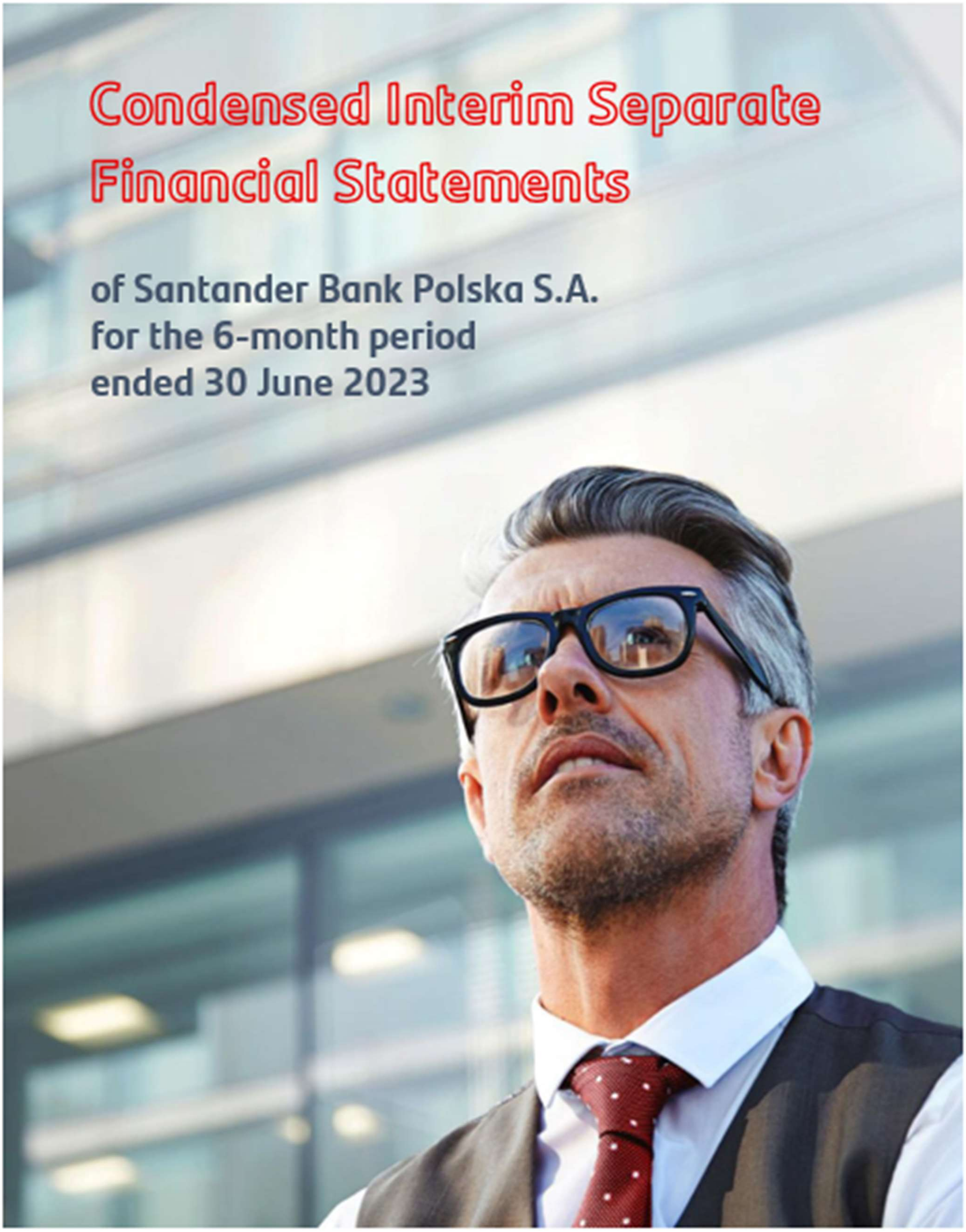
Condensed Interim Separate Financial Statements

of Santander Bank Polska S.A. for the 6-month period ended 30 June 2023



In thousands of PLN

I. Condensed income statement

	for the period	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Interest income and similar to income		**3 848 423**	**7 529 889**	**2 892 715**	**4 865 582**
Interest income on financial assets measured at amortised cost		3 307 528	6 474 211	2 371 712	3 954 890
Interest income on financial assets measured at fair value through other comprehensive income		523 914	1 011 632	506 645	884 571
Income similar to interest on financial assets measured at fair value through profit or loss		16 981	44 046	14 358	26 121
Interest expense		**(1 054 544)**	**(2 034 119)**	**(354 923)**	**(485 999)**
Net interest income	Note 6	**2 793 879**	**5 495 770**	**2 537 792**	**4 379 583**
Fee and commission income		729 751	1 401 934	666 377	1 339 562
Fee and commission expense		(133 086)	(206 278)	(108 445)	(196 718)
Net fee and commission income	Note 7	**596 665**	**1 195 656**	**557 932**	**1 142 844**
Dividend income		240 223	240 378	170 558	170 787
Net trading income and revaluation	Note 8	14 710	140 804	(36 826)	18 834
Gains (losses) from other financial securities	Note 9	(2 324)	921	(34 149)	(33 005)
Gain/loss on derecognition of financial instruments measured at amortised cost		(77 589)	(261 565)	(22 738)	(38 911)
Other operating income	Note 10	17 608	28 168	13 098	27 006
Impairment losses on loans and advances	Note 11	(267 975)	(446 251)	(110 252)	(235 904)
Cost of legal risk associated with foreign currency mortgage loans	Note 33	(559 375)	(907 623)	(720 731)	(798 406)
Operating expenses incl.:		(888 762)	(1 927 295)	(1 175 894)	(2 159 686)
-Staff, operating expenses and management costs	Note 12 and 13	(745 780)	(1 661 355)	(1 048 599)	(1 904 129)
-Amortisation of property, plant and equipment and Intangible assets		(87 307)	(169 925)	(80 963)	(163 521)
-Amortisation of right of use asset		(31 953)	(62 380)	(31 703)	(63 275)
-Other operating expenses	Note 14	(23 722)	(33 635)	(14 629)	(28 761)
Tax on financial institutions		(184 557)	(373 049)	(183 786)	(353 037)
Profit before tax		**1 682 503**	**3 185 914**	**995 004**	**2 120 105**
Corporate income tax	Note 15	(412 332)	(812 544)	(317 008)	(643 895)
Net profit for the period		**1 270 171**	**2 373 370**	**677 996**	**1 476 210**
Net earnings per share					
Basic earnings per share (PLN/share)		12,43	23,23	6,63	14,45
Diluted earnings per share (PLN/share)		12,43	23,23	6,63	14,45

Notes presented on pages 9– 49 constitute an integral part of these Financial Statements.

In thousands of PLN

II. Condensed statement of comprehensive income

for the period:	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Net profit for the period	**1 270 171**	**2 373 370**	**677 996**	**1 476 210**
Items that will be reclassified subsequently to profit or loss:	**285 212**	**756 319**	**1 166 238**	**(23 394)**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	116 908	487 708	1 620 539	278 278
Deferred tax	(22 212)	(92 664)	(307 903)	(52 873)
Revaluation of cash flow hedging instruments gross	235 205	446 019	(180 738)	(307 159)
Deferred tax	(44 689)	(84 744)	34 340	58 360
Items that will not be reclassified subsequently to profit or loss:	**18 170**	**18 167**	**(14 737)**	**(14 727)**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	22 433	22 429	(18 193)	(18 181)
Deferred and current tax	(4 263)	(4 262)	3 456	3 454
Total other comprehensive income, net	**303 382**	**774 486**	**1 151 501**	**(38 121)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 573 553**	**3 147 856**	**1 829 497**	**1 438 089**

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In thousands of PLN

III. Condensed statement of financial position

as at:		30.06.2023	31.12.2022
ASSETS			
Cash and balances with central banks	Note 16	10 334 041	10 135 099
Loans and advances to banks	Note 17	10 049 877	9 709 800
Financial assets held for trading	Note 18	8 473 772	6 879 751
Hedging derivatives	Note 19	825 582	537 924
Loans and advances to customers incl.:	Note 20	137 712 913	134 842 828
- measured at amortised cost		135 037 750	132 062 037
- measured at fair value through other comprehensive income		2 650 562	2 628 660
- measured at fair value through profit and loss		24 601	152 131
Reverse sale and repurchase agreements		9 373 287	13 824 606
Investment securities incl.:	Note 21	56 281 771	52 123 963
- debt securities measured at fair value through other comprehensive income		37 879 799	36 303 503
- debt securities measured at fair value through profit and loss		66 991	62 907
- debt investment securities measured at amortised cost		18 112 382	15 499 348
- equity securities measured at fair value through other comprehensive income		222 599	200 170
- equity securities measured at fair value through profit and loss		-	58 035
Assets pledged as collateral		-	2 157 372
Investments in subsidiaries and associates	Note 22	2 377 407	2 377 407
Intangible assets		612 696	625 519
Goodwill		1 688 516	1 688 516
Property, plant and equipment		443 274	497 686
Right of use asset		450 615	437 342
Deferred tax assets		1 056 709	1 331 258
Fixed assets classified as held for sale	Note 23	4 308	4 308
Other assets		1 073 326	924 662
Total assets		**240 758 094**	**238 098 041**
LIABILITIES AND EQUITY			
Deposits from banks	Note 24	2 286 790	2 245 128
Hedging derivatives	Note 19	1 159 348	1 872 039
Financial liabilities held for trading	Note 18	7 646 196	7 117 867
Deposits from customers	Note 25	188 047 093	185 655 260
Sale and repurchase agreements		-	2 158 520
Subordinated liabilities	Note 26	2 622 475	2 705 885
Debt securities in issue	Note 27	5 285 050	5 899 300
Lease liabilities		502 637	516 881
Current income tax liabilities		521 612	85 412
Provisions for financial liabilities and guarantees granted	Note 28	76 780	74 012
Other provisions	Note 29	560 119	463 657
Other liabilities	Note 30	2 502 375	3 008 820
Total liabilities		211 210 475	211 802 781
Equity			
Share capital		1 021 893	1 021 893
Other reserve capital		25 699 941	22 305 509
Revaluation reserve		(243 829)	(1 018 315)
Retained earnings		696 244	1 537 130
Profit for the period		2 373 370	2 449 043
Total equity		29 547 619	26 295 260
Total liabilities and equity		**240 758 094**	**238 098 041**

Notes presented on pages 9– 49 constitute an integral part of these Financial Statements.

