Report of Santander Bank Polska Group for Quarter 1 2022

FINANCIAL HIGHLIGHTS		PLN k		EUR k	
		1.01.2022-31.03.2022	1.01.2021-31.03.2021 restated	1.01.2022-31.03.2022	1.01.2021-31.03.2021 restated
	Consolidated financial statements of Santander Bank Polska Group				
I	Net interest income	2 243 949	1 376 164	482 860	300 992
II	Net fee and commission income	660 727	611 274	142 177	133 697
III	Profit before tax	1 426 064	361 526	306 865	79 072
IV	Net profit attributable to owners of the parent entity	959 532	151 753	206 475	33 191
V	Total net cash flows	(958 768)	2 422 065	(206 311)	529 749
VI	Profit of the period attributable to non-controlling interests	69 734	41 105	15 006	8 990
VII	Profit per share in PLN/EUR	9,39	1,49	2,02	0,33
VIII	Diluted earnings per share in PLN/EUR	9,39	1,49	2,02	0,33
	Stand alone financial statements of Santander Bank Polska S.A.				
I	Net interest income	1 841 791	1 029 260	396 323	225 118
II	Net fee and commission income	584 912	520 963	125 863	113 944
III	Profit before tax	1 125 101	169 533	242 103	37 080
IV	Profit for the period	798 214	47 011	171 762	10 282
V	Total net cash flows	(734 042)	2 561 772	(157 954)	560 305
VI	Profit per share in PLN/EUR	7,81	0,46	1,68	0,10
VII	Diluted earnings per share in PLN/EUR	7,81	0,46	1,68	0,10

FINANCIAL HIGHLIGHTS		PLN k		EUR k	
		31.03.2022	31.12.2021 restated	31.03.2022	31.12.2021 restated
	Consolidated financial statements of Santander Bank Polska Group				
I	Total assets	245 938 512	243 017 264	52 861 582	52 836 732
II	Deposits from banks	4 543 539	4 400 138	976 580	956 677
III	Deposits from customers	187 320 166	185 373 443	40 262 260	40 303 832
IV	Total liabilities	218 931 259	215 803 688	47 056 692	46 919 965
V	Total equity	27 007 253	27 213 576	5 804 890	5 916 767
VI	Non-controlling interests in equity	1 730 517	1 681 896	371 954	365 677
VII	Number of shares	102 189 314	102 189 314		
VIII	Net book value per share in PLN/EUR	264,29	266,31	56,81	57,90
IX	Capital ratio	18,12%	19,05%*		
X	Declared or Paid dividend per share in PLN/EUR	2,68**	2,16	0,58	0,47
	Stand alone financial statements of Santander Bank Polska S.A.				
I	Total assets	223 847 442	216 715 146	48 113 367	47 118 134
II	Deposits from banks	1 689 024	1 337 573	363 036	290 815
III	Deposits from customers	177 428 657	175 354 581	38 136 197	38 125 534
IV	Total liabilities	200 411 498	192 887 794	43 076 088	41 937 599
V	Total equity	23 435 944	23 827 352	5 037 280	5 180 535
VI	Number of shares	102 189 314	102 189 314		
VII	Net book value per share in PLN/EUR	229,34	233,17	49,29	50,70
VIII	Capital ratio	20,22%	21,56%*		
IX	Declared or Paid dividend per share in PLN/EUR	2,68**	2,16	0,58	0,47

*including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

**Detailed information are described 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 31.03.2022: EUR 1 = PLN 4,6525 and as at 31.12.2021: EUR 1 = PLN 4.5994
- for profit and loss items – as at 31.03.2022 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2022: EUR 1 = PLN 4,6472; as at 31.03.2021 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2021: EUR 1 = PLN 4.5721

As at 31.03.2022, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 063/A/NBP/2022 dd. 31.03.2022.

Overview of Activities of Santander Bank Polska Group in Q1 2022

Contents

I. Basic Information about Santander Bank Polska Group and its Performance in Q1 2022

1. Key Achievements

EFFICIENCY AND SECURITY

- *Group's solid capital position confirmed by capital ratios as at 31 March 2022, including total capital ratio of 18.12%.*
- *Sound liquidity position. Net customer loans to deposits ratio at 79.9%. Supervisory liquidity ratios well above the regulatory minimum.*
- *Close monitoring of risk and implementation of relevant prudential measures.*
- *Significant improvement in the cost of risk from 1.14% in Q1 2021 to 0.58% in the analysed period. Decrease in the NPL ratio to 4.8% as at 31 March 2022.*
- *Increase in cost efficiency supported by high income growth rate. Decline in the cost-to-income ratio to 39.8% from 49.7% in Q1 2021.*
- *Improved availability, reliability, performance and cybersecurity of the Group's systems.*

BUSINESS VOLUMES AND ASSET QUALITY

- *3.5% YoY increase in total assets to PLN 245.9bn.*
- *Continued growth in deposits from customers by 4.4% YoY to PLN 187.3bn supported by an increase in term deposits (+18.6% YoY).*
- *4.6% YoY increase in gross loans and advances to customers to PLN 155.6bn, including home loans (+7.0% YoY), leases (+11.5% YoY) and loans to business customers (+3.6% YoY).*
- *Growth of quarterly net interest margin from 2.56% in Q1 2021 to 4.02% in Q1 2022 in line with interest rate movements, supported by an increase in business volumes.*
- *Increase in net fee and commission income on account of FX fees (+52.6% YoY), account maintenance and cash transactions (+18.0% YoY) and insurance fees (+15.2% YoY).*

CUSTOMERS AND COMMUNITIES

- *7.2m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers.*
- *17.6% YoY increase in the number of Accounts As I Want It opened with Santander Bank Polska S.A. to 2.6m.*
- *3.4m digital customers of both banks, including 2.5m mobile banking customers.*
- *Dynamic growth in the number of transactions made via mobile banking (+32.5% YoY) and in the share of this channel in remote sales.*
- *Further automation, robotisation, optimisation and simplification of operational processes.*
- *Launch of initiatives to support Ukrainians as a result of the Russian invasion.*
- *Continued delivery of IT projects aimed at improving experience of customers and employees (accelerated digitalisation of the retail business, development of the HR platform).*
- *Implementation of further measures to support sustainable development and promote cybersecurity culture.*

2. Key Financial and Business Data on Santander Bank Polska Group

Key financial data of Santander Bank Polska Group

Selected Income Statement data		Q1 2022	Q1 2021 restated data[1)]	YoY Change (2022 / 2021)
Total income	PLN m	2 987,7	2 117,4	41,1%
Total costs	PLN m	(1 189,3)	(1 052,5)	13,0%
Impairment losses on loans and advances	PLN m	(119,3)	(363,1)	-67,1%
Profit before tax	PLN m	1 426,1	361,5	294,5%
Net profit attributable to Santander Bank Polska S.A.	PLN m	959,5	151,8	532,1%
Selected Balance Sheet data		**31.03.2022**	**31.03.2021 restated data[1)]**	**YoY Change (2022 / 2021)**
Total assets	PLN m	245 938,5	237 509,9	3,5%
Total equity	PLN m	27 007,2	29 088,4	-7,2%
Net loans and advances to customers	PLN m	149 702,3	142 268,4	5,2%
Deposits from customers	PLN m	187 320,2	179 484,6	4,4%
Selected off-Balance Sheet data		**31.03.2022**	**31.03.2021**	**YoY Change (2022 / 2021)**
Net assets under management in investment funds [2)]	PLN bn	14,1	17,9	-3,8
Selected ratios [3)]		**31.03.2022**	**31.03.2021**	**YoY Change (2022 / 2021)**
Total costs / Total income	%	39,8%	49,7%	-9,9 p.p.
Total capital ratio	%	18,12%	20,89%	-2,77 p.p.
ROE	%	8,6%	4,1%	4,5 p.p.
NPL ratio	%	4,8%	6,0%	-1,2 p.p.
Credit risk ratio	%	0,58%	1,14%	-0,56 p.p.
Customer net loans/customer deposits	%	79,9%	79,3%	0,6 p.p.

Key non-financial data of Santander Bank Polska Group

Selected non-financial data		31.03.2022	31.03.2021	YoY Change (2022 / 2021)
Electronic banking users [4)]	m	5,9	5,5	0,4
Digital (active) customers [5)]	m	3,4	3,0	0,4
Digital (active) mobile banking customers	m	2,5	2,0	0,5
Debit cards	m	4,5	4,3	0,2
Credit cards	m	1,0	1,2	-0,2
Customer base	m	7,2	7,0	0,2
Branches	locations	417	495	-78
Off-site locations and Santander zones	locations	13	12	1
Partner outlets	locations	435	413	22
Employment	FTEs	11 309	12 063	-754

1) *As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The total impact of the above risk on the Group's performance is presented in a separate line of the income statement. It includes provisions for legal risk and legal claims raised and released by the Bank. Those items were previously disclosed separately in other operating expenses and operating income.*
2) *Assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A.*
3) *For definitions of ratios presented in the table above, see Section 3 "Selected Financial Ratios" of Chapter V "Financial Performance in Q1 2022".*
4) *Registered users of electronic banking service of Santander Bank Polska S.A. and Santander Consumer Bank S.A.*
5) *Active users of electronic banking service of Santander Bank Polska S.A. and Santander Consumer Bank S.A. who at least once used the service in the last month of the reporting period.*

3. Key External Factors

Key macroeconomic factors impacting financial and business performance of Santander Bank Polska Group in 1Q 2022

Health situation	• Another wave of the Covid-19 pandemic at the start of the year, but without any significant restrictions imposed. Since February, the number of new cases has declined markedly and the government has announced that restrictions will be lifted.
Economic growth	• Strong momentum at the start of the year followed by deterioration of the outlook due to the war.
Labour market	• Continued stabilisation of an unemployment rate and still solid wage growth. • Strong migrant flows from and to Ukraine. • Introduction of "Polish Deal".
Inflation	• Further increase in prices, additionally amplified by the war-related shock. Inflation reaching double-digit territory. • Government lowered taxes on some products ("anti-inflation shield").
Monetary policy	• Further interest rate hikes by 175 b.p. in total in Q1 2022. A stronger response in March due to złoty weakening.
Fiscal policy	• Cut of taxes under "Polish Deal" followed by the suggestion of further cuts in PIT rates. • Fiscal policy easing in response to the war.
Credit market	• Gradual rise in demand for loans from companies and weaker demand from households due to rising interest rates and the war.
Financial markets	• Significant decline in T-bond prices and rise in IRS rates. • High volatility of the złoty – rapid and strong depreciation after the outbreak of the war followed by a relatively fast improvement.

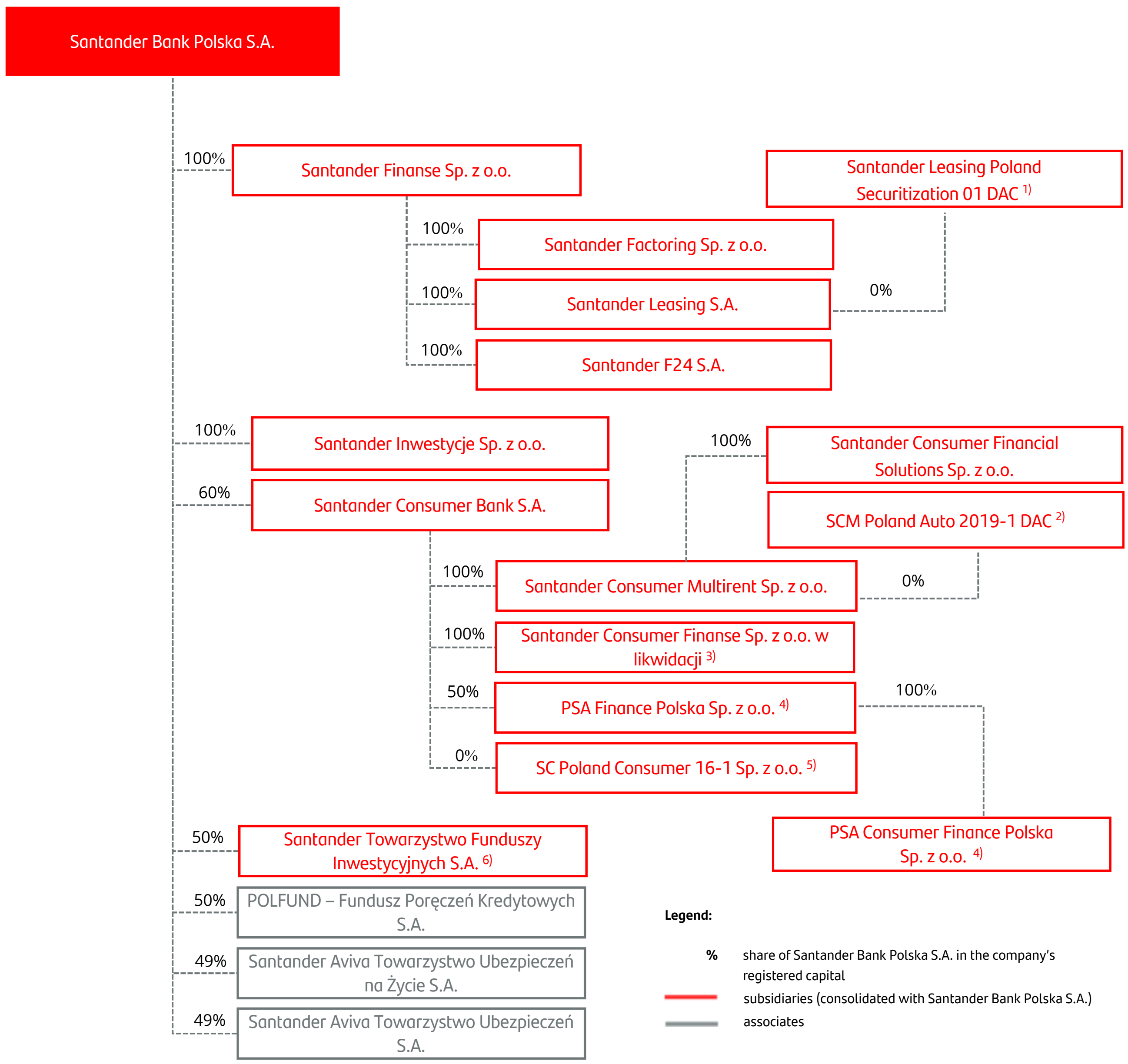
4. Corporate Events

Major corporate events in the reporting period until the release date of the interim report for Q1 2022

Pillar 2 capital add-on imposed by the KNF	• Receipt of a recommendation (11 February 2022) from the Polish Financial Supervision Authority ("KNF") to maintain, on a standalone and consolidated level, own funds to cover an additional capital requirement to absorb potential losses resulting from materialisation of stress conditions. The recommended capital add-on is 0.31 p.p. over the total capital ratio and should consist entirely of Common Equity Tier 1 capital.
KNF's recommendations on dividend policy	• Receipt of an individual recommendation from the KNF (23 February 2022) on the Bank's dividend policy: ✓ As at 31 December 2021, the Bank met the basic criteria defined by the KNF to distribute up to 100% of the net profit earned in 2021. ✓ Taking into consideration the additional criteria due to the Bank's sizeable portfolio of foreign currency mortgage loans for households, the dividend yield was adjusted by a total of 70 percentage points. Accordingly, the maximum dividend yield is 30%. ✓ The Bank was recommended not to take any other measures beyond the scope of the ordinary business and operational activity which could result in reduction of own funds, including a potential distribution of the profit retained in the previous years (i.e. 2020 and earlier) or repurchase of own shares, unless such measures have been agreed with the supervisor.
General Meeting	• Publication of notice (31 March 2022) of the Annual General Meeting (AGM) of Santander Bank Polska S.A. to be convened on 27 April 2022, together with draft resolutions and documents to be considered by the AGM.
Recommendations of the Bank's Management Board on profit distribution and dividend payment	• Adoption of a resolution by the Bank's Management Board (31 March 2022) recommending (in accordance with the KNF recommendation) that: a) the profit of PLN 915.9m for 2021 be distributed as follows: ✓ PLN 273.9m to be allocated to dividend for shareholders; ✓ PLN 457.9m to be allocated to the capital reserve; ✓ PLN 184.1m to be left undistributed; b) the undistributed profit of PLN 1,056.8m for 2019 be distributed as follows: ✓ the entire amount to be allocated to the dividend reserve set aside from the capital reserve. • The dividend to be paid out is PLN 273.9m, i.e. 29.9% of the net profit for 2021 (PLN 2.68 per share). The dividend record date is 25 May 2022 and the dividend payment date is 1 June 2022. • The above recommendation was endorsed by the Bank's Supervisory Board. The Bank's Management Board and Supervisory Board will present it at the Bank's next Annual General Meeting on 27 April 2022.
Resolution of the BFG regarding the amount of the contribution payable to the resolution fund	• Adoption of the Resolution by the Council of the Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny) (12 April 2022) specifying the amounts of PLN 192.2m and PLN 16.8m as contributions to be paid in 2022 to the resolution fund by Santander Bank Polska S.A. and Santander Consumer Bank S.A. The amounts have been adjusted for the correction of the contributions calculated for 2020 and 2021.

5. Structure of Santander Bank Polska Group

SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 31 MARCH 2022



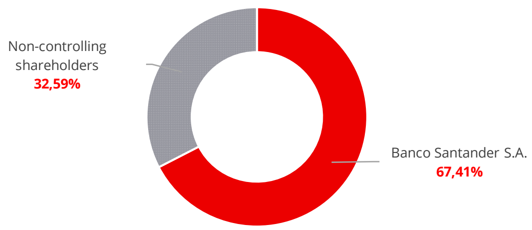
1) *Santander Leasing Poland Securitization 01 Designated Activity Company (DAC) with its registered office in Dublin is a special purpose vehicle incorporated on 30 August 2018 for the sole purpose of securitisation of a lease and credit portfolio. The company does not have any capital connections with Santander Leasing S.A., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.*
2) *SCM Poland Auto 2019-1 Designated Activity Company with its registered office in Dublin was incorporated on 18 November 2019. Its shareholder is a legal person that is not connected with the Group. It is an SPV established to securitise a part of the lease portfolio of Santander Consumer Multirent Sp. z o.o., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.*
3) *Santander Consumer Finanse Sp. z o.o. w likwidacji was dissolved and put in liquidation as of 31 December 2020 by virtue of a resolution of the company's Extraordinary General Meeting of 23 December 2020.*
4) *PSA Finance Polska Sp. z o.o. is an investment in a subsidiary for the purpose of consolidated financial statements due to the fact that it is controlled by Santander Consumer Bank S.A. (directly) and Santander Bank Polska S.A. (indirectly).*
5) *SC Poland Consumer 16-1 Sp. z o.o. is an SPV set up for the purpose of securitisation of part of SCB credit portfolio. The entity has no capital connections with Santander Consumer Bank S.A., which is its controlling entity in accordance with 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 and hold an equal stake of 50% in the company's share capital. In practice, Santander Towarzystwo Funduszy Inwestycyjnych S.A. is controlled by Santander Bank Polska S.A., through which Banco Santander S.A. pursues its policy in Poland.*

6. Ownership Structure

Shareholders with a stake of 5% and higher	Number of Shares and Voting Rights Held		% in the Share Capital and Voting Rights at AGM	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE 1)	5 123 581	5 123 581	5,01%	5,01%
Other shareholders	28 184 959	28 184 959	27,58%	27,58%
Total	**102 189 314**	**102 189 314**	**100,00%**	**100,00%**

1) *Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) is managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne (PTE) S.A.*

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE EQUITY AS AT 31.03.2022



Santander Bank Polska S.A. is a subsidiary of Banco Santander S.A. with its registered office in Madrid, which held 67.41% share in the Bank's registered capital and in the total number of votes at the Bank's General Meeting as at 31 March 2022. The remaining shares were held by the minority shareholders, of which, according to the information held by the Bank's Management Board, only Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) exceeded the 5% threshold in terms of share capital and voting power.

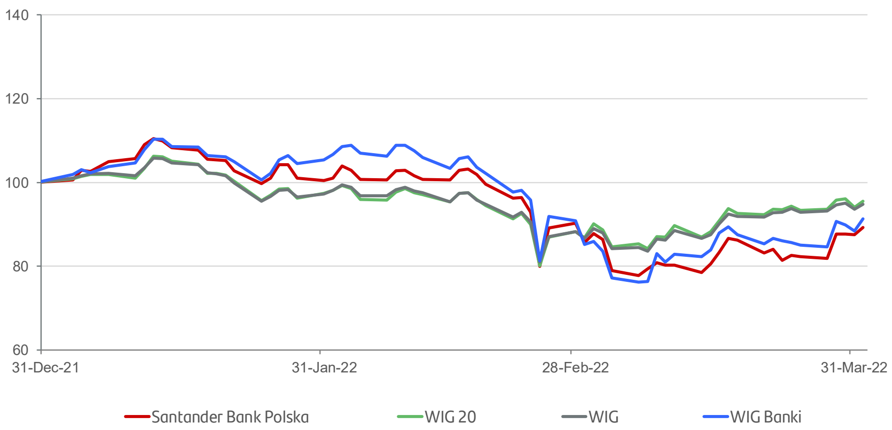
According to the information held by the Management Board, the ownership structure did not change in the period from the end of Q1 2022 until the approval of the Report of Santander Bank Polska Group for Q1 2022 for publication.

