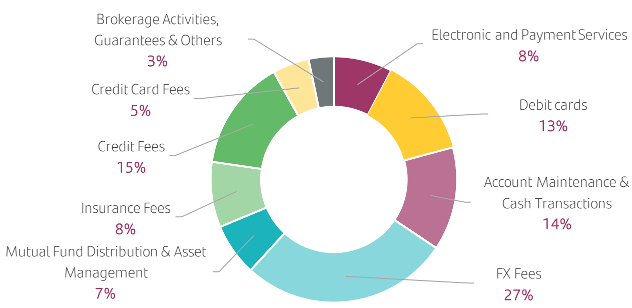
Net fee and commission income (PLN m)	Q1 2024	Q1 2023	YoY change
FX fees	206.1	181.5	13.6%
Credit fees 1)	95.3	97.0	-1.8%
Account maintenance and cash transactions 2)	94.0	89.8	4.7%
Debit cards	76.4	87.0	-12.2%
Insurance fees	74.5	56.8	31.2%
Asset management and distribution	70.3	46.0	52.8%
Electronic and payment services 3)	53.8	50.7	6.1%
Brokerage activities	37.9	32.5	16.6%
Credit cards	27.5	31.6	-13.0%
Guaranties and sureties	15.5	8.0	93.8%
Other fees 4)	(22.7)	(18.5)	22.7%
Total	**728.6**	**662.4**	**10.0%**

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 3-month period ended 31 March 2024 are included in the line item "Other" (PLN 3.6m for the three months of 2024 and PLN 3.7m for the three months of 2023).
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 2024

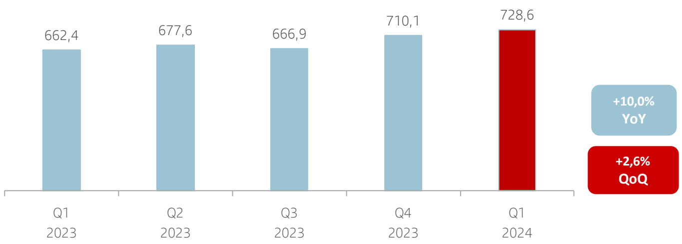


Net fee & commission income structure in Q1 2023



Net fee & commission income by quarter in 2024 and 2023

PLN m

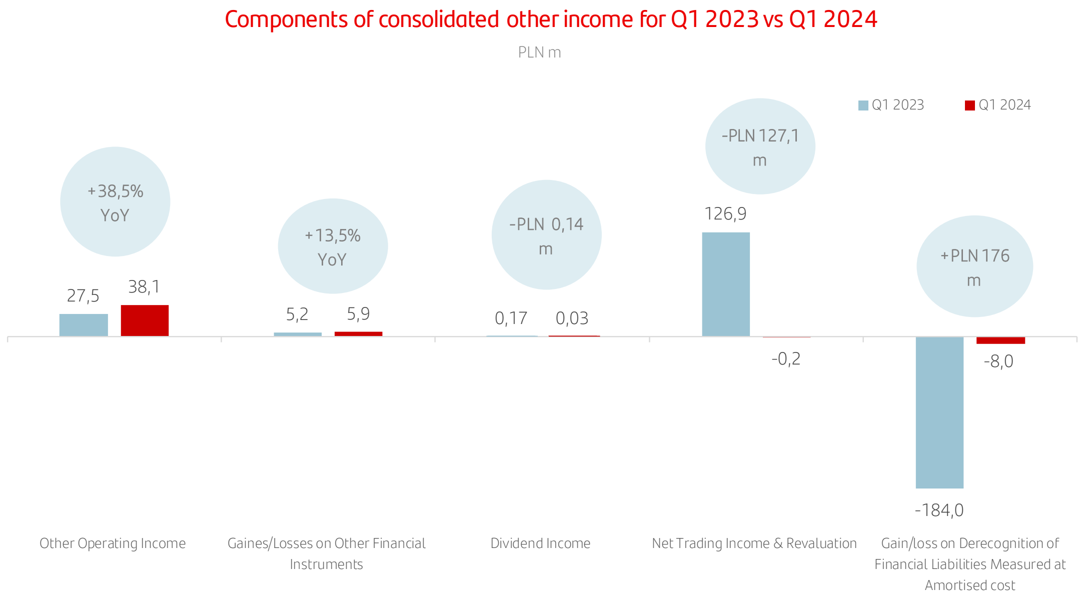


Net interest income for the three-month period ended 31 March 2024 was PLN 728.6m and increased by 10.0% YoY on account of the Group's diversified operations, including activities in the investment fund, stock and bancassurance markets, with higher rates of return in Q1 2024 supported by favourable market conditions and systemic solutions (the 2% Safe Mortgage state programme increasing the sales of mortgage loans and related insurance).

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

- Net fee and commission income from distribution and asset management grew by 52.8% 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 (rising share of low-margin short-term debt sub-funds). At the same time, growth was reported in income from success fees, which exceeded market benchmarks for individual sub-funds.
- Net FX fee income increased by 13.6% YoY as a result of FX rate movements. Lower FX turnover in the eFX channel and traditional channel was accompanied by a moderate increase in average quotations.
- The insurance products line shows a rise of 31.2% YoY, reflecting accelerated sales of mortgage loan insurance driven by a high demand for property finance under the 2% Safe Mortgage state programme. The second contributor to higher net income from insurance fees was the Life and Health ("Życie i zdrowie") insurance, a key non-linked product offered by Santander Bank Polska S.A., with an insurance cover extended in Q1 2024.
- An increase of 16.6% YoY in net income from brokerage activities is largely attributed to an upturn in the WSE main market, as reflected by higher trading. In this environment, assets of retail customers of Santander Brokerage Poland went up by 31% Ytd. Santander Brokerage Poland also continued its activities in the area of ABB and tender offers for shares.
- Net fee and commission income from guarantees and sureties was up 93.8% YoY as a result of growth in guarantee business coupled with lower costs related to securitisation transactions.
- A 12.2% YoY decrease in net income from debit cards is mainly an effect of settlement of support provided by payment organisations to Santander Bank Polska S.A. as well as lower income from cash transactions recognised in the current period. On the other hand, this line item was positively affected by a 15.8% YoY increase in non-cash turnover generated by debit instruments and higher income from card fees.
- 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. decreased by 13.0% YoY due to lower fee and commission income from cash transactions resulting from decreasing turnover (-13.5% YoY), closure of inactive cards, higher costs arising from an increased volume of non-cash transactions and lower support from payment organisations recognised as part of the settlement process.
- Changes in other net fee and commission income reflected standard business operations.

Other income (non-interest and non-fee income)



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 35.8m and was up PLN 60.0m YoY on account of changes in the following components:

- Net trading income and revaluation decreased by PLN 127.1m to -PLN 0.2m due to weaker performance in the derivative and interbank FX markets, generating a total loss of PLN 33.3m vs a gain of PLN 114.8m in the comparative period. This change was mainly the result of currency swap transactions. A decrease was also reported in the valuation of the credit card portfolio measured at fair value through profit or loss, reflected in a negative fair value adjustment of PLN 15k (vs a positive adjustment of PLN 3.0m 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 gain of PLN 33.1m for the three months of 2024 vs PLN 9.1m for the three months of 2023.
- Other operating income was PLN 38.1m and increased by 38.5% YoY on account of higher income from services, releases of higher amounts of provisions for legal claims and other assets as well as higher insurance income generated by the leasing company.
- Gain on other financial instruments totalled PLN 5.9m and rose by 13.5% YoY, largely supported by higher gain on hedging and hedged instruments (+PLN 7.1m YoY) and sale of debt investment financial assets measured at fair value through other comprehensive income (+PLN 7.9m YoY), mainly treasury bills. The above increase was partly offset by a decline resulting from the sale of the entire stake in Visa Inc. In the comparative period, the valuation and sale of the above-mentioned shares brought in a total gain of PLN 14.3m.
- Loss on derecognition of financial instruments measured at amortised cost totalled PLN 8.0m vs PLN 184.0m in the corresponding period last year. This line item includes mainly costs of voluntary settlements with CHF home loan borrowers, which totalled PLN 9.1m for Q1 2024 vs PLN 185.8m for Q1 2023. Overall, the Bank made 9,868 such settlements by 31 March 2024 (525 in 2024 alone), both pre-court and following the legal disputes. 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.

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 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023
Allowance on loans and advances to banks	0.2	0.1	-	-	-	-	-	-	0.2	0.1
Allowance on loans and advances to customers	(21.9)	(33.9)	(135.4)	(148.1)	(140.6)	(101.6)	12.0	17.8	(285.9)	(265.8)
Recoveries of loans previously written off	-	-	-	-	29.7	34.6	-	-	29.7	34.6
Allowance on off-balance sheet credit liabilities	(1.3)	(3.2)	10.8	0.1	14.6	1.6	-	-	24.1	(1.5)
Total	**(23.0)**	**(37.0)**	**(124.6)**	**(148.0)**	**(96.3)**	**(65.4)**	**12.0**	**17.8**	**(231.9)**	**(232.6)**

The charge made by Santander Bank Polska Group after Q1 2024 to the income statement on account of net expected credit loss allowances was stable at PLN 231.9m (-0.3% YoY), reflecting the more favourable macroeconomic conditions, which translated into an increased repayment capacity of personal customers and lower credit risk of business customers.

This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 75.8m and increased by 74.6% YoY due to the normalisation of credit risk resulting from changes in the portfolio structure, with a growing share of consumer loans and a decreasing share of mortgage loans.

No major one-off items were recognised in the consolidated allowances. No substantial arrears or downgrades were recoded either.

Sale of credit receivables of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalled PLN 315.1m and generated a profit before tax of PLN 52.6m (last year, receivables of PLN 496.5m were sold at a profit before tax of PLN 79.9m).

The cost of credit risk of Santander Bank Polska Group after the three months of 2024 was 0.70% (vs 0.64% in the corresponding period last year), with a higher value of the credit portfolio measured at amortised cost (+4.8% 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 2024	Q1 2023	YoY change
Staff, general and administrative expenses, of which:	(1,168.3)	(1,089.7)	7.2%
- Staff expenses	(569.7)	(535.4)	6.4%
- General and administrative expenses	(598.6)	(554.3)	8.0%
Depreciation/amortisation	(152.9)	(134.3)	13.8%
- Depreciation/amortisation of property, plant and equipment and intangible assets	(111.9)	(97.0)	15.4%
- Depreciation of the right-of-use asset	(41.0)	(37.3)	9.9%
Other operating expenses	(31.8)	(26.9)	18.2%
Total costs	**(1,353.0)**	**(1,250.9)**	**8.2%**

Total operating expenses of Santander Bank Polska Group for the first three months of 2024 increased by 8.2% YoY to PLN 1,353.0m on account of salary review, higher contributions to the Bank Guarantee Fund, higher costs of other external services, marketing and IT systems as well as increased depreciation/amortisation of property, plant and equipment and intangible assets, resulting from delivery of further investment projects and capitalisation of the related costs.

As total income grew by 11.3% YoY and total costs by 8.2% YoY, the Group's cost to income ratio was 32.6% after the three months of 2024 vs 33.5% in the comparative period. The corresponding cost to income ratio for the Bank was 31.1% vs 31.9% in Q1 2023.

Staff expenses

Staff expenses totalled PLN 569.7m in Q1 2024 and increased by 6.4% YoY. The average employment in the Group was broadly stable compared to the last year. The main components of staff expenses, i.e. salaries, bonuses and statutory deductions from salaries, went up by 5.6% YoY to PLN 549.1m on account of the salary reviews in line with market rates conducted in Q4 023. The costs related to the long-term share-based incentive plan (Incentive Plan VII) was PLN 18.5m vs PLN 54.7m last year.

General and administrative expenses

General and administrative expenses of Santander Bank Polska Group for the three months of 2024 increased by 8.0% YoY to PLN 598.6m.

Amounts payable to market regulators (BFG, KNF and KDPW) totalled PLN 217.7m, up 9.7% YoY due to higher contribution of PLN 202.4m to the bank resolution fund (+9.7% YoY) recognised in Q1 2024. The amount of the above contribution was estimated by the Bank based on the available data. Pursuant to the resolution of the BFG Council of 16 April 2024, the actual amount of the above contribution payable by Santander Bank Polska S.A. is PLN 233.1m. The corresponding contribution due from Santander Consumer Bank S.A. has been set at PLN 16.8m. The remaining charge to the consolidated P&L Account will be recognised in this respect in Q2 2024. The amount of the contribution to the guarantee fund in the current period (PLN 3.2m) is an effect of the decision taken in February 2024 by the BFG Council to waive contributions to this fund in 2024. The above contribution was also suspended in 2023. In the comparative period, PLN 2.9m was recognised in this respect.

Excluding the mandatory contributions payable to the Bank Guarantee Fund, the Group's general and administrative expenses increased by 7.1% YoY, mainly on account of higher cost of IT system usage and marketing as well as the cost of third party services.

The cost of IT system usage, the largest item of the Group's general and administrative expenses, went up by 4.0% 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 (+12.4% YoY) results from promotional and advertising campaigns (green finance, Santander mobile, business account, savings account, etc.). The costs of third party services were also up (+23.3% YoY) due to the launch of new external services as part of banking operations (outsourcing of ATM services to an external operator).

At the same time, the Group reported a decrease in costs related to cars, transport and cash-in-transit services (-23.6% YoY) as well as consumables, prints, cheques and cards (-18.8% YoY).

Tax and other charges

Tax on financial institutions for Q1 2024 totalled PLN 198.4m and was up 1.5% 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 499.1m and effectively lower compared to the previous year (the effective tax rate fell from 26.5% for the three months of 2023 to 23.8% for the three months of 2024), with higher tax on financial institutions and contributions to the Bank Guarantee Fund and lower costs of legal risk connected with foreign currency mortgage loans.

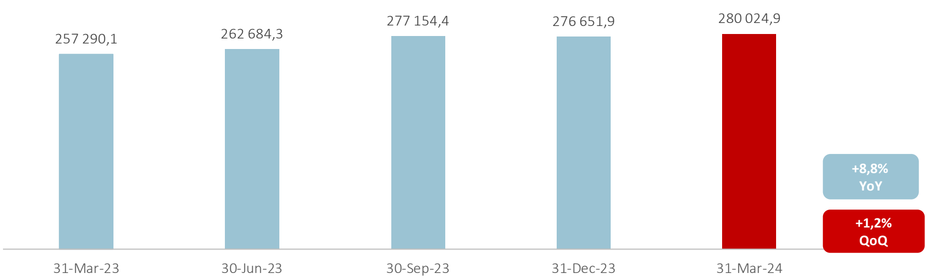
2. Consolidated statement of financial position

Consolidated assets

As at 31 March 2024, total assets of Santander Bank Polska Group were PLN 280,024.9m, an increase of 8.8% YoY and of 1.2% Ytd. The value and structure of the Group's financial position is determined by the parent entity, which held 91.3% of the consolidated total assets vs 91.2% as at the end of December 2023 and 91.6% as at the end of March 2023.

Total consolidated assets at the end of consecutive quarters in 2023 and 2024

PLN m



Structure of consolidated assets

Assets in PLN m (for analytical purposes)	31.03.2024	Structure 31.03.2024	31.12.2023	Structure 31.12.2023	Restated data 31.03.2023	Structure 31.03.2023	Change	Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers	162,653.2	58.1%	159,520.0	57.7%	154,743.6	60.1%	2.0%	5.1%
Investment financial assets	68,160.6	24.3%	67,523.0	24.4%	53,340.6	20.7%	0.9%	27.8%
Buy-sell-back transactions and assets pledged as collateral	11,619.0	4.1%	12,948.5	4.7%	11,470.9	4.5%	-10.3%	1.3%
Cash and balances with central banks	9,959.2	3.6%	8,417.5	3.0%	11,118.6	4.3%	18.3%	-10.4%
Loans and advances to banks	9,504.4	3.4%	9,533.8	3.4%	10,316.9	4.0%	-0.3%	-7.9%
Financial assets held for trading and hedging derivatives	9,217.5	3.3%	10,514.4	3.8%	7,884.8	3.1%	-12.3%	16.9%
Property, plant and equipment, intangible assets, goodwill and right-of-use assets	3,841.4	1.4%	3,853.5	1.4%	3,590.9	1.5%	-0.3%	7.0%
Other assets [1)]	5,069.6	1.8%	4,341.2	1.6%	4,823.8	1.8%	16.8%	5.1%
Total	**280,024.9**	**100.0%**	**276,651.9**	**100.0%**	**257,290.1**	**100.0%**	**1.2%**	**8.8%**

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 31 March 2024, net loans and advances to customers were the key item of the consolidated assets (58.1%). They totalled PLN 162,653.2m and increased by 2.0% Ytd along with a rise in loans to personal customers, lease receivables and loans to enterprises and the public sector.

Investment financial assets, the second largest contributor, were relatively stable compared to the end of 2023. Treasury bonds accounted for 74% of the debt securities portfolio. The structure of the analysed portfolio changed in Q1 2024 in terms of a measurement approach, with a greater share of instruments measured at amortised cost (+42.9% Ytd) and a lower share of instruments measured at fair value through other comprehensive income (-16,4% Ytd).

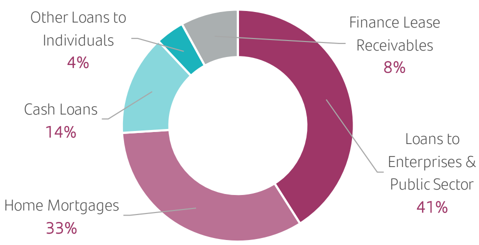
As part of ongoing liquidity management, the level of cash and balances with central banks increased significantly in the analysed period (+18.3% Ytd), whereas the value of financial assets held for trading and hedging derivatives went down (-12.3% Ytd), mainly on account of the trading portfolio of treasury bonds and FX derivatives.

At the same time, the Group's activity in the interbank repo market decelerated, as reflected in buy-sell-back transactions and assets pledged as collateral, which declined by 10.3% Ytd.

