

Report of Santander Bank Polska Group for Quarter 3 2019



FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	1.01.2019-	1.01.2018-	1.01.2019-	1.01.2018-
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Consolidated financial statements of Santander Bank Polska Group				
I Net interest income	4 933 166	4 208 252	1 144 958	989 362
II Net fee and commission income	1 586 466	1 560 524	368 209	366 880
III Profit before tax	2 440 285	2 417 290	566 375	568 306
IV Net profit attributable to owners of Santander Bank Polska SA	1 583 558	1 598 113	367 534	375 717
V Total net cash flows	(6 666 815)	3 264 692	(1 547 327)	767 531
VI Profit of the period attributable to non-controlling interests	238 395	260 350	55 330	61 208
VII Profit per share in PLN/EUR	15,51	16,09	3,60	3,78
VIII Diluted earnings per share in PLN/EUR	15,50	16,07	3,60	3,78
Stand alone financial statements of Santander Bank Polska S.A.				
I Net interest income	3 591 845	2 971 006	833 645	698 485
II Net fee and commission income	1 278 472	1 201 493	296 726	282 472
III Profit before tax	2 102 213	1 934 475	487 911	454 796
IV Profit for the period	1 657 326	1 544 500	384 655	363 113
V Total net cash flows	(6 573 083)	3 192 448	(1 525 573)	750 546
VI Profit per share in PLN/EUR	16,23	15,55	3,77	3,66
VII Diluted earnings per share in PLN/EUR	16,22	15,53	3,76	3,65

FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	Consolidated financial statements of Santander Bank Polska Group			
I Total assets	204 072 985	205 852 860	46 660 185	48 193 300
II Deposits from banks	3 997 194	2 832 928	913 937	663 232
III Deposits from customers	151 026 677	149 616 658	34 531 433	35 027 546
IV Total liabilities	177 655 246	179 210 828	40 619 912	41 955 993
V Total equity	26 417 739	26 642 032	6 040 273	6 237 307
VI Non-controlling interests in equity	1 480 340	1 564 184	338 472	366 199
VII Number of shares	102 088 305	102 088 305		
VIII Net book value per share in PLN/EUR	258,77	260,97	59,17	61,10
IX Capital ratio	16,14%	15,98%	-	-
X Declared or Paid dividend per share in PLN/EUR*	19,72	3,10	4,58	0,73
Stand alone financial statements of Santander Bank Polska S.A.				
I Total assets	177 444 112	183 047 326	40 571 637	42 854 176
II Deposits from banks	1 395 089	1 039 979	318 980	243 475
III Deposits from customers	139 981 588	139 469 776	32 006 033	32 652 005
IV Total liabilities	153 666 778	159 204 386	35 135 078	37 272 179
V Total equity	23 777 334	23 842 940	5 436 559	5 581 997
VI Number of shares	102 088 305	102 088 305		
VII Net book value per share in PLN/EUR	232,91	233,55	53,25	54,68
VIII Capital ratio	18,49%	18,04%	-	-
IX Declared or Paid dividend per share in PLN/EUR*	19,72	3,10	4,58	0,73

* Detailed information is provided in Note 42.

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

- for balance sheet items – average NBP exchange rate as at 30.09.2019: EUR 1 = PLN 4.3736 and as at 31.12.2018: EUR 1 = PLN 4.3000
- for profit and loss items – as at 30.09.2019 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2019: EUR 1 = PLN 4.3086; as at 30.09.2018 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2018: EUR 1 = PLN 4.2535.

As at 30.09.2019, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 189/A/NBP/2019 dd. 30.09.2019.

Overview of
Santander Bank Polska Group
Performance in Quarter 3 2019

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I. Basic Information about Santander Bank Polska Group and its Performance in Q3 2019

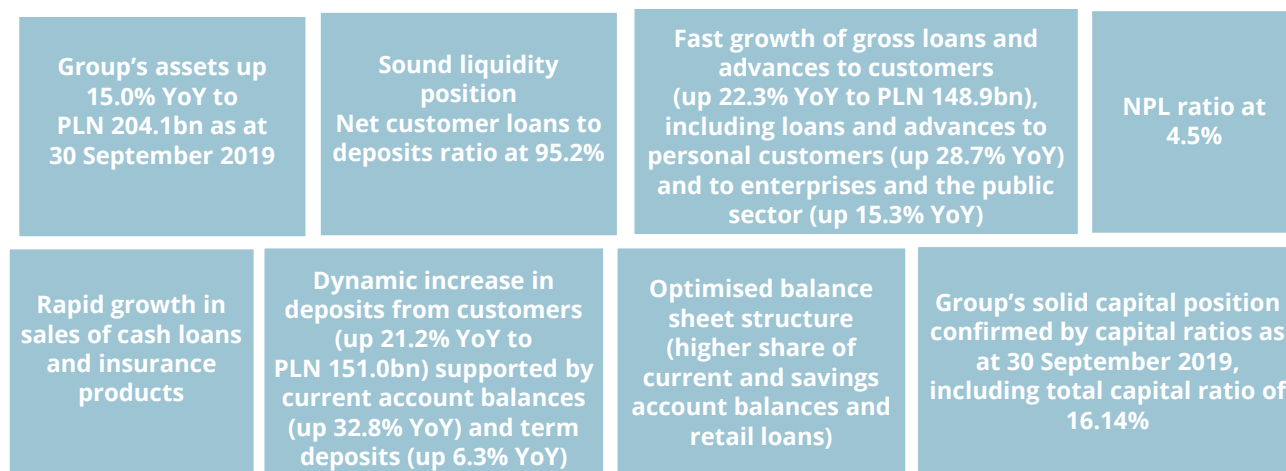
1. Introduction

Comparability of periods

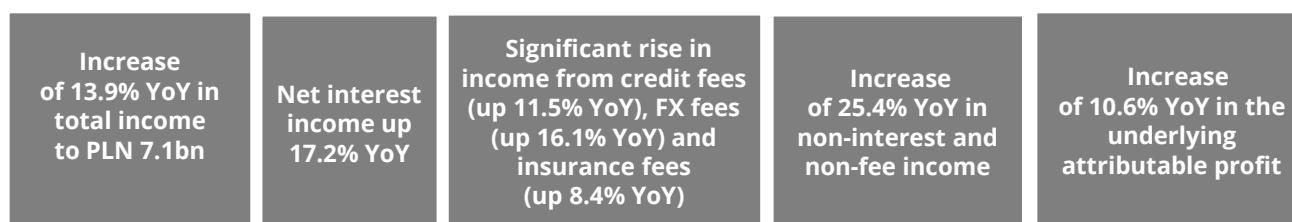
The consolidated financial results of Santander Bank Polska S.A. for the period ended 30 September 2019 are not fully comparable with the same period last year due to the extended scope of operations following the acquisition of the demerged part of Deutsche Bank Polska S.A. on 9 November 2018 (retail banking, private banking and business banking), significant costs associated with restructuring programmes, systemic regulatory fees and non-recurring events. The comparability of periods in annual terms has also been affected by the change in accounting policies as described in Note 2 “Basis of preparation of condensed interim consolidated financial statements” of the Condensed Interim Consolidated Financial Statement of Santander Bank Polska Group for the 9-month period ended 30 September 2019.

2. Key Achievements

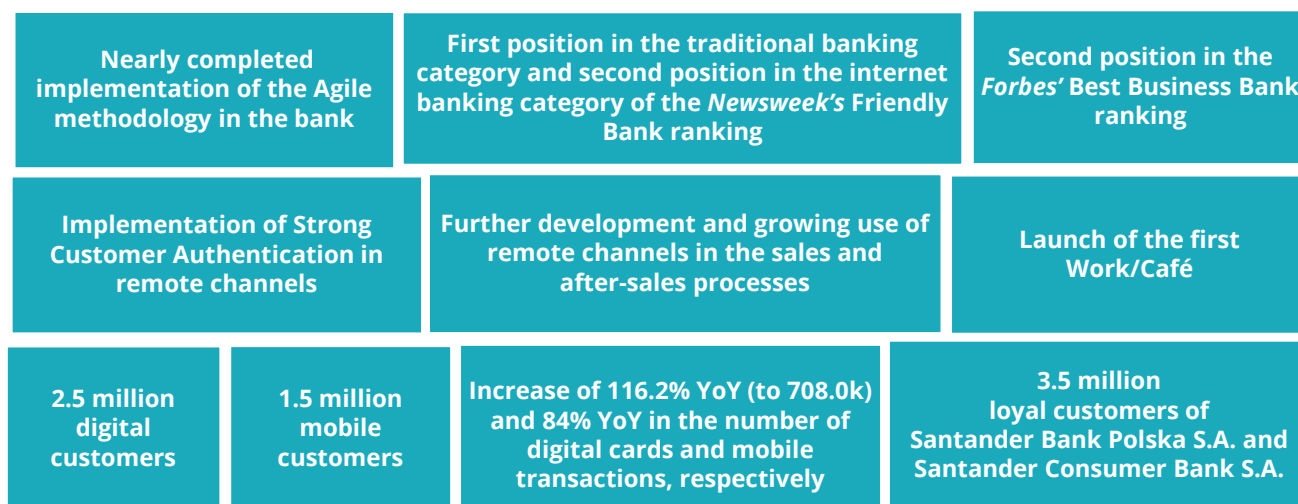
Strong growth in business volumes



Satisfactory income from core and non-core activities



Organisational development and innovation



3. Financial and Business Highlights of Santander Bank Polska Group and YoY Movements

Key financial data of Santander Bank Polska Group

Selected Income Statement data		Q1-3 2019	Q1-3 2018	YoY Change (%)
Total income	PLN m	7 094,6	6 227,2	13,9%
Total costs	PLN m	(3 247,9)	(2 803,6)	15,8%
Impairment losses on loans and advances	PLN m	(955,8)	(714,9)	33,7%
Profit before tax	PLN m	2 440,3	2 417,3	1,0%
Net profit attributable to Santander Bank Polska S.A.	PLN m	1 583,6	1 598,1	-0,9%
Selected Balance Sheet data		30.09.2019	30.09.2018	YoY Change (%)
Total assets	PLN m	204 073,0	177 399,9	15,0%
Net loans and advances to customers	PLN m	143 825,4	116 590,0	23,4%
Deposits from customers	PLN m	151 026,7	124 629,2	21,2%
Total equity	PLN m	26 417,7	24 546,9	7,6%
Selected off-Balance Sheet data		30.09.2019	30.09.2018	YoY Change (%)
Net assets of Santander mutual funds ¹⁾	PLN bn	16,3	16,2	0,6%
Selected ratios ²⁾		30.09.2019	30.09.2018	YoY Change (p.p.)
Total costs/Total income	%	45,8%	45,0%	0,8%
Total capital ratio	%	16,14%	15,51%	0,6%
ROE	%	10,8%	11,1%	-0,3%
NPL ratio	%	4,5%	4,6%	-0,1%
Credit risk ratio	%	0,92%	0,80%	0,1%
Customer net loans/customer deposits	%	95,2%	93,5%	1,7%

1) Assets in investment funds (excluding individual portfolios) managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A.

2) For definitions of ratios presented in the table above, see Section 3 "Selected Financial Ratios" of Chapter V "Financial Performance of Santander Bank Polska Group in Q3 2019".

Key non-financial data of Santander Bank Polska Group

Selected non-financial data		30.09.2019	30.09.2018	YoY Change
Internet and mobile banking customers ³⁾	m	4,3	3,6	0,7
Digital (active) internet and mobile banking customers ⁴⁾	m	2,5	2,2	0,3
Digital (active) mobile banking customers	m	1,5	1,2	0,3
Debit cards	m	4,1	3,8	0,3
Credit cards	m	1,3	1,3	0,0
Customer base	m	7,2	6,5	0,7
Branches	locations	675	673	2
Partner outlets	locations	310	289	21
Employment	FTEs	13 630	14 030	-400

4) Registered users of Santander Bank Polska mobile and internet banking services.

5) Active users of Santander Bank Polska electronic banking who at least once used the online or mobile service in the last reporting month. The respective figure excludes 0.2m active users of Santander Consumer Bank electronic banking services.

4. Major Macroeconomic Developments

Key macroeconomic factors impacting financial and business performance of Santander Bank Polska Group in Q3 2019

Economic growth	<ul style="list-style-type: none"> Continued robust economic growth, yet probably slower than exceptionally strong performance recorded in 2018. Data pointing to some deceleration in the eurozone, in particular with regard to international trade and manufacturing. Negative revision of the global outlook by international institutions.
Labour market	<ul style="list-style-type: none"> Favourable conditions in the labour market with record-low unemployment and robust wage growth in support of private consumption. Private consumption growing at above 4% YoY with consumer confidence at high levels. Slightly reduced but continued shortage of workforce, making it difficult for companies to expand. Growing labour costs.
Inflation	<ul style="list-style-type: none"> Climbing CPI and core inflation, accompanied by a gradual increase in inflation expectations. Significant rise in house prices coupled with a slight slowdown in real estate sales in the primary market.
Monetary policy	<ul style="list-style-type: none"> NBP interest rates kept at all-time lows, with increased expectations of future rate cuts following global monetary easing trends.
Credit market	<ul style="list-style-type: none"> Continued solid demand for credit from households and companies.
Financial markets	<ul style="list-style-type: none"> Changes of mood in international financial markets influenced by the expected policy orientation of the main central banks (Fed, ECB), incoming macroeconomic data, worries about the geopolitical situation, including concerns about the Brexit negotiations and the impact of trade wars on the global growth. Uncertainty about the Brexit scenario. Depreciation of the zloty amid rising exchange rate volatility. Continued decline in yields of Polish treasury bonds.

5. Corporate Events

Extraordinary General Meeting of Shareholders of Santander Bank Polska S.A.

The Extraordinary General Meeting of Shareholders of Santander Bank Polska S.A. (EGM) held on 23 September 2019 approved the division of Santander Securities S.A. in accordance with the Division Plan of 12 June 2019 and the sale of an organised part of the bank's enterprise, namely the Investment Services Centre operating as a separate organisational unit (see below for more details). The EGM also appointed a new Supervisory Board member (see below for details), determined her remuneration and amended Resolution no. 41 of the Annual General Meeting of Shareholders of 17 May 2017 on remuneration of the Supervisory Board members. Furthermore, the EGM approved the amendments to the Policy on the suitability assessment of the Supervisory Board members in Santander Bank Polska S.A., which had been introduced by the Supervisory Board, and proposed changes to the bank's Statutes.

Planned division of Santander Securities S.A. (pursuant to the Division Plan of 12 June 2019)

The division of Santander Securities S.A. will be effected in accordance with the procedure set out in Article 529 § 1(1) of the Commercial Companies Code through:

- transferring to Santander Bank Polska S.A. an organised part of the enterprise of Santander Securities S.A. connected with brokerage services;
- transferring to Santander Finanse Sp. z o.o. (a wholly owned subsidiary of Santander Bank Polska S.A.) an organised part of the enterprise of Santander Securities S.A. connected with training activities regarding the capital market.

As part of the transaction, the share capital of Santander Finanse Sp. z o.o. is to be increased through the issue of new shares according to the agreed exchange ratio, i.e. 60 shares with the nominal value of PLN 50 each and the total nominal value of PLN 3,000.

The bank is the sole shareholder of the company being divided, therefore its share capital is not going to be increased as a result of acquisition of the assets of that company. As the sole shareholder of the above company, the bank will take up all new shares issued as part of the increase in the share capital of Santander Finanse Sp. z o.o.

Santander Securities S.A. will be wound up without liquidation on the date on which it is struck off the register, which will occur immediately upon the increase in the share capital of Santander Finanse Sp. z o.o. as a result of the division.

Sale of a separate organisational unit of Santander Bank Polska S.A.

As part of transformation of the business model, on 27 September 2019 Santander Bank Polska S.A. sold an organised part of the bank's enterprise, namely the Investment Services Centre (a separate organisational unit) to a third party not associated with the bank. The Investment Services Centre, which represents an organisationally, functionally and financially independent set of tangible and intangible assets of the bank, is seated in Poznań and does not conduct banking activities. It provides professional transfer agent services to Santander Towarzystwo Funduszy Inwestycyjnych S.A. (a subsidiary of Santander Bank Polska S.A.) and to investment funds managed by that company.

The sale agreement also provides for the subsequent sale of an organised part of the enterprise of Santander Towarzystwo Funduszy Inwestycyjnych S.A., namely the Valuations and Reporting Department, which is a separate organisational unit responsible for settlements, valuations and reporting of investment funds.

Changes to the composition of the Supervisory Board of Santander Bank Polska S.A.

The composition of the Supervisory Board of Santander Bank Polska S.A. changed as a result of the following:

- death of Witold Jurcewicz, the Supervisory Board member, on 18 September 2019;
- appointment of Isabel Guerreiro as the Supervisory Board member under the resolution of the EGM of 23 September 2019.

The table below presents the current membership of the Supervisory Board:

Role in the Supervisory Board	Ref.	Composition as at 30.09.2019	Ref.	Composition as at 30.06.2019
Chairman of the Supervisory Board:	1.	Gerry Byrne	1.	Gerry Byrne
Vice Chairman of the Supervisory Board:	2.	José Luis de Mora	2.	José Luis de Mora
	3.	José Garcia Cantera	3.	José Garcia Cantera
	4.	Danuta Dąbrowska	4.	Danuta Dąbrowska
	5.	Isabel Guerreiro	-	-
Members of the Supervisory Board:	6.	David Hexter	5.	David Hexter
	-	-	6.	Witold Jurcewicz
	7.	John Power	7.	John Power
	8.	Jerzy Surma	8.	Jerzy Surma
	9.	Marynika Woroszyńska-Sapieha	9.	Marynika Woroszyńska-Sapieha

Activation of securitisation agreement

On 26 August 2019, the securitisation agreement signed by Santander Bank Polska S.A. and the European Investment Fund (EIF) on 7 December 2018 was activated. The agreement provides for synthetic securitisation of a cash loan portfolio worth PLN 2.1bn. The securitised portfolio is divided into three tranches: senior (81.5%), mezzanine (17%) and junior (1.5%). The senior and mezzanine tranches have been fully guaranteed by the EIF. In addition, the mezzanine tranche is secured by a counter-guarantee from the European Investment Bank (EIB). The first loss tranche of 1.5% of the portfolio was retained by the bank. The transaction was designed to transfer credit risk to the EIF and optimise Tier 1 capital.

Additional own funds requirement for Santander Bank Polska S.A. in relation to the buffer of other systemically important institution

In its decision of 23 September 2019 issued at the request of the Polish Financial Supervision Authority (KNF) as part of the review of the adequacy of the buffer imposed on the bank as other systemically important institution (O-SII), the Financial Stability Committee endorsed the buffer equivalent to 0.75% of the total risk exposure.

Pursuant to the KNF's decision of 14 October 2019, the Bank is currently required to maintain the O-SII buffer at the above-mentioned level (previously it was 0.50%).

Additional information on own funds and eligible liabilities of Santander Bank Polska Group as at 30 June 2019

As a material subsidiary of cross-border Santander Group, Santander Bank Polska S.A. is a part of a global systemically important institution and one of the points of entry in the Group's recovery strategy. As at 30 June 2019, the own funds and eligible liabilities of Santander Bank Polska Group in relation to the risk weighted assets were 18.10% and exceeded the minimum level of 16%. Santander Bank Polska S.A. published the report including additional information on own funds and eligible liabilities of Santander Bank Polska Group as at 30 June 2019.

Consent of the Polish Financial Supervision Authority to allocate a part of the net profit of Santander Bank Polska S.A./Santander Bank Polska Group for the half-year period of 2019 to unconsolidated/consolidated Common Equity Tier 1 capital

Pursuant to the KNF decision of 11 October 2019, the bank obtained the consent to:

- allocate to its unconsolidated Common Equity Tier 1 capital a part of the net profit of Santander Bank Polska S.A. for the period from 1 January 2019 to 30 June 2019 in the amount of PLN 589,819,448;
- allocate to its Common Equity Tier 1 capital on a consolidated level a part of the net profit of Santander Bank Polska Group for the period from 1 January 2019 to 30 June 2019 in the amount of PLN 478,950,253.

The above decisions will be reflected in the calculation of capital ratios from October 2019 onwards.

Top position in the Newsweek's Friendly Bank ranking

Santander Bank Polska S.A. was ranked first in the traditional banking category and second in the internet banking category of the Newsweek's Friendly Bank ranking.

With regard to traditional banking, the judges particularly noted staff engagement and competence as well as effective execution of basic operations. In the category of internet and mobile banking, the key assessment criteria included user-friendly navigation, effectiveness of contact channels, transaction system and processing time. Banks were also rewarded for new services and functionalities.

The Newsweek's Friendly Bank ranking is organised in cooperation with a research company Kantar Polska and is based on the mystery shopping exercise. The auditors tested the services of more than 20 banks in the period from June to August 2019.

6. Human Resources

As at 30 September 2019, the number of FTEs in Santander Bank Polska Group was 13,630 vs. 15,347 as at 31 December 2018. These headcount figures include 10,692 FTEs of Santander Bank Polska S.A. (12,253 as at 31 December 2018) and 2,461 FTEs of SCB Group (2,628 as at 31 December 2018).

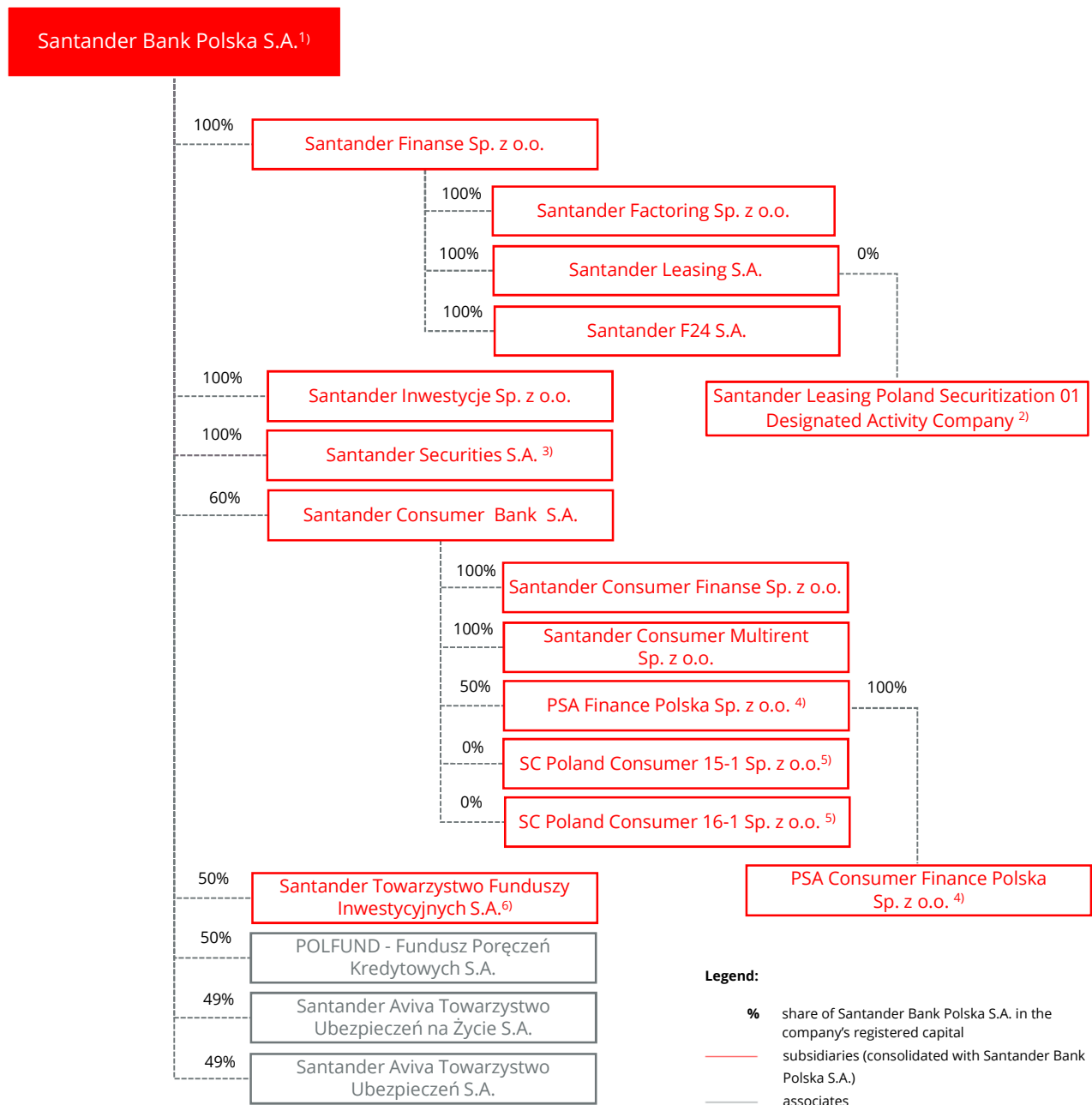
During the first nine months of 2019, employment in the Group decreased by 11.2% as a result of ongoing transformation of the business model of Santander Bank Polska S.A. through digitalisation, continued migration of sales and banking services to remote distribution channels and gradual implementation of technological and organisational solutions increasing the Group's operational efficiency. As part of the reorganisation processes, the bank eliminates duplicated areas identified after the acquisition of the demerged part of Deutsche Bank Polska S.A.

The implemented changes lead to a steady reduction of headcount in the bank's branches, with a concurrent increase in the number of FTEs in business support areas. The HR processes take into account the present business needs and market conditions. They are mainly delivered as part of the collective redundancies process and natural employee attrition.

The former process, which was launched in Santander Bank Polska S.A. in March 2019 pursuant to the Management Board's decision of 10 January 2019 and an agreement with the trade unions, will be completed by the end of December 2019 and will cover up to 1,400 employees. Redundant employees are entitled to a statutory severance pay and additional cash benefits on account of employment contract termination. A provision of PLN 80m was raised in relation to employment restructuring. By the end of September 2019, 1,109 employees left the organisation as part of the collective redundancies process. As a socially responsible employer, the bank implemented a comprehensive programme of support for redundant employees. It is based on an internet platform and provides employees with useful knowledge and skills which help them reintegrate into the labour market.

7. Structure of Santander Bank Polska Group

SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 30 SEPTEMBER 2019



1) Pursuant to the resolution of the General Meeting of 16 May 2018, on 7 September 2018 Bank Zachodni WBK S.A. was rebranded as Santander Bank Polska S.A. The names of the bank's subsidiaries and associates were changed accordingly.

2) Santander Leasing Poland Securitization 01 Designated Activity Company with its registered office in Dublin is a special purpose vehicle incorporated on 30 August 2018 for the sole purpose of securitisation of lease and credit portfolio. The company does not have any capital or personal connections with Santander Leasing S.A., its parent entity under IFRS 10.7.

3) Santander Securities S.A. (formerly DB Securities S.A.) is a brokerage company acquired on 9 November 2018 along with a demerged part of Deutsche Bank Polska S.A. Pursuant to the resolution of the Extraordinary General Meeting of 23 September 2019, the company will be wound up in Q4 2019 following the division through the transfer of an organised part of the enterprise to Santander Bank Polska S.A. and Santander Finanse Sp. z o.o. (for details see Section 5 "Corporate Events").

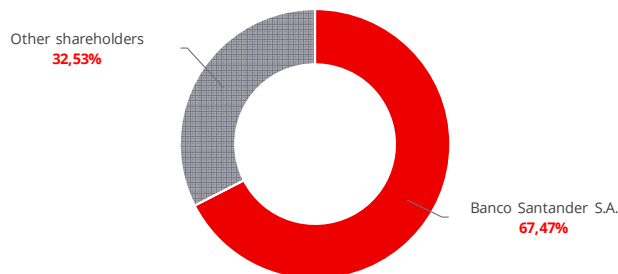
4) On 1 October 2016, Santander Consumer Bank S.A. (SCB S.A.) acquired 50% shares of PSA Finance Polska Sp. z o.o. and, indirectly, 50% stake in PSA Consumer Finance Polska Sp. z o.o. Both companies are controlled by SCB S.A. as they meet the conditions set out in IFRS 10.7.

5) SC Poland Consumer 15-1 Sp. z o.o. and SC Poland Consumer 16-1 Sp. z o.o. are SPVs set up for the purpose of securitisation of a part of SCB S.A. credit portfolio. Their shareholder is a legal person that has no ties with the Group. The companies are controlled by SCB S.A. as they meet the conditions laid down in IFRS 10.7.

6) Both owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of Santander Group, each holding an equal stake of 50% in the company's share capital. Santander TFI S.A. is controlled by Santander Bank Polska S.A.

8. Ownership Structure

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE EQUITY AS AT 30.09.2019



To the best knowledge of the Management Board, as at 30 September 2019 Banco Santander S.A. was the only shareholder holding more than 5% of the share capital and the total number of votes at the General Meeting of Santander Bank Polska S.A., with shareholding of 67.47%.

The ownership structure of Santander Bank Polska S.A. did not change compared with the end of December 2018.

More information about the ownership structure of Santander Bank Polska S.A. is presented in Note 29 to the Condensed Interim Consolidated Financial Statement of Santander Bank Polska Group for the 9-month period ended 30 September 2019.

9. Share Price vs. Indices

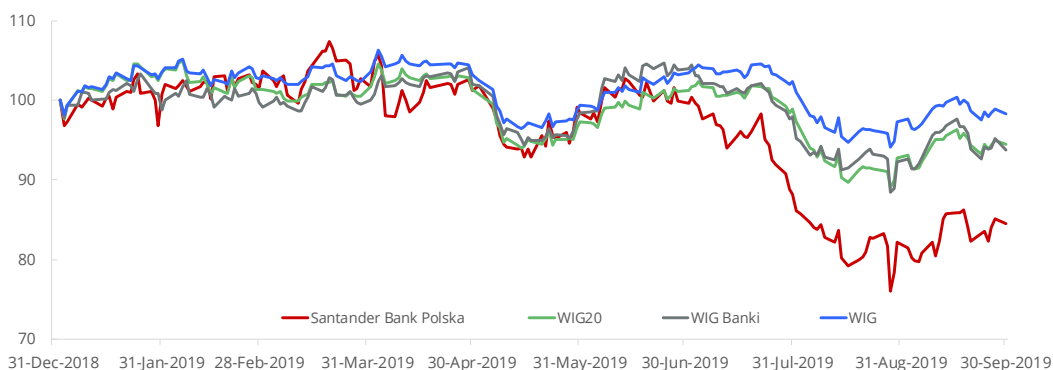
The Warsaw Stock Exchange suffered the worst quarter in the year to date. Not only did the majority of indices fall, but the demand for Polish equity from foreign investors also subdued.

In the analysed period, stock prices were impacted by the prevailing macro and geopolitical climate (notably the Brexit and the trade war between the US and China) as well as new developments such as the monetary policy of central banks (global interest rate cuts) or the projected economic slowdown. In Poland, the main factor was the ruling of the Court of Justice of the European Union (CJEU) on CHF-indexed loans and its impact on the banking sector. There was considerable uncertainty as to how the CJEU judgment would affect decisions of the Polish courts and the number of lawsuits brought against banks, although some market experts believed that the potentially adverse effect for the banking sector had already been partly discounted.

In Q3 2019, WIG-Banks lost 9.7%. The worst performers were banks with foreign currency mortgage exposure. The share price of Santander Bank Polska S.A. fell by 15.4% QoQ against this background and ranked second in the sector in terms of market capitalisation (PLN 32,014.9m at the end of September 2019).

Meanwhile, WIG and WIG20 decreased by 4.8% and 6.6% respectively, due to the strong share of banks, among other things. Owing to more favourable conditions at the start of the year, the year-to-date drop in the above indices was not that large and totalled 0.6% and 4.5%, respectively. WIG-Banks lost 4.2% during this period.

SHARE PRICE OF SANTANDER BANK POLSKA S.A. VS. INDICES IN 2019
SHARE PRICE OF SANTANDER BANK POLSKA S.A., WIG20, WIG BANKI AND WIG AS AT 02.01.2019 = 100



Share price and market capitalisation of Santander Bank Polska S.A.	Unit	Price /Value
Number of shares	items	102 088 305
Nominal price per share	PLN	10,00
Dividend payout ¹⁾	PLN	19,72
Closing share price at the end of December 2018	PLN	358,20
Closing share price at the end of September 2019	PLN	313,60
Ytd change in the share price	%	-12,5%
Maximum closing share price in Q1-3 2019	PLN	398,60
Minimum closing share price in Q1-3 2019	PLN	282,00
Market capitalisation at the end of December 2018	PLN m	36 568,03
Market capitalisation at the end of September 2019	PLN m	32 014,89

1) dividend per share of Santander Bank Polska S.A. paid in 2019, except for series M shares whose holders were paid a dividend of PLN 14.68 per share (for more information see Note 42 "Dividend per share" to the Condensed Interim Consolidated Financial Statement of Santander Bank Polska Group for the 9-month period).