7. Share Price vs. Indices

The first three months of 2022 turned out to be very turbulent, both in politics and economy. The outbreak of the war in Ukraine increased the global inflationary pressure on central banks which were forced to tighten their monetary policy even more. As a result, the first signs of economic slowdown are already visible. In view of the above, the Monetary Policy Council (MPP) continued to increase the price of money by hiking the NBP reference rate to 3.5% in March. High prices of bank stocks at the turn of 2021 and 2022 started to slump, reaching their quarterly lows at the beginning of March. The overall fall in the share price of Santander Bank Polska S.A. was moderate, as earlier losses were recovered to some extent in mid-March. Overall, the Bank's capitalisation declined by 12.5% in Q1 2022, while WIG-Banks, the sector index, lost 11.5%. WIG, the broad-based index, decreased by 6.3% during the same period, which indicates a relatively high vulnerability of bank stocks to the current market turmoil.

In the coming months, the prices of bank equities will continue to be affected by the situation in Ukraine, sanctions against Russia and actions taken by central banks to contain galloping inflation and ensure economic growth for as long as possible.

SHARE PRICE OF SANTANDER BANK POLSKA S.A. VS. INDICES IN 2022
SHARE PRICE OF SANTANDER BANK POLSKA S.A., WIG, WIG20 AND WIG BANKS AT 31.12.2021 =100



Key Data on Santander Bank Polska Shares		31.03.2022	31.12.2021
Number of shares at the year-end	items	102 189 314	102 189 314
Nominal share price	PLN	10,00	10,00
Share' s closing price at the year-end	PLN	305,00	348,50
Change in the share price on the preceding year-end	%	-12,5%	87,7%
Share's maximum closing price in the year-to-date	PLN	385,00	382,30
Date of the share's maximum closing share price	-	12.01.2022	05.11.2021
Share's minimum closing price in the year-to-date	PLN	271,00	181,40
Date of the share' s minimum closing price	-	07.03.2022	29.01.2021
Market capitalisation at the year-end	PLN m	31 167,74	35 612,98
Dividend per share [1)]	PLN	2,68	2,16
Dividend registration date	-	25.05.2022	08.10.2021
Dividend payment date	-	01.06.2022	15.10.2021

1) *The Bank's Management Board recommended payout of dividend of PLN 2.68 per share from the profit for 2021. The recommendation was approved by the Supervisory Board. A relevant resolution in this respect will be submitted to the General Meeting on 27 April 2022.*

8. Rating of Santander Bank Polska S.A.

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

The tables below show the latest rating assigned by the agencies to the Bank, which remained in effect on the date the Report of Santander Bank Polska Group for Q1 2022 was approved for publication. The Bank's ratings were presented and justified in the annual report for 2021 and have not changed since then (according to the available information).

Ratings by Fitch Ratings

Rating Category of Fitch Ratings	Ratings changed/affirmed on 11.06.2021 and 23.09.2021[1)]	Ratings affirmed on 29.09.2020 and 16.03.2021
Long-term Issuer Default Rating (long-term IDR)	BBB+	BBB+
Outlook for the long-term IDR rating	stable	negative
Short-term Issuer Default Rating (short-term IDR)	F2	F2
Viability rating (VR)	bbb+	bbb+
Support rating	2	2
National long-term rating	AA(pol)	AA(pol)
Outlook for the national long-term rating	stable	negative
National short-term rating	F1+(pol)	F1+(pol)
Long-term senior unsecured debt rating (EMTN Programme)	BBB+	BBB+
Short-term senior unsecured debt rating (EMTN Programme)	F2	F2

1) *Ratings of Santander Bank Polska S.A. applicable as at 31 December 2021 and 31 March 2022*

Ratings by Moody's Investors Service

Category of Moody's Ratings	Ratings upgraded as at 3.06.2019[1)]
Long-term/Short-term Counterparty Risk Rating	A1/P-1
Long-term/Short-term Bank Deposits	A2/P-1
Outlook for Long-term Deposit Rating	stable
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Long-term/Short-term Counterparty Risk Assessment	A1 (cr)/P-1 (cr)
Rating Assigned to Senior Unsecured EURO MTN Program	(P) A3

1) *Ratings of Santander Bank Polska S.A. applicable as at 31 December 2021 and 31 March 2022*

II. Macroeconomic Situation in Q1 2022

Economic growth

The Polish economy entered the new year with high momentum and data on economic activity, especially on industrial and construction output, were better than expected. Still, there were general expectations for an economic slowdown in the later part of the year due to monetary policy tightening in Poland and globally. At the end of February, Russia invaded Ukraine and this factor undermined the economic outlook. Disruptions in trade, war-related destruction and sanctions mean that exports of Polish products to Ukraine, Belarus and Russia will go down and imports from these countries will drop too, weighing on Polish companies' production capabilities. Moreover, global economic growth is likely to decrease and so is Polish companies' willingness to invest. Higher inflation should also be expected, weighing on domestic consumers' purchasing power. Strong migration flows are likely to affect the Polish labour market. However, the impact of these factors on the domestic economic growth was probably moderate in Q1 2022, so the GDP growth probably stayed at a relatively high level (approx. 8% YoY).

Labour market

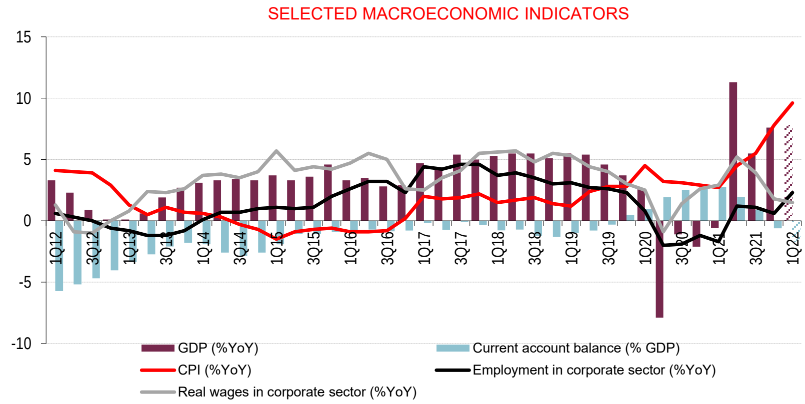
At the start of the year, the labour market was in a good condition, unemployment was historically low and wages advanced at a double-digit rate. However, the war in Ukraine caused massive migration flows, which can significantly affect the labour market. First, over 2.5 million refugees came to Poland, with women of working age making up almost 50% of this group. So far, only a small share of these people have found employment in Poland, mainly in restaurants and hotels. Some of them have registered as unemployed. On the other hand, over 500 thousand Ukrainians working in Poland decided to go back to their homeland. These were mostly men who had worked e.g. in construction, transport, agriculture. In the short run, we may see rising problems with availability of workers in some sectors, and declining in others.

Inflation

In 2021, inflation accelerated markedly. The government responded with discretionary cuts in taxes to lower prices of some goods, like food, fuel, energy, natural gas and heat. However, strong upward price pressure was pushing prices higher and was additionally boosted by the Russian aggression, triggering a massive spike in fuel prices and sending CPI inflation to 11% YoY in March – the highest level in many years. Core inflation rose as well, yet not that dynamically. Producer prices climbed too, and their growth was at 20% YoY in March.

Monetary policy

Since Q4 2021, the Monetary Policy Council has been increasing interest rates. In January and February, rates were raised by 50 b.p. at each meeting. Following the Russian invasion of Ukraine, a major rise in market uncertainty and big PLN sell-off, the NBP decided to intervene on the FX market and the MPC hiked rates by 75 b.p. in March, bringing the NBP reference rate to 3.50% at the end of Q1 2022. The Council expressed its determination to fight inflation, which means that the hiking cycle will continue in the months to come.



Loan and deposit market

At the start of the year, the loan market was in revival started back in 2021. The strongest improvement was seen in corporate loans, especially investment and working capital facilities. On the other hand, a major rise in interest rates followed by the outbreak of the war decreased households' propensity to take out loans, so a slowdown in loan origination is likely in the months to come. In February 2022, term deposits recorded a positive annual growth rate for the first time in two years, probably thanks to rising interest rates. On the other hand, strong demand for cash after the war undermined the growth rate of current deposits, so the total deposit momentum declined in comparison to December 2021.

Financial market situation

The main factors which affected market behaviour in Q1 2022 were the more hawkish rhetoric regarding monetary policy prospects by, inter alia, the main central banks due to growing inflation, and the Russian invasion of Ukraine. The former factor significantly increased global expectations for interest rate hikes, including – what is important for the markets – in the USA (the first rate hike already occurred, QE purchases were further reduced and the Federal Reserve should soon set to decrease its balance sheet). These developments as well as the rising inflation caused a massive rise in bond yields in the core markets (the whole German yields curve went above zero and increased by 0.6-0.9 p.p.; the US curve went up by 0.8-1.6 p.p.), which also impacted Polish government bonds (2Y yield went up by 2.1 p.p., 5Y by 1.6 p.p. and 10Y by 1.5 p.p., with the respective IRS rates rising a bit less). The pandemic restrictions were being gradually removed in most of developed countries, but not in Asia – which made the global supply problems stay for longer, putting upside pressure on inflation.

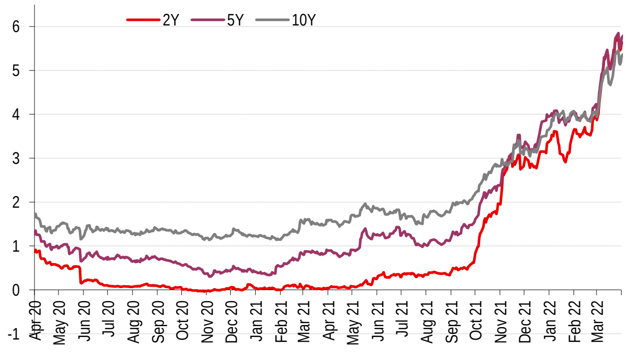
In February, geopolitical tensions were building up, and late in the month Russia invaded Ukraine. As a result, a wave of risk aversion swept the markets, hitting in particular currencies and bonds of the CEE countries, including Poland, due to the geographical proximity. While the war did not cause the main central banks to change their stance, it intensified the global supply shock stemming from quickly rising prices of energy commodities, additionally disrupted global supply chains and increased the FX market volatility. All these effects led to even bigger global problems with persistently high inflation. The supply-side nature of the shock which struck the global economy made it more difficult for the central banks to respond to high inflation because of a higher cost of policy tightening to real economic growth. The markets felt the world was moving towards stagflation, which translated into lower slopes of yields curves.

In Q1 2022, the Polish central bank did not buy any assets. Sales at regular weekly auctions of 7-day NBP bills were around PLN 240bn until the outbreak of the war. During the war, they moved between PLN 160bn and PLN 210bn.

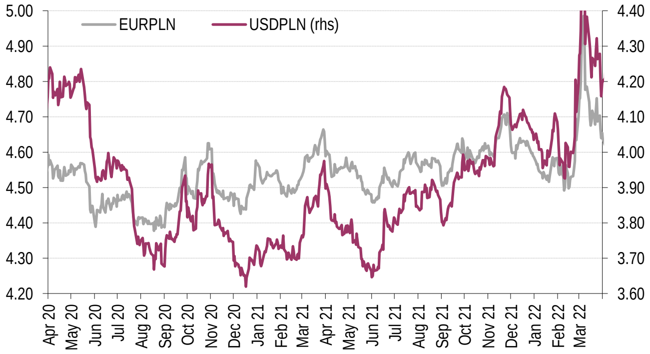
Throughout January and most of February, the złoty remained between 4.50 and 4.60 per euro, supported by good economic performance and interest rates hikes by NBP. What worked against its appreciation was the lack of Poland-EU compromise on the rule of law. The CJEU stated the legality of the conditionality mechanism linking payment of EU funds with a country's compliance with the EU values. The Polish recovery plan has not been accepted by the EC yet. The outbreak of the war caused an abrupt depreciation of the złoty and in early March the EUR/PLN rate hit an all-time high of 5.0. It then started to recover, down to around 4.65 at the end of Q1 2022.

The highest FRA rate for Poland was slightly above 4% at the start of Q1 2022 and around 6% at the end of the quarter. The contracts showing the Eurozone market rate expectations for the end of 2022 moved from -0.30% to +0.35% and the pricing of the main US rate went from 0.8% to 2.4% during Q1.

YIELDS OF POLISH TREASURY BONDS (%)



EXCHANGE RATE OF THE ZLOTY VS THE EURO AND THE DOLLAR



III. Business Development in Q1 2022

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

Main development directions

Santander Bank Polska S.A. is focused on the following strategic priorities:

- Ensuring unparalleled experience for customers and employees.
- Simplifying and digitalising products and processes.
- Acquiring new customers and growing business, mainly in digital channels.
- Strengthening the market position and image of the Bank as the best bank for business and retail customers.
- Cooperation as part of projects delivered by Santander Group.

Other focus areas:

- Further optimisation of the brick-and-mortar distribution network.
- Improving profitability of products and optimising asset structure.

The activities of individual Divisions are presented in the tables below.

1.1. Retail Banking Segment

Personal customers

Product line for personal customers	Activities of the Retail Banking Division in Q1 2022
Cash loans	• A new online cash loan process was launched on 29 March 2022 for all customers assigned a prelimit or handled under the fast-track procedure. • In Q1 2022, cash loan sales of Santander Bank Polska S.A. were PLN 2.2bn, i.e. up 38.0% YoY and 8.0% QoQ. Sales generated via remote channels accounted for 53.7% vs 46.6% in the same period last year. As at 31 March 2022, the cash loan portfolio of Santander Bank Polska S.A. totalled PLN 14.7bn and was broadly stable QoQ and up 2.4% YoY.
Mortgage loans	• As part of marketing activities, in Q1 2022 the Bank: ✓ Ran a campaign for customers with variable-rate mortgage loans to inform them about a possibility to switch to a fixed interest rate for the period of five years (February 2022); ✓ Extended the marketing information on mortgage loans published on santander.pl; • Implemented solutions for customers to facilitate services related to mortgage loans: ✓ A three-month moratorium on principal and interest payments was offered to Ukrainian borrowers; ✓ Further processes were optimised and simplified, including processing of mortgage loan applications (February) and applications for switching from variable to fixed rate for five years, as well as dispatch of documents to customers upon loan repayment. • All customers who make a 10% deposit can take out a mortgage loan to finance the purchase of a property on the primary or secondary market, irrespective of the location. • In Q1 2022, the pricing of mortgage loans was modified several times. The margin on variable-rate loans and the bridge margin (collected until the mortgage is entered in the land and mortgage register) were reduced and fixed interest rates were increased. • In Q1 2022, the value of new mortgage loans totalled PLN 2.9bn, down 10.2% from the record high Q4 2021 and up 108.9% YoY. The gross mortgage loan portfolio of Santander Bank Polska S.A. grew by 4.9% YoY to PLN 53.5bn as at 31 March 2022. The value of PLN mortgage loans amounted to PLN 46.4bn, up 10.9% YoY. • The Bank ranks second on the mortgage loan market with a share of 17.6% in terms of newly granted mortgage loans and advances and fourth place (10.3% market share) in the existing portfolio (ZBP data as at the end of February 2022).
Personal accounts and bundled products, including:	• The number of PLN personal accounts grew by 6.5% YoY to 4.2m as at 31 March 2022. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 2.6m, up 17.6% YoY. Together with FX accounts, the personal accounts base exceeded 5.3m. • In Q1 2022, customers were provided with an application in Santander internet to register for and monitor a new edition of the "I recommend my Bank" ("Polecam mój Bank") referrals programme, which supports sales of personal accounts (March 2022). As in the previous editions, the programme awards both the person who recommends a personal account with Santander Bank Polska S.A. and the person who opens it. • The buy-by-click process for opening personal accounts for minors was simplified: now a parent only needs to complete a simple electronic form (video-verification is not required).
➢ ***Payment cards***	• In Q1 2022, the Bank focused on promotional, sales and relationship-building activities to increase payment card turnover. The card plastic recycling process was also continued to support sustainable development. • Measures were taken to offer a debit card linked to a payment account for refugees from Ukraine. • As at 31 March 2022, the personal debit card portfolio comprised nearly 4.1m cards and increased by 3.3% YoY, generating 25.8% higher turnover YoY. • The credit card portfolio of Santander Bank Polska S.A. included 727.2k instruments, a decrease of 10.0% YoY. The quarterly turnover increased by 20% YoY. The credit card debt totalled PLN 1.6bn, up 5.9% YoY.

Product line for personal customers	Activities of the Retail Banking Division in Q1 2022 (cont.)
Deposit and investment products, including:	• Following the dynamic growth of deposit balances in the previous two years (driven by government aid, among other things), in Q1 2022 the Bank's priority in terms of management of deposit and investment products amid increasing interest rates and soaring inflation was to maintain the existing portfolio. • The outbreak of the war in Ukraine changed savers' behaviours, mainly due to increased risk aversion. At the turn of February and March, the transfer of funds from investment products to bank accounts accelerated, coupled with increased foreign currency purchases (USD, EUR) and cash withdrawals. The above trends were temporary. • The most popular products in the reporting period were term deposits and investment products with capital protection (structured deposits) or low risk ones (short-term debt funds). • The Bank's investment offer consisted mainly of brokerage services and investment funds, including funds managed by the Bank's subsidiary Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) and selected Polish (11) and foreign (3) funds.
➢ ***Deposits***	• In Q1 2022, the Bank's deposit offer was modified in response to interest rate hikes. • The Bank's share in the deposit market increased in the reporting period, mainly due to an inflow of funds from redeemed open-end investment fund units. The structure of deposits changed too, with outflows from savings accounts and growing balances in term deposits. • As at 31 March 2022, total deposits from retail customers amounted to PLN 101.6bn, and were 7.4% higher YoY and stable QoQ (+0.5%). In line with the trend observed in Q1 2022, term deposit balances grew by 39.0% QoQ to PLN 13.1bn, while current account balances decreased by 3.5% QoQ to PLN 88.4bn due to a 11.3% QoQ decline in savings account balances.
➢ ***Investment funds***	• In Q1 2022, net sales of investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A were negative at -PLN 2.7bn. It was initially attributed to customers' response to materialisation of interest rate risk (monthly interest rate hikes started in October 2021) and performance of debt funds driven by higher bond yields. Since 24 February 2022, the war in Ukraine has been another risk factor. • Outflows were reported for all categories of investment funds (except for Santander PPK SFIO). Bond sub-funds were hit worst. • As at 31 March 2022, the total net assets of investment funds managed by Santander TFI S.A. were PLN 14.1bn, down 21.2% YoY and 19.5% QoQ. • In response to external developments, Santander TFI S.A. took a range of measures to support the Bank's sales teams, including extensive communication with market participants (48 commentaries).
➢ ***Brokerage services***	• Secondary market transactions are the main business line of Santander Brokerage Poland. Structured products become increasingly important, as do private market-related services such as maintenance of shareholder registers. • Since the beginning of the year, seven issues of structured deposits have been arranged, including the first issue for Select customers made in March (previously structured deposits were issued to Private Banking customers). • Santander Brokerage Poland embraced electronic solutions as the main communication channel with customers, which helped lower the cost of paper correspondence and increase data security. • Santander Bank Polska S.A. was ranked third in the combined classification of equity research and brokerage teams and second among brokerage teams in the local equity funds ranking published by *Parkiet* daily. On an individual basis, the Bank's analysts were among Top 10 in Poland in the overall ranking and took the third position in the retail sector, second position in the energy sector and third position in the financial sector.