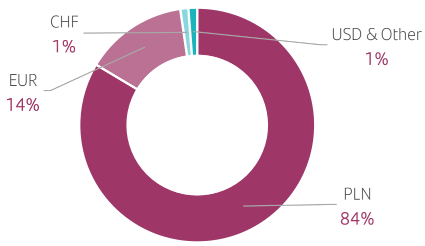
Credit portfolio

Gross loans and advances to customers in PLN m	31.03.2024	31.12.2023	31.03.2023	Change	Change
	1	2	3	1/2	1/3
Loans and advances to individuals	85,273.3	83,052.5	80,654.7	2.7%	5.7%
Loans and advances to enterprises and the public sector	69,174.9	68,666.2	67,584.7	0.7%	2.4%
Finance lease receivables	13,917.0	13,418.7	12,310.7	3.7%	13.0%
Other	79.1	74.5	73.9	6.2%	7.0%
Total	**168,444.3**	**165,211.9**	**160,624.0**	**2.0%**	**4.9%**

Product structure of consolidated
loans and advances to customers as at 31.03.2024



FX structure of consolidated
loans and advances to customers as at 31.03.2024

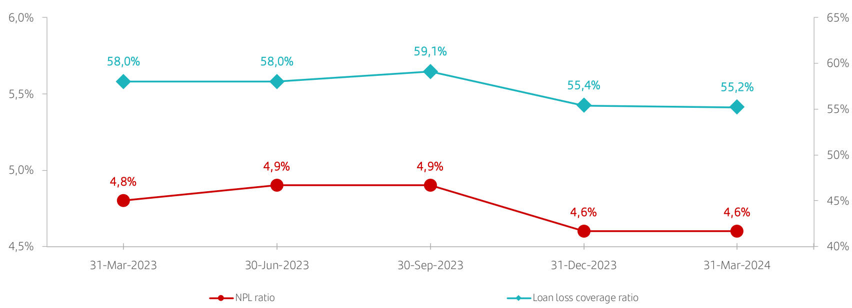


As at 31 March 2024, consolidated gross loans and advances to customers were PLN 168,444.3m and increased by 2.0% vs 31 December 2023. The portfolio includes loans and advances to customers measured at amortised cost of PLN 150,945.5m (+1.4% Ytd), loans and advances to customers measured at fair value through other comprehensive income of PLN 3,501.8m (+21.2% Ytd), loans and advances to customers measured at fair value through profit or loss of PLN 80.0m (-5.9% Ytd), and finance lease receivables of PLN 13,917.0m presented 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 2.7% Ytd to PLN 85,273.3m as at the end of March 2024. Home loans, which were the main contributor to this figure, totalled PLN 54,790.3m and went up by 3.4% Ytd as a result of recovery in the mortgage loan market with the record high sales reported in Q1 2024 on account of loans disbursed under the 2% Safe Mortgage programme, among other things. Cash loans were the second largest item and totalled PLN 23,457.7m (+2.9% Ytd) supported by growth in sales driven by macroeconomic factors (stable unemployment rate, increase in real income, etc.).
- Loans and advances to enterprises and the public sector (including factoring receivables) went up by 0.7% Ytd to PLN 69,174.9m due to higher exposures in respect 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 3.7% Ytd to PLN 13,917.0m, supported by strong quarterly sales of leased assets, particularly in the vehicles segment.

Credit quality ratios by quarter in 2023 and 2024



As at 31 March 2024, the NPL ratio was 4.6% and the provision coverage ratio for impaired loans was 55.2% (vs 4.6% and 55.4% at the end of December 2023 and 4.8% and 58.0% at the end of March 2023).

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Structure of consolidated equity and liabilities

Equity and liabilities in PLN m (for analytical purposes)	31.03.2024	Structure 31.03.2024	31.12.2023	Structure 31.12.2023	Restated data 31.03.2023	Structure 31.03.2023	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	210,308.2	75.1%	209,277.4	75.6%	197,172.2	76.6%	0.5%	6.7%
Subordinated liabilities and debt securities in issue	12,504.5	4.5%	11,933.5	4.3%	11,685.2	4.6%	4.8%	7.0%
Financial liabilities held for trading and hedging derivatives	8,135.3	2.9%	9,699.0	3.5%	8,937.9	3.5%	-16.1%	-9.0%
Deposits from banks and sell-buy-back transactions	6,828.4	2.4%	4,430.0	1.6%	4,191.7	1.6%	54.1%	62.9%
Other liabilities [1]	7,233.5	2.6%	7,621.0	2.8%	4,684.7	1.8%	-5.1%	54.4%
Total equity	35,015.0	12.5%	33,691.0	12.2%	30,618.4	11.9%	3.9%	14.4%
Total	**280,024.9**	**100.0%**	**276,651.9**	**100.0%**	**257,290.1**	**100.0%**	**1.2%**	**8.8%**

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 31 March 2024, deposits from customers totalled PLN 210,038.2m and were the largest constituent item of the total equity and liabilities (75.1%) disclosed in the consolidated statement of financial position and the main source of funding for the Group's assets. They were relatively stable Ytd (+0.5%) as a combined effect of a steady inflow of funds to term deposits in all key customer segments and a decrease in current account balances of enterprises and the public sector.

A considerable increase (+54.1% Ytd) was reported in deposits from banks and sell-buy-back transactions, reflecting the Group's increased activity in the repo market. At the same time the balance of financial liabilities held for trading and hedging derivatives declined by 16.1% Ytd, mainly on account of FX derivative transactions.

Subordinated liabilities and liabilities in respect of debt securities in issue increased by 4.8% vs 31 December 2023, with the latter item rising by 6.2% to PLN 9,817.0m, as a combined effect of the issue of debt instruments of PLN 776.5m and redemption of PLN 300.0m worth of securities on their maturity dates. In Q1 2024, Santander Factoring Sp. z o.o. issued:

- On 16 February 2024: PLN 576.5m worth of series R bonds with an interest rate based on 1M WIBOR and a maturity date of 16 August 2024.
- On 1 March 2024: PLN 200m worth of series S bonds with an interest rate based on 1M WIBOR and a maturity date of 3 June 2024.

Both issues were guaranteed by the Bank. The proceeds are used for the issuer's general corporate purposes.

Deposit base

Deposits by entities

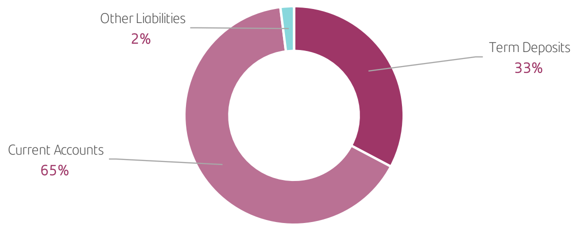
Deposits from customers in PLN m	31.03.2024	31.12.2023	31.03.2023	Change	Change
	1	2	3	1/2	1/3
Deposits from individuals	119,637.3	115,261.2	107,914.2	3.8%	10.9%
Deposits from enterprises and the public sector	90,670.9	94,016.2	89,258.0	-3.6%	1.6%
Total	**210,308.2**	**209,277.4**	**197,172.2**	**0.5%**	**6.7%**

As at 31 March 2024, consolidated deposits from customers were PLN 210,308.2m and increased by 0.5% Ytd, as a combined effect of the outflow of funds from customers' current accounts and continued dynamic growth of term deposit balances.

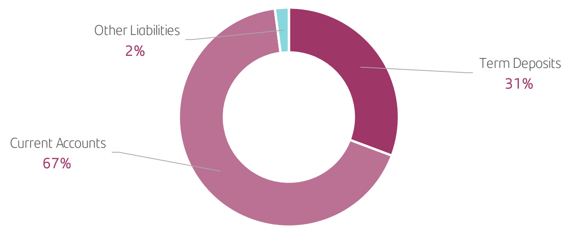
- The retail deposit base totalled PLN 119,637.3m and increased by 3.8% Ytd. Customers preferred term deposits which offered interest rates better adjusted to the high interest rate environment. As a result, their balance increased by 7.5% Ytd to PLN 44,969.9m, whereas the total balance of savings and current accounts went up by 1.7% Ytd to PLN 74,412.6m due to declining levels of the former and simultaneous growth of the latter. 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 the three months of 2024.
- Deposits from enterprises and the public sector decreased by 3.6% Ytd to PLN 90,670.9m as a combined effect of a rise of 6.5% Ytd in term deposits to PLN 23,918.3m and a decline of 7.0% Ytd in current account balances to PLN 62,811.4m.

Deposits by tenors

Structure of consolidated customer deposits as at 31.03.2024



Structure of consolidated customer deposits as at 31.12.2023

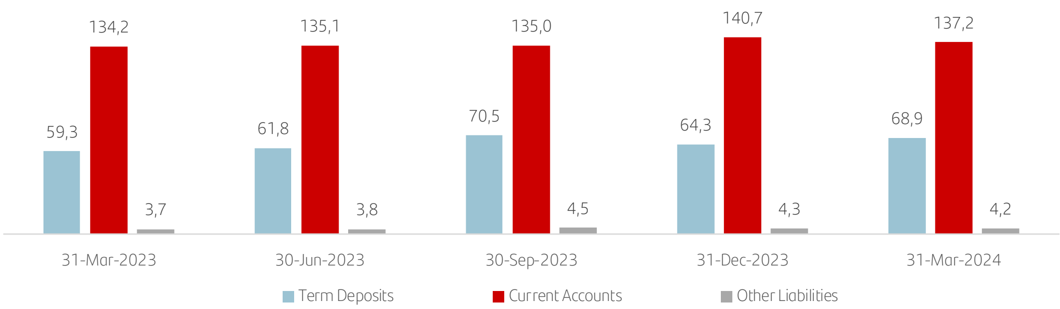


During the first three months of 2024, the Group's total term deposits from customers increased by 7.1% Ytd to PLN 68,888.3m, current account balances fell by 2.5% Ytd to PLN 137,224.0m, and other liabilities were PLN 4,195.9m, down 1.7% Ytd.

Loans and advances from financial institutions (PLN 863.0m vs PLN 950.4m as at 31 December 2023) were one of the 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 2023 and 2024

PLN bn



* *Including savings accounts*

3. Selected financial ratios of Santander Bank Polska Group

Selected financial ratios of Santander Bank Polska Group	31.03.2024	Restated data 31.03.2023
Cost/Income	32.6%	33.5%
Net interest income/Total income	81.6%	82.9%
Net interest margin [1]	5.38%	5.40%
Net fee and commission income/Total income	17.5%	17.8%
Net loans and advances to customers/Deposits from customers	77.3%	78.5%
NPL ratio [2]	4.6%	4.8%
NPL provision coverage ratio [3]	55.2%	58.0%
Cost of credit risk [4]	0.70%	0.64%
ROE [5]	20.1%	13.2%
ROTE [6]	21.9%	13.3%
ROA [7]	1.9%	1.2%
Total capital ratio [8]	17.81%	21.04%
Tier 1 capital ratio [9]	16.59%	19.39%
Book value per share (PLN)	342.65	299.62
Earnings per ordinary share (PLN) [10]	15.31	11.66

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) Net profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the current reporting period and the end of the previous year), excluding non-controlling interests, current period profit, dividend reserve and expected dividend.
6) Net 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, intangible assets and goodwill, and expected dividend.
7) Net 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.
The YoY change in the total capital ratio is a combined effect of growth in risk-weighted assets and a stable level of own funds. The higher RWA value is attributed to an increase in capital requirements for operational and credit risks resulting from business growth (a rise in mortgage-backed exposures, retail exposures and SME exposures).
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.
The YoY change in the Tier 1 capital ratio is caused by the factors presented in point 8 for the total capital ratio.
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 performance and activity of Santander Bank Polska Group in the next quarter:

- Timing of the start of the cycle of interest rate cuts by major central banks and fluctuations in the market pricing of future interest rate movements in the main economies.
- Continued weakness in the euro area and thus relatively low foreign demand for Polish goods and services.
- The war between Russia and Ukraine, impact of sanctions and international trade restrictions. Migration flows. Potential disruptions to the supply of energy resources. Increased defence spending in Poland. Impact on financial, consumption and investment decisions of Polish companies and households.
- Autumn elections in the US: statements by major presidential candidates potentially signalling a change in the country's approach to the conflict in Ukraine and its intention to change its relationships with Europe.
- Possible escalation of the conflict in the Middle East, with potential impact on prices of crude oil and natural gas and on global risk aversion and the risk of potential geopolitical tensions in other regions of the world (Taiwan).
- Further path of inflation in Poland impacting the market pricing of NBP rate changes.
- Further decisions of the MPC on interest rates, potential balance sheet reduction by the NBP.
- Foreign currency loans: banks' decisions on settlements with customers and further litigation.

- "Payment holidays" – possible extension of the deferral of PLN mortgage repayments at modified eligibility conditions in H2 2024.
- Changes in the valuation of credit risk in financial markets, also influenced by changes in the assessment of geopolitical risk.
- Changes in bond yields depending on monetary and fiscal policy expectations.
- Unlocking EU cohesion funds for Poland and the National Recovery Plan.
- Changes in the demand for credit in the context of liquidity, still high interest rates, the impact of the war and quick rise in apartment prices in recent quarters.
- Changes in the financial situation of households influenced by labour market trends and benefits.
- Changes in customers' savings allocation decisions influenced by expected returns on various asset classes and changes in attitudes towards saving and spending.
- Further developments in global stock markets and their impact on demand for mutual fund units and shares.

VI. Risk management

1. Risk management in Q1 2024

Geopolitical and macroeconomic situation

Due to the ongoing armed conflicts (the war between Russia and Ukraine and the war in the Middle East), 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 and macroeconomic situation and threaten the delivery of business plans of 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 conflicts 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.

As in the previous years, in Q1 2024 the Group monitored the credit portfolio in terms of the influence of the macroeconomic situation in individual customer segments and economic sectors in order to ensure prompt and adequate response and duly align the credit policy parameters. Particular focus was placed on the assessment of impact of such factors as inflation, interest rates, exchange rates, as well as gas and energy prices on the quality of the credit portfolios based on stress testing and sensitivity analysis. The Group also continued to monitor the factors directly related to the geopolitical situation, i.e. sanctions and restriction of operations of business customer on the territory of armed conflicts. In addition, the Group kept track of legislative changes that may significantly affect the situation in individual sectors to take adequate proactive measures in relation to the credit portfolio.

As part of regular reviews of ECL parameter models, the Bank takes into account the latest macroeconomic projections, using its predictive models based on historical observations of relationships between those variables and risk parameters. ECL parameters were last updated in Q4 2023 to account for the impact of the geopolitical environment on the current economic situation and macroeconomic projections.

Furthermore, as part of standard ongoing monitoring, the Bank assessed the impact of the geopolitical factors on borrowers through individual reviews, analysis of macroeconomic indicators, monitoring of behavioural models (including transactional patterns), analysis of trends in individual economic sectors and comprehensive management information.

Market risk

In Q1 2024, the Group continued to significantly reduce the sensitivity of net interest income to interest rate movements. The above strategy was implemented in response to the planned introduction of a new regulatory limit this year, i.e. NII SOT at max 5% of Tier 1 capital.

ESG risks

In Q1 2024, the Group extended its risk management system to include concentration limits for sectors with the biggest impact on climate changes and the highest transition risk. At the same time, the Group is working on introducing limits related to physical risks. The taxonomy analyses of specific purpose lending were completed and reflected in the taxonomy disclosure report (including information provided on a voluntary basis).

Based on the analysis of emissions in credit portfolios calculated in line with the PCAF (Partnership for Carbon Accounting Financials) methodology, the Group defined business activities and extended cooperation with customers in this respect. The above measures are intended to minimise transition risks for both the Group and its customers.

The Group is working on a standardised and systemic solution with regard to the ESG risk analysis of medium-sized companies in order to fully use all available data to assess inherent risk and optimise residual risk assessment as part of cooperation with the customer.

As a new element of the 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 is steadily developed.

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 Q1 2024, 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 Group 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, application attacks, malware and attacks against customers and employees with the use of social engineering.

Cyber attacks are becoming 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 importance of artificial intelligence technologies 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.

2. Material risk factors expected in the future

Macroeconomic factors and their impact on the quality of credit portfolios

The current market indicators are not conclusive. The strong recovery of consumption observed in Q1 2024 is reflected in an increased volume of transactions in personal accounts and confirmed by market data concerning VAT inflows. It is expected to give a boost to local firms, importers and above all – to the service and retail sectors. On the other hand, the manufacturing industry (particularly exports) is under the pressure of rising labour costs and slow sales growth combined with the zloty appreciation. The long-term risks identified by the Group are the transition of the Polish firms to near-zero emissions (Fir for 55) and demographic changes impacting the labour market.

ESG risks

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. The Group finds it particularly important to consider the impact of long-term ESG risks in the analysis of annual probability of default in a way that does not negatively affect the back testing of ratings.

Another serious challenge is the operationalisation of the taxonomy assessment of transactions, in particular the DNSH (Do No Significant Harm) and MSS (Minimal Social Safeguards) assessments. The above process is very time consuming and difficult to standardise. Another issue is the expected increase in the scope of analyses in the coming years due to a growing number of entities subject to the reporting obligation.

Legal situation of CHF mortgage loans

The situation connected with CHF mortgage loans is still unstable, as reflected by the pending court cases. The Group assesses and 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 be present: 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.

There is still a considerable risk of ransomware attacks, DDoS attacks or use of social engineering. As expected, supply chain attacks, mobile malware attacks, cyber spying and attacks involving artificial intelligence are 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 31 March 2024 and 31 December 2023, 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 conditionally awarded to them and settled in the specific period of Incentive Plan VII.

The latter shares are deferred and will be transferred to individual brokerage accounts of Management Board members in 2024–2030.