10. Rating of Santander Bank Polska S.A.

Rating by Fitch Ratings

The table below shows rating actions taken by Fitch Ratings in relation to Santander Bank Polska S.A., affirmed by the agency on 12 October 2018 (and applicable as at 30 September 2019).

Rating Category of Fitch Ratings	Ratings affirmed as at 12.10.2018
Long-term Issuer Default Rating (long-term IDR)	BBB+
Outlook for the long-term IDR rating	stable
Short-term Issuer Default Rating (short-term IDR)	F2
Viability rating (VR)	bbb+
Support rating	2
National long-term rating	AA(pol)
Outlook for the national long-term rating	stable
Long-term senior unsecured debt rating	BBB+
Short-term senior unsecured rating for eurobonds	F2
Long-term senior unsecured rating for eurobonds	BBB+

Rating by Moody's Investors Service

The table below sums up the ratings assigned by Moody's Investors to Santander Bank Polska S.A., as announced on 3 June 2019 (and applicable as at 30 September 2019) and their levels before the last credit decision.

Category of Moody's Ratings	Ratings upgraded as at 3.06.2019	Ratings affirmed in credit opinion as at 27.12.2018
Long-term/Short-term Counterparty Risk Rating	A1/P-1	A2/P-1
Long-term/Short-term Bank Deposits	A2/P-1	A3/P-2
Outlook for long-term deposits	stable	positive
Baseline Credit Assessment	baa2	baa3
Adjusted Baseline Credit Assessment	baa1	baa2
Long-term/Short-term Counterparty Risk Assessment	A1 (cr)/P-1 (cr)	A2 (cr)/ P-1 (cr)
Long-term foreign-currency ratings to senior unsecured eurobonds under EMTN programme	A3	Baa1
Outlook for the bonds	stable	positive
Long-term domestic and foreign-currency senior unsecured EMTN Programme	(P)A3	(P)Baa1

II. Description of External Environment in Q3 2019

Economic growth

The Polish economy has been gradually slowing down, which is reflected in monthly data about economic activity and in quarterly GDP statistics. In Q3 2019, the pace of GDP growth probably decelerated to approx. 4.1% YoY, from 4.5% YoY in Q2 and 4.7% YoY in Q1. The final quarter of this year may be even worse. The average pace of economic growth in 2019 should reach 4.3%, which will be still one of the best results in the European Union. The reason for the economic slowdown in Poland is, among other things, the deterioration of business climate abroad, notably in the eurozone. Private consumption has been the main driver of GDP growth, supported by strong rise in salaries, record low unemployment and record high level of consumer confidence. An additional boost for private consumption came from higher social transfers and PIT tax reductions. Rising inflation will weaken but not stop the growth of real disposable income. After a surge at the start of the year caused by an increased activity of the private sector, investment growth started to decelerate gradually due to weak global economic outlook and public investments coming to a halt. A slowdown in exports, caused by weak activity in Germany and in the eurozone, was accompanied by decelerating imports. Net exports' contribution to economic growth was no longer positive in Q2 2019 and is likely to turn negative in the following quarters.

Labour market

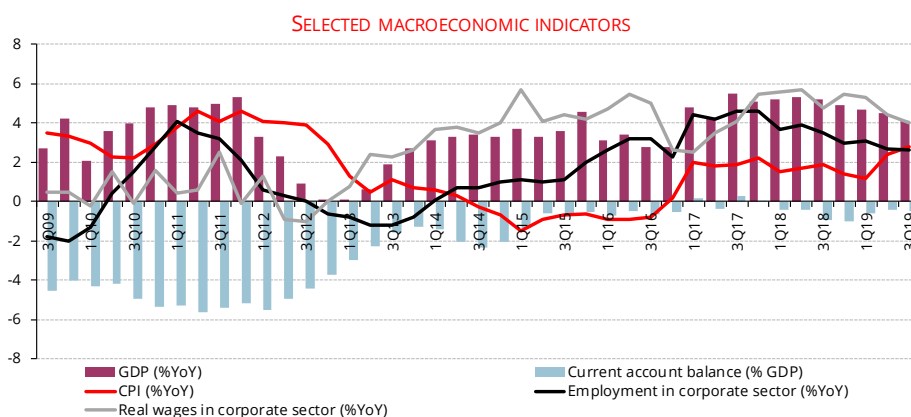
Employment growth has been decelerating gradually due to both shortages in labour supply and downward revision in labour demand caused by worsening economic outlook and growing labour costs. Costs of labour are likely to keep rising quickly in the following quarters. Even if the labour shortage does not deepen any further, the wage pressure resulting from market forces will be accompanied by administrative factors such as introduction of Employee Capital Plans, likely cancellation of threshold for social insurance contributions and surge in the minimum wage. As a result, the employment restructuring process may accelerate: labour force may move from less productive companies to more productive ones once the former fall into troubles because of high labour costs. Consequently, the wage growth should at least continue at around 7% YoY, while rising inflation and over 15% surge in the minimum wage in 2020 suggest even some acceleration.

Inflation

The pace of price growth reached 2.9% YoY during the summer months while in September it fell to 2.6% YoY amid a noticeable drop in vegetable and fuel prices. However, inflation pressure is likely to resume in the final months of 2019 and CPI may rise above 3% in late 2019 and above 4% in early 2020 unless energy prices for households continue to be frozen. One should note that although part of this rise is caused by factors that may seem temporary (food), the core inflation has also been rising, reaching 2.4% YoY in September, its highest level in the last seven years. Rising labour costs and continuously strong internal demand should keep pushing the core inflation up. In H2 2020, food prices will be determined by weather conditions. If there are no anomalies, the strong base effect may pull headline CPI down to 3-3.5% YoY. However, the observed climate changes suggest that the risk for food prices is on the upside.

Monetary policy

The significant rise in inflation and the continued high pace of Polish GDP growth did not change the Monetary Policy Council's policy bias. The MPC's rhetoric is still neutral, even though in Q3 2019 the Council voted both on rate hike (in July) and rate cut (in September). The former motion was supported only by two MPC members and we may assume that the support for the latter one was not bigger. The majority of MPC members who are centred around the NBP Governor support the view that interest rates should stay on hold. The discussion in the Council may remain heated, so further motions for cuts or hikes are likely to be filed. Still, the baseline scenario assumes that interest rates will remain unchanged. According to the NBP Governor, given the current economic forecasts, rates can remain unchanged even until the end of the current MPC term (2022).



Credit and deposit markets

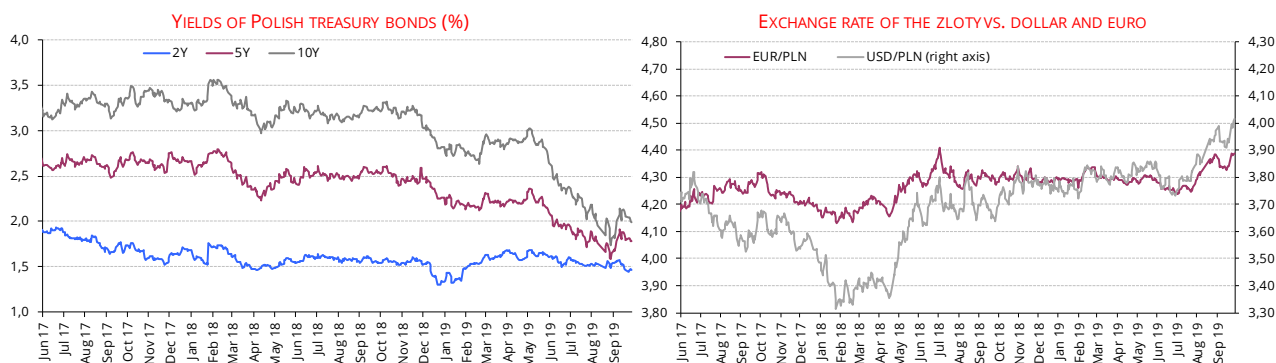
Adjusting for exchange rate movements, total loan growth in the banking sector stabilised at 7% YoY. Consumer loans grew by almost 9% YoY, slightly accelerating compared to the first half of the year. The growth rate of PLN-denominated mortgages remained high at around 12% YoY. Corporate loan growth (adjusted for exchange rate changes) was slightly below 6% YoY and broadly stable compared to the previous quarters. Deposits grew by around 10% YoY in Q3, i.e. similarly to the previous months. Demand deposits increased by more than 14% YoY, significantly outpacing term deposits which rose just under 2% YoY. Retail deposits grew by 11% YoY while business deposits went up by 7-8% YoY.

Financial market

Continuation and escalation of the trade war between the US and China contributed to further slowdown of the global economy, recession in manufacturing and further easing of global monetary policy: the Federal Reserve cut the interest rates twice, while ECB cut interest rates once but to the lowest level in history (-0.50%) and relaunched the quantitative easing programme. As investors were looking for safe havens, the dollar index gained 2.8% in Q3, while the yields of 10Y bonds fell by 35bp to 1.69% from 2.05% at the start of the quarter. German 10Y bonds price action looked similar and yields fell during the third quarter by 20 bp from -0.35% to -0.55%. Almost all emerging market currencies lost versus dollar by a few percent on average.

In Q3 2019, the yields of Polish bonds mirrored those of the core fixed income markets. The yields of 10Y bonds fell by more than 35bp from 2.37% to 2.0%, hitting an all-time low at 1.73% in August. Positive news about budget financing and limited net supply of bonds also contributed to the downward yield trend. The MPC did not change interest rates and is likely to keep them on hold for the time being. The spread between the Polish and German 10Y bonds narrowed by 15 bp during the quarter from 270bp to 255bp.

The third quarter saw much higher volatility of the Polish exchange rate compared with the previous months. The major central banks turned towards more accommodative monetary policy, providing only temporary support for the domestic currency which was under pressure from both external and internal factors for the greater part of the quarter. The zloty and other emerging market currencies were negatively affected by the strong dollar, sharp depreciation of the Argentine peso and uncertainty related to the implications of the United Kingdom leaving the European Union. In Poland, there was uncertainty about the verdict of the Court of Justice of the European Union regarding the FX mortgage loans as well as the outcome of the general elections. The EUR/PLN rate started the third quarter close to 4.24 and ended above 4.35, slightly below its peak at approx. 4.40 reached in mid-August. The USD/PLN rate rose from 3.73 to slightly above 4.0, CHF/PLN rate from 3.80 to 4.03 and GBP/PLN rate from 4.70 to 4.97.



III. Business Development in Q3 2019

1. Business Development of Santander Bank Polska S.A. and Non-Banking Subsidiaries

1.1. Retail Banking Division

Main development directions

Below are the focus areas of the Retail Banking Division in Q3 2019:

Personal customers:

- further improvement of customer service quality
- growth of the portfolios of consumer loans and insurance products
- increase in sales via remote channels
- simplification and digitalisation of processes
- further integration with a demerged part of Deutsche Bank Polska S.A.

SME:

- implementation of a new credit strategy
- simplification of customer service processes
- increase in sales of banking products via remote channels
- implementation of new non-financial services for the bank's customers (microfactoring, amicable debt collection, legal services).

Development of selected business areas

The table below presents the performance of individual product lines of Retail Banking in the reporting period:

Product line for personal customers	Performance in Q3 2019
Cash loans	<ul style="list-style-type: none"> • In the reporting period, the bank continued to offer special deals on cash loans: <ul style="list-style-type: none"> ✓ a consolidation loan promotion called “Lower instalment” (“Lżejsza rata”) (3rd edition) ✓ special offers of a cash loan bundled with the Account As I Want It (Konto Jakie Chcę) called “Cash loan with no fee” (“Kredyt gotówkowy z prowizją 0%”) (3rd edition) and the Select Account called “Cash loan with no fee for Select customers” (“Kredyt gotówkowy 0% dla klientów Select”) (2nd edition) ✓ special offers aimed to grow sales via Santander internet/mobile: “Online cash loan with no fee” (“Kredyt gotówkowy online z prowizją 0%”) (2nd edition) and “Online cash loan – lower fee with insurance” (“Kredyt gotówkowy online – niższa prowizja z ubezpieczeniem”). • The cash loan sales for the first nine months of 2019 hit an all-time high of PLN 6.4bn, up 78.1% YoY. The sales growth was supported by the new cash loan distribution channel (a network of agents acquired from Deutsche Bank Polska S.A.), harmonised credit processes in branches of Santander Bank Polska S.A. and former Deutsche Bank Polska S.A. (in terms of the credit policy and pricing terms) as well as special deals and growing customer base with pre-approved, personalized credit offer available. • Owing to special deals and the new cash loan application process launched in remote channels, internet and mobile sales grew by 190.7% YoY. • The cash loan portfolio of Santander Bank Polska S.A. was up 65.6% YoY and totalled PLN 13.7bn at the end of September 2019.
Mortgage loans	<ul style="list-style-type: none"> • In September 2019, the bank increased the competitiveness of mortgage loans by reducing fixed interest rates for home loans and equity releases for the period of 5 years. • In Q3 2019, the value of new (disbursed) mortgage loans totalled PLN 1.5bn and increased by 1.1%. In the year to date, this value was PLN 4.6bn, down 8.8% YoY. • The gross mortgage portfolio of Santander Bank Polska S.A. grew by 31.2% YoY, reaching PLN 49.3bn at the end of September 2019. The value of PLN mortgage loans amounted to PLN 39.3bn, up 44.2% YoY.
Personal accounts and bundled products	<ul style="list-style-type: none"> • The bank continued to adapt its systems to the new laws on cross-border transfers in the EU. A communication campaign was launched to inform customers about relevant changes in internal regulations. • The range of payment cards was further modified: <ul style="list-style-type: none"> ✓ Visa VIP was renamed as Visa Select (effective as of 1 July 2019) ✓ annual and monthly fees for new World Mastercard credit card agreements were changed in line with market rates ✓ an annual fee for EUR, USD and GBP cards for personal customers was replaced with a monthly fee payable in arrears (effective as of 1 September 2019). • In partnership with Allegro, the bank launched the second edition of the special deal called “Coins from Santander Bank Polska S.A.” (“Monety od Santander Bank Polska S.A.”). • To promote payment products and mobile payments, the bank became a strategic sponsor of Garmin Iron Triathlon 2019 for another year in a row. The Santander brand is increasingly associated with this event and with modern payment solutions, which translates into an increased number of users of Garmin Pay Santander Bank Polska S.A. and a higher number of transactions. • As at 30 September 2019, the volumes of key products offered by Santander Bank Polska S.A. as part of the above-mentioned product line were as follows: <ul style="list-style-type: none"> ✓ The number of personal accounts grew by 12.6% YoY and reached 3.7m. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 1.6m. Including FX accounts, the personal accounts base totalled nearly 4.6m. ✓ The personal debit card portfolio (excluding prepaid cards which are being gradually phased out) comprised more than 3.8m cards and increased by 8.8% YoY. Taking business cards into account, the total number of debit cards reached 4.1m, up 10.0% YoY. ✓ The credit card portfolio comprised 823.7k instruments, an increase of 1.8% YoY. ✓ The number of digital cards used to make HCE, Google Pay, Garmin Pay and Apple Pay mobile payments added up to 708.0k (up 116.2% YoY).

Product line for personal customers	Performance in Q3 2019 (cd.)
Deposits	<ul style="list-style-type: none"> • In Q3 2019, the bank significantly optimised costs of retail deposits: <ul style="list-style-type: none"> ✓ On 30 June 2019, interest rate on the Regular Savings Account (Konto Systematyczne) was reduced to 1.5% p.a. for deposits up to PLN 20k. ✓ The bank also reduced interest rate on off-sale savings accounts and EUR savings accounts. • In July 2019, the bank launched an offer called "Activity is rewarded" ("Doceniamy aktywność") to increase the strength of relationship with Select customers by rewarding them with an interest rate of 2% on savings account balances in exchange for actively using their personal accounts. • The Regular Savings Account (Konto Systematyczne) offered together with the Account As I Want It (Konto Jakiej Chce) continued to be the most popular deposit product for Standard and Premium customers. The number of customers holding the above savings account increased from 240k at the end of 2018 to 354.3k at the end of September 2019. • At the end of September 2019, total retail deposits of Santander Bank Polska S.A. amounted to PLN 83.5bn, up 26.0% YoY and 2.3% Ytd. Savings account balances totalled PLN 38.5bn (up 42.4% YoY and 11.5% Ytd) and were the main source of growth of current account balances. As a result of interest rate optimisation, term deposits decreased by 7.4% Ytd and increased by 14.6% YoY.
Investment products, including:	<ul style="list-style-type: none"> • In the reporting period, the bank focused on optimising the cost and structure of the portfolio by increasing the share of investment solutions and non-interest bearing personal accounts.
➤ Structured deposits	<ul style="list-style-type: none"> • In September, the range of structured deposits was expanded to include a 12-month Daily Range Accrual deposit linked to a EUR/PLN rate. During the subscription period, customers were offered interest on the invested funds. • In Q3 2019, Santander Bank Polska S.A. offered 16 structured deposits offering different investment terms in the total of 6 subscriptions. The total funds acquired through structured deposits exceeded PLN 355m and were 90% higher YoY.
➤ Investment funds	<ul style="list-style-type: none"> • In Q3 2019, customers of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) invested predominantly in corporate bond sub-funds and government bond sub-funds. This trend has been stable since the beginning of the year. • As at 30 September 2019, the total net assets of investment funds managed by Santander TFI S.A. were PLN 16.3bn, up 8.4% Ytd and 0.6% YoY. During the first nine months of 2019, the highest balance of contributions and redemptions was reported by the following sub-funds: Santander Prestiż Corporate Bonds, Santander Prestiż Government Bonds, Santander Corporate Bonds and Santander Government Bonds.
➤ Brokerage services	<ul style="list-style-type: none"> • In Q3 2019, Santander Brokerage Poland continued to implement an online brokerage account in the Santander internet platform. The process will be completed in Q4 2019 and will end the first stage of the project launched to integrate the Santander Brokerage Poland platform with Santander internet. • At the same time, work was underway in connection with acquisition of the brokerage business of Santander Securities S.A. planned for Q4 2019. • As part of brokerage products and services for business customers, a new system for market maker was implemented, ALGO trading with EMSX was introduced and securities lending was offered.
Bancassurance	<ul style="list-style-type: none"> • In Q3 2019, the range of products was expanded to include SK 80k+: an insurance cover for borrowers of cash loans of PLN 80k at the minimum. This product differs significantly from existing insurance for lower-value loans: the premium is calculated only for the first 3 years rather than the entire lending period, which is expected to increase sales of insurance for loans exceeding PLN 80k up.
Private Banking	<ul style="list-style-type: none"> • The range of deposits for Private Banking customers was extended to include Private Banking Savings Account offered by Private Banking Advisors. The account pays interest of 1.5% p.a. for balances lower than or equal to PLN 1m and 1.2% p.a. for higher balances. • The process and interest rate of negotiated deposits was optimised. • Measures were taken in relation to change of the name of an account for Private Banking customers from Elite Account (Konto Elite) to Private Banking Account (Konto Private Banking), effective from 15 December 2019.

Product line for SMEs	Performance in Q3 2019
Business accounts and bundled products	<ul style="list-style-type: none"> • In the reporting period, the bank continued special deals for business customers: <ul style="list-style-type: none"> ✓ The business account promotion called "Promotion for entrepreneurs" ("Promocja dla przedsiębiorców") available in remote channels (e-request, electronic and phone banking) was extended to the end of the year (from July 2019). Customers were exempt from selected business account fees for 24 months and could get cashback if they executed certain operations. ✓ The bank offered two special deals on Mastercard Business Debit card: "On a journey 2/4/6" ("W podróży 2/4/6") – for customers who did not hold the above card for the last 6 months, and "On a journey 2" ("W podróży 2") – for existing holders of the card. As part of the promotions which are valid until 31 March 2020 customers are offered cashback on certain card payments.
Business loans	<ul style="list-style-type: none"> • In Q3 2019, the bank continued to implement a new credit system across the branch network, which shortens the time-to-cash and increases the average amount of the credit transaction. Ultimately, the system will replace the existing credit tools for the SME segment.
Leasing	<ul style="list-style-type: none"> • During three quarters of 2019, Santander Leasing S.A. financed fixed assets of more than PLN 3.8bn (+3.7% YoY), including PLN 1.8bn worth of machines and equipment. • In Q3 2019, the company continued the following special deals targeted at: <ul style="list-style-type: none"> ✓ 100% lease of electric cars ✓ Business Account Worth Recommending (Konto Firmowe Godne Polecenia) with a bonus of up to PLN 900 in cooperation with Santander Bank Polska S.A. • In the reporting period the company focused on further enhancement of the sales process as well as streamlining and shortening of the risk assessment process. <ul style="list-style-type: none"> ✓ Improvements were introduced to the fast-track procedure, including in relation to financing for companies of up to PLN 1m. ✓ The customer base eligible for the agreements which do not require a promissory note was expanded to include Agro customers. • Pursuant to the agreement between Santander Bank Polska S.A. and the European Investment Bank (EIB) providing for financing of PLN 2.1bn to be granted by the bank and Santander Leasing S.A. to small and medium-sized companies on attractive terms, part of the funds were allocated to investments in the Agro sector. • In Q3 2019 the company issued three series of floating bonds with a WIBOR-based interest rate: <ul style="list-style-type: none"> ✓ series A 6M bonds for the amount of PLN 350m (9 August 2019) ✓ series B 6M bonds for the amount of PLN 350m (10 September 2019) ✓ series C 12M bonds for the amount of PLN 430m (20 September 2019).

1.2. Business and Corporate Banking Division

Main development directions

In Q3 2019, as in the previous periods, the Business and Corporate Banking Division continued its efforts focused on improving comprehensive customer service, particularly in the areas which build competitive advantage in the value chain, including:

- foreign trade and transactional banking
- offer for selected sectors
- digitalisation of processes and products for the corporate segment
- effectiveness of risk management processes
- development of electronic banking channels as well as CRM and Big Data tools.

The Division reports continued growth in the majority of business lines along with a satisfactory quality of the credit portfolio.

Development of selected business areas

Below are the main focus areas of the Business and Corporate Banking Segment in Q3 2019.

Development direction	Performance in Q3 2019
Helping businesses prosper	<ul style="list-style-type: none"> • Financing investments of business and corporate customers. • Developing the range of products and services for shared customers of Business and Corporate Banking and Private Banking. • Developing the platform enabling exporters and importers to share their knowledge and experience and establish relationships with new business partners. • Focusing on standardisation and simplification of the credit process for business and corporate customers. • Implementation of the Standard Credit Facility, a solution which significantly improves the credit process by optimising and shortening time-to-yes and time-to-cash. • Promotion of solutions designed to build social and environmental responsibility, including conclusion of an annex of 8 August 2019 to the agreement with BGK to offer wider access to loans secured by a free-of-charge Biznesmax guarantee. Such loans may now be offered to innovative companies investing in environmentally friendly solutions.
Cross-selling	<ul style="list-style-type: none"> • Creating value for customers by providing expertise, facilitating B2B networking and offering tools and products to support delivery of business plans. • Further optimisation of the cross-selling process as part of the transactional banking offer using Big Data and CRM tools. • Continued acquisition of customers with complex transactional banking needs based on a range of specialised banking products such as host to host, EBICS, blik cheques, bulk direct credits, bulk direct debits, reconciliation of incoming transfers and other non-standard, customised banking solutions. • Development of investment products for business and corporate customers in cooperation with the Treasury Services Department.
Cross-segment expertise-based sector approach	<ul style="list-style-type: none"> • Active participation in the project organised by representatives of the transport industry as the main partner of the "Transport of the Future" report presenting the sector outlook for 2020–2030. The report was prepared by PwC at the request and in cooperation with the Polish Transport and Logistics Employers Union. • Co-organisation of workshops for companies from the windows and doors sector intending to expand internationally. • Publishing market commentaries in relation to the food sector and the windows and doors sector as well as periodical reports on developments in individual sectors.
Factoring business	<ul style="list-style-type: none"> • During the first three quarters of 2019, the receivables purchased by Santander Factoring Sp. z o.o. came in at PLN 21.6bn, up 9.8%YoY, which gave the company a market share of 10.5% and the fourth position in the ranking of members of the Polish Association of Factoring Companies. • As at the end of September 2019, the company's credit exposure was PLN 5.3bn, up 9.6% YoY.

1.3. Corporate and Investment Banking Division

Main development directions

In Q3 2019, the Corporate and Investment Banking Division (CIB):

- Took further measures to enhance customer experience, in particular it:
 - ✓ implemented technologies to support the AUTO FX service, i.e. automatic conversion of payments in selected foreign currencies into PLN where Santander Bank Polska S.A. acts as a correspondent bank;
 - ✓ expanded the range of transactional banking features, particularly in the area of cash management and solutions for financial institutions;
 - ✓ developed distribution channels dedicated to treasury products;
 - ✓ digitalised processes related to handling equity products for institutional clients;
 - ✓ continued work as part of the Financial Markets Tribe, operating in the Agile model and providing operational support for the Financial Markets Area.
- Continued as one of the leaders in the banking sector in such areas as: public offerings, bond issue, arrangement of finance and supply chain finance.

- Optimised the structure of the income statement and the balance sheet by growing the fee-generating business and selling selected credit exposures.

Performance of selected business areas

The Corporate and Investment Banking Division provides comprehensive services for the biggest corporate clients of Santander Bank Polska S.A. The Division also renders services to corporations within the international Santander Corporate and Investment Banking structures and cooperates with several Santander Group units with regard to the sale of Polish bonds to foreign investors and trade in Latin American bonds in Poland.

In Q3 2019, individual units of the Corporate and Investment Banking Segment focused on the following initiatives:

Unit	Focus areas in Q3 2019
Credit Markets Department	<ul style="list-style-type: none"> • The Department provided funding towards medium- and long-term investments delivered by CIB customers, through loans and corporate bonds issues, both single-handedly and in cooperation with other units. • It arranged three issues of bonds for companies from the lease sector for the total amount of PLN 1.13bn. • It provided funding of PLN 120m and PLN 322m, respectively, to a clearing company and a retail chain. • It acted as a coordinator, agent and ESG agent in relation to Poland's and CEE region's first ESG-linked loan agreement concluded by a syndicate of five banks and a company from the energy sector. The loan totals PLN 2bn and a part of the margin is linked to the borrower's fulfillment of certain environmental, social and governance targets. • It optimised its balance sheet position by selling selected credit exposures and offered debt-related and rating advice.
Capital Markets Department	<ul style="list-style-type: none"> • The Department provided analytical and advisory services to customers and was engaged as a financial/ transactional advisor in relation to: <ul style="list-style-type: none"> ✓ tender offers for shares of companies from the construction and industry sectors ✓ sale of shares of a company from the telecommunications sector as part of an accelerated book-building ✓ sale of shares of a construction company ✓ sale of a service company.
Global Transactional Banking Department	<ul style="list-style-type: none"> • The Department closed a number of deals in relation to financing, guarantees and supply chain finance with companies from the energy, mining, gas and construction sectors. • As part of cash management services, it: <ul style="list-style-type: none"> ✓ implemented a technology supporting the AUTO FX service, i.e. automatic conversion of payments in selected foreign currencies into PLN in respect of which Santander Bank Polska S.A. acts as a correspondent bank ✓ started the programme of incoming payments identification for a company from the telecommunications sector ✓ launched services for one of the developers in relation to nine new investments based on open residential escrow accounts ✓ took over and optimised 100% cash management services for a company from the banking sector.
Treasury Services Department	<ul style="list-style-type: none"> • The Department continued a number of projects aimed at ensuring excellent customer service, including further development of distribution channels. • It cooperated with Continental Europe bankers as part of Santander Group structures to strengthen relationships with global corporate customers in new markets. • It focused on development of investment products for business/corporate and retail customers in cooperation with the Private Banking segment.
Financial Market Transactions Department	<ul style="list-style-type: none"> • The Department continued measures to set up a new trading platform used by Banco Santander S.A. to acquire new liquidity providers in the currency market. • It continued to build the portfolio of global business customers in cooperation with the London branch of Santander Corporate and Investment Banking. • It acted as an intermediary in relation to the sale of products and services offered by the bank and Santander Group in Poland (including government bonds issued by peripheral eurozone states and South American countries).

Unit	Focus areas in Q3 2019 (cont.)
Institutional Clients Department	<ul style="list-style-type: none"> The Department focused on further development of systems to automate processes connected with brokerage services offered to business customers. It launched deployment of a new system for the market maker. It continued to implement new products which offer new investment opportunities both in Poland and abroad. It further cooperated with the Central Securities Depository of Poland (KDPW) in terms of an innovative technological solution to facilitate voting at the General Meetings of Shareholders. As part of cooperation with Banco Santander S.A., it continued to develop an online portal dedicated to analytical and research products. It issued 83 new recommendations, including the report of 25 September 2019 entitled: "Polish Small Caps - Tiny bit of optimism", which included revaluation of 25 small cap companies analysed by the bank. It organised an industry conference "Santander Investor's Open Day".

2. Business Development of Santander Consumer Bank Group

Main development directions

- In Q3 2019, Santander Consumer Bank Group focused on:
 - ✓ stable growth of loans and leases financing new and used cars, ensuring balance between the scale and profitability of business;
 - ✓ maintaining the leadership position in the hire purchase market, with a stable share in traditional sales and a growing share in online sales, as well as identifying new sales growth opportunities and maintaining the profitability of collaboration with trade partners;
 - ✓ acquiring customers based on installment loans and credit cards and maximising sales opportunities by cross-selling and up-selling.

Development of selected business areas

The table below presents the performance of individual product lines of Santander Consumer Bank Group in the reporting period:

Product line	Performance in Q3 2019
Loans	<ul style="list-style-type: none"> In August 2019, Santander Consumer Bank S.A. extended the maximum tenor of an instalment loan for companies from the renewable energy sector to 84 months. The extended lending period applies only to agreements concluded through selected business partners. As at 30 September 2019, net loans and advances granted by Santander Consumer Bank Group totalled PLN 17.0bn and increased by 11.1% YoY (+2.9% QoQ) on account of growth in lease of new cars by business customers, higher volume of cash loans owing to increased limits and extended lending periods as well as higher share of remote sales.
Deposits	<ul style="list-style-type: none"> As at 30 September 2019, deposits from customers of Santander Consumer Bank Group totalled PLN 9.6bn and increased by 12.4% YoY and 1.5% QoQ. The bank continued to offer an attractive interest rate on retail deposits with tenors above 12 months. In Q3 2019, the balance of deposits increased QoQ despite the decline recorded in September following the expiry of a large volume of 15-month deposits with an interest rate of 2.55%. In August, the bank reduced interest rate on long-term deposits and diversified rates in different distribution channels. As a result, at the end of September 2019 online sales accounted for more than 14% of total deposit sales.
Insurance	<ul style="list-style-type: none"> In August 2019, the bank started pilot sales of new non-credit-linked insurance products, including: <ul style="list-style-type: none"> ✓ "Onko Pomoc" cover which ensures support and treatment in predicaments such as malignant cancer and other diseases; ✓ "Mój Pakiet" insurance covering lost keys/documents, accidents and disease/death/loss of pets.

Other significant events

- In the analysed period, Santander Consumer Bank Group continued to diversify its funding sources, mainly on the basis of securitisation transactions:
 - ✓ The bank closed a securitisation transaction to increase liquidity and ensure finance for business lines.
 - ✓ The securitisation transaction of SC Poland Consumer 16-1 Sp. z o.o. was restructured as part of a new agreement in order to extend the financing period and increase the nominal amount.
 - ✓ The second securitisation transaction of SC Poland Consumer 15-1 Sp. z o.o. is being amortised.
 - ✓ Santander Consumer Multirent Sp. z o.o., the bank's subsidiary, signed annexes to maturing loan agreements to extend access to funds raised in the Polish financial sector for the next year.
- In July 2019, Santander Consumer Bank S.A. sold the matured portfolio of cash loans and instalment loans of PLN 51.7m, with a gross profit of PLN 2.5m (PLN 1.0m on a net basis). In the year to date, the total amount of the sold portfolio was PLN 155.3m, with a positive P&L impact of PLN 12.7m gross (PLN 9.3m net).