Santander

Product line for personal customers	Activities of the Retail Banking Division in Q1 2022 (cont.)
Bancassurance	• During the first three months of 2022, insurance premiums collected increased by 57.0% YoY, including 70.9% YoY growth in credit related insurance. A YoY increase in sales of key related products – Worry-Free Loan (Spokojny Kredyt) and Worry-Free Mortgage (Spokojna Hipoteka) – is attributed to more dynamic growth in sales of cash and mortgage loans as well as improved YoY cross-sell rates. In Q1 2022, 96% of customers opted for mortgage loans bundled with life insurance.
Temporary solutions related to the war in Ukraine	• Santander Bank Polska S.A. introduced solutions dedicated to Ukrainians: ✓ waiver of an account maintenance fee and a monthly card fee between 1 March and 31 May 2022; ✓ simplification of the onboarding process in terms of the required documents and extension of the list of identity documents; • All customers were offered the following concessions: ✓ reimbursement of ATM package fees collected between 1 March and 30 April 2022; ✓ waiver of fees for transfers from and to Ukraine until 30 June 2022. • Restrictions were put in place with regard to opening personal, savings and term deposit accounts for non-residents from Russia. • The Bank offered a 3-month moratorium on principal and interest payments and started to develop a current account and card offer. • The number of foreign customers increased significantly. In Q1 2022, the Bank acquired around 56.9k foreign customers, of which 73% were Ukrainians (vs 18.5k foreign customers in Q1 2021).

SMEs

Product line for SMEs	Activities of the Retail Banking Division in Q1 2022
Business accounts and bundled products	• In Q1 2022, the Bank offered a number of special offers: ✓ another edition of the special offer of the Business Account Worth Recommending (Konto Firmowe Godne Polecenia) available online (including bonuses for specific banking operations and use of selected products and a waiver of selected fees and charges for an indefinite period); ✓ special offers related to the business account: benefits with fixly (a package of additional services available for customers who open the business account on special offer); eShop with Santander (a benefit package for customers running online business and using the business account); ✓ special deal on POS terminals; ✓ promotion of additional services: ▪ eBidSecurity (eWadia): bid guarantees; ▪ eLeasing: leaseback up to PLN 20k; ▪ eHealth (eZdrowie): private healthcare packages; ▪ eAccounting (eKsięgowość); ▪ eAgreements (eUmowy).
Loans	• To increase customer satisfaction with products and services, the Bank introduced a number of new functionalities in SME processes in the reporting period: ✓ Offered online loans to first-time borrowers; ✓ Simplified the statements submission process; ✓ Streamlined the overdraft extension process; • Prepared a prelimit offer for existing customers of the Bank and the leasing company. • SME loan sales in Q1 2022 increased by 13.0% YoY and by 8.4% QoQ.

Product line for SMEs	Activities of the Retail Banking Division in Q1 2022 (cont.)
Leasing	• In Q1 2022, Santander Leasing S.A. financed fixed assets of PLN 1.6bn (+1.6% YoY). Higher sales growth rate was recorded in the machinery and equipment segment, while sales in the vehicles segment decelerated YoY. • As part of the offer for retail customers, the list of leased assets was extended to include eco-friendly products, among other things (heat pumps, chargers for electric cars, energy reservoirs). Access to finance was increased, as new sources of income were accepted (professionals, remuneration paid in cash, etc.). • The car finance offer presented on the Multisalon24.pl platform was extended to include second-hand cars and long-term rental for SMEs. The platform was upgraded and the layout was improved. • Customers were provided with an option to sign agreements with a BioSignature (a digital signature placed using a stylus and a touchscreen electronic device). • Santander Leasing S.A. signed a cooperation agreement with Bank Ochrony Środowiska with regard to the "My electric car" ("Mój elektryk") programme of the National Fund for Environmental Protection and Water Management (NFOŚiGW), with subsidies for the lease of zero-emission cars available as part of the programme.
Temporary solutions related to the war in Ukraine	• The Bank has waived selected fees for business customers from Ukraine (until 31 May 2022), including a business account maintenance fee (PLN and FX accounts) and fees for new and existing company debit cards (excluding charge cards) issued to PLN or FX accounts (such as a monthly card fee and fees for the list of card transactions, the balance check at ATMs and card renewal). • Fees for transfers from and to Ukraine have been suspended (until 30 June 2022). • The following operational changes have been introduced in relation to the situation in Ukraine: ✓ The Bank no longer executes transactions with banks banned from the SWIFT clearing system by the European Union, the United Kingdom and the United States. ✓ Rouble exchange has been discontinued. ✓ No business accounts are offered to Russian non-residents due to the current geopolitical situation and increased risk of money laundering and terrorist financing.

1.2. Business and Corporate Banking Division

Direction	Activities of the Business and Corporate Banking Division in Q1 2022
Business developments	• Dynamic growth in revenues in Q1 2022 (+65.7% YoY) as the business rebounded to pre-pandemic levels and high quality of the Bank's services was confirmed by a position among the top three banks in terms of NPS. Key drivers of growth included: transactional banking (+134.3% YoY) supported by market rates and deposit management fees; currency exchange (+57.0% YoY); trade finance (+28.5% YoY) and factoring (+14.6% YoY). • Strong rebound in sales in the majority of business lines, notably loans (+22.0% YoY), trade finance limits (+26.2% YoY) and leasing (+10.1% YoY). • Loans and advances to customers increased by 8.4% YoY, mainly on account of factoring (+32.5% YoY) and credit facilities (+8.0% YoY).
NPS	• The Bank was among the top three banks with NPS of 41. Relationship NPS was steadily on the rise (+16 points YoY to 47). • Further measures were taken to enhance customer experience and improve NPS including: ✓ faster execution of payment orders thanks to automated solutions (including robots); ✓ longer operating hours of the Business Service Centre; ✓ development of advisors' skills and enhancement of the remote channels functionality. • Regular First Contact Resolution surveys were conducted to gather customer feedback and increase effectiveness in the non-credit area.

Santander

Direction	Activities of the Business and Corporate Banking Division in Q1 2022 (cont.)
Development of processes and products	• Digitalisation of post-sales processes, including automation of repetitive tasks to shorten lead times and reduce workload. • Start of development of a simple factoring offer for the ONE segment and simplification of processes across all BCB segments. • Launch of work on a new (competitive and attractive business-wise) non-recourse factoring solution.
Digitalisation, automation and simplification (in accordance with the agile methodology)	• Simplification of processes: ✓ Implementation of an interactive application for a de minimis guarantee for foreign currency loans (the process is entirely paperless for all loan currencies). ✓ Launch of a new process for storage of electronic non-credit documents (using a new tool in Salesforce CRM), reducing the workload associated with post-sales processes. ✓ Implementation of an encryption tool in Salesforce CRM, limiting the workload connected with mandatory encryption of documents sent to customers. ✓ Changes in the credit process with respect to transactions executed by the Treasury Services Department – simplification of statements for customers using FX and IR limits. • Adding new features to iBiznes24 to enable customers to bank in a safe and simple way, allow greater independence and provide an option to customise the mobile application: ✓ Transfer form for payments to KRUS (Agricultural Social Insurance Fund) from the VAT account; ✓ New Secure File Transfer (SFT) module in iBiznes24 providing an option to download and send bank files and automatically add transactions to the account history based on the transferred files. ✓ Revamped iBiznes24 mobile app with a simplified interface, access to the most useful features and a possibility to customise the menu. ✓ Other changes implemented based on customer feedback to increase user-friendliness and automation of processes. • Development of strategic processes on the Corporate Lending Platform: ✓ fast credit decisions up to PLN 2m at the sole discretion of bankers based on assigned pre-limits; ✓ latest solutions implemented: processing of factoring limits, multiline facilities, new IR limit and groups of accounts, product modification function, de minimis guarantee qualifier. • Santander Bank Polska S.A. is the key partner for the Polish government and the United Nations Refugee Agency (UNHCR) with regard to distribution of financial support for refugees coming from Ukraine to Poland. The Bank implemented a solution enabling instant cash withdrawals at ATMs across Poland based on the BLIK system (available to registered refugees).
Factoring business	• The credit portfolio of Santander Factoring Sp. z o.o. grew by 14.6% YoY to PLN 7.4bn as at 31 December 2022 (including an increase of 33% YoY to PLN 1.5bn in the corporate segment). • The receivables purchased by the company increased by 17.1% YoY in Q1 2022 to PLN 9.5bn. • Santander Factoring Sp. z o.o. continued its cooperation with BGK in respect of factoring programmes. The company is the market leader in terms of the value of BGK guarantees – factoring limits secured by those instruments exceeded PLN 1bn. • In January 2022, the first ESG-linked factoring agreement was signed. The transaction was based on factoring combined with a credit facility for one of the largest retailers in Poland. • Santander Factoring Sp. z o.o. supports customers in developing their business not only through financing but also through educational initiatives: ✓ The company developed a long-term training programme called "New Era Business". ✓ The company's representatives took part in the panel discussions at the international Conference on Evolution and Outlook of Receivables Finance in CEE & SEE in Budapest (event organised in partnership with EBRD and FCI).

1.3. Corporate and Investment Banking Division

The Corporate and Investment Banking Division (CIB) provides an end-to-end support to the largest corporate customers of Santander Bank Polska S.A. As at 31 March 2022, the active CIB customer base included nearly 250 of the largest companies and groups in Poland (allocated to that segment based on the turnover) representing all economic sectors.

Leveraging the opportunities arising from the global presence of Santander Group, the CIB Division rendered services to corporations within international structures of Santander Corporate and Investment Banking and cooperated with several Santander Group units.

Performance of selected areas

<table>
<tr><th>Unit</th><th>Key activities in Q1 2022</th></tr>
<tr><td>Credit Markets Department</td><td>
Funding (loans and corporate bonds issues) towards medium- and long-term investments of CIB customers provided by the Division single-handedly and in cooperation with other units.
Execution of deals in the sectors which are relatively resilient to the crisis (such as renewable energy, property), notably as part of project finance and syndicated lending, including:

✓ Co-financing of a portfolio of wind farms with a capacity of 150 MW as part of cooperation with the Global Transactional Banking Department, Banco Santander S.A. and an export credit agency.
✓ Co-financing of a portfolio of solar farms with a capacity of 299 MW.
✓ Co-financing for a company from the residential lettings sector.

Active communication with key customers and expert and/or operational support in terms of acquisitions, project finance, infrastructure finance, debt and rating advisory services, notably in the retail and renewable energy sectors.
A promising start to the year in terms of asset turnover and underwriting:

✓ Successful arrangement of syndicated financing of several billion PLN for a customer from the telecommunications sector;
✓ Increased activity in the bank debt market despite considerable uncertainty caused by the geopolitical situation.

Maintenance of a position among the top three arrangers of bond deals in Poland in Q1 2022 according to Bloomberg's League Table, thanks to participation in the issuance of 6-year bonds of PLN 350m for a company from the financial sector, in which the Bank acted as a joint book runner.
</td></tr>
<tr><td>Capital Markets Department</td><td>
Advisory services in connection with acquisition of one of the largest photovoltaic platforms in Poland, supporting transition to renewable energy and delivery of the Bank's green agenda.
</td></tr>
<tr><td>Global Transactional Banking Department</td><td>
Business trends in transactional banking:

✓ Strong focus on maintenance of stable balances. No significant fluctuations in balances of current accounts and term deposits of CIB customers despite changes in the structure of liabilities caused by developments in the interest rate market.
✓ Record high net fee and commission income supported by active customer acquisition and services for large corporates acquired last year.

</td></tr>
</table>

Unit	Key activities in Q1 2022 (cont.)
Global Transactional Banking Department (cont.)	• Business trends in trade finance: ✓ Continued positive trend in terms of sanction and utilisation of working capital financing limits in Q1 2022. ✓ Increased popularity of guarantees among CIB customers. ✓ High utilisation of export finance products as part of existing transactions and acquisition of new business based on these structures. ✓ Isolated cases of increased working capital requirements and higher YoY drawdown of available limits due to Russia's invasion of Ukraine. Increased customers' interest in documentary letters of credit and collections used to secure trade finance transactions. • Business trends in other areas: ✓ Overall drawdown of credit lines in Q1 2022 was 10% higher than in Q4 2021. It was at 72% and broadly corresponded to the average utilisation observed in the same period last year (67%), indicating a stable liquidity position of CIB customers. ✓ No significant expansion to the Russian, Ukrainian or Belarusian markets by GTB Lending customers (a several percent share in total revenue). Indirect impact of the geopolitical situation (including higher prices and shortage of commodities, higher cost of energy, disrupted or extended supply chains) on the financial standing of borrowers, demand for credit and repayment capacity.
Financial Markets Area	• Focus on process effectiveness, automation, digitalisation, new technologies and innovations, ecosystems and 24/7 access. Key initiatives: ✓ Pilot sale of fixed-rate loans for SME customers. ✓ Implementation of tools for corporate customers based on the credit workflow related to treasury limits (IR limit). ✓ Design of currency exchange solutions for a new mobile app. ✓ Implementation of improvements with respect to regulatory processes, including the IBOR reform. ✓ Ensuring pre-trade transparency for liquid interest rate hedging instruments as part of obligations of systematic internalisers. • Activities in the equity research area: ✓ Publication of 50 recommendations with regard to CEE listed companies. ✓ Providing institutional investors with an opportunity to participate in investor conferences. ✓ Organisation of the "Santander Video Gaming Night", bringing together 11 Polish computer game companies and 50 institutional investors. • Second position of the brokers team and fifth position of the equity research team in the ranking published by *Parkiet*. • Title of the "Market Maker of the Year 2021 – Cash Market" awarded in recognition of the broad market making activity in the spot market covering the majority of financial instruments.

2. Business Development of Santander Consumer Bank Group

Strategic priorities

Santander Consumer Bank S.A. has defined five strategic priorities to increase its competitive advantage in terms of product range, notably in electronic channels.

Key business development directions

In Q1 2022, Santander Consumer Bank Group (SCB Group) focused on:

- Maintaining the existing volume of loans and leases for new cars and increasing the financing of used cars, while ensuring the balance between the scale and profitability of business.
- Consolidating the leadership position in the durable goods market by maintaining a stable share in traditional sales, growing the share of online sales, increasing sales of new products (special-purpose loans, credit limits), and maintaining the profitability of collaboration with trade partners.
- Acquiring customers by financing the sale of durable goods, and leveraging cross-sell and up-sell opportunities.

Development of selected business areas

Area	Activities of Santander Consumer Bank Group in Q1 2022
Lending	• As at 31 March 2022, net loans and advances granted by SCB Group amounted to PLN 15.0bn and were slightly lower Ytd (-0.7% QoQ) as a combined effect of a lower value of the maturing mortgage loans portfolio (no new sales) and recognition of a provision for legal risk in the balance of CHF mortgage loans in compliance with the changed accounting policy (application of IFRS 9 for recognition of legal risk impact of the above mentioned loans). • The consumer and business loans portfolio grew YoY by 1.7% and 2.2%,respectively. • In Q1 2022, SCB S.A. adjusted its lending proposition to the growing interest rates and strengthened its position in the electronic channel (eCommerce) by increasing sales of new products financing online transactions (special-purpose loan and Open Online Limit). • The war in Ukraine did not significantly affect credit sales. During the first weeks of the war, the customers' activity in terms of car finance decreased by approx. 30% (measured by the number of applications submitted). In the course of time, the situation returned to normal.

Area	Activities of Santander Consumer Bank Group in Q1 2022 (cont.)
Deposits	• As at the end of March 2022, deposits from customers of SCB Group totalled PLN 8.8bn and decreased by 5.1% Ytd, mainly on account of retail term deposits. • To reverse the downward trend in customers' deposit balances, SCB S.A. launched special offers and adjusted deposit interest rates to market conditions and peer behaviour.
Sources of funding	• In Q1 2022, SCB S.A. did not issue short-term debt securities as part of the issuance programme due to deterioration on the Polish debt market. Maturing instruments were replaced by other sources of funding, mainly loans from financial institutions (a short-term credit line of PLN 250m from Santander Bank Polska S.A., a credit line of PLN 200m from BGK granted to Santander Consumer Multirent Sp. z o.o.).
Other	• In Q1 2022, SCB S.A. extended the cooperation with the key partner from the DIY sector. • In March 2022, SCB S.A. sold the written-off portfolio of cash loans, hire purchase loans and car loans of PLN 288.4m in total, with a P&L impact of PLN 58.5m gross (PLN 47.5m net).

3. Risk Management

Organisational changes

In January 2022, the Anti-Money Laundering Department was transferred from the Legal and Compliance Division to the Risk Management Division and renamed the Money Laundering and Terrorist Financing Risk Management Department. The purpose of this change was to reorganise and streamline the AML processes with the help of modern tools and management systems, and to develop models for the first line of defence under the supervision of the Vice President of the Management Board in charge of the Risk Management Division.

Key risks

Operational risk

More extensive business continuity management measures have been taken since the beginning of 2022 in connection with Russia's invasion of Ukraine. The special situations management committees take ongoing decisions regarding financial liquidity, legislative support, public programmes, implementation of sanctions, cybersecurity, physical security, etc. The appropriateness of response plans has been regularly tested (in terms of operational activities) in case of escalation of the armed conflict.

Concurrently, preventive and remedial actions have been taken within dedicated management structures to mitigate risks related to Covid-19 and ensure business continuity in the pandemic scenario.

Against this background, special focus is placed on cybersecurity due to the risk of cyberattacks, the need to enable a large number of the Bank's head office staff to continue to work from home, and increased use of remote channels by customers in sale and post-sale processes. The Group kept track of risks, taking mitigating measures on an ongoing basis in relation to both customers and employees. The Bank identified an exposure to fraud risk, mostly related to phishing campaigns and other attacks directed at the Bank's customers. The cyberattacks were predominantly based on messages pretending to be official communications about the Covid-19 pandemic. To protect customers' funds, the Bank put preventive measures in place, including initiatives addressed to customers and employees (e.g. educational campaigns in social media) to increase their awareness of cyber risks and build cybersecurity culture.

The restrictions introduced to curb the spread of the coronavirus and the support programmes for those hit by the pandemic required a considerable intensification of IT service development work that involved creating new processes or transferring the existing process elements to electronic channels. Typical risks emerged, although their frequency was slightly higher due to the scale of work.

Credit risk

As part of credit risk management, Santander Bank Polska Group closely monitors the current economic environment and trends in the credit portfolios in relation to Russia's invasion of Ukraine, high inflation, growing debt service costs due to interest rate hikes and impact of the pandemic.

Risk of the corporate customer portfolio

Regular analyses were conducted to identify a potential increase in credit risk of corporate customers due to the above-mentioned factors. Special management reports developed after the Covid-19 outbreak were continued to be generated. In order to mitigate the risk of that portfolio, in Q1 2022 the Bank:

- Reviewed the portfolio of customers doing business in Ukraine, Russia or Belarus and/or cooperating with companies from those countries.
- Updated the guidelines on calculation of repayment capacity with regard to:
  - ✓ sensitivity analyses – assuming the minimum interest rate movement by +500 basis points;
  - ✓ an increase in social minimum and subsistence minimum for the purpose of calculation of household maintenance costs.
- The guidelines on lending to customers from the hotel sector were updated in connection with the current Covid-19 situation in Poland and the lifting of restrictions by the government.

Risk of the SME customer portfolio

As part of ongoing measurement of SME segment risk related to Russia's invasion of Ukraine, the Bank identified customers directly connected with the conflict zone or trading with entities from the above countries. The risk exposure related to the conflict was found to be very limited in the case of the SME segment.

Risk of the personal customer portfolio

The risk associated with the personal customer portfolio (including that caused by the pandemic) is stable. While the share of loans held by Ukrainians in the Bank's credit portfolio is marginal, they are subject to special monitoring. Personal customers can still apply for temporary suspension of their loan agreements under the Anti-Crisis Shield 4.0. In addition, in Q1 2022 the Bank implemented a three-month moratorium on principal and interest payments for Ukrainian borrowers. The Bank regularly monitors the situation of all customers who have used support tools (along with their current balance).

In view of the economic developments in recent months, the Bank also analysed the sensitivity of the credit portfolio based on different economic scenarios, taking into account the impact of Russia's invasion of Ukraine. As current projections and indicators are very changeable, the analyses are regularly reviewed to identify long-term risks for the credit risk profile.

Market risk

Russia's attack on Ukraine sparked market volatility, notably in terms of exchange rates and interest rates. While the Bank's net trading income has not been adversely affected, interest rate hikes have reduced the value of financial instruments measured at fair value through other comprehensive income. Similarly to other sector participants, the Bank saw increased cash withdrawals at branches and ATMs following the outbreak of the war. Despite that, LCR stayed at a stable, high level. Cash withdrawals returned to normal in mid- March. After the start of the Russian invasion, the Bank has significantly cut back its operations in RUB.

Money laundering and financial crime risk

Following the outbreak of the war in Ukraine, an increased number of new laws, regulations and requirements concerning sanctions have been issued. Certain processes must be implemented immediately, which causes an additional workload. In view of that, the number of employees of the Sanctions Team has been increased.

In Q1 2022, changes were implemented to the CSR system to eliminate gaps in transaction monitoring in terms of sanctions.