In thousands of PLN

IV. Condensed statement of changes in equity

Statement of changes in equity 1.01.2023 - 30.06.2023	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	**1 021 893**	**-**	**22 305 509**	**(1 018 315)**	**3 986 173**	**26 295 260**
Total comprehensive income	-	-	-	774 486	2 373 370	3 147 856
Profit for the period	-	-	-	-	*2 373 370*	*2 373 370*
Other comprehensive income	-	-	-	*774 486*	-	*774 486*
Inclusion of share based incentive scheme	-	-	153 403	-	-	153 403
Purchase of own shares	-	(48 884)	-	-	-	(48 884)
Settlement of the purchase of own shares under share based incentive scheme	-	48 884	(48 249)	-	-	635
Profit allocation to other reserve capital	-	-	3 289 929	-	(3 289 929)	-
Other changes	-	-	(651)	-	-	(651)
As at the end of the period	**1 021 893**	**-**	**25 699 941**	**(243 829)**	**3 069 614**	**29 547 619**

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

As at the end of the period revaluation reserve in the amount of PLN (243,829) k comprises: revaluation of debt securities in the amount of PLN (470,800) k, revaluation of equity securities in the amount of PLN 159,574 k, revaluation of cash flow hedge activities in the amount of PLN 55,642 k and accumulated actuarial gains - provision for retirement allowances of PLN 11,755 k.

Statement of changes in equity 1.01.2022 - 30.06.2022	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	**1 021 893**	**-**	**20 790 808**	**(1 311 047)**	**3 325 698**	**23 827 352**
Total comprehensive income	-	-	-	(38 121)	1 476 210	1 438 089
Profit for the period	-	-	-	-	*1 476 210*	*1 476 210*
Other comprehensive income	-	-	-	*(38 121)*	-	*(38 121)*
Profit allocation to other reserve capital	-	-	1 514 701	-	(1 514 701)	-
Profit allocation to dividends	-	-	-	-	(273 867)	(273 867)
As at the end of the period	**1 021 893**	**-**	**22 305 509**	**(1 349 168)**	**3 013 340**	**24 991 574**

As at the end of the period revaluation reserve in the amount of PLN (1,349,168) k comprises: revaluation of debt securities in the amount of PLN (1,210,971) k, revaluation of equity securities in the amount of PLN 120,159 k, revaluation of cash flow hedge activities in the amount of PLN (270,494) k and accumulated actuarial gains - provision for retirement allowances of PLN 12,138 k.

In thousands of PLN

V. Condensed statement of cash flows

for the period	1.01.2023-30.06.2023	1.01.2022-30.06.2022
Cash flows from operating activities		
Profit before tax	**3 185 914**	**2 120 105**
Adjustments for:		
Depreciation/amortisation	232 305	226 796
Net gains on investing activities	3 293	(163)
Interest accrued excluded from operating activities	(983 372)	(841 637)
Dividends	(240 130)	(170 658)
Impairment losses (reversal)	3 813	6 449
Changes in:		
Provisions	99 230	90 025
Financial assets / liabilities held for trading	(1 123 882)	(348 963)
Assets pledged as collateral	-	(169 077)
Hedging derivatives	(743 219)	(263 653)
Loans and advances to banks	2 231 754	(321 574)
Loans and advances to customers	(8 615 196)	(14 162 579)
Deposits from banks	85 154	460 730
Deposits from customers	4 330 105	(1 223 884)
Buy-sell/ Sell-buy-back transactions	(2 763 390)	(312 803)
Other assets and liabilities	(396 524)	764 820
Interest received on operating activities	6 271 257	3 781 815
Interests paid on operating activities	(2 158 942)	(504 896)
Paid income tax	(283 464)	(284 727)
Net cash flows from operating activities	**(865 294)**	**(11 153 874)**
Cash flows from investing activities		
Inflows	**7 642 514**	**5 015 369**
Sale/maturity of investment securities	6 362 178	4 386 410
Sale of intangible assets and property, plant and equipment	7 623	17 747
Dividends received	155 400	62 764
Interest received	1 117 313	548 448
Outflows	**(6 208 694)**	**(2 039 247)**
Purchase of investment securities	(6 100 801)	(1 967 580)
Purchase of intangible assets and property, plant and equipment	(107 893)	(71 667)
Net cash flows from investing activities	**1 433 820**	**2 976 122**
Cash flows from financing activities		
Inflows	**1 900 000**	**2 325 350**
Debt securities in issue	1 900 000	2 325 350
Outflows	**(2 610 363)**	**(429 173)**
Debt securities buy out	(2 340 050)	-
Repayment of loans and advances	-	(23 954)
Repayment of lease liabilities	(76 021)	(75 568)
Dividends to shareholders	-	(273 867)
Purchase of own shares	(48 884)	-
Interest paid	(145 408)	(55 784)
Net cash flows from financing activities	**(710 363)**	**1 896 177**
Total net cash flows	**(141 837)**	**(6 281 575)**
Cash and cash equivalents at the beginning of the accounting period	**34 490 824**	**18 029 977**
Cash and cash equivalents at the end of the accounting period	**34 348 987**	**11 748 402**

VI. Additional notes to condensed interim financial statements

1. General information about issuer

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

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

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

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

In thousands of PLN

2. Basis of preparation of condensed interim financial statements

2.1. Statement of compliance

These condensed interim separate financial statements of Santander Bank Polska S.A. 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.. Santander Bank Polska S.A. applied the same accounting principles and calculation methods as in the preparation of the financial statements for the year ended as at 31 December 2022, except for the income tax charge, which was calculated in accordance with the principles set out in IAS34.30c and changes in accounting standards p. 2.4.

2.2. Basis of preparation of financial statements

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

These financial statements have been prepared on the assumption that the Bank 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 Bank's ability to continue as a going concern.

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

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

In thousands of PLN

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

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A.
Amendments to IAS 1	The amendments affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current.	1 January 2024	The amendment will not have a significant impact on separate financial statements.*
Amendments to IFRS 16	Change in the calculation of the lease liability in sale and leaseback transactions.	1 January 2024	The amendment will not have a significant impact on separate financial statements.*

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

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

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

2.5 Use of estimates

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

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

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

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

Key estimates include:

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

Allowances for expected credit losses in respect of financial assets

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

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

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

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

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

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

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

For the purpose of the collective evaluation of ECL, financial assets are consolidated 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 Bank'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., 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. would not otherwise consider, which fulfil below criteria:
  (1) restructuring transactions classified in the Stage 3 category (before restructuring decision),
  (2) transactions restructured in the contingency period that meet the criteria for reclassification to the Stage 3 (quantitative and/or qualitative),
  (3) transactions restructured during the contingency period previously classified as non-performing due to observed customer financial difficulties, have been restructured again or are more than 30 days past due,
  (4) restructured transactions, where contractual clauses have been applied that defer payments through a grace period for repayment of the principal for a period longer than two years,
  (5) restructured transactions including debt write-off, interest grace periods or repaid in installments without contractual interest,
  (6) restructured transactions, where there was a decrease in the net present value of cash flows (NPV) of at least 1% compared to the NPV before the application of the forbearance measures,
  (7) transactions where there is a repeated failure to comply with the established payment plan of previous forbearances that has led to successive forbearances of the same exposure (transaction),
  (8) transactions where:
    - inadequate repayment schedules were applied, which are related to, inter alia, repeated situations of non-compliance with the schedule, changes in the repayment schedule in order to avoid situations of non-compliance with it, or

- a repayment schedule that is based on expectations, unsupported by macroeconomic forecasts or credible assumptions about the borrower's ability or willingness to repay was applied,

(9) transactions for which the Bank 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 Bank 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 Bank 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 Bank 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. 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. 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 Bank determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters. The Bank 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.

Determination of forward-looking information and their likelihood

Forward-looking events are reflected both in the process of estimating ECL and when determining a significant increase in credit risk, by developing appropriate macroeconomic scenarios and then reflecting them in the estimation of parameters for each scenario. The final parameter value and the ECL is the weighted average of the parameters weighted by the likelihood of each scenario. Bank uses three scenario types: the baseline scenario and two alternative scenarios, which reflect the probable alternative options of the baseline scenario: upside and downside scenario. Scenario weights are determined using the expected GDP path and the confidence intervals for this forecast in such a way that the weights reflect the uncertainty about the future development of this factor.

The Banks's models most often indicate the dependence of the quality of loan portfolios on the market situation in terms of the level of deposits, loans, as well as the levels of measures related to interest rates.

Baseline scenario

In 2022 the Polish economy expanded by 5.1% as the economy was slowing down due to shock related by Russian invasion on Ukraine and major tightening of monetary policy. Jump in demand after the pandemic, coupled with still depressed supply, additionally undermined by shock in energy goods, triggered very high inflation. The economy entered 2023 with low momentum, very high inflation and high interest rates. We are expecting the economy to gradually be shaking off the negative effect of shocks suffered in 2022, and reviving. Inflation is expected to be going down, but to remain elevated for an extended time.

In the baseline scenario, in 2023 the economy is expected to grow by 1.0%, starting from -0.2% in 1Q23 and then gradually improving. 2024 GDP growth is expected at 3.3%. CPI is to remain elevated, with 13.2% average growth in 2023 and 7.4% in 2024.

The government responded to rising inflation with more fiscal stimulus (cuts in taxes, new benefits) and this is one of factors increasing the inflation's persistence. 2023 is an election year in Poland and this is also likely to support accommodative fiscal policy. Decline in inflation will encourage the NBP to cut interest rates in 3Q23 and 4Q23 by 25bp and then continue and bring the NBP reference rate to 4.50% in 2Q25.

EURPLN was under influence of negative shocks and positive inflation spread between Poland and the euro zone in 2022. In 2023, however, the zloty was supported by declining risk of energy crisis, rapid improvement in balance of payments and by slower rate hikes in the USA. Still high inflation in Poland versus the euro zone is expected to undermine the zloty somewhat, sending EURPLN exchange rate above 4.60

High interest rates have undermined demand for loans in 2022, especially on the mortgage and consumer market. In general, however, loan growth is expected to gradually pick up strength with rebounding economy. Deposit growth recorded a high momentum, driven by an uptick in banking sectors' net foreign assets, but is expected to converge towards growth rate of loans.

Best case scenario

The upside scenario was built under an assumption that the impact of shock related to the Russian invasion on Ukraine dissipates faster, encouraging companies to investment more and consumers to spend more lavishly. This will also be positive for global economic climate, supporting Polish exports. In 2023 the economy is expected to grow by 2.3% and by 5.2% in 2024. %. CPI is to remain elevated, with 14.0% average growth in 2023 and 9.6% in 2024.