IV. Organisational and Infrastructure Development

Selected HR Initiatives

Activities aimed at enhancement of employee experience

The bank steadily improved and simplified HR processes and policies to enhance employee experience:

- The functionalities of individual HR systems were further integrated as part of a single application called HR Portal (one of the bank's key projects).
- Users of mobile corporate email were provided with access to HR Portal via mobile phones.
- The range of cars offered for lease as part of the benefit offer was expanded to include new car makes.

Responsible banking

To ensure equal treatment of female and male employees, the bank monitors differences in remuneration using the EPG (Equal Pay Gap) and GPG (Gender Pay Gap) indicators.

As at the end of June 2019, the bank reported EPG of 2.6%, which is a good result but leaves room for further improvement. To that end, EPG was taken into account in the pay rise process launched by the bank.

Implementation of the Agile methodology

Santander Bank Polska S.A. continued to implement a new work model in accordance with the Agile methodology in order to achieve a long-term success in a dynamically developing environment (notably in terms of technology).

- In Q3 2019, new business tribes were set up, namely: Effective Distribution and CRM. Furthermore, the Content Management Tribe was created to provide support to all business lines in terms of robotisation and scanned documents flow, among other things. Work is also underway to set up the Core Banking Platform Tribe, whose structure was already approved in the previous quarter. As at the end of September 2019, 17 tribes were fully operational (out of 18 tribes planned to be launched by the end of the year). The new work model has already covered 978 employees of the bank grouped in 120 teams and competence centres.
- The transformation of Agile structures is planned to be completed by the end of the year. A road map is being created to increase the maturity of the Agile way of working in order to effectively promote the desired behaviours, strengthen the autonomy of squads, develop skills of employees and ensure they are well prepared to perform their roles.

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

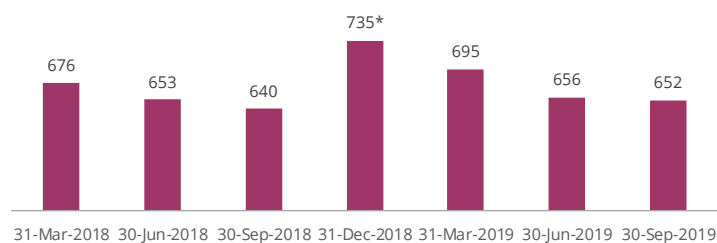
In Q3 2019, Santander Bank Polska S.A. continued its retail business distribution strategy based on omnichannel banking, a wide network of branches and customer service points, and best-in-class digital banking. The omnichannel banking strategy redefines the role of branches, the profile of advisors and the digital channel of the bank.

Branch network

In terms of development of the brick-and-mortar network of Santander Bank Polska S.A., particularly noteworthy are the following achievements:

- In the reporting period, the bank launched 14 new branches in an innovative format offering modern and spacious interiors and ensuring top quality of customer service in accordance with the New Distribution Model. By the end of September 2019, the total number of such branches was 52, including 22 branches launched in the year to date.
- On 17 September 2019, the bank opened Poland's first Work/Café: a modern branch that comes with a fully equipped co-working space, a café and professional banking service. The guests may use the co-working space free of charge and participate in the events held in that place, while the bank's customers may arrange a meeting with an advisor via an online banking platform, book rooms for business meetings and take part in various events. They are also offered discounts on food and beverages. The Work/Café format has been successfully implemented in a number of countries in which Santander Group operates.
- In September 2019, Santander Bank Polska S.A. opened two new Santander Zones in shopping centres: Galeria Posnania in Poznań and Galeria Forum in Gdańsk. There are already 7 Santander Zones in Poland and there are more to be launched. The objective of the Santander Zone is to acquire customers through the sale of personal accounts in a remote, paperless process and to promote Santander brand among customers.
- In Q3 2019, the number of branches (locations) decreased by 7 to 525 (by 87 Ytd), while the number of partner outlets went up by 3 to 127 (by 4 Ytd).

NUMBER OF BRANCHES AND OUTLETS OF SANTANDER BANK POLSKA S.A.
IN YEARS 2018 -2019



* number of branches following the acquisition of the retail business of Deutsche Bank Polska S.A. in November 2018

Remote channels

Internet and mobile banking

Along with the modernisation of the brick-and-mortar network, Santander Bank Polska S.A. developed its digital channels with a view to increasing their share in acquisition and sales.

- The bank continued online acquisition and sales of products such as personal and business accounts and cash loans, based on active cooperation with affiliate networks and online platforms in Poland.
- The security of remote services was enhanced following the launch of Strong Customer Authentication (SCA) on 14 September 2019, i.e. additional confirmation, such as smsCode, token or mobile signature, which is required to log in to internet or mobile banking services. A user may indicate their computer, phone or tablet as a trusted device so as to log in without additional confirmation.
- Internet and mobile banking services were further modified to enhance user experience: customers may now set their own login for internet and mobile banking, change the configuration of alerty24 push messages received in a mobile application, inform payees about transfers via any messenger or switch to a business profile without the need to log out and log back in.

ATM network

Branches and partner outlets of Santander Bank Polska S.A. were accompanied by 1,716 self-service devices, including 794 ATMs, 918 dual machines and 4 CDMs. In Q3 2019, the number of cash recyclers increased by 18 to 382, the number of dual non-cash recycling machines decreased by 7 to 536, the ATM network was reduced by 21 machines, and the number of CDMs remained the same.

Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	30.09.2019	31.12.2018	30.09.2018
Branches (location)	525	612	520
Partner Outlets	127	123	120
Business and Corporate Banking Centres ¹⁾	12	12	12
ATMs	794	858	887
CDMs	4	4	6
Dual Function Machines	918	900	832
Registered internet and mobile banking customers (in thousands)	4 293	4 019	3 601
Digital (active) internet and mobile banking customers (in thousands) ²⁾	2 459	2 345	2 175
Digital (active) mobile banking customers (in thousands) ³⁾	1 527	1 337	1 244
Registered iBiznes24 companies ⁴⁾ (in thousands)	17	17	16

1) As at 30 September 2018, the Business and Corporate Banking Division operated through additional 20 Small and Medium-Sized Business Centers.

2) Number of active users of Santander24 (digital customers) who at least once used the system in the last month of the reporting period.

3) Number of active users of the Santander mobile service.

4) Only the customers using iBiznes24 – a strategic electronic platform for business customers (the customers having access to Moja Firma plus and Mini Firma platforms are not included); data as at 31 August 2019

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

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

Basic Statistics on Distribution Channels

Santander Consumer Bank	30.09.2019	31.12.2018	30.09.2018
Branches	150	152	153
Partner Outlets	183	170	169
Auto Loan lending Partners	787	707	692
Installment Loan Lending Partners	7 313	7 504	8 157
Registered electronic banking users (in thousands) ¹⁾	196	209	177

1) Users who signed an agreement with Santander Consumer Bank S.A. and at least once used the banking electronic system in the reporting period.

V. Financial Performance of Santander Bank Polska Group after Q3 2019

1. Income Statement

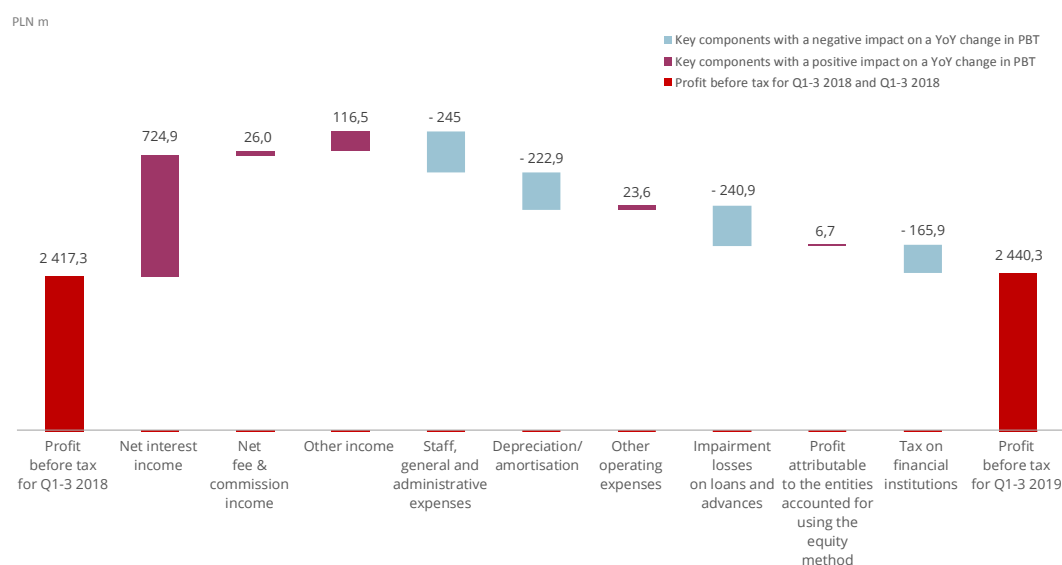
Structure of Santander Bank Polska Group's profit before tax for the 9-month period ended 30 September 2019

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1-3 2019	Q1-3 2018	YoY Change
Total income	7 094,6	6 227,2	13,9%
- Net interest income	4 933,2	4 208,3	17,2%
- Net fee & commission income	1 586,5	1 560,5	1,7%
- Other income ¹⁾	574,9	458,4	25,4%
Total costs	(3 247,9)	(2 803,6)	15,8%
- Staff, general and administrative expenses	(2 659,3)	(2 414,3)	10,1%
- Depreciation/amortisation ²⁾	(467,4)	(244,5)	91,2%
- Other operating expenses	(121,2)	(144,8)	-16,3%
Impairment losses on loans and advances	(955,8)	(714,9)	33,7%
Profit attributable to the entities accounted for using the equity method	48,9	42,2	15,9%
Tax on financial institutions	(499,5)	(333,6)	49,7%
Consolidated profit before tax	2 440,3	2 417,3	1,0%
Tax charges	(618,3)	(558,8)	10,6%
Net profit for the period	1 822,0	1 858,5	-2,0%
- Net profit attributable to Santander Bank Polska shareholders	1 583,6	1 598,1	-0,9%
- Net profit attributable to non-controlling shareholders	238,4	260,4	-8,4%

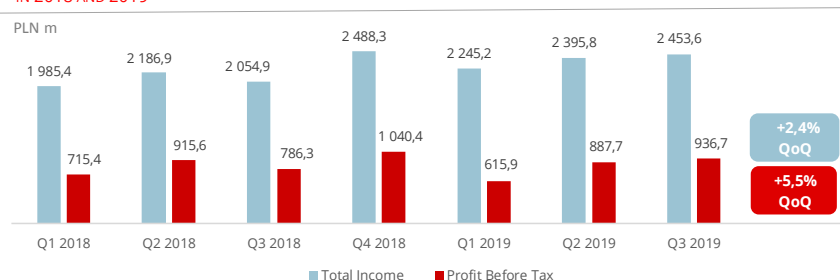
1) Other income includes total non-interest and non-fee income of the Group. It comprises in particular the following items of the full income statement: dividend income, net gain/loss on shares in subordinate entities, net trading income and revaluation, gain/loss on other financial instruments and other operating income.

2) Amortisation/depreciation includes depreciation of property, plant and equipment, amortisation of intangible assets and depreciation of the right-of-use asset in accordance with IFRS 16, effective as of 1 January 2019.

CHANGES IN THE KEY COMPONENTS OF THE CONSOLIDATED PROFIT BEFORE TAX IN Q1-3 2019 VS. Q1-3 2018



THE GROUP'S TOTAL INCOME AND PROFIT BEFORE TAX BY QUARTER IN 2018 AND 2019



Determinants of the Group's profit for three quarters of 2019

- During the first nine months ended 30 September 2019, Santander Bank Polska Group reported an increase of 13.9% YoY in total income, driven by growth in income from the core banking business and financial instruments operations, as well as the sale of an organised part of the enterprise as part of business model transformation. Particularly noteworthy is the following:
 - ✓ A 17.2% YoY increase in net interest income supported by organic growth of business volumes and acquisition of an organised part of Deutsche Bank Polska S.A. in November 2018;
 - ✓ A 25.4% YoY growth of other income on account of gains on other financial instruments (up 172.6% YoY), net trading income and revaluation (up 10.7% YoY) and other operating income (up 9.5% YoY), including a one-off gain of PLN 50m from the preliminary settlement of the sale of the Investment Services Centre, a separate organisational unit of Santander Bank Polska S.A. (for more information see part 5 "Corporate Events" in Chapter I "Basic Information about Santander Bank Polska Group and its Performance in Q3 2019").
 - ✓ A moderate increase of 1.7% YoY in net fee and commission income, which reflects the Group's business expansion and sales growth in selected product lines (cash loans, business loans, guarantees, insurance, current accounts and debit cards) supported by attractive product parameters and special deals, but is also impacted by a parallel increase in management and product distribution costs and financial markets volatility (affecting asset management fees, brokerage fees and currency exchange fees, among other things).

Excluding the preliminary gain from one-off transaction of PLN 50m reported in Q3 2019, the Group's total income went up by 13.1% YoY.

- In the reporting period, an increase of 10.1% YoY was recorded in charges made to the Group's income statement in respect of staff and general expenses. They were attributed to:
 - ✓ expansion of the Group's business scale as a result of an organic growth and acquisition of the demerged part of Deutsche Bank Polska S.A.;
 - ✓ restructuring provision of PLN 88.2m for collective redundancies in Santander Bank Polska S.A. started in March 2019 and optimisation of employment in Santander Consumer Bank S.A.;
 - ✓ increase of PLN 80.8m in the total contribution to the bank guarantee fund and the bank resolution fund managed by the Bank Guarantee Fund.
- A significant rise of 91.2% YoY was recorded in amortisation/depreciation, including depreciation of the right-of-use asset of PLN 161.7m which was recognised in accordance with the accounting model implemented under IFRS 16 Leases. The new line item replaced rental expenses previously disclosed under general and administrative expenses as a component of costs of maintenance of premises which consequently declined by 53.9% YoY.

Adjusting for the above restructuring provision and the YoY increase in contributions to the Bank Guarantee Fund, the Group's operating costs increased by 9.8% YoY.

- Impairment allowances grew by 33.7% YoY reflecting higher value of credit receivables (an increase of 22.3% YoY in the gross credit portfolio), prevailing macroeconomic conditions and a conservative credit risk management pursued by the Group.
- The tax on financial institutions went up by 49.7% YoY following the growth in taxable assets and an analysis of the accounting treatment of selected transactions in the previous periods, as a result of which a provision of PLN 72m was raised in Q3 2019 for a potential additional banking tax payment.

- Against the above background, during the first nine months ended 30 September 2019, Santander Bank Polska Group posted a profit before tax of PLN 1,822.0m, down 2.0% YoY. Profit attributable to the shareholders of Santander Bank Polska S.A. decreased by 0.9% YoY to PLN 1,583.6m.

Assuming the constant level of contributions to the BFG and excluding the one-off gain from the preliminary settlement of sale of an organised part of the enterprise, the restructuring provision and the provision for a potential additional payment of a banking tax, the underlying profit before tax increased by 8.9% YoY and the underlying profit attributable to the shareholders of the parent entity went up by 10.6% YoY.

Comparability of periods

Selected items of the income statement affecting the comparability of periods	Q1-Q3 2019	Q1-Q3 2018
Contributions to the BFG made by Santander Bank Polska S.A. and Santander Consumer Bank S.A. and Santander Securities S.A. <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> PLN 262.2m, including a contribution of PLN 62.9m to the bank guarantee fund and a contribution of PLN 199.3m to the bank resolution fund 	<ul style="list-style-type: none"> PLN 181.3m, including a contribution of PLN 84.3m to the bank guarantee fund and a contribution of PLN 97.0m to the bank resolution fund
Restructuring provision <i>(staff expenses)</i>	<ul style="list-style-type: none"> PLN 88.2m, including PLN 80m for severance pay for employees selected for collective redundancies in Santander Bank Polska S.A. 	<ul style="list-style-type: none"> No such provision
Impact of investment/divestment undertakings <i>(other operating income)</i>	<ul style="list-style-type: none"> PLN 50.0m from the preliminary settlement of the disposal of an organised part of the enterprise 	<ul style="list-style-type: none"> No such transaction
Provision for a potential additional payment of tax on financial institutions <i>(tax on financial institutions)</i>	<ul style="list-style-type: none"> PLN 72m 	<ul style="list-style-type: none"> No such provision

Profit before tax by contributing entities

Components of Santander Bank Polska Group Profit Before Tax in PLN m (by contributing entities)	Q1-3 2019	Q1-3 2018	YoY Change
Santander Bank Polska S.A.	2 102,2	1 934,5	8,7%
Subsidiary undertakings:	778,0	834,4	-6,8%
Santander Consumer Bank S.A. and its subsidiaries ¹⁾	558,0	589,0	-5,3%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	160,7	180,8	-11,1%
Santander Finanse Sp. z o.o. and its subsidiaries (Santander Leasing S.A., Santander Leasing Poland Securitization 01 Designated Activity Company, Santander Factoring Sp. z o.o., Santander F24 S.A.)	64,9	64,4	0,8%
Other companies ²⁾	(5,6)	0,2	-
Equity method valuation	48,9	42,2	15,9%
Elimination of dividends received by Santander Bank Polska S.A. and consolidation adjustments ³⁾	(488,8)	(393,8)	24,1%
Profit before tax	2 440,3	2 417,3	1,0%

1) As at 30 September 2019, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o., SC Poland Consumer 15-1 Sp. z o.o., SC Poland Consumer 16-1 Sp. z o.o., PSA Finance Polska Sp. z o.o. and PSA Consumer Finance Polska Sp. z o.o. The amounts provided above represent profit before tax of SCB Group (after intercompany and consolidation adjustments) for the periods indicated.

2) Santander Inwestycje Sp. z o.o. and Santander Securities S.A.

3) Includes consolidation adjustments and dividends: PLN 335.1m from SCB S.A. (PLN 259.9m in 2018), PLN 95.0 m from Santander TFI S.A. (PLN 33.3m in 2018), PLN 58.7m from Santander Aviva TU S.A. and Santander Aviva TUnŻ S.A. (PLN 60.7m in 2018) and PLN 0 from Santander Finanse Sp. z o.o. (PLN 38.8m in 2018).

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

The unconsolidated profit before tax of Santander Bank Polska S.A. for the 9-month period ended 30 September 2019 was PLN 2,102.2m, up 8.7% YoY.

- The bank posted solid income from the core business, including an increase in:
 - ✓ net interest income (up 20.9% YoY to PLN 3,591.8m) on account of dynamic annual growth of the credit portfolio;
 - ✓ net fee and commission income (up 6.4% YoY to PLN 1,278.5m), largely due to credit, FX and insurance fees.
- Important changes were also reported for the following items:
 - ✓ Increase in gains on other financial instruments (up 171.0% YoY to PLN 138.2m) driven by higher profit on the sale of government bonds and positive change in the valuation of shares of Visa Inc.
 - ✓ Growth of dividend income (up 19.3% YoY to PLN 587.4m) owing to higher dividends from subsidiaries recognised in Q3 2019, in particular from Santander Consumer Bank S.A. (up PLN 75.3m YoY) and Santander TFI S.A. (up PLN 61.7m YoY).
 - ✓ Under other operating income, which grew by 2.8% YoY to PLN 135.5m, a gain of PLN 50m from the preliminary settlement of the sale of an organised part of the enterprise (Investment Services Centre) was disclosed in September 2019, which was offset by a YoY decrease in the release of provisions for legal disputes and other assets (down PLN 33.9m YoY) and lower gain from the sale and liquidation of fixed assets and assets held for sale (down PLN 18.8m YoY).
- In the same period, an increase was recorded in charges made to the income statement in respect of:
 - ✓ credit impairment allowances (up 40.2% YoY to PLN 678.5m) due to dynamic annual growth of the credit portfolio and loss on the sale of credit receivables (- PLN 22.7m);
 - ✓ total amortisation/depreciation (up 94.4% YoY to PLN 401.4m), including depreciation of the right-of-use asset of PLN 125.1m as part of changes to the classification of lease expenses in accordance with IFRS 16 (previously rental expenses were disclosed under general and administrative expenses as part of the costs of maintenance of premises);
 - ✓ higher staff and general expenses (up 11.7% YoY to PLN 2,158.8m) resulting from expansion of the business scale following the acquisition of an organised part of Deutsche Bank Polska S.A., restructuring provision of PLN 80m and higher mandatory contributions to the Bank Guarantee Fund (up PLN 68.7m YoY in total);
 - ✓ increase in the tax on financial institutions (up 53.4% YoY to PLN 466.9m) caused by significant growth in the value of taxable assets and a provision of PLN 72m for potential additional tax payments.

Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a decrease of 6.8% YoY in their total profit before tax as a result of lower profitability of Santander Consumer Bank S.A. and Santander TFI S.A. compared with the same period last year.

SCB Group

The contribution of SCB Group to the consolidated profit before tax of Santander Bank Polska Group for three quarters of 2019 was PLN 558.0m (after intercompany transactions and consolidation adjustments) and declined by 5.3% YoY as a combined effect of:

- An increase of 7.5% YoY in net interest income to PLN 1,199.8m, driven by steady growth of the credit portfolio and favourable changes in its structure (e.g. a bigger share of high-margin products such as cash loans, credit cards and leases).
- A decrease of 29.2% YoY in net fee and commission income to PLN 87.2m caused by lower insurance income (resulting from reduction of a premium to make insurance products more attractive) and one-off fees for partners in relation to development of retail sales network (resulting from different over-time recognition of the above fees in the comparable period).
- A rise of 12.4% YoY in impairment allowances on financial assets totalling PLN 241.6m on account of the growth of the overall credit portfolio and change in its structure (an increasing share of cash loans and a lower share of mortgage loans) as well as lower volume of sales of overdue receivables with a lower YoY positive impact of such transactions on the income statement compared to the same period last year.
- An increase of 13.3% YoY in total operating expenses to PLN 511.8m driven by higher contributions to the Bank Guarantee Fund and changes in the recognition of general and administrative expenses compared with 2018.

Other subsidiaries

Profit before tax of Santander TFI S.A. for the first nine months of 2019 declined by 11.1% YoY due to a lower income from management fees driven by lower average value of net assets managed by the company and a narrowing margin under the impact of the asset structure change towards a higher share of low-margin sub-funds (such as corporate bond sub-funds or government bond sub-funds) and implementation of regulations restricting the margin level (Regulation of the Minister of Finance of 13 December 2018 on the maximum amount of fixed remuneration for investment fund companies for managing open-end investment funds or specialised open-end investment funds).

Total profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. grew by 0.8% YoY as a combined effect of higher profitability of the factoring company (up 10.3% YoY) and lower total profit before tax generated by the remaining companies (down 2.8% YoY). Dynamic growth of factoring and lease business (including an increase of 14% YoY and 9.6% YoY in lease and factoring receivables, respectively) fuelled a rise in net interest income posted by Santander Factoring Sp. z o.o. and Santander Leasing S.A. and an increase in net insurance income of the latter company, but was also reflected in higher impairment allowances for receivables of the foregoing entities.

Structure of Santander Bank Polska Group's profit before tax

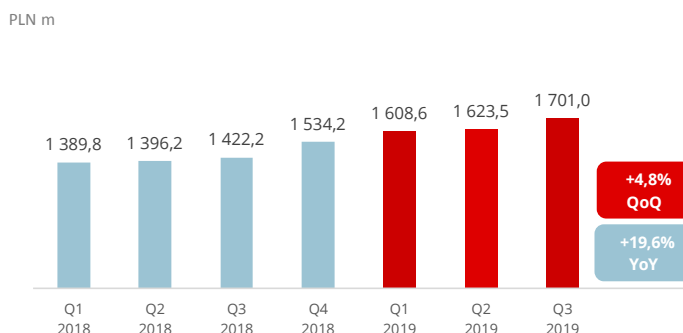
Total income

Total income of Santander Bank Polska Group for the 9-month period ended 30 September 2019 increased by 13.9% YoY to PLN 7,094.6m. Excluding the gain of PLN 50m from the preliminary settlement of the sale of an organised part of the enterprise (Investment Services Centre) disclosed in Q3 2019, the Group's total income went up by 13.1% YoY.

Net interest income

Net interest income for the first nine months of 2019 amounted to PLN 4,933.2m and was up 17.2% YoY due to higher net earning assets, favourable developments in the Group's balance sheet structure (YoY increase in cash loans and balances in current accounts) and flexible pricing management.

NET INTEREST INCOME BY QUARTER IN 2018 AND 2019

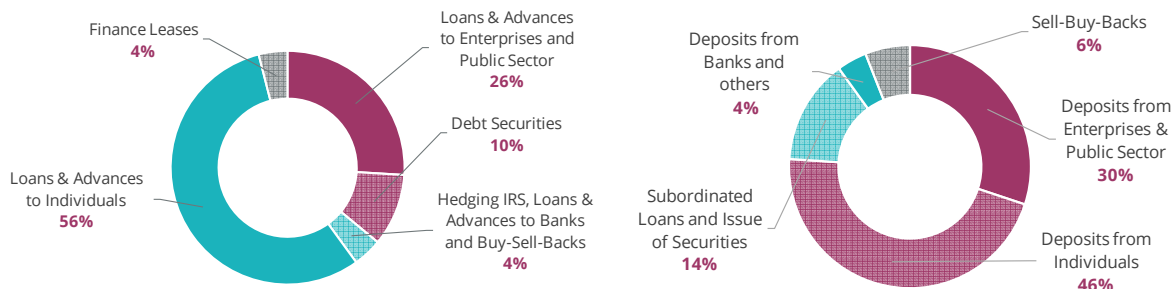


Interest income rose by 21.7% YoY to PLN 6,364.3m in the analysed period, driven by higher credit receivables (resulting from the organic growth and the acquisition of a demerged part of Deutsche Bank Polska S.A.) and debt securities portfolio.

Interest expense grew by 39.9% YoY to PLN 1,431.1m as a result of the incorporation of a retail deposit portfolio of Deutsche Bank Polska S.A., successful acquisition of savings balances and issue of own debt securities by the Group.

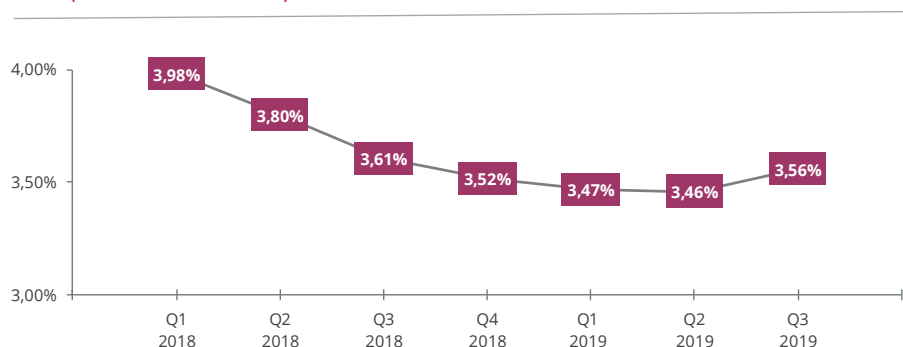
STRUCTURE OF INTEREST REVENUE IN Q1-3 2019

STRUCTURE OF INTEREST EXPENSE IN Q1-3 2019



In Q3 2019, the annualised quarterly net interest margin was 3.56% and increased QoQ from 3.46% due to optimisation of the deposit offer and dynamic growth of the credit portfolio (notably personal cash loans). The QoQ increase in the net interest margin signals the reversal of the downward trend prevailing in the development of this indicator throughout the current and previous year.

NET INTEREST MARGIN BY QUARTER IN THE YEARS 2018-2019
(INCLUDING SWAP POINTS*)



* The calculation of the net interest margin of Santander Bank Polska S.A. takes into account swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt instruments held for trading.

In line with the downward trend of a quarterly margin (annualised on a quarterly basis) observed from the beginning of 2018 till mid-2019, the cumulative net interest margin (annualised on a year-to-date basis) shrank from 3.79% after three quarters of 2018 to 3.49% after three quarters of 2019. The underlying cause was the growing costs of asset funding in connection with the acquisition of deposits (as a result of the organic growth and acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A.) as well as increased activity in the area of own securities issue. The Group's increasing credit volumes (cash loans, mortgage loans and business loans) and an investment portfolio of debt securities fuelled the growth of interest income, which was nevertheless outpaced by a YoY increase in interest expenses.

Net fee and commission income

Net Fee and Commission Income (in PLN m)	Q1-3 2019	Q1-3 2018	YoY Change
FX fees	332,3	286,1	16,1%
E-Business and payments ¹⁾	293,4	287,0	2,2%
Account maintenance and cash transactions ²⁾	243,9	237,0	2,9%
Credit fees ³⁾	215,8	222,4	-3,0%
Asset management and distribution	202,2	220,1	-8,1%
Insurance fees	149,4	145,3	2,8%
Credit cards	106,7	99,3	7,5%
Guarantees and sureties ⁴⁾	43,5	40,0	8,7%
Brokerage activities	41,4	44,6	-7,2%
Other ⁵⁾	(42,1)	(21,3)	97,7%
Total	1 586,5	1 560,5	1,7%

1) Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third party institutions as well as other electronic and telecommunications services.

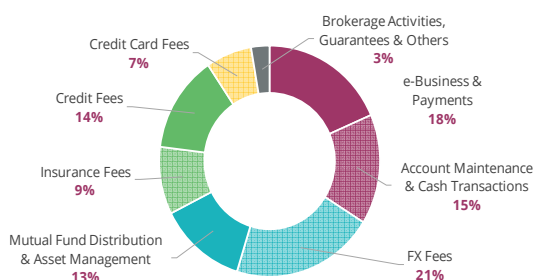
2) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statement of Santander Bank Polska Group for the 9-month period ended 30 September 2019 are included in the line item "Other" (PLN 1.4m for three quarters of 2019 vs. PLN 3.4m for three quarters of 2018).

3) Net fee and commission income from lending, factoring and lease activities which is not amortised to net interest income. This line item includes, inter alia, the cost of credit agency.

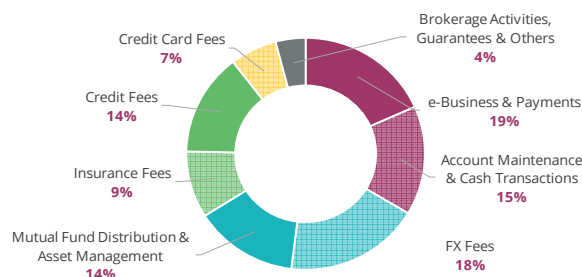
4) Fee income from guarantees and sureties has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statement of Santander Bank Polska Group for the 9-month period ended 30 September 2019 are included in the line item "Other" (PLN 8.5m for three quarters of 2019 vs. PLN 4.5m for three quarters of 2018).

5) Issue arrangement fees and others.