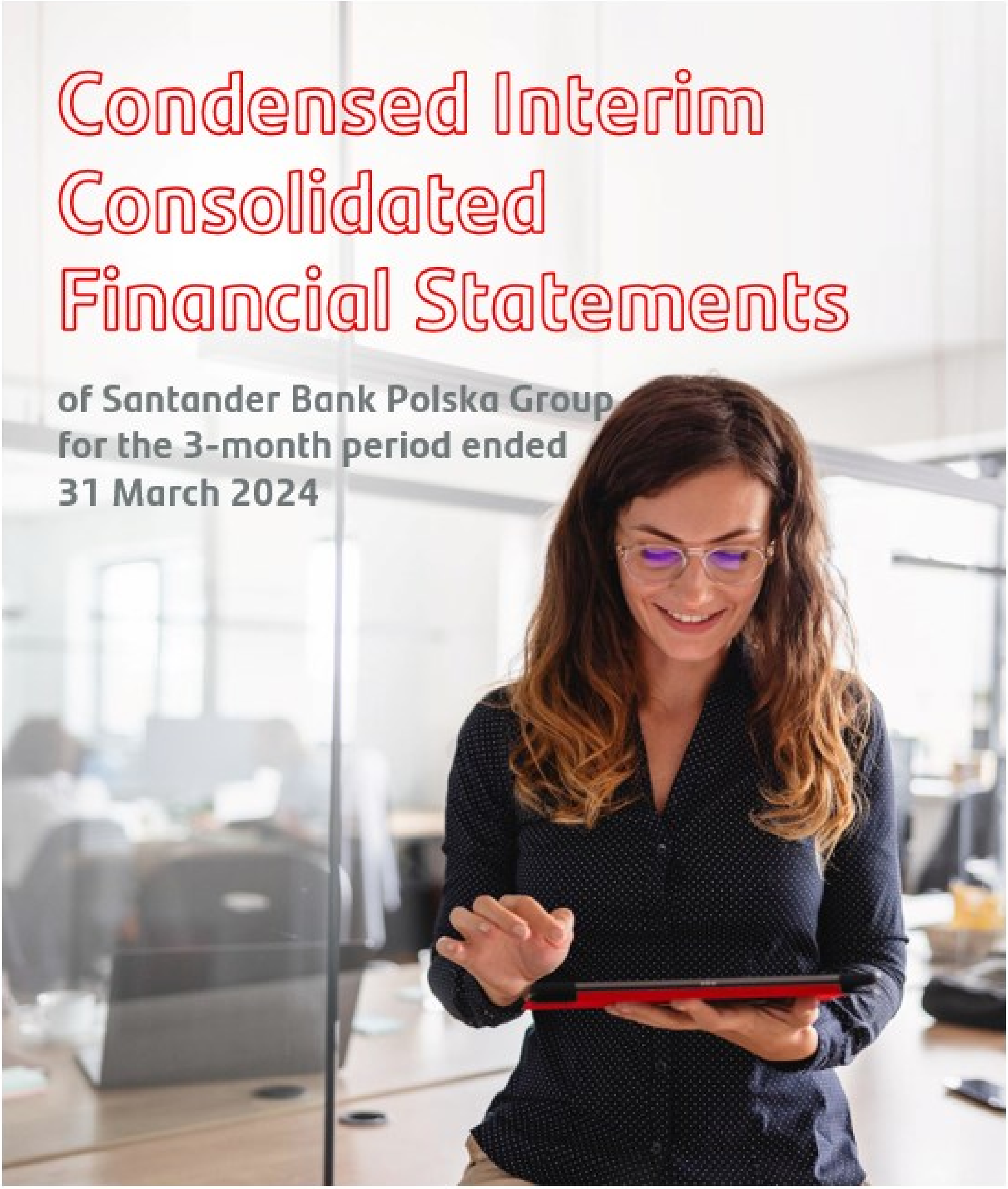
	30.04.2024			16.02.2024	
Management Board members as at the end of the current reporting period and the release date of the annual report	**Total shares held as at the report release date**	**Shares transferred to brokerage accounts as part of Incentive Plan VII 3)**	**Outstanding shares conditionally awarded as part of Incentive Plan VII (to be settled after the transfer of shares attributable to the participants) 2)**	**Shares held**	**Shares conditionally awarded as part of Incentive Plan VII 1)**
Michał Gajewski	8,603	3,808	10,502	4,795	9,519
Andrzej Burliga	2,408	1,524	2,178	884	2,539
Lech Gałkowski	120	1,774	2,824	-	2,956
Artur Głembocki	272	-	-	-	-
Patryk Nowakowski	-	1,491	2,276	-	2,484
Juan de Porras Aguirre	-	2,177	3,133	1,279	3,627
Magdalena Proga-Stępień	786	-	-	-	-
Arkadiusz Przybył	-	1,774	2,393	-	2,956
Maciej Reluga	3,792	1,491	2,168	2,301	2,484
Wojciech Skalski	3,669	-	-	3,124	-
Dorota Strojkowska	4,223	1,491	2,260	2,732	2,484
Total	**23,873**	**15,530**	**27,734**	**15,115**	**29,049**

1) Shares conditionally awarded to members of the Management Board of Santander Bank Polska S.A. as part of Incentive Plan VII for 2022 which are deferred and will be transferred to their individual brokerage accounts in 2024–2029.
2) Shares conditionally awarded to members of the Management Board of Santander Bank Polska S.A. as part of Incentive Plan VII for 2022 and 2023 (excluding shares settled for that period) which are deferred and will be transferred to their individual brokerage accounts in 2025–2030.
3) Shares transferred to brokerage accounts of Management Board members as part of Incentive Plan VII for 2022–2023.

For more information about Incentive Plan VII launched by Santander Bank Polska Group, see part "Variable remuneration" in Section 1 "Human resources management" of Chapter IV "Organisational and infrastructure development".

Condensed Interim Consolidated Financial Statements

of Santander Bank Polska Group for the 3-month period ended 31 March 2024



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In thousands of PLN

I. Consolidated income statement

for the period:		1.01.2024-31.03.2024	1.01.2023-31.03.2023* restated
Interest income and similar to interest		**4 646 036**	**4 338 449**
Interest income on financial assets measured at amortised cost		3 853 333	3 493 863
Interest income on financial assets measured at fair value through other comprehensive income		529 214	594 801
Income similar to interest on financial assets measured at fair value through profit or loss		13 488	32 546
Income similar to interest on finance leases		250 001	217 239
Interest expense		**(1 258 698)**	**(1 246 158)**
Net interest income	Note 4	**3 387 338**	**3 092 291**
Fee and commission income		871 339	780 616
Fee and commission expense		(142 784)	(118 221)
Net fee and commission income	Note 5	**728 555**	**662 395**
Dividend income		28	165
Net trading income and revaluation	Note 6	(211)	126 953
Gains (losses) from other financial securities	Note 7	5 909	5 177
Gain/loss on derecognition of financial instruments measured at amortised cost	Note 28	(7 967)	(183 976)
Other operating income	Note 8	38 056	27 467
Impairment allowances for expected credit losses	Note 9	(231 869)	(232 631)
Cost of legal risk associated with foreign currency mortgage loans	Note 28	(296 073)	(420 602)
Operating expenses incl.:		(1 352 976)	(1 250 794)
-Staff, operating expenses and management costs	Note 10,11	(1 168 255)	(1 089 651)
-Amortisation of property, plant and equipment and Intangible assets		(111 917)	(97 001)
-Amortisation of right of use assets		(40 972)	(37 238)
-Other operating expenses	Note 12	(31 832)	(26 904)
Share in net profits (loss) of entities accounted for by the equity method		24 288	25 079
Tax on financial institutions		(198 431)	(195 516)
Profit before tax		**2 096 647**	**1 656 008**
Corporate income tax	Note 13	(499 073)	(439 199)
Consolidated profit for the period		**1 597 574**	**1 216 809**
of which:			
-attributable to owners of the parent entity		1 564 744	1 191 990
-attributable to non-controlling interests		32 830	24 819
Net earnings per share			
Basic earnings per share (PLN/share)		15,31	11,66
Diluted earnings per share (PLN/share)		15,31	11,66

* details in note 2.5

Notes presented on pages 16- 68 constitute an integral part of this Financial Statements

In thousands of PLN

II. Consolidated statement of comprehensive income

	1.01.2024-31.03.2024	1.01.2023-31.03.2023* restated
Consolidated net profit for the period	**1 597 574**	**1 216 809**
Items that will be reclassified subsequently to profit or loss:	**(223 320)**	**849 404**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	310 085	829 150
Deferred tax	(58 916)	(157 539)
Revaluation of cash flow hedging instruments gross	(585 789)	219 497
Deferred tax	111 300	(41 704)
Items that will not be reclassified subsequently to profit or loss:	**(12)**	**(3)**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	(15)	(4)
Deferred and current tax	3	1
Total other comprehensive income, net	**(223 332)**	**849 401**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 374 242**	**2 066 210**
Total comprehensive income attributable to:		
- owners of the parent entity	1 343 686	2 017 837
- non-controlling interests	30 556	48 373

*details in note 2.5

In thousands of PLN

III. Consolidated statement of financial position

	as at:	31.03.2024	31.12.2023
ASSETS			
Cash and balances with central banks	Note 14	9 959 240	8 417 519
Loans and advances to banks	Note 15	9 504 436	9 533 840
Financial assets held for trading	Note 16	8 127 639	8 939 360
Hedging derivatives		1 089 826	1 575 056
Loans and advances to customers incl.:	Note 17	162 653 143	159 520 007
- measured at amortised cost		145 559 511	143 488 004
- measured at fair value through other comprehensive income		3 385 280	2 798 234
- measured at fair value through profit and loss		80 037	85 093
- from finance leases		13 628 315	13 148 676
Reverse sale and repurchase agreements		9 003 147	12 676 594
Investment securities incl.:	Note 18	68 160 639	67 523 003
- debt securities measured at fair value through other comprehensive income		39 815 091	47 598 570
- debt securities measured at fair value through profit and loss		2 179	2 005
- debt investment securities measured at amortised cost		28 059 918	19 639 468
- equity securities measured at fair value through other comprehensive income		277 106	277 121
- equity securities measured at fair value through profit and loss		6 345	5 839
Assets pledged as collateral		2 615 825	271 933
Investments in associates	Note 19	995 014	967 514
Intangible assets		859 583	881 857
Goodwill		1 712 056	1 712 056
Property, plant and equipment		766 129	765 278
Right of use assets		503 606	494 296
Deferred tax assets		1 564 320	1 751 189
Fixed assets classified as held for sale		6 163	6 453
Other assets		2 504 124	1 615 930
Total assets		**280 024 890**	**276 651 885**
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	4 216 870	4 156 453
Hedging derivatives		707 898	880 538
Financial liabilities held for trading	Note 16	7 427 398	8 818 493
Deposits from customers	Note 21	210 308 153	209 277 356
Sale and repurchase agreements		2 611 488	273 547
Subordinated liabilities	Note 22	2 687 533	2 686 343
Debt securities in issue	Note 23	9 816 996	9 247 159
Lease liabilities		374 970	365 833
Current income tax liabilities		1 180 916	1 174 609
Deferred tax liability		476	435
Provisions for financial liabilities and guarantees granted	Note 24	100 870	123 085
Other provisions	Note 25	1 005 225	967 106
Other liabilities	Note 26	4 571 069	4 989 910
Total liabilities		245 009 862	242 960 867
Equity			
Equity attributable to owners of the parent entity		33 056 099	31 762 645
Share capital		1 021 893	1 021 893
Other reserve capital		25 043 163	25 097 202
Revaluation reserve		(517 146)	(298 688)
Retained earnings		5 943 445	1 111 131
Profit for the period		1 564 744	4 831 107
Non-controlling interests in equity		1 958 929	1 928 373
Total equity		35 015 028	33 691 018
Total liabilities and equity		**280 024 890**	**276 651 885**

Notes presented on pages 16- 68 constitute an integral part of this Financial Statements

In thousands of PLN

IV. Consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2024 - 31.03.2024	Equity attributable to owners of parent entity						Non-controlling interests	Total equity
	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**	**-**	**25 097 202**	**(298 688)**	**5 942 238**	**31 762 645**	**1 928 373**	**33 691 018**
Total comprehensive income	-	-	-	(221 058)	1 564 744	1 343 686	30 556	1 374 242
Consolidated profit for the period	*-*	*-*	*-*	*-*	*1 564 744*	*1 564 744*	*32 830*	*1 597 574*
Other comprehensive income	*-*	*-*	*-*	*(221 058)*	*-*	*(221 058)*	*(2 274)*	*(223 332)*
Inclusion of share based incentive scheme	-	-	18 317	-	-	18 317	-	18 317
Purchase of own shares	-	(72 334)	-	-	-	(72 334)	-	(72 334)
Settlement of the purchase of own shares under share based incentive scheme	-	72 334	(72 592)	-	-	(258)	-	(258)
Other changes	-	-	236	2 600	1 207	4 043	-	4 043
As at the end of the period	**1 021 893**	**-**	**25 043 163**	**(517 146)**	**7 508 189**	**33 056 099**	**1 958 929**	**35 015 028**

As at the end of the period revaluation reserve in the amount of PLN (517,146) k comprises: change in revaluation of debt securities in the amount of PLN (807,646) k, revaluation of equity securities in the amount of PLN 202,276 k, revaluation of cash flow hedge activities in the amount of PLN 87,574 k and accumulated actuarial gains - provision for retirement allowances of PLN 650 k.

Consolidated statement of changes in equity 1.01.2023 - 31.03.2023	Equity attributable to owners of parent entity						Non-controlling interests	Total equity
	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total		
As at the beginning of the period as previously reported	**1 021 893**	**-**	**23 858 400**	**(1 131 335)**	**4 569 125**	**28 318 083**	**1 797 255**	**30 115 338**
*Reclassification of specific bonds portfolio as at the beginning of the period**	*-*	*-*	*-*	*(1 649 990)*	*-*	*(1 649 990)*	*-*	*(1 649 990)*
As at the beginning of the period as restated	**1 021 893**	**-**	**23 858 400**	**(2 781 325)**	**4 569 125**	**26 668 093**	**1 797 255**	**28 465 348**
Total comprehensive income	-	-	-	825 847	1 191 990	2 017 837	48 373	2 066 210
Consolidated profit for the period	*-*	*-*	*-*	*-*	*1 191 990*	*1 191 990*	*24 819*	*1 216 809*
Other comprehensive income	*-*	*-*	*-*	*825 847*	*-*	*825 847*	*23 554*	*849 401*
Inclusion of share based incentive scheme	-	-	126 835	-	-	126 835	-	126 835
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
Other changes	-	-	(651)	8 947	(13)	8 283	-	8 283
As at the end of the period	**1 021 893**	**-**	**23 936 335**	**(1 946 531)**	**5 761 102**	**28 772 799**	**1 845 628**	**30 618 427**

*details in note 2.5

As at the end of the period revaluation reserve in the amount of PLN (1,964,531) k comprises: change in revaluation of debt securities in the amount of PLN (1,964,584) k, revaluation of equity securities in the amount of PLN 143,299 k, revaluation of cash flow hedge activities in the amount of PLN (138,437) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,191 k.

In thousands of PLN

V. Consolidated statement of cash flows

for the period	1.01.2024-31.03.2024	1.01.2023-31.03.2023* restated
Cash flows from operating activities		
Profit before tax	**2 096 647**	**1 656 008**
Adjustments for:		
Share in net profits of entities accounted for by the equity method	(24 288)	(25 079)
Depreciation/amortisation	152 889	134 239
Net gains on investing activities	298	2 094
Interest accrued excluded from operating activities	(500 947)	(424 461)
Dividends	(10)	(163)
Impairment losses (reversal)	2 064	402
Changes in:		
Provisions	15 904	23 825
Financial assets / liabilities held for trading	(524 478)	(322 734)
Assets pledged as collateral	(1 392 893)	(171 161)
Hedging derivatives	177 262	(259 881)
Loans and advances to banks	(193 481)	1 046 627
Loans and advances to customers	(6 578 222)	(5 647 022)
Deposits from banks	202 093	86 242
Deposits from customers	1 893 455	1 809 070
Buy-sell/ Sell-buy-back transactions	2 444 005	(4 011 570)
Other assets and liabilities	(1 903 559)	(604 220)
Interest received on operating activities	3 811 497	3 778 341
Interest paid on operating activities	(786 264)	(1 230 665)
Paid income tax	(254 079)	(197 398)
Net cash flows from operating activities	**(1 362 107)**	**(4 357 506)**
Cash flows from investing activities		
Inflows	**4 802 291**	**4 368 316**
Sale/maturity of investment securities	4 542 843	4 121 337
Sale of intangible assets and property, plant and equipment	7 933	7 374
Dividends received	10	163
Interest received	251 505	239 442
Outflows	**(8 710 666)**	**(4 645 266)**
Purchase of investment securities	(8 607 623)	(4 583 684)
Purchase of intangible assets and property, plant and equipment	(103 043)	(61 582)
Net cash flows from investing activities	**(3 908 375)**	**(276 950)**
Cash flows from financing activities		
Inflows	**1 418 568**	**2 855 399**
Debt securities in issue	776 500	2 060 000
Drawing of loans	642 068	795 399
Outflows	**(1 372 065)**	**(3 841 352)**
Debt securities buy out	(300 000)	(2 481 050)
Repayment of loans and advances	(838 324)	(1 083 544)
Repayment of lease liabilities	(40 519)	(41 580)
Purchase of own shares	(72 334)	(48 884)
Interest paid	(120 888)	(186 294)
Net cash flows from financing activities	**46 503**	**(985 953)**
Total net cash flows	**(5 223 979)**	**(5 620 409)**
- including change resulting from FX differences	(124 534)	(114 309)
Cash and cash equivalents at the beginning of the accounting period	**34 575 193**	**34 493 039**
Cash and cash equivalents at the end of the accounting period	**29 351 214**	**28 872 630**

* details in note 2.5

In thousands of PLN

VI. Condensed income statement

for the period	1.01.2024-31.03.2024	1.01.2023-31.03.2023* restated
Interest income and similar to income	**3 936 184**	**3 681 466**
Interest income on financial assets measured at amortised cost	3 430 113	3 115 975
Interest income on financial assets measured at fair value through other comprehensive income	496 626	538 426
Income similar to interest on financial assets measured at fair value through profit or loss	9 445	27 065
Interest expense	**(1 005 683)**	**(979 575)**
Net interest income	**2 930 501**	**2 701 891**
Fee and commission income	736 256	672 183
Fee and commission expense	(96 212)	(73 192)
Net fee and commission income	**640 044**	**598 991**
Dividend income	1 805	155
Net trading income and revaluation	123	126 094
Gains (losses) from other financial securities	6 920	3 245
Gain/loss on derecognition of financial instruments measured at amortised cost	(7 770)	(183 976)
Other operating income	9 958	10 560
Impairment losses on loans and advances	(141 122)	(178 276)
Cost of legal risk associated with foreign currency mortgage loans	(213 989)	(348 248)
Operating expenses incl.:	(1 112 932)	(1 038 533)
-Staff, operating expenses and management costs	(970 818)	(915 575)
-Amortisation of property, plant and equipment and Intangible assets	(93 232)	(82 618)
-Amortisation of right of use asset	(32 816)	(30 427)
-Other operating expenses	(16 066)	(9 913)
Tax on financial institutions	(189 838)	(188 492)
Profit before tax	**1 923 700**	**1 503 411**
Corporate income tax	(451 054)	(400 212)
Profit for the period	**1 472 646**	**1 103 199**
Net earnings per share		
Basic earnings per share (PLN/share)	14,41	10,80
Diluted earnings per share (PLN/share)	14,41	10,80