In thousands of PLN

Stronger demand will fuel faster price growth, which will encourage the MPC to keep interest rate unchanged through 2023 and 2024. Improving economic performance and stable NBP interest rates will be supporting the zloty, averaging 4.66 per euro in 2023-24. Lower economic activity will positively affect the demand for loans in the banking system. Improving loan origination will be driving deposit growth higher, close to double digits.

Worst case scenario

The downside scenario was built under an assumption that the impact of shock related to the Russian invasion on Ukraine proves more long-lasting, affecting especially consumption and investment outlook. In 2023 the economy is expected to shrink by 0.9%. Slight improvement in economic activity will appear in 1Q24, with 2024 GDP growth expected at 1.6%. CPI is to remain elevated, with 12.7% average growth in 2023 and 5.6% in 2024. Slower growth will be driving unemployment rate higher, towards 4%.

The MPC will respond to weaker growth by cuts in interest rates, bringing the NBP reference rate to 5.75% at the end of 2023 and to 3.75% at the end of 2024. Weaker economic performance and low NBP interest rates will be undermining the zloty, averaging 4.75 per euro in 2023-24. Lower economic activity will negatively affect the demand for loans in the banking system. Deposits will also be slowing down, but will remain higher than loan growth thanks to stronger support from the fiscal policy.

The tables below present the key economic indicators arising from the respective scenarios.

Scenario as at 2023.06.30		baseline		best case		worst case	
likelihood		60%		20%		20%	
		2023	average, next 3 years	2023	average, next 3 years	2023	average, next 3 years
GDP	YoT	0.7%	3.4%	2.3%	5.2%	-0.9%	1.5%
WIBOR 3M	average	6.3%	4.7%	7.2%	6.4%	6.2%	2.9%
unemployment rate	% active	3.2%	3.4%	3.1%	3.1%	3.3%	4.0%
CPI	YoY	13.3%	4.9%	14.0%	6.8%	12.7%	3.4%
EURPLN	period-end	4.69	4.63	4.66	4.54	4.77	4.73

Management provisions

At the end of the second quarter of 2023, in addition to ECL resulting from the complex calculation model implemented in the system, Santander Bank Polska S.A. created management adjustments, updating the risk level with current and expected future events, which resulted in:

- withdrawn of the management provision in the amount of PLN 30 000 k on the portfolio of SME loans raised due to the increased share of external customers with a higher risk in sales. Expected increase of risk is already reflected in parameters used to ECL calculation since 30 June 2023,
- creation of the management provision in the amount of PLN 46 300 k on the corporate performing loan portfolio due to the observed LGD underestimation. Currently there is work under way to incorporate this observation in the model,
- withdrawn of the management provision in the amount of PLN 20 000 k on the corporate loan portfolio due to the increased impact of cost factors (inflation, energy prices) and in order to cover the increased risk in the sector of production and sale of durable goods,
- creation of the management provision in the amount of PLN 20 250 k on the corporate loan portfolio, including the Property portfolio, due to increased ECB interest rates,
- creation of the management provision in the amount of PLN 10 690 k on the portfolio of corporate loans due to risk of overestimation in the LGD model of expected recovery from collateral in the form of guarantees of Bank Gospodarstwa Krajowego,

Other management adjustments remained at the level of the fourth quarter of 2022 i.e.

- extension of the management provision in the amount of PLN 15 000 k due to the negative impact of macroeconomic factors and the deterioration of the financial situation of entities managed in the Global Relations Model operating in the sector of production/distribution and sale of household goods,
- management provision in the amount of PLN 19 600 k on the portfolio of mortgage-secured retail loans, the risk of which may increase after the cessation of assistance activities – payment holidays.

In thousands of PLN

Potential ECL variability

Significant volatility for the income statement may be reclassifications to Stage 2 from Stage 1. The theoretical reclassification of given percentage of exposures from Stage 1 with the highest risk level to Stage 2 for each type of exposure would result in an increase in write-offs according to below table (portfolio as at 30 June 2023).

	additional expected credit loss (mPLN)				
reclassification from stage 1 to stage 2	individuals	mortgage loans	business	Total 30.06.2023	Total 31.12.2022
1%	5,8	7,2	4,5	17,6	16,8
5%	31,1	34,1	24,7	90,0	91,0
10%	61,2	52,3	48,4	161,9	159,9

The above estimates show expected variability of loss allowances as a result of transfers between Stage 1 and Stage 2, resulting in material changes in the degree to which exposures are covered with allowances in respect of different ECL horizons. Changes in forecasts of macroeconomic indicators may result in significant effects affecting the level of created provisions. Adoption of macroeconomic parameter estimates at only one scenario level (pessimistic or optimistic) will
result in a one-off change in ECL at the level below.

	in PLN m	change in ECL level			
scenario	30.06.2023				31.12.2022
	individuals	housing loans	business	Total	Total
pessimistic	36,1	2,8	21,6	60,6	72,1
optimistic	-37,1	-2,6	-24,1	-63,8	-67,9

Estimates for legal claims

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

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

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

Estimates for legal risk arising from mortgage loans in foreign currencies

Due to the revolving legal situation related to mortgage loans portfolio denominated and indexed to foreign currencies, and inability to recover all contractual cash flows risk materialisation, Bank 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 33.

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

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

Santander Bank Polska 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 second quarter 2023, the Bank recognized PLN 559 375 k as cost of legal risk related to mortgage loans in foreign currencies and PLN 77 589 k as a negative result of dercognition of financial instruments due to concluded settlements.

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

Details presenting the impact of the above-mentioned risk on financial statement, assumptions adopted for their calculation are contained in notes 29 and 33, respectively.

Estimates of the impact of payment deferrals under the Crowdfunding Act for business and support to borrowers

Due to the increase in the assumed level of participation (in terms of volume) of installments possible to be deferred in 2023 from 63.8% at the end of 2022 to 64.7% at the end of the second quarter of 2023, the Bank updated the estimates of the impact of credit payment holidays. The Bank recognized PLN 44,000 thousand as a decrease in the carrying amount of the mortgage loan portfolio and a decrease in interest income

The average full term level of participation assumed by the Bank is 62.9% (62.5% at the end of 2022).

2.6. Change of accounting policy

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

3. Operating segments reporting

Data regarding the respective business segments are presented in „Condensed interim consolidated financial statements of Santander Bank Polska Group for 6-month period ended 30 June 2023" published on 26 July 2023.

4. Risk management

Information on risk management included in „Condensed interim consolidated financial statements of Santander Bank Polska Group for 6-month period ended 30 June 2023" fully stand in for notes to this condensed interim financial statements.

5. Capital management

Details on capital management have been presented in document „Information on Capital Adequacy of Santander Bank Polska Group as at 30 June 2023".

In thousands of PLN

6. Net interest income

Interest income and similar to interest	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Interest income on financial assets measured at amortised cost	**3 307 528**	**6 474 211**	**2 371 712**	**3 954 890**
Loans and advances to enterprises and leasing agreements	1 266 865	2 423 083	814 119	1 356 083
Loans and advances to individuals, of which:	1 573 121	3 159 221	1 350 457	2 319 516
Home mortgage loans	*945 837*	*1 922 132*	*840 909*	*1 382 407*
Loans and advances to banks	200 260	381 808	87 440	115 109
Loans and advances to public sector	20 553	42 469	6 369	9 281
Reverse repo transactions	131 481	257 126	42 574	64 986
Debt securities	115 683	217 507	70 650	87 442
Interest recorded on hedging IRS	(435)	(7 003)	103	2 473
Interest income on financial assets measured at fair value through other comprehensive income	**523 914**	**1 011 632**	**506 645**	**884 571**
Loans and advances to enterprises	32 309	91 913	30 134	45 741
Loans and advances to public sector	6 614	13 096	-	-
Debt securities	484 991	906 623	476 511	838 830
Income similar to interest - financial assets measured at fair value through profit or loss	**16 981**	**44 046**	**14 358**	**26 121**
Loans and advances to enterprises	342	1 420	1 354	2 019
Loans and advances to individuals	1 923	5 802	8 728	16 611
Debt securities	14 716	36 824	4 276	7 491
Total income	**3 848 423**	**7 529 889**	**2 892 715**	**4 865 582**

Interest expenses	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Interest expenses on financial liabilities measured at amortised cost	**(1 054 544)**	**(2 034 119)**	**(354 923)**	**(485 999)**
Liabilities to individuals	(479 692)	(861 690)	(76 901)	(95 085)
Liabilities to enterprises	(338 548)	(693 246)	(128 647)	(172 083)
Repo transactions	(44 378)	(127 519)	(45 079)	(64 890)
Liabilities to public sector	(75 229)	(150 900)	(36 589)	(52 175)
Liabilities to banks	(23 207)	(44 240)	(13 968)	(18 859)
Lease liability	(4 447)	(8 702)	(3 995)	(7 573)
Subordinated liabilities and issue of securities	(89 043)	(147 822)	(49 744)	(75 334)
Total costs	**(1 054 544)**	**(2 034 119)**	**(354 923)**	**(485 999)**
Net interest income	**2 793 879**	**5 495 770**	**2 537 792**	**4 379 583**

In thousands of PLN

7. Net fee and commission income

Fee and commission income	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
eBusiness & payments	70 812	139 382	66 956	130 184
Current accounts and money transfer	95 906	189 012	106 624	224 142
Foreign exchange commissions	189 949	371 475	177 671	360 426
Credit commissions incl. factoring commissions and other	99 037	193 227	94 686	177 908
Insurance commissions	34 103	64 898	28 701	57 137
Commissions from brokerage activities	31 920	68 172	27 872	72 475
Credit cards	24 475	46 746	22 096	42 224
Debit cards	128 883	223 319	98 751	183 314
Off-balance sheet guarantee commissions	36 357	64 238	24 776	51 673
Issue arrangement fees	2 058	10 172	2 651	5 490
Distribution fees	16 251	31 293	15 593	34 589
Total	**729 751**	**1 401 934**	**666 377**	**1 339 562**
Fee and commission expenses	**1.04.2023-30.06.2023**	**1.01.2023-30.06.2023**	**1.04.2022-30.06.2022**	**1.01.2022-30.06.2022**
eBusiness & payments	(19 875)	(37 592)	(18 363)	(32 674)
Commissions from brokerage activities	(3 014)	(6 743)	(3 174)	(8 157)
Credit cards	(3 872)	(3 553)	(1 729)	(3 223)
Debit cards	(49 241)	(56 717)	(30 510)	(50 845)
Credit commissions paid	(10 841)	(17 215)	(8 046)	(23 105)
Insurance commissions	(3 554)	(7 119)	(4 408)	(8 786)
Finance lease commissions	(172)	(288)	(245)	(383)
Off-balance sheet guarantee commissions	(10 115)	(19 496)		
Other	(32 402)	(57 555)	(41 970)	(69 545)
Total	**(133 086)**	**(206 278)**	**(108 445)**	**(196 718)**
Net fee and commission income	**596 665**	**1 195 656**	**557 932**	**1 142 844**