NET COMMISSION INCOME STRUCTURE FOR Q1-3 2019



NET COMMISSION INCOME STRUCTURE FOR Q1-3 2018

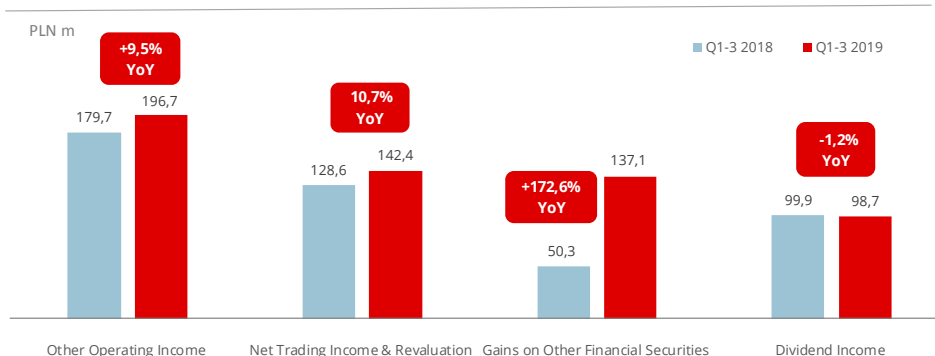


After the first three quarters of 2019, net fee and commission income amounted to PLN 1,586.5m and increased by 1.7% YoY, driven by the performance of business lines of the bank and its subsidiaries. The key changes were as follows:

- An improvement in net FX fee income (up 16.1% YoY) is attributed to the positive impact of exchange rates and the Group's comprehensive measures taken to support foreign trade and develop e-FX services in iBiznes24 and Kantor Santander currency exchange platform available in Santander online and Santander mobile.
- Net income from guarantees and sureties rose by 8.7% YoY as a result of measures taken by the bank to grow trade finance and support exports.
- Net fee and commission income from issuance and management of a combined portfolio of credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. increased by 7.5% YoY due to a rise in non-cash turnover generated by the above instruments and income from monthly fees.
- The Group's net fee and commission income from lending declined by 3.0% YoY due to a 11.5% YoY rise in income from credit fees and fees associated with lease contracts (driven by a growing portfolio of loans and advances to customers) and a parallel growth of credit agency costs (up 83.1% YoY) resulting from business expansion, recognition of one-off costs paid by Santander Consumer Bank S.A. to its partners in respect of maintenance and development of the sales network, as well as higher agency costs of Santander Bank Polska S.A. connected with the agency model acquired from Deutsche Bank Polska S.A.
- An increase of 2.8% YoY in net fee and commission income from insurance business is a combined effect of higher income generated by Santander Bank Polska S.A. and Santander Leasing S.A. on account of solid growth in sales of cash loan insurance offered by the bank and motor insurance offered by the lease company, decrease in income earned by Santander Consumer Bank S.A. resulting from reduction of an insurance premium to increase the competitiveness of the bank's offer, and higher costs associated with products acquired from former Kredyt Bank S.A. and retail part of Deutsche Bank Polska S.A.
- Brokerage fees went down by 7.2% YoY due to a decrease in the customer trading of the Brokerage House in the secondary market in accordance with the market trend observed in 2019, lower share of retail customers in the total stock market turnover and growing competition from remote exchange members.
- A 8.1% YoY drop in net fee income from distribution and asset management was attributed to lower income from management fees associated with investment fund assets and individual portfolios resulting from:
 - ✓ a decline in the average value of net assets managed by Santander TFI S.A. (outflow of assets caused by stock market downturn);
 - ✓ a decrease in margin caused by changes in the asset structure in favour of lower-margin sub-funds (e.g. government bond and corporate bond funds) and reduction of management fees in respect of certain sub-funds in accordance with the applicable regulations setting the maximum fixed remuneration for investment fund companies for management of investment funds (open-end or specialised ones).
- Loss on other fees increased by PLN 20.8m YoY, primarily as a result of drop in the Bank's income from arrangement of securities issue and higher expenses of subsidiaries, including charges related to the securitisation transactions of Santander Consumer Bank S.A.

Other income

Components of Other Income for Q1-3 2019 vs. Q1-3 2018



The Group's other income, which represents non-interest and non-fee income, was up 25.4% YoY at PLN 574.9m.

- Other operating income increased by 9.5% YoY to PLN 196.7m due to posting a gain from the preliminary settlement of the sale of an organised part of the enterprise (PLN 50m), drop in the gain from the sale and liquidation of fixed assets and assets held for sale (down 37.7% YoY) and lower releases of provisions for legal disputes and other assets (down 53.9% YoY).
- Net trading income reported by Santander Bank Polska Group for the 9-month period ended 30 September 2019 was PLN 142.4m, up 10.7% YoY.
 - ✓ This figure improved due to:
 - Total gain of PLN 141.7m (up 23.4% YoY) from transactions in the derivative market and in the interbank FX market. This line item excludes net interest income from the CIRS and IRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 136.6m for three quarters of 2019 vs. PLN 155.0m for three quarters of 2018), which is disclosed under "Interest income".
 - Positive change in the fair value of credit receivables measured at fair value through profit or loss totalling PLN 25.7m after three quarters of 2019 versus a loss of PLN 3.2m in the corresponding period last year.
 - ✓ At the same time, trading in debt and equity securities measured at fair value through profit or loss brought in a loss of PLN 25.0m in the current period (mainly due to government bonds) vs. a profit of PLN 16.9m in the corresponding period.
- Gains on other financial instruments totalled PLN 137.1m vs. PLN 50.3m in the same period last year. Amid favourable market trends, the Group generated profit of PLN 86.5m from the sale of debt securities, notably government bonds (PLN 21.6m for three quarters of 2018) and recorded a positive change in the fair value of shares of Visa Inc. amounting to PLN 40.3m (PLN 30.0m for three quarters of 2018).
- Dividend income totalled PLN 98.7m and fell by 1.2% YoY due to lower dividends from Aviva Group companies from the bank's portfolio of equity investments (PLN 88.6m in 2019 vs. PLN 91.4m in 2018).

Impairment allowances

Impairment losses on loans and advances measured at amortised cost (in PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	Q1-3 2019	Q1-3 2018	Q1-3 2019	Q1-3 2018	Q1-3 2019	Q1-3 2018	Q1-3 2019	Q1-3 2018	Q1-3 2019	Q1-3 2018
Charge on loans and advances to banks	-	(0,1)	-	-	-	-	-	-	-	(0,1)
Charge on loans and advances to customers	(91,7)	(81,4)	(371,6)	(229,7)	(566,9)	(479,4)	59,8	66,7	(970,4)	(723,8)
Recoveries of loans previously written off	-	-	-	-	(10,5)	8,7	-	-	(10,5)	8,7
Off-balance sheet credit related facilities	17,1	0,7	2,7	7,5	5,3	(7,9)	-	-	25,1	0,3
Total	(74,6)	(80,8)	(368,9)	(222,2)	(572,1)	(478,6)	59,8	66,7	(955,8)	(714,9)

During the 9-month period ended 30 September 2019, the credit impairment charge to the income statement of Santander Bank Polska Group was PLN 955.8m vs. PLN 714.9m in the corresponding period last year. Impairment allowances of Santander Consumer Bank Group totalled PLN 241.6m vs. PLN 214.9m for three quarters of 2018.

The increase in impairment allowances on loans and advances to the Group's customers (from PLN 723.8m for three quarters of 2018 to PLN 970.4m for three quarters of 2019) is primarily attributed to the dynamic growth in the Group's credit portfolio supported by lending to personal and business customers (with a rapidly growing share of cash loans in total sales) and acquisition of retail loans of Deutsche Bank Polska S.A. Standard occurrences in the credit risk management process such as recalibration of provision parameters, reclassification of portfolios and individual cases of credit rating deterioration were of lower importance.

In addition, during the first nine months of 2019 the Group reported a worse result on the sale of credit receivables (a loss of PLN 10.0m vs. a profit of PLN 30.2m after three quarters of 2018 on a consolidated pre-tax basis).

- Santander Bank Polska S.A. sold PLN 499.1m worth of portfolio of matured receivables from personal and business customers, with a negative impact on the current profit before tax of PLN 22.7m. In the same period last year, the gross profit on sales amounted to PLN 8.4m and was generated by receivables totalling PLN 841.9m.
- Santander Consumer Bank S.A. sold the written-off portfolio of cash loans and instalment loans of PLN 155.3m, generating a profit before tax of PLN 12.7m. Last year, the company sold written-off cash loans, instalment loans, credit cards and car loans in the total amount of PLN 691.4m, which brought in a profit before tax of PLN 21.8m.

The NPL ratio of Santander Bank Polska Group was 4.5% (4.6% at the end of September 2018 on a comparable basis) and was calculated using the approach modified in late 2018 (for details see part 2 below "Statement of Financial Position", Section "Credit Portfolio"). The cost of credit increased from 0.80% for three quarters of 2018 to 0.92% for three quarters of 2019, reflecting the expanded scope of the Group's business (increase of 22.3% YoY in gross credit receivables), the Group's conservative approach to credit risk assessment and economic conditions.

Total costs

Total costs of (in PLN m)	Q1-3 2019	Q1-3 2018	YoY Change
Staff, general and administrative expenses, of which:	(2 659,3)	(2 414,3)	10,1%
- Staff expenses	(1 422,3)	(1 214,7)	17,1%
- General and administrative expenses	(1 237,0)	(1 199,6)	3,1%
Depreciation/amortisation	(467,4)	(244,5)	91,2%
- Depreciation/amortisation of PP&E and intangible assets	(305,7)	(244,5)	25,0%
- Depreciation of right-of-use assets	(161,7)	-	-
Other operating expenses	(121,2)	(144,8)	-16,3%
Total costs	(3 247,9)	(2 803,6)	15,8%

The total costs of Santander Bank Polska Group for the first nine months of 2019 amounted to PLN 3,247.9m, and were up 15.8% YoY due to higher total mandatory contributions to the Bank Guarantee Fund (up PLN 80.8m YoY) recognised in 2019 and restructuring provisions of PLN 88.2m, including PLN 80.0m for the collective redundancies process started in March 2019 in Santander Bank Polska S.A. and PLN 8.2m for optimisation of fixed staff expenses in Santander Consumer Bank S.A.

Adjusting for the above items, the Group's underlying operating expenses increased by 9.8% YoY along with the expansion of operations and business volumes resulting from the organic growth and the acquisition of the demerged part of Deutsche Bank Polska S.A. and 100% of shares in DB Securities S.A. in November 2018.

Along with the total cost base, the Group's cost to income ratio grew from 45.0% for three quarters of 2018 to 45.8% for three quarters of 2019. Adjusting for the above cost items, the underlying ratio was 43.4%.

Staff expenses

Staff expenses of Santander Bank Polska Group for nine months of 2019 totalled PLN 1,422.3m and increased by 17.1% YoY. Excluding the restructuring provision for severance pay for employees of Santander Bank Polska S.A. selected for collective redundancies and for optimisation measures taken by Santander Consumer Bank S.A., the underlying staff expenses amounted to PLN 1,334.1m and were up 9.8% YoY on account of an increase in employment following the acquisition of a retail business of Deutsche Bank Polska S.A. and 100% shares in DB Securities S.A. as well as due to salary review in Santander Bank Polska S.A. Santander Consumer Bank Group's contribution to the above figure was PLN 208.4m and up 6.4% YoY.

General and administrative expenses

During the first nine months of 2019, general and administrative expenses of Santander Bank Polska Group went up by 3.1% YoY to PLN 1,237.0m. Costs incurred by Santander Consumer Bank Group totalled PLN 201.2m and were 2.6% lower YoY.

The consolidated general and administrative expenses increased on account of:

- higher fees (up 48.7% YoY) payable by the Group to market regulators (BFG, KNF and KDPW) resulting from a 105.4% YoY rise in the annual contribution to the BFG's bank resolution fund (to PLN 199.3m), which coupled with a 25.4% decrease in the contribution to the bank guarantee fund (to PLN 62.8m) for three quarters of 2019 caused an increase of PLN 88.2m in the charge to the income statement in respect of the BFG contributions for three quarters of 2019;
- growing cost of IT usage (up 9.4% YoY), resulting from higher spend on digitalisation of processes in Santander Consumer Bank S.A.;
- expanded scale of business following the acquisition of the retail part of Deutsche Bank Polska S.A. (increase in car fleet maintenance and transport costs, cost of consumables, prints and cards, costs of motor insurance and property tax as part of other taxes and charges);
- active cooperation in relation to global projects of Santander Group, which contributed to an increase in the cost of other third party services (up 21.1% YoY).

Meanwhile, a decrease was reported in:

- costs of maintenance of premises (down 53.9% YoY) as a result of changes to the accounting treatment of lease contracts arising from IFRS 16, whereby lease/rental expenses are reclassified mostly as depreciation of a right-of-use asset (which totals PLN 161.7m) and additional expenses are reported as separate items, including expense relating to short-term leases, expense relating to variable lease payments not included in the measurement of lease liabilities and expense relating to low-value assets and non-tax deductible VAT;
- cost of marketing and entertainment (down 7.3% YoY) due to accumulation of communication activities aimed at the brand awareness enhancement in H2 2018;
- consultancy and advisory fees (down 6.8% YoY) because of lower expenses in this regard following the completion of the acquisition of the demerged part of Deutsche Bank Polska S.A.;
- cost of repair of machines (down 50.9% YoY) due to the high base resulting from the purchase of equipment for the new Business Support Centre building and the working space designed in accordance with the Agile methodology.

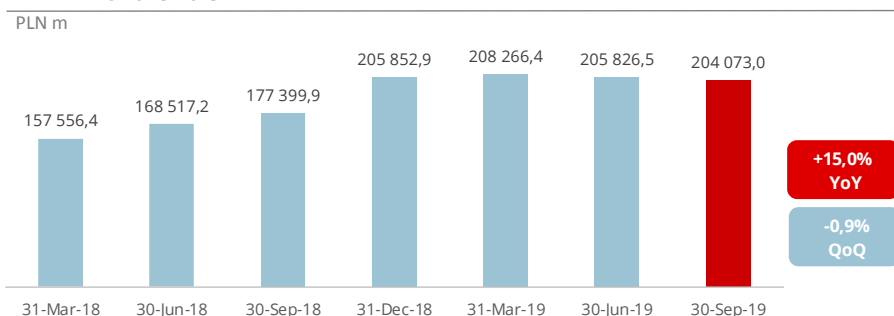
Effective tax rate

The consolidated effective tax rate for three quarters of 2019 was 25.3% vs. 23.1% in the corresponding period due to higher contributions to the Bank Guarantee Fund, tax on financial institutions and written-off credit receivables which are not tax deductible.

2. Statement of Financial Position

Consolidated assets

As at 30 September 2019, the total assets of Santander Bank Polska Group were PLN 204,073.0m and fairly stable Ytd and up 15.0% YoY, reflecting the increase in business volumes as a result of the organic growth and acquisition of an organised part of Deutsche Bank Polska S.A. The value and structure of the Group's financial position was determined by the parent entity, which accounted for 87.0% of the consolidated total assets vs. 88.9% as at the end of December 2018.

TOTAL ASSETS AT THE END OF CONSECUTIVE QUARTERS
IN THE YEARS 2018-2019

Structure of consolidated assets

Assets in PLN m (condensed presentation for analytical purposes)	30.09.2019	Structure 30.09.2019	31.12.2018	Structure 31.12.2018	30.09.2018	Structure 30.09.2018	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers ¹⁾	143 825,4	70,5%	137 460,4	66,8%	116 590,0	65,7%	4,6%	23,4%
Investment financial assets	38 733,5	19,0%	39 179,1	19,0%	35 314,8	19,9%	-1,1%	9,7%
Financial assets held for trading and hedging derivatives	2 815,5	1,4%	9 843,1	4,8%	9 845,9	5,5%	-71,4%	-71,4%
Cash and operations with Central Banks	7 689,8	3,8%	8 907,6	4,3%	6 835,3	3,9%	-13,7%	12,5%
Fixed assets, intangibles, goodwill and right-of-use assets	4 085,6	2,0%	3 517,8	1,7%	3 157,0	1,8%	16,1%	29,4%
Loans and advances to banks	2 766,2	1,3%	2 936,2	1,4%	1 744,0	1,0%	-5,8%	58,6%
Other assets ²⁾	4 157,0	2,0%	4 008,7	2,0%	3 912,9	2,2%	3,7%	6,2%
Total	204 073,0	100,0%	205 852,9	100,0%	177 399,9	100,0%	-0,9%	15,0%

1) Net loans and advances to customers include the portfolio measured at amortised cost and the portfolios measured at fair value through other comprehensive income and through profit or loss.

2) Other assets include the following items of the full version of financial statements: receivables from repurchase transactions, investments in associates, net deferred income tax assets, assets classified as held for sale and other assets.

In the above condensed statement of financial position as at 30 September 2019, net loans and advances to customers were the key item of consolidated assets. They totalled PLN 143,825.4m and were up 4.6% on 31 December 2018, mainly on account of strong credit delivery to retail customers (notably record sales of cash loans) and w/c and investment financing for business customers.

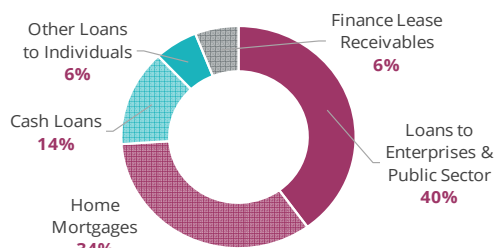
In accordance with IFRS 16 (effective as of 1 January 2019), the Group identified and recognised right-of-use assets of PLN 894.0m, which resulted in a 16.1% increase in the aggregate line item encompassing the above assets along with property, plant and equipment, intangible assets and goodwill.

As part of the Group's ongoing liquidity management, during the 9-month period ended 30 September 2019 the cash and balances with central banks declined by 13.7% along with the drop in the value of cash at hand and funds in the NBP account. A decrease of 71.4% Ytd was also reported in financial assets held for trading and hedging derivatives due to a lower value of the portfolio of government bonds held for trading recognised in the reporting period. Loans and advances to banks also went down by 5.8% Ytd along with a drop in the balance of term deposits and credit facilities which outpaced the increase in current account balances.

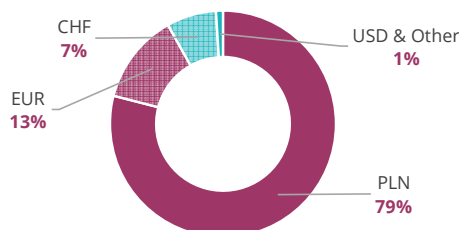
Credit portfolio

Gross Loans and Advances to Customers (in PLN m)	30.09.2019	31.12.2018	30.09.2018	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Loans and advances to individuals	79 847,9	74 696,4	62 054,3	6,9%	28,7%
Loans and advances to enterprises and public sector customers	59 992,5	58 928,8	52 037,5	1,8%	15,3%
Finance lease receivables	9 083,1	8 204,3	7 680,3	10,7%	18,3%
Other	19,2	15,2	13,3	26,3%	44,4%
Total	148 942,7	141 844,7	121 785,4	5,0%	22,3%

PRODUCT STRUCTURE OF CONSOLIDATED LOANS & ADVANCES TO CUSTOMERS AS AT 30.09.2019

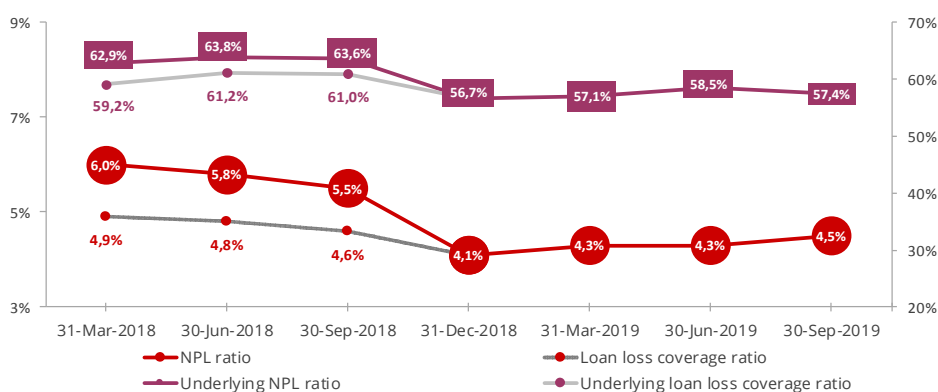


FX STRUCTURE OF CONSOLIDATED LOANS AND ADVANCES TO CUSTOMERS AS AT 30.09.2019



- As at 30 September 2019, consolidated gross loans and advances to customers were PLN 148,942.7m and increased by 5.0% Ytd. The portfolio includes loans and advances to customers measured at fair value through profit or loss, totalling PLN 1,226.0m, and loans and advances to customers measured at fair value through other comprehensive income, totalling PLN 984.0m.
 - Loans and advances to individuals increased by 6.9% Ytd to PLN 79,847.9m. Housing loans, which were the main contributor to this figure, increased by 4.1% Ytd to PLN 51,207.4m. The second largest constituent item, i.e. cash loans, went up by 13.6% Ytd to PLN 20,338.3m, supported by promotional campaigns (including joint campaigns for related products and special deals offered in the internet and mobile channels), high quality of products and services as well as the new structure of agents acquired from Deutsche Bank Polska S.A.
 - Loans and advances to enterprises and public sector entities were PLN 59,992.5m and were up 1.8% on 31 December 2018. This line item includes credit exposures of Santander Leasing S.A., Santander Consumer Multirent Sp. z o.o. and PSA Finance Polska Sp. z o.o. related to financing machines and vehicles, which gradually increased to PLN 4.8bn at the end of September 2019.
 - Finance lease portfolios of subsidiaries of Santander Bank Polska S.A. increased by 10.7% Ytd to PLN 9,083.1m on account of growth in the sales of vehicles as well as machines and equipment.

CREDIT QUALITY RATIOS BY QUARTER IN 2018 AND 2019*



* As of 31 December 2018, the calculation of credit quality indicators does not include POCI exposures.

As at 30 September 2019, non-performing loans to customers accounted for 4.5% of the gross portfolio of Santander Bank Polska Group vs. 4.1% nine months before and 4.6% twelve months before (on a comparable basis). The provision coverage ratio for impaired loans was 57.4% as at 30 September 2019 compared with 56.7% as at 31 December 2018 and 61.0% as at 30 September 2018 (on a comparable basis). As of 31 December 2018, the calculation of credit quality indicators does not include the portfolio of purchased or originated credit impaired financial assets (POCI). As of 30 June 2018, the calculations have been based on loans and advances measured at amortised cost.

Structure of consolidated equity and liabilities

Liabilities & Equity in PLN m (condensed presentation for analytical purposes)	30.09.2019	Structure 30.09.2019	31.12.2018	Structure 31.12.2018	30.09.2018	Structure 30.09.2018	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	151 026,7	74,0%	149 616,7	72,7%	124 629,2	70,2%	0,9%	21,2%
Subordinated liabilities and debt securities in issue	13 914,0	6,8%	12 013,0	5,8%	10 850,8	6,1%	15,8%	28,2%
Sell-buy-back transactions	1 024,1	0,5%	9 340,8	4,5%	8 850,2	5,0%	-89,0%	-88,4%
Deposits from banks	3 997,2	2,0%	2 832,9	1,4%	3 646,0	2,1%	41,1%	9,6%
Financial liabilities held for trading and hedging derivatives	3 294,7	1,6%	2 146,2	1,0%	1 968,8	1,1%	53,5%	67,3%
Other liabilities ¹⁾	4 398,6	2,2%	3 261,3	1,6%	2 908,0	1,7%	34,9%	51,3%
Total equity	26 417,7	12,9%	26 642,0	13,0%	24 546,9	13,8%	-0,8%	7,6%
Total	204 073,0	100,0%	205 852,9	100,0%	177 399,9	100,0%	-0,9%	15,0%

1) Other liabilities include lease liabilities, current income tax, provisions for off-balance sheet liabilities bearing credit risk, other provisions and other liabilities.

Deposits from customers disclosed in the consolidated statement of financial position of Santander Bank Polska Group as at 30 September 2019 totalled PLN 151,026.7m and held fairly steady compared with the end of 2018 (up 0.9%). These liabilities were the largest constituent item of the Group's total equity and liabilities (74.0%) and were the main source of funding the Group's assets.

Compared with the end of 2018, financial liabilities held for trading and hedging derivatives increased by as much as 53.5% Ytd due to interest rate and currency hedges. Significant growth was also reported for deposits from banks (up 41.1% Ytd), which was mainly driven by loans acquired by the subsidiaries. Other liabilities went up by 34.9% as a result of recognition of lease liabilities (PLN 753.2m) in accordance with the new model of accounting for lease contracts under IFRS 16 as of 1 January 2019.

The aggregated subordinated liabilities and liabilities in respect of debt securities went up by 15.8% in connection with the issue of debt instruments by several members of Santander Bank Polska Group with a total nominal value of PLN 5,864.5m as well as redemption of matured securities totalling PLN 4,043.7m. During the first nine months of 2019, Santander Bank Polska S.A. issued two series of certificates of deposit with a total nominal value of PLN 632m, Santander Factoring Sp. z o.o. issued two series of bonds with a total nominal value of PLN 900m and Santander Leasing S.A. issued three series of bonds with a total nominal value of PLN 1,130.0m. In addition, Santander Leasing Poland Securitization 01, a special purpose vehicle, issued senior bonds with a nominal value of PLN 1,202.5m as part of the securitisation agreement concluded in December 2018 and SC Poland Consumer 16-1 Sp. z o.o. issued two series of securitisation bonds of PLN 2,000.0m under the agreement concluded in July 2019.

Deposit base

Deposits by entities

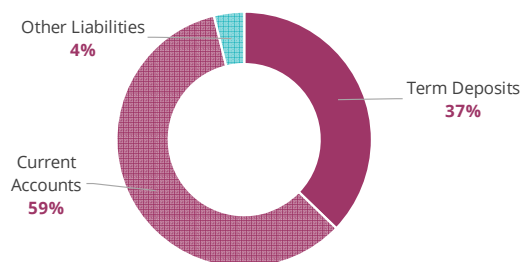
	30.09.2019	31.12.2018	30.09.2018	Ytd Change	YoY Change
Deposits from Customers	1	2	3	1/2	1/3
Deposits from individuals	90 362,2	88 211,4	72 689,8	2,4%	24,3%
Deposits from enterprises and public sector customers	60 664,5	61 405,3	51 939,4	-1,2%	16,8%
Total	151 026,7	149 616,7	124 629,2	0,9%	21,2%

Compared with the end of 2018, consolidated deposits from customers increased by 0.9% to PLN 151,026.7m:

- The retail deposit base was up 2.4% at PLN 90,362.2m, driven by an increase in current deposits (up 6.9%), notably in the balances of savings accounts (e.g. the Regular Savings Account/Konto Systematyczne) actively promoted by Santander Bank Polska S.A. during H1 2019 as part of measures taken to encourage customers to deposit their cash surpluses and make more transactions. The share of current account balances increased partly at the expense of term deposits, which declined by 5.2% in the analysed period.
- Compared with the end of 2018, deposits from enterprises and the public sector dropped by 1.2% to PLN 60,664.5m, amid a decrease of 3.3% in term deposits and a stable level of current account balances (up 0.2%).

Deposits by tenors

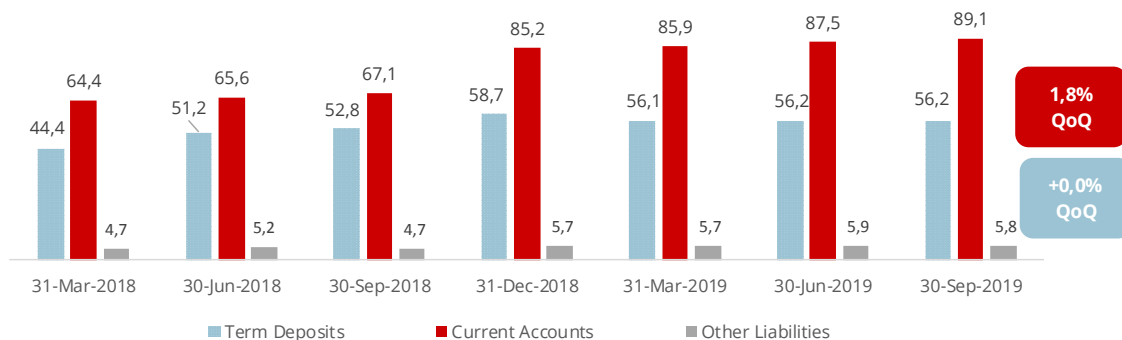
STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 30.09.2019



The Group's total term deposits from customers amounted to PLN 56,162.3m and declined by 4.3% Ytd. Current account balances rose by 4.6% Ytd to PLN 89,093.1m, and other liabilities were PLN 5,771.3m, up 0.9% Ytd.

Loans and advances (PLN 4,550.2m vs. PLN 4,751.9m as at 31 December 2018) were the largest constituent item of other liabilities and were disclosed under deposits from enterprises, which included loans granted by international financial organisations (the European Investment Bank, the European Bank for Reconstruction and Development and the Council of Europe Development Bank) to finance credit delivery of the bank and its subsidiaries. During the 9-month period ended 30 September 2019, Santander Factoring Sp. z o.o. was disbursed a loan under an agreement with the European Bank for Reconstruction and Development, with Santander Bank Polska S.A. acting as the guarantor. The loan totals PLN 200m and matures on 8 April 2022. Furthermore, the second tranche of EUR 60m was disbursed under an agreement made by Santander Leasing S.A. and the Council of Europe Development Bank on 25 October 2018 for EUR 120m worth of financing. Finally, the European Investment Bank disbursed a credit line of PLN 214.4m for Santander Consumer Bank S.A. under an agreement signed in 2018. The impact of the above loan disbursements on the Group's liabilities in respect of loans and advances was set off by loan repayments made during the first nine months of 2019.

TERM DEPOSITS AND CURRENT ACCOUNTS * AT QUARTER-ENDS OF 2018 AND 2019 (IN PLN BN)



* including savings accounts

3. Selected Ratios

Selected Financial Ratios of Santander Bank Polska Group	Q1-3 2019	Q1-3 2018
Total costs/Total income	45,8%	45,0%
Net interest income/Total income	69,5%	67,6%
Net interest margin ¹⁾	3,49%	3,79%
Net commission income/Total income	22,4%	25,1%
Customer net loans/Customer deposits	95,2%	93,5%
NPL ratio ²⁾	4,5%	4,6%
NPL coverage ratio ³⁾	57,4%	61,0%
Credit risk ratio ⁴⁾	0,92%	0,80%
ROE ⁵⁾	10,8%	11,1%
ROTE ⁶⁾	13,0%	13,1%
ROA ⁷⁾	1,2%	1,3%
Total Capital ratio ⁸⁾	16,14%	17,61%
Tier I ratio ⁹⁾	14,31%	15,51%
Book value per share (in PLN)	258,77	247,12
Earnings per share (in PLN) ¹⁰⁾	15,51	16,09

- 1) Net interest income annualised on a year-to-date basis (excluding interest income from the portfolio of debt securities held for trading) to average net earning assets as at the end of subsequent quarters after the end of 2018 (excluding financial assets held for trading, hedging derivatives and other loans and advances to customers).
- 2) Gross loans and advances to customers classified to stage 3 to the portfolio of gross loans and advances to customers measured at amortised cost at the end of the current reporting period (excluding POCI exposures).
- 3) Impairment allowances for loans and advances to customers classified to stage 3 and measured at amortised cost to gross value of such loans and advances at the end of the current reporting period.
- 4) Impairment allowances (for four consecutive quarters) to average gross loans and advances to customers (as at the end of the last year and the end of the current reporting period).
- 5) Profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the last year and the end of the current reporting period), net of non-controlling interests, current period profit and the undistributed portion of the profit.
- 6) Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the last year and the end of the current reporting period) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, dividend, undistributed portion of the profit, intangible assets and goodwill.
- 7) Profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the last accounting year and the end of the current reporting period).
- 8) The capital adequacy ratio was calculated on the basis of own funds and the total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package.
- 9) Tier 1 ratio is Tier 1 capital expressed as a percentage of risk weighted assets for credit, market and operational risk.
- 10) Net profit for the period attributable to shareholders of the parent entity divided by the average weighted number of ordinary shares.

Capital ratios

The table below presents calculation of the total capital ratio and Tier 1 ratio of Santander Bank Polska Group as at 30 September 2019 and 31 December 2018.

Capital Ratios of Santander Bank Polska Group	30.09.2019	31.12.2018
I Total capital requirement	11 906,6	11 434,2
II Own funds after reductions	24 023,0	22 839,8
Total Capital Ratio [II/(I*12.5)]	16,14%	15,98%
Tier I Ratio	14,31%	14,11%

The table below shows the total capital ratio and Tier 1 ratio of Santander Bank Polska S.A. and Santander Consumer Bank S.A. as at 30 September 2019 and 31 December 2018.