* details in note 2.5

In thousands of PLN

VII. Condensed statement of comprehensive income

	1.01.2024-31.03.2024	1.01.2023-31.03.2023* restated
Net profit for the period	**1 472 646**	**1 103 199**
Items that will be reclassified subsequently to profit or loss:	**(217 583)**	**790 517**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	305 635	765 134
Deferred tax	(58 071)	(145 376)
Revaluation of cash flow hedging instruments gross	(574 256)	210 814
Deferred tax	109 109	(40 055)
Items that will not be reclassified subsequently to profit or loss:	**(12)**	**(3)**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	(15)	(4)
Deferred and current tax	3	1
Total other comprehensive income, net	**(217 595)**	**790 514**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 255 051**	**1 893 713**

* details in note 2.5

In thousands of PLN

VIII. Condensed statement of financial position

as at:	31.03.2024	31.12.2023
ASSETS		
Cash and balances with central banks	9 695 782	8 275 110
Loans and advances to banks	9 573 839	9 048 400
Financial assets held for trading	8 159 845	8 941 960
Hedging derivatives	1 072 289	1 559 374
Loans and advances to customers incl.:	143 877 732	140 903 101
- measured at amortised cost	140 481 869	138 093 756
- measured at fair value through other comprehensive income	3 385 280	2 798 234
- measured at fair value through profit and loss	10 583	11 111
Reverse sale and repurchase agreements	9 003 147	12 676 594
Investment securities incl.:	63 323 005	62 952 586
- debt securities measured at fair value through other comprehensive income	36 951 545	44 814 032
- debt investment securities measured at amortised cost	26 099 139	17 866 218
- equity securities measured at fair value through other comprehensive income	272 321	272 336
Assets pledged as collateral	2 615 825	271 933
Investments in subsidiaries and associates	2 377 407	2 377 407
Intangible assets	714 066	730 461
Goodwill	1 688 516	1 688 516
Property, plant and equipment	439 102	472 100
Right of use asset	462 992	449 610
Deferred tax assets	819 215	986 915
Fixed assets classified as held for sale	4 308	4 308
Other assets	1 859 890	1 062 826
Total assets	**255 686 960**	**252 401 201**
LIABILITIES AND EQUITY		
Deposits from banks	2 885 644	2 668 293
Hedging derivatives	691 519	829 565
Financial liabilities held for trading	7 453 632	8 834 034
Deposits from customers	196 580 275	195 365 937
Sale and repurchase agreements	2 611 488	273 547
Subordinated liabilities	2 584 787	2 585 476
Debt securities in issue	6 022 134	5 929 056
Lease liabilities	497 321	484 012
Current income tax liabilities	1 160 006	1 127 618
Provisions for financial liabilities and guarantees granted	127 869	151 294
Other provisions	771 492	741 677
Other liabilities	3 614 284	3 925 195
Total liabilities	225 000 451	222 915 704
Equity		
Share capital	1 021 893	1 021 893
Other reserve capital	23 315 509	23 369 548
Revaluation reserve	(492 761)	(275 166)
Retained earnings	5 369 222	696 244
Profit for the period	1 472 646	4 672 978
Total equity	30 686 509	29 485 497
Total liabilities and equity	**255 686 960**	**252 401 201**

In thousands of PLN

IX. Condensed statement of changes in equity

Statement of changes in equity 1.01.2024 - 31.03.2024	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**	**-**	**23 369 548**	**(275 166)**	**5 369 222**	**29 485 497**
Total comprehensive income	-	-	-	(217 595)	1 472 646	1 255 051
Profit for the period	-	-	-	-	*1 472 646*	*1 472 646*
Other comprehensive income	-	-	-	*(217 595)*	-	*(217 595)*
Inclusion of share based incentive scheme	-	-	18 317	-	-	18 317
Purchase of own shares	-	(72 334)	-	-	-	(72 334)
Settlement of the purchase of own shares under share based incentive scheme	-	72 334	(72 592)	-	-	(258)
Other changes	-	-	236	-	-	236
As at the end of the period	**1 021 893**	**-**	**23 315 509**	**(492 761)**	**6 841 868**	**30 686 509**

As at the end of the period revaluation reserve in the amount of PLN (492,761) k comprises: change in revaluation of debt securities in the amount of PLN (784,104) k, revaluation of equity securities in the amount of PLN 199,849 k, revaluation of cash flow hedge activities in the amount of PLN 92,117 k and accumulated actuarial gains - provision for retirement allowances of PLN (623) k.

Statement of changes in equity 1.01.2023 - 31.03.2023	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period as previously reported	**1 021 893**	**-**	**22 305 509**	**(1 018 315)**	**3 986 173**	**26 295 260**
*Reclassification of specific bonds portfolio as at the beginning of the period**	-	-	-	*(1 649 990)*	-	*(1 649 990)*
As at the beginning of the period as restated	**1 021 893**	**-**	**22 305 509**	**(2 668 305)**	**3 986 173**	**24 645 270**
Total comprehensive income	-	-	-	790 514	1 103 199	1 893 713
Profit for the period	-	-	-	-	*1 103 199*	*1 103 199*
Other comprehensive income	-	-	-	*790 514*	-	*790 514*
Inclusion of share based incentive scheme	-	-	126 835	-	-	126 835
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
Other changes	-	-	(651)	-	-	(651)
As at the end of the period	**1 021 893**	**-**	**22 383 444**	**(1 877 791)**	**5 089 372**	**26 616 918**

* details in note 2.5

As at the end of the period revaluation reserve in the amount of PLN (1,877,791) k comprises: change in revaluation of debt securities in the amount of PLN (1,896,075) k, revaluation of equity securities in the amount of PLN 141,403 k, revaluation of cash flow hedge activities in the amount of PLN (134,874) k and accumulated actuarial gains - provision for retirement allowances of PLN 11,755 k.

In thousands of PLN

X. Condensed statement of cash flows

for the period	1.01.2024-31.03.2024	1.01.2023-31.03.2023* restated
Cash flows from operating activities		
Profit before tax	**1 923 700**	**1 503 411**
Adjustments for:		
Depreciation/amortisation	126 048	113 045
Net gains on investing activities	(3 022)	6 082
Interest accrued excluded from operating activities	(528 060)	(476 679)
Dividends	(1 787)	(153)
Impairment losses (reversal)	1 935	392
Changes in:		
Provisions	6 390	7 802
Financial assets / liabilities held for trading	(543 390)	(327 413)
Assets pledged as collateral	(1 373 156)	(332 008)
Hedging derivatives	213 498	(223 158)
Loans and advances to banks	(186 999)	1 052 417
Loans and advances to customers	(5 773 018)	(4 933 985)
Deposits from banks	250 922	6 894
Deposits from customers	1 792 163	706 449
Buy-sell/ Sell-buy-back transactions	2 444 005	(3 845 594)
Other assets and liabilities	(1 709 374)	(573 675)
Interest received on operating activities	3 156 760	3 195 107
Interests paid on operating activities	(621 099)	(1 037 737)
Paid income tax	(199 925)	(165 960)
Net cash flows from operating activities	**(1 024 409)**	**(5 324 763)**
Cash flows from investing activities		
Inflows	**4 611 666**	**4 257 607**
Sale/maturity of investment securities	4 342 348	4 020 450
Sale of intangible assets and property, plant and equipment	282	1 765
Dividends received	1 787	153
Interest received	267 249	235 239
Outflows	**(8 303 538)**	**(4 037 135)**
Purchase of investment securities	(8 257 124)	(3 999 956)
Purchase of intangible assets and property, plant and equipment	(46 414)	(37 179)
Net cash flows from investing activities	**(3 691 872)**	**220 472**
Cash flows from financing activities		
Inflows	**40 279**	**1 900 000**
Debt securities in issue	-	1 900 000
Drawing of loans	40 279	-
Outflows	**(146 996)**	**(2 500 729)**
Debt securities buy out	-	(2 340 050)
Repayment of lease liabilities	(36 870)	(37 411)
Purchase of own shares	(72 334)	(48 884)
Interest paid	(37 792)	(74 384)
Net cash flows from financing activities	**(106 717)**	**(600 729)**
Total net cash flows	**(4 822 998)**	**(5 705 020)**
- including change resulting from FX differences	(124 424)	(114 448)
Cash and cash equivalents at the beginning of the accounting period	**33 698 888**	**34 490 824**
Cash and cash equivalents at the end of the accounting period	**28 875 890**	**28 785 804**

* details in note 2.5

XI. Additional notes to consolidated financial statements

1. General information about issuer

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

Consolidated financial statement of Santander Bank Polska Group includes the 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 to individual and business customers and operates in domestic and interbank foreign markets. It also offers the following services:

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

In thousands of PLN

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

	Subsidiaries	Registered office	[%] of votes on AGM at 31.03.2024	[%] of votes on AGM at 31.12.2023
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.	Stellantis Financial Services Polska Sp. z o.o. 2)	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 .
9.	Stellantis Consumer Financial Services Polska Sp. z o.o. 2)	Warszawa	100% of AGM votes are held by Financial Services Polska Sp. z o.o .	100% of AGM votes are held by Financial Services Polska Sp. z o.o .
10.	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.
11.	SCM POLAND AUTO 2019-1 DAC	Dublin	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
12.	Santander Consumer Financial Solutions Sp. z o.o.	Wrocław	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
13.	S.C. Poland Consumer 23-1 DAC. 3)	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. 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.

3. 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.

In thousands of PLN

Associates:

	Associates	Registered office	[%] of votes on AGM at 31.03.2024	[%] of votes on AGM at 31.12.2023
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 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 2023, 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 2023.

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.

The accounting principles have been applied uniformly by all the entities forming Santander Bank Polska S.A. Group.

The same accounting principles were applied as in the case of the consolidated financial statements for the period ending 31 December 2023, except for changes in accounting standards p. 2.4.

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 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.

In thousands of PLN

2.4 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2024

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 doesn`t 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 doesn`t 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 doesn`t 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.

2.5 Comparability of previous periods

Change in the classification of the specific bond portfolio

In Q1 2022, the Bank's Management Board reviewed the assets and liabilities management policy and changed the classification of the specific bond portfolio.

On 1 April 2022, debt securities measured at fair value through other comprehensive income of PLN 10,521.72m were reclassified and the related fair value adjustment was reversed. Additionally, the related deferred tax asset of PLN 353.11m was derecognised. Debt investment securities measured at amortised cost of PLN 12,380.19m were recognised. The changes resulted in an increase of PLN 1,505.36m in net other comprehensive income.

Detailed information about the reclassification was presented in the condensed consolidated financial statements for H1 2022 and the consolidated financial statements for 2022.

In Q4 2023, the Bank received a letter from the Polish Financial Supervision Authority (KNF) recommending that:

1. when preparing subsequent consolidated and separate financial statements and condensed consolidated and separate financial statements, the Bank should:
   - classify the bond portfolio as financial assets measured at fair value through other comprehensive income,
   - reverse the effects of the reclassification made in 2022; and
2. when preparing the consolidated and separate financial statements for 2024, the Bank should correct the comparative amounts for 2023 to account for the recommendation referred to in point I in accordance with paragraph 42(a) of IAS 8.

The Bank's Management Board thoroughly analysed the regulatory recommendation and decided to implement it when preparing the consolidated financial statements for 2023. Accordingly, the Bank made a retrospective correction in these consolidated financial statements and classified again the portfolio of selected bonds as financial assets measured at fair value through other comprehensive income. The impact of the above correction on the published consolidated financial statements as at 31 March 2023 is presented below.

In thousands of PLN

Items in the consolidated income statement

for the period:	1.01.2023 r. -31.03.2023 r.		
	before	adjustment	after
Interest income and similar to interest	**4 338 449**	**-**	**4 338 449**
Interest income on financial assets measured at amortised cost	3 544 571	(50 708)	3 493 863
Interest income on financial assets measured at fair value through other comprehensive income	544 093	50 708	594 801
Income similar to interest on financial assets measured at fair value through profit or loss	32 546	-	32 546
Income similar to interest on finance leases	217 239	-	217 239

Items in the separate income statement

for the period:	1.01.2023 r. -31.03.2023 r.		
	before	adjustment	after
Interest income and similar to interest	**3 688 034**	**-**	**3 681 466**
Interest income on financial assets measured at amortised cost	3 173 251	(50 708)	3 115 975
Interest income on financial assets measured at fair value through other comprehensive income	487 718	50 708	538 426
Income similar to interest on financial assets measured at fair value through profit or loss	27 065	-	27 065

Items in the consolidated statement of comprehensive income

	for the period: 1.01.2023-31.03.2023		
	before	adjustment	after
Consolidated net profit for the period	**1 216 809**		**1 216 809**
Items that will be reclassified subsequently to profit or loss:	**529 994**	**319 410**	**849 404**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	434 816	394 334	829 150
Deferred tax	(82 615)	(74 924)	(157 539)
Revaluation of cash flow hedging instruments gross	219 497	-	219 497
Deferred tax	(41 704)	-	(41 704)
Items that will not be reclassified subsequently to profit or loss	**(3)**	**-**	**(3)**
Total other comprehensive income, net	**529 991**	**319 410**	**849 401**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 746 800**	**319 410**	**2 066 210**
Total comprehensive income attributable to:			
- owners of the parent entity	1 698 427	319 410	2 017 837
- non-controlling interests	48 373	-	48 373

Items in the separate statement of comprehensive income

	for the period: 1.01.2023-31.03.2023		
	before	adjustment	after
Net profit for the period	**1 103 199**		**1 103 199**
Items that will be reclassified subsequently to profit or loss:	**471 107**	**319 410**	**790 517**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	370 800	394 334	765 134
Deferred tax	(70 452)	(74 924)	(145 376)
Revaluation of cash flow hedging instruments gross	210 814	-	210 814
Deferred tax	(40 055)	-	(40 055)
Items that will not be reclassified subsequently to profit or loss	**(3)**	**-**	**(3)**
Total other comprehensive income, net	**471 104**	**319 410**	**790 514**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 574 303**	**319 410**	**1 893 713**

In thousands of PLN

Items in the consolidated statement of changes in equity

	for the period: 1.01.2023-31.03.2023				
	Revaluation reserve before	Total equity before	adjustment	Revaluation reserve after	Total equity after
As at the beginning of the period	**(1 131 335)**	**30 115 338**	**(1 649 990)**	**(2 781 325)**	**28 465 348**
Total comprehensive income	529 991	1 746 800	319 410	849 401	2 066 210
Other comprehensive income	*529 991*	*529 991*	*319 410*	*849 401*	*849 401*
As at the end of the period	**(615 951)**	**31 949 007**	**(1 330 580)***	**(1 946 531)**	**30 618 427**

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN (1,642,691)k and deferred tax in the mount of PLN 312,111k.

Items in the separate statement of changes in equity

	for the period: 1.01.2023-31.03.2023				
	Revaluation reserve before	Total equity before	adjustment	Revaluation reserve after	Total equity after
As at the beginning of the period	**(1 018 315)**	**26 295 260**	**(1 649 990)**	**(2 668 305)**	**24 645 270**
Total comprehensive income	471 104	1 574 303	319 410	790 514	1 893 713
Other comprehensive income	*471 104*	*471 104*	*319 410*	*790 514*	*790 514*
As at the end of the period	**(547 211)**	**27 947 498**	**(1 330 580)***	**(1 877 791)**	**26 616 918**

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN (1,642,691)k and deferred tax in the mount of PLN 312,111k.

2.6 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
- Fair value of financial instruments
- Estimates for legal claims
- Estimates of risk arising from mortgage loans in foreign currencies

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 are 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 are 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 are 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 orginated 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:
    - in 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 forborne and a significant increase in credit risk (Stage 2), and in justified cases (previously identified impairment, a delay in repayment over 30 days, subsequent forbearance, no possibility to service the debt according to the current schedule) 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 ECL adjustments

In the first quarter of 2024, in addition to ECL write-offs resulting from the complex calculation model implemented in the system, Santander Bank Polska S.A. Group reviewed management adjustments updating the risk level with current and expected future events, as a result of which:

- the management adjustment has been released 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 adjustment has been updated to the amount of PLN 31,130 k on the corporate portfolio to cover the underestimation of the LGD parameter (PLN 27,520 k on 31.12.2023).

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 notes 25, 28 and 29.

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

Estimates of 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 28.

In mid-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.
As explained in the accounting policies, 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 first quarter of 2024, the Group recognized PLN 296,073 k as cost of legal risk related to mortgage loans in foreign currencies and PLN 9,068 k as a cost of signed 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, scenario description and sensitivity analysis are contained in notes 28 and 29, respectively.

2.7 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.

The accounting principles have been applied uniformly by all the entities forming Santander Bank Polska S.A. Group.

3. Operating segments reporting

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

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

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

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

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

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

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

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

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

In 2024 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.

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 28.

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).