8. Net trading income and revaluation

Net trading income and revaluation	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Derivative instruments	(36 923)	92 185	(140 363)	(122 668)
Interbank FX transactions and other FX related income	28 457	12 100	89 395	115 168
Net gains on sale of equity securities measured at fair value through profit or loss	7 510	16 355	(13 132)	(6 908)
Net gains on sale of debt securities measured at fair value through profit or loss	7 719	8 017	20 504	29 831
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	7 947	12 147	6 770	3 411
Total	**14 710**	**140 804**	**(36 826)**	**18 834**

The above amounts included CVA and DVA adjustments in the amount of PLN (1,730k) for H1 2023, PLN (2,177k) for 2Q 2023 and PLN 11,198k for H1 2022, PLN 8,724 for 2Q 2022

In thousands of PLN

9. Gains (losses) from other financial securities

Gains (losses) from other financial securities	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Net gains on sale of debt securities measured at fair value through other comprehensive income	-	(4 660)	-	-
Net gains on sale of equity securities measured at fair value through profit and loss	-	2 887	-	-
Change in fair value of financial securities measured at fair value through profit or loss	3 217	14 605	(14 389)	(11 756)
Impairment losses on securities	(2 016)	(2 016)	(1 066)	(1 066)
Total gains (losses) on financial instruments	**1 201**	**10 816**	**(15 455)**	**(12 822)**
Change in fair value of hedging instruments	(101 066)	(254 799)	415 785	578 645
Change in fair value of underlying hedged positions	97 541	244 904	(434 479)	(598 828)
Total gains (losses) on hedging and hedged instruments	**(3 525)**	**(9 895)**	**(18 694)**	**(20 183)**
Total	**(2 324)**	**921**	**(34 149)**	**(33 005)**

10. Other operating income

Other operating income	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Income from services rendered	4 641	8 979	6 569	15 388
Release of provision for legal cases and other assets	1 296	1 825	1 137	2 499
Recovery of other receivables (expired, cancelled and uncollectable)	86	92	20	26
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	1 367	1 367	-	-
Settlements of leasing agreements / Income from claims received from the insurer	18	34	4	1 000
Received compensations, penalties and fines	591	1 321	338	741
Gains on lease modifications	6 053	6 967	1 882	1 882
Other	3 556	7 583	3 148	5 470
Total	**17 608**	**28 168**	**13 098**	**27 006**

In thousands of PLN

11. Impairment allowances for expected losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Charge for loans and advances to banks	**(1 522)**	**(1 490)**	**3**	**(18)**
Stage 1	(1 522)	(1 490)	3	(18)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	**(263 203)**	**(440 145)**	**(100 994)**	**(234 973)**
Stage 1	(52 147)	(81 842)	(15 941)	(76 918)
Stage 2	(96 443)	(159 299)	(20 348)	(58 655)
Stage 3	(140 137)	(243 773)	(78 932)	(136 894)
POCI	25 524	44 769	14 227	37 494
Recoveries of loans previously written off	**(1 920)**	**(999)**	**(3 071)**	**(4 508)**
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(1 920)	(999)	(3 071)	(4 508)
POCI	-	-	-	-
Off-balance sheet credit related facilities	**(1 330)**	**(3 617)**	**(6 190)**	**3 595**
Stage 1	(223)	(3 375)	(2 421)	3 983
Stage 2	(3 092)	(3 540)	(1 209)	1 331
Stage 3	1 985	3 298	(2 560)	(1 719)
POCI	-	-	-	-
Total	**(267 975)**	**(446 251)**	**(110 252)**	**(235 904)**

12. Employee costs

Employee costs	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Salaries and bonuses	(371 944)	(743 300)	(303 111)	(591 081)
Salary related costs	(65 474)	(126 817)	(55 152)	(110 778)
Cost of contributions to Employee Capital Plans	(2 945)	(5 343)	(1 964)	(3 778)
Staff benefits costs	(7 236)	(14 690)	(6 641)	(13 626)
Professional trainings	(1 714)	(3 464)	(1 890)	(3 289)
Total	**(449 313)**	**(893 614)**	**(368 758)**	**(722 552)**

In thousands of PLN

13. General and administrative expenses

General and administrative expenses	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Maintenance of premises	(27 806)	(58 019)	(26 399)	(50 600)
Short-term lease costs	(2 258)	(4 461)	(1 998)	(3 974)
Low-value assets lease costs	(295)	(592)	(295)	(607)
Costs of variable lease payments not included in the measurement of the lease liability	30	(400)	(162)	(676)
Non-tax deductible VAT	(8 986)	(17 642)	(8 208)	(16 986)
Marketing and representation	(29 044)	(54 879)	(27 377)	(46 264)
IT systems costs	(100 722)	(209 402)	(91 705)	(181 064)
Cost of BFG, KNF and KDPW	(1 757)	(175 636)	(3 703)	(259 922)
Cost for paument to protection system (IPS)	(238)	(238)	(407 263)	(407 263)
Postal and telecommunication costs	(14 424)	(27 353)	(13 956)	(27 916)
Consulting and advisory fees	(10 257)	(18 533)	(13 186)	(26 500)
Cars, transport expenses, carriage of cash	(15 798)	(31 277)	(14 593)	(26 964)
Other external services	(47 508)	(94 958)	(36 266)	(66 911)
Stationery, cards, cheques etc.	(4 469)	(9 349)	(3 936)	(7 769)
Sundry taxes and charges	(8 737)	(17 337)	(9 830)	(18 581)
Data transmission	(6 501)	(11 290)	(4 827)	(8 282)
KIR, SWIFT settlements	(7 142)	(15 477)	(6 653)	(13 010)
Security costs	(4 289)	(8 788)	(5 086)	(10 335)
Costs of repairs	(1 072)	(1 874)	(866)	(1 655)
Other	(5 194)	(10 236)	(3 532)	(6 298)
Total	**(296 467)**	**(767 741)**	**(679 841)**	**(1 181 577)**

14. Other operating expenses

Other operating expenses	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.04.2022-30.06.2022	1.01.2022-30.06.2022
Charge of provisions for legal cases and other assets	(15 640)	(18 741)	(6 009)	(8 955)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(2 144)	(3 219)	(2 913)	(5 383)
Costs of purchased services	(602)	(1 253)	(4 311)	(5 378)
Other membership fees	(488)	(726)	(278)	(593)
Paid compensations, penalties and fines	(12)	(21)	(20)	(165)
Donations paid	(2 700)	(2 700)	(1 000)	(1 490)
Other	(2 136)	(6 975)	(98)	(6 797)
Total	**(23 722)**	**(33 635)**	**(14 629)**	**(28 761)**

In thousands of PLN

15. Corporate income tax

Corporate income tax	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.01.2022-30.06.2022	1.01.2022-30.06.2022
Current tax charge in the income statement	(455 941)	(737 826)	(200 354)	(254 581)
Deferred tax charge in the income statement	28 800	(92 879)	(109 786)	(382 446)
Adjustments from previous years for current and deferred tax	14 809	18 161	(6 868)	(6 868)
Total tax on gross profit	**(412 332)**	**(812 544)**	**(317 008)**	**(643 895)**

Corporate total tax charge information	1.04.2023-30.06.2023	1.01.2023-30.06.2023	1.01.2022-30.06.2022	1.01.2022-30.06.2022
Profit before tax	1 682 503	3 185 914	995 004	2 120 105
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(319 676)	(605 324)	(189 051)	(402 820)
Non-tax-deductible expenses	(6 620)	(9 051)	(6 951)	(11 910)
Cost of legal risk associated with foreign currency mortgage loans	(104 133)	(149 326)	(110 414)	(134 489)
The fee to the Bank Guarantee Fund	1 247	(30 210)	728	(46 524)
Tax on financial institutions	(35 066)	(70 879)	(34 919)	(67 077)
Non-taxable income	45 606	45 606	32 360	32 360
Non-tax deductible bad debt provisions	(3 562)	(4 036)	(2 862)	(4 658)
Adjustment of prior years tax	14 810	18 162	(6 868)	(6 868)
Other	(4 938)	(7 486)	969	(1 909)
Total tax on gross profit	**(412 332)**	**(812 544)**	**(317 008)**	**(643 895)**

Deferred tax recognised in other comprehensive income	30.06.2023	31.12.2022
Relating to valuation of debt investments measured at fair value through other comprehensive income	110 435	203 099
Relating to valuation of equity investments measured at fair value through other comprehensive income	(37 432)	(33 170)
Relating to cash flow hedging activity	(13 052)	71 692
Relating to valuation of defined benefit plans	(2 759)	(2 759)
Total	**57 192**	**238 862**

16. Cash and balances with central banks

Cash and balances with central banks	30.06.2023	31.12.2022
Cash	2 601 336	3 191 056
Current accounts in central banks	7 732 705	6 846 009
Term deposits	-	98 034
Total	**10 334 041**	**10 135 099**

Santander Bank Polska 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 which was 3.5% as at 30.06.2023 and 31.12.2022 .

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

In thousands of PLN

17. Loans and advances to banks

Loans and advances to banks	30.06.2022	31.12.2021
Loans and advances	7 159 972	6 556 202
Current accounts	2 891 490	3 153 694
Gross receivables	**10 051 462**	**9 709 896**
Allowance for impairment	(1 585)	(96)
Total	**10 049 877**	**9 709 800**

18. Financial assets and liabilities held for trading

	30.06.2023		31.12.2022	
Financial assets and liabilities held for trading	Assets	Liabilities	Assets	Liabilities
Trading derivatives	**7 010 329**	**7 210 663**	**6 635 204**	**6 922 307**
Interest rate operations	4 333 482	4 402 125	4 675 684	4 634 007
FX operations	2 676 847	2 808 538	1 959 520	2 288 300
Debt and equity securities	**1 463 443**	**-**	**244 547**	**-**
Debt securities	**1 434 941**	**-**	**229 290**	**-**
Government securities:	1 420 944	-	213 206	-
- bonds	1 420 944	-	213 206	-
Other securities:	13 997	-	16 084	-
- bonds	13 997	-	16 084	-
Equity securities	**28 502**	**-**	**15 257**	**-**
Short sale	**-**	**435 533**	**-**	**195 560**
Total	**8 473 772**	**7 646 196**	**6 879 751**	**7 117 867**

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN 2,564 k as at 30.06.2023 and PLN1,242 k as at 31.12.2022.