IV. Organisational and Infrastructure Development

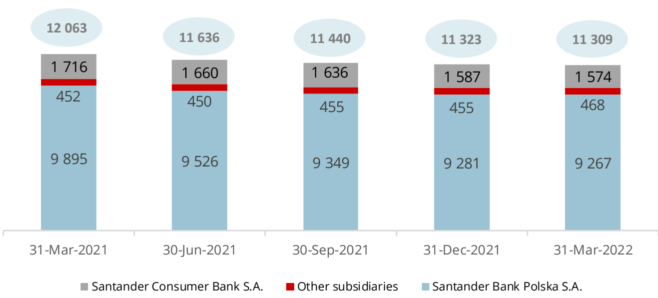
1. Human Resources

Employment

As at 31 March 2022, the number of FTEs in Santander Bank Polska Group was 11,309, including 9,267 FTEs of Santander Bank Polska S.A. and 1,574 FTEs of Santander Consumer Bank Group.

EMPLOYMENT OF SANTANDER BANK POLSKA GROUP

EMPLOYMENT AT SANTANDER BANK POLSKA GROUP (IN FTE) BY QUARTER IN 2021 AND 2022



The employment in Santander Bank Polska Group decreased by 0.1% QoQ and by 6.2% YoY as a result of ongoing transformation of the business model through digitalisation, optimisation of the branch network, continued migration of products and services to remote distribution channels and gradual implementation of technological and organisational solutions increasing operational efficiency of the organisation. The objective is to allocate the maximum resources to strengthen customer relationships, grow business and build skills matching the target profile for the organisation.

The HR processes take into account both present operational needs as well as market conditions. They are based on natural employee attrition as well as collective redundancies continued at Santander Bank Polska S.A.

Pursuant to the resolution of the Management Board of Santander Bank Polska S.A. dated 29 October 2020, collective redundancies will cover up to two thousand employees and will be completed by 31 December 2022. So far, 793 employees have been made redundant, including 67 in Q1 2022. At Santander Consumer Bank S.A., the last collective redundancies programme was completed on 31 December 2021.

Remuneration policy

Changes to the remuneration policy

In accordance with the Management Board's resolution of 16 February 2022, the Bank adopted the revised Remuneration Policy of Santander Bank Polska Group, which was approved by the Supervisory Board on 23 February.

The updates were required due to amendments to general laws and internal regulations and included:

- alignment of the general rules with EBA guidelines;
- introduction of the principle of equal pay and rules for measurement and analysis of Equal Pay Gap (EPG) and Gender Pay Gap (GPG);
- refinement of the rules regarding severance payments and non-competition agreements;
- introduction of general rules on discretionary pension benefits;
- update of the definition of control functions.

Response to the next wave of the pandemic and the war in Ukraine

Covid-19

The fifth wave of the Covid-19 pandemic, which hit in Q1 2022, was the most severe one in terms of the number of confirmed cases among the Bank's staff. During that period, employees were recommended to work from home if possible, and meetings in person, both internal and external ones, were suspended.

Measures were still in place to prevent the spread of the pandemic, including:

- basic safety regime (distance, disinfection and face masks);
- monitoring of employee traffic in office buildings;
- registration of Covid-19 cases and associated procedures (such as disinfection of offices and branches in the case of confirmed infections);
- testing of employees who had contact with a person tested positive for coronavirus;
- antigen tests for self-testing by employees who had Covid-19 symptoms and/or felt worse at work.

As the pandemic-related limits were removed by the Ministry of Health at the beginning of March, the Bank's employees are allowed to return to the office. In-person meetings can now be organised.

In the last week of March, the majority of Covid-19 restrictions were lifted (such as face masks, isolation and quarantine) but people are still recommended to take precautions.

The Bank closely monitors the pandemic and the procedure implemented in case of Covid-19 cases at work still applies.

War in Ukraine

Following the outbreak of the war in Ukraine, Santander Bank Polska S.A. took prompt actions to support Ukrainian employees, including:

- financial aid for employees and contractors from Ukraine;
- salary advance at request;
- flexible working hours and additional time off;
- a possibility to apply for non-returnable financial aid or low-interest loan from the Employee Benefit Fund;
- a dedicated process and a team supporting Ukrainians looking for a job at the Bank for themselves or for their relatives or friends.

All interested employees could use psychological counselling or attend workshops and webinars on psychological safety. In addition to that, materials were prepared for managers on how to support their employees in crisis, in particular emotionally. An intranet platform was also launched where employees can ask for or offer help to people from Ukraine.

Employees and managers are kept informed about measures taken in relation to the situation in Ukraine via publications on the intranet and email newsletters. A dedicated intranet site was also set up ("Help for Ukraine") with information about support provided by the Bank to employees, customers and citizens of Ukraine.

2. Distribution Channels

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

Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	31.03.2022	31.12.2021	31.03.2021
Branches (location)	363	383	434
Off-site Locations	2	2	2
Santander Zones (acquisition stands)	11	11	10
Partner Outlets	165	164	139
Business and Corporate Banking Centres	6	6	6
ATMs and CDMs (unifunctional)	586	610	717
Dual Function Machines	910	914	921
Registered internet and mobile banking customers 1) (in thousand)	4 624	4 492	4 249
Digital (active) internet and mobile banking customers 2) (in thousand)	3 130	2 998	2 812
Digital (active) mobile banking customers 3) (in thousands)	2 310	2 194	1 912
Registered iBiznes24 companies 4) (in thousand)	23	25	23

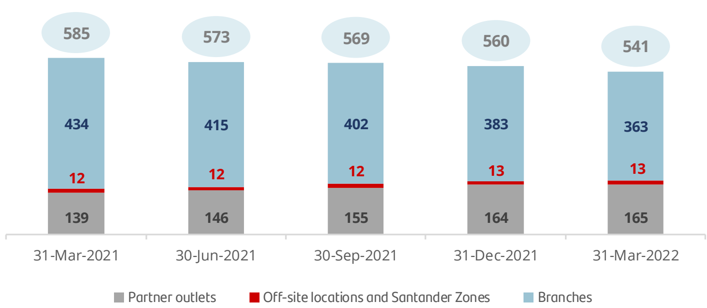
1) *The number of customers who signed an electronic banking agreement under which they can use the available products and services.*
2) *The number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period.*
3) *The number of active mobile banking customers who at least once logged into the mobile application or its light version or checked their balance without logging in the last month of the reporting period.*
4) *Only customers using iBiznes24 – an electronic platform for business customers (the customers having access to Moja Firma plus and Mini Firma platforms are not included).*

Traditional distribution channels

As at 31 March 2022, Santander Bank Polska S.A. had 363 branches, 2 off-site locations, 11 Santander Zones and 165 partner outlets. In Q1, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 20, and the number of partner outlets increased by 1.

BRANCHES AND PARTNER OUTLETS OF SANTANDER BANK POLSKA S.A.

NUMBER OF BRANCHES AND PARTNER OUTLETS OF SANTANDER BANK POLSKA S.A.
BY QUARTER IN 2021 AND 2022



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

- In Q1 2022, the external network employed 245 people as the Bank's tied agents on average per month. The Bank used their services to offer cash loans, mortgage loans, SME loans, loan insurance, personal and business accounts, and leasing facilities.
- Cooperation with financial and real estate brokers (network agents) was centrally managed under agreements and generated a significant YoY increase in sales (+186% YoY).
- In Q1 2022, Santander Zones located in shopping centres operated without any disruptions caused by the pandemic and successfully acquired new customers.

As part of the Private Banking model, customers were served by 58 Private Bankers based in 25 outlets across Poland (four Private Banking Centres and 21 other locations).

Services to businesses and corporations are provided by two departments: the Business Clients Department and the Corporate Clients Department with their six Banking Centres (three Business Banking Centres and three Corporate Banking Centres) operating within three regional structures through 29 offices located Poland-wide. In addition 3 offices render services to the Bank's customers from the Premium segment, public sector and commercial property sector.

ATMs

In Q1 2022, Santander Bank Polska S.A. continued to review and optimise the configuration of cassettes, instal recyclers (dual function ATMs enabling withdrawal of cash that has been previously deposited by other customers) and optimise its off-site machines, removing and relocating economically unviable, low-transaction ATMs. The number of recyclers increased by 7 Ytd. 35 ATMs and dual-chamber devices were removed.

As at 31 March 2022, the network of self-service devices of Santander Bank Polska S.A. comprised 1,496 units, including 586 ATMs and 910 dual function machines (including 447 recyclers).

Remote channels

In the reporting period, the Bank continued to improve the functionality and capacity of digital contact channels in line with its long-term strategy which is to increase the share of such channels in customer acquisition and sales. It also took measures in response to external developments (accelerated acquisition of Ukrainian customers).

Electronic channel	Selected solutions and improvements introduced in Q1 2022
Santander.pl	• A revamped version of santander.pl was launched and content related to products and sales was improved to increase the number of transactions in digital channels. A new feature is the cash loan calculator that significantly shortens the sales cycle.
Internet and mobile banking	• New features were added: welcome screens (lightboxes) in English, Russian, Ukrainian and Spanish, and reminders about the approaching expiry date of the identity document in a new format. • The contents of text messages, push messages and emails concerning cash deposits and withdrawals at ATMs were refined. • A new online cash loan process was launched on 29 March 2022 in internet banking for all customers assigned a prelimit or handled under the fast-track procedure.
Multichannel Communication Centre (MCC)	• Service and sales processes were further optimised. • A helpline was set up for refugees making cash withdrawals under the UNHCR Cash Assistance Programme. Additional employees were hired as interpreters for Ukrainian customers and branch advisors. A helpline in Ukrainian was further developed in response to an increased traffic. • Call Steering (voice IVR), a technology that recognises and interprets speech, was started to be implemented as part of the 19999 helpline. Selected customers can choose whether to communicate via IVR through the use of voice or tone input. The customer's intentions are recognised on the basis of the subject indicated by them. The call is then forwarded to a relevant advisor. The effectiveness of the customer's intention recognition model exceeds 90%. The tool is being developed in cooperation with customers.

CRM solutions

In Q1 2022, CRM activities focused on development of tools to improve personalisation of communication in digital channels. The key initiatives included:

- Development of campaigns based on online signals, enabling a prompt response to specific customer's actions.
- Personalisation of the offer in digital channels in terms of products and form of communication using the new behavioural segmentation.

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

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

Basic Statistics on Distribution Channels

Santander Consumer Bank S.A.	31.03.2022	31.12.2021	31.03.2021
Branches	54	54	61
Partner Outlets	270	271	274
Auto Loan lending Partners	1 219	1 161	836
Installment Loan Lending Partners	6 777	7 028	6 915
Registered internet and mobile banking customers [1] (in thousand)	1 258	1 257	1 202
Digital (active) internet and mobile banking customers [2] (in thousand)	265	237	184
Digital (active) mobile banking customers [3] (in thousand)	192	165	109

1) *Customers who signed an agreement with Santander Consumer Bank S.A. and at least once used the bank's electronic banking system in the reporting period.*
2) *The number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period.*
3) *The number of active mobile banking customers who at least once logged into the mobile application or its light version or checked their balance without logging in the last month of the reporting period.*

Santander Consumer Bank S.A. continues the network restructuring process by changing the branch model, optimising processes and reducing franchise costs.

3. Digital Transformation

Initiative	Key projects delivered in Q1 2022
Improvement of availability, reliability and performance of the Bank's systems	• Continued migration of existing Data Centres. • Migration of the network infrastructure of partner outlets to new servers to ensure better consistency with the Bank's standards and increased availability for customers (thanks to implementation of redundancy).
Participation in global optimisation initiatives of Santander Group	• Review of the concept of a common RPA platform based on BluePrism as part of the RPA & Automation Centre of Excellence project.
Enhancement of security of the Bank's systems	• Analysis (in cooperation with vendors) of a potential impact of the global Log4j vulnerability on the key banking systems. • Implementation of 2FA mechanisms for employees working remotely to enhance the security of access to the Bank's resources. • Continued promotion of cybersecurity culture among the Bank's customers and employees through: ✓ an ongoing social media campaign for customers: "Don't believe in fairy tales for adults" ("Nie wierz w bajki dla dorosłych"); ✓ publication of warnings about emerging cyberthreats on the Bank's home page and on the internet banking login site; ✓ update of the Bank's websites on safe banking to reflect emerging threats; ✓ educational initiatives via internet banking communication channels and text messages. • Further promotion of the CyberRescue service for customers (e.g. in the online banking channel), offering cyberthreat alerts and expert support.

Initiative	Key projects delivered in Q1 2022
Implementation of regulatory requirements	• Successful completion of the Disaster Recovery test of the key electronic banking system, confirming the effectiveness of the procedures and the solution designed. • Finalisation of the work on the Autorates system for automatic publication of market rates and bank reference rates as part of the Financial Markets Platform. • Completion of the last stage of implementation of the 5th AML Directive. • Technological implementation of the PayHUB-FCC and PayHUB-SWIFT-Connector components supporting communication between SWIFT and product systems. • Launch of an electronic correspondence channel as part of eKancelaria.
Automation and optimisation of operational processes	• Continued development of a new post-sale model as part of the 4P strategic programme. • Centralisation of post-sale services related to mortgage loans (preparation of security documents; release of security; handling instructions in the video, chat and electronic banking channels). • Robotic process automation covering: ✓ preparation of statements about CHF mortgage loans (around 80% of statements are prepared with the help of a robot); ✓ overdue payments on PLN loans of personal and SME customers. • Digitalisation of communication with customers regarding cash loans. • Improvement of services for corporate customers by limiting the end-of-month backlog of credit-related instructions, automating storage of documents with an electronic signature and encrypting messages to customers.

V. Financial Performance after Q1 2022

1. Income Statement

Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1 2022	Q1 2021 [4] restated data	YoY Change
Total income	**2 987,7**	**2 117,4**	**41,1%**
- Net interest income	2 244,0	1 376,2	63,1%
- Net fee & commission income	660,7	611,3	8,1%
- Other income [1]	83,0	129,9	-36,1%
Total costs	**(1 189,3)**	**(1 052,5)**	**13,0%**
- Staff, general and administrative expenses	(1 016,0)	(871,9)	16,5%
- Depreciation/amortisation [2]	(132,5)	(147,9)	-10,4%
- Other operating expenses	(40,8)	(32,7)	24,8%
Impairment allowances for expected credit losses	**(119,3)**	**(363,1)**	**-67,1%**
Cost of legal risk associated with foreign currency mortgage loans [3]	**(96,5)**	**(206,7)**	**-53,3%**
Profit/loss attributable to the entities accounted for using the equity method	20,3	19,4	4,6%
Tax on financial institutions	(176,8)	(153,0)	15,6%
Consolidated profit before tax	**1 426,1**	**361,5**	**294,5%**
Tax charges	(396,8)	(168,6)	135,3%
Net profit for the period	**1 029,3**	**192,9**	**433,6%**
- Net profit attributable to the shareholders of the parent bank	**959,5**	**151,8**	**532,1%**
- Net profit attributable to non-controlling shareholders	69,8	41,1	69,8%

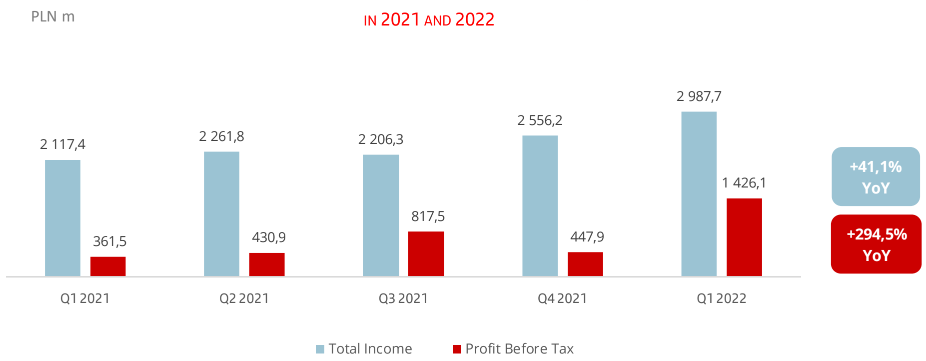
1) *Other income includes total non-interest and non-fee income of the Group. It comprises in particular the following items of the full income statement: dividend income, net trading income and revaluation, gains/ losses on other financial instruments, gain/loss on derecognition of financial instruments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

3) *As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The total impact of the above risk on the Group's performance is presented in a separate line of the income statement. It includes provisions for legal risk and legal claims raised and released by the Bank which were previously disclosed separately in other operating expenses and operating income.*

4) *As a result of the above-mentioned change to the accounting policy, as well as change to the presentation of the selected items of the full income statement (i.e. introduction of the following lines: "Income similar to interest on finance leases" and "Gain/loss on derecognition of financial instruments measured at amortised cost"), the comparative data for Q1 2021 needed to be restated.*

THE GROUP'S TOTAL INCOME AND PROFIT BEFORE TAX BY QUARTER IN 2021 AND 2022



The **profit before tax of Santander Bank Polska Group** for the 3-month period ended 31 March 2022 was PLN 1,426.1m, up 294.5% YoY. The profit attributable to the Bank's shareholders increased by 532.1% YoY to PLN 959.5m.

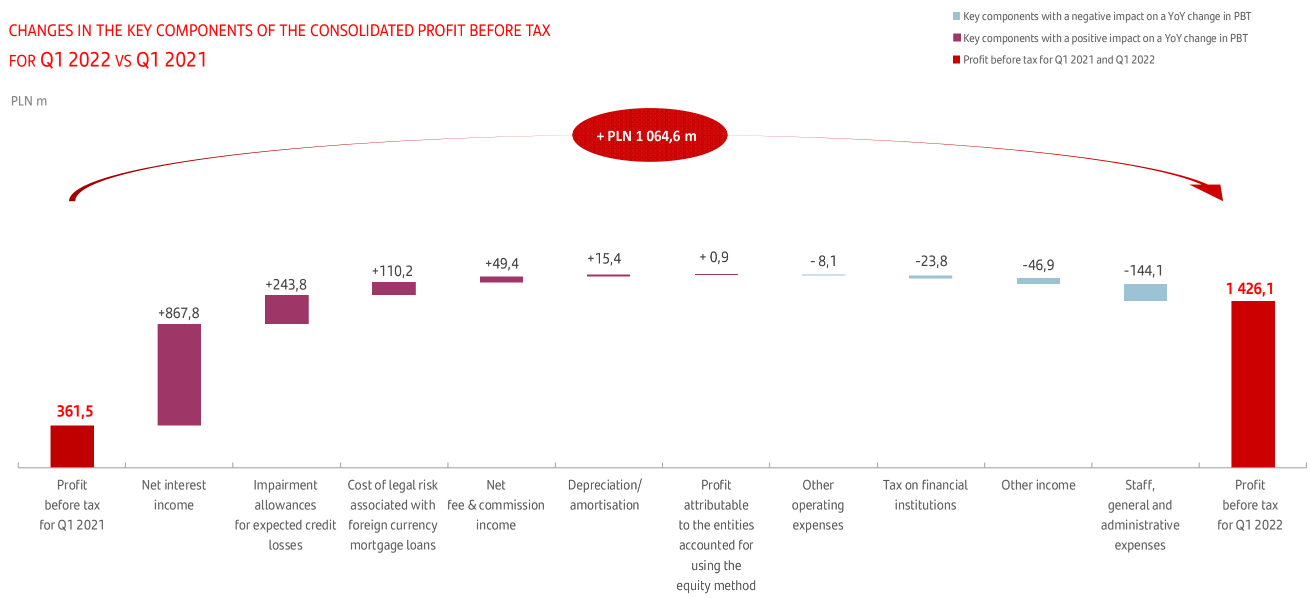
The table presented in the "Comparability of periods" section below contains the selected items of the income statement of Santander Bank Polska Group which affect the comparability of the analysed periods. After the relevant adjustments,

- the **underlying profit before tax** increased by 185.1% YoY and
- the **underlying profit attributable to the shareholders of Santander Bank Polska S.A.** went up by 224.3% YoY.

Comparability of periods

Selected items of the income statement affecting the comparability of periods	Q1 2022	Q1 2021
Cost of legal risk associated with foreign currency mortgage loans *(income statement line)*	• PLN 96.5m	• PLN 206.7m
Contributions to the Bank Guarantee Fund reported by Santander Bank Polska Group *(general and administrative expenses)*	• PLN 277.6m, including a contribution of PLN 55.2m to the bank guarantee fund and PLN 222.4m to the bank resolution fund	• PLN 182.5m, including a contribution of PLN 27.0m to the bank guarantee fund and PLN 155.5m to the bank resolution fund

Determinants of the Group's profit for Q1 2022



The profit for Q1 2022 was driven by high net interest income boosted by a sharp increase in NBP interest rates and growth of the Group's key credit portfolios. It was also supported by net fee and commission income, notably from currency exchange, account maintenance and cash transactions, as well as a decrease in expected credit loss allowances and provisions for legal risk connected with foreign currency mortgage loans. The lower cost of credit risk is primarily due to the stabilisation of customers' standing.