In thousands of PLN

Consolidated income statement by business segments

1.01.2024-31.03.2024	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**1 975 388**	**575 378**	**196 432**	**269 094**	**371 046**	**3 387 338**
incl. internal transactions	(535)	(1 834)	6 964	21 404	(25 999)	-
Fee and commission income	520 840	161 249	135 320	-	53 930	871 339
Fee and commission expense	(97 393)	(14 584)	(9 986)	-	(20 821)	(142 784)
Net fee and commission income	**423 447**	**146 665**	**125 334**	**-**	**33 109**	**728 555**
incl. internal transactions	94 699	47 705	(141 651)	-	(753)	-
Net other income	**(14 727)**	**18 796**	**76 045**	**(58 626)**	**14 299**	**35 787**
incl. internal transactions	5 524	16 760	(21 770)	70	(584)	-
Dividend income	**-**	**-**	**18**	**-**	**10**	**28**
Operating costs	**(700 720)**	**(190 237)**	**(137 188)**	**(9 932)**	**(162 010)**	**(1 200 087)**
incl. internal transactions	-	-	-	815	(815)	-
Depreciation/amortisation	**(105 272)**	**(18 453)**	**(9 869)**	**10**	**(19 305)**	**(152 889)**
Impairment losses on loans and advances	**(114 405)**	**(25 400)**	**(15 554)**	**(618)**	**(75 892)**	**(231 869)**
Cost of legal risk associated with foreign currency mortgage loans	**(213 989)**	**-**	**-**	**-**	**(82 084)**	**(296 073)**
Share in net profits (loss) of entities accounted for by the equity method	**24 796**	**-**	**-**	**(508)**	**-**	**24 288**
Tax on financial institutions	**(110 800)**	**(44 703)**	**(34 335)**	**34**	**(8 627)**	**(198 431)**
Profit before tax	**1 163 718**	**462 046**	**200 883**	**199 454**	**70 546**	**2 096 647**
Corporate income tax						(499 073)
Consolidated profit for the period						**1 597 574**
of which:						
attributable to owners of the parent entity						1 564 744
attributable to non-controlling interests						32 830

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

1.01.2024-31.03.2024	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	**520 840**	**161 249**	**135 320**	**-**	**53 930**	**871 339**
Electronic and payment services	46 330	17 206	7 384	-	-	70 920
Current accounts and money transfer	66 415	26 307	4 494	-	360	97 576
Asset management fees	69 393	138	-	-	-	69 531
Foreign exchange commissions	94 663	48 200	63 255	-	-	206 118
Credit commissions incl. factoring commissions and other	32 533	38 265	25 242	-	18 209	114 249
Insurance commissions	54 466	3 312	359	-	19 308	77 445
Commissions from brokerage activities	28 650	25	13 643	-	-	42 318
Credit cards	21 644	-	-	-	10 717	32 361
Card fees (debit cards)	99 197	4 563	526	-	-	104 286
Off-balance sheet guarantee commissions	712	22 618	11 003	-	-	34 333
Finance lease commissions	2 349	480	51	-	5 336	8 216
Issue arrangement fees	-	135	9 363	-	-	9 498
Distribution fees	4 488	-	-	-	-	4 488

In thousands of PLN

Consolidated statement of financial position by business segments

31.03.2024	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	87 773 286	39 006 762	18 914 300	-	16 958 795	162 653 143
Investments in associates	947 302	-	-	47 712	-	995 014
Other assets	9 634 481	2 198 014	11 789 842	86 338 581	6 415 815	116 376 733
Total assets	**98 355 069**	**41 204 776**	**30 704 142**	**86 386 293**	**23 374 610**	**280 024 890**
Deposits from customers	137 172 106	41 760 140	15 203 740	2 462 133	13 710 034	210 308 153
Other liabilities	1 952 738	651 265	7 380 180	19 496 255	5 221 271	34 701 709
Equity	7 010 411	4 392 943	2 901 835	16 266 534	4 443 305	35 015 028
Total equity and liabilities	**146 135 255**	**46 804 348**	**25 485 755**	**38 224 922**	**23 374 610**	**280 024 890**

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

Consolidated income statement by business segments

1.01.2023-31.03.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**1 823 648**	**565 347**	**205 744**	**187 641**	**309 911**	3 092 291
incl. internal transactions	(689)	(913)	1 582	27 680	(27 660)	-
Fee and commission income	451 757	152 449	129 703	-	46 707	780 616
Fee and commission expense	(77 189)	(9 652)	(7 837)	-	(23 543)	(118 221)
Net fee and commission income	**374 568**	**142 797**	**121 866**	**-**	**23 164**	662 395
incl. internal transactions	76 311	46 201	(122 398)	-	(114)	-
Net other income	**(170 834)**	**24 061**	**69 732**	**41 022**	**11 640**	(24 379)
incl. internal transactions	2 919	16 878	(19 317)	(482)	2	-
Dividend income	**153**	**-**	**2**	**-**	**10**	165
Operating costs	**(672 211)**	**(163 481)**	**(127 128)**	**(9 519)**	**(144 216)**	(1 116 555)
incl. internal transactions	-	-	-	618	(618)	-
Depreciation/amortisation	**(94 612)**	**(15 070)**	**(8 529)**	**-**	**(16 028)**	(134 239)
Impairment losses on loans and advances	**(162 018)**	**(16 597)**	**(10 504)**	**(46)**	**(43 466)**	(232 631)
Cost of legal risk associated with foreign currency mortgage loans	**(348 249)**	**-**	**-**	**-**	**(72 353)**	(420 602)
Share in net profits (loss) of entities accounted for by the equity method	**25 176**	**-**	**-**	**(97)**	**-**	25 079
Tax on financial institutions	**(111 671)**	**(49 892)**	**(26 928)**	**-**	**(7 025)**	(195 516)
Profit before tax	**663 950**	**487 165**	**224 255**	**219 001**	**61 637**	1 656 008
Corporate income tax						(439 199)
Consolidated profit for the period						1 216 809
of which:						
attributable to owners of the parent entity						1 191 990
attributable to non-controlling interests						24 819

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

In thousands of PLN

1.01.2023-31.03.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	**451 757**	**152 449**	**129 703**	**-**	**46 707**	**780 616**
Electronic and payment services	44 295	18 068	6 080	-	-	68 443
Current accounts and money transfer	64 137	25 097	3 938	-	391	93 563
Asset management fees	45 390	88	-	-	-	45 478
Foreign exchange commissions	75 434	46 470	59 622	-	-	181 526
Credit commissions incl. factoring commissions and other	33 386	34 676	34 194	-	16 273	118 529
Insurance commissions	43 584	2 713	400	-	13 681	60 378
Commissions from brokerage activities	25 862	4	10 376	-	-	36 242
Credit cards	22 271	-	-	-	12 367	34 638
Card fees (debit cards)	89 602	4 386	448	-	-	94 436
Off-balance sheet guarantee commissions	1 297	19 929	6 976	-	57	28 259
Finance lease commissions	2 662	564	83	-	3 938	7 247
Issue arrangement fees	-	454	7 586	-	-	8 040
Distribution fees	3 837	-	-	-	-	3 837

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

Consolidated statement of financial position by business segments

31.12.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	84 893 427	38 330 970	19 132 818	-	17 162 792	159 520 007
Investments in associates	919 294	-	-	48 220	-	967 514
Other assets	8 641 898	1 831 172	11 036 611	88 140 779	6 513 904	116 164 364
Total assets	**94 454 619**	**40 162 142**	**30 169 429**	**88 188 999**	**23 676 696**	**276 651 885**
Deposits from customers	134 149 686	43 948 874	14 368 922	3 121 993	13 687 881	209 277 356
Other liabilities	1 817 793	877 596	7 300 332	18 105 609	5 582 181	33 683 511
Equity	7 142 735	4 630 300	3 022 436	14 488 913	4 406 634	33 691 018
Total equity and liabilities	**143 110 214**	**49 456 770**	**24 691 690**	**35 716 515**	**23 676 696**	**276 651 885**

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

In thousands of PLN

4. Net interest income

Interest income and income similar to interest	1.01.2024-31.03.2024	1.01.2023-31.03.2023* restated
Interest income on financial assets measured at amortised cost	**3 853 333**	**3 493 863**
Loans and advances to enterprises	1 175 950	1 147 613
Loans and advances to individuals, of which:	1 994 468	1 958 800
Home mortgage loans	*986 717*	*991 928*
Loans and advances to banks	212 020	185 449
Loans and advances to public sector	24 629	21 931
Reverse repo transactions	144 977	125 645
Debt securities	308 808	51 116
Interest recorded on hedging IRS	(7 519)	3 309
Interest income on financial assets measured at fair value through other comprehensive income	**529 214**	**594 801**
Loans and advances to enterprises	56 430	59 605
Loans and advances to public sector	4 142	6 482
Debt securities	468 642	528 714
Income similar to interest - financial assets measured at fair value through profit or loss	**13 488**	**32 546**
Loans and advances to enterprises	-	1 078
Loans and advances to individuals	4 551	9 360
Debt securities	8 937	22 108
Income similar to interest on finance leases	**250 001**	**217 239**
Total income	**4 646 036**	**4 338 449**

Interest expenses	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Interest expenses on financial liabilities measured at amortised cost	**(1 258 698)**	**(1 246 158)**
Liabilities to individuals	(493 928)	(461 537)
Liabilities to enterprises	(338 752)	(439 623)
Repo transactions	(64 589)	(83 101)
Liabilities to public sector	(93 764)	(87 090)
Liabilities to banks	(52 006)	(45 139)
Lease liability	(5 487)	(4 411)
Subordinated liabilities and issue of securities	(210 172)	(125 257)
Total costs	**(1 258 698)**	**(1 246 158)**
Net interest income	**3 387 338**	**3 092 291**

* details in note 2.5

In thousands of PLN

5. Net fee and commission income

Fee and commission income	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Electronic and payment services	70 920	68 443
Current accounts and money transfer	97 576	93 563
Asset management fees	69 531	45 478
Foreign exchange commissions	206 118	181 526
Credit commissions incl. factoring commissions and other	114 249	118 529
Insurance commissions	77 445	60 378
Commissions from brokerage activities	42 318	36 242
Credit cards	32 361	34 638
Card fees (debit cards)	104 286	94 436
Off-balance sheet guarantee commissions	34 333	28 259
Finance lease commissions	8 216	7 247
Issue arrangement fees	9 498	8 040
Distribution fees	4 488	3 837
Total	**871 339**	**780 616**

Fee and commission expenses	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Electronic and payment services	(17 121)	(17 759)
Distribution fees	(2 595)	(2 022)
Commissions from brokerage activities	(4 467)	(3 729)
Credit cards	(4 851)	(3 004)
Card fees (debit cards)	(27 907)	(7 476)
Credit commissions paid	(15 233)	(17 238)
Insurance commissions	(2 899)	(3 614)
Finance lease commissions	(11 955)	(11 522)
Asset management fees and other costs	(1 163)	(1 281)
Off-balance sheet guarantee commissions	(18 855)	(20 270)
Other	(35 738)	(30 306)
Total	**(142 784)**	**(118 221)**
Net fee and commission income	**728 555**	**662 395**

6. Net trading income and revaluation

Net trading income and revaluation	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Derivative instruments	149 944	128 607
Interbank FX transactions and other FX related income	(183 215)	(13 777)
Net gains on sale of equity securities measured at fair value through profit or loss	2 322	9 537
Net gains on sale of debt securities measured at fair value through profit or loss	30 753	(394)
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	(15)	2 980
Total	**(211)**	**126 953**

The above amounts included CVA and DVA adjustments in the amount of PLN 2,971k for 1Q 2024 and PLN 446k for 1Q 2023.

In thousands of PLN

7. Gains (losses) from other financial securities

Gains (losses) from other financial securities	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Net gains on sale of debt securities measured at fair value through other comprehensive income	3 694	(4 253)
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	677	12 095
Total profit (losses) on financial instruments	**4 371**	**10 729**
Change in fair value of hedging instruments	36 606	(152 915)
Change in fair value of underlying hedged positions	(35 068)	147 363
Total profit (losses) on hedging and hedged instruments	**1 538**	**(5 552)**
Total	**5 909**	**5 177**

8. Other operating income

Other operating income	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Income from services rendered	6 590	3 744
Release of provision for legal cases and other assets	6 011	3 916
Recovery of other receivables (expired, cancelled and uncollectable)	9	19
Received compensations, penalties and fines	467	748
Gains on lease modifications	98	914
Settlements of leasing agreements /Income from claims received from the insurer	3 624	3 008
Other	21 257	15 118
Total	**38 056**	**27 467**

9. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Charge for loans and advances to banks	**164**	**32**
Stage 1	164	32
Stage 2	-	-
Stage 3	-	-
POCI	-	-
Charge for loans and advances to customers	**(285 841)**	**(265 785)**
Stage 1	(21 930)	(33 856)
Stage 2	(135 377)	(148 125)
Stage 3	(140 578)	(101 561)
POCI	12 044	17 757
Recoveries of loans previously written off	**29 664**	**34 631**
Stage 1	-	-
Stage 2	-	-
Stage 3	29 664	34 631
POCI	-	-
Off-balance sheet credit related facilities	**24 144**	**(1 509)**
Stage 1	(1 313)	(3 203)
Stage 2	10 796	62
Stage 3	14 661	1 632
POCI	-	-
Total	**(231 869)**	**(232 631)**

In thousands of PLN

10. Employee costs

Employee costs	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Salaries and bonuses	(462 297)	(444 878)
Salary related costs	(86 779)	(74 905)
Cost of contributions to Employee Capital Plans	(4 079)	(3 064)
Staff benefits costs	(13 704)	(10 200)
Professional trainings	(2 520)	(2 310)
Retirement fund, holiday provisions and other employee costs	(11)	(8)
Restructuring provision	(250)	-
Total	**(569 640)**	**(535 365)**

11. General and administrative expenses

General and administrative expenses	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Maintenance of premises	(33 835)	(33 096)
Short-term lease costs	(2 623)	(2 203)
Low-value assets lease costs	(321)	(306)
Costs of variable lease payments not included in the measurement of the lease liability	(247)	(430)
Non-tax deductible VAT	(10 816)	(9 906)
Marketing and representation	(41 640)	(37 059)
IT systems costs	(135 335)	(130 171)
Cost of BFG, KNF and KDPW	(217 663)	(198 443)
Postal and telecommunication costs	(14 063)	(14 580)
Consulting and advisory fees	(15 758)	(16 041)
Cars, transport expenses, carriage of cash	(12 745)	(16 679)
Other external services	(64 721)	(52 479)
Stationery, cards, cheques etc.	(4 429)	(5 457)
Sundry taxes and charges	(11 251)	(10 888)
Data transmission	(6 840)	(5 263)
KIR, SWIFT settlements	(10 902)	(9 613)
Security costs	(5 095)	(4 659)
Costs of repairs	(1 946)	(877)
Other	(8 385)	(6 136)
Total	**(598 615)**	**(554 286)**

12. Other operating expenses

Other operating expenses	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Charge of provisions for legal cases and other assets	(12 960)	(9 110)
Impairment loss on property, plant, equipment, intangible assets covered by lease agreements and other fixed assets	(2 064)	(1 085)
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	(3 992)	-
Costs of purchased services	(388)	(763)
Other membership fees	(430)	(291)
Paid compensations, penalties and fines	(175)	(160)
Donations paid	(197)	(14)
Other	(11 626)	(15 481)
Total	**(31 832)**	**(26 904)**

In thousands of PLN

13. Corporate income tax

Corporate income tax	1.01.2024-31.03.2024	1.01.2023 31.03.2023
Current tax charge in the income statement	(282 650)	(326 499)
Deferred tax charge in the income statement	(238 688)	(116 411)
Adjustments from previous years for current and deferred tax	22 265	3 711
Total tax on gross profit	**(499 073)**	**(439 199)**

Corporate total tax charge information	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Profit before tax	2 096 647	1 656 008
Tax rate	19%	19%
Tax calculated at the tax rate	(398 363)	(314 642)
Non-tax-deductible expenses	(7 903)	(5 337)
Cost of legal risk associated with foreign currency mortgage loans	(28 992)	(53 027)
The fee to the Bank Guarantee Fund	(39 074)	(35 601)
Tax on financial institutions	(37 666)	(37 144)
Non-taxable income	4 926	6 743
Non-tax deductible bad debt provisions	(14 463)	(1 574)
Adjustment of prior years tax	22 265	3 711
Other	197	(2 328)
Total tax on gross profit	**(499 073)**	**(439 199)**

Deferred tax recognised in other comprehensive income	31.03.2024	31.12.2023
Relating to valuation of debt investments measured at fair value through other comprehensive income	191 898	250 814
Relating to valuation of equity investments measured at fair value through other comprehensive income	(47 306)	(47 309)
Relating to cash flow hedging activity	(19 654)	(130 954)
Relating to valuation of defined benefit plans	(356)	(356)
Total	**124 582**	**72 195**

14. Cash and balances with central banks

Cash and balances with central banks	31.03.2024	31.12.2023
Cash	2 044 836	2 609 876
Current accounts in central banks	7 717 069	5 612 059
Term deposits	197 335	195 584
Total	**9 959 240**	**8 417 519**

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 31.03.2024 and 31.12.2023.

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

In thousands of PLN

15. Loans and advances to banks

Loans and advances to banks	31.03.2024	31.12.2023
Loans and advances	7 329 800	6 298 372
Current accounts	2 174 874	3 235 871
Gross receivables	**9 504 674**	**9 534 243**
Allowance for impairment	(238)	(403)
Total	**9 504 436**	**9 533 840**

16. Financial assets and liabilities held for trading

	31.03.2024		31.12.2023	
Financial assets and liabilities held for trading	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading derivatives	**6 458 222**	**6 682 254**	**7 391 237**	**7 994 372**
Interest rate operations	4 251 640	4 190 972	4 041 517	4 310 003
Transactions on equity instruments	-	-	-	-
FX operations	2 206 582	2 491 282	3 349 720	3 684 369
Debt and equity securities	**1 669 417**	**-**	**1 548 123**	**-**
Debt securities	**1 620 936**	**-**	**1 519 191**	**-**
Government securities:	1 608 001	-	1 508 969	-
- bonds	1 608 001	-	1 508 969	-
Other securities:	12 935	-	10 222	-
- bonds	12 935	-	10 222	-
Equity securities	**48 481**	**-**	**28 932**	**-**
Short sale	**-**	**745 144**	**-**	**824 121**
Total	**8 127 639**	**7 427 398**	**8 939 360**	**8 818 493**

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN 1,500 k as at 31.03.2024 and PLN (1,923) k as at 31.12.2023.