Santander Bank Polska Capital Ratios	30.09.2019	31.12.2018
Total Capital Ratio	18,49%	18,04%
Tier I Ratio	16,33%	15,85%

SCB Capital Ratios	30.09.2019	31.12.2018
Total Capital Ratio	17,95%	19,12%
Tier I Ratio	16,63%	17,70%

4. Key Factors Affecting the Profit in the Next Quarter and Beyond

The following external developments will have a significant impact on the financial performance and activity of Santander Bank Polska Group in the next quarters:

- Gradual economic slowdown in Poland coupled with a growing inflation rate.
- Slightly slower rise in real disposable income of households amid continued employment and wage growth combined with rising inflation.
- Increase in social transfers to households, contributing to further rise in disposable income and temporary growth in consumption.
- Stabilisation or even slight reduction of labour market tensions: the shortage of qualified labour force is still present, but slower economic growth and automation may cause a decrease in labour demand.
- Uncertainty about decisions of the Polish courts and the ultimate number of lawsuits in relation to the CJEU ruling on loans indexed to a foreign currency.
- Rising energy prices for medium and large companies.
- Continuing uncertainty and tensions in global trade relations.
- Low financing costs for households and businesses, which should stimulate demand for bank loans. At the same time, low interest on deposits should encourage bank customers to look for alternative savings/investment options.
- Further developments in the global stock markets and their impact on demand for investment fund units or, alternatively, safe bank deposits.
- A possible increase in volatility in financial markets in the event of a more negative outlook for global economic growth amid intensification of trade wars or unexpected geopolitical events.
- Possible changes in the monetary policy of the ECB and the Federal Reserve.
- Effects of the negotiations regarding the Britain's exit from the European Union.
- Price changes in commodity markets.
- Regulatory changes, including the launch of the Employee Capital Plans (PPK).

VI. Other Information

Shares of Santander Bank Polska S.A. held by Supervisory and Management Board members

As at the release dates of the Report of Santander Bank Polska Group for Q3 2019 and the Interim Report of Santander Bank Polska Group for H1 2019, none of the members of the Supervisory Board held any shares or conditional rights to shares of Santander Bank Polska S.A.

The table below shows shares and attached conditional rights to shares of Santander Bank Polska S.A. held by Management Board members as at the release dates of the above-mentioned reports for the periods ended 30 September 2019 and 30 June 2019.

Management Board Members	30.10.2019		23.07.2019	
	No. of Santander Bank Polska shares	Rights (6th Incentive Scheme)	No. of Santander Bank Polska shares	Rights (6th Incentive Scheme)
Michał Gajewski	-	5 420	-	5 420
Andrzej Burliga	1 389	2 820	1 389	2 820
Michael McCarthy	1 528	3 250	1 528	3 250
Patryk Nowakowski	329	820	329	820
Carlos Polaino Izquierdo	631	2 820	631	2 820
Juan de Porras Aguirre	1 397	2 240	1 397	2 240
Arkadiusz Przybył	-	3 390	-	3 390
Maciej Reluga	505	2 030	505	2 030
Dorota Strojowska	635	2 370	635	2 370
Total	6 414	25 160	6 414	25 160

Condensed Interim Consolidated
Financial Statement of
Santander Bank Polska Group
for the 9-month period
ended 30 September 2019

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I. Condensed consolidated income statement

for reporting period:	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Interest income and similar to income	2 166 156	6 364 304	1 805 709	5 230 953
Interest income on financial assets measured at amortised cost	1 923 854	5 614 807	1 584 506	4 610 243
Interest income on financial assets measured at fair value through other comprehensive income	209 193	618 077	189 226	527 297
Income similar to interest on financial assets measured at fair value through profit or loss	33 109	131 420	31 977	93 413
Interest expense	(465 122)	(1 431 138)	(383 490)	(1 022 701)
Net interest income	1 701 034	4 933 166	1 422 219	4 208 252
Fee and commission income	662 229	1 953 097	608 742	1 862 342
Fee and commission expense	(118 182)	(366 631)	(93 092)	(301 818)
Net fee and commission income	544 047	1 586 466	515 650	1 560 524
Dividend income	1 468	98 708	1 353	99 861
Net gains/(losses) on subordinated entities	-	-	-	(65)
Net trading income and revaluation	63 780	142 413	60 451	128 617
Gains (losses) from other financial securities	42 341	137 092	29 449	50 276
Other operating income	100 956	196 657	25 814	179 683
Impairment losses on loans and advances	(336 556)	(955 802)	(253 665)	(714 905)
Operating expenses incl.:	(982 342)	(3 247 855)	(916 628)	(2 803 606)
-Staff, operating expenses and management costs	(789 211)	(2 659 271)	(800 454)	(2 414 321)
-Depreciation/amortisation	(103 264)	(305 653)	(82 093)	(244 495)
-Amortisation of right of use asset	(54 283)	(161 693)	-	-
-Other operating expenses	(35 584)	(121 238)	(34 081)	(144 790)
Share in net profits (loss) of entities accounted for by the equity method	18 641	48 924	16 752	42 254
Tax on financial institutions	(216 617)	(499 484)	(115 052)	(333 601)
Profit before tax	936 752	2 440 285	786 343	2 417 290
Corporate income tax	(227 709)	(618 332)	(201 320)	(558 827)
Consolidated profit for the period	709 043	1 821 953	585 023	1 858 463
of which:				
-attributable to owners of Santander Bank Polska SA	625 657	1 583 558	505 929	1 598 113
-attributable to non-controlling interests	83 386	238 395	79 094	260 350
Net earnings per share				
Basic earnings per share (PLN/share)	6,13	15,51	5,09	16,09
Diluted earnings per share (PLN/share)	6,12	15,50	5,09	16,07

Notes presented on pages 18 – 73 constitute an integral part of this Financial Statement.

II. Condensed consolidated statement of comprehensive income

	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
for reporting period:				
Consolidated profit for the period	709 043	1 821 953	585 023	1 858 463
Other comprehensive income which can be transferred to the profit and loss account:	106 178	287 030	(27 652)	69 616
Valuation of debt securities measured at fair value through other comprehensive income gross	120 350	267 557	(24 911)	73 443
Deferred tax	(22 867)	(50 836)	4 733	(13 954)
Valuation of cash flow hedging instruments gross	10 734	86 801	(9 227)	12 503
Deferred tax	(2 039)	(16 492)	1 753	(2 376)
Other comprehensive income which can't be transferred to the profit and loss account:	(897)	(13 645)	(1 808)	33 273
Valuation and sales of equity securities measured at fair value through other comprehensive income gross	1 457	(8 234)	(2 232)	27 687
Deferred and current tax	(276)	(3 333)	424	(5 275)
Provision for retirement allowances – actuarial gains/losses gross	(2 565)	(2 565)	-	13 409
Deferred tax	487	487	-	(2 548)
Other comprehensive income for the period net of income tax	105 281	273 385	(29 460)	102 889
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	814 324	2 095 338	555 563	1 961 352
Total comprehensive income attributable to:				
Owners of Santander Bank Polska SA	731 293	1 860 794	477 129	1 701 824
Non-controlling interests	83 031	234 544	78 434	259 528

Notes presented on pages 18 – 73 constitute an integral part of this Financial Statement.

III. Condensed consolidated statement of financial position

	as at:	30.09.2019	31.12.2018 * restated
ASSETS			
Cash and balances with central banks	Note 14	7 689 819	8 907 552
Loans and advances to banks	Note 15	2 766 181	2 936 214
Financial assets held for trading	Note 16	2 776 499	9 769 851
Hedging derivatives		38 960	73 221
Loans and advances to customers incl.:	Note 17	143 825 386	137 460 378
- measured at amortised cost		141 615 368	135 643 297
- measured at fair value through other comprehensive income		984 048	366 751
- measured at fair value through profit or loss		1 225 970	1 450 330
Buy-sell-back transactions		223 860	177 482
Investment securities incl.:	Note 18	38 733 460	39 179 100
- debt securities measured at fair value through other comprehensive income		37 737 367	38 221 051
- debt securities measured at fair value through profit and loss		187 335	136 511
- equity securities measured at fair value through other comprehensive income		808 758	821 538
Investments in associates	Note 19	885 208	891 952
Intangible assets		734 570	819 409
Goodwill		1 712 056	1 712 056
Property, plant and equipment		744 992	986 384
Right of use asset		894 006	-
Net deferred tax assets		1 879 861	1 760 121
Assets classified as held for sale		11 120	12 145
Other assets		1 157 007	1 166 995
Total assets		204 072 985	205 852 860
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	3 997 194	2 832 928
Hedging derivatives		1 280 987	912 482
Financial liabilities held for trading	Note 16	2 013 675	1 233 713
Deposits from customers	Note 21	151 026 677	149 616 658
Sell-buy-back transactions		1 024 092	9 340 788
Subordinated liabilities	Note 22	2 679 254	2 644 341
Debt securities in issue	Note 23	11 234 769	9 368 617
Lease liability		753 151	-
Current income tax liabilities		350 464	288 300
Provisions for off balance sheet credit facilities	Note 24	56 080	81 048
Other provisions	Note 25	241 423	132 881
Other liabilities	Note 26	2 997 480	2 759 072
Total liabilities		177 655 246	179 210 828
Equity			
Equity attributable to owners of Santander Bank Polska S.A.		24 937 399	25 077 848
Share capital		1 020 883	1 020 883
Other reserve capital		20 126 366	18 911 741
Revaluation reserve		1 331 334	1 019 373
Retained earnings		875 258	1 729 067
Profit for the current period		1 583 558	2 396 784
Non-controlling interests in equity		1 480 340	1 564 184
Total equity		26 417 739	26 642 032
Total liabilities and equity		204 072 985	205 852 860

* details in Note 2.8 and 31

Notes presented on pages 18 – 73 constitute an integral part of this Financial Statement.

IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
Equity as at 1.01.2019 restated *	1 020 883	18 911 741	1 019 373	4 125 851	25 077 848	1 564 184	26 642 032
Total comprehensive income	-	-	277 236	1 583 558	1 860 794	234 544	2 095 338
<i>Consolidated profit for the period</i>	-	-	-	1 583 558	1 583 558	238 395	1 821 953
<i>Other comprehensive income</i>	-	-	277 236	-	277 236	(3 851)	273 385
Profit allocation to other reserve capital	-	1 206 218	-	(1 206 218)	-	-	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)	(318 388)	(2 331 071)
Share scheme charge	-	8 407	-	-	8 407	-	8 407
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	34 725	(34 725)	-	-	-
Other	-	-	-	3 033	3 033	-	3 033
Equity as at 30.09.2019	1 020 883	20 126 366	1 331 334	2 458 816	24 937 399	1 480 340	26 417 739

* details in Note 2.8 and 31

As at the end of the period revaluation reserve in the amount of PLN 1,331,334 k comprises: valuation of debt securities in the amount of PLN 774,141k, valuation of equity securities in the amount of PLN 543,192 k, valuation of cash flow hedge activities in the amount of 5,285 k and accumulated actuarial gains - provision for retirement allowances of PLN 8,716 k.

Consolidated statement of changes in equity	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
Equity as at 31.12.2017	993 335	16 920 129	714 466	3 279 290	21 907 220	1 436 409	23 343 629
Impact of the implementation of IFRS 9	-	-	(44 047)	(210 407)	(254 454)	-	(254 454)
Equity as at 1.01.2018 (restated)	993 335	16 920 129	670 419	3 068 883	21 652 766	1 436 409	23 089 175
Coverage of negative impact of IFRS 9 implementation*	-	-	-	222 905	222 905	-	222 905
Total comprehensive income	-	-	103 711	1 598 113	1 701 824	259 528	1 961 352
<i>Consolidated profit for the period</i>	-	-	-	1 598 113	1 598 113	260 350	1 858 463
<i>Other comprehensive income</i>	-	-	103 711	-	103 711	(822)	102 889
Profit allocation to other reserve capital	-	1 032 851	-	(1 032 851)	-	-	-
Profit allocation to dividends	-	-	-	(307 627)	(307 627)	(206 503)	(514 130)
Profit allocation to cover negative impact of IFRS 9 implementation*	-	-	-	(222 905)	(222 905)	-	(222 905)
Share scheme charge	-	9 394	-	-	9 394	-	9 394
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	130	(130)	-	-	-
Equity adjustment due to merger and liquidation of subsidiaries and controlling stake at the subsidiaries	-	(234)	683	221	670	420	1 090
Equity as at 30.09.2018	993 335	17 962 140	774 943	3 326 609	23 057 027	1 489 854	24 546 881

*General Meeting of Santander Bank Polska SA and Santander Factoring Sp. z o.o. decided to allocate part of the retained earnings to cover the negative impact of the implementation of IFRS 9 respectively in the amount PLN 218,466 k and PLN 4,439 k.

As at the end of the period revaluation reserve in the amount of PLN 774,943 k comprises: valuation of debt securities in the amount of PLN 305,126 k, valuation of equity securities in the amount of PLN 536,756 k, valuation of cash flow hedge activities in the amount of (78,296)k and accumulated actuarial gains - provision for retirement allowances of PLN 11,357 k.

V. Condensed consolidated statement of cash flows

	for reporting period:	1.01.2019- 30.09.2019	1.01.2018- 30.09.2018
Profit before tax		2 440 285	2 417 290
Total adjustments:			
Share in net profits of entities accounted for by the equity method		(48 924)	(42 254)
Depreciation/amortisation		467 346	244 495
Profit from investing activities		(157 876)	(65 729)
Impairment losses (reversal)		18 459	(85)
		2 719 290	2 553 717
Changes in:			
Provisions		83 574	16 435
Trading portfolio financial instruments		8 513 221	(6 435 761)
Hedging derivatives		402 766	376 252
Loans and advances to banks		(1 635)	(100)
Loans and advances to customers		(6 365 008)	(8 974 436)
Deposits from banks		631 920	556 418
Deposits from customers		1 655 884	12 994 328
Buy-sell/ Sell-buy-back transactions		(8 381 146)	5 959 220
Other assets and liabilities		228 514	(485 293)
		(3 231 910)	4 007 063
Interest accrued excluded from operating activities		(296 411)	(264 568)
Dividends		(97 283)	(98 743)
Paid income tax		(746 104)	(739 697)
Net cash flows from operating activities		(1 652 418)	5 457 772
Inflows		5 352 843	3 958 541
Sale/maturity of investment securities		4 465 113	3 287 816
Sale of intangible assets and property, plant and equipment		156 291	84 777
Dividends received		96 941	98 499
Interest received		634 498	487 449
Outflows		(9 709 813)	(9 319 721)
Purchase of investment securities		(9 462 088)	(9 000 251)
Purchase of intangible assets and property, plant and equipment		(247 725)	(319 470)
Net cash flows from investing activities		(4 356 970)	(5 361 180)
Inflows		7 191 088	7 185 850
Debt securities in issue		5 864 500	5 441 794
Drawing of loans		1 326 588	1 744 056
Outflows		(7 848 515)	(4 017 750)
Debt securities buy out		(4 043 700)	(2 125 000)
Repayment of loans		(1 041 348)	(1 183 981)
Repayment of lease liability		(139 979)	-
Dividends and other payments to shareholders		(2 331 071)	(514 130)
Interest paid		(292 417)	(194 639)
Net cash flows from financing activities		(657 427)	3 168 100
Total net cash flows		(6 666 815)	3 264 692
Cash and cash equivalents at the beginning of the accounting period		18 012 307	7 662 368
Cash and cash equivalents at the end of the accounting period		11 345 492	10 927 060

Notes presented on pages 18 – 73 constitute an integral part of this Financial Statement.

VI. Condensed income statement of Santander Bank Polska SA

	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	01.07.2018- 30.09.2018	01.01.2018- 30.09.2018
Interest income and similar to interest	1 589 356	4 699 248	1 292 060	3 728 622
Interest income on financial assets measured at amortised cost	1 370 367	4 019 504	1 095 053	3 178 359
Interest income on financial assets measured at fair value through other comprehensive income	195 755	578 708	176 257	491 007
Income similar to interest - financial assets measured at fair value through profit or loss	23 234	101 036	20 750	59 256
Interest expenses	(344 294)	(1 107 403)	(289 223)	(757 616)
Net interest income	1 245 062	3 591 845	1 002 837	2 971 006
Fee and commission income	505 573	1 495 175	456 003	1 390 437
Fee and commission expenses	(67 462)	(216 703)	(56 871)	(188 944)
Net fee and commission income	438 111	1 278 472	399 132	1 201 493
Dividend income	1 442	587 433	1 291	492 361
Net gains/(losses) on subordinated entities	-	-	-	(65)
Net trading income and revaluation	63 333	140 399	55 475	134 825
Gains (losses) from other financial securities	42 540	138 202	28 297	50 993
Other operating income	85 878	135 473	15 057	131 784
Impairment losses on loans and advances	(245 593)	(678 495)	(163 552)	(484 036)
Operating expenses incl.:	(782 939)	(2 624 254)	(736 950)	(2 259 599)
-Staff, Operating expenses and management costs	(631 147)	(2 158 752)	(640 512)	(1 932 628)
-Depreciation/amortisation	(93 651)	(276 296)	(68 856)	(206 419)
-Amortisation of right of use asset	(42 549)	(125 057)	-	-
-Other operating expenses	(15 592)	(64 149)	(27 582)	(120 552)
Tax on financial institutions	(205 009)	(466 862)	(105 323)	(304 287)
Profit before tax	642 825	2 102 213	496 264	1 934 475
Corporate income tax	(165 138)	(444 887)	(133 662)	(389 975)
Profit for the period	477 687	1 657 326	362 602	1 544 500
Net earnings per share (PLN/share)				
Basic earnings per share	4,67	16,23	3,65	15,55
Diluted earnings per share	4,67	16,22	3,64	15,53

Notes presented on pages 18 – 73 constitute an integral part of this Financial Statement.

VII. Condensed statement of comprehensive income of Santander Bank Polska SA

for reporting period:	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Profit for the period	477 687	1 657 326	362 602	1 544 500
Other comprehensive income which can be transferred to the profit and loss account:	107 177	294 138	(26 685)	71 326
Valuation of debt securities measured at fair value through other comprehensive income gross	121 686	278 909	(23 603)	75 089
Deferred tax	(23 121)	(52 993)	4 484	(14 267)
Valuation of cash flow hedging instruments gross	10 632	84 225	(9 341)	12 968
Deferred tax	(2 020)	(16 003)	1 775	(2 464)
Other comprehensive income which can't be transferred to the profit and loss account:	(2 033)	(12 794)	(11)	36 756
Valuation and sales of equity securities measured at fair value through other comprehensive income gross	190	(7 049)	(14)	31 808
Deferred and current tax	(36)	(3 558)	3	(6 058)
Provision for retirement allowances – actuarial gains/losses gross	(2 700)	(2 700)	-	13 588
Deferred tax	513	513	-	(2 582)
Other comprehensive income for the period net of income tax	105 144	281 344	(26 696)	108 082
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	582 831	1 938 670	335 906	1 652 582

Notes presented on pages 18 – 73 constitute an integral part of this Financial Statement.

VIII. Condensed statement of financial position of Santander Bank Polska SA

	as at:	30.09.2019	31.12.2018 * restated
ASSETS			
Cash and balances with central banks		7 659 391	8 841 902
Loans and advances to banks		2 748 757	2 859 479
Financial assets held for trading		2 796 589	9 776 705
Hedging derivatives		38 695	52 554
Loans and advances to customers incl.:		119 965 586	117 492 490
- measured at amortised cost		118 095 374	116 056 599
- measured at fair value through other comprehensive income		984 048	366 751
- measured at fair value through profit or loss		886 164	1 069 140
Buy-sell-back transactions		223 860	177 482
Investment securities incl.:		35 947 966	36 372 113
- debt securities measured at fair value through other comprehensive income		34 977 197	35 439 836
- debt securities measured at fair value through profit and loss		180 822	131 005
- equity securities measured at fair value through other comprehensive income		789 947	801 272
Investments in subsidiaries and associates		2 405 699	2 405 699
Intangible assets		684 810	775 908
Goodwill		1 688 516	1 688 516
Property, plant and equipment		627 249	870 686
Right of use asset		792 806	-
Net deferred tax assets		1 057 117	950 886
Assets classified as held for sale		10 572	11 123
Other assets		796 499	771 783
Total assets		177 444 112	183 047 326
LIABILITIES AND EQUITY			
Deposits from banks		1 395 089	1 039 979
Hedging derivatives		1 253 944	903 170
Financial liabilities held for trading		2 012 807	1 238 002
Deposits from customers		139 981 588	139 469 776
Sell-buy-back transactions		15 729	8 233 994
Subordinated liabilities		2 577 952	2 543 940
Debt securities in issue		2 820 622	3 311 969
Lease liability		846 442	-
Current income tax liabilities		315 957	186 769
Provisions for off balance sheet credit facilities		44 216	58 143
Other provisions		166 551	83 644
Other liabilities		2 235 881	2 135 000
Total liabilities		153 666 778	159 204 386
Equity			
Share capital		1 020 883	1 020 883
Other reserve capital		19 204 283	18 093 257
Revaluation reserve		1 334 317	1 030 661
Retained earnings		560 525	1 490 654
Profit for the current period		1 657 326	2 207 485
Total equity		23 777 334	23 842 940
Total liabilities and equity		177 444 112	183 047 326

* details in Note 2.8 and 31

Notes presented on pages 18 – 73 constitute an integral part of this Financial Statement.

IX. Condensed statement of changes in equity of Santander Bank Polska SA

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Equity as at 1.01.2019 restated *	1 020 883	18 093 257	1 030 661	3 698 139	23 842 940
Total comprehensive income	-	-	281 344	1 657 326	1 938 670
<i>Profit for the period</i>	-	-	-	1 657 326	1 657 326
<i>Other comprehensive income</i>	-	-	281 344	-	281 344
Profit allocation to other reserve capital	-	1 102 619	-	(1 102 619)	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)
Share scheme charge	-	8 407	-	-	8 407
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	22 312	(22 312)	-
Equity as at 30.09.2019	1 020 883	19 204 283	1 334 317	2 217 851	23 777 334

* details in Note 2.8 and 31

As at the end of the period revaluation reserve in the amount of PLN 1,334,317 k comprises: valuation of debt securities in the amount of PLN 770,310 k, valuation of equity securities in the amount of PLN 553,996 k, valuation of cash flow hedge activities in the amount of 1,315 k and accumulated actuarial gains - provision for retirement allowances of PLN 8,696 k.

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Equity as at 31.12.2017	993 335	16 176 183	712 303	2 957 016	20 838 837
Impact of the implementation of IFRS 9	-	-	(32 278)	(200 527)	(232 805)
Equity as at 1.01.2018 (restated)	993 335	16 176 183	680 025	2 756 489	20 606 032
Coverage of negative impact of IFRS 9 implementation*	-	-	-	218 466	218 466
Total comprehensive income	-	-	108 082	1 544 500	1 652 582
<i>Profit for the period</i>	-	-	-	1 544 500	1 544 500
<i>Other comprehensive income</i>	-	-	108 082	-	108 082
Profit allocation to other reserve capital	-	958 078	-	(958 078)	-
Profit allocation to dividends	-	-	-	(307 627)	(307 627)
Profit allocation to cover negative impact of IFRS 9 implementation*	-	-	-	(218 466)	(218 466)
Share scheme charge	-	9 394	-	-	9 394
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	130	(130)	-
Equity as at 30.09.2018	993 335	17 143 655	788 237	3 035 154	21 960 381

*On 16.05.2018 General Meeting of Santander Bank Polska SA decided to allocate part of the retained earnings to cover the negative impact of the implementation of IFRS 9.

As at the end of the period revaluation reserve in the amount of PLN 788,237 k comprises: valuation of debt securities in the amount of PLN 298,097 k, valuation of equity securities in the amount of PLN 559,736 k, valuation of cash flow hedge activities in the amount of (80,925)k and accumulated actuarial gains - provision for retirement allowances of PLN 11,329 k.

X. Condensed statement of cash flows of Santander Bank Polska SA

	for reporting period:	1.01.2019- 30.09.2019	1.01.2018- 30.09.2018
Profit before tax		2 102 213	1 934 475
Total adjustments:			
Depreciation/amortisation		401 353	206 419
Profit from investing activities		(161 586)	(65 666)
Impairment losses (reversal)		18 557	-
		2 360 537	2 075 228
Changes in:			
Provisions		68 980	9 572
Trading portfolio financial instruments		8 494 828	(6 453 237)
Hedging derivatives		364 633	327 317
Loans and advances to banks		(2 436)	(100 525)
Loans and advances to customers		(2 473 096)	(7 766 218)
Deposits from banks		355 110	478 990
Deposits from customers		1 051 962	12 656 531
Buy-sell/ Sell-buy-back transactions		(8 282 715)	6 037 514
Other assets and liabilities		173 467	(433 256)
		(249 267)	4 756 688
Interest accrued excluded from operating activities		(418 309)	(373 453)
Dividends		(586 008)	(491 243)
Paid income tax		(493 969)	(438 698)
Net cash flows from operating activities		612 984	5 528 522
Inflows		4 956 129	3 510 957
Sale of investments in subsidiaries		-	35
Sale/maturity of investment securities		3 664 824	2 563 498
Sale of intangible assets and property, plant and equipment		120 691	58 687
Dividends received		585 666	452 249
Interest received		584 948	436 488
Outflows		(8 827 278)	(8 296 322)
Purchase of investment securities		(8 662 089)	(8 045 052)
Purchase of intangible assets and property, plant and equipment		(165 189)	(251 270)
Net cash flows from investing activities		(3 871 149)	(4 785 365)
Inflows		632 000	4 756 332
Debt securities in issue		632 000	4 140 794
Drawing of loans		-	615 538
Outflows		(3 946 918)	(2 307 041)
Debt securities buy out		(1 150 000)	(1 235 000)
Repayment of loans		(540 418)	(705 308)
Repayment of lease liability		(107 132)	-
Dividends and other payments to shareholders		(2 012 683)	(307 627)
Interest paid		(136 685)	(59 106)
Net cash flows from financing activities		(3 314 918)	2 449 291
Total net cash flows		(6 573 083)	3 192 448
Cash and cash equivalents at the beginning of the accounting period		17 777 727	7 506 027
Cash and cash equivalents at the end of the accounting period		11 204 644	10 698 475

Notes presented on pages 18 – 73 constitute an integral part of this Financial Statement.

XI. Additional notes to condensed interim consolidated financial statement

1. General information about issuer

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

On 7.09.2018, the District Court for Wrocław-Fabryczna in Wrocław, VI Economic Unit of the National Court Register, entered into the register of entrepreneurs changes in the Bank's statute resulting in, among others, the change of the Bank's name from the Bank Zachodni WBK SA to Santander Bank Polska SA.

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 9-month period ended 30.09.2019 includes Bank's financial information as well as information from its subsidiaries and shares in associated entities (all together called Group).

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

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

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

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

Subsidiaries	Registered office	[%] of votes on AGM at 30.09.2019	[%] of votes on AGM at 31.12.2018
1. Santander Finanse sp. z o.o. (formerly BZ WBK Finanse sp. z o.o.)	Poznań	100%	100%
2. Santander Factoring sp. z o.o. (formerly BZ WBK Faktor sp. z o.o.)	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3. Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4. Santander Leasing Poland Securitization 01	Dublin	subsidiary of Santander Leasing S.A.	subsidiary of Santander Leasing S.A.
5. Santander Inwestycje sp. z o.o. (formerly BZ WBK Inwestycje sp. z o.o.)	Warszawa	100%	100%
6. Santander F24 S.A. (formerly BZ WBK F24 S.A.)/ BZ WBK Nieruchomości S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
7. Santander Securities S.A. ¹⁾	Warszawa	100%	100%
8. Santander Towarzystwo Funduszy Inwestycyjnych S.A. (formerly BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.)	Poznań	50%	50%
9. Santander Consumer Bank S.A.	Wrocław	60%	60%
10. Santander Consumer Finanse sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
11. PSA Finance Polska sp. z o.o. ²⁾	Warszawa	Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.	Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.
12. PSA Consumer Finance Polska sp. z o.o. ³⁾	Warszawa	100% of AGM votes are held by PSA Finance Polska sp. z.o.o.	100% of AGM votes are held by PSA Finance Polska sp. z.o.o.
13. Santander Consumer Multirent sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
14. S.C. Poland Consumer 15-1 sp.z o.o. ⁴⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.
15. S.C. Poland Consumer 16-1 sp.z o.o. ⁴⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

¹⁾ Acquisition of Santander Securities S.A. Details in note 31.

On 26 July 2019 the management board of Santander Bank Polska S.A. submitted a second announcement to the shareholders regarding the proposed division of Santander Securities through a transfer of a part of the assets and liabilities of the Company Being Divided to the Bank and to Santander Finance. On 23 September 2019 Extraordinary General Meeting of Santander Bank Polska S.A. Shareholders adopted a resolution regarding the division of Santander Securities S.A.

²⁾ As at 30.09.2019, Santander Bank Polska was a co-owner of Santander Towarzystwo Funduszy Inwestycyjnych SA, together with Banco Santander SA Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska exercises control over the subsidiary Santander Towarzystwo Funduszy Inwestycyjnych SA because though it, Banco Santander implements its policy in Poland. Consequently, the company is treated as a subsidiary.

³⁾ According to Santander Bank Polska Group Management Board, investing in PSA Finance Polska Sp. z o.o., a subsidiary company, resulted from the need to prepare consolidated financial statements due to the fact that Santander Consumer Bank S.A has a direct control and Santander Bank Polska SA has indirect control over the investment.

⁴⁾ SC Poland Consumer 15-1 sp. z o.o., SC Poland Consumer 16-1 sp. z o.o. set up for the purpose of securitisation of a part of the loan portfolio; their shareholder is polish legal entity who has no ties with the Group; the companies controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7.

Associates:

Associates	Registered office	[%] of votes on AGM at 30.09.2019	[%] of votes on AGM at 31.12.2018
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2. Santander - Aviva Towarzystwo Ubezpieczeń S.A.	Poznań	49%	49%
3. Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Poznań	49%	49%

2. Basis of preparation of condensed interim consolidated financial statements

2.1 Statement of compliance

This consolidated condensed interim financial statement of Santander Bank Polska S.A. Group was prepared in accordance with the International Accounting Standards (IAS 34) adopted by the European Union, which are applied on a consistent basis, as at 30 September 2019 and, in the case of matters not governed by the above Standards, in accordance with the provisions of the Accounting Act of 29 September 1994 (consolidated text: Journal of Law 2019, item 351) and related implementing acts as well as the requirements imposed on issuers whose securities are admitted to trading on regulated markets or issuers who have applied to have securities admitted to trading on regulated markets outlined in the Act of 29 July 2005 on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies.

2.2 New standards and interpretations or changes to existing standards or interpretations which can be applicable to Santander Bank Polska S.A. Group and are not yet effective or have neither been implemented earlier

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Conceptual Framework for Financial Reporting	<p>The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.</p> <p>The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:</p> <ul style="list-style-type: none"> • Chapter 1 – The objective of financial reporting • Chapter 2 – Qualitative characteristics of useful financial information • Chapter 3 – Financial statements and the reporting entity • Chapter 4 – The elements of financial statements • Chapter 5 – Recognition and derecognition • Chapter 6 – Measurement • Chapter 7 – Presentation and disclosure • Chapter 8 – Concepts of capital and capital maintenance <p>The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 Business Combinations and for those applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p>	Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.	The amendment will not have a significant impact on financial statement.
IAS 1 Presentation of financial statements and IAS 8 Accounting principles (policy), changes in estimates and correction of errors	The IASB has published a new definition of 'material'. Amendments to IAS 1 and IAS 8 clarify the definition and increase consistency across standards	1 January 2020	The standard will not have a significant impact on financial statement.
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 within the scope of IFRS 17 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 the entity provides insurance coverage, reinsurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2021	The standard will not have a significant impact on financial statement.
Amendments to IFRS 3 Business combinations	As a result of the amendments to IFRS 3, the definition of a "business" has been modified. The definition has been narrowed down and is likely to result in more acquisitions being classified as a purchase of assets.	1 January 2020	The standard will not have a significant impact on financial statement.
Improvements to IFRS 10 and IAS 28 *	<p>Improvements to IFRS 10 and IAS 28 cover sales or contributions of assets between an investor and its associate/joint venture. The improvements eliminate the inconsistencies between IFRS 10 and IAS 28. The accounting treatment hinges on whether the non-monetary assets sold or contributed to an associate/joint venture constitute a business.</p> <p>Should the assets constitute a business, the investor shall recognize the profit or loss in full. Should the assets not constitute a business, the profit or loss shall be recognised only to the extent of unrelated investors' interests in the associate or joint venture.</p> <p>The improvements were published on 11 September 2014.</p>	The International Accounting Standards Board has not established the validity date of the amended regulations.	The amendment will not have a significant impact on financial statement.

*New standards and amendments to the existing standards issued by the IASB, but not yet authorized for use in the EU.