The Group's profitability was negatively impacted by operating expenses, which went up on account of an increase in salaries, fees payable to market regulators, cost of marketing, and IT usage. Financial market developments adversely affected the Group's transactions in financial instruments, in particular profit on the sale of bonds.

Profit before tax of Santander Bank Polska Group by contributing entities

Components of Santander Bank Polska Group Profit Before Tax in PLN m (by contributing entities)	Q1 2022	Q1 2021	YoY Change
Santander Bank Polska S.A.	**1 125,1**	**169,5**	**563,8%**
Subsidiary undertakings:	**280,7**	**172,6**	**62,6%**
Santander Consumer Bank S.A. and its subsidiaries [1)]	195,8	86,1	127,4%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	24,8	37,8	-34,4%
Santander Finanse Sp. z o.o. and its subsidiaries [2)] (Santander Leasing S.A., Santander Leasing Poland Securitization 01 Designated Activity Company, Santander Factoring Sp. z o.o., Santander F24 S.A.)	60,0	48,2	24,5%
Santander Inwestycje Sp. z o.o.	0,1	0,5	-80,0%
Equity method valuation	**20,3**	**19,4**	**4,6%**
Elimination of dividends received by Santander Bank Polska S.A. and consolidation	**-**	**-**	**-**
Profit before tax	**1 426,1**	**361,5**	**294,5%**

1) *In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o. w likwidacji (a company in liquidation), SC Poland Consumer 16-1 Sp. z o.o., PSA Finance Polska Sp. z o.o., PSA Consumer Finance Polska Sp. z o.o., Santander Consumer Financial Solutions Sp. z o.o. and SCM Poland Auto 2019-1 DAC. In Q2 2021, SCB S.A. lost the control over SC Poland Consumer 15-1 Sp. z o.o. due to settlement of the securitisation transaction and start of liquidation of that company. The amounts provided above represent profit before tax (after intercompany transactions and consolidation adjustments) of SCB Group for the periods indicated.*

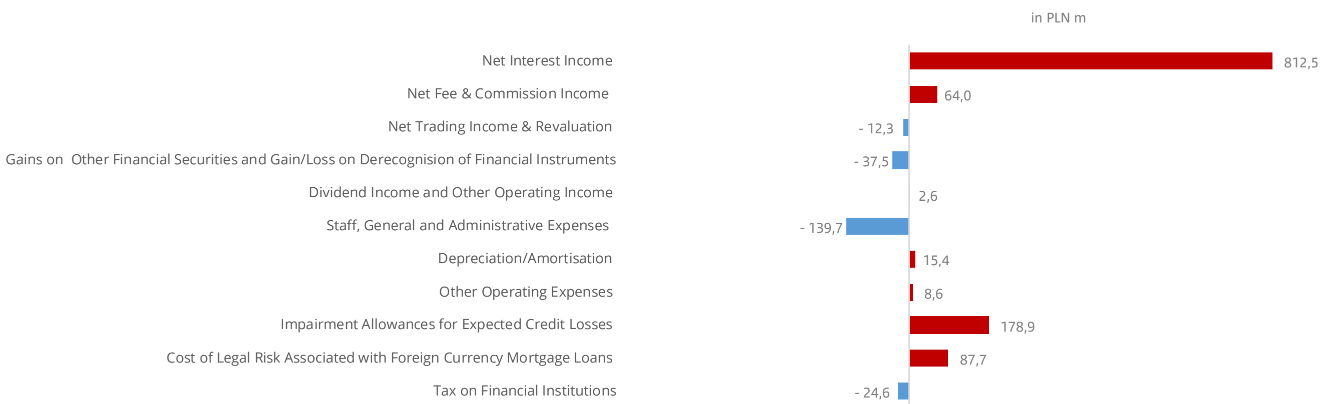
Santander Bank Polska S.A. (parent entity of Santander Bank Polska Group)

The profit before tax of Santander Bank Polska S.A. was PLN 1,125.1m, up 563.8% YoY.

Changes in the main components of the standalone profit reflect the trends relating to the consolidated profit. Similarly to the Group, the Bank's profit before tax was positively affected by net interest income, net fee and commission income, net expected credit loss allowances and cost of legal risk connected with foreign currency mortgage loans. The increase attributed to the above-mentioned items was offset in part by a rise in operating expenses and tax on financial institutions, as well as a decrease in net trading income and revaluation and in other financial instruments.

Changes to the components of the profit before tax earned by the Bank are presented below.

YEAR-ON-YEAR CHANGES IN THE MAIN ITEMS OF THE INCOME STATEMENT OF SANTANDER BANK POLSKA S.A. FOR Q1 2022 IN ABSOLUTE NUMBERS



Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a decline of 62.6% YoY in their total profit before tax.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated **profit before tax** of Santander Bank Polska Group for Q1 2022 was PLN 195.8m (after intercompany transactions and consolidation adjustments) and increased by 127.4% YoY as a combined effect of the following:

- A rise of 14.1% YoY in **net interest income** to PLN 327.9m, supported by consistently growing interest rates since Q4 2021.
- A decrease of 9.5% YoY in **net fee and commission income** to PLN 33.3m on account of lower fee and commission income from credit cards.
- Positive balance of **net expected credit loss allowances** of PLN 7.8m vs negative balance of -PLN 54.4m in Q1 2021, owing to a higher gain on the sale of overdue receivables in the reporting period and a revised approach to recognition of legal risk associated with CHF mortgage loans (in accordance with IFRS 9) resulting in the release of credit provisions.
- A decline of 48.9% YoY in **other non-interest and non-fee income** to PLN 8.6m as a consequence of a change in recognition of legal risk connected with foreign currency mortgage loans under IFRS 9 (presentation in a separate line of the income statement) and a lower gain on transactions in financial instruments as part of trading and investment activities due to developments in the financial markets.
- A relatively stable level of **operating expenses** at PLN 155.3m in Q1 2022, as a decrease in selected categories of staff and general expenses partially offset higher fees payable to the Bank Guarantee Fund (BFG) and a provision of PLN 5m for fines imposed by the Office of Competition and Consumer Protection (UOKiK).

Other subsidiaries

Profit before tax of Santander TFI S.A. for Q1 2022 decreased by 34.4% YoY to PLN 24.8m, as a result of a decline in net fee and commission income due to lower income from management and success fees under the prevailing market conditions, namely the outflow of assets from the investment funds market observed since October 2021, with its peak recorded in March 2022 due to Russia's invasion of Ukraine, high inflation and expected monetary policy tightening by central banks. The biggest hit was taken by bond portfolios and their value plummeted. Investment fund management fees were also adversely affected by the reduction of the maximum annual management fee to 2% as of 1 January 2022 in accordance with the Regulation of the Minister of Finance of 13 December 2018 on the maximum amount of fixed remuneration for an investment fund company for managing an open-end investment fund or a specialised open-end investment fund. This was also coupled with an increase in distribution-related costs.

Total profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. went up by 24.5% YoY to PLN 60.0m.

- Total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o., Santander Leasing Poland Securitization 01 Designated Activity Company and Santander F24 S.A. grew by 7.6% YoY to PLN 36.0m. Despite deteriorating business conditions (limited availability of assets to be financed), sale performance improved on the corresponding period last year, triggering an increase of 9% YoY in the lease portfolio. In Q1 2022, interest income grew by 14.5% YoY, net insurance income was up 11% YoY, and net expected credit loss allowances decreased by 31.7% YoY. The quality of the lease portfolio remained to be very good, with the NPL ratio of 3.33% (+0.16 p.p. YoY).
- The profit before tax posted by Santander Factoring Sp. z o.o. was up 63.5% YoY and totalled PLN 24.0m. It resulted from an increase of 45.3% YoY and 34.1% YoY in net interest income and net fee and commission income, respectively, and from positive impact of net expected credit loss allowances in respect of the factoring portfolio.

Structure of Santander Bank Polska Group's profit before tax

Total income

Total income of Santander Bank Polska Group for the 3-month period ended 31 March 2022 was PLN 2,987.7m, up 41.1% YoY.

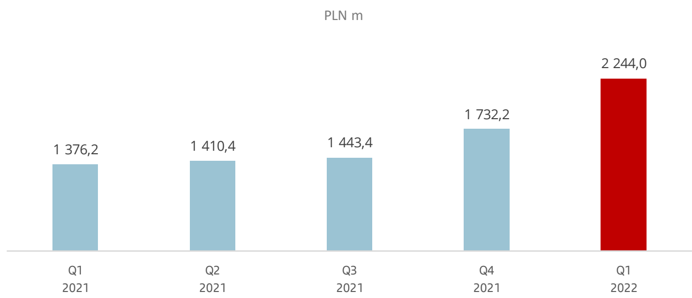
Net interest income

Net interest income for Q1 2022 was PLN 2,244.0m and grew by 63.1% YoY as an effect of a series of monthly increases in NBP interest rates started in Q4 2021 (three hikes by 1.65 p.p. in total) and continued in Q1 2022 (three hikes by 1.75 p.p. in total) aimed at tightening the monetary policy and curbing soaring inflation. It was also significantly affected by pricing management as well as effective acquisition and retention of business.

Santander

The pricing of deposit and credit products was regularly adjusted to market rates and the Group's objectives in terms of competitive position, balance sheet structure, liquidity and profitability. A considerable YoY growth was reported in balance sheet items, both in loans and advances to customers and deposits from customers. Lease receivables increased by 11.5% YoY, loans and advances to personal customers were up 4.4% YoY, and loans and advances to enterprises and the public sector grew by 3.6% YoY. At the same time, retail deposit balances increased by 6.3% YoY, and deposits from enterprises and the public sector grew by 2.0% YoY. Deposits increased as investors backed out of investment funds amid uncertainties around the geopolitical situation, volatility of equity and commodity markets and a considerable reduction in bond yields. Furthermore, owing to the dramatically rising interest rates customers turned to term deposits, which was reflected in the transfer of funds from current accounts (including savings accounts) to bank deposits.

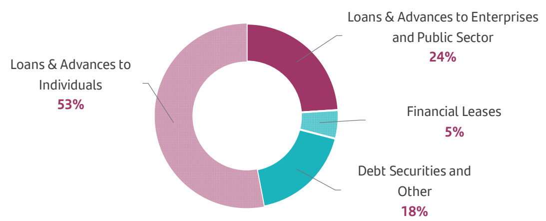
NET INTEREST INCOME BY QUARTER IN 2021 AND 2022



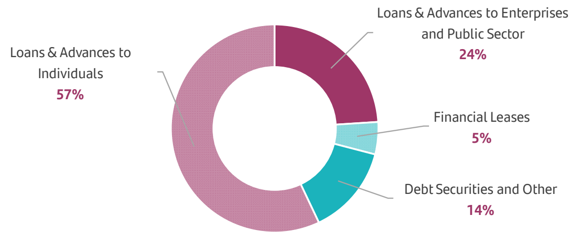
Interest income for Q1 2022 totalled PLN 2,454.8m and was up 65.6% YoY, mainly due to loans and advances to personal and business customers, and debt securities.

Interest expenses grew by 99.1% YoY to PLN 210.9m mainly on the back of deposits from enterprises and the public sector and deposits from banks, as well as liabilities in respect of debt securities in issue and repo transactions.

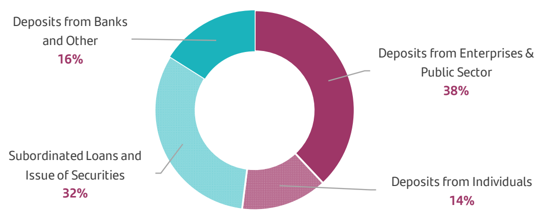
STRUCTURE OF INTEREST REVENUE IN Q1 2022



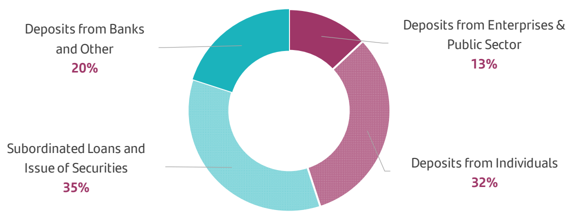
STRUCTURE OF INTEREST REVENUE IN Q1 2021



STRUCTURE OF INTEREST EXPENSE IN Q1 2022

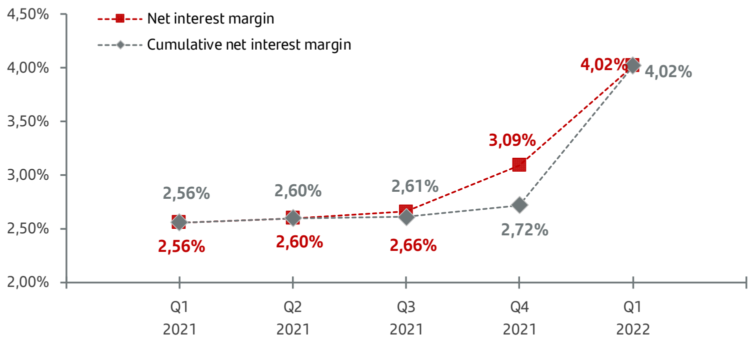


STRUCTURE OF INTEREST EXPENSE IN Q1 2021



In Q1 2022, the **net interest margin** (annualised on a quarterly basis) went up from 2.56% to 4.02% in Q1 2021 and 3.09% in Q4 2021. The margin increase was driven by the same factors as those that helped the year-on-year growth in interest income.

NET INTEREST MARGIN[1)] BY QUARTER IN THE YEARS 2021 AND 2022 (INCLUDING SWAP POINTS)[2)]



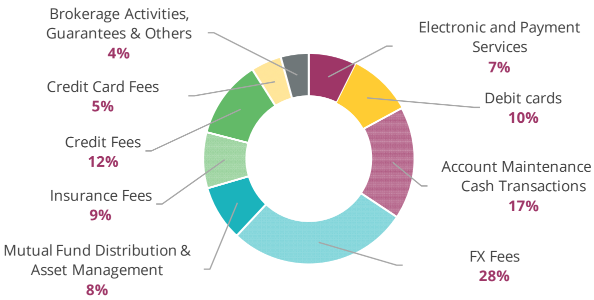
1) *Net interest margin in consecutive quarters, annualised on a quarterly and year-to-date basis. The data for 2021 have been restated to reflect the new accounting treatment of legal risk related to the FX mortgage loan-book which is now compliant with IFRS 9.*
2) *The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading.*

Net fee and commission income

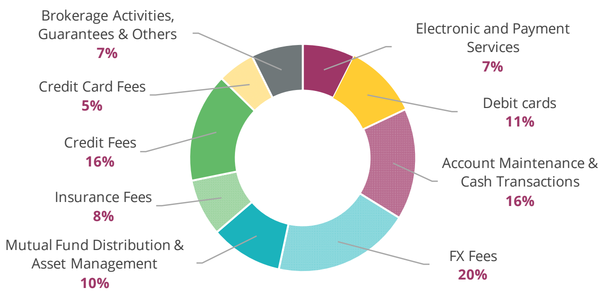
Net Fee and Commission Income (in PLN m)	Q1 2022	Q1 2021	YoY Change
FX fees	182,8	119,8	52,6%
Account maintenance and cash transactions 1)	114,1	96,7	18,0%
Credit fees 2)	79,2	94,9	-16,5%
Debit cards	64,2	64,1	0,2%
Insurance fees	56,8	49,3	15,2%
Asset management and distribution	55,9	63,2	-11,6%
Electronic and payment services 3)	48,8	45,9	6,3%
Brokerage activities	39,6	39,5	0,3%
Credit cards	30,8	32,3	-4,6%
Guarantees and sureties 4)	10,2	11,0	-7,3%
Other 5)	(21,7)	(5,4)	301,9%
Total	**660,7**	**611,3**	**8,1%**

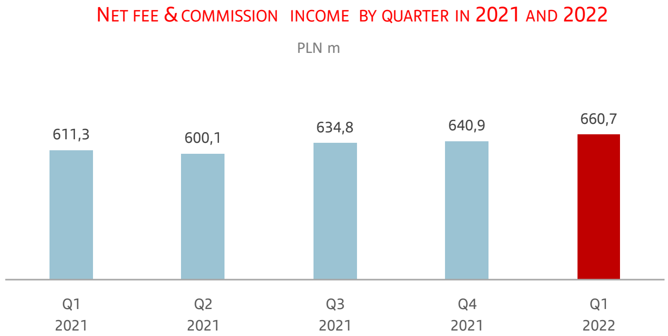
1) *Fee and commission income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Consolidated Financial Statements of Santander Bank Polska Group for the 3-month period ended 31 March 2022 are included in the line item "Other" (PLN 4.0m for Q1 2022 and PLN 1.2m for Q1 2021).*
2) *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 fees.*
3) *Fees for payments (foreign and mass payments, Western Union transfers), trade finance, services for third party institutions as well as other electronic and telecommunications services.*
4) *Fee and commission income from guarantees and sureties has been reduced by the corresponding expenses which in Note 5 to the Consolidated Financial Statements of Santander Bank Polska Group for the 3-month period ended 31 March 2022 are included in the line item "Other" (PLN 16.6m for Q1 2022 and PLN 15.0m for Q1 2021).*
5) *Issue arrangement fees and other fees.*

NET FEE & COMMISSION INCOME STRUCTURE IN Q1 2022



NET FEE & COMMISSION INCOME STRUCTURE IN Q1 2021

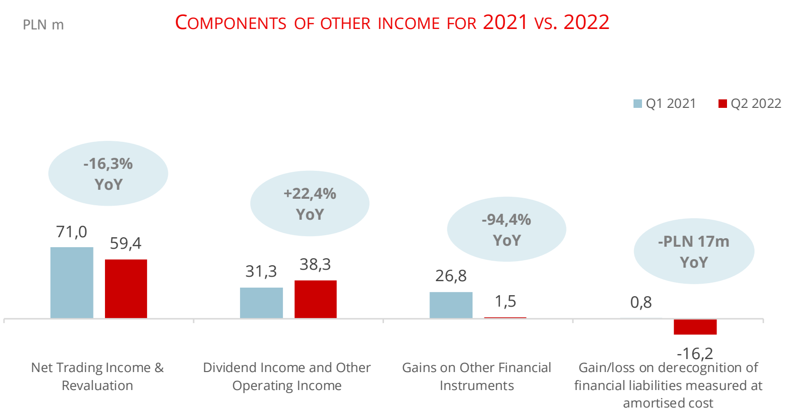




Net fee and commission income for the 3-month period ended 31 March 2022 was PLN 660.7m and increased by 8.1% YoY, driven by the performance of individual business lines of Santander Bank Polska S.A. and its subsidiaries. The key changes were as follows:

- FX fee income grew by 52.6% YoY on account of 55% higher FX turnover and marginally lower average quotations. The growth in the above-mentioned income was driven by transactions in electronic currency exchange platforms, i.e. e-FX (iBiznes24 module) and Kantor Santander (available in Santander online and Santander mobile). The share of traditional channels has been decreasing.
- Net fee and commission income from account maintenance and cash transactions increased by 18.0% YoY due to steady growth in the portfolio of current and personal accounts in PLN (mainly Accounts As I Want It) and flexible management of pricing in line with external and internal developments. Furthermore, a YoY rise in income from cash management fees was reported in the business segment due to high liquidity of some customers (resulting from government support programmes, among other things).
- Higher net fee and commission income from insurance (+15.2% YoY) was generated by insurance linked to banking products, notably mortgage and cash loans, as well as insurance offered by Santander Leasing S.A.
- A rise of 6.3% YoY in net fee and commission income disclosed under the Group's electronic and payment services is attributed to turnover from cross-border payments and trade finance transactions, as well as a more active use of existing electronic channels.
- A decrease of 16.5% YoY in net credit fee and commission income was caused by changes to fees resulting from higher interest rates and an increase in credit agency costs resulting from higher credit sales (notably mortgage sales) generated by agents and network intermediaries of Santander Bank Polska S.A.
- Net fee and commission income from distribution and asset management declined by 11.6% YoY on account of lower income from management fees and success fees earned by funds managed by Santander TFI S.A. Lower income from management fees is attributed to lower average net value of assets following two consecutive quarters of negative net sales and statutory reduction of the maximum management fee to 2% as of 1 January 2022. Developments in the financial markets reflected high macroeconomic and geopolitical uncertainty, putting pressure on the performance of investment funds, notably debt funds.
- Net fee and commission income from issuance and management of a combined portfolio of credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. decreased by 4.6% YoY due to lower fee and commission income generated by the portfolio of the latter bank.
- Net fee and commission income from guarantees and sureties was down 7.3% YoY as a result of higher cost of guarantee services coupled with a broadly stable level of income.