17. Loans and advances to customers

	31.03.2024				
Loans and advances to customers	**measured at amortised cost**	**measured at fair value through other comprehensive income**	**measured at fair value through profit or loss**	**from finance leases**	**Total**
Loans and advances to enterprises	64 671 891	3 247 946	-	-	67 919 837
Loans and advances to individuals, of which:	85 193 235	-	80 037	-	85 273 272
*Home mortgage loans**	*54 790 310*	-	-	-	*54 790 310*
Finance lease receivables	-	-	-	13 916 999	13 916 999
Loans and advances to public sector	1 001 232	253 875	-	-	1 255 107
Other receivables	79 118	-	-	-	79 118
Gross receivables	**150 945 476**	**3 501 821**	**80 037**	**13 916 999**	**168 444 333**
Allowance for impairment	(5 385 965)	(116 541)	-	(288 684)	(5 791 190)
Total	**145 559 511**	**3 385 280**	**80 037**	**13 628 315**	**162 653 143**

* Includes changes in gross book value described in note 28 Legal risk connected with CHF mortgage loans and impact of the payment deferrals

In thousands of PLN

Loans and advances to customers	31.12.2023 measured at amortised cost	measured at fair value through other comprehensive income	measured at fair value through profit or loss	from finance leases	Total
Loans and advances to enterprises	64 802 496	2 640 475	5	-	67 442 976
Loans and advances to individuals, of which:	82 967 378	-	85 088	-	83 052 466
*Home mortgage loans**	*53 014 143*	-	-	-	*53 014 143*
Finance lease receivables	-	-	-	13 418 738	13 418 738
Loans and advances to public sector	973 434	249 734	-	-	1 223 168
Other receivables	74 521	-	-	-	74 521
Gross receivables	**148 817 829**	**2 890 209**	**85 093**	**13 418 738**	**165 211 869**
Allowance for impairment	(5 329 825)	(91 975)	-	(270 062)	(5 691 862)
Total	**143 488 004**	**2 798 234**	**85 093**	**13 148 676**	**159 520 007**

* Includes changes in gross book value described in note 28 Legal risk connected with CHF mortgage loans and impact of the payment deferrals

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*
31.03.2024			
Mortgage loans in CHF i PLN, which used to be denominated in or indexed to CHF - adjustment to gross carrying amount	6 028 169	3 975 623	2 052 546
Provision in respect of legal risk connected with mortgage loans in CHF i PLN, which used to be denominated in or indexed to CHF		840 941	
Total		**4 816 564**	
31.12.2023			
Mortgage loans in CHF i PLN, which used to be denominated in or indexed to CHF - adjustment to gross carrying amount	6 618 026	4 226 970	2 391 056
Provision in respect of legal risk connected with mortgage loans in CHF i PLN, which used to be denominated in or indexed to CHF		803 385	
Total		**5 030 355**	

* Includes changes in gross book value described in note 28 Legal risk connected with CHF mortgage loans

In thousands of PLN

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Balance at the beginning of the period	**(5 329 825)**	**(5 630 633)**
Charge/write back of current period	**(262 322)**	**(272 234)**
Stage 1	(20 605)	(33 029)
Stage 2	(109 505)	(138 872)
Stage 3	(125 823)	(96 874)
POCI	(6 389)	(3 459)
Write off/Sale of receivables	**164 282**	**266 425**
Stage 1	-	-
Stage 2	-	-
Stage 3	163 534	265 481
POCI	748	943
Transfer	**34 587**	**22 738**
Stage 1	12 195	27 275
Stage 2	108 658	121 906
Stage 3	(87 619)	(128 446)
POCI	1 353	2 003
FX differences	**7 313**	**2 805**
Stage 1	920	400
Stage 2	1 730	382
Stage 3	4 404	1 899
POCI	259	124
Balance at the end of the period	**(5 385 965)**	**(5 610 899)**

18. Investment securities

Investment securities	31.03.2024	31.12.2023
Debt investment securities measured at fair value through other comprehensive income	**39 815 091**	**47 598 570**
Government securities:	24 977 003	27 436 096
- bonds	24 977 003	27 436 096
Central Bank securities:	2 956 311	6 246 368
- bills	2 956 311	6 246 368
Other securities:	11 881 777	13 916 106
-bonds	11 881 777	13 916 106
Debt investment securities measured at fair value through profit and loss	**2 179**	**2 005**
Debt investment securities measured at amortised cost	**28 059 918**	**19 639 468**
Government securities:	25 404 753	18 675 450
- bonds	25 404 753	18 675 450
Other securities:	2 655 165	964 018
- bonds	2 655 165	964 018
Equity investment securities measured at fair value through other comprehensive income	**277 106**	**277 121**
- unlisted	277 106	277 121
Equity investment securities measured at fair value through profit and loss	**6 345**	**5 839**
- unlisted	6 345	5 839
Total	**68 160 639**	**67 523 003**

In thousands of PLN

19. Investments in associates

Balance sheet value of associates	31.03.2024	31.12.2023
Polfund - Fundusz Poręczeń Kredytowych S.A.	47 711	48 220
Santander - Allianz Towarzystwo Ubezpieczeń S.A. and Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	947 303	919 294
Total	**995 014**	**967 514**

Movements on investments in associates	1.01.2024-31.03.2024	1.01.2023-31.03.2023
As at the beginning of the period	**967 514**	**921 495**
Share of profits/(losses)	24 288	25 079
Other	3 212	11 047
As at the end of the period	**995 014**	**957 621**

20. Deposits from banks

Deposits from banks	31.03.2024	31.12.2023
Term deposits	447 258	553 858
Loans received from banks	1 272 841	1 377 271
Current accounts	2 496 771	2 225 324
Total	**4 216 870**	**4 156 453**

21. Deposits from customers

Deposits from customers	31.03.2024	31.12.2023
Deposits from individuals	**119 637 288**	**115 261 179**
Term deposits	44 969 949	41 847 879
Current accounts	74 412 638	73 159 663
Other	254 701	253 637
Deposits from enterprises	**81 459 342**	**85 194 159**
Term deposits	22 314 389	21 619 410
Current accounts	55 239 992	59 695 630
Loans received from financial institution	863 010	950 381
Other	3 041 951	2 928 738
Deposits from public sector	**9 211 523**	**8 822 018**
Term deposits	1 603 936	849 436
Current accounts	7 571 370	7 836 387
Other	36 217	136 195
Total	**210 308 153**	**209 277 356**

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	1.01.2024-31.03.2024	1.01.2023-31.03.2023
As at the beginning of the period	**2 686 343**	**2 807 013**
Additions from:	**47 387**	**46 485**
- interest on subordinated loans	47 387	46 485
Disposals from:	**(46 197)**	**(26 703)**
- interest repayment	(29 784)	(21 873)
- FX differences	(16 413)	(4 830)
As at the end of the period	**2 687 533**	**2 826 795**
Short-term	54 432	61 328
Long-term (over 1 year)	2 633 101	2 765 467

23. Debt securities in issue

Debt securities in issue on 31.03.2024

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	1 900 000	PLN	30.03.2023	31.03.2025	1 971 826
Santander Bank Polska S.A.	Bonds	3 100 000	PLN	29.11.2023	30.11.2026	3 180 250
Santander Bank Polska S.A.	Bonds	200 000	EUR	22.12.2023	22.12.2025	870 058
Santander Leasing S.A.	Bonds	200 000	PLN	23.06.2023	24.06.2024	200 134
Santander Leasing S.A.	Bonds	200 000	PLN	14.07.2023	15.07.2024	202 396
Santander Leasing S.A.	Bonds	100 000	PLN	19.12.2023	19.12.2024	99 958
Santander Factoring Sp. z o.o.	Bonds	576 500	PLN	16.02.2024	16.08.2024	577 105
Santander Factoring Sp. z o.o.	Bonds	200 000	PLN	01.03.2024	03.06.2024	199 905
Santander Consumer Bank S.A.	Bonds	300 000	PLN	28.10.2022	06.12.2024	301 336
Santander Consumer Multirent sp. z o.o.	Bonds	50 000	PLN	26.05.2023	31.03.2025	50 711
Santander Consumer Multirent sp. z o.o.	Bonds	265 000	PLN	26.10.2022	28.10.2024	267 919
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 002 354
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 044
Total						**9 816 996**

Debt securities in issue on 31.12.2023

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	1 900 000	PLN	30.03.2023	31.03.2025	1 936 502
Santander Bank Polska S.A.	Bonds	3 100 000	PLN	29.11.2023	30.11.2026	3 121 357
Santander Bank Polska S.A.	Bonds	200 000	EUR	22.12.2023	22.12.2025	871 197
Santander Leasing S.A.	Bonds	200 000	PLN	23.06.2023	24.06.2024	199 954
Santander Leasing S.A.	Bonds	200 000	PLN	14.07.2023	15.07.2024	202 198
Santander Leasing S.A.	Bonds	100 000	PLN	19.12.2023	19.12.2024	99 976
Santander Factoring Sp. z o.o.	Bonds	300 000	PLN	16.08.2023	16.02.2024	300 574
Santander Consumer Bank S.A.	Bonds	300 000	PLN	28.10.2022	06.12.2024	301 279
Santander Consumer Multirent sp. z o.o.	Bonds	50 000	PLN	26.05.2023	31.03.2025	50 688
Santander Consumer Multirent sp. z o.o.	Bonds	265 000	PLN	26.10.2022	28.10.2024	267 739
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 002 511
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 184
Total						**9 247 159**

Movements in debt securities in issue	1.01.2024-31.03.2024	1.01.2023-31.03.2023
As at the beginning of the period	**9 247 159**	**9 330 648**
Increase (due to:)	**938 401**	**2 138 857**
- debt securities in issue	776 500	2 060 000
- interest on debt securities in issue	161 901	78 857
Decrease (due to):	**(368 564)**	**(2 611 127)**
- debt securities repurchase	(300 000)	(2 481 050)
- interest repayment	(56 528)	(114 011)
- FX differences	(9 420)	(15 700)
- other changes	(2 616)	(366)
As at the end of the period	**9 816 996**	**8 858 378**

24. Provisions for financial liabilities and guarantees granted

Provisions for financial liabilities and guarantees granted	31.03.2024	31.12.2023
Provisions for financial commitments to grant loans and credit lines	84 068	95 027
Provisions for financial guarantees	16 344	27 412
Other provisions	458	646
Total	**100 870**	**123 085**

Change in provisions for financial liabilities and guarantees granted	1.01.2024-31.03.2024
As at the beginning of the period	**123 085**
Provision charge	46 072
Write back	(68 285)
Other changes	(2)
As at the end of the period	**100 870**
Short-term	38 790
Long-term	62 080

In thousands of PLN

Change in provisions for financial liabilities and guarantees granted	1.01.2023-31.03.2023
As at the beginning of the period	**61 869**
Provision charge	32 586
Write back	(31 077)
Other changes	(71)
As at the end of the period	**63 307**
Short-term	36 503
Long-term	26 804

25. Other provisions

Other provisions	31.03.2024	31.12.2023
Provision for legal risk connected with foreign currency mortgage loans	840 941	803 385
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	35 111	37 453
Provisions for legal claims and other	126 111	123 469
Provisions for restructuring	3 062	2 799
Total	**1 005 225**	**967 106**

Change in other provisions 1.01.2024 - 31.03.2024	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	**803 385**	**37 453**	**123 469**	**2 799**	**967 106**
Provision charge/relase	81 605	-	44 533	1 000	127 138
Utilization	(21 292)	(2 342)	(41 891)	(737)	(66 262)
Other	(22 757)	-	-	-	(22 757)
As at the end of the period	**840 941**	**35 111**	**126 111**	**3 062**	**1 005 225**

*Detailed information are described in note 28

Change in other provisions 1.01.2023 - 31.03.2023	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/relase	49 936	22	28 475	-	78 433
Utilization	(11 543)	(2 936)	(28 480)	(6 780)	(49 739)
Other	(6 307)	-	-	-	(6 307)
As at the end of the period	**453 038**	**49 319**	**132 332**	**15 009**	**649 698**

In thousands of PLN

26. Other liabilities

Other liabilities	31.03.2024	31.12.2023
Settlements of stock exchange transactions	82 377	62 073
Interbank and interbranch settlements	568 401	1 251 650
Employee provisions	310 545	514 628
Sundry creditors	2 226 284	2 084 753
Liabilities from contracts with customers	202 605	203 646
Public and law settlements	263 087	175 252
Accrued liabilities	760 850	511 771
Finance lease related settlements	144 263	157 841
Other	12 657	28 296
Total	**4 571 069**	**4 989 910**
of which financial liabilities *	4 092 720	4 582 716

*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 1.01.2024 - 31.03.2024		*of which: Provisions for retirement allowances*
As at the beginning of the period	**514 628**	***63 554***
Provision charge	78 658	*889*
Utilization	(281 657)	*(20)*
Release of provisions	(1 084)	-
As at the end of the period	**310 545**	***64 423***
Short-term	246 122	-
Long-term	64 423	*64 423*

Change in employee provisions 1.01.2023 - 31.03.2023		*of which: Provisions for retirement allowances*
As at the beginning of the period	**446 011**	***44 700***
Provision charge	68 680	*788*
Utilization	(199 561)	-
Release of provisions	(5 680)	-
Other changes	(72 110)	-
As at the end of the period	**237 340**	***45 488***
Short-term	191 852	-
Long-term	45 488	*45 488*

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.

In thousands of PLN

	31.03.2024		31.12.2023	
ASSETS	**Book Value**	**Fair value**	**Book Value**	**Fair value**
Cash and balances with central banks	9 959 240	9 959 240	8 417 519	8 417 519
Loans and advances to banks	9 504 436	9 504 436	9 533 840	9 533 840
Loans and advances to customers measured at amortised cost	145 559 511	144 685 894	143 488 004	143 576 065
Buy-sell-back transactions	9 003 147	9 003 147	12 676 594	12 676 594
Debt investment securities measured at amortised cost	28 059 918	28 119 535	19 639 468	19 904 443
LIABILITIES				
Deposits from banks	4 216 870	4 216 870	4 156 453	4 156 453
Deposits from customers	210 308 153	210 225 617	209 277 356	209 270 589
Sell-buy-back transactions	2 611 488	2 611 488	273 547	273 547
Subordinated liabilities	2 687 533	2 648 200	2 686 343	2 663 921

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 quotations. Instruments classified in 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.

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

As at 31.03.2024 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 NBP bills and derivative instruments. Derivative instruments are measured using discounted cash flow models based on the discount curve derived from the inter-bank market.

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

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

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: credit cards and underwriting loans and advances;	Discounted cash flow method	Effective margin on loans
CORPORATE DEBT SECURITIES	Discounted cash flow method	Credit spread
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	Estimation of the fair value based on the present value of the forecast results of the company	The valuation assumed a payment of 100% of the net result forecasted by the company and the discount estimated at market level.
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	The valuation based on the company's forecasted net financial results and revenues and the median P/E and EV/S multipliers based on the comparative 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	The valuation was based on net assets of the company and the Bank's share in the capital (ca0.048%).
SHARES IN SYSTEM OCHRONY BANKÓW KOMERCYJNYCH S.A.	Estimation of the fair value based on the net assets value of the company	The valuations were based on the companies' net assets and the Bank's share in capital at the level of: -for SOBK ca. 12.9% -for KIR ca. 14.2%. -for WSEZ ca. 0.2%.
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA		
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK" SP Z O.O.		

Expert valuations of capital instruments are prepared whenever required, but at least once a year. Valuations are prepared by an employee of the Department of Capital Management and Capital Investments (DZKiIK), and then verified by an employee of the Financial Risk Department (DRF) and finally accepted by a specially appointed team of Directors: Department of Capital Management and Capital Investments (DZKiIK), Financial Risk Department (DRF).) and the Financial Accounting Area (ORF) (or employees designated by them). The valuation methodology for estimating the value of financial instruments from the DZKiIK portfolio using the expert method is included in the document "Investment strategy of Santander Bank Polska S.A. in capital market instruments. This document is subject to periodic reviews, updated at least once a year and approved by the Management Board and the Supervisory Board of the Bank.

Instruments are transferred between levels of the fair value hierarchy based on observability criteria verified at the ends of reporting periods. In the case of risk factors commonly considered observable on the market, the Bank considers information on directly concluded transactions on a given market to be the primary criterion of observability, and information on the number and quality of available price quotations is an auxiliary criterion.

In the period from January 1 to March 31, 2024 the following transfers of financial instruments between levels of the fair value measurement hierarchy were made:

• derivatives were transferred from Level 3 to Level 2, which on the date of conclusion, due to the original maturity date and liquidity, are classified at level 3, and for which, as their period to maturity shortens, the liquidity of observable quotations increases and are transferred to level 2;

In thousands of PLN

As at 31.03.2024 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.03.2024	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 665 332	6 457 793	4 514	8 127 639
Hedging derivatives	-	1 089 826	-	1 089 826
Loans and advances to customers measured at fair value through other comprehensive income	-	-	3 385 280	3 385 280
Loans and advances to customers measured at fair value through profit and loss	-	-	80 037	80 037
Debt securities measured at fair value through other comprehensive income	27 205 764	2 956 311	9 653 016	39 815 091
Debt securities measured at fair value through profit and loss	-	-	2 179	2 179
Equity securities measured at fair value through other comprehensive income	-	-	6 345	6 345
Equity securities measured at fair value through other comprehensive income	-	-	277 106	277 106
Assets pledged as collateral	2 615 825	-	-	2 615 825
Total	**31 486 921**	**10 503 930**	**13 408 477**	**55 399 328**
Financial liabilities				
Financial liabilities held for trading	745 144	6 681 476	778	7 427 398
Hedging derivatives	-	707 898	-	707 898
Total	**745 144**	**7 389 374**	**778**	**8 135 296**

31.12.2023	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 544 308	7 385 554	9 498	8 939 360
Hedging derivatives	-	1 575 056	-	1 575 056
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 798 234	2 798 234
Loans and advances to customers measured at fair value through profit and loss	-	-	85 093	85 093
Debt securities measured at fair value through other comprehensive income	29 947 021	6 096 392	11 555 157	47 598 570
Debt securities measured at fair value through profit and loss	-	-	2 005	2 005
Equity securities measured at fair value through other comprehensive income	-	-	5 839	5 839
Equity securities measured at fair value through other comprehensive income	-	-	277 121	277 121
Assets pledged as collateral	271 933	-	-	271 933
Total	**31 763 262**	**15 057 002**	**14 732 947**	**61 553 211**
Financial liabilities				
Financial liabilities held for trading	824 121	7 988 428	5 944	8 818 493
Hedging derivatives	-	880 538	-	880 538
Total	**824 121**	**8 868 966**	**5 944**	**9 699 031**

In thousands of PLN

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

31.03.2024	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 profit and loss	Financial liabilities held for trading
As at the beginning of the period	**9 498**	**85 093**	**2 798 234**	**2 005**	**11 555 157**	**277 121**	**5 840**	**5 944**
Profit or losses								
-recognised in income statement								
---net trading income and revaluation	(18)	*357*	*36 353*	-	-	-	-	(51)
---gains/losses from other financial securites	-	-	-	*(147)*	-	-	*(427)*	-
-recognised in equity (OCI)	-	-	-	-	*59 974*	*(15)*	-	-
Purchase/granting	1 978	*4 337*	*830 691*	-	-	-	-	443
Sale	(1 477)		*(6 816)*	-	-	-	-	-
Matured	-	*(9 750)*	*(266 918)*	-	(1 962 115)	-	-	-
Transfer	(5 468)	-	-	-	-	-	-	(5 558)
Other	-	-	*(6 264)*	320	-	-	933	-
As at the end of the period	**4 514**	**80 037**	**3 385 280**	**2 179**	**9 653 016**	**277 106**	**6 345**	**778**

Level III

31.12.2023	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 profit and loss	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								
-recognised in income statement								
---net trading income and revaluation	(4 606)	*24 416*	*161 238*	-	-	-	-	(1 167)
---gains/losses from other financial securites	-	-	-	*4 449*	-	-	*4 957*	-
-recognised in equity (OCI)	-	-	-	-	-	*72 822*	-	-
Purchase/granting	1 383	*19 367*	*1 760 240*	-	-	-	-	393
Sale	-	*(8 102)*	*(282 645)*	*(67 888)*	-	-	(64 122)	-
Matured	-	*(189 000)*	*(1 407 100)*	-	-	-	-	-
Transfer	713	-	-	-	11 554 763	-	-	(1 636)
Other	-	(1 282)	*(62 159)*	737	(2 016)	-	1 757	-
As at the end of the period	**9 498**	**85 093**	**2 798 234**	**2 005**	**11 555 157**	**277 121**	**5 840**	**5 944**

28. Legal risk connected with CHF mortgage loans

As at 31 March 2024, the Group had a portfolio of 29.5k CHF-denominated and CHF-indexed loans of PLN 5,662,125k gross before adjustment to the gross carrying amount at PLN 3,818,927k reducing contractual cash flows in respect of legal risk. The Group also had PLN loans which used to be denominated in or indexed to CHF. Their total gross amount was PLN 366,044k before adjustment to the gross carrying amount at PLN 156,695k reducing contractual cash flows in respect of legal risk.