2.3 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2019

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
IFRS 16 Leases	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions results in the lessee's right to use the assets and the obligation to make a payment. Accordingly, the classification of leases into operating lease and finance lease as per IAS 17 no longer applies under IFRS 16, as the new standard introduces a single model for accounting for leases by the lessee. The lessee will be required to present the following: (a) assets and liabilities in respect of all leases executed for more than 12 months, except where an asset is of low quality; and (b) depreciation charge for the leased asset separately from the interest expense on the lease liability in the statement of profit or loss and other comprehensive income.</p> <p>The principles of accounting for leases by the lessee established in IFRS 16 are largely the same as in IAS 17. As a consequence, the lessee continues to use the classification into operating lease and finance lease and accounts for them accordingly.</p>	1 January 2019	Standard's implementation impact is described in Note 2.7
IAS 19, Plan Amendment, Curtailment or Settlement*	<p>Amendments to IAS 19 specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. IAS 19 'Employee Benefits' specifies how an entity accounts for a defined benefit plan. When a change to a plan – an amendment, curtailment or settlement-takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.</p>	1 January 2019	The amendment does not have a significant impact on financial statement.
Amendment to IFRS 9 Financial Instruments Prepayment right with negative compensation	<p>Amendments to IFRS 9 introduce the statements with reference to contractual prepayment feature, when the lender could be forced to accept the prepayment amount that is substantially less than unpaid amounts of principal and interest. Such a prepayment amount would be a payment to the borrower from the lender, instead of compensation from the borrower to the lender. Such a financial asset would be eligible to be measured at amortized cost or fair value through other comprehensive income (subject to an assessment of the business model in which they are held), however, the negative compensation must be reasonable compensation for early termination of the contract.</p>	1 January 2019	The amendment does not have a significant impact on financial statement.
IFRIC 23 Uncertainty over Income Tax Treatments*	<p>Interpretation clarifies how the recognition and measurement requirements of IAS 12 "Income taxes" are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied where there is uncertainty over whether that treatment will be accepted by the tax authority.</p> <p>IFRIC Interpretation 23 addresses, in particular, when there is uncertainty over income tax treatments, whether an entity considers uncertain tax treatments separately, what assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, tax rates and how an entity considers changes in facts and circumstances.</p> <p>The impact of the uncertainty should be measured using the method that best predicts the resolution of the uncertainty - either the most likely amount method or the expected value method when measuring an uncertainty.</p>	1 January 2019	The amendment does not have a significant impact on financial statement.

2015-2017 Cycle	<p>Following is a summary of the amendments from the 2015-2017 annual improvements cycle:</p> <p>IFRS 3 Business Combinations - Previously held Interests in a joint operation</p> <ul style="list-style-type: none"> • The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. • In doing so, the acquirer remeasures its entire previously held interest in the joint operation. • An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. <p>IFRS 11 Joint Arrangements - Previously held Interests in a joint operation</p> <ul style="list-style-type: none"> • A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. • An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. 	1 January 2019	The amendment does not have a significant impact on financial statement.
2015-2017 Cycle	<p>Following is a summary of the amendments from the 2015-2017 annual improvements cycle:</p> <p>IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity</p> <ul style="list-style-type: none"> • The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. • An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. <p>IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation</p> <ul style="list-style-type: none"> • The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. • An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. • An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. 	1 January 2019	The amendment does not have a significant impact on financial statement.

*New standards and amendments to the existing standards issued by the IASB, but not yet authorized for use in the EU.

2.4 Basis of preparation of consolidated financial statements

The condensed interim consolidated financial statements are presented in PLN, rounded to the nearest thousand.

The condensed interim consolidated financial statements of Santander Bank Polska Group were prepared in accordance with the International Accounting Standards (IAS 34) applied consistently adopted by the European Union. Santander Bank Polska Group has produced condensed interim financial statements in accordance with the historical cost principle, except for the items below:

Item	Balance sheet valuation rules
Held-for-trading financial instruments	Fair value through profit or loss
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 securities	Fair value through other comprehensive income – an option
Debt securities measured at fair value through profit and loss	Fair value through profit or loss
Non-current assets held for sale and groups of non-current assets designated as held for sale	Are recognised at the lower of their carrying amount and their fair value less costs of disposal.

The accounting policies have been applied consistently by Santander Bank Polska Group entities. The same accounting principles were applied as in the case of the consolidated financial statements for the period ending 31 December 2018, except for changes arising from the implementation of IFRS 16 Leases as of 1 January 2019 (described in the later part of this document) and income tax charged under IAS 34.30c.

2.5 Changes in estimated values

Preparation of financial statements in accordance with the IFRS requires the management to make subjective judgements, estimations and assumptions which affect the applied accounting principles and the presented assets and liabilities, and revenues and expenses.

The Santander Bank Polska Group's significant estimates are estimates of credit risk and fair value.

The Group did not make significant changes in terms of credit risk and fair value estimations, except for those described below.

The Group regularly analyses the risk profile of the CHF portfolio, including potential impact of courts' rulings described in Note 28 on expected future cash flows from this portfolio. In 2019, the Group has not made any significant changes to the expected loss estimates in respect of the above risk in connection with the foregoing uncertainties due to the fact that at the release date of the financial statements, the Group did not have documentable information about future events which would warrant accurate estimate of losses in this respect in the financial statements for Q3 2019. The Group will continue to monitor the above issues in the subsequent periods and will appropriately consider the impact of changes in courts' rulings on the estimates in relation to the above risk as soon as this impact may be accurately estimated.

The Group is analysing the impact of possible future partial refunds of fees on consumer loans on significant estimates as described in Note 28. As at the date of these financial statements, the Group has not completed the above analysis within the sufficient scope to be able to provide accurate estimates. The Group will adjust the estimates in this respect once the analysis is completed.

The other estimations were provided in the financial statements for 2018.

Santander Bank Polska Group did not make any new estimates, except for the estimates described below under IFRS 16.

Measurement of right-of-use assets and lease liabilities

For lease contracts and contracts that contain a lease component, Santander Bank Polska S.A. Group made estimates which affect the value of right-of-use assets and their corresponding lease liabilities. The following items were estimated:

- a lease term; and

- an interest rate used for the purpose of discounting future cash flows.

Lease term

Santander Bank Polska S.A. Group determined the lease term as the non-cancellable period of a lease, together with:

1. periods covered by an option to extend the lease if Santander Bank Polska S.A. Group, the lessee, is reasonably certain to exercise that option; and
2. periods covered by an option to terminate the lease if Santander Bank Polska S.A. Group, the lessee, is reasonably certain not to exercise that option.

In assessing whether Santander Bank Polska S.A. Group, the lessee, is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, Santander Bank Polska S.A. Group considered all relevant facts and circumstances that create an economic incentive for Santander Bank Polska S.A. Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

For fixed-term contracts, Santander Bank Polska S.A. Group assumed the lease term equal to the term of the lease contract, unless Santander Bank Polska S.A. Group was aware of circumstances indicating that an extension or termination option would be exercised. For contracts made for an indefinite period, the lease term typically equals three years, unless a given property is subject to redevelopment. In such a case, the lease term does not exceed five years. In the case of right-of-use assets which are accessory to the underlying asset, the lease term is determined as the term of lease of the underlying asset, e.g. commercial premises where the branch is located.

Where an underlying asset is subleased by Santander Bank Polska S.A. Group, the head lessee ("intermediate lessor"), to a third party, and the lease ("head lease") between the head lessor and lessee remains in effect, the term of the sublease contract does not exceed the term of the head lease contract.

Incremental borrowing rate

The discount rate equals Santander Bank Polska S.A. Group's incremental borrowing rate at the time of the initial application of IFRS 16. The rate is the sum of:

1. risk-free rate
2. credit spread.

Average weighted incremental borrowing rates applied for lease liabilities as at the first application date for individual currencies are as follows:

- PLN: 3.19%
- USD: 3.36%
- EUR: 1.24%.

Impact of IFRS 16 on the assets and financial position of Santander Bank Polska S.A. Group

IFRS 16 Leases has a significant impact on the financial statements of Santander Bank Polska S.A. Group.

In 2019, the classification of expenses in the income statement will change (lease rents will be replaced by amortisation/depreciation and interest expenses), as will the timing of their recognition (under the new model, lease expenses will be recognised relatively earlier compared to the current model for recognition of operating lease expenses) and the balance sheet total will increase.

The table below presents the value of each class of right-of-use assets:

Class of right-of-use assets	Land	Buildings and structures	Vehicles	Telecommunication lines	Other	TOTAL
TOTAL	20 412	757 175	4 822	2 859	4 128	789 396

As at the initial application of IFRS 16, all assets indicated above, which are the subjects of lease contracts, were recognised separately from other assets under "Right-of-use assets". Such contracts were classified as operating lease in accordance with IAS 17. Consequently, during the term of the contract, the related fees were recognised in operating expenses under "General and administrative expenses".

The table below presents the difference between future fees under operating leases payable by Santander Bank Polska S.A. Group and disclosed at the end of 2018 in accordance with IAS 17 and lease liabilities recognised in the statement of financial position as at initial application of IFRS 16:

Description	Value
Total liabilities arising from irrevocable operating leases of Santander Bank Polska S.A. Group as at 31 December 2018	922 443
Discount based on the incremental borrowing rate of Santander Bank Polska S.A. Group as the lessee	(100 207)
Lease liabilities classified as finance lease before initial application of IFRS 16	-
Value of contractual liabilities considering extension and termination options	11 963
Exclusion – short-term leases	(18 850)
Exclusion – leases of low-value assets	(3 930)
Lease liabilities as per IFRS 16 as at 1 January 2019 – TOTAL	811 420

The value of right-of-use assets does not equal the value of lease liabilities mainly to to the fact that Santander Bank Polska S.A. Group:

- determined the provisions for onerous leases as an alternative to performing an impairment review. The use of this expedient entailed an adjustment of the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application and totalling PLN 8,397 k.
- adjusted the carrying amount of the right-of-use asset by assets and liabilities recognized in respect of business combination in line with IFRS 3 “Business combinations” relating to favourable and unfavourable terms of operating leases acquired as part of a business combination in amount PLN 21,578 k,
- decommissioning provision. As regards the lease contracts providing for the obligation of Santander Bank Polska S.A. Group to reinstate the leased asset to its original condition after termination of the lease, Santander Bank Polska S.A. Group recognised decommissioning assets and corresponding provisions mainly in connection with the lease of buildings and structures. Decommissioning costs are incurred in relation to the right-of-use asset and amortised over the estimated economic life. The fair value of decommissioning costs is estimated by Santander Bank Polska S.A. Group on the basis of average historical costs of asset reinstatement for the last 12 months. As at 1 January 2019, the present value of provisions for reinstatement of assets to their original condition is PLN 7,231 k and will be presented in the statement of financial position under “Other liabilities”.
- other adjustments, including unsettled until the first application date cash incentives.

The table below presents right-of-use assets reconciliation with lease liabilities:

Description	Value
Right-of-use assets as per IFRS 16 as at 1 January 2019, including:	789 396
- lease liabilities as per IFRS 16 as at 1 January 2019	811 419
- provisions for onerous contracts	(8 397)
- assets' adjustment related to assets and liabilities recognized in applying IFRS 3	(21 578)
- decommissioning provision	7 231
- other	721

Lease liabilities were measured at the present value of the lease payments not paid as at 1 January 2019, including fixed payments less any lease incentives receivable.

Lease liabilities do not include:

- variable lease payments that do not depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option.

It is due to the fact that contracts do not provide for such types of payments, and in the case of the purchase option, it is not reasonably certain whether the lessee will exercise that option.

There are no variable payments that depend on external factors such as sales generated on the leased premises.

Santander Bank Polska S.A. Group applied the two exemptions regarding:

- short-term leases (with a term up to 12 months and no purchase options); and
- low-value assets (assets with the initial value of PLN 20k or less)

by taking them directly to costs, usually on a straight-line basis, over the lease term.

For the purpose of the initial application of the standard, Santander Bank Polska S.A. Group used a modified retrospective approach and measured right-of-use assets at the amount of lease liabilities adjusted for any prepayments or accrued lease payments relating to leases only, recognised in the statement of financial position directly before the date of initial application, and avoided the to restate comparative data.

At the date of initial application of the standard, Santander Bank Polska S.A. Group decided to use additional expedients available for first-time adopters, other than those specified above, specifically:

- exclude any initial direct costs from measurement of the right-of-use asset;
- apply a single discount rate to the portfolio of leases with substantially similar characteristics (such as leases with a similar remaining lease term for a similar class of the underlying asset in a similar economic environment);
- determine the provisions for onerous leases as an alternative to performing an impairment review.

For contracts that contain a lease component and one or more additional lease or non-lease components and not showing how the remuneration is divided into lease and non-lease elements, Santander Bank Polska S.A. Group used the expedient provided under IFRS 16 and did not allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. As a practical expedient, Santander Bank Polska S.A. Group elected not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

Santander Bank Polska S.A. Group was not required under IFRS 16 to make any adjustments on transition for leases where it is the lessor. However, as the intermediate lessor, the Group reassessed subleases that were classified as operating leases applying IAS 17 and are ongoing at the date of initial application. As a result of assessment of subleases, Santander Bank Polska S.A. Group continued to classify all sublease contracts as operating leases.

2.6 Judgements that affect the amounts recognised in financial statements

In the process of applying the accounting policies, the management of Santander Bank Polska Group makes various subjective judgements, apart from those involving estimates, that can significantly affect the amounts it recognises in the financial statements. Santander Bank Polska Group did not make new judgements except for the judgements described below, resulting from the implementation of IFRS 16.

Leasing of low value assets

Lease agreements regarding assets with an initial value not exceeding PLN 20 k, Santander Bank Polska S.A. evaluates as a low value lease.

Lease term

For fixed-term contracts, Santander Bank Polska S.A. Group assumed the lease term equal to the term of the lease contract, unless Santander Bank Polska S.A. was aware of circumstances indicating that an extension or termination option would be exercised. For contracts made for an indefinite period, the lease term typically equals three years, unless a given property is subject to redevelopment. In such a case, the lease term does not exceed five years. In the case of right-of-use assets which are accessory to the underlying asset, the lease term is determined as the term of lease of the underlying asset, e.g. commercial premises where the branch is located.

2.7 Changes to accounting principles

Except for the changes presented below, Santander Bank Polska Group applied the accounting policies consistently both to the reporting period and to the comparable period.

Below is the description of changes to accounting policies arising from the implementation of IFRS 16 Lease as of 1 January 2019.

The accounting policies have been applied consistently by Santander Bank Polska Group entities.

Separating components of a lease contract

Lessee

Santander Bank Polska Group (the lessee) does not separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component for each underlying asset class where it is possible and where the share of non-lease components is not significant compared to total net lease payments.

Lessor

For a contract that contains a lease component and one or more additional lease or non-lease components, Santander Bank Polska Group (the lessor) allocates the consideration in the contract applying the provisions of the accounting policy in respect of revenue from contracts with customers.

Lease term

Santander Bank Polska Group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the Group (the lessee) is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Group (the lessee) is reasonably certain not to exercise that option.

The lease term is updated upon the occurrence of either a significant event or a significant change in circumstances.

Santander Bank Polska Group as the lessee

Recognition

At the commencement date, Santander Bank Polska Group (the lessee) recognises a right-of-use asset and a lease liability.

Measurement

Initial measurement

Initial measurement of the right-of-use asset

At the commencement date, Santander Bank Polska Group (the lessee) measures the right-of-use asset at cost.

The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Santander Bank Polska Group (the lessee); and
- an estimate of costs to be incurred by Santander Bank Polska Group (the lessee) in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Initial measurement of the lease liability

At the commencement date, Santander Bank Polska Group (the lessee) measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- net fixed payments (including in-substance fixed payments), less any lease incentives;

- net variable lease payments that depend on an index or a rate;
- net amounts expected to be payable by the lessee under residual value guarantees;
- net exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of net penalties for terminating the lease, if the lease term reflects that Santander Bank Polska Group (the lessee) may exercise an option to terminate the lease.

Lease modifications

Santander Bank Polska Group (the lessee) accounts for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification Santander Bank Polska Group (the lessee):

- does not allocate the consideration in the modified contract;
- determines the lease term of the modified lease; and
- remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

Recognition exemptions

Santander Bank Polska Group (the lessee) does not apply the recognition and measurement requirements arising from the accounting policy to:

- short-term leases; and
- leases for which the underlying asset is of low value (i.e. if the net value of a new asset is lower or equal to PLN 20,000).

In the case of short-term leases or leases for which the underlying asset is of low value, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Santander Bank Polska Group as the lessor

Classification of leases

Santander Bank Polska Group (the lessor) classifies each of its leases as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Finance lease

Recognition and measurement

At the commencement date, Santander Bank Polska Group (the lessor) recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

Initial measurement

Santander Bank Polska Group (the lessor) uses the interest rate implicit in the lease to measure the net investment in the lease.

Initial direct costs are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term.

Initial measurement of the lease payments included in the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- net fixed payments less any lease incentives payable;

- net variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- net exercise price of a purchase option if Santander Bank Polska Group (the lessee) is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects that Santander Bank Polska Group (the lessee) may exercise an option to terminate the lease.

Subsequent measurement

Finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Santander Bank Polska Group (the lessor) allocates finance income over the lease term on a systematic and rational basis. The lease payments relating to the period are allocated against the gross investment in the lease.

Santander Bank Polska Group (the lessor) applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Operating lease

Recognition and measurement

Santander Bank Polska Group (the lessor) recognises lease payments from operating leases as income on a straight-line basis.

The Group recognises costs, including depreciation, incurred in earning the lease income as an expense.

The Group, as the lessor, adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognises those costs as an expense over the lease term on the same basis as the lease income.

2.8 Comparability with the results from the previous periods

The implementation of IFRS 16

The implementation of IFRS 16 Leases required modification of the lease recognition rules and extension of the scope of the disclosures in additional information, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, which gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of Santander Bank Polska Group as a lessor and lessee.

For the purpose of the initial application of the standard, Santander Bank Polska Group used a modified retrospective approach and measured right-of-use assets at the amount of lease liabilities. This approach did not impact the Group's equity.

Santander Bank Polska Group did not restate comparative information.

The impact of the implementation of IFRS 16 on the consolidated financial statement of the Santander Bank Polska Group as at January 1, 2019 is presented in the table below.

Financial lease so far presented together with property, plant and equipment, from January 1, 2019 are presented in a separate report line "Assets due to rights to use".

	As at 31.12.2018	Impact of implementation of IFRS 16	As at 1.01.2019
Property, plant and equipment	986 384	(209 830)	776 554
Right-of-use asset	-	999 226	999 226
Lease liabilities	-	811 420	811 420

Final settlement of the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A.

The table below presents the impact of changes made in relation to the final settlement of the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A. on the key items of the Consolidated Income Statement and the Consolidated Statement of Financial Position of Santander Bank Polska Group.

Changes	Gain on acquisition 2018	Impact on retained earnings - adjustment as at 31.12.2018	Impact on other capital - adjustment as at 31.12.2018
Value before restated	387 733	4 094 289	18 969 482
1 Fair value adjustment of consideration in the form of demerger shares	57 741	57 741	(57 741)
2 Adjustment of cash consideration	(2 988)	(2 988)	
3 Update of the fair value of the identified net assets	(23 192)	(23 192)	
Restated value	419 294	4 125 850	18 911 741

- The adjustment to the value of the demerger shares takes into account the result of recalculating the fair value of the partial consideration in the form of the demerger shares and applying the market price of shares of the acquiring entity as at the transaction date.
- The adjustment to the value of the cash consideration reflects the updated key business parameters of the acquired entities, notably the difference in their goodwill between the date of the agreement and the effective date of the transaction.
- As regards the update of the fair value of the acquired net assets, the changes result from the review of financial data of the acquired entities, specifically the update of the value of the acquired portfolio of non-performing loans and selected other liabilities.

Change of presentation method

As presented in Consolidated Financial Statement of Santander Bank Polska Group for 2018, as a result of the analysis in 2018, on 1 January 2018, the Group changed the method of presentation of discounts or reduction connected with electronic services, in relation to fee and commission income and costs. These changes were applied by the Group to the data for 1-3Q 2018 to make them comparable.

These items were previously presented as fee and commission income in "eBusiness and payments" and as fee and commission expenses in "eBusiness and payments", "Insurance fees" and "Other fees". These items have been netted and presented as fee and commission income in "eBusiness and payments".

The table below shows the impact of the presentation change on comparative data.

1.01.2018-30.09.2018	Before conversion	Change of presentation method	Converted
Fee and commission income	468 886	(43 973)	424 913
eBusiness & payments	468 886	(43 973)	424 913
Fee and commission expenses	(224 769)	43 973	(180 796)
eBusiness & payments	(158 504)	20 600	(137 904)
Insurance commissions	(8 005)	1 689	(6 316)
Other	(58 260)	21 684	(36 576)

The above changes are for presentation purposes only.

3. Operating segments reporting

Presentation of information about business segments in Santander Bank Polska Group bases on management information model which is used for preparing of reports for the Management Board, which are used to assess performance of results and allocate resources. Operational activity of Santander Bank Polska Group has been divided into five segments: Retail Banking, Business & Corporate Banking, Corporate & Investment Banking (In 2nd quarter of 2018 the name of Global Corporate Banking was changed to Corporate and Investment Banking, the criteria of customers assignment to this business segment was maintained unchanged), ALM (Assets and Liabilities Management) and Centre, and Santander Consumer. They were identified based on customers and product types.

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

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

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

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

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

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

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

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

In 2019 introduced the following changes:

- customer resegmentation between business segments; Once a year, Santander Bank Polska Group carry out the resegmentation / migration of customers between operating segments which results from the fact that customer meet the criteria of assignment for different operating segment than before. This change is intended to provide services at the highest level of quality and tailored to individual needs or the scale of customer operations;

Comparable data are adjusted accordingly.

On 9.11.2018 r. acquisition of organized part of Deutsche Bank Polska took place. Results, assets and liabilities of customers of acquired organized part of Deutsche Bank Polska were presented in Retail Banking segment and Business and Corporate Banking segment, according to the principles of segmentation and income and cost identification in Santander Bank Polska Group. Gain on acquisition of organized part of Deutsche Bank Polska and acquisition related costs were presented in ALM and Center segment.

The profit on preliminary settlement of the sale of an organized part of the enterprise in Bank (operating under the name Investment Services Centre) has been recognized in ALM and Centre Segment (details of the transaction are presented in Note 8 of these Financial Statements).

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

Retail Banking

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

Furthermore, the Retail Banking segment generates income through offering asset management services within investment funds and private portfolios.

Business & Corporate Banking

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

Corporate & Investment Banking

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

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

Through its presence in the wholesale market, Corporate & Investment Banking also generates revenues from interest rate and FX risk positioning activity.

ALM and Centre

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

Santander Consumer

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

Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2019-30.09.2019						
Net interest income	2 406 537	617 131	217 745	486 586	1 205 167	4 933 166
incl. internal transactions	(1 475)	(1 899)	3 383	3 056	(3 065)	-
Net fee and commission income	1 007 426	321 498	162 451	7 637	87 454	1 586 466
incl. internal transactions	103 367	72 758	(176 488)	2 553	(2 190)	-
Other income	50 499	55 162	68 132	264 764	37 605	476 162
incl. internal transactions	8 990	32 372	(38 983)	11 595	(13 974)	-
Dividend income	-	-	1 425	97 266	17	98 708
Operating costs	(1 466 017)	(332 106)	(191 082)	(346 736)	(444 568)	(2 780 509)
incl. internal transactions	-	-	-	1 966	(1 966)	-
Depreciation/amortisation	(261 937)	(42 452)	(18 535)	(91 084)	(53 338)	(467 346)
Impairment losses on loans and advances	(638 807)	(79 367)	8 654	(5 053)	(241 229)	(955 802)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	48 924	-	48 924
Tax on financial institutions	-	-	-	(466 862)	(32 622)	(499 484)
Profit before tax	1 097 701	539 866	248 790	(4 558)	558 486	2 440 285
Corporate income tax						(618 332)
Consolidated profit for the period						1 821 953
of which:						
attributable to owners of Santander Bank Polska SA						1 583 558
attributable to non-controlling interests						238 395

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.07.2019-30.09.2019						
Net interest income	861 458	202 273	73 215	155 025	409 063	1 701 034
incl. internal transactions	(311)	(658)	968	1 203	(1 202)	-
Net fee and commission income	344 056	112 026	57 058	1 701	29 206	544 047
incl. internal transactions	35 055	24 810	(60 021)	898	(742)	-
Other income	24 137	25 578	35 515	109 922	11 925	207 077
incl. internal transactions	2 690	17 661	(19 830)	12 858	(13 379)	-
Dividend income	-	-	1 155	307	6	1 468
Operating costs	(491 210)	(109 946)	(65 818)	(11 195)	(146 626)	(824 795)
incl. internal transactions	-	-	-	1 026	(1 026)	-
Depreciation/amortisation	(87 636)	(14 501)	(6 370)	(32 021)	(17 019)	(157 547)
Impairment losses on loans and advances	(219 967)	(37 890)	4 171	(2 680)	(80 190)	(336 556)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	18 641	-	18 641
Tax on financial institutions	-	-	-	(205 009)	(11 608)	(216 617)
Profit before tax	430 838	177 540	98 926	34 691	194 757	936 752
Corporate income tax						(227 709)
Consolidated profit for the period						709 043
of which:						
attributable to owners of Santander Bank Polska SA						625 657
attributable to non-controlling interests						83 386

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

Consolidated statement of financial position by business segment

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
30.09.2019						
Loans and advances to customers	77 499 484	34 881 630	14 396 527	-	17 047 745	143 825 386
Investments in associates	-	-	-	885 208	-	885 208
Other assets	8 837 809	2 148 794	3 370 911	40 949 892	4 054 985	59 362 391
Total assets	86 337 293	37 030 424	17 767 438	41 835 100	21 102 730	204 072 985
Deposits from customers	97 930 378	26 989 796	10 885 378	5 583 616	9 637 509	151 026 677
Other liabilities and equity	5 884 721	4 382 629	5 274 768	26 038 969	11 465 221	53 046 308
Total equity and liabilities	103 815 099	31 372 425	16 160 146	31 622 585	21 102 730	204 072 985

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

Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2018-30.09.2018						
Net interest income	1 936 386	489 458	155 779	505 516	1 121 113	4 208 252
incl. internal transactions	(821)	(2 771)	3 664	554	(626)	-
Net fee and commission income	992 363	276 129	157 440	11 102	123 490	1 560 524
incl. internal transactions	90 170	60 529	(148 267)	(371)	(2 061)	-
Other income	29 820	33 907	96 075	154 646	44 063	358 511
incl. internal transactions	10 298	28 863	(35 972)	9 807	(12 996)	-
Dividend income	-	-	1 118	98 724	19	99 861
Operating costs	(1 442 567)	(299 114)	(171 192)	(222 382)	(423 856)	(2 559 111)
incl. internal transactions	-	-	-	2 256	(2 256)	-
Depreciation/amortisation	(157 626)	(27 734)	(11 275)	(17 698)	(30 162)	(244 495)
Impairment losses on loans and advances	(385 696)	(79 116)	(12 234)	(21 361)	(216 498)	(714 905)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	42 254	-	42 254
Tax on financial institutions	-	-	-	(304 286)	(29 315)	(333 601)
Profit before tax	972 680	393 530	215 711	246 515	588 854	2 417 290
Corporate income tax						(558 827)
Consolidated profit for the period						1 858 463
of which:						
attributable to owners of Santander Bank Polska SA						1 598 113
attributable to non-controlling interests						260 350

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.07.2018-30.09.2018						
Net interest income	662 527	172 185	58 479	148 655	380 373	1 422 219
incl. internal transactions	(244)	(564)	833	672	(697)	-
Net fee and commission income	330 333	91 002	49 812	5 203	39 300	515 650
incl. internal transactions	31 098	18 167	(49 269)	688	(684)	-
Other income	8 930	9 852	27 236	59 669	10 027	115 714
incl. internal transactions	3 130	8 800	(11 655)	(782)	507	-
Dividend income	-	-	1 092	253	8	1 353
Operating costs	(467 027)	(99 110)	(54 887)	(74 087)	(139 424)	(834 535)
incl. internal transactions	-	-	-	1 278	(1 278)	-
Depreciation/amortisation	(52 581)	(9 441)	(3 610)	(5 929)	(10 532)	(82 093)
Impairment losses on loans and advances	(107 652)	(25 114)	(8 014)	(21 053)	(91 832)	(253 665)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	16 752	-	16 752
Tax on financial institutions	-	-	-	(105 321)	(9 731)	(115 052)
Profit before tax	374 530	139 374	70 108	24 142	178 189	786 343
Corporate income tax						(201 320)
Consolidated profit for the period						585 023
of which:						
attributable to owners of Santander Bank Polska SA						505 929
attributable to non-controlling interests						79 094

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

Consolidated statement of financial position (by business segment)

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
31.12.2018						
Loans and advances to customers	71 976 209	35 749 032	13 954 107	-	15 781 030	137 460 378
Investments in associates	-	-	-	891 952	-	891 952
Other assets	9 085 642	2 424 584	10 358 452	41 567 164	4 064 688	67 500 530
Total assets	81 061 851	38 173 616	24 312 559	42 459 116	19 845 718	205 852 860
Deposits from customers	95 030 447	28 054 285	11 962 221	5 694 541	8 875 164	149 616 658
Other liabilities and equity	5 937 846	4 583 633	13 016 027	21 728 142	10 970 554	56 236 202
Total equity and liabilities	100 968 293	32 637 918	24 978 248	27 422 683	19 845 718	205 852 860

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

4. Net interest income

	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Interest income and similar to interest				
Interest income on financial assets measured at amortised cost	1 923 854	5 614 807	1 584 506	4 610 243
Loans and advances to enterprises	544 700	1 613 943	464 122	1 338 433
Loans and advances to individuals, of which:	1 213 030	3 511 075	974 532	2 840 325
<i>Home mortgage loans</i>	418 730	1 222 855	303 386	876 903
Leasing agreements	82 428	238 260	70 106	202 595
Loans and advances to banks	11 057	36 440	7 816	23 885
Loans and advances to public sector	2 448	7 706	2 796	6 711
Reverse repo transactions	26 866	77 054	16 818	46 251
Interest recorded on hedging IRS	43 325	130 329	48 316	152 043
Interest income on financial assets measured at fair value through other comprehensive income	209 193	618 077	189 226	527 297
Loans and advances to enterprises	11 223	20 468	-	-
Debt securities incl.:	197 970	597 609	189 226	527 297
<i>Investment securities</i>	197 970	597 609	189 226	527 297
Income similar to interest - financial assets measured at fair value through profit or loss	33 109	131 420	31 977	93 413
Loans and advances to enterprises	517	1 528	509	1 520
Loans and advances to individuals	26 623	80 244	27 811	88 023
Debt securities incl.:	5 969	49 648	3 657	3 870
<i>Trading portfolio</i>	5 969	49 648	3 657	3 870
Total income	2 166 156	6 364 304	1 805 709	5 230 953
Interest expenses				
Interest expenses on financial liabilities measured at amortised cost	(465 122)	(1 431 138)	(383 490)	(1 022 701)
Deposits from individuals	(198 159)	(653 237)	(163 782)	(423 496)
Deposits from enterprises	(135 182)	(378 780)	(108 436)	(287 397)
Repo transactions	(23 616)	(86 554)	(18 853)	(54 365)
Deposits from public sector	(15 278)	(43 340)	(13 544)	(42 893)
Deposits from banks	(18 754)	(50 516)	(14 232)	(37 169)
Lease liability	(5 507)	(16 259)	-	-
Subordinated liabilities and issue of securities	(68 626)	(202 452)	(64 643)	(177 381)
Total costs	(465 122)	(1 431 138)	(383 490)	(1 022 701)
Net interest income	1 701 034	4 933 166	1 422 219	4 208 252

5. Net fee and commission income

	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Fee and commission income				
eBusiness & payments	143 895	434 417	136 358	424 913
Current accounts and money transfer	82 570	245 315	78 480	240 378
Asset management fees	72 832	210 492	77 014	238 201
Foreign exchange commissions	111 614	332 259	96 500	286 140
Credit commissions incl. factoring commissions and other	102 697	302 415	94 726	274 042
Insurance commissions	57 861	164 399	47 318	151 651
Commissions from brokerage activities	16 001	47 722	14 722	51 926
Credit cards	46 451	136 101	42 153	127 413
Off-balance sheet guarantee commissions	17 837	52 081	14 740	44 497
Finance lease commissions	6 576	18 851	5 021	14 040
Issue arrangement fees	2 505	4 503	1 438	7 323
Distribution fees	1 390	4 542	272	1 818
Total	662 229	1 953 097	608 742	1 862 342
Fee and commission expenses				
eBusiness & payments	(43 102)	(141 055)	(39 435)	(137 904)
Distribution fees	(2 130)	(7 161)	(4 486)	(14 749)
Commissions from brokerage activities	(2 068)	(6 354)	(2 191)	(7 310)
Credit cards	(10 119)	(29 366)	(9 229)	(28 124)
Credit commissions paid	(26 283)	(82 947)	(12 654)	(45 310)
Insurance commissions	(4 634)	(14 959)	(2 156)	(6 316)
Finance lease commissions	(7 424)	(22 563)	(6 894)	(20 389)
Asset management fees and other costs	(2 017)	(5 636)	(1 512)	(5 140)
Other	(20 405)	(56 590)	(14 535)	(36 576)
Total	(118 182)	(366 631)	(93 092)	(301 818)
Net fee and commission income	544 047	1 586 466	515 650	1 560 524

6. Net trading income and revaluation

	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Net trading income and revaluation				
Derivative instruments and interbank fx transactions	59 433	141 727	43 483	114 892
Profit on equity securities measured at fair value through profit or loss	(4 231)	(6 364)	(2 041)	(5 061)
Profit on debt securities measured at fair value through profit or loss	1 898	(18 662)	10 443	21 951
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	6 680	25 712	8 566	(3 165)
Total	63 780	142 413	60 451	128 617

The above amounts included CVA and DVA adjustments in the amount of PLN (4 180) k for 1-3Q 2019, PLN (2 202) k for 3Q 2019 and PLN 1 302 k for 1-3Q 2018, PLN (1 555) k for 3Q 2018.