19. Hedging derivatives

	30.06.2023		31.12.2022	
Hedging derivatives	Assets	Liabilities	Assets	Liabilities
Derivatives hedging fair value	396 930	87 485	487 292	25 508
Derivatives hedging cash flow	428 652	1 071 863	50 632	1 846 531
Total	**825 582**	**1 159 348**	**537 924**	**1 872 039**

As at 30.06.2023, the line item: hedging derivatives – derivatives hedging cash flows reflects a change in the first-day valuation of forward-starting CIRS transactions of PLN (2,666) k and PLN (4,353) k as at 31.12.2022.

In thousands of PLN

20. Loans and advances to customers

	30.06.2023			
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**	**Total**
Loans and advances to enterprises	69 907 128	2 337 708	242	72 245 078
Loans and advances to individuals, of which:	68 216 587	-	24 359	68 240 946
*Home mortgage loans**	*49 285 727*	-	-	*49 285 727*
Loans and advances to public sector	949 143	328 319	-	1 277 462
Other receivables	64 296	-	-	64 296
Gross receivables	**139 137 154**	**2 666 027**	**24 601**	**141 827 782**
Allowance for impairment	(4 099 404)	(15 465)	-	(4 114 869)
Total	**135 037 750**	**2 650 562**	**24 601**	**137 712 913**

* Includes changes in gross receivables recognized in note 33 Legal risk connected with CHF mortgage loans and impact of the payment deferrals – details in note 2.5.

	31.12.2022			
Loans and advances to customers	**Measured at amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Total**
Loans and advances to enterprises	66 481 615	2 306 972	39 205	68 827 792
Loans and advances to individuals, of which:	68 560 682	-	112 926	68 673 608
*Home mortgage loans**	*50 611 667*	-	-	*50 611 667*
Loans and advances to public sector	950 694	328 428	-	1 279 122
Other receivables	69 739	-	-	69 739
Gross receivables	**136 062 730**	**2 635 400**	**152 131**	**138 850 261**
Allowance for impairment	(4 000 693)	(6 740)	-	(4 007 433)
Total	**132 062 037**	**2 628 660**	**152 131**	**134 842 828**

* Includes changes in gross receivables recognized in note 33 Legal risk connected with CHF mortgage loans and impact of the payment deferrals – details in note 2.5.

Impact of the legal risk of mortgage loans in foreign currency	**Gross carrying amount of mortgage loans in foreign currency before adjustment due to legal risk costs**	**Impact of the legal risk of mortgage loans in foreign currency**	**Gross carrying amount of mortgage loans in foreign currency after adjustment due to legal risk costs**
30.06.2023			
Mortgage loans in foreign currency - adjustment to gross carrying amount	5 196 365	2 747 721	2 448 644
Provision in respect of legal risk connected with foreign currency mortgage loans		415 117	
Total		**3 162 838**	
31.12.2022			
Mortgage loans in foreign currency - adjustment to gross carrying amount	6 524 486	2 491 692	4 032 794
Provision in respect of legal risk connected with foreign currency mortgage loans		318 683	
Total		**2 810 375**	

In thousands of PLN

Loans and advances to enterprises 30.06.2023	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	62 847 634	(188 963)	62 658 671
Stage 2	3 844 140	(372 793)	3 471 347
Stage 3	2 769 890	(1 760 452)	1 009 438
POCI	445 464	(65 805)	379 659
Total	**69 907 128**	**(2 388 013)**	**67 519 115**

Loans and advances to individuals 30.06.2023	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	63 233 137	(255 668)	62 977 469
Stage 2	2 496 195	(237 605)	2 258 590
Stage 3	2 184 892	(1 150 877)	1 034 015
POCI	302 363	(67 241)	235 122
Total	**68 216 587**	**(1 711 391)**	**66 505 196**

Loans and advances to enterprises 31.12.2022	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	59 186 499	(164 317)	59 022 182
Stage 2	3 936 740	(339 764)	3 596 976
Stage 3	2 946 387	(1 780 563)	1 165 824
POCI	411 989	(59 175)	352 814
Total	**66 481 615**	**(2 343 819)**	**64 137 796**

Loans and advances to individuals 31.12.2022	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	64 031 301	(268 801)	63 762 500
Stage 2	2 203 917	(194 535)	2 009 382
Stage 3	1 999 544	(1 117 699)	881 845
POCI	325 920	(75 839)	250 081
Total	**68 560 682**	**(1 656 874)**	**66 903 808**

In thousands of PLN

Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2023-30.06.2023	1.01.2022-30.06.2022
Balance at the beginning of the period	**(4 000 693)**	**(3 740 198)**
Charge/write back of current period	**(475 213)**	**(268 093)**
Stage 1	(73 195)	(75 165)
Stage 2	(159 373)	(58 655)
Stage 3	(243 774)	(136 895)
POCI	1 129	2 622
Write off/Sale of receivables	**287 985**	**195 616**
Stage 1	-	-
Stage 2	-	-
Stage 3	287 985	195 616
POCI	-	-
Transfer	**71 418**	**68 717**
Stage 1	59 554	36 430
Stage 2	80 300	34 336
Stage 3	(68 765)	(2 879)
POCI	329	830
FX differences	**17 099**	**(14 456)**
Stage 1	2 271	(821)
Stage 2	2 829	(1 973)
Stage 3	11 489	(11 137)
POCI	510	(525)
Balance at the end of the period	**(4 099 404)**	**(3 758 414)**

21. Investment securities

Investment securities	30.06.2023	31.12.2022
Debt investment securities measured at fair value through other comprehensive income	**37 879 799**	**36 303 503**
Government securities:	30 209 453	30 891 181
- bonds	30 209 453	30 891 181
Central Bank securities:	5 493 818	3 898 145
- bills	5 493 818	3 898 145
Other securities:	2 176 528	1 514 177
-bonds	2 176 528	1 514 177
Debt investment securities measured at fair value through profit and loss	**66 991**	**62 907**
Debt investment securities measured at amortised cost	**18 112 382**	**15 499 348**
Government securities:	5 839 860	3 156 010
- bonds	5 839 860	3 156 010
Other securities:	12 272 522	12 343 338
- bonds	12 272 522	12 343 338
Equity investment securities measured at fair value through other comprehensive income	**222 599**	**200 170**
- unlisted	222 599	200 170
Equity investment securities measured at fair value through profit and loss	**-**	**58 035**
- unlisted	-	58 035
Total	**56 281 771**	**52 123 963**

In thousands of PLN

Change of classification of specific bonds portfolio

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

On 1.04.2023 debt investment securities measured at fair value through other comprehensive income of PLN 10,521.72m have been reclassified and related fair value adjustment has been reversed, also related deferred tax asset of PLN 353.11m has been released. Debt investment securities measured at amortised cost of PLN 12,380.19m have been recognised. The changes resulted in the net other comprehensive income increase in the amount of PLN 1,505.36m.

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

Reclassification of investment securities from measured at fair value through other comprehensive income to measured at amortized cost	
Fair value of debt investment securities reclassified as at 30 June 2023	10 923 270
Gain/ loss on change in the fair value of debt investment securities which would have been recognised in other comprehensive income between 1 January and 30 June 2023 if the investment securities had not been reclassified (taking into account tax impact)	325 253

22. Investments in subsidiaries and associates

Investments in subsidiaries and associates	30.06.2023	31.12.2022
Subsidiaries	2 340 801	2 340 801
Associates	36 606	36 606
Total	**2 377 407**	**2 377 407**

23. Fixed assets classified as held for sale

Fixed assets classified as held for sale	30.06.2023	31.12.2022
Land and buildings	4 308	4 308
Total	**4 308**	**4 308**

24. Deposits from banks

Deposits from banks	30.06.2023	31.12.2022
Term deposits	46 668	162 325
Current accounts	2 240 122	2 082 803
Total	**2 286 790**	**2 245 128**

25. Deposits from customers

Deposits from customers	30.06.2023	31.12.2022
Deposits from individuals	**104 526 295**	**102 383 221**
Term deposits	31 403 114	29 908 512
Current accounts	73 013 529	72 347 764
Other	109 652	126 945
Deposits from enterprises	**75 565 210**	**74 735 188**
Term deposits	18 732 647	16 840 729
Current accounts	54 337 907	55 078 144
Loans from financial institution	163 413	92 078
Other	2 331 243	2 724 237
Deposits from public sector	**7 955 588**	**8 536 851**
Term deposits	874 474	506 753
Current accounts	7 072 629	8 021 258
Other	8 485	8 840
Total	**188 047 093**	**185 655 260**

26. 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

Movements in subordinated liabilities	1.01.2023-30.06.2023	1.01.2022-30.06.2022
As at the beginning of the period	**2 705 885**	**2 649 991**
Increase (due to):	**4 382**	**74 976**
- interest on subordinated loans	89 226	45 526
- FX differences	(84 844)	29 450
Decrease (due to):	**(87 792)**	**(34 014)**
- interest repayment	(87 792)	(34 014)
As at the end of the period	**2 622 475**	**2 690 953**
Short-term	37 022	24 499
Long-term (over 1 year)	2 585 453	2 666 454

27. Debt securities in issue

Debt securities in issue on 30.06.2023

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 342 206
Santander Bank Polska S.A.	Bonds	1 900 000	PLN	30.03.2023	30.03.2025	1 942 844
Total						**5 285 050**

Debt securities in issue on 31.12.2022

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 518 153
Santander Bank Polska S.A.	Bonds	500 000	EUR	30.03.2022	30.03.2024	2 381 147
Total						**5 899 300**

Movements in debt securities in issue	1.01.2023-30.06.2023	1.01.2022-30.06.2022
As at the beginning of the period	**5 899 300**	**4 660 882**
Increase (due to):	**1 957 996**	**2 438 416**
- debt securities in issue	1 900 000	2 325 350
- interest on debt securities in issue	57 996	29 096
- FX differences	-	83 970
Decrease (due to):	**(2 572 246)**	**(11 818)**
- debt securities repurchase	(2 340 050)	-
- interest repayment	(47 596)	(11 818)
- FX differences	(184 600)	-
As at the end of the period	**5 285 050**	**7 087 480**