As at 31 December 2023, the Group had a portfolio of 30.7k CHF-denominated and CHF-indexed loans of PLN 6,282,396k gross before adjustment to the gross carrying amount at PLN 4,085,686k reducing contractual cash flows in respect of legal risk. The Group also had PLN loans which used to be denominated in or indexed to CHF. Their total gross amount was PLN 335,630k before adjustment to the gross carrying amount at PLN 141,284k reducing contractual cash flows in respect of legal risk.

To date, the ruling practice regarding loans indexed to or denominated in foreign currencies has not been unanimous in the case of both common courts and the Supreme Court.

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 resulted 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 varied 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 three judgments passed on 19 September 2023 (file no. II CSKP 1627/22, II CSKP 1110/22, II CSKP 1495/22) 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).

In 2021, the Supreme Court was expected to present its stance 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, as the Supreme Court's composition has been contested, the stance will not be presented until the CJEU responds to the question concerning the procedure for the appointment of judges. The CJEU refused to respond to that question on 9 January 2024. The case was remanded to the Supreme Court. On 25 April 2024, the Civil Chamber passed a resolution (file no. III CZP 25/22). Nine judges refused to take part in the hearing on the constitutional grounds. Six judges issued dissenting opinions, mainly in relation to the continuation of an agreement in force after excluding unfair provisions. In accordance with the stance presented by the Supreme Court in the above resolution:

- If a contractual provision of an indexed or denominated loan agreement concerning the determination of a foreign currency exchange rate is found to be an unfair clause and is not binding, based on the current case law it is not possible for this provision to be replaced by any other method of determining exchange rates under the law or prevailing practices.
- If it is not possible to determine a binding exchange rate in an indexed or denominated loan agreement, other provisions of that agreement are not binding either.

In relation to the invalidation of a loan agreement, the Supreme Court further held that:

- If a bank disbursed a loan in full or in part under a loan agreement which is not binding due to unfair clauses and a borrower made loan repayments under that agreement, the parties can make separate claims for reimbursement of undue consideration (two separate claims theory).

- If a loan agreement is not binding due to unfair clauses, then, in principle, the limitation period for the bank's claims for reimbursement of amounts disbursed under that agreement starts running as of the next day after the borrower questioned the binding nature of the agreement.
- If a loan agreement is not binding due to unfair clauses, there is no legal basis for either party to claim interest or other benefits in respect of the use of that party's funds during the period from performance of undue consideration until the day the reimbursement of that consideration became overdue.

The grounds of the above resolution are being awaited.

In the earlier 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. Courts also referred to the CJEU for a preliminary ruling.

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 was 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.

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 (deterring 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. Nevertheless, 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.

However, several courts issued decisions (which are not yet final) stating that banks' claims for reimbursement of the capital adjusted for changes in the time value of money are admissible and warranted.

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).

On 11 December 2023, the CJEU issued an order in case C-756/22 concerning the bank's restitution claims, stating that the issue in question had already been resolved in the judgment of 15 June 2023 and a separate judgment in this regard was not necessary.

In its order of 12 January 2024 in case C-488/23, the CJEU maintained its stance presented in the judgment of 15 June 2023 in case C-520/21 and issued interpretation, indicating that the bank cannot seek compensation from the consumer in the form of court-ordered adjustment to the capital paid to the consumer, but only the capital and statutory late payment interest from the date of the demand for payment.

On 7 December 2023, the CJEU passed a judgment in another case brought by the Polish court (C-140/22), in which it stated that the assessment of unfairness of contractual clauses is made by operation of law and the national court should examine disputable provisions ex officio. The CJEU also stressed that the consumer should be able to exercise their rights irrespective of whether they have made a statement before the court that they are aware of the consequences of the invalidity of the agreement and gives their consent to its annulment.

In its judgment of 14 December 2023 in case C-28/22, the TSUE ruled on the limitation period for claims of banks and consumers but did not specifically indicate the start date of that period. It merely concluded that it cannot begin to run as from the date of the final and non-appealable judgment and that the start date for bank's claims cannot be earlier than that for consumer's claims. The CJEU also noted that banks may use their right of retention but it should not automatically mean the suspension of the accrual of late payment interest due to consumers.

The CJEU's rulings do not address all issues concerning the settlement of an invalidated agreement, but at the same time they refer to the issues subject to national law which have already been adjudicated by the Supreme Court. Accordingly, 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 still largely depend on the ruling practice of national courts with regard to the enforcement of CJEU and Supreme Court's judgments.

As to date there has been no unanimous ruling practice, 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 were 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 thousands of PLN

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 31 March 2024, there were 19,211 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 6,731,641k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 302 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 2023, there were 17,859 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 6,150,398k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 302 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 March 2024, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 4,816,564k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 3,975,623k (including PLN 3,202,383k in the case of Santander Bank Polska S.A. and PLN 773,240k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 840,941k (including PLN 652,725k in the case of Santander Bank Polska S.A. and PLN 188,216k in the case of Santander Consumer Bank S.A.).

As at 31 December 2023, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 5,030,355k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 4,226,970k (including PLN 3,414,431k in the case of Santander Bank Polska S.A. and PLN 812,539k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 803,385k (including PLN 624,354k in the case of Santander Bank Polska S.A. and PLN 179,031k 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.

Cost of legal risk connected with foreign currency mortgage loans	**1.01.2024-31.03.2024**	**1.01.2023-31.03.2023**
Impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(88 669)	(270 235)
Impact of legal risk associated with foreign currency mortgage loans recognised as provision	(81 787)	(49 937)
Other costs*	(125 617)	(100 430)
Total cost of legal risk associated with foreign currency mortgage loans	**(296 073)**	**(420 602)**
Gain/loss on derecognition of financial instruments measured at amortised cost	(7 967)	(183 976)
including: settlements made	(9 068)	(185 754)
Total cost of legal risk associated with foreign currency mortgage loans and settlements made	**(305 141)**	**(606 356)**

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

In thousands of PLN

	31.03.2024	31.12.2023
Adjustment to gross carrying amount in respect of legal risk associated with foreign currency mortgage loans	3 975 623	4 226 970
Provision for legal risk associated with foreign currency mortgage loans	840 941	803 385
Total cumulative impact of legal risk associated with foreign currency mortgage loans	**4 816 564**	**5 030 355**

As at 31 March 2024, 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 80% of the gross value of the active CHF loan portfolio (before adjustment to the gross carrying amount in line with IFRS 9).

The change in the balance of the above provisions between January and March 2024 is due to an update of the level of expected settlements as well as change in total loss in relation to the expected rulings. Furthermore, the number of court judgments increased in 2022 and 2023. Lastly, the level of provision was affected by a decrease in CHF/PLN conversion rate.

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. 29.2% 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 31 March 2024, 3,089 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 2,955 were unfavourable to the Group, and 134 were entirely or partially favourable to the Group (compared to 2,591 judgments as at 31 December 2023, including 2,487 unfavourable ones and 104 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 to date the ruling practice has not been unanimous, the Group considered 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 its real rather than notional value;
- 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 31 March 2024, the Group made 9,868 settlements (both pre-court and following the legal dispute), of which 525 were reached in Q1 2024.

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.

29. Contingent liabilities

Information about pending court and administrative proceedings

As at 31.03.2024 the value of all litigation amounts to PLN 9,353,195k. This amount includes PLN 2,064,517k claimed by the Group, PLN 7,202,068k in claims against the Group and PLN 86,610k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2024 the amount of all court proceedings which had been completed amounted to PLN 279,564k.

As at 31.03.2024 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 772,694 k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 3,308,196k. In 3,145 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 1,318,951k.

As at 31.12.2023 the value of all litigation amounts to PLN 8 527 814k. This amount includes PLN 1 842 060k claimed by the Group, PLN 6 601 675 k in claims against the Group and PLN 84 079k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2023 the amount of all court proceedings which had been completed amounted to PLN 635 408k.

As at 31.12.2023 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 712 831k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 3 289 808k. In 2,873 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 1 258 559k.

Administrative penalty proceedings by the Polish Financial Supervision Authority

On 22 November 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against Santander Bank Polska S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

Off-balance sheet liabilities

The value of contingent liabilities and off-balance sheet transactions are presented below. The value of liabilities granted 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.

In thousands of PLN

Contingent liabilities	31.03.2024 Stage 1	Stage 2	Stage 3	Total
Liabilities granted	**57 607 364**	**1 157 294**	**81 410**	**58 846 068**
- financial	**42 920 424**	**982 691**	**69 795**	**43 972 910**
- credit lines	38 714 814	922 671	60 693	39 698 178
- credit cards debits	3 533 660	55 303	9 023	3 597 986
- import letters of credit	667 520	4 717	79	672 316
- term deposits with future commencement term	4 430	-	-	4 430
- guarantees	**14 726 483**	**214 715**	**32 830**	**14 974 028**
Provision for off-balance sheet liabilities	**(39 543)**	**(40 112)**	**(21 215)**	**(100 870)**
Liabilities received				**60 211 627**
- financial				**681 396**
- guarantees				**59 530 231**
Total	**57 607 364**	**1 157 294**	**81 410**	**119 057 695**

Contingent liabilities	31.12.2023 Stage 1	Stage 2	Stage 3	Total
Liabilities granted	**55 762 892**	**896 708**	**103 329**	**56 762 929**
- financial	**40 889 961**	**741 093**	**44 368**	**41 675 422**
- credit lines	36 820 437	671 309	34 327	37 526 073
- credit cards debits	3 402 820	58 539	9 477	3 470 836
- import letters of credit	657 654	11 245	564	669 463
- term deposits with future commencement term	9 050	-	-	9 050
- guarantees	**14 911 657**	**204 034**	**94 901**	**15 210 592**
Provision for financial liabilities and guarantees granted	**(38 726)**	**(48 419)**	**(35 940)**	**(123 085)**
Liabilities received				**59 707 409**
- financial				**504 608**
- guarantees				**59 202 801**
Total	**55 762 892**	**896 708**	**103 329**	**116 470 338**

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	
	29.04.2024	16.02.2024	29.04.2024	16.02.2024	29.04.2024	16.02.2024	29.04.2024	16.02.2024
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 numer of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 1Q 2024 /30.04.2024/ 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 31.03.2024.

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.

In thousands of PLN

		a	b	c	d	e
		31.03.2024	31.12.2023	30.09.2023*	30.06.2023*	31.03.2023*
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	24 319 857	24 141 924	26 190 384	25 953 160	25 426 502
2	Tier 1 capital	24 319 857	24 141 924	26 190 384	25 953 160	25 426 502
3	Total capital	26 116 218	26 074 043	28 259 028	28 153 518	27 708 616
Risk-weighted exposure amounts						
4	Total risk exposure amount	146 627 178	140 511 170	142 046 748	141 480 580	138 825 188
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	16,59%	17,18%	18,44%	18,34%	18,32%
6	Tier 1 ratio (%)	16,59%	17,18%	18,44%	18,34%	18,32%
7	Total capital ratio (%)	17,81%	18,56%	19,89%	19,90%	19,96%
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%	0,01%
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 (%)	0,00%	0,00%	0,01%	0,01%	0,01%
EU 7d	Total SREP own funds requirements (%)	8,01%	8,01%	8,02%	8,02%	8,02%
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%	0,02%	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%	1,00%
11	Combined buffer requirement (%)	3,51%	3,52%	3,51%	3,51%	3,51%
EU 11a	Overall capital requirements (%)	11,52%	11,53%	11,53%	11,53%	11,53%
12	CET1 available after meeting the total SREP own funds requirements (%)	9,80%	10,55%	11,87%	11,88%	11,94%
Leverage ratio						
13	Total exposure measure	294 079 582	287 193 430	291 752 572	276 644 607	271 646 879
14	Leverage ratio (%)	8,27%	8,41%	9,29%	9,78%	9,85%
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)	76 787 292	73 386 633	70 340 845	66 996 115	65 545 484
EU 16a	Cash outflows - Total weighted value	52 806 299	52 951 038	52 161 107	50 784 488	49 333 834
EU 16b	Cash inflows - Total weighted value	15 276 320	15 049 171	14 439 802	13 340 397	11 815 709
16	Total net cash outflows (adjusted value)	37 529 979	37 901 867	37 721 305	37 444 091	37 518 125
17	Liquidity coverage ratio (%)	205%	194%	186%	179%	175%
Net Stable Funding Ratio						
18	Total available stable funding	204 665 027	201 280 056	197 947 055	191 817 671	190 971 052
19	Total required stable funding	132 421 978	128 865 657	130 511 261	128 042 302	128 165 663
20	NSFR ratio (%)	155%	156%	152%	150%	149%

* Restated data - includes reclassification of financial instruments (For details, see section no. 2.5 of the Consolidated Financial Statements of the Santander Bank Polska S.A. Group for 2023). Data for March 2023 include profits included in own funds taking into account the applicable EBA guidelines.

In thousands of PLN

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
		31.03.2024	31.03.2024	31.12.2023	30.09.2023**	30.06.2023**	31.03.2023**
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	32 850 909	32 850 909	32 700 870	34 360 079	33 913 846	33 630 955
EU-1a	Of which own funds and subordinated liabilities	28 890 729					
2	Total risk exposure amount of the resolution group (TREA)	146 627 178	146 627 178	140 511 170	142 046 748	141 480 580	138 825 188
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	22,40%	22,40%	23,27%	24,19%	23,97%	24,23%
EU-3a	Of which own funds and subordinated liabilities	19,70%					
4	Total exposure measure of the resolution group	294 079 582	294 079 582	287 193 430	291 752 572	276 644 607	271 646 879
5	Own funds and eligible liabilities as percentage of the total exposure measure	11,17%	11,17%	11,39%	11,78%	12,26%	12,38%
EU-5a	Of which own funds or subordinated liabilities	9,82%					
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-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		3 960 180	3 969 600	3 476 700	3 337 725	3 506 625
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%	100,00%
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	15,39%					
EU-8	Of which to be met with own funds or subordinated liabilities	14,24%					
EU-9	MREL requirement expressed as percentage of the total exposure measure	5,91%					
EU-10	Of which to be met with own funds or subordinated liabilities	5,91%					

* Without taking into account the requirement for a combined buffer.

** Restated data - includes reclassification of financial instruments (For details, see section no. 2.5 of the Consolidated Financial Statements of the Santander Bank Polska S.A. Group for 2023). Data for March 2023 include profits included in own funds taking into account the applicable EBA guidelines.

In thousands of PLN

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
		31.03.2024	31.12.2023	31.03.2024
1	**Credit risk (excluding CCR)**	**117 151 797**	**115 932 492**	**9 372 144**
2	Of which the standardised approach	117 151 797	115 932 492	9 372 144
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**4 429 184**	**4 522 403**	**354 335**
7	Of which the standardised approach	2 949 184	3 149 576	235 935
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	76 351	75 646	6 108
EU 8b	Of which credit valuation adjustment - CVA	729 927	657 873	58 394
9	Of which other CCR	673 722	639 308	53 898
15	**Settlement risk**	**230**	**-**	**18**
16	**Securitisation exposures in the non-trading book (after the cap)**	**547 458**	**704 139**	**43 797**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)		75 000	-
19	Of which SEC-SA approach	547 458	629 139	43 797
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**2 180 351**	**1 942 192**	**174 428**
21	Of which the standardised approach	2 180 351	1 942 192	174 428
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**22 318 158**	**17 409 945**	**1 785 453**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	22 318 158	17 409 945	1 785 453
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	6 909 978	7 584 050	552 798
29	**Total**	**146 627 178**	**140 511 170**	**11 730 174**

* In row EU 19a institution disclose the own funds requirement for securitisation exposures in the banking book using a deduction from own funds in accordance with Chapter 5 of Title II of Part Three CRR. This own funds requirement is deducted from own funds and does not generate RWEAs with risk-weigh at 1 250 %.

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.

In thousands of PLN

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)	31.03.2024	31.12.2023	30.09.2023*	30.06.2023*	31.03.2023*
1	Common Equity Tier 1 (CET1) capital	24 319 857	24 141 924	26 190 384	25 953 160	25 426 502
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 259 702	24 021 614	26 070 074	25 832 850	25 306 192
3	Tier 1 capital	24 319 857	24 141 924	26 190 384	25 953 160	25 426 502
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 259 702	24 021 614	26 070 074	25 832 850	25 306 192
5	Total capital	26 116 218	26 074 043	28 259 028	28 153 518	27 708 616
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 056 063	25 953 733	28 138 718	28 033 208	27 588 306
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	146 627 178	140 511 170	142 046 748	141 480 580	138 825 188
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	146 602 297	140 461 412	141 996 990	141 430 822	138 775 430
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16,59%	17,18%	18,44%	18,34%	18,32%
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	16,55%	17,10%	18,36%	18,27%	18,24%
11	Tier 1 (as a percentage of risk exposure amount)	16,59%	17,18%	18,44%	18,34%	18,32%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,55%	17,10%	18,36%	18,27%	18,24%
13	Total capital (as a percentage of risk exposure amount)	17,81%	18,56%	19,89%	19,90%	19,96%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,77%	18,48%	19,82%	19,82%	19,88%
	Leverage ratio					
15	Leverage ratio total exposure measure	294 079 582	287 193 430	291 752 572	276 644 607	271 646 879
16	Leverage ratio	8,27%	8,41%	9,29%	9,78%	9,85%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,25%	8,37%	9,25%	9,74%	9,81%

* Restated data - includes reclassification of financial instruments (For details, see section no. 2.5 of the Consolidated Financial Statements of the Santander Bank Polska S.A. Group for 2023). Data for March 2023 include profits included in own funds taking into account the applicable EBA guidelines.

In thousands of PLN

33. Measures of liquidity risk

The table below presents the liquidity coverage ratio information.