7. Gains (losses) from other financial securities

Gains (losses) from other financial securities	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Profit on sale of debt securities measured at fair value through other comprehensive income	37 508	86 494	13 897	21 605
Profit on sale of debt securities mandatorily measured at fair value through profit or loss	26	18	(23)	(24)
Change in fair value of debt securities mandatorily measured at fair value through profit or loss	(1 927)	40 364	14 988	29 819
Total profit (losses) on financial instruments	35 607	126 876	28 862	51 400
Change in fair value of hedging instruments	(46 668)	(58 585)	8 220	5 827
Change in fair value of underlying hedged positions	53 402	68 801	(7 633)	(6 951)
Total profit (losses) on hedging and hedged instruments	6 734	10 216	587	(1 124)
Total	42 341	137 092	29 449	50 276

8. Other operating income

Other operating income	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Income on sale of services	6 875	20 048	8 655	24 442
Release of provision for legal cases and other assets	14 262	27 134	3 706	58 833
Profit on the preliminary settlement of the sale of an organized part of enterprise*	50 000	50 000	-	-
Settlements of leasing agreements	741	2 173	125	1 678
Recovery of other receivables (expired, cancelled and uncollectable)	1 179	7 035	1 138	5 371
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	6 303	27 473	2 648	44 128
Received compensations, penalties and fines	224	817	398	2 079
Profit on lease modifications	10 130	22 962	-	-
Other	11 242	39 015	9 144	43 152
Total	100 956	196 657	25 814	179 683

* Pursuant to Article 393(3) of the Commercial Companies Code and § 24(1) of the Bank's Statutes, the Extraordinary General Meeting of Shareholders of Santander Bank Polska held on 23 September 2019 approved the sale of an organised part of the bank's enterprise, namely the Investment Services Centre, which is a separate organisational unit representing an organisationally, financially and functionally independent set of tangible and intangible assets. The Centre provides professional transfer agent services for Santander Towarzystwo Funduszy Inwestycyjnych and investment funds managed by that company.

The transaction was closed on 27 September 2019. The impact of the preliminary settlement of the sale has been disclosed in the financial statements for the 9-month period ended 30 September 2019.

The agreement also provides for the subsequent sale of an organised part of the enterprise of Santander Towarzystwo Funduszy Inwestycyjnych (a subsidiary of Santander Bank Polska), namely the Valuations and Reporting Department, which is a separate organisational unit responsible for settlements, valuations and reporting of investment funds.

It is estimated that this additional sale will not have a significant impact on the consolidated financial statements of Santander Bank Polska Group.

9. Impairment losses on loans and advances

Impairment losses on loans and advances measured at amortised cost	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Charge for loans and advances to banks	(1)	(3)	(4)	(71)
Stage 1	(1)	(3)	(4)	(71)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	(323 350)	(970 425)	(244 398)	(723 776)
Stage 1	(44 965)	(91 671)	(38 221)	(81 365)
Stage 2	(125 026)	(371 619)	(91 894)	(229 741)
Stage 3	(174 146)	(566 897)	(161 983)	(479 409)
POCI	20 787	59 762	47 700	66 739
Recoveries of loans previously written off	(12 115)	(10 520)	(7 722)	8 686
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(12 115)	(10 520)	(7 722)	8 686
POCI	-	-	-	-
Off-balance sheet credit related facilities	(1 090)	25 146	(1 541)	256
Stage 1	1 365	17 159	1 293	729
Stage 2	(670)	2 660	1 988	7 443
Stage 3	(1 785)	5 327	(4 822)	(7 916)
POCI	-	-	-	-
Total	(336 556)	(955 802)	(253 665)	(714 905)

Data for 2018 disclosed in the table above have been transformed in compliance with the changed approach to presentation of impairment allowances for loans and advances in the situation of movements between stages with no impact on balance sheet and profit and loss amounts.

10. Employee costs

Employee costs	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Salaries and bonuses	(364 128)	(1 102 310)	(355 258)	(1 016 913)
Salary related costs	(59 348)	(192 372)	(57 479)	(175 210)
Staff benefits costs	(9 990)	(28 362)	(9 548)	(27 441)
Professional trainings	(4 051)	(10 901)	(3 271)	(10 888)
Retirement fund, holiday provisions and other employee costs	(115)	(124)	(205)	15 703
Restructuring provision*	(1 860)	(88 180)	-	-
Total	(439 492)	(1 422 249)	(425 761)	(1 214 749)

*The Management Board of Santander Bank Polska SA informed that on 10 January 2019, as per the Act of 13 March 2003 on special rules of terminating employment contracts for reasons not attributable to the employees, they adopted a resolution on the intended collective redundancies and the start of the consultation procedure for collective redundancies.

The intention of the Management Board of the Bank is to make up to 1,400 employees of the Bank redundant, between February and 31 December 2019, and due to this the restructuring provision was created in the Bank's accounting books. Details on charge and utilization of restructuring provision are disclosed in Note 25.

11. General and administrative expenses

General and administrative expenses	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Maintenance of premises*	(32 849)	(116 726)	(84 653)	(253 024)
Short-term lease costs*	(2 997)	(10 610)	-	-
Low-value assets lease costs*	(1 610)	(4 406)	-	-
Costs of variable lease payments not included in the measurement of the lease liability*	(7)	(1 117)	-	-
VAT costs not deductible*	(12 397)	(36 223)	-	-
Marketing and representation	(40 751)	(118 596)	(59 360)	(127 874)
IT systems costs	(80 745)	(236 312)	(75 179)	(216 030)
Cost of BFG, KNF and KDPW	(28 041)	(285 147)	(24 742)	(191 723)
Postal and telecommunication costs	(14 422)	(45 911)	(15 324)	(48 222)
Consulting fees	(22 522)	(58 103)	(20 063)	(62 358)
Cars, transport expenses, carriage of cash	(19 287)	(52 736)	(17 067)	(49 263)
Other external services	(41 814)	(127 959)	(31 530)	(105 631)
Stationery, cards, cheques etc.	(7 552)	(20 704)	(8 149)	(19 786)
Sundry taxes and charges	(10 717)	(30 888)	(7 254)	(24 781)
Data transmission	(2 985)	(9 433)	(3 492)	(10 536)
KIR, SWIFT settlements	(8 897)	(26 850)	(7 630)	(23 149)
Security costs	(7 514)	(22 544)	(6 726)	(21 507)
Costs of repairs	(6 920)	(12 648)	(7 325)	(25 762)
Other	(7 692)	(20 109)	(6 199)	(19 926)
Total	(349 719)	(1 237 022)	(374 693)	(1 199 572)

*Details in note 2.5.

12. Other operating expenses

Other operating expenses	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Charge of provisions for legal cases and other assets	(23 930)	(53 321)	(19 003)	(98 761)
Impairment loss on property, plant, equipment and intangible assets covered by financial lease agreements	(1 097)	(18 557)	-	-
Costs of purchased services	(1 411)	(2 627)	(2 819)	(10 766)
Other membership fees	(340)	(889)	(221)	(755)
Paid compensations, penalties and fines	(776)	(1 675)	(3 962)	(10 869)
Donations paid	(107)	(4 569)	(399)	(3 167)
Costs of lease modifications	(184)	(13 497)	-	-
Other	(7 739)	(26 103)	(7 677)	(20 472)
Total	(35 584)	(121 238)	(34 081)	(144 790)

13. Corporate income tax

	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Corporate income tax				
Current tax charge in the income statement	(356 180)	(805 799)	(237 521)	(690 004)
Deferred tax	128 471	189 079	36 201	128 894
Tax adjustment for previous years	-	(1 612)	-	2 283
Total tax on gross profit	(227 709)	(618 332)	(201 320)	(558 827)

	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019	1.07.2018- 30.09.2018	1.01.2018- 30.09.2018
Corporate total tax charge information				
Profit before tax	936 752	2 440 285	786 343	2 417 290
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(177 983)	(463 654)	(149 405)	(459 285)
Non-tax-deductible expenses	(11 684)	(37 256)	(21 727)	(34 073)
The fee to the Bank Guarantee Fund	(3 953)	(50 354)	(4 006)	(34 448)
Tax on financial institutions	(41 157)	(94 902)	(21 860)	(63 384)
Non-taxable income (dividends)	220	18 600	208	18 850
Tax adjustment for previous years	-	(1 612)	-	2 283
Tax effect of consolidation adjustments	-	11 830	1	18 078
Other	6 848	(984)	(4 531)	(6 848)
Total tax on gross profit	(227 709)	(618 332)	(201 320)	(558 827)

	30.09.2019	31.12.2018
Deferred tax recognised in other comprehensive income		
Relating to valuation of debt investments measured at fair value through other comprehensive income	(181 428)	(130 592)
Relating to valuation of equity investments measured at fair value through other comprehensive income	(127 324)	(121 892)
Relating to cash flow hedging activity	(1 682)	14 810
Relating to valuation of defined benefit plans	(2 049)	(2 536)
Total	(312 483)	(240 210)

14. Cash and balances with central banks

	30.09.2019	31.12.2018
Cash and balances with central banks		
Cash	1 968 107	2 452 636
Current accounts in central banks	5 721 712	6 454 916
Total	7 689 819	8 907 552

Santander Bank Polska SA and Santander Consumer Bank SA hold an obligatory reserve in a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of the monthly average balance of the customers' deposits, which in all the covered periods was 3.5%. In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

15. Loans and advances to banks

Loans and advances to banks	30.09.2019	31.12.2018
Loans and advances	284 342	1 159 923
Current accounts	2 481 925	1 776 358
Gross receivables	2 766 267	2 936 281
Allowance for impairment	(86)	(67)
Total	2 766 181	2 936 214

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.09.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	1 761 397	1 793 215	1 081 227	1 058 024
Interest rate operations	875 693	958 617	553 999	545 393
Transactions on equity instruments	1 916	1 916	3 279	3 279
FX operations	883 788	832 682	523 949	509 352
Debt and equity securities	1 015 102	-	8 688 624	-
Debt securities	996 735	-	8 671 723	-
Government securities:	252 149	-	8 667 540	-
- bonds	252 149	-	8 667 540	-
Central Bank securities:	739 907	-	-	-
- bills	739 907	-	-	-
Commercial securities:	4 679	-	4 183	-
- bonds	4 679	-	4 183	-
Equity securities	18 367	-	16 901	-
Short sale	-	220 460	-	175 689
Total financial assets/liabilities	2 776 499	2 013 675	9 769 851	1 233 713

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (5,144) k as at 30.09.2019 and PLN (946) k as at 31.12.2018.

17. Loans and advances to customers

Loans and advances to customers	30.09.2019			Total
	Measured at amortised cost	Measured at fair value through other comprehensiv e income	Measured at fair value through profit or loss	
Loans and advances to enterprises	58 646 435	984 048	49 027	59 679 510
Loans and advances to individuals, of which:	78 670 996	-	1 176 943	79 847 939
<i>Home mortgage loans</i>	51 207 400	-	-	51 207 400
Finance lease receivables	9 083 101	-	-	9 083 101
Loans and advances to public sector	313 027	-	-	313 027
Other receivables	19 157	-	-	19 157
Gross receivables	146 732 716	984 048	1 225 970	148 942 734
Allowance for impairment	(5 117 348)	-	-	(5 117 348)
Total	141 615 368	984 048	1 225 970	143 825 386

Loans and advances to customers	31.12.2018			Total
	Measured at amortised cost	Measured at fair value through other comprehensi ve income	Measured at fair value through profit or loss	
Loans and advances to enterprises	58 129 890	366 751	106 344	58 602 985
Loans and advances to individuals, of which:	73 352 431	-	1 343 986	74 696 417
<i>Home mortgage loans</i>	49 210 998	-	-	49 210 998
Finance lease receivables	8 204 296	-	-	8 204 296
Loans and advances to public sector	325 773	-	-	325 773
Other receivables	15 229	-	-	15 229
Gross receivables	140 027 619	366 751	1 450 330	141 844 700
Allowance for impairment	(4 384 322)	-	-	(4 384 322)
Total	135 643 297	366 751	1 450 330	137 460 378

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2019-30.09.2019	1.01.2018-30.09.2018
Balance at the beginning of the period	(4 384 322)	(4 061 739)
Charge/write back of current period	(1 086 620)	(821 458)
Stage 1	(91 671)	(81 365)
Stage 2	(371 619)	(229 741)
Stage 3	(566 897)	(479 409)
POCI	(56 433)	(30 943)
Write off/Sale of receivables	458 424	514 516
Stage 1	-	106
Stage 2	-	-
Stage 3	458 418	514 409
POCI	6	1
Transfer	(90 674)	20 550
Stage 1	83 098	37 693
Stage 2	264 979	251 121
Stage 3	(396 803)	(268 314)
POCI	(41 948)	50
F/X differences	(14 156)	(14 940)
Stage 1	(955)	(1 233)
Stage 2	(3 035)	(3 824)
Stage 3	(10 157)	(9 173)
POCI	(9)	(710)
Balance at the end of the period	(5 117 348)	(4 363 071)

18. Investment securities

Investment securities	30.09.2019	31.12.2018
Debt securities measured at fair value through other comprehensive income	37 737 367	38 221 051
Government securities:	35 692 624	30 403 130
- bonds	35 692 624	30 403 130
Central Bank securities:	-	5 999 249
- bills	-	5 999 249
Other securities:	2 044 743	1 818 672
-bonds	2 044 743	1 818 672
Debt securities measured at fair value through profit and loss	187 335	136 511
Equity securities measured at fair value through other comprehensive income	808 758	821 538
- listed	15 164	16 720
- unlisted	793 594	804 818
Total	38 733 460	39 179 100

19. Investments in associates

Balance sheet value of associates	30.09.2019	31.12.2018
Polfund - Fundusz Poręczeń Kredytowych S.A.	44 847	44 703
Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	840 361	847 249
Total	885 208	891 952

Movements on investments in associates	1.01.2019- 30.09.2019	1.01.2018- 30.09.2018
As at the beginning of the period	891 952	889 372
Share of profits/(losses)	48 924	42 254
Dividends	(58 661)	(60 695)
Other	2 993	845
As at the end of the period	885 208	871 776

20. Deposits from banks

Deposits from banks	30.09.2019	31.12.2018
Term deposits	422 961	144 906
Loans received from banks	2 264 498	1 733 724
Current accounts	1 309 735	954 298
Total	3 997 194	2 832 928

21. Deposits from customers

Deposits from customers	30.09.2019	31.12.2018
Deposits from individuals	90 362 151	88 211 366
Term deposits	31 030 213	32 715 078
Current accounts	59 144 293	55 308 995
Other	187 645	187 293
Deposits from enterprises	55 600 095	57 493 542
Term deposits	23 627 913	24 690 631
Current accounts	26 388 650	27 274 603
Loans	4 550 174	4 751 949
Other	1 033 358	776 359
Deposits from public sector	5 064 431	3 911 750
Term deposits	1 504 155	1 290 086
Current accounts	3 560 198	2 617 635
Other	78	4 029
Total	151 026 677	149 616 658

22. Subordinated liabilities

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

Movements in subordinated liabilities	30.09.2019	30.09.2018
As at the beginning of the period	2 644 341	1 488 602
Additions from:	90 309	1 189 418
- drawing of subordinated loan	-	100 000
- interest on subordinated loans	63 425	47 778
- FX differences	26 884	36 362
- reclassification *	-	1 005 278
Disposals from:	(55 396)	(36 097)
- interest repayment	(55 396)	(36 097)
As at the end of the period	2 679 254	2 641 923
Short-term	24 873	24 782
Long-term (over 1 year)	2 654 381	2 617 141

*Bonds issued by Bank and qualified with the consent of the Polish Financial Supervision Authority to subordinated liabilities.

23. Debt securities in issue

Issuance of debt securities on 30.09.2019 (non-matured securities)	Nominal value	Currency	Redemption date
Series J bank securities	550 000	PLN	27.04.2020
Series K bank securities	82 000	PLN	23.12.2019
Series D bonds of Santander Factoring	650 000	PLN	18.10.2019
Series E bonds of Santander Factoring	250 000	PLN	27.12.2019
Senior bonds of Santander Leasing Poland Securitization 01 05/2019	1 202 500	PLN	20.02.2035
Bonds of Santander Leasing	350 000	PLN	10.02.2020
Bonds of Santander Leasing	350 000	PLN	10.03.2020
Bonds of Santander Leasing	430 000	PLN	21.09.2020
Securitized bonds Float sale	1 200 000	PLN	16.07.2030
Securitized bonds Float sale	800 000	PLN	16.07.2030

Issuance of debt securities in 2018 (non-matured securities)	Nominal value	Currency	Redemption date
Series G bank securities	500 000	PLN	26.04.2019
Series H bank securities	500 000	PLN	27.09.2019
Series I bank securities	150 000	PLN	21.06.2019
Santander Bank Polska bonds 09/2018	500 000	EUR	20.09.2021
Series C bonds of Santander Factoring	850 000	PLN	18.04.2019
Senior bonds of Santander Leasing Poland Securitization 01 12/18	230 000	EUR	20.12.2034
SCB00042	100 000	PLN	05.03.2021
SCB00043	60 000	PLN	29.03.2022
SCB00044	156 000	PLN	14.05.2021
SCB00045	90 000	PLN	18.05.2021
SCB00046	45 000	PLN	18.05.2021

Movements in debt securities in issue	30.09.2019	30.09.2018
As at the beginning of the period	9 368 617	5 895 814
Increase (due to):	6 055 506	5 569 566
- debt securities in issue	5 864 500	5 441 794
- interest on debt securities in issue	137 303	127 772
- FX differences	53 703	-
Decrease (due to):	(4 189 354)	(3 256 464)
- debt securities redemption	(4 043 700)	(2 125 000)
- interest repayment	(145 435)	(116 308)
- reclassification *	-	(1 005 278)
- FX differences	-	(9 878)
- other changes	(219)	-
As at the end of the period	11 234 769	8 208 916

*Bonds issued by Bank and qualified with the consent of the Polish Financial Supervision Authority to subordinated liabilities.

24. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	30.09.2019	31.12.2018
Provisions for financial liabilities to grant loans	35 645	67 044
Provisions for financial guarantees	15 111	13 514
Provisions for low-risk credit lines	4 727	-
Other provisions	597	490
Total	56 080	81 048

Change in provisions for off balance sheet credit facilities	30.09.2019
As at the beginning of the period	81 048
Provision charge	97 527
Write back	(122 674)
Other changes	179
As at the end of the period	56 080
Short-term	42 385
Long-term	13 695

Change in provisions for off balance sheet credit facilities	30.09.2018
As at 31.12.2017	50 652
Impact of the implementation of IFRS 9	15 034
As at 1.01.2018 (restated)	65 686
Provision charge	126 563
Write back	(126 877)
Other changes	284
As at the end of the period	65 656
Short-term	53 172
Long-term	12 484

25. Other provisions

Other provisions	30.09.2019	31.12.2018
Provisions for legal claims	154 756	132 382
Provisions for tax on financial institutions **	72 000	-
Provisions for restructuring*	14 667	499
Total	241 423	132 881

*Details on restructuring provision are disclosed in Note 10.

**As at 30 September 2019, the Bank analysed selected transactions from the prior reporting periods and their impact on the accuracy and amount of the past tax liabilities of the bank.

Until the completion of the analysis, the Bank raised a provision of PLN 72,000 k for a potential additional tax on selected financial institutions. The provision was disclosed under "Tax on financial institutions" in the income statement for the 9-month period ended 30 September 2019.

Change in other provisions for the period 30.09.2019	Provisions for tax on			Total
	Provisions for legal claims	financial institution	Provisions for restructuring	
As at the beginning of the period	132 382	-	499	132 881
Provision charge	31 343	72 000	88 308	191 651
Utilization	(410)	-	(73 319)	(73 729)
Write back	(8 559)	-	(821)	(9 380)
As at the end of the period	154 756	72 000	14 667	241 423

Change in other provisions for the period 30.09.2018	Provisions for		Total
	legal claims	restructuring	
As at the beginning of the period	99 463	3 019	102 482
Provision charge	91 871	-	91 871
Utilization	(42 201)	-	(42 201)
Write back	(30 903)	(2 302)	(33 205)
As at the end of the period	118 230	717	118 947

26. Other liabilities

Other liabilities	30.09.2019	31.12.2018
Settlements of stock exchange transactions	36 440	17 039
Interbank settlements	558 716	267 844
Employee provisions	329 609	405 231
Other provisions	3 300	3 300
Sundry creditors	989 205	1 003 405
Other deferred and suspended income	248 393	240 637
Public and law settlements	112 675	109 853
Accrued liabilities	624 792	567 220
Finance lease related settlements	88 221	139 232
Other	6 129	5 311
Total	2 997 480	2 759 072
of which financial liabilities *	2 630 283	2 403 271

*Financial liabilities include all items of 'Other liabilities' with the exception of Public and law settlements, Other deferred and suspended income and Other.

	Employee provisions			Total
		of which: Provisions for retirement allowances	Other provisions	
Change in provisions on 30.09.2019				
As at the beginning of the period	405 231	40 858	3 300	408 531
Provision charge	251 666	3 972	-	251 666
Utilization	(291 072)	-	-	(291 072)
Write back	(36 270)	(150)	-	(36 270)
Other changes	54	-	-	54
Balance at the end of the period	329 609	44 680	3 300	332 909
Short-term	284 929	-	3 300	288 229
Long-term	44 680	44 680	-	44 680

	Employee provisions			Total
		of which: Provisions for retirement allowances	Other provisions	
Change in provisions on 30.09.2018				
As at the beginning of the period	407 722	72 726	3 300	411 022
Provision charge	219 591	2 803	-	219 591
Utilization	(230 363)	-	-	(230 363)
Write back	(69 522)	(31 456)	-	(69 522)
Balance at the end of the period	327 428	44 073	3 300	330 728
Short-term	283 355	-	3 300	286 655
Long-term	44 073	44 073	-	44 073

27. Fair value

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

Below is a summary of the book values and fair values of the individual groups of assets and liabilities.

	30.09.2019		31.12.2018	
	Book Value	Fair value	Book Value	Fair value
ASSETS				
Cash and balances with central banks	7 689 819	7 689 819	8 907 552	8 907 552
Loans and advances to banks	2 766 181	2 766 181	2 963 214	2 963 214
Financial assets held for trading	2 776 499	2 776 499	9 769 851	9 769 851
Hedging derivatives	38 960	38 960	73 221	73 221
Loans and advances to customers	143 825 386	144 632 220	137 460 378	138 231 719
- measured at amortised cost	141 615 368	142 422 202	135 643 297	136 414 638
- measured at fair value through other comprehensive income	984 048	984 048	366 751	366 751
- measured at fair value through profit or loss	1 225 970	1 225 970	1 450 330	1 450 330
Investment securities incl.:	38 733 460	38 733 460	39 179 100	39 179 100
- debt securities measured at fair value through other comprehensive income	37 737 367	37 737 367	38 221 051	38 221 051
- debt securities measured at fair value through profit and loss	187 335	187 335	136 511	136 511
- equity securities measured at fair value through other comprehensive income	808 758	808 758	821 538	821 538
LIABILITIES				
Deposits from banks	3 997 194	3 997 194	2 832 928	2 832 928
Hedging derivatives	1 280 987	1 280 987	912 482	912 482
Financial liabilities held for trading	2 013 675	2 013 675	1 233 713	1 233 713
Deposits from customers	151 026 677	151 042 032	149 616 658	149 607 250
Subordinated liabilities	2 679 254	2 661 147	2 644 341	2 653 397

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

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

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

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

Loans and advances to 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.

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 Group has made an assumption that fair value of those securities is based on discounted cash flows methods incorporating adequate interest rates.

Apart from assets that are not measured at fair value, all the other fair values fulfil conditions for classification to Level III of fair value.

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

As at 30.09.2019 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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.

Valuation of major capital investments classified to Level III:

- a) AVIVA Towarzystwo Ubezpieczeń na Życie SA (AVIVA TUŻ),
- b) AVIVA Powszechne Towarzystwo Emerytalne SA (AVIVA PTE),
- c) AVIVA Towarzystwo Ubezpieczeń Ogólnych SA (AVIVA TUO).

are made semi-annually by specialized units of the Bank using income methods based on discounted cash flows, where the most important variables of the model are the level of forecasted dividends and the risk free rate.

As at 30.09.2019 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.09.2019	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 015 102	1 761 397	-	2 776 499
Hedging derivatives	-	38 960	-	38 960
Loans and advances to customers measured at fair value through other comprehensive income	-	-	984 048	984 048
Loans and advances to customers measured at fair value through profit or loss	-	-	1 225 970	1 225 970
Debt securities measured at fair value through other comprehensive income	37 710 097	-	27 270	37 737 367
Debt securities measured at fair value through profit and loss	-	-	187 335	187 335
Equity securities measured at fair value through other comprehensive income	15 164	-	793 594	808 758
Total	38 740 363	1 800 357	3 218 217	43 758 937
Financial liabilities				
Financial liabilities held for trading	220 460	1 793 215	-	2 013 675
Hedging derivatives	-	1 280 987	-	1 280 987
Total	220 460	3 074 202	-	3 294 662

31.12.2018	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	8 688 624	1 081 227	-	9 769 851
Hedging derivatives	-	73 221	-	73 221
Loans and advances to customers measured at fair value through other comprehensive income	-	-	366 751	366 751
Loans and advances to customers measured at fair value through profit or loss	-	90 300	1 360 030	1 450 330
Debt securities measured at fair value through other comprehensive income	38 193 781	-	27 270	38 221 051
Debt securities measured at fair value through profit and loss	-	-	136 511	136 511
Equity securities measured at fair value through other comprehensive income	16 720	-	804 818	821 538
Total	46 899 125	1 244 748	2 695 380	50 839 253
Financial liabilities				
Financial liabilities held for trading	175 689	1 058 024	-	1 233 713
Hedging derivatives	-	912 482	-	912 482
Total	175 689	1 970 506	-	2 146 195

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	Financial assets					
	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 profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
30.09.2019						
As at the beginning of the period	-	1 360 030	366 751	136 511	27 270	804 818
Profit or losses						
<i>recognised in income statement</i>	-	86 628	-	51 324	-	-
<i>recognised in equity (OCI)</i>	-	-	-	-	-	(6 923)
Purchase	-	420 559	617 297	-	-	-
Sale	-	-	-	(500)	-	(4 301)
Matured	-	(636 367)	-	-	-	-
Transfer	-	-	-	-	-	-
Other	-	(4 880)	-	-	-	-
As at the end of the period	-	1 225 970	984 048	187 335	27 270	793 594

Level III	Financial assets					
	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 profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
31.12.2018						
As at the beginning of the period	447	-	-	-	32 532	901 551
Impact of the implementation of IFRS 9	-	1 530 800	-	93 165	-	(15 094)
Profit or losses						
<i>recognised in income statement</i>	(26)	33 539	-	12 573	-	-
<i>recognised in equity (OCI)</i>	-	-	-	-	-	41 393
Purchase	-	17 294	366 751	20 013	-	2 604
Sale	(421)	-	-	-	-	(316)
Matured	-	(169 229)	-	-	(5 262)	-
Transfer	-	(90 300)	-	1 770	-	(125 320)
Other	-	37 926	-	8 990	-	-
As at the end of the period	-	1 360 030	366 751	136 511	27 270	804 818

28. Contingent liabilities

Significant court proceedings

As at 30.09.2019 no proceedings were instituted by court or by state administration agencies with relation to liabilities or receivables made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 1,418,858 k, which is 5.69% of the Group's equity. This amount includes PLN 828,051 k claimed by the Group, PLN 541,068 k in claims against the Group and PLN 49,739 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.09.2019 the amount of significant court proceedings which had been completed amounted to PLN 470,538 k.

As at 30.09.2019, the value of provisions for legal claims was PLN 154,756 k. In 51 cases against Santander Bank Polska SA, where the claim value was high, a provision of PLN 30,240 k was raised and in 1 case claimed by the Bank, a provision of PLN 26,247 k was raised.

As at 30.09.2019, the Group had PLN 10,389 k worth of retail exposures in respect of mortgage loans denominated in, or indexed to, CHF.

As at 30.09.2019, there were 1,258 pending lawsuits against the Group over loans indexed to, or denominated in, a foreign currency (mainly CHF), whereby the disputed amount totalled PLN 266,965 k. This included two class actions filed under the Act on pursuing claims through group proceedings:

- a class action against Santander Bank Polska SA in respect of 527 CHF-indexed loans, with the disputed amount of PLN 47,022 k;
- a class action against Santander Consumer Bank SA in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38.1 k.

As at 30.09.2019, the Group raised PLN 76,135 k worth of provisions for legal risk connected with the above lawsuits.

So far, in the vast majority of cases brought against Santander Bank Polska S.A. courts have decided in favour of the bank: 17 final and binding rulings were handed down dismissing borrowers' claims; 4 judgments were issued against the bank and in 2 cases the courts decided that the bank should replace the foreign exchange clauses referring to the bank's tables with an average NBP rate. In the case of Santander Consumer Bank SA, in 11 lawsuits courts decided in favour of the bank and in 9 lawsuits – against it.

There are significant differences in courts' rulings on CHF loan cases:

- Courts deciding in favour of banks hold that indexation clauses are not unfair and dismiss the cases.
- Courts deciding strongly against banks generally rule that: (1) loan indexation and application of an exchange rate from the bank's exchange rates table is unfair and therefore invalid, and the loan at issue is treated as a PLN loan with an interest rate based on CHF LIBOR; or (2) the indexation clause is unfair and renders the loan agreement null and void.
- Some courts argue that loan indexation itself is lawful but application of an exchange rate based on the bank's table is unfair and should be deemed invalid. Accordingly, an objective indexation rate should be used, i.e. an average NBP exchange rate (this is usually based on default rules of the national law supported by rulings by the Court of Justice of the European Union (CJEU) and the Supreme Court). As a result, banks may be ordered to refund overpaid amounts; however, they will be equal to FX differences close to the currency spread.

To date, the Supreme Court has presented a uniform stance as to the consequences of rendering the exchange rate calculation clause unfair: indexed loan agreements are lawful and the agreement at issue retains the features of an agreement on an indexed loan. However, in the last two cases, the Supreme Court ruled that the indexation clause was invalid and the agreement should be treated as an agreement on a PLN loan with an interest rate based on LIBOR. These rulings were an exception to the decisions made by the Supreme Court so far.