28. Provisions for financial liabilities and guarantees granted

Provisions for financial liabilities and guarantees granted	30.06.2023	31.12.2022
Provisions for financial commitments to grant loans and credit lines	61 702	56 914
Provisions for financial guarantees	14 399	16 038
Other provisions	679	1 060
Total	**76 780**	**74 012**

Change in provisions for financial liabilities and guarantees granted	30.06.2023
As at the beginning of the period	**74 012**
Provision charge	64 912
Write back	(61 295)
Other changes	(849)
As at the end of the period	**76 780**
Short-term	50 754
Long-term	26 026

Change in provisions for financial liabilities and guarantees granted	30.06.2022
As at the beginning of the period	**73 130**
Provision charge	56 266
Write back	(59 860)
Other changes	318
As at the end of the period	**69 854**
Short-term	47 099
Long-term	22 755

In thousands of PLN

29. Other provisions

Other provisions	30.06.2023	31.12.2022
Provision for legal risk connected with foreign currency mortgage loans	415 117	318 683
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	28 643	31 321
Provisions for legal claims and other	105 865	98 190
Provisions for restructuring	10 494	15 463
Total	**560 119**	**463 657**

Change in other provisions 1.01.2023 - 30.06.2023	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	**318 683**	**31 321**	**98 190**	**15 463**	**463 657**
Provision charge/relase	116 314		69 635	-	185 949
Utilization	(11 206)	(2 678)	(61 960)	(4 969)	(80 813)
Other	(8 674)		-	-	(8 674)
As at the end of the period	**415 117**	**28 643**	**105 865**	**10 494**	**560 119**

*Details in Note 33

Change in other provisions 1.01.2022 - 30.06.2022	Provision for legal risk connected with foreign currency mortgage loans	Provisions for reimbursement of costs related to early repayment of consumer loans	Provisions for legal claims and other	Provisions for restructuring	Total
As at the beginning of the period	**128 042**	**38 392**	**100 447**	**73 026**	**339 907**
Provision charge/relase	99 037	(4 416)	32 333	(15)	126 939
Utilization	(6 051)	-	(30 469)	(11 385)	(47 905)
Other	14 268	-	-	-	14 268
As at the end of the period	**235 296**	**33 976**	**102 311**	**61 626**	**433 209**

30. Other liabilities

Other liabilities	30.06.2023	31.12.2022
Settlements of stock exchange transactions	41 621	43 417
Interbank and interbranch settlements	588 108	1 105 216
Employee provisions	232 883	374 374
Sundry creditors	815 108	949 457
Liabilities from contracts with customers	134 343	122 391
Public and law settlements	147 224	149 249
Accrued liabilities	384 090	264 716
Other	158 998	-
Total	**2 502 375**	**3 008 820**
of which financial liabilities *	2 061 810	2 737 180

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

In thousands of PLN

Change in employee provisions 1.01.2023 - 30.06.2023		*of which: Provisions for retirement allowances*
As at the beginning of the period	**374 374**	***38 529***
Provision charge	129 202	*1 127*
Utilization	(198 354)	-
Release of provisions	(229)	-
Other changes	(72 110)	-
As at the end of the period	**232 883**	***39 656***
Short-term	193 228	-
Long-term	39 655	*39 656*

Change in employee provisions 1.01.2022 - 30.06.2022		*of which: Provisions for retirement allowances*
As at the beginning of the period	**312 052**	**36 628**
Provision charge	133 009	-
Utilization	(201 543)	-
As at the end of the period	**243 518**	***36 628***
Short-term	206 891	-
Long-term	36 627	*36 628*

31. Fair value

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

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

	30.06.2023		31.12.2022	
ASSETS	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Cash and balances with central banks	10 334 041	10 334 041	10 135 099	10 135 099
Loans and advances to banks	10 049 877	10 049 877	9 709 800	9 709 800
Loans and advances to clients measured at amortised cost, incl:	135 037 750	134 639 184	132 062 037	133 255 464
-individuals	17 746 916	18 150 796	16 919 845	17 687 157
-housing loans	48 758 280	47 266 917	50 059 801	50 259 196
-business	67 519 115	68 208 032	64 196 970	64 423 690
Buy-sell-back transactions	9 373 287	9 373 287	13 824 606	13 824 606
Debt investment securities measured at amortised cost	18 112 382	16 716 528	15 499 348	13 332 182
LIABILITIES				
Deposits from banks	2 286 790	2 286 790	2 245 128	1 337 573
Deposits from customers	188 047 093	188 051 397	185 655 260	185 643 760
Sell-buy-back transactions	-	-	2 158 520	2 158 520
Subordinated liabilities	2 622 475	2 584 752	2 705 885	2 637 846

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.

In thousands of PLN

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

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

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

Debt securities in issue and subordinated liabilities: The Bank 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 other items of liabilities, not carried at fair value in the financial statements, including: sell-buy-back transactions,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 30.06.2023 and in the comparable periods the Bank 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 Bank allocates to this level fixed-rate State Treasury bonds, treasury bills, shares of listed companies and WIG 20 futures.

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

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

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

Sensitivity analysis of the fair value of the underwriting loans

The analysis covered the population of the underwritting loans as at the end of June 2023 and in the comparable period for interest rate changes.

		Fair value in respective scenarios				
in PLN m		baseline	1 p.p. decrease in interest rates	2 p.p. decrease in interest rates	1 p.p. increase in interest rates	2 p.p. increase in interest rates
30.06.2023	Loans to customers (underwritting)	2 650,6	2 643,8	2 637,1	2 657,3	2 664,0
31.12.2022	Loans to customers (underwritting)	2 628,7	2 620,9	2 613,1	2 636,4	2 644,2

In thousands of PLN

The fair value of the underwritting loans portfolio was calculated for individual scenarios, taking into account the modified interest rate projections used both for calculating interest and for discounting cash flows.

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 Bank classifies financial instruments, which are valued using internal valuation models:

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

As at 30.06.2023 and in the comparable periods the Bank classified its financial instruments to the following fair value levels:

30.06.2023	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 463 443	7 001 293	9 036	8 473 772
Hedging derivatives	-	825 582	-	825 582
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 650 562	2 650 562
Loans and advances to customers measured at fair value through profit or loss	-	-	24 601	24 601
Debt securities measured at fair value through OCI	32 385 587	5 493 818	394	37 879 799
Debt securities measured at fair value through profit and loss	-	-	66 991	66 991
Equity securities measured at fair value through profit and loss	-	-	-	-
Equity securities measured at fair value through OCI	-	-	222 599	222 599
Total	**33 849 030**	**13 320 693**	**2 974 183**	**50 143 906**
Financial liabilities				
Financial liabilities held for trading	435 533	7 205 645	5 018	7 646 196
Hedging derivatives	-	1 159 348	-	1 159 348
Total	**435 533**	**8 364 993**	**5 018**	**8 805 544**

In thousands of PLN

31.12.2022	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	244 547	6 623 196	12 008	6 879 751
Hedging derivatives	-	537 924	-	537 924
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 628 660	2 628 660
Loans and advances to customers measured at fair value through profit or loss	-	-	152 131	152 131
Debt securities measured at fair value through OCI	32 199 894	4 101 199	2 410	36 303 503
Debt securities measured at fair value through profit and loss	-	-	62 907	62 907
Equity securities measured at fair value through profit and loss	-	-	58 035	58 035
Equity securities measured at fair value through OCI	-	-	200 170	200 170
Total	**32 444 441**	**11 262 319**	**3 116 321**	**46 823 081**
Financial liabilities				
Financial liabilities held for trading	195 560	6 913 952	8 355	7 117 867
Hedging derivatives	-	1 872 039	-	1 872 039
Total	**195 560**	**8 785 991**	**8 355**	**8 989 906**

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

Level III

30.06.2023	Financial assets held 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 other comprehensive income	Debt Investment securities measured at fair value through profit and loss	Equity investment securities measured at fair value through profit and loss	Equity securities measured at fair value through other comprehensive income	Financial assets held for trading
As at the beginning of the period	**12 008**	**152 131**	**2 628 660**	**2 410**	**62 907**	**58 035**	**200 170**	**8 355**
Profit or losses								
recognised in income statement	(2 670)	*21 979*	-	-	*8 506*	*6 185*	-	(2 968)
recognised in equity (OCI)	-	-	*105 009*	-	-	-	*22 429*	-
Purchase/ granting	1 012	10 341	*1 172 631*	-	-	-	-	279
Sale	-	-	(50 728)	-	-	(64 122)	-	-
Matured	-	(159 850)	*(1 168 247)*	-	-	-	-	-
Transfer	(1 314)	-	-	-	-	-	-	(648)
Other	-	-	*(36 763)*	(2 016)	(4 422)	(98)	-	-
As at the end of the period	**9 036**	**24 601**	**2 650 562**	**394**	**66 991**	**-**	**222 599**	**5 018**

In thousands of PLN

Level III

31.12.2022	Financial assets held 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 other comprehensive income	Debt Investment securities measured at fair value through profit and loss	Equity investment securities measured at fair value through profit and loss	Equity securities measured at fair value through other comprehensive income	Financial assets held for trading
As at the beginning of the period	**3 885**	**450 556**	**1 729 848**	**3 475**	**113 733**	**-**	**191 991**	**2 616**
Profit or losses								
recognised in income statement	5 517	*55 714*	-	-	*(4 515)*	*1 705*	-	6 131
recognised in equity (OCI)	-	-	*150 167*	-	-	-	*8 050*	-
Purchase/ granting	4 695	126 915	1 330 740	-	-	59 179	129	1 139
Sale	-	(24 145)	(430 000)	-	(59 179)	-	-	-
Matured	-	(456 909)	(154 869)	-	-	-	-	-
Transfer	(2 089)	-	-	-	-	-	-	(1 531)
Other	-	-	2 774	(1 065)	12 868	(2 849)	-	-
As at the end of the period	**12 008**	**152 131**	**2 628 660**	**2 410**	**62 907**	**58 035**	**200 170**	**8 355**

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.

32. Contingent liabilities

Significant court proceedings

As at 30.06.2023 the value of all litigation amounts to PLN 5 292 156 k. This amount includes PLN 979 893 k claimed by the Bank, PLN 4 312 263 k in claims against the Bank.

The amount of all court proceedings which had been completed in the period from 1.01.2023 to 30.06.2023 amounted to PLN 159 538k.