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	31.03.2024	31.12.2023	30.09.2023*	30.06.2023*
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	CASH - OUTFLOWS				
2	**Retail deposits and deposits from small business customers, of which:**	**142 175 810**	**138 802 781**	**136 247 633**	**134 378 996**
3	*Stable deposits*	*86 502 426*	*84 035 610*	*82 336 673*	*81 295 801*
4	*Less stable deposits*	*51 611 707*	*49 838 048*	*48 814 927*	*48 208 542*
5	**Unsecured wholesale funding**	**60 515 960**	**61 042 682**	**60 767 090**	**57 925 166**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*3 419 223*	*852 293*	-	-
7	*Non-operational deposits (all counterparties)*	*56 720 946*	*59 641 859*	*60 386 351*	*57 525 817*
8	*Unsecured debt*	*375 791*	*548 530*	*380 738*	*399 348*
9	**Secured wholesale funding**				
10	**Additional requirements**	**35 216 531**	**33 943 330**	**32 813 316**	**31 483 786**
11	*Outflows related to derivative exposures and other collateral requirements*	*7 321 778*	*6 989 502*	*6 584 516*	*5 854 424*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*27 894 753*	*26 953 828*	*26 228 800*	*25 629 363*
14	**Other contractual funding obligations**	**2 290 988**	**2 016 234**	**1 482 533**	**2 099 450**
15	**Other contingent funding obligations**	**24 064 619**	**21 635 320**	**19 465 184**	**17 484 630**
16	**TOTAL CASH OUTFLOWS**				
	CASH - INFLOWS				
17	**Secured lending (e.g. reverse repos)**	**8 387 980**	**8 260 919**	**8 630 154**	**8 727 900**
18	**Inflows from fully performing exposures**	**11 015 108**	**11 105 993**	**10 846 767**	**10 375 425**
19	**Other cash inflows**	**5 440 524**	**5 080 143**	**4 682 490**	**4 064 038**
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**	**24 843 612**	**24 447 056**	**24 159 411**	**23 167 362**
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*24 843 612*	*24 447 056*	*24 159 411*	*23 167 362*

* Restated data - includes reclassification of financial instruments (For details, see section no. 2.5 of the Consolidated Financial Statements of the Santander Bank Polska S.A. Group for 2023).

In thousands of PLN

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	31.03.2024	31.12.2023	30.09.2023*	30.06.2023*
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)	76 787 292	73 386 633	70 340 845	66 996 115
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	11 773 152	11 368 819	11 116 502	10 968 887
3	*Stable deposits*	4 325 121	4 201 781	4 116 834	4 064 790
4	*Less stable deposits*	7 448 031	7 167 039	6 999 669	6 904 097
5	Unsecured wholesale funding	27 712 403	29 069 899	29 670 387	28 833 355
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	808 350	201 587	-	-
7	*Non-operational deposits (all counterparties)*	26 528 261	28 319 783	29 289 649	28 434 007
8	*Unsecured debt*	375 791	548 530	380 738	399 348
9	Secured wholesale funding	-	-	-	-
10	Additional requirements	10 214 391	9 759 259	9 173 831	8 268 244
11	*Outflows related to derivative exposures and other collateral requirements*	7 321 778	6 989 502	6 584 516	5 854 424
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	2 892 614	2 769 757	2 589 314	2 413 821
14	Other contractual funding obligations	1 985 947	1 773 865	1 247 284	1 855 385
15	Other contingent funding obligations	1 120 406	979 197	953 103	858 616
16	TOTAL CASH OUTFLOWS	52 806 299	52 951 038	52 161 107	50 784 488
	CASH - INFLOWS				
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	9 835 796	9 969 028	9 757 312	9 276 359
19	Other cash inflows	5 440 524	5 080 143	4 682 490	4 064 038
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	15 276 320	15 049 171	14 439 802	13 340 397
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	15 276 320	15 049 171	14 439 802	13 340 397
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	76 787 292	73 386 633	70 340 845	66 996 115
22	TOTAL NET CASH OUTFLOWS	37 529 979	37 901 867	37 721 305	37 444 091
23	LIQUIDITY COVERAGE RATIO	205%	194%	186%	179%

* Restated data - includes reclassification of financial instruments (For details, see section no. 2.5 of the Consolidated Financial Statements of the Santander Bank Polska S.A. Group for 2023).

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 Britainand 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 March 2024 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 first quarter of 2024 Factoring Sp. z o.o. repaid issues of PLN 300 million and issued PLN 800 million of unsecured bonds, whereas Santander Bank Polska S.A. built a book of demand for the issue of senior non-preferred debt in the amount of PLN 1.9 billion with an issue date of April 2, 2024. and simultaneous prepayment of the issue in the same amount. 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 March 2024, 31st the above mentioned categories accounted for 92.6%, 3.8%, 2.6% and 1.0%, respectively, of the liquid buffer. All components of liquid buffer are recognized as level 1 of liquid assets.

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

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

Notwithstanding the fulfilment 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 March 2024, 31st PLN 15.0 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.

In thousands of PLN

34. Related parties

The tables below present transactions with related parties. 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	31.03.2024	31.12.2023
Assets	**336**	**264**
Loans and advances to customers	281	204
Other assets	55	60
Liabilities	**77 353**	**108 965**
Deposits from customers	77 300	108 911
Other liabilities	53	54

Transactions with associates	1.01.2024-31.03.2024	1.01.2023-31.03.2023
Income	**16 792**	**13 763**
Interest income	4	4
Fee and commission income	16 775	13 759
Other operating income	13	-
Expenses	**608**	**518**
Interest expense	608	518

	with the parent company		with other entities	
Transactions with Santander Group	**31.03.2024**	**31.12.2023**	**31.03.2024**	**31.12.2023**
Assets	**14 865 842**	**12 840 432**	**2 455**	**4 004**
Loans and advances to banks, incl:	6 784 738	5 895 136	2 007	2 090
Current accounts	*443 636*	*930 559*	*2 007*	*2 090*
Loans and advances	*6 341 102*	*4 964 577*	-	-
Financial assets held for trading	4 614 814	4 547 294	-	-
Reverse sale and repurchase agreements	3 464 245	2 395 729	-	-
Other assets	2 045	2 273	448	1 914
Liabilities	**5 931 396**	**5 990 841**	**139 970**	**193 650**
Deposits from banks incl.:	1 320 044	899 867	14 108	17 244
Current accounts and advances	*1 134 092*	*519 364*	*14 108*	*17 244*
Loans from other banks	*185 952*	*380 503*	-	-
Financial liabilities held for trading	3 715 888	4 206 059	-	-
Deposits from customers	-	-	57 762	106 950
Lease liabilities	-	-	25	25
Debt securities in issue	870 058	871 197	-	-
Other liabilities	25 406	13 718	68 075	69 431
Contingent liabilities	**8 444 150**	**9 029 662**	**42 362**	**33 604**
Sanctioned:	1 288 398	1 271 084	25 170	22 835
financial	-	-	20 000	20 000
guarantees	1 288 398	1 271 084	5 170	2 835
Received:	7 155 752	7 758 578	17 192	10 769
guarantees	*7 155 752*	*7 758 578*	*17 192*	*10 769*

In thousands of PLN

Transactions with Santander Group	with the parent company 1.01.2024-31.03.2024	with the parent company 1.01.2023-31.03.2023	with other entities 1.01.2024-31.03.2024	with other entities 1.01.2023-31.03.2023
Income	**590 211**	**242 302**	**872**	**627**
Interest income	92 535	47 155	384	2
Fee and commission income	4 590	6 378	22	27
Other operating income	-	-	350	353
Net trading income and revaluation	493 086	188 769	116	245
Expenses	**61 991**	**51 455**	**44 736**	**42 496**
Interest expense	35 306	31 008	125	230
Fee and commission expense	6 596	2 485	141	28
Operating expenses incl.:	20 089	17 962	44 470	42 238
Staff,Operating expenses and management costs	*20 052*	*17 908*	*44 432*	*42 217*
Other operating expenses	37	54	38	21

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 and the comparable period.

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

As at 31.03.2024 and 31.12.2023 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 31.03.2024 and 31.12.2023 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, Santander Bank Polska S.A. ("Bank", "SAN PL") established Incentive Plan VII ("Plan"), which is addressed to the employees of the Bank and its subsidiaries who significantly contribute to growth in the value of the organisation. The purpose of the Plan is to motivate the participants to achieve business and qualitative goals in line with the Group's long-term strategy and to provide an instrument that strengthens the employees' relationship with the organisation and encourages them to act in its long-term interest.

The Plan obligatorily covers all employees of Santander Bank Polska Group designated as material risk takers (identified employees). The list of other key participants is defined by the Bank's Management Board and approved by the 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 confirming the delivery of objectives 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 transaction under IFRS 2 *Share-based Payment*. To that end, the Bank will buy back up to 2,331,000 shares from 1 January 2023 until 31 December 2033, i.e.:

a) not more than 207,000 shares of SAN PL with the maximum value of PLN 55.3m in 2023;

b) not more than 271,000 shares of SAN PL with the maximum value of PLN 72.4m in 2024;

c) not more than 326,000 shares of SAN PL with the maximum value of PLN 87.0m in 2025;

d) not more than 390,000 shares of SAN PL with the maximum value of PLN 104.1m in 2026;

e) not more than 826,000 shares of SAN PL with the maximum value of PLN 220.5m in 2027;

f) not more than 145,000 shares of SAN PL with the maximum value of PLN 38.7m in 2028;

g) not more than 47,000 shares of SAN PL with the maximum value of PLN 12.5m in 2029;

h) not more than 42,000 shares of SAN PL with the maximum value of PLN 11.2m in 2030;

i) not more than 35,000 shares of SAN PL with the maximum value of PLN 9.3m in 2031;

j) not more than 27,000 shares of SAN PL with the maximum value of PLN 7.2m in 2032;

k) not more than 15,000 shares of SAN PL with the maximum value of PLN 4.0m in 2033.

The Bank's Management Board will buy back the shares to execute Incentive Plan based on the authorisation granted by the General Meeting in a separate resolution. If it is not possible to buy back the shares (e.g. illiquidity of the shares on the Warsaw Stock Exchange, share prices going beyond the thresholds defined by the General Meeting, lack of the General Meeting's authorisation for the Management Board to buy back shares in a given year of Incentive Plan VII or lack of the General Meeting's decision to create a capital reserve for share buyback in a given year) in the number corresponding to the value of the awards granted, SAN PL will reduce pro-rata the number of shares granted to the participant. The difference between the value of the awards granted and the value of the shares transferred by the Bank to the participants as part of the award will be paid out as a cash equivalent.

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 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:
   - PAT (profit after tax) of SAN PL Group (excluding Santander Consumer Bank S.A.);
   - ROTE (return on tangible equity expressed as a percentage calculated in line with SAN PL reporting methodology);
   - NPS (Net Promoter Score calculated in line with SAN PL reporting methodology);
   - RORWA (return on risk weighted assets calculated in line with SAN PL reporting methodology);
   - number of customers;
   - 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 request of the Bank's Management Board, the Supervisory Board can decide 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.

The maximum number of own shares to be transferred to participants as the retention awards is 451,000.

For the purpose of the Plan, in 2024 Santander Bank Polska S.A. bought back 134,690 shares (of 271,000 shares eligible for buyback) with the value of PLN 72,333,668 (from PLN 72,357,000 worth of capital reserve allocated to the delivery in 2024).

The average buyback price per share in 2024 was PLN 539.15.

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.

Due to the exhaustion of the amount allocated for the purchase of the Bank's own shares in 2024, on March 13, 2024, the Bank's Management Board completed the purchase of the Bank's own shares in 2024 for Program participants for the award for 2023 and part of the award for 2022 which was subject to a one-year retention period. At the same time, an order was issued to transfer the above-mentioned shares to the brokerage accounts of eligible program participants. After settling all instructions, the Bank has no treasury shares.

In 1Q 2024, the total amount recognised in line with IFRS 2 in the Group's equity was PLN 18,317k. The amount of PLN 18,488k was included in staff expenses for 1Q 2024. The latter comprises expenses incurred in 2024 and part of the costs attributable to subsequent years of the Incentive Plan as the award will be vested in stages. In 1Q 2024, PLN 72,334k worth of shares were transferred to employees.

43. Dividend per share

Individual recommendation of the Polish Financial Supervision Authority (KNF) with regard to meeting the criteria for paying dividend from the net profit earned in 2023.

The Management Board of Santander Bank Polska S.A. informed that on 21 February 2024 it received an individual recommendation from the KNF with regard to the commercial banks dividend policy, the supervisory review and evaluation of the Bank and the Bank's reporting data.

The KNF stated that based on data as at 31 December 2023 the Bank met all the key dividend policy criteria to be able to pay dividend up to 50% of its net profit earned in the period from 1 January 2023 to 31 December 2023.

Additionally, after factoring in the quality of the Bank's loan portfolio measured as the share of NPLs in the total portfolio of receivables from the non-financial sector, including debt instruments, the potential dividend payout ratio was increased to 75% in view of the Bank's sound credit quality.
At the same time, the Bank's receivables arising from FX home loans to households do not account for more than five percent of its portfolio of receivables from the non-financial sector.
Therefore, the KNF recommended that the Bank should limit the risk present in its operations by:

- not distributing more than 75% of the profit earned in the period from 1 January 2023 to 31 December 2023 with a proviso that the maximum payout should not be higher than the annual profit reduced by profit earned in 2023 already allocated to own funds;
- consulting upfront with the supervisory authority any other measures which could reduce its own funds (in particular if they go beyond the scope of the ordinary business and operational activity), including the distribution of the profit retained in previous years or the buy-backs or redemptions of the Bank's own shares.

Information on potential payment of additional dividend in 2024 from retained profits.

The Management Board of Santander Bank Polska S.A. informed that on 19 March 2024, it was advised by the Polish Financial Supervision Authority (KNF) that the KNF did not have any objections to the potential payout of the additional amount of PLN 1,056,637,506.76 as a dividend to shareholders in 2024; this amount represents 50% of the profit earned between 1 January 2019 and 31 December 2019.

This amount was transferred to the dividend reserve (raised under resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve) pursuant to resolution no. 6 of the Annual General Meeting of 27 April 2022 on profit distribution, dividend record date, dividend payment date and and decision on the capital reserve created under resolution no. 6 of the Annual General Meeting of 22 March 2021.
Thus, in line with the KNF's individual recommendation, the total amount that the Bank can distribute to shareholders in 2024 is PLN 4,560,709,083.82.

Management Board's recommendation re distribution of profit for 2023 and decision on Dividend Reserve created pursuant to resolution no. 6 of the Annual General Meeting of 22 March 2021.

In connection with current reports no. 7/2024 of 21 February 2024 and no. 18/2024 of 19 March 2024, the Management Board of Santander Bank Polska S.A. (Bank) hereby informs you that on 21 March 2024 it issued a recommendation on the distribution of profit for 2023 and the Dividend Reserve created pursuant to resolution no. 6 of the Annual General Meeting of 22 March 2021 (resolution no. 6).The recommendation was positively reviewed by the Bank's Supervisory Board.
In line with the decision taken, the Bank's Management Board recommends that profit of PLN 4,672,978,361.27 earned in 2023 be distributed as follows:

- PLN 3,504,071,577.06 - to be allocated to the dividend for shareholders;
- PLN 87,042,000.00 - to be allocated to the capital reserve;
- PLN 1,081,864,784.21 is to be kept undistributed.

Moreover, the Management Board recommends that PLN 1,056,637,506.76 out of the Dividend Reserve created pursuant to resolution no. 6 be allocated to the dividend for shareholders.
The Management Board recommends that 102,189,314 (say: one hundred two million, one hundred eighty-nine thousand and three hundred fourteen) series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares give entitlement to the dividend to be paid out from the profit earned in 2023 and from the Dividend Reserve (Dividend). The dividend will total PLN 4,560,709,083.82 (of which PLN 3,504,071,577.06 represents 74.99% of the net profit earned in 2023 and PLN 1,056,637,506.76 represents the amount allocated from the Dividend Reserve).
The Dividend per share will be PLN 44.63.
The Dividend record date will be 16 May 2024.
The Dividend will be paid out on 23 May 2024.

Resolution re. dividend payment

Santander Bank Polska S.A. informed that the Annual General Meeting of the Bank, held on 18 April 2024, adopted a resolution on dividend payment.

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

Resolution re. dividend payment

Santander Bank Polska S.A. informed that the Annual General Meeting of the Bank, held on 18 April 2024, adopted a resolution on dividend payment.

Details in Note 43

Authorising the Bank's Management Board to purchase (buy-back) own shares to execute the Incentive Plan VII and create the capital reserve for the purchase of those shares

The Annual General Meeting of Shareholders of Santander Bank Polska S.A. authorised the Bank's Management Board to purchase (buy back) the Bank's fully covered own shares.

The total amount that the Bank can spend on the purchase of own shares in 2024, including the cost of the purchase, is PLN 87,042 k.

In order to purchase (buy back) own shares, the Annual General Meeting raised the capital reserve in the Bank, earmarked for the purchase of own shares.

The Annual General Meeting transfers from Bank's capital reserve to the capital reserve for the purchase of own shares the amount of PLN 87,042 k, which as per article 348(1) of the CCC can be allocated for distribution among the company's shareholders.

The resolution of Bank Guarantee Fund's Council determining the amount of contribution to the compulsory restructuring fund

The Management Board of Santander Bank Polska S.A. informed that it received an information that the Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny) adopted the Resolution specifying the amount of PLN 233,075 k as Bank's contribution to the resolution fund in 2024 (the amount includes the correction of the calculated contribution for 2019-2023).

Resolution of the Supreme Court of 25 April 2024

On 25 April 2024, the Supreme Court passed a resolution on CHF loans. For details, see Note 28.

Signatures of the persons representing the entity

Date	Name	Function	Signature
29.04.2024	Michał Gajewski	President	The original Polish document is signed with a qualified electronic signature
29.04.2024	Andrzej Burliga	Vice-President	The original Polish document is signed with a qualified electronic signature
29.04.2024	Juan de Porras Aguirre	Vice-President	The original Polish document is signed with a qualified electronic signature
29.04.2024	Lech Gałkowski	Member	The original Polish document is signed with a qualified electronic signature
29.04.2024	Artur Głembocki	Member	The original Polish document is signed with a qualified electronic signature
29.04.2024	Patryk Nowakowski	Member	The original Polish document is signed with a qualified electronic signature
29.04.2024	Magdalena Proga-Stępień	Member	The original Polish document is signed with a qualified electronic signature
29.04.2024	Maciej Reluga	Member	The original Polish document is signed with a qualified electronic signature
29.04.2024	Wojciech Skalski	Member	The original Polish document is signed with a qualified electronic signature
29.04.2024	Dorota Strojkowska	Member	The original Polish document is signed with a qualified electronic signature

Signature of a person who is responsible for maintaining the accounting records

Date	Name	Function	Signature
29.04.2024	Anna Żmuda	Financial Accounting Area Director	The original Polish document is signed with a qualified electronic signature