On 3.10.2019, the Court of Justice of the European Union (CJEU) ruled on the case of a loan granted by Raiffeisen Bank Polska S.A. regarding the consequences of potentially unfair terms in CHF-indexed loan agreements. The CJEU found that if the indexation clause is held to be unfair and if after the removal of the indexing mechanism the nature of the main subject matter of the agreement is likely to alter, the national court may annul the agreement (with the borrower's consent), having presented to the borrower the consequences of such a solution. At the same time, according to the CJEU, the national court might decide that the agreement should continue in existence after the indexing mechanism is removed (whereby the loan at issue would be treated as a PLN loan with an interest rate based on LIBOR); however, such a solution is uncertain. The CJEU precluded the possibility to substitute unfair terms of the agreement with general provisions of the Polish law,

but found it possible to replace the gaps in the agreement with explicit supplementary provisions or other rules agreed by the parties.

The CJEU ruling was issued in a specific case and does not resolve the doubts as to the consequences of potentially unfair terms in foreign currency loan agreements. It is difficult to assess the potential impact of the ruling on court judgments in cases regarding foreign currency loans. The opinion of the Supreme Court may be of importance here.

The Group regularly monitors courts' rulings on loans indexed to, or denominated in, a foreign currency in terms of possible changes in courts' stance.

In view of the final and binding rulings issued to date in lawsuits against Santander Bank Polska Group (the vast majority of which have been favourable to the Group), differences in courts' stance and difficult-to-assess potential impact of the CJEU's ruling on courts' decisions, when assessing legal risk associated with lawsuits over foreign currency loans the Group raised provisions for pending court cases considering the probability of different rulings .

As at 30.09.2019, Santander Bank Polska Group was sued in 84 cases concerning partial refund of an arrangement fee on consumer loans for which provisions were raised in the total amount of PLN 248 k.

So far, in the majority of cases brought against Santander Bank Polska SA courts have decided in favour of the bank: 3 final and binding rulings were handed down dismissing borrowers' claims; in one case, the court decided that the bank should reimburse an amount overpaid by the borrower. In the case of Santander Consumer Bank SA, in 2 lawsuits courts decided in favour of the bank and in 8 lawsuits – against it.

To date, there have been significant differences in courts' rulings on mentioned above cases:

- Courts deciding in favour of banks hold that under Article 49 of the Consumer Credit Act the arrangement fee at issue does not refer to the period by which the term of the loan agreement is shortened, and therefore the case is dismissed.
- Courts deciding against banks rely on the interpretation of the above provision in the light of the EU law, according to which the total cost incurred by the borrower in relation to a consumer loan (except for taxes and notarial fees) should be reimbursed in the event of early repayment, irrespective of whether or not the cost is related to the period by which the term of the agreement was reduced.

On 11.09.2019, the CJEU issued a ruling in case C 383/18, in which it held that pursuant to Article 16(1) in conjunction with Article 3(g) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers ("Directive") the consumer is entitled to an equitable reduction in the total cost of the credit (except for notarial fees and taxes), irrespective of whether such costs are linked to the lending period.

However, the CJEU's ruling concerns the interpretation of the provisions of the Directive which are not directly binding and must be transposed by respective member states. Accordingly, it is the national law and its interpretation that are key to resolving disputes over the refund of fees for consumer loans.

In view of the final and binding courts' decisions in lawsuits against the Santander Bank Polska Group and differences in courts' stance, when assessing legal risk associated with Article 49 of the Consumer Credit Act, the Santander Bank Polska Group raises provisions for legal risks related to disputes regarding art. 49 of the Consumer Credit Act. The management boards of both banks are monitoring and analysing rulings issued by Polish courts in cases concerning Article 49 of the Consumer Credit Act and are awaiting the ruling of the Supreme Court on the interpretation of that provision.

As at 31.12.2018 no proceedings were instituted by court or by state administration agencies with relation to liabilities or receivables made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 1,328,055 k, which is 4.98% of the Group's equity. This amount includes PLN 730,097 k claimed by the Group, PLN 550,808 k in claims against the Group and PLN 47,150 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2018 the amount of significant court proceedings which had been completed amounted to PLN 565,324 k.

As at 31.12.2018, the value of provisions for legal claims was PLN 132,382 k. In 37 cases against Santander Bank Polska SA, where the claim value was high, a provision of PLN 37,340 k was raised and in 1 case claimed by the Bank, a provision of PLN 26,245 k was raised.

Santander Bank Polska SA raises provisions for legal risk where an internal risk assessment for a particular case indicates a possible outflow of cash. Provisions for cases disputed in court are presented in Note 25.

Off-balance sheet liabilities

The break-down of contingent liabilities and off-balance transactions into categories are presented below. 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.

Contingent liabilities - sanctioned	30.09.2019			Total
	Stage 1	Stage 2	Stage 3	
Financial	28 417 277	416 865	48 876	28 883 018
- credit lines	23 649 527	317 821	37 708	24 005 056
- credit cards debits	4 063 482	93 756	11 168	4 168 406
- import letters of credit	671 857	5 288	-	677 145
- term deposits with future commencement term	32 411	-	-	32 411
Guarantees	6 133 086	125 237	25 693	6 284 016
Provision for off-balance sheet liabilities	(16 419)	(8 871)	(30 790)	(56 080)
Total	34 533 944	533 231	43 779	35 110 954

Contingent liabilities - sanctioned	31.12.2018			Total
	Stage 1	Stage 2	Stage 3	
Financial	27 932 101	461 631	83 414	28 477 146
- credit lines	23 100 430	392 403	70 976	23 563 809
- credit cards debits	4 035 243	57 473	12 438	4 105 154
- import letters of credit	788 817	11 755	-	800 572
- term deposits with future commencement term	7 611	-	-	7 611
Guarantees	5 438 168	141 102	27 530	5 606 800
Provision for off-balance sheet liabilities	(33 235)	(12 343)	(35 470)	(81 048)
Total	33 337 034	590 390	75 474	34 002 898

29. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 3Q 2019 /30.10.2019/ is Banco Santander S.A.

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	30.10.2019	23.07.2019	30.10.2019	23.07.2019	30.10.2019	23.07.2019	30.10.2019	23.07.2019
Banco Santander S.A.	68 880 774	68 880 774	67,47%	67,47%	68 880 774	68 880 774	67,47%	67,47%
Other	33 207 531	33 207 531	32,53%	32,53%	33 207 531	33 207 531	32,53%	32,53%
Total	102 088 305	102 088 305	100%	100%	102 088 305	102 088 305	100%	100%

30. Related parties

The tables below present intercompany transactions. They are effected between associates and related entities. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits, guarantees and leases. Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process. In the case of internal Group transactions, a documentation is prepared in accordance with requirements of tax regulations for transfer pricing.

Transactions with associates	30.09.2019	31.12.2018
Assets	-	85
Other assets	-	85
Liabilities	137 629	105 680
Deposits from customers	137 489	105 519
Other liabilities	140	161

Transactions with associates	1.01.2019- 30.09.2019	1.01.2018- 30.09.2018
Income	32 165	22 558
Fee and commission income	32 165	22 558
Expenses	2 992	3 585
Interest expense	1 250	1 080
Fee and commission expense	1 166	1 696
Operating expenses incl.:	576	809
<i>General and administrative expenses</i>	576	809

Transactions with Santander Group	with the parent company		with other entities	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
Assets	1 164 684	1 364 172	18 387	6 416
Loans and advances to banks, incl:	428 502	955 508	18 387	6 398
<i>Loans and advances</i>	53 000	583 784	-	-
<i>Current accounts</i>	375 502	371 724	18 387	6 398
Financial assets held for trading	736 170	407 364	-	-
Hedging derivatives	-	1 085	-	-
Other assets	12	215	-	18
Liabilities	1 162 706	784 526	163 365	127 328
Deposits from banks incl.:	333 586	294 866	27 720	10 721
<i>Current accounts</i>	237 307	294 866	27 720	10 721
<i>Loans from other banks</i>	96 279	-	-	-
Hedging derivatives	7 449	8 634	-	-
Financial liabilities held for trading	789 694	477 638	-	-
Deposits from customers	-	-	93 935	100 130
Lease liability	-	-	1 104	-
Other liabilities	31 977	3 388	40 606	16 477
Contingent liabilities	29 000	-	2 313	-
Sanctioned:	29 000	-	2 313	-
<i>financial</i>	29 000	-	-	-
<i>guarantees</i>	-	-	2 313	-

Transactions with Santander Group	with the parent company		with other entities	
	1.01.2019- 30.09.2019	1.01.2018- 30.09.2018	1.01.2019- 30.09.2019	1.01.2018- 30.09.2018
Income	184 881	55 203	1 228	10 697
Interest income	5 243	7 470	58	23
Fee and commission income	1 749	1 754	351	322
Other operating income	49	-	7	89
Net trading income and revaluation	177 840	45 979	812	10 263
Expenses	31 773	13 753	49 603	52 900
Interest expense	1 327	1 216	563	365
Fee and commission expense	1 094	937	106	107
Operating expenses incl.:	29 352	11 600	48 934	52 428
<i>Staff, Operating expenses and management costs</i>	29 352	11 599	48 934	52 426
<i>Other operating expenses</i>	-	1	-	2

31. Acquisition of an organized part of the enterprise

The below information is an update on the disclosures contained in the Consolidated Financial Statements of Santander Bank Polska Group for 2018. The update is related to the final settlement of the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A.

Final purchase price

In accordance with the terms and conditions of the agreement signed on 14 December 2017 and taking into account the final post-transaction settlement, the parties set the acquisition price to PLN 1,235,055,290.20, which includes:

1. PLN 1,206,293,353 in respect of purchase of the demerged part of Deutsche Bank Polska S.A.;
2. PLN 28,761,937.20 in respect of purchase of DB Securities S.A.

The price for purchase of the demerged part of Deutsche Bank Polska S.A. was calculated based on the initial level of risk weighted assets multiplied by 13.875% and discounted by the agreed multiplier of 0.60x.

The fair value of the purchase price consisted of two parts: cash paid of PLN 260,948,269, which accounted for 20% of the total agreed price, and the remainder paid in the form of 2,754,824 demerger shares of the acquiring entity. The number of the shares issued as part of the consideration was based on their value, being an arithmetical average of daily prices weighted by trade volume of the acquiring bank's shares which were traded on the Warsaw Stock Exchange during the period between 14 November 2017 and 13 December 2017, and totaled PLN 374.56. The fair value of the consideration paid in the form of shares was based on the fair value of Santander Bank Polska S.A. stock quoted on the Warsaw Stock Exchange on 9 November 2018, which amounted to PLN 353.60.

The purchase price of DB Securities S.A. in the amount of PLN 28,761,937.20 was determined by the parties based on financial data of DB Securities S.A. verified after the acquisition, and the agreed discount of net assets.

Details of the payment:

Fair value of purchase consideration

Cash paid	260 948
Ordinary shares issued	974 107
Total purchase consideration	1 235 055

Analysis of the acquired assets and liabilities on the merger date

As at the date of publishing the report, Santander Bank Polska Group made the final valuation of the assets and liabilities related to the acquisition of the organised part of Deutsche Bank Polska S.A. and DB Securities S.A. The valuation included verification of balance sheet items (such as loans and advances to customers, fixed assets and deposits from customers and banks) and contingent liabilities. In addition, as part of the acquisition, the Bank identified assets which meet the conditions to be recognised as intangible assets. They are the result of the valuation of the relationships with deposit customers of Deutsche Bank Polska S.A. (PLN 142.2m) and relationships with customers using investment and insurance products (PLN 50.4m).

Details of the approach used to calculate above balances are described in the section "Significant judgements and valuation assumptions".

The intangible assets are amortised to profit or loss using the non-straight line method. The assets' useful life was determined in relation to the life of the underlying products.

The tables below present the fair value of the acquired assets and liabilities.

	as at: 09.11.2018	Organized part of the DB	DB Securities
ASSETS			
Cash and balances with central banks	51 073		-
Loans and advances to banks	405		159 690
Financial assets held for trading	24 049		-
Loans and advances to customers measured at amortised cost	18 781 513		-
- Mortgage loans	8 442 540		-
- Consumer loans	3 092 067		-
- Business loans	7 246 906		-
Investment securities incl.:	83 090		271
- debt securities measured at fair value through other comprehensive income	63 077		-
- debt securities measured at fair value through profit and loss	20 013		-
- equity securities measured at fair value through other comprehensive income	-		271
Intangible assets	195 977		1 041
Property, plant and equipment	19 043		125
Net deferred tax assets	52 972		940
Other assets	37 017		17 896
Total assets	19 245 139		179 963
LIABILITIES			
Deposits from banks	4 417 460		74
Financial liabilities held for trading	12 122		-
Deposits from customers	13 041 354		130 095
Provisions for off balance sheet credit risk	7 945		-
Other provisions	5 230		-
Other liabilities	149 646		6 826
Total liabilities	17 633 757		136 995
Net assets acquired	1 611 382		42 968

Significant judgements and valuation assumptions

1. Recognised intangible assets

As a result of the valuation process, Santander Bank Polska Group recognised the following intangible assets:

Core Deposit Intangible (CDI)

CDI is defined as a present value of the difference between the current accounts' cost of financing and the alternative cost of financing that the Bank would have had to bear if it did not own such portfolio of accounts. The fair value of the CDI was estimated with income approach. The cash flows reflecting the cost savings were calculated based on the difference between the forecasted costs of the acquired accounts and the costs of alternative market funds during the average life period of acquired accounts. The cost of alternative funds was estimated on the basis of interest rates market benchmarks for PLN and EUR funding. Computed cash flows for subsequent years were discounted with the appropriate discount rate as of the acquisition date.

Customer relationships intangible - insurance and investments products

The value of a customer relationship is justified by the fact that such a relationship provides the bank with numerous benefits such as potentially reduced selling and marketing expenses, enhanced logistic capabilities between the bank and the customer, and a working rapport between the bank and the customer. The fair value of the intangible was estimated with income approach. The value was determined on the basis of discounted future cash flows resulting from the surplus revenue generated by the Bank holding the given intangible asset. The contributory amount of general expenses (including amortisation) and other charges is deducted from such defined cash flows for each year of expected relationship. The received cash flows for each year are then discounted at the cost of equity increased by an appropriate premium to constitute the fair the value of intangible asset.

2. Acquired loans and advances to customers

Fair value measurement as of the acquisition date was based on data of the acquired portfolio provided to Santander Bank Polska SA in the process of migration. Valuation of loans and advances to customers was conducted taking into account the risk characteristics of the acquired portfolios.

Fair value adjustment to performing loans

The fair value adjustment on performing loans was also calculated using the Discounted Cash Flow (DCF) method. The majority of adjustments resulted mainly from the acquired mortgage and SME loans portfolio, where contractual interest rate margins are lower than interest rates currently observed on the market. The newly acquired performing loans have been classified as Stage 1 portfolio.

Fair value adjustment to non-performing loans

The fair value of non-performing loans subject to collective and individual provisions is measured using the Discounted Cash Flow (DCF) method. For non-performing exposures assessed individually Santander Bank Polska SA estimates expected future cash flows on a case-by-case basis. In the case of collectively assessed non-performing exposures, the future value of recoveries is based on recovery rate curves. Expected cash flows for non-performing exposures have been discounted using appropriate discount rates. The acquired non-performing loans have been classified as POCI portfolio.

As at transaction date, contractual cash flows in respect of the acquired loans were estimated at PLN 19,549,631k and the non-discounted value of non-recoverable cash flows was PLN 602,584k.

3. Significant acquired liabilities

Unfavourable rental agreements

The Bank acquired rental agreements with conditions worse from the market rates as of the acquisition date, therefore additional liability resulting from such onerous contracts was recognised. Estimation of the fair value of agreements for properties (branches) rented by the demerged bank has been conducted with an income approach based on differences between market rent fees per square meter for particular locations and actual rent fees from agreements signed by the demerged bank. Differences were then discounted by risk free rate as at the acquisition date during the remaining rental contract period.

Other liabilities

Apart from the adjustments above, the Bank recognised a number of minor provisions or cost accruals connected with expected litigations, debt enforcement proceedings or differences in accounting estimates related to human resources provisions and accruals. The value of liabilities was estimated on the basis of future expected outflow of funds. As the recognised liabilities are short-term in nature, no discount of cash flows was applied.

Non-controlling interests

Due to the fact that the business combination considered acquisition of an organised part of the enterprise, no non-controlling interests were recognised in the consolidated financial statements of Santander Bank Polska Group.

Gain from the acquisition

As at the date of release of the report, the Group of Santander Bank Polska performed the final settlement of the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A.

The resulting profit, presented in the table below, is recognised as "Gain from the acquisition" in the restated consolidated income statement.

Gain from acquisition

Fair value of consideration paid	(1 235 055)
less: fair value of identifiable net assets	1 654 350
Total	419 295

As required by IFRS 3, prior to profit recognition, the bank reassessed whether the acquired assets and assumed liabilities were identified correctly. The analysis concluded that all assets and liabilities identified at the earlier stage were recognised properly and completely. Next, the bank reassessed procedures applied to measurement of identifiable acquired assets and liabilities and the consideration paid. The bank reviewed significant parameters in fair value models, in particular reference margins applied to the acquired loans and discount rates used in the models. In the opinion of the Management

Board, the measurements appropriately reflect all available information as of the acquisition date, which justifies the recognition of the resulting gain from acquisition.

The profit of PLN 387,733k from the preliminary settlement of the acquisition was presented in the consolidated financial statements for 2018.

In connection with the final settlement of the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A., the income statement for 2018 was restated.

The difference of PLN 31,562 k between the preliminary and final settlement was recognised in the restated income statement for 2018 as an adjustment to the gain on the acquisition; additional information is presented in Note 2.8 Comparability with the results from the previous periods.

for reporting period:	1.01.2018- 31.12.2018	correction	1.01.2018- 31.12.2018 restated
Interest income and similar to income	7 213 796	-	7 213 796
Interest income on financial assets measured at amortised cost	6 349 311	-	6 349 311
Interest income on financial assets measured at fair value through other comprehensive income	729 199	-	729 199
Income similar to interest on financial assets measured at fair value through profit or loss	135 286	-	135 286
Interest expense	(1 471 391)	-	(1 471 391)
Net interest income	5 742 405	-	5 742 405
Fee and commission income	2 586 808	-	2 586 808
Fee and commission expense	(529 006)	-	(529 006)
Net fee and commission income	2 057 802	-	2 057 802
Dividend income	100 116	-	100 116
Net gains/(losses) on subordinated entities	(65)	-	(65)
Net trading income and revaluation	144 539	-	144 539
Gains (losses) from other financial securities	37 480	-	37 480
Other operating income	213 842	-	213 842
Gain on acquisition of enterprise	387 733	31 562	419 295
Impairment losses on loans and advances	(1 085 068)	-	(1 085 068)
Operating expenses incl.:	(3 768 969)	-	(3 768 969)
-Staff, operating expenses and management costs	(3 242 758)	-	(3 242 758)
-Depreciation/amortisation	(333 470)	-	(333 470)
-Other operating expenses	(192 741)	-	(192 741)
Share in net profits (loss) of entities accounted for by the equity method	62 667	-	62 667
Tax on financial institutions	(466 330)	-	(466 330)
Profit before tax	3 426 152	31 562	3 457 714
Corporate income tax	(727 139)	-	(727 139)
Consolidated profit for the period	2 699 013	31 562	2 730 575
of which:			-
-attributable to owners of Santander Bank Polska SA	2 365 222	31 562	2 396 784
-attributable to non-controlling interests	333 791	-	333 791

Revenue and profit contribution

As a result of the provisions of the agreement for the acquisition of the demerged part of Deutsche Bank Polska S.A.:

- Information about the opening balance as at 1 January 2018 and financial results of the demerged part of the enterprise from 1 January 2018 to the transaction date was not available to the acquirer;
- It was not possible to make significant estimates impacting performance of the demerged business for the period prior to the acquisition;

- Cost estimates in respect of funding for the demerged part of Deutsche Bank Polska S.A. differed materially from the cost potentially adopted by the acquirer;
- Impact of material operational aspects of the demerged part of the enterprise is unknown;
- The time between the transaction date and financial closure of 2018 was too short to reliably estimate the results on the basis of extrapolation.

In view of the above, Santander Bank Polska S.A. was not able to determine and disclose the potential impact of the acquired operations on the Group's pre-acquisition results.

Purchase consideration – impact on cash flow statement

Outflow of cash to acquire assets and liabilities, net of cash acquired

Cash consideration	(260 948)
less: Balances acquired	51 488
<i>Cash</i>	51 073
<i>Current accounts</i>	415
<i>Other cash equivalents</i>	-
Net outflow of cash, investing activities	(209 460)

As at the date of publication of this report the Santander Bank Polska S.A. incurred cumulated acquisition-related costs of PLN 199,008 k.

32. Capital Adequacy

The capital requirements of Santander Bank Polska Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), which was the official legal basis as at 30.09.2019. The capital ratios of Santander Bank Polska Group calculated in accordance with the CRR requirements and an individual capital decision of the supervisory body are above the minimum requirements.

The tabel below presents a details of own funds, adjustments and capital adequacy ratios as at 30.09.2019.

	30.09.2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments	23 706 214
Common Equity Tier 1 (CET1) capital	21 304 929
Additional Tier 1 (AT1) capital before regulatory adjustments	-
Additional Tier 1 (AT1) capital	-
Tier 1 capital	21 304 929
Tier 2 (T2) capital before regulatory adjustment	2 718 053
Tier 2 (T2) capital	2 718 053
Total capital	24 022 983
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2 401 285)
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
Total regulatory adjustments to Tier 2 (T2) capital	-
Common Equity Tier 1 (as a percentage of total risk exposure amount)	14,31%
Tier 1 (as a percentage of total risk exposure amount)	14,31%
Total capital (as a percentage of total risk exposure amount)	16,14%
Combined buffer requirement	8 933 164

The following table summaries key metrics about TLAC available and TLAC requirements applied at the Santander Bank Polska Group level

Resolution group		30.09.2019	30.06.2019
1	Total Loss Absorbing Capacity (TLAC) available	26 679 007	26 581 276
1a	Fully loaded ECL accounting model TLAC available*	26 486 761	26 535 495
2	Total RWA at the level of the resolution group	148 832 179	146 860 022
3	TLAC as a percentage of RWA (row1/row2) (%)	17,93%	18,10%
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	17,82%	18,09%
4	Leverage exposure measure at the level of the resolution group	211 890 820	213 078 028
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	12,59%	12,47%
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)	12,51%	12,45%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A

* including total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied.

The table below presents a specification of capital requirements and risk weighted assets for different risks. EU OV1 - Review of risk-weighted assets, which addresses the scope of disclosures in accordance with art. 438 lit. c) -f) CRR Regulation:

		RWAs		Minimum capital requirements
		30.09.2019	30.06.2019	30.09.2019
	1. Credit risk (excluding CCR)	123 156 093	121 852 090	9 852 487
Article 438(c)(d)	2. Of which the standardised approach	123 156 093	121 852 090	9 852 487
Article 107 Article 438(c)(d)	6. CCR	1 912 018	1 769 611	152 962
Article 438(c)(d)	7. Of which mark to market	1 612 544	1 394 163	129 004
Article 438(c)(d)	11. Of which risk exposure amount for contributions to the default fund of a CCP	4 759	4 913	381
Article 438(c)(d)	12. Of which CVA	294 715	370 535	23 577
Article 438 (e)	19. Market risk	1 616 914	1 402 478	129 353
	20. Of which the standardised approach	1 616 914	1 402 478	129 353
Article 438(f)	23. Operational risk	14 980 731	14 980 731	1 198 458
	25. Of which standardised approach	14 980 731	14 980 731	1 198 458
Article 437(2), Article 48 and Article 60	27. Amounts below the thresholds for deduction (subject to 250% risk weight)	7 166 423	6 855 112	573 314
	29. Total	148 832 179	146 860 022	11 906 574

33. Leverage ratio

In December 2010, the BCBS published guidelines (Basel III: A global regulatory framework for more resilient banks and banking system) defining the methodology for calculating the leverage ratio. The BCBS guidelines also provide for disclosure of the leverage ratio and its components starting from 1.01.2015.

The leverage ratio of Santander Bank Polska Group is set in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR") and Commission delegated Regulation (EU) 2015/62 of 10.10.2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

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

Leverage ratio	30.09.2019
Tier I capital	21 304 929
Leverage ratio total exposure	211 890 820
Leverage ratio	10,05%
Choice on transitional arrangements for the definition of the capital measure	phase in

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

On 12.12.2017, the European Parliament and the Council adopted Regulation No 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State. This Regulation entered into force on the next day following its publication in the Official Journal of the European Union and has been applicable since 1.01.2018.

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

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

Available capital (amounts)		30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
1	Common Equity Tier 1 (CET1) capital	21 304 929	21 213 963	21 319 141	20 166 059	19 657 685	19 660 476
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21 112 683	21 022 236	21 162 089	19 984 622	19 476 357	19 518 903
3	Tier 1 capital	21 304 929	21 213 963	21 319 141	20 166 059	19 657 685	19 660 476
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21 112 683	21 022 236	21 162 089	19 984 622	19 476 357	19 518 903
5	Total capital	24 022 983	23 878 687	23 994 949	22 839 754	22 323 263	22 357 159
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23 830 358	23 686 570	23 837 572	22 658 089	22 141 723	22 215 395
Risk-weighted assets (amounts)							
7	Total risk-weighted assets	148 832 179	146 860 022	145 694 924	142 927 860	126 770 298	125 769 908
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	148 669 000	146 651 223	145 626 494	142 852 541	126 704 428	125 718 206
Capital ratios							
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14,31%	14,45%	14,63%	14,11%	15,51%	15,63%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,20%	14,33%	14,53%	13,99%	15,37%	15,53%
11	Tier 1 (as a percentage of risk exposure amount)	14,31%	14,45%	14,63%	14,11%	15,51%	15,63%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,20%	14,33%	14,53%	13,99%	15,37%	15,53%
13	Total capital (as a percentage of risk exposure amount)	16,14%	16,26%	16,47%	15,98%	17,61%	17,78%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,03%	16,15%	16,37%	15,86%	17,48%	17,67%
Leverage ratio							
15	Leverage ratio total exposure measure	211 890 820	213 078 028	221 096 601	212 258 409	186 417 103	177 260 235
16	Leverage ratio	10,05%	9,96%	9,64%	9,50%	10,55%	11,09%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,97%	9,87%	9,58%	9,42%	10,46%	11,02%

35. Liquidity measures

Liquidity Coverage Ratio

The following table presents the values and components of the liquidity coverage ratio in accordance with the template that is a part of the EBA/GL/2017/01 guidelines on LCR disclosure.

Scope of consolidation: consolidated		Total unweighted value (average)				Total weighted value (average)			
Currency and units (PLN million)									
Quarter ending on (DD Month YYY)		30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2019	30.06.2019	31.03.2019	31.12.2018
Number of data points used in the calculation of average		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					37 216	36 079	34 721	31 913
CASH-OUTFLOWS									
Retail deposits and deposits from small business customers, of which:									
2	Stable deposits	77 290	72 363	67 478	63 709	6 662	6 030	5 378	4 912
3	Less stable deposits	45 230	44 941	44 739	44 105	2 262	2 247	2 237	2 205
4	Unsecured wholesale funding	32 060	27 421	22 740	19 604	4 401	3 782	3 141	2 707
5	Operational deposits (all counterparties) and deposits in networks of cooperative banks	36 724	35 368	33 025	29 072	16 349	15 637	14 688	13 208
6	Non-operational deposits (all counterparties)	7 604	7 036	6 515	5 647	1 899	1 757	1 626	1 409
7	Unsecured debt	28 899	28 207	26 357	23 322	14 230	13 756	12 909	11 696
8	Secured wholesale funding	221	125	153	103	221	125	153	103
9	Additional requirements								
10	Outflows related to derivative exposures and other collateral requirements	1 466	1 281	1 222	1 284	1 466	1 281	1 222	1 284
11	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
12	Credit and liquidity facilities	20 770	20 107	19 808	19 326	1 940	1 911	1 910	1 850
13	Other contractual funding obligations	1 983	1 961	2 151	2 391	1 726	1 712	1 903	2 130
14	Other contingent funding obligations	10 899	10 225	9 583	9 120	516	493	472	448
15	TOTAL CASH OUTFLOWS					28 660	27 065	25 574	23 832
CASH-INFLOWS									
16	Secured lending (eg reverse repos)	413	256	161	152	1	1	-	-
17	Inflows from fully performing exposures	6 095	5 891	5 780	5 705	4 983	4 805	4 734	4 688
18	Other cash inflows	833	741	689	724	833	741	689	724
<i>(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)</i>									
EU-19a	EU-19a in non-convertible currencies	-	-	-	-	-	-	-	-
<i>(Excess inflows from a related specialised credit institution)</i>									
EU-19b	EU-19b institution	-	-	-	-	-	-	-	-
19	TOTAL CASH INFLOWS	7 342	6 889	6 630	6 581	5 818	5 547	5 423	5 412
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	7 342	6 889	6 630	6 581	5 818	5 547	5 423	5 412
TOTAL ADJUSTED VALUE									
20	LIQUIDITY BUFFER					37 216	36 079	34 721	31 913
21	TOTAL NET CASH OUTFLOWS					22 842	21 518	20 151	18 420
22	LIQUIDITY COVERAGE RATIO (%)					163%	169%	174%	174%

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.

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

- Acquisition of a carve-out of Deutsche Bank Polska SA (details in Note 31).
- Profit on the preliminary settlement of the sale of an organized part of the enterprise (details in Note 8).
- Raising a provision for a potential additional payment of a tax on financial institutions (details in Note 25).

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

As at 30.09.2019 and 31.12.2018 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 12.

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

In February 2018, real estate located in Wrocław was sold. Profit on disposal amount of PLN 44.300 k.

42. Dividend per share

Regarding dividend from the Bank's net profit for 2018 and the Bank's undivided net profit for 2017 and 2016. Dividend pay – out date for 14.06.2019.

The Management Board of Santander Bank Polska S.A. informed that, acting in full compliance with the individual recommendation issued by the Polish Financial Supervision Authority on 25th February 2019 to increase the Bank's own funds, it had adopted a resolution with recommendation to allocate 25% of net profit for 2018 to dividend. The recommendation was approved by the Supervisory Board. At the same time, taking into account a good capital position of the Bank and Group, the Bank's Management Board decided to propose to allocate to the dividend for shareholders:

- PLN 514,026,364.32 from the Bank's undivided net profit for 2016,
- PLN 957,588,300.90 from the Bank's undivided net profit for 2017,
- PLN 541,068,016.50 from the Bank's net profit for 2018

which means that the proposed dividend:

- per one: A, B, C, D, E, F, G, H, I, J, K, L and N series share is PLN 19.72,
- per one: M series share is PLN 14.68.

The Management Board of the Bank proposed to set the dividend registration date for 30th May 2019 and the dividend pay-out date for 14th June 2019.

The Annual General Meeting, held on 16th May 2019, made a decision on dividend payment.

Regarding dividend 2016. Dividend pay – out date for 14 .06.2018.

On 17.04.2018 The Management Board of Santander Bank Polska SA informed that, acting in full compliance with the individual recommendation issued by the Polish Financial Supervision Authority on 16.03.2018, it had adopted a resolution recommending not to allocate to dividend any part of the net profit for 2017. The recommendation was approved by the Supervisory Board. At the same time, taking into account a good capital position of the Bank and the Group, the Bank's Management Board tabled the proposal (approved by the Supervisory Board) to allocate PLN 307,627 k from the Bank's undivided net profit for 2016 to dividend for shareholders, which translated into a dividend per share of PLN 3.10.

43. Events which occurred subsequently to the end of the interim period

The consent of the Polish Financial Supervision Authority to inclusion a part of the net profit for the first half of 2019 to own funds

By the decision of the Polish Financial Supervision Authority of 11 October 2019, the Bank obtained the consent to allocate a part of the net profit of Santander Bank Polska SA for the period from 1 January 2019 to 30 June 2019 in the amount of PLN 589,819,448 to its standalone Common Equity Tier 1 capital.

By the decision of the Polish Financial Supervision Authority of 11 October 2019, the Bank obtained the consent to allocate a part of the net profit of Santander Bank Polska Group S.A. for the period from 1 January 2019 to 30 June 2019 in the amount of PLN 478,950,253 to its consolidated Common Equity Tier 1 capital.

The above decisions will be reflected in the calculation of capital ratios from October 2019 onwards.

Signatures of the persons representing the entity

Date	Name	Function	Signature
29.10.2019	Carlos Polaino Izquierdo	Member of the Management Board	
29.10.2019	Wojciech Skalski	Financial Accounting Area Director	