As at **30.06.2023** the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 329,710k and the adjustment to gross carrying amount under IFRS 9 related to to instigated lawsuits totalled PLN 2,038,947k. In 2,029 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 849 465 k.

As at 31.12.2022 the value of all litigation amounts to PLN 4,201,281 k. This amount includes PLN 927,871 k claimed by the Bank, PLN 3,273,410 k in claims against the Bank.

As at **31.12.2022** the amount of all court proceedings which had been completed amounted to PLN 142,781 k.

As at **31.12.2022** the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 173,097k and the adjustment to gross carrying amount under IFRS 9 related to to instigated lawsuits totalled PLN 1,746,075k. In 1,403 cases against Santander Bank Polska SA, where the claim value was high (equal or above PLN 500 k), the total value of provisions for legal claims recognised in accordance with IAS 37 and the adjustment to gross carrying amount under IFRS 9 related to legal claims was PLN 656 613 k.

In thousands of PLN

Off-balance sheet liabilities

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

	30.06.2023			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities granted	**49 767 851**	**756 579**	**15 462**	**50 539 892**
- financial	**31 698 067**	**482 321**	**28 092**	**32 208 480**
- credit lines	27 831 363	428 214	18 932	28 278 509
- credit cards debits	3 013 239	41 685	8 558	3 063 482
- import letters of credit	744 758	12 422	602	757 782
- term deposits with future commencement term	108 707	-	-	108 707
- guarantees	**18 100 353**	**287 582**	**20 257**	**18 408 192**
Provision for off-balance sheet liabilities	**(30 569)**	**(13 324)**	**(32 887)**	**(76 780)**
Liabilities received				**50 064 746**
- financial				**33 244**
- guarantees				**50 031 502**
Total	**49 767 851**	**756 579**	**15 462**	**100 604 638**

	31.12.2022			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities granted	**40 277 456**	**748 904**	**13 179**	**41 039 539**
- financial	**28 347 974**	**527 576**	**22 852**	**28 898 402**
- credit lines	24 470 038	482 387	12 454	24 964 879
- credit cards debits	3 047 030	35 540	8 833	3 091 403
- import letters of credit	809 145	9 649	1 565	820 359
- term deposits with future commencement term	21 761	-	-	21 761
- guarantees	**11 957 360**	**230 929**	**26 860**	**12 215 149**
Provision for off-balance sheet liabilities	**(27 878)**	**(9 601)**	**(36 533)**	**(74 012)**
Liabilities received				**47 832 305**
- financial				**-**
- guarantees				**47 832 305**
Total	**40 277 456**	**748 904**	**13 179**	**88 871 844**

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

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

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

33. Legal risk connected with CHF mortgage loans

As at 30 June 2023, the Bank had a portfolio of 22.1k CHF-denominated and CHF-indexed loans of PLN 5,196,365k gross before adjustment to the gross carrying amount at PLN 2,747,721k reducing contractual cash flows in respect of legal risk.

As at 31 December 2022, the Bank had a portfolio of 27.2k CHF-denominated and CHF-indexed loans of PLN 6,524,486k gross before adjustment to the gross carrying amount at PLN 2,491,692k reducing contractual cash flows in respect of legal risk.

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

The prevailing practice is the annulment of a loan agreement due to unfair clauses concerning loan indexation and application of an exchange rate from the bank's FX table. Some courts issue judgments as a result of which the loan is converted to PLN: the unfair indexation mechanism is removed and the loan is treated as a PLN loan with an interest rate based on a rate relevant for CHF. Other courts adjudicate partly in favour of banks: only the application of an exchange rate based on the bank's FX table is deemed to be unfair and is replaced by an objective indexation rate, i.e. an average NBP exchange rate. 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 Bank's view, have no significant impact on the assessment of legal risk of court cases regarding mortgage loans denominated in or indexed to CHF.

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

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

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

As there is no uniform approach, judgments passed by the Supreme Court in cases examined as part of the cassation procedure vary as to the effects of potential unfairness of indexation clauses: from the annulment of a loan agreement to its continuation in existence after the removal of unfair terms.

In the resolution passed in 2021 (file no. III CZP 6/21), the Supreme Court expressed its opinion on several matters relevant to CHF loans 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.

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

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

In its ruling practice, the CJEU generally gives priority to the protection of consumer's interests violated by unfair contractual terms. At the same time, it reiterates that the main objective of Directive 93/13/EEC on unfair terms in consumer contracts is to restore the balance between the parties, i.e. to restore the legal and factual situation which the consumer would have been in had they signed the agreement without the unfair term, while not undermining the deterrent effect sought by the Directive (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 ruling practice of national courts is the annulment of the agreement as a consequence of removal of unfair terms.

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 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 and the principle of proportionality are observed and,

– precluding a judicial interpretation of national law according to which the credit institution is entitled to seek compensation from the consumer going beyond reimbursement of the capital paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served".

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

At the same time, the CJEU held that the EU law does not preclude the consumer from seeking compensation from the bank beyond reimbursement of the instalments paid. That said, the CJEU asserted in the grounds of judgment that such claims should be assessed in the light of all the facts of the case to ensure that potential benefits derived by the consumer after annulment of the agreement do not go beyond what is necessary to restore the legal and factual situation they would have been in if they had not concluded a defective agreement and that the benefits are not a disproportionate penalty on a seller or supplier (proportionality principle). Furthermore, as any such claims will be assessed in accordance with national laws on unjust enrichment, the decision to uphold them would be questionable as there is no actual enrichment on the part of the bank as a result of the use of funds paid by the borrower (the borrower only reimburses the money provided by the bank under an agreement declared invalid).

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

The final assessment of legal risk related to claims of the parties for consideration arising from the non-contractual use of the capital in the case of annulment of the agreement will largely depend on the ruling practice of national courts with regard to the enforcement of CJEU judgments and on the opinion of the Supreme Court.

In thousands of PLN

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

In view of the above, the Bank 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. Total cumulative impact of legal risk associated with foreign currency mortgage loans is recognised 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 Bank's financial statements.

As at 30 June 2023, there were 10,498 pending lawsuits against the Bank over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 3,737,742k. This included one class action filed under the Class Action Act and relating to 354 CHF-indexed loans with the disputed amount of PLN 50,983k.

As at 31 December 2022, there were 8,637 pending lawsuits against the Bank over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 2,812,580k. This included one class action filed under the Class Action Act and relating to 559 CHF-indexed loans with the disputed amount of PLN 50,983k.

As at 30 June 2023, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Bank was estimated at PLN 3,162,838k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 2,747,721k;
- IAS 37 provision at PLN 415,117k.

As at 31 December 2022, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Bank was estimated at PLN 2,810,375k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 2,491,692k;
- IAS 37 provision at PLN 318,683k.

The tables below present the total cost of legal risk connected with mortgage loans recognised in the Bank'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	**1.04.2023–30.06.2023**	**1.01.2023–30.06.2023**	**1.04.2022–30.06.2022**	**1.01.2022–30.06.2022**
Impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(392 970)	(638 823)	(575 284)	(622 200)
Impact of legal risk associated with foreign currency mortgage loans recognised as provision	(93 917)	(116 314)	(101 890)	(99 037)
Other costs*	(72 488)	(152 486)	(43 557)	(77 169)
Total cost of legal risk associated with foreign currency mortgage loans	**(559 375)**	**(907 623)**	**(720 731)**	**(798 406)**
Gain/loss on derecognition of financial instruments measured at amortised cost	(77 589)	(261 565)	(22 738)	(38 911)
including: settlements made	(80 009)	(265 763)	(20 738)	(40 825)
Total cost of legal risk associated with foreign currency mortgage loans and settlements made	**(639 384)**	**(1 173 386)**	**(741 469)**	**(839 231)**

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

In thousands of PLN

	30.06.2023	31.12.2022
Adjustment to gross carrying amount in respect of legal risk associated with foreign currency mortgage loans	2 747 721	2 491 692
Provision for legal risk associated with foreign currency mortgage loans	415 117	318 683
Total cumulative impact of legal risk associated with foreign currency mortgage loans	**3 162 838**	**2 810 375**

As at 30 June 2023, the total adjustment to the gross carrying amount and provisions for legal risk and legal provisions (for legal claims and a collective portion) accounted for 60.9% of the gross value of the active CHF loan portfolio (before adjustment to the gross carrying amount in line with IFRS 9).

The increase in the cost of legal risk between January and June 2023 is due to an update of the number of expected settlements and expected lawsuits as well as change in total loss in respect of cases potentially lost by the Bank resulting from changes in the expected rulings and the assumed level of the likelihood of claims being resolved in favour of customers. In 2022 and H1 2023, we also observed more court rulings.

The Bank 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 Bank 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 Bank assumes that lawsuits have been or will be filed against the Bank in relation to approx. 27.5% 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 Bank 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 Bank'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 Bank 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 likelihood ratios differ between indexed and denominated loans. The likelihood of unfavourable ruling for the Bank is higher for the former and lower for the latter. The Bank also considered the protracted proceedings in some courts. As at 30 June 2023, 1,204 final and non-appealable judgments were issued in cases against the Bank (including those passed after the CJEU ruling of 3 October 2019), of which 1,150 were unfavourable to the Bank, and 54 were entirely or partially favourable to the Bank (compared to 705 judgments as at 31 December 2022, including 658 unfavourable ones and 47 entirely or partially favourable). When assessing these likelihoods, the Bank used the support of law firms and conducted thorough analysis of the ruling practice in cases concerning indexed and denominated loans.

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

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

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

The Bank 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.

In thousands of PLN

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 Bank has prepared settlement proposals which take into account both the key elements of conversion of home loans indexed to CHF, as proposed by the KNF Chairman, and the conditions defined internally by the Bank. The proposals are being presented to customers. This is reflected in the model which is currently used to calculate legal risk provisions, both in terms of the impact of proposed settlements on customers' willingness to bring the case to court and with respect to the potential outcomes of court proceedings. By 30 June 2023, the Bank made 6,722 settlements (both pre-court and following the lawsuits), of which 4,125 ones were reached during H1 2023 and 1,212 ones in Q2 2023 alone.

In mid-2022, the Bank prepared 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.