Non-interest and non-fee income



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 83.0m and was down 36.1% YoY on account of changes in the following components:

- Net trading income and revaluation decreased by 16.3% to PLN 59.4m amid the prevailing financial market trends: rising bond yields and IRS spreads and pressure on the zloty. This line item was shaped by the following portfolios and actions:
  - ✓ Total gain of PLN 49.0m on derivatives, interbank FX transactions and FX trading transactions, down 13.4% YoY.
  - ✓ A negative change of PLN 5.1m in the fair value of credit card receivables measured through profit or loss for 3 months of 2022 vs a positive change of PLN 0.3m in their fair value in the comparative period.
  - ✓ Total gain on trading in equity and debt securities measured at fair value through profit or loss of PLN 15.6m, up 9.2% YoY.
- Other operating income, including dividend income, was PLN 38.3m (of which dividends totalled PLN 0.2m) vs PLN 31.3m (PLN 0.9m) in Q1 2021. The resulting increase of 22.4% YoY was driven by higher indemnity payments from insurers and higher income from sale of services recognised in the reporting period.
- Gain on other financial instruments was PLN 1.5m and decreased by 94.4% YoY due to a lower gain on the sale of bonds (-PLN 28.0m YoY) and on hedging and hedged instruments (-PLN 7.5m YoY). It was positively affected by a change in the fair value of shares of Visa Inc. amounting to PLN 2.8m vs a negative change of PLN 7.3m in the comparative period.

Expected credit loss allowances

Impairment allowances for expected credit losses on loans and advances measured at amortised cost (in PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Charge on loans and advances to customers	(67,3)	(42,6)	(77,1)	(21,7)	(63,3)	(349,3)	29,8	12,2	(177,9)	(401,4)
Recoveries of loans previously written off	-	-	-	-	49,0	28,7	-	-	49,0	28,7
Off-balance sheet credit related facilities	6,1	(1,5)	2,5	2,3	1,0	8,8	-	-	9,6	9,6
Total	**(61,2)**	**(44,1)**	**(74,6)**	**(19,4)**	**(13,3)**	**(311,8)**	**29,8**	**12,2**	**(119,3)**	**(363,1)**

In Q1 2022, the charge made by Santander Bank Polska Group to the income statement on account of expected credit loss allowances was PLN 119.3m, down 67.1% YoY. This figure includes net allowances of Santander Consumer Bank Group in the positive amount of PLN 7.8m, an improvement of PLN 62.3m YoY.

The YoY decrease in allowances on loans and advances to the Group's customers (from PLN 401.4m in Q1 2021 to PLN 177.9m in Q1 2022) is a combined effect of the following:

- Stabilisation or a decrease in credit risk in retail, SME and corporate portfolios due to stable or lower level of arrears and non-performing exposures. Particularly good situation in this regard was noted in the corporate loan portfolio, where also several major repayments were posted.
- Change of the accounting policy of Santander Bank Polska Group as of 1 January 2022, as a result of which the impact of legal risk associated with outstanding foreign currency mortgage loans is recognised as adjustment to the gross carrying amount of the portfolio in accordance with IFRS 9 Financial Instruments. As the basis for the calculation of allowances was reduced, Santander Bank Polska S.A. and Santander Consumer Bank S.A. released PLN 34.2m worth of provisions.
- Sale of credit receivables from retail customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 377.4m at a profit before tax of PLN 65.6m (last year, receivables of PLN 474.7m were sold at a profit before tax of PLN 37.0m).
- Management provision of PLN 59.4m for expected credit losses in individual customer segments (post-model adjustment to account for uncertainty about the geopolitical situation (Russian invasion of Ukraine) and possible deterioration of the macroeconomic conditions in Q2 2022.

During the reporting period, the cost of credit of Santander Bank Polska Group was 0.58% vs 1.14% in Q1 2021, with a higher value of the credit portfolio measured at amortised cost (+5.7% YoY including finance lease receivables).

The Group closely monitors its loan portfolio, and promptly responds to changes in risk by adjusting credit ratings and classifying exposures to individual stages (taking into account the risk connected with Covid-19 and the war in Ukraine).

The situation connected with Russia's invasion of Ukraine may lead to deterioration of the macroeconomic scenario. The Bank is going to update the necessary estimates during the half-yearly review of risk parameters used for the calculation of allowances for expected credit losses.

Total costs

Total costs (in PLN m)	Q1 2022	Q1 2021	YoY Change
Staff, general and administrative expenses, of which:	**(1 016,0)**	**(871,9)**	**16,5%**
- Staff expenses	(433,3)	(410,7)	5,5%
- General and administrative expenses	(582,7)	(461,2)	26,3%
Depreciation/amortisation	**(132,5)**	**(147,9)**	**-10,4%**
- Depreciation/amortisation of PP&E and intangible assets	(94,2)	(100,6)	-6,4%
- Depreciation of right-of-use assets	(38,3)	(47,3)	-19,0%
Other operating expenses	**(40,8)**	**(32,7)**	**24,8%**
Total costs	**(1 189,3)**	**(1 052,5)**	**13,0%**

In Q1 2022, total operating expenses of Santander Bank Polska Group were up 13.0% YoY to PLN 1,189.3m on account of an increase in costs of salaries and in selected categories of general and administrative expenses , notably higher fees payable to market regulators as well as cost of marketing and IT usage. On a comparative basis, i.e. excluding the impact of fees payable to the Bank Guarantee Fund, the underlying total operating expenses were up 4.0% YoY.

As total income grew considerably faster than total costs, the Group's cost to income ratio was 39.8% for Q1 2022 vs 49.7% for Q1 2021.

Staff expenses

Staff expenses totalled PLN 433.3m for Q1 2022 and increased by 5.5% YoY. The average employment decreased by 8.0% YoY. The main components of staff expenses, i.e. salaries, bonuses and statutory deductions from salaries went up by 5.3% to PLN 419.9m on account of the last year's salary review in line with market rates and higher bonus pool calculated against the base salary. Cost of training increased by 10.7% YoY to PLN 1.7m. The majority of training initiatives were delivered on a remote basis.

General and administrative expenses

In Q1 2021, general and administrative expenses of Santander Bank Polska S.A. increased by 26.3% YoY to PLN 582.7m. The largest constituent items were fees payable to the Bank Guarantee Fund (BFG), the Polish Financial Supervision Authority (KNF) and the Central Securities Depository of Poland (KDPW), which totalled PLN 287.7m and increased by 49.8% YoY as the BFG increased the contributions in 2022. The charge to the Group's income statement on account of these contributions increased by 52.1% YoY to PLN 277.6m (an annual contribution to the bank resolution fund increased by 43.0% YoY to PLN 222.4m and a quarterly contribution to the bank guarantee fund rose by 104.6% YoY to PLN 55.2m). If the above-mentioned contributions had not changed compared to the previous year, the Group's general and administrative expenses would have increased by 5.7% YoY due to higher cost of IT usage and marketing costs. The cost of IT usage went up by 14.9% YoY in connection with delivery of various IT projects across Santander Group and locally, as well as due to processes related to support and maintenance of the existing infrastructure. The increase in marketing and entertainment (+19.2% YoY) results from the campaign "The Power of Making Life Easier" („Moc ułatwiania życia") and the dispatch of higher volumes of marketing correspondence to customers.

In addition, an increase was noted in consultancy and advisory fees (+14.5% YoY), reflecting a larger scale of consultations with third parties in connection with retail banking digitalisation projects (digital end-to-end solutions) and implementation of regulatory requirements. Following the migration to the new Data Centre, the cost of data transmission increased by 38.7% YoY. Furthermore, an increase was observed in postal fees and telecommunications fees (+22.1% YoY) due to the dispatch of correspondence on interest rate changes, and in costs of third party services (+4.9% YoY) due to the printing of increased volumes of correspondence sent to customers, an increase in back office service rates, and the launch of new external services as part of ongoing projects.

Tax expense

Tax on financial institutions for Q1 2022 totalled PLN 176.8m and was up 15.6% YoY, reflecting an increase in loans and advances to customers.

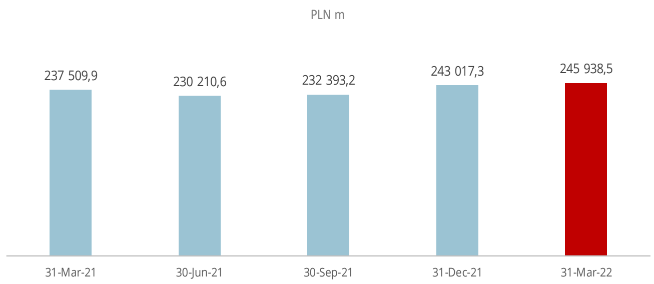
Corporate income tax was PLN 396.8m and effectively lower compared to the previous year (the effective tax rate fell from 46.6% for Q1 2021 to 27.8% for Q1 2022), mainly on account of a strong increase in profit before tax combined with lower provisions for claims related to foreign currency mortgage loans, and higher contributions payable to the Bank Guarantee Fund.

2. Statement of Financial Position

Consolidated assets

As at 31 March 2022, the total assets of Santander Bank Polska Group were PLN 245,938.5m, and increased by 3.5% YoY and 1.2% Ytd on the back of loans and advances to customers, deposits from banks, and financial assets held for trading. The value and structure of the Group's financial position is determined by the parent entity, which held 91.0% of the consolidated total assets vs 89.2% as at the end of December 2021.

TOTAL ASSETS AT THE END OF CONSECUTIVE QUARTERS IN 2021 AND 2022



1) *The total assets for individual quarters of 2021 were restated to reflect the Group's modified accounting policy (as of 1 January 2022) with respect to the recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37).*

Structure of consolidated assets

Assets [1] in PLN m (condensed presentation for analytical purposes)	31.03.2022	Structure 31.03.2022	31.12.2021	Structure 31.12.2021	31.03.2021	Structure 31.03.2021	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers	149 702,3	60,9%	146 391,3	60,2%	142 268,4	59,9%	2,3%	5,2%
Investment financial assets	66 394,9	27,0%	71 866,3	29,6%	68 758,9	28,9%	-7,6%	-3,4%
Cash and operations with Central Banks	7 446,4	3,0%	8 438,3	3,5%	10 914,6	4,6%	-11,8%	-31,8%
Financial assets held for trading and hedging derivatives	6 582,2	2,7%	4 183,3	1,7%	3 128,5	1,3%	57,3%	110,4%
Fixed assets, intangibles, goodwill and right-of-use assets	3 635,9	1,5%	3 654,9	1,5%	3 795,3	1,6%	-0,5%	-4,2%
Loans and advances to banks	5 604,0	2,3%	2 690,3	1,1%	3 570,9	1,5%	108,3%	56,9%
Buy-sell-back transactions and assets pledged as collateral	1 378,8	0,5%	987,8	0,4%	835,3	0,4%	39,6%	65,1%
Other assets [2]	5 194,0	2,1%	4 805,1	2,0%	4 238,0	1,8%	8,1%	22,6%
Total	**245 938,5**	**100,0%**	**243 017,3**	**100,0%**	**237 509,9**	**100,0%**	**1,2%**	**3,5%**

1) *As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The comparative amounts provided in the table have been restated to reflect the changed accounting policy.*

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

In the above condensed statement of financial position as at 31 March 2022, net loans and advances to customers were the key item of the consolidated assets (60.9%). They totalled PLN 149,702.3m and increased by 2.3% Ytd along with a rise in the key portfolios of the Group: loans for business customers and the public sector, lease receivables and mortgage loans.

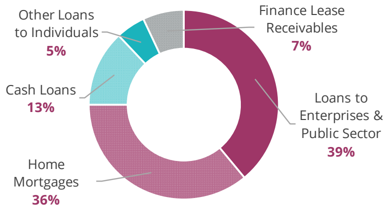
As part of its ongoing liquidity management, the Group increased the volume of loans and advances to banks (+108.3% Ytd) through current and term facilities, as well as the volume of financial assets held for trading and hedging derivatives (+57.3% Ytd) due to transactions in interest rate instruments.

At the same time, the balance of investment securities decreased (-7.6% Ytd) on account of a decline in the portfolio of debt investment securities measured at fair value through other comprehensive income, where since 2020 the Bank has allocated surplus liquidity by purchasing bonds issued or guaranteed by the State Treasury. Compared to the end of the previous year, a decrease was also noted in the balance of funds held in the central bank (-11.8% Ytd).

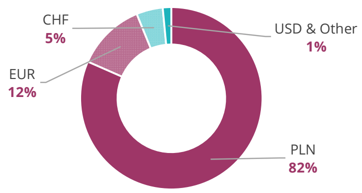
Credit portfolio

	31.03.2022	31.12.2021	31.03.2021	Ytd Change	YoY Change
Gross Loans and Advances to Customers (in PLN m)	1	2	3	1/2	1/3
Loans and advances to individuals	83 461,9	83 039,2	79 949,0	0,5%	4,4%
Loans and advances to enterprises and public sector customers	60 941,1	58 216,2	58 806,6	4,7%	3,6%
Finance lease receivables	11 119,5	10 937,9	9 969,3	1,7%	11,5%
Other	75,2	58,4	48,1	28,8%	56,3%
Total	**155 597,7**	**152 251,7**	**148 773,0**	**2,2%**	**4,6%**

PRODUCT STRUCTURE OF CONSOLIDATED LOANS & ADVANCES TO CUSTOMERS AS AT 31.03.2022



FX STRUCTURE OF CONSOLIDATED LOANS AND ADVANCES TO CUSTOMERS AS AT 31.03.2022

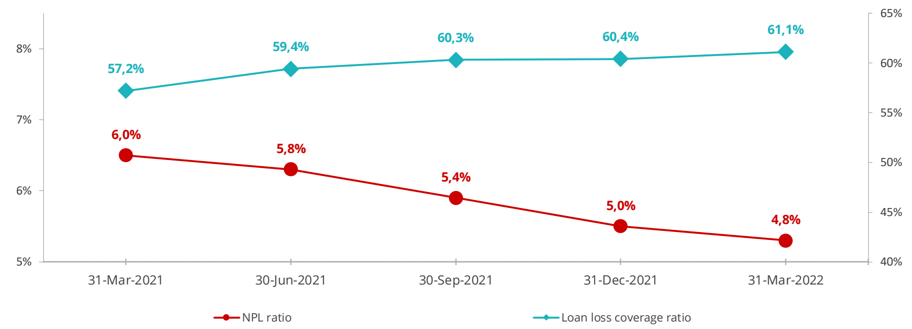


As at 31 March 2022, consolidated gross loans and advances to customers were PLN 155,597.7m and increased by 2.2% vs 31 December 2021. The portfolio includes loans and advances to customers measured at amortised cost totalling PLN 142,235.4m (+2.3% Ytd), loans and advances to customers measured at fair value through other comprehensive income amounting to PLN 1,786.0m (+3.1% Ytd), loans and advances to customers measured at fair value through profit or loss at PLN 456.8m (-17.5% Ytd), and the finance lease receivables in the amount of PLN 11 119.5m discussed in the next section.

The section below presents the Group's credit exposures by key portfolios:

- In Q1 2022, loans and advances to individuals increased by 0.5% to PLN 83,461.9m. The main contributor to this figure were housing loans, totalling PLN 55,525.2m (+1.4% Ytd), whose sales remained high despite a challenging market environment (uncertainties related to Russia's military aggression against Ukraine and the series of increases in the NBP reference rate to curb the rocketing inflation). The second largest constituent item was cash loans, which totalled PLN 20,786.1m and were relatively stable on a year-to-date basis.
- Loans and advances to enterprises and the public sector (including factoring receivables) went up by 4.7% Ytd to PLN 60,941.1m as a result of higher utilisation of overdrafts by customers from all business segments, and the Group's higher exposure on account of term loans in the Business and Corporate Banking segment and the Corporate and Investment Banking segment.
- Finance lease receivables of subsidiaries of Santander Bank Polska S.A. rose by 1.7% YoY to PLN 11,119.5m, supported by sales of machines and equipment and of vehicles.

CREDIT QUALITY RATIOS BY QUARTER IN 2021 AND 2022



The NPL ratio was 4.8% as at 31 March 2022 compared to 5.0% as at 31 December 2021 and 6.0% as at 31 March 2021. The provision coverage ratio for impaired loans was 61.1% compared with 60.4% as at 31 December 2021 and 57.2% as at 31 March 2021.

Structure of consolidated equity and liabilities

Liabilities & Equity [1] in PLN m (condensed presentation for analytical purposes)	31.03.2022	Structure 31.03.2022	31.12.2021	Structure 31.12.2021	31.03.2021	Structure 31.03.2021	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	187 320,2	76,1%	185 373,5	76,3%	179 484,6	75,6%	1,1%	4,4%
Subordinated liabilities and debt securities in issue	13 939,1	5,7%	15 555,9	6,4%	15 012,2	6,3%	-10,4%	-7,1%
Deposits from banks and sell-buy-back transactions	5 167,2	2,1%	4 910,4	2,0%	5 976,4	2,5%	5,2%	-13,5%
Financial liabilities held for trading and hedging derivatives	8 057,8	3,3%	5 640,4	2,3%	4 276,4	1,8%	42,9%	88,4%
Other liabilities [2]	4 447,0	1,8%	4 323,5	1,8%	3 671,9	1,6%	2,9%	21,1%
Total equity	27 007,2	11,0%	27 213,6	11,2%	29 088,4	12,2%	-0,8%	-7,2%
Total	**245 938,5**	**100,0%**	**243 017,3**	**100,0%**	**237 509,9**	**100,0%**	**1,2%**	**3,5%**

1) *The comparative amounts provided in the table have been restated to reflect the change in the accounting policy for legal risk recognition.*

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

As at 31 March 2022, deposits from customers totalled PLN 187,320.2m (+1.1% Ytd) and were the largest constituent item of the Group's total equity and liabilities (76.1%) disclosed in its consolidated statement of financial position, and the main source of funding for the Group's assets.

In addition, an increase was observed in financial liabilities held for trading and hedging derivatives (+42.9% Ytd) and in deposits from banks and liabilities due to repurchase transactions (+5.2% Ytd).

In Q1 2022, subordinated liabilities and liabilities in respect of debt securities in issue decreased by 10.4% Ytd (with liabilities in respect of debt securities in issue falling by 12.8% Ytd to PLN 11,165.7m), as a combined effect of the issue of debt instruments with a total nominal value of PLN 2,325.4m and redemption of PLN 4,100.8m worth of securities on their maturity date. Furthermore, under the EMTN Programme the Bank issued fixed-coupon senior non-preferred notes with a nominal value of EUR 500m, which were taken up in full by Banco Santander S.A. The notes mature on 30 March 2024.

Deposit base

Deposits by entities

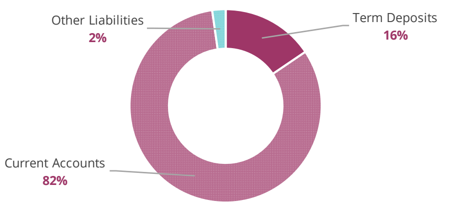
Deposits from Customers in PLN m	31.03.2022	31.12.2021	31.03.2021	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Deposits from individuals	106 739,1	106 267,8	100 453,0	0,4%	6,3%
Deposits from enterprises and public sector customers	80 581,1	79 105,7	79 031,6	1,9%	2,0%
Total	**187 320,2**	**185 373,5**	**179 484,6**	**1,1%**	**4,4%**

As at 31 March 2022, consolidated deposits from customers totalled PLN 187,320.2m and increased by 1.1% Ytd as an effect of high base comprising funds received by customers in 2020 and 2021 from state aid programmes aimed to contain the economic impact of the Covid-19 pandemic.

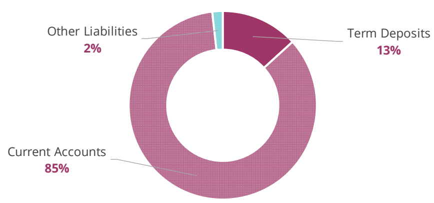
- The retail deposit base reached PLN 106,739.1m and was stable compared to 31 December 2021. However, its structure changed in favour of term deposits, which became more attractive to customers due to changes in the interest rate market. Term deposits increased by 25.7% Ytd to PLN 17,702.6m, mainly due to the transfer of funds from savings accounts (which fell by 11.0% to PLN 28.8bn) and from investment funds, affected by declining bond yields and high uncertainty around the geopolitical and macroeconomic situation. Current account balances, excluding funds in savings accounts, increased by 0.7% to PLN 60.0bn.
- Deposits from enterprises and the public sector rose by 1.9% Ytd to PLN 80,581.1m as a consequence of an increase in term deposit balances to PLN 11,468.3m (+9.1% Ytd), and a relative stabilisation of current account balances at PLN 65,092.6m (-0.6% Ytd).

Deposits by tenors

STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.03.2022



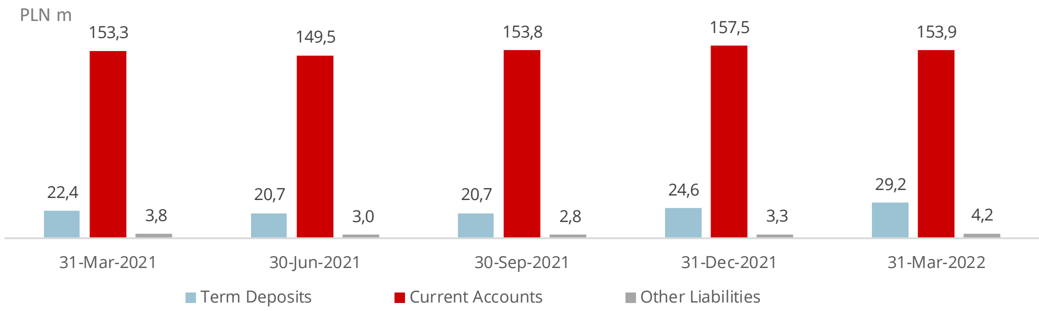
STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.12.2021



In Q1 2022, the Group's total term deposits from customers amounted to PLN 29,170.9m and increased by 18.6%. Current account balances fell by 2.3% Ytd to PLN 153,925.3m, and other liabilities were PLN 4,224.0m, up 27.8% Ytd.

Loans and advances from financial institutions (PLN 2,412.3m vs PLN 1,701.9m as at 31 December 2021) 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/ EIB, the European Bank for Reconstruction and Development/ EBRD and the Council of Europe Development Bank/ CEB) to finance the lending activity of the Bank and its subsidiaries. The quarter-on-quarter increase under this heading results from disbursement of the first tranche of the EUR 75m loan under the agreement between Santander Leasing S.A. and the Council of Europe Development Bank.

TERM DEPOSITS AND CURRENT ACCOUNTS * AT QUARTER-ENDS OF 2021 AND 2022



* *Including savings accounts*

3. Selected Financial Ratios

Selected financial ratios of Santander Bank Polska Group	Q1 2022	Q1 2021
Total costs/Total income	39,8%	49,7%
Net interest income/Total income	75,1%	65,0%
Net interest margin [1)]	4,02%	2,56%
Net commission income/Total income	22,1%	28,9%
Customer net loans/Customer deposits	79,9%	79,3%
NPL ratio [2)]	4,8%	6,0%
NPL coverage ratio [3)]	61,1%	57,2%
Credit risk ratio [4)]	0,58%	1,14%
ROE [5)]	8,6%	4,1%
ROTE [6)]	8,7%	5,0%
ROA [7)]	0,8%	0,4%
Capital ratio [8)]	18,12%	20,89%
Tier I ratio [9)]	16,19%	18,87%
Book value per share (in PLN)	264,29	284,65
Earnings per share (in PLN) [10)]	9,39	1,49

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

2) *Gross loans and advances to customers classified to stage 3 and POCI exposures to the portfolio of gross loans and advances to customers measured at amortised cost at the end of the reporting period.*

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

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

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

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

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

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

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

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

Capital ratios

The table below presents calculation of the total capital ratio and Tier 1 ratio of Santander Bank Polska Group as at 31 March 2022, 31 December 2021 and 31 March 2021.

	Capital Ratios of Santander Bank Polska Group	31.03.2022	31.03.2021 1)	31.03.2021
I	Total capital requirement	10 790,7	10 827,5	10 775,4
II	Own funds after reductions	24 438,2	25 778,9	28 143,3
	Total Capital Ratio [II/(I*12.5)]	**18,12%**	**19,05%**	**20,89%**
	Tier I Ratio	**16,19%**	**17,10%**	**18,87%**

1) *Including profits allocated to own funds pursuant to the KNF's*

The table below presents the total capital ratio and Tier 1 ratio of Santander Bank Polska S.A. and Santander Consumer Bank S.A. as at 31 March 2022, 31 December 2021 and 31 March 2021.

Santander Bank Polska Capital Ratios	31.03.2022	31.03.2021 1)	31.03.2021
Total Capital Ratio	20,22%	21,56%	24,22%
Tier I Ratio	17,92%	19,23%	21,82%

1) *Including profits allocated to own funds pursuant to the KNF's decision*

Santander Consumer Bank Capital Ratios	31.03.2022	31.12.2021 1)	31.03.2021
Total Capital Ratio	27,06%	26,20%	28,66%
Tier I Ratio	25,49%	24,70%	27,07%

1) *Including profits allocated to own funds pursuant to the KNF's decision*

4. Factors Which May Affect the Financial Results in the Next Quarter

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

- War between Russia and Ukraine, impact of sanctions and disruption in international trade. Migration flows.
- Pandemic. All major epidemic restrictions lifted in April.
- Potential further changes in the monetary policy of the ECB, the Federal Reserve and other main central banks aimed at fighting rising inflation.
- Elevated inflation.
- Further increase in NBP rates.
- FX loans: decisions on settlements with customers and outcome of court proceedings.
- Fluctuation in credit risk pricing on the financial markets, also due to changes in geopolitical risk.
- Changes in bond yields which are a function of monetary and fiscal policy expectations as well as of the liquidity of the banking sector.
- Changes in the demand for loans in the context of fluctuations in liquidity, rising rates and impact of the war.
- Changes in households' financial situation under the influence of labour market trends.
- Changes to customers' savings allocation decisions, impacted by expected yields from different asset classes as well as changes to the approach to saving and spending.
- Evolution of the global equity markets and its impact on the demand for investment funds and equities.

VI. Other Information

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

As at the release dates of the financial reports for the periods ended 31 March 2022 and 31 December 2021, no member of the Supervisory Board held any shares of Santander Bank Polska S.A.

The table below shows shares of Santander Bank Polska S.A. held by Management Board members as at the release dates of the above-mentioned reports.

	26.04.2022	23.02.2022	28.04.2021
Management Board Members as at 31.03.2022	**Number of Santander Bank Polska shares**		
Michał Gajewski	4 795	4 795	4 795
Andrzej Burliga [1)]	1 884	1 884	3 884
Lech Gałkowski [2)]	951	951	n/a
Patryk Nowakowski [1)]	-	-	1 055
Carlos Polaino Izquierdo [1)]	-	3 126	3 126
Juan de Porras Aguirre	3 379	3 379	3 379
Arkadiusz Przybył	2 999	2 999	2 999
Maciej Reluga	2 301	2 301	2 301
Dorota Strojkowska	2 732	2 732	2 732
Total	**19 041**	**22 167**	**24 271**

1) *Patryk Nowakowski and Carlos Polaino Izquierdo sold their shares in Santander Bank Polska S.A. on 24 November 2021 and 10 March 2022, respectively. On 13 January 2021, Andrzej Burliga sold 2,000 shares.*

2) *Lech Gałkowski took up his role as a Management Board member on 26 May 2021.*

Cooperation with international institutions

On 31 March 2022, Santander Bank Polska S.A. entered into a synthetic securitisation transaction with International Finance Corporation (IFC), under which PLN 2.4bn worth of cash loans portfolio was secured with a guarantee. The secured amount can be increased in the future up to PLN 2.9bn. It is the first transaction made by the Bank and the Group companies with that investor. The previous synthetic securitisation transactions were made in cooperation with the European Investment Fund (EIF). The transaction made by the Bank is a synthetic securitisation which does not involve financing and covers the selected portfolio of cash loans that remain on the Bank's balance sheet. It is a significant risk transfer (SRT) transaction, yet not a simple, transparent and standardised (STS) transaction as defined in CRR. The Bank will allocate the equity released thanks to the IFC guarantee to finance climate-related projects with the total minimum value of USD 600m.

Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 3-month period ended 31 March 2022

In thousand PLN

I. Condensed consolidated income statement

for the period:		1.01.2022-31.03.2022	1.01.2021-31.03.2021* restated
Interest income and similar to interest		**2 454 816**	**1 482 078**
Interest income on financial assets measured at amortised cost		1 931 077	1 189 161
Interest income on financial assets measured at fair value through other comprehensive income		394 691	213 302
Income similar to interest on financial assets measured at fair value through profit or loss		15 350	3 394
Income similar to interest on finance lease		113 698	76 221
Interest expense		**(210 867)**	**(105 914)**
Net interest income	Note 4	**2 243 949**	**1 376 164**
Fee and commission income		794 243	717 493
Fee and commission expense		(133 516)	(106 219)
Net fee and commission income	Note 5	**660 727**	**611 274**
Dividend income		235	852
Net trading income and revaluation	Note 6	59 384	71 031
Gains (losses) from other financial securities	Note 7	1 475	26 791
Gains (losses) on derecognition of financial instruments measured at amortised cost		(16 175)	794
Other operating income	Note 8	38 058	30 399
Impairment allowances for expected credit losses	Note 9	(119 281)	(363 079)
Cost of legal risk associated with foreign currency mortgage loans	Note 29	(96 461)	(206 691)
Operating expenses incl.:		(1 189 295)	(1 052 500)
-Staff, operating expenses and management costs	Note 10,11	(1 015 985)	(871 867)
-Amortisation of property, plant and equipment and Intangible assets		(94 256)	(100 660)
-Amortisation of right of use asset		(38 300)	(47 267)
-Other operating expenses	Note 12	(40 754)	(32 706)
Share in net profits (loss) of entities accounted for by the equity method		20 288	19 451
Tax on financial institutions		(176 840)	(152 960)
Profit before tax		**1 426 064**	**361 526**
Corporate income tax	Note 13	(396 798)	(168 668)
Consolidated profit for the period		**1 029 266**	**192 858**
of which:			
-attributable to owners of the parent entity		959 532	151 753
-attributable to non-controlling interests		69 734	41 105
Net earnings per share			
Basic earnings per share (PLN/share)		9,39	1,49
Diluted earnings per share (PLN/share)		9,39	1,49

*Details in note 2.5.

In thousand PLN

II. Condensed consolidated statement of comprehensive income

for the period:	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Consolidated profit for the period	**1 029 266**	**192 858**
Items that will be reclassified subsequently to profit or loss:	**(1 242 413)**	**(148 515)**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross*	(1 404 733)	(188 077)
Deferred tax	266 899	35 735
Revaluation of cash flow hedging instruments gross	(129 110)	4 725
Deferred tax	24 531	(898)
Items that will not be reclassified subsequently to profit or loss:	**8 918**	**387 960**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	11 010	478 963
Deferred and current tax	(2 092)	(91 003)
Total other comprehensive income, net	**(1 233 495)**	**239 445**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(204 229)**	**432 303**
Total comprehensive income attributable to:		
- owners of the parent entity	(252 850)	391 535
- non-controlling interests	48 621	40 768

* details are described in Note 35

In thousand PLN

III. Condensed consolidated statement of financial position

as at:		31.03.2022	31.12.2021* restated	01.01.2021* restated
ASSETS				
Cash and balances with central banks	Note 14	7 446 378	8 438 275	5 489 303
Loans and advances to banks	Note 15	5 603 977	2 690 252	2 926 522
Financial assets held for trading	Note 16	6 264 067	4 020 117	3 182 769
Hedging derivatives		318 123	163 177	7 654
Loans and advances to customers incl.:	Note 17	149 702 254	146 391 345	141 436 291
- measured at amortised cost		136 557 896	133 378 724	129 357 246
- measured at fair value through other comprehensive income		1 782 741	1 729 848	1 556 791
- measured at fair value through profit and loss		456 836	553 830	892 226
- from finance leases		10 904 781	10 728 943	9 630 028
Buy-sell-back transactions		754 142	453 372	293 583
Investment securities incl.:	Note 18	66 394 854	71 866 260	66 783 434
- debt securities measured at fair value through other comprehensive income		63 541 779	70 064 796	65 700 052
- debt securities measured at fair value through profit and loss		123 248	116 977	110 155
- debt investment securities measured at amortised cost		2 455 419	1 421 272	-
- equity securities measured at fair value through other comprehensive income		270 798	259 788	857 331
- equity securities measured at fair value through profit and loss		3 610	3 427	115 896
Assets pledged as collateral		624 650	534 437	657 664
Investments in associates	Note 19	950 441	932 740	998 397
Intangible assets		666 472	692 802	708 356
Goodwill		1 712 056	1 712 056	1 712 056
Property, plant and equipment		697 501	732 909	803 429
Right of use assets		559 918	517 102	710 657
Current income tax assets		221 469	216 884	-
Net deferred tax assets		2 373 513	2 383 710	1 996 552
Assets classified as held for sale		4 879	4 817	11 901
Other assets		1 643 818	1 267 009	1 030 287
Total assets		**245 938 512**	**243 017 264**	**228 748 855**

* details are described in Note 2.5

In thousand PLN

as at:		31.03.2022	31.12.2021* restated	01.01.2021* restated
LIABILITIES AND EQUITY				
Deposits from banks	Note 20	4 543 539	4 400 138	5 373 312
Hedging derivatives		1 756 888	1 762 334	1 775 098
Financial liabilities held for trading	Note 16	6 300 895	3 878 081	3 030 340
Deposits from customers	Note 21	187 320 166	185 373 443	171 522 255
Sell-buy-back transactions		623 626	510 277	653 687
Subordinated liabilities	Note 22	2 773 445	2 750 440	2 754 605
Debt securities in issue	Note 23	11 165 695	12 805 462	11 241 312
Lease liabilities		500 320	452 499	624 690
Current income tax liabilities		-	-	79 049
Deffered tax liability		11 249	-	-
Provisions for off balance sheet credit facilities	Note 24	51 382	60 811	64 541
Other provisions	Note 25	500 862	499 913	389 661
Other liabilities	Note 26	3 383 192	3 310 290	2 582 315
Total liabilities		218 931 259	215 803 688	200 090 865
Equity				
Equity attributable to owners of the parent entity		25 276 736	25 531 680	26 994 750
Share capital		1 021 893	1 021 893	1 021 893
Other reserve capital		22 250 952	22 178 344	21 296 994
Revaluation reserve		(2 569 191)	(1 354 715)	1 839 292
Retained earnings		3 613 550	2 574 474	1 799 404
Profit for the period		959 532	1 111 684	1 037 167
Non-controlling interests in equity		1 730 517	1 681 896	1 663 240
Total equity		27 007 253	27 213 576	28 657 990
Total liabilities and equity		**245 938 512**	**243 017 264**	**228 748 855**

* details are described in Note 2.5

In thousand PLN

IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2022 - 31.03.2022	Equity attributable to owners of parent entity: Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
As at the beginning of the period	**1 021 893**	**22 178 344**	**(1 354 715)**	**3 686 158**	**25 531 680**	**1 681 896**	**27 213 576**
Total comprehensive income	-	-	(1 212 382)	959 532	(252 850)	48 621	(204 229)
Consolidated profit for the period	*-*	*-*	*-*	*959 532*	*959 532*	*69 734*	*1 029 266*
Other comprehensive income	*-*	*-*	*(1 212 382)*	*-*	*(1 212 382)*	*(21 113)*	*(1 233 495)*
Profit allocation to other reserve capital	-	*72 608*	-	(72 608)	-	-	-
Other changes	-	-	(2 094)	-	(2 094)	-	(2 094)
As at the end of the period	**1 021 893**	**22 250 952**	**(2 569 191)**	**4 573 082**	**25 276 736**	**1 730 517**	**27 007 253**

As at the end of the period revaluation reserve in the amount of PLN (2,569,191) k comprises: valuation of debt securities in the amount of PLN (2,620,508) k, valuation of equity securities in the amount of PLN 172,976 k, valuation of cash flow hedge activities in the amount of PLN (134,941) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,282 k.

Consolidated statement of changes in equity 1.01.2021 - 31.03.2021	Equity attributable to owners of parent entity: Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
As at the beginning of the period	**1 021 893**	**21 296 994**	**1 839 292**	**2 836 571**	**26 994 750**	**1 663 240**	**28 657 990**
Total comprehensive income	-	-	239 782	151 753	391 535	40 768	432 303
Consolidated profit for the period	*-*	*-*	*-*	*151 753*	*151 753*	*41 105*	*192 858*
Other comprehensive income	*-*	*-*	*239 782*	*-*	*239 782*	*(337)*	*239 445*
Profit allocation to other reserve capital	-	1 055 389	-	(1 055 389)	-	-	-
Other changes	-	-	(1 904)	-	(1 904)	-	(1 904)
As at the end of the period	**1 021 893**	**22 352 383**	**2 077 170**	**1 932 935**	**27 384 381**	**1 704 008**	**29 088 389**

As at the end of the period revaluation reserve in the amount of PLN 2,077,170 k comprises: valuation of debt securities in the amount of PLN 1,101,877 k, valuation of equity securities in the amount of PLN 971,599 k, valuation of cash flow hedge activities in the amount of PLN (4,154) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,848 k.

In thousand PLN

V. Condensed consolidated statement of cash flows

for the period:	1.01.2022-31.03.2022	1.01.2021-31.03.2021* restated
Cash flows from operating activities		
Profit before tax	**1 426 064**	**361 526**
Adjustments for:		
Share in net profits of entities accounted for by the equity method	(20 288)	(19 451)
Depreciation/amortisation	132 556	147 927
Profit from investing activities	2 640	(25 537)
Interest accrued excluded from operating activities	(289 505)	(135 834)
Dividends	(219)	(847)
Impairment losses (reversal)	2 470	8 783
Changes in:		
Provisions	(8 480)	(8 904)
Financial assets / liabilities held for trading	162 788	(287 217)
Assets pledged as collateral	(90 213)	14 106
Hedging derivatives	(168 030)	(153 682)
Loans and advances to banks	(177 785)	569
Loans and advances to customers	(5 203 817)	(2 112 972)
Deposits from banks	683 304	(584 455)
Deposits from customers	1 904 350	8 543 820
Buy-sell/ Sell-buy-back transactions	70 127	(111 529)
Other assets and liabilities	(411 570)	(248 125)
Interest received on operating activities	1 957 716	1 286 909
Interest paid on operating activities	(165 492)	(43 596)
Paid income tax	(90 108)	(203 757)
Net cash flows from operating activities	**(283 492)**	**6 427 734**
Cash flows from investing activities		
Inflows	**3 260 078**	**2 979 012**
Sale/maturity of investment securities	3 087 814	2 818 627
Sale of intangible assets and property, plant and equipment	8 702	19 265
Dividends received	219	847
Interest received	163 343	140 273
Outflows	**(1 745 323)**	**(7 882 486)**
Purchase of investment securities	(1 698 415)	(7 844 267)
Purchase of intangible assets and property, plant and equipment	(46 908)	(38 219)
Net cash flows from investing activities	**1 514 755**	**(4 903 474)**
Cash flows from financing activities		
Inflows	**4 198 816**	**3 289 796**
Debt securities in issue	2 325 350	1 755 000
Drawing of loans	1 873 466	1 534 796
Outflows	**(6 388 847)**	**(2 391 991)**
Debt securities buy out	(4 062 885)	(803 455)
Repayment of loans and advances	(2 211 387)	(1 502 430)
Repayment of lease liabilities	(40 772)	(44 560)
Interest paid	(73 803)	(41 546)
Net cash flows from financing activities	**(2 190 031)**	**897 805**
Total net cash flows	**(958 768)**	**2 422 065**
Cash and cash equivalents at the beginning of the accounting period	**18 346 368**	**13 632 245**
Cash and cash equivalents at the end of the accounting period	**17 387 600**	**16 054 310**

* details are described in Note 2.5

In thousand PLN

VI. Condensed income statement

for the period	1.01.2021-31.03.2021	1.01.2021-31.03.2021* restated
Interest income and similar to income	**1 970 497**	**1 093 682**
Interest income on financial assets measured at amortised cost	1 580 808	879 910
Interest income on financial assets measured at fair value through other comprehensive income	377 926	210 402
Income similar to interest on financial assets measured at fair value through profit or loss	11 763	2 576
Interest expense	**(128 706)**	**(63 628)**
Net interest income	**1 841 791**	**1 030 054**
Fee and commission income	673 185	588 038
Fee and commission expense	(88 273)	(67 075)
Net fee and commission income	**584 912**	**520 963**
Dividend income	229	349
Net trading income and revaluation	55 660	67 954
Gains (losses) from other financial securities	1 144	21 692
Gains (losses) on derecognition of financial instruments measured at amortised cost	(16 173)	(794)
Other operating income	13 907	11 238
Impairment losses on loans and advances	(125 652)	(304 587)
Cost of legal risk associated with foreign currency mortgage loans	(77 675)	(165 365)
Operating expenses incl.:	(983 792)	(868 047)
-Staff, operating expenses and management costs	(855 530)	(715 780)
-Amortisation of property, plant and equipment and Intangible assets	(82 558)	(91 383)
-Amortisation of right of use asset	(31 572)	(38 188)
-Other operating expenses	(14 132)	(22 696)
Tax on financial institutions	(169 251)	(144 718)
Profit before tax	**1 125 100**	**169 533**
Corporate income tax	(326 887)	(122 522)
Profit for the period	**798 214**	**47 011**
Net earnings per share		
Basic earnings per share (PLN/share)	7,81	0,46
Diluted earnings per share (PLN/share)	7,81	0,46

*Details in note 2.5.