Sensitivity analysis

Due to the high uncertainty around both individual assumptions and their total impact, the Bank carried out the following sensitivity analysis of the estimated impact of legal risk by assessing the influence of variability of individual parameters on the level of that risk.
The estimates were prepared in the form of a univariate analysis of provision value sensitivity.
Taking into account the variability of the parameters outlined below, as at 30 June 2023 the impact of legal risk estimated on a collective basis is as follows:

Scenario (PLN m)	Change in the collective provision as at 30.06.2023	Change in the collective provision as at 31.12.2022
Tripling the number of customers filing a lawsuit	1 637	1 543
Doubling the number of customers filing a lawsuit	819	772
50% reduction in the number of customers filing a lawsuit	(409)	(386)
Relative increase of 5% in the likelihood of losing the case	41	37
Relative decrease of 5% in the likelihood of losing the case	(41)	(36)

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

Taking into account the variability of the parameters outlined below, the provision for individual legal claims as at 30 June 2023 and in the comparative period is affected as follows:

Scenario (PLN m)	Change in the individual provision as at 30.06.2023	Change in the individual provision as at 31.12.2022
Relative increase of 5% in the likelihood of losing the case	114	91
Relative decrease of 5% in the likelihood of losing the case	(114)	(89)

In thousands of PLN

34. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	26.07.2023	25.04.2023	26.07.2023	25.04.2023	26.07.2023	25.04.2023	26.07.2023	25.04.2023
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,01%	5 123 581	5 123 581	5,01%	5,01%
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
Total	**102 189 314**	**102 189 314**	**100%**	**100%**	**102 189 314**	**102 189 314**	**100%**	**100%**

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

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total numer of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim report for 1H 2023 /26.07.2023/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

35. Related parties

The tables below present intercompany transactions. Transactions between Santander Bank Polska SA and its related entities are banking operations carried out on an arm's length basis as part of their ordinary business and mainly represent loans, bank accounts, deposits, guarantees and leases. In the case of internal Group transactions, a documentation is prepared in accordance with requirements of tax regulations for transfer pricing.

Transactions with subsidiaries	30.06.2023	31.12.2022
Assets	**19 587 122**	**17 549 723**
Loans and advances to banks	370 956	267 794
Financial assets held for trading	315	201
Loans and advances to customers	19 109 990	17 239 186
Other assets	105 861	42 542
Liabilities	**461 244**	**590 583**
Deposits from banks	34 594	70 197
Financial liabilities held for trading	7 506	9 041
Deposits from customers	241 589	331 439
Lease liabilities	177 544	179 890
Other liabilities	11	16
Contingent Liabilities	**6 305 419**	**6 300 736**
Sanctioned:	5 005 419	5 000 736
financial	*1 434 358*	*1 719 730*
guarantees	*3 571 061*	*3 281 006*
Received:	1 300 000	1 300 000
guarantees	*1 300 000*	*1 300 000*

In thousands of PLN

Transactions with subsidiaries	1.01.2023-30.06.2023	1.01.2022-30.06.2022
Income	**506 181**	**228 388**
Interest income	476 607	196 267
Fee and commission income	26 003	28 007
Other operating income	3 571	4 114
Expenses	**9 336**	**14 379**
Interest expenses	8 856	5 614
Fee and commission expenses	133	92
Net trading income and revaluation	174	8 505
Operating expenses incl.:	173	168
Bank's staff, operating expenses and management costs	*161*	*158*
Other	*12*	*10*

Transactions with associates	30.06.2023	31.12.2022
Liabilities	**78 141**	**56 243**
Deposits from customers	78 141	56 243

Transactions with associates	1.01.2023-30.06.2023	1.01.2022-30.06.2022
Income	**34 784**	**29 159**
Fee and commission income	34 784	29 159
Expenses	**1 030**	**618**
Interest expense	1 030	618

Transactions with Santander Group	with the parent company		with other entities	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Assets	**10 678 389**	**10 301 473**	**2 124**	**1 749**
Loans and advances to banks, incl:	5 985 875	6 202 306	2 124	1 749
current accounts	*542 693*	*566 447*	*2 124*	*1 749*
loans and advances	*5 443 182*	*5 635 859*	-	-
Financial assets held for trading	4 690 407	4 098 301	-	-
Other assets	2 107	866	-	-
Liabilities	**8 156 299**	**10 294 407**	**137 837**	**107 941**
Deposits from banks incl.:	1 189 020	594 353	8 447	17 142
current accounts	*1 189 020*	*594 353*	*8 447*	*17 142*
Financial liabilities held for trading	3 587 254	3 796 232	83	-
Deposits from customers	-	-	61 405	70 288
Lease liabilities	-	-	25	25
Debt securities in issue	3 342 206	5 899 300	-	-
Other liabilities	37 819	4 522	67 877	20 486
Contingent liabilities	**7 860 106**	**2 795 875**	**12 544**	**5 320**
Sanctioned:	1 326 514	-	2 316	3 827
guarantees	*1 326 514*	-	*2 316*	*3 827*
Received:	6 533 592	2 795 875	10 228	1 493
guarantees	*6 533 592*	*2 795 875*	*10 228*	*1 493*

In thousands of PLN

Transactions with Santander Group	with the parent company 1.01.2023-30.06.2023	with the parent company 1.01.2022-30.06.2022	with other entities 1.01.2023-30.06.2023	with other entities 1.01.2022-30.06.2022
Income	**917 221**	**540 258**	**1 277**	**5 198**
Interest income	116 984	(317)	5	3
Fee and commission income	10 516	5 934	51	458
Other operating income	-	84	723	4 377
Net trading income and revaluation	789 721	534 557	498	360
Expenses	**95 202**	**51 317**	**79 506**	**63 207**
Interest expense	55 708	25 752	548	1 899
Fee and commission expense	3 669	2 870	69	236
Operating expenses incl.:	35 825	22 695	78 889	61 072
staff,operating expenses and management costs	*35 771*	*22 693*	*78 833*	*61 072*
other operating expenses	*54*	2	*56*	-

Transactions with key management personnel

Remuneration of Santander Bank Polska Management Board Members, Supervisory Board Members and key management personnel.

Loans and advances granted to key management personnel

As at 30.06.2023, 31.12.2022 and 30.06.2022 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

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

Transactions with members of Management Board and Key Management Personnel	Management Board Members 1.01.2023-30.06.2023	Management Board Members 1.01.2022-30.06.2022	Key Management Personnel 1.01.2023-30.06.2023	Key Management Personnel 1.01.2022-30.06.2022
Short-term employee benefits	7 863	8 535	15 358	13 993
Post-employment benefits	-	-	200	-
Long-term employee benefits	17 650	13 575	20 470	14 329
Paid termination benefits	-	-	663	-
Share-based payments	-	-	2 860	-
Total	**25 513**	**22 110**	**39 551**	**28 322**

	Management Board Members 30.06.2023	Management Board Members 31.12.2022	Key Management Personnel 30.06.2023	Key Management Personnel 31.12.2022
Loans and advances made by the Bank to the Members of the Management Board/Key Management and to their relatives	4 235	4 799	16 037	19 661
Deposits from The Management Board/Key management and their relatives	13 765	10 197	15 517	16 541

The category of key management personnel includes the persons covered by the principles outlined in the "Santander Bank Polska Group Remuneration Policy".

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

Persons holding key executive positions are paid variable remuneration once a year following the end of the reference period and release of the Bank's results. Variable remuneration is awarded in accordance with bonus regulations and five-year Incentive Plan VII and is paid in cash and in the Bank's shares or related financial instruments (phantom stock). The remuneration paid in shares or financial instruments may not be lower than 50% of the total amount of variable remuneration. Payment of min. 40% of the variable remuneration specified above is conditional and deferred for the period of four or five years. During that period, it is paid in arrears in equal annual instalments depending on the employee's individual performance in the analysed period and the value of shares or related financial instruments.

The total cost of long-term Incentive Plan VII for the Management Board and key executives is PLN 80,832 k for H1 2023. Details are described in note 42.

In H1 2023, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 1,020.1 k (1,091.9 k in H1 2022). Mr John Power received remuneration of PLN 78.8 k from subsidiaries for his membership in their Supervisory Boards (54.4k in H1 2022).

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

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

37. 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.

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

No such events took place in the reporting period.

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

As at 30.06.2023 and 31.12.2022 Santander Bank Polska SA 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.

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

Details in Note 10 and 14.

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

As at 30.06.2023 and 31.12.2022 or Santander Bank Polska S.A. or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

42. Share based incentive scheme

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

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

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

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

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

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

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

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

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

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

As at 30 June 2023, the total amount recognised in line with IFRS 2 (Share-based Payment) in the Bank's equity was PLN 153,403k, including PLN 80,832k taken to staff expenses in H1 2023. As at 30 June 2023, PLN 48,249k worth of shares were transferred to employees.

43. Dividend per share

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

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

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

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

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

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

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

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

Re distribution of profit and decision on capital reserve created

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

1. The Bank’s Annual General Meeting distributed the Bank’s net profit earned in the accounting year from 1 January 2022 to 31 December 2022 in the amount of PLN 2,449,042,525.50 as follows:

- PLN 72,357,000.00 – to be allocated to the capital reserve;

- PLN 2,376,685,525.50 – to be allocated to the dividend reserve (Dividend Reserve) created by force of resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve (Resolution no. 6/2021)

2. The Annual General Meeting allocates to the Dividend Reserve the amount of PLN 840,886,574.78, which represents the undistributed profit earned on the sale of shares in AVIVA insurance companies and posted under other comprehensive income

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

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

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Signatures of the persons representing the entity

Date	Name	Function	Signature
25.07.2023	Michał Gajewski	President	The original Polish document is signed with a qualified electronic signature
25.07.2023	Andrzej Burliga	Vice-President	The original Polish document is signed with a qualified electronic signature
25.07.2023	Juan de Porras Aguirre	Vice-President	The original Polish document is signed with a qualified electronic signature
25.07.2023	Arkadiusz Przybył	Vice-President	The original Polish document is signed with a qualified electronic signature
25.07.2023	Lech Gałkowski	Member	The original Polish document is signed with a qualified electronic signature
25.07.2023	María Elena Lanciego Pérez	Member	The original Polish document is signed with a qualified electronic signature
25.07.2023	Patryk Nowakowski	Member	The original Polish document is signed with a qualified electronic signature
25.07.2023	Magdalena Proga-Stępień	Member	The original Polish document is signed with a qualified electronic signature
25.07.2023	Maciej Reluga	Member	The original Polish document is signed with a qualified electronic signature
25.07.2023	Dorota Strojkowska	Member	The original Polish document is signed with a qualified electronic signature

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

Date	Name	Function	Signature
25.07.2023	Wojciech Skalski	Financial Accounting Area Director	The original Polish document is signed with a qualified electronic signature