In thousand PLN

VII. Condensed statement of comprehensive income

for the period:	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Profit for the period	**798 214**	**47 011**
Items that will be reclassified subsequently to profit or loss:	**(1 189 632)**	**(147 673)**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross*	(1 342 261)	(188 857)
Deferred tax	255 030	35 883
Revaluation of cash flow hedging instruments gross	(126 421)	6 545
Deferred tax	24 020	(1 244)
Items that will not be reclassified subsequently to profit or loss:	**10**	**377 918**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	12	466 565
Deferred and current tax	(2)	(88 647)
Total other comprehensive income, net	**(1 189 622)**	**230 245**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(391 408)**	**277 256**

* details are described in Note 35

In thousand PLN

VIII. Condensed statement of financial position

as at:	31.03.2022	31.12.2021* restated	01.01.2021* restated
ASSETS			
Cash and balances with central banks	7 433 268	8 167 900	5 369 638
Loans and advances to banks	5 626 095	2 743 994	2 918 962
Financial assets held for trading	6 264 225	4 020 966	3 218 460
Hedging derivatives	318 048	163 043	6 901
Loans and advances to customers incl.:	131 159 666	123 979 402	118 660 194
- measured at amortised cost	129 016 511	121 798 998	116 368 885
- measured at fair value through other comprehensive income	1 782 741	1 729 848	1 556 791
- measured at fair value through profit and loss	360 414	450 556	734 518
Buy-sell-back transactions	754 142	453 372	293 583
Investment securities incl.:	63 444 252	68 865 411	64 355 667
- debt securities measured at fair value through other comprehensive income	60 676 999	67 138 415	63 312 701
- debt securities measured at fair value through profit and loss	119 831	113 733	106 639
- debt investment securities measured at amortised cost	2 455 419	1 421 272	-
- equity securities measured at fair value through other comprehensive income	192 003	191 991	823 633
- equity securities measured at fair value through profit and loss	-	-	112 694
Assets pledged as collateral	195 501	21 462	14 392
Investments in subsidiaries and associates	2 377 407	2 377 407	2 377 407
Intangible assets	562 917	590 959	628 643
Goodwill	1 688 516	1 688 516	1 688 516
Property, plant and equipment	513 915	545 431	576 975
Right of use asset	500 626	460 682	642 396
Current income tax assets	223 669	212 204	-
Net deferred tax assets	1 574 468	1 568 080	1 199 689
Assets classified as held for sale	4 308	4 308	4 308
Other assets	1 206 419	852 009	767 587
Total assets	**223 847 442**	**216 715 146**	**202 723 318**

* details are described in Note 2.5

In thousand PLN

as at:	31.03.2022	31.12.2021* restated	01.01.2021* restated
LIABILITIES AND EQUITY			
Deposits from banks	1 689 024	1 337 573	2 993 349
Hedging derivatives	1 620 582	1 641 824	1 686 042
Financial liabilities held for trading	6 307 235	3 880 926	3 053 416
Deposits from customers	177 428 657	175 354 581	161 133 491
Sell-buy-back transactions	194 815	21 448	14 387
Subordinated liabilities	2 672 077	2 649 991	2 654 394
Debt securities in issue	7 040 536	4 660 882	2 772 351
Lease liabilities	599 637	556 169	712 304
Current income tax liabilities	-	-	138 782
Provisions for off balance sheet credit facilities	63 519	73 130	74 436
Other provisions	335 791	339 907	253 493
Other liabilities	2 459 625	2 371 363	1 814 029
Total liabilities	200 411 498	192 887 794	177 300 474
Equity			
Share capital	1 021 893	1 021 893	1 021 893
Other reserve capital	20 790 808	20 790 808	20 273 125
Revaluation reserve	(2 500 669)	(1 311 047)	1 819 661
Retained earnings	3 325 698	2 409 820	1 569 753
Profit for the period	798 214	915 878	738 412
Total equity	23 435 944	23 827 352	25 422 844
Total liabilities and equity	**223 847 442**	**216 715 146**	**202 723 318**

* details are described in Note 2.5

In thousand PLN

IX. Condensed statement of changes in equity

Statement of changes in equity 1.01.2022 - 31.03.2022	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	**1 021 893**	**20 790 808**	**(1 311 047)**	**3 325 698**	**23 827 352**
Total comprehensive income	-	-	(1 189 622)	798 214	(391 408)
Profit for the period	-	-	-	*798 214*	*798 214*
Other comprehensive income	-	-	*(1 189 622)*	-	*(1 189 622)*
As at the end of the period	**1 021 893**	**20 790 808**	**(2 500 669)**	**4 123 912**	**23 435 944**

As at the end of the period revaluation reserve in the amount of PLN (2,500,669) k comprises: valuation of debt securities in the amount of PLN (2,523,607) k, valuation of equity securities in the amount of PLN 134,896 k, valuation of cash flow hedge activities in the amount of PLN (124,096) k and accumulated actuarial gains - provision for retirement allowances of PLN 12,138 k.

Statement of changes in equity 1.01.2021 - 31.03.2021	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	**1 021 893**	**20 273 125**	**1 819 661**	**2 308 165**	**25 422 844**
Total comprehensive income	-	-	230 245	47 011	277 256
Profit for the period	-	-	-	*47 011*	*47 011*
Other comprehensive income	-	-	*230 245*	-	*230 245*
Profit allocation to other reserve capital	-	738 412	-	(738 412)	-
As at the end of the period	**1 021 893**	**21 011 537**	**2 049 906**	**1 616 764**	**25 700 100**

As at the end of the period revaluation reserve in the amount of PLN 2,049,906 k comprises: valuation of debt securities in the amount of PLN 1,087,968 k, valuation of equity securities in the amount of PLN 960,092 k, valuation of cash flow hedge activities in the amount of PLN (5,548) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,394 k.

In thousand PLN

X. Condensed statement of cash flows

for the period	1.01.2022-31.03.2022	1.01.2021-31.03.2021* restated
Cash flows from operating activities		
Profit before tax	**1 125 101**	**169 533**
Adjustments for:		
Depreciation/amortisation	114 130	129 571
Profit from investing activities	3 213	(23 401)
Interest accrued excluded from operating activities	(349 046)	(151 041)
Dividends	(213)	(344)
Impairment losses (reversal)	2 470	8 783
Changes in:		
Provisions	(13 727)	12 162
Financial assets / liabilities held for trading	166 974	(282 492)
Assets pledged as collateral	(174 039)	14 392
Hedging derivatives	(178 299)	(134 292)
Loans and advances to banks	(178 076)	312
Loans and advances to customers	(8 623 287)	(610 828)
Deposits from banks	357 294	(530 389)
Deposits from customers	2 176 151	9 042 084
Buy-sell/ Sell-buy-back transactions	138 184	(61 068)
Other assets and liabilities	(322 625)	(162 591)
Interest received on operating activities	1 507 133	894 691
Interests paid on operating activities	(125 247)	(34 515)
Paid income tax	(65 692)	(184 370)
Net cash flows from operating activities	**(4 439 601)**	**8 096 197**
Cash flows from investing activities		
Inflows	**2 448 824**	**2 340 360**
Sale/maturity of investment securities	2 316 840	2 196 872
Sale of intangible assets and property, plant and equipment	4 644	5 915
Dividends received	213	344
Interest received	127 127	137 229
Outflows	**(1 012 481)**	**(7 358 904)**
Purchase of investment securities	(981 975)	(7 339 268)
Purchase of intangible assets and property, plant and equipment	(30 506)	(19 636)
Net cash flows from investing activities	**1 436 343**	**(5 018 544)**
Cash flows from financing activities		
Inflows	**2 325 350**	**-**
Debt securities in issue	2 325 350	-
Outflows	**(56 134)**	**(515 881)**
Repayment of loans and advances	-	(455 074)
Repayment of lease liabilities	(37 521)	(39 932)
Interest paid	(18 613)	(20 875)
Net cash flows from financing activities	**2 269 216**	**(515 881)**
Total net cash flows	**(734 042)**	**2 561 772**
Cash and cash equivalents at the beginning of the accounting period	**18 029 977**	**13 411 198**
Cash and cash equivalents at the end of the accounting period	**17 295 935**	**15 972 970**

* details are described in Note 2.5

XI. Additional notes to condensed interim consolidated financial statements

1. General information about issuer

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

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 3-month period ended 31 March 2022 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.

In thousand PLN

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

	Subsidiaries	Registered office	[%] of votes on AGM at 31.03.2022	[%] of votes on AGM at 31.03.2021
1.	Santander Finanse sp. z o.o.	Poznań	100%	100%
2.	Santander Factoring sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3.	Santander Leasing S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4.	Santander Leasing Poland Securitization 01	Dublin	subsidiary of Santander Leasing S.A.	subsidiary of Santander Leasing S.A.
5.	Santander Inwestycje sp. z o.o.	Warszawa	100%	100%
6.	Santander F24 S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
7.	Santander Towarzystwo Funduszy Inwestycyjnych S.A. 1)	Poznań	50%	50%
8.	Santander Consumer Bank S.A.	Wrocław	60%	60%
9.	Santander Consumer Finanse sp. z o.o.2)	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
10.	PSA Finance Polska sp. z o.o. 3)	Warszawa	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.
11.	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.
12.	Santander Consumer Multirent sp. z o.o.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
13.	SCM POLAND AUTO 2019-1 DAC 4)	Dublin	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
14.	Santander Consumer Financial Solutions Sp. z o.o. 5)	Wrocław	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
15.	S.C. Poland Consumer 15-1 sp.z o.o. 6)	Warszawa	-	subsidiary of Santander Consumer Bank S.A.
16.	S.C. Poland Consumer 16-1 sp.z o.o. 6)	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

1. As at 31.03.2022, 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 through it, Banco Santander implements its policy in Poland. Consequently, the company is treated as a subsidiary.

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

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

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

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

6. SC Poland Consumer 15-1 sp. z o.o. and SC Poland Consumer 16-1 sp. z o.o. were set up for the purpose of securitisation of a part of the loan portfolio; their shareholder is a Polish legal entity who has no ties with the Group; the companies are controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7. Due to completion of the securitisation transaction in 2020, SC Poland Consumer 15-1 Sp. z o.o., a company set up to execute that transaction, was not controlled by the Group as at 31 December 2020. On 18 June 2021, a resolution was adopted at SC Poland Consumer 15-1 Sp. z o.o. to wind up the company and start the liquidation process.

In thousand PLN

Associates:

	Associates	Registered office	[%] of votes on AGM at 31.03.2022	[%] of votes on AGM at 31.03.2021
1.	POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2.	Santander - Aviva Towarzystwo Ubezpieczeń S.A.	Warszawa	49%	49%
3.	Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Warszawa	49%	49%

2. Basis of preparation of condensed interim consolidated financial statements

2.1. Statement of compliance

These condensed interim consolidated financial statements of Santander Bank Polska S.A. Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, 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 2021, item 217) 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.

The accounting principles were applied uniformly by individual units of the Santander Bank Polska S.A. Group. Santander Bank Polska S.A. Group applied the same accounting principles as in the preparation of the consolidated financial statements for the year ended as at 31 December 2021, except for the income tax charge, which was calculated in accordance with the principles set out in IAS34.30c and changes in the accounting policy regarding legal risk for the portfolio of mortgage loans denominated / indexed to foreign currencies described in point 2.5.

2.2. Basis of preparation of financial statements

Presented consolidated condensed interim financial statement, prepared in accordance with IAS 34 " Interim financial reporting" does not contain information and disclosures required in annual financial statement and should be read together with consolidated financial statements as at 31 December 2021.

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

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

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

These condensed interim consolidated financial statements of Santander Bank Polska S.A. Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. Santander Bank Polska S.A. Group prepared consolidated financial statements in accordance with following valuation rules:

In thousand PLN

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 financial assets	Fair value through other comprehensive income – an option
Equity financial assets	Fair value through profit or loss
Debt securities measured at fair value through profit or loss	Fair value through profit or loss
Non-current assets	The purchase price or production cost reduced by total depreciation charges and total impairment losses
Non-current assets held for sale and groups of non-current assets designated as held for sale	Are recognised at the lower of their carrying amount and their fair value less costs of disposal.

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

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

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

In thousand PLN

2.4 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2022

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Annual improvements to IFRS standards 2018-2020	As a result of annual improvements project, amendments to four IFRSs were introduced (IFRS1, IFRS9, IFRS16, IAS 41). Amendments to IFRS 9 clarify which fees an entity applies when "10% test" is performed for derecognition of financial asset. For IFRS 16 an illustrative example for lease incentives treatments was changed, not to cause confusion.	1 January 2022	The amendment does not have a significant impact on consolidated financial statements.
Amendments to IAS 37 Provisions	The changes concern the clarification of the scope of costs that should be taken into account in assessing whether the contract is a onerous contract.	1 January 2022	The amendment does not have a significant impact on consolidated financial statements.
Amendments to IAS 16 Property, Plant and Equipment	The changes indicate, i.a, that revenues from the sale of goods produced in the course of bringing an asset to the desired location and condition, cannot be deducted from the costs associated with this asset. Instead, such revenues should be recognized in the profit and loss account along with the costs of manufacturing these products.	1 January 2022	The amendment does not have a significant impact on consolidated financial statements.
Amendments to IFRS 3 Business combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	1 January 2022	The amendment does not have a significant impact on consolidated financial statements.

2.5 Comparability of previous periods

Legal risk related to the mortgage loans portfolio denominated and indexed in foreign currencies.

Due to the revolving legal situation related to mortgage loans portfolio denominated and indexed to foreign currencies, and inability to recover all contractual cash flows risk materialisation, the Group changed accounting policy for their recognition, as of 1 January 2022.

Prior to the amendment, the legal risk of this portfolio was recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. From 1 January 2022, the Group decided to apply IFRS 9 Financial Instruments.

The Group decided to reduce, from 1 January 2022, the gross carrying amount of mortgage loans denominated and indexed in foreign currencies in accordance with IFRS 9 (IFRS 9 paragraph B5.4.6) and in the absence of exposure or insufficient gross exposure, create provision according to IAS 37.

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

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

The change caused the approach adjustment in the Group's financial statements to the market practice observed in this respect.

The presented changes in the comparative data are reflected in all notes to these consolidated financial statements to which they refer.

The change in accounting policy did not affect the amount of the Group's equity in comparative periods.

Change in the presentation of selected items of the income statement and the statement of financial position

To present the financial position and financial performance of the Group in the most transparent way, as well as to provide the highest informative value for the readers of the Group's financial statements, the Group decided to present the following items separately:

(a) "Income similar to interest on finance leases" in the consolidated income statement and "Loans and advances from finance leases" in the consolidated statement of financial position;

(b) "Gain/loss on derecognition of financial instruments measured at amortised cost" in the consolidated income statement

In thousand PLN

Consolidated income statement

	for the period: 1.01.2021-31.03.2021			
	before	adjustment (1)	adjustment (2)	after
Interest income and similar to interest	**1 482 872**	**-**	**(794)**	**1 482 078**
Interest income on financial assets measured at amortised cost	1 266 176	-	(77 015)	1 189 161
Interest income on financial assets measured at fair value through other comprehensive income	213 302	-	-	213 302
Income similar to interest on financial assets measured at fair value through profit or loss	3 394	-	-	3 394
Income similar to interest on finance leases	-	-	76 221	76 221
Interest expense	**(105 914)**	**-**	**-**	**(105 914)**
Net interest income	**1 376 958**	**-**	**(794)**	**1 376 164**
Fee and commission income	717 493	-	-	717 493
Fee and commission expense	(106 219)	-	-	(106 219)
Net fee and commission income	**611 274**	**-**	**-**	**611 274**
Dividend income	852	-	-	852
Net trading income and revaluation	71 031	-	-	71 031
Gains (losses) from other financial securities	26 791	-	-	26 791
Gains (losses) on derecognition of financial instruments measured at amortised cost	-	-	794	794
Other operating income	40 464	(10 065)	-	30 399
Impairment allowances for expected credit losses	(363 079)	-	-	(363 079)
Cost of legal risk associated with foreign currency mortgage loans	-	(206 691)	-	(206 691)
Operating expenses incl.:	(1 269 256)	216 756	-	(1 052 500)
-Staff, operating expenses and management costs	(871 867)	-	-	(871 867)
-Amortisation of property, plant and equipment and Intangible assets	(100 660)	-	-	(100 660)
-Amortisation of right of use asset	(47 267)	-	-	(47 267)
-Other operating expenses	(249 462)	216 756	-	(32 706)
Share in net profits (loss) of entities accounted for by the equity method	19 451	-	-	19 451
Tax on financial institutions	(152 960)	-	-	(152 960)
Profit before tax	**361 526**	**-**	**-**	**361 526**
Corporate income tax	(168 668)	-	-	(168 668)
Consolidated profit for the period	**192 858**	**-**	**-**	**192 858**
of which:				
-attributable to owners of the parent entity	151 753	-	-	151 753
-attributable to non-controlling interests	41 105	-	-	41 105
Net earnings per share				
Basic earnings per share (PLN/share)	1,49	-	-	1,49
Diluted earnings per share (PLN/share)	1,49	-	-	1,49

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

In thousand PLN

Consolidated statement of financial position

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

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

	as at: 01.01.2021			
	before	adjustment (1)	adjustment (2)	after
Loans and advances to customers incl.:	141 998 745	(562 454)	-	141 436 291
- measured at amortised cost	139 549 728	(562 454)	(9 630 028)	129 357 246
- from finance leases	-	-	9 630 028	9 630 028
Total assets	**229 311 309**	**(562 454)**	**-**	**228 748 855**
Other provisions	952 115	(562 454)	-	389 661
Total liabilities	**200 653 319**	**(562 454)**	**-**	**200 090 865**

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

Consolidated statement of cash flows

	for the period: 01.01.2021 - 31.03.2021		
	before	adjustment 1)	after
Adjustment:			
Provisions	161 763	(170 667)	(8 904)
Loans and advances to customers	(2 283 639)	170 667	(2 112 972)

1) Adjustment resulting from changes in accounting policy

In thousand PLN

Income statement

	for the period: 1.01.2021-31.03.2021			
	before	adjustment (1)	adjustment (2)	after
Interest income and similar to interest	**1 093 682**	**-**	**(794)**	**1 092 888**
Interest income on financial assets measured at amortised cost	880 704	-	(794)	879 910
Interest income on financial assets measured at fair value through other comprehensive income	210 402	-	-	210 402
Income similar to interest on financial assets measured at fair value through profit or loss	2 576	-	-	2 576
Interest expense	**(63 628)**	**-**	**-**	**(63 628)**
Net interest income	**1 030 054**	**-**	**(794)**	**1 029 260**
Fee and commission income	588 038	-	-	588 038
Fee and commission expense	(67 075)	-	-	(67 075)
Net fee and commission income	**520 963**	**-**	**-**	**520 963**
Dividend income	349	-	-	349
Net trading income and revaluation	67 954	-	-	67 954
Gains (losses) from other financial securities	21 692	-	-	21 692
Gains (losses) on derecognition of financial instruments measured at amortised cost	-	-	794	794
Other operating income	21 303	(10 065)	-	**11 238**
Impairment allowances for expected credit losses	(304 587)	-	-	(304 587)
Cost of legal risk associated with foreign currency mortgage loans	-	(165 365)	-	(165 365)
Operating expenses incl.:	(1 043 477)	175 430	-	(868 047)
-Staff, operating expenses and management costs	(715 780)	-	-	(715 780)
-Amortisation of property, plant and equipment and Intangible assets	(91 383)	-	-	(91 383)
-Amortisation of right of use asset	(38 188)	-	-	(38 188)
-Other operating expenses	(198 126)	175 430	-	(22 696)
Tax on financial institutions	(144 718)	-	-	(144 718)
Profit before tax	**169 533**	**-**	**-**	**169 533**
Corporate income tax	(122 522)	-	-	(122 522)
Profit for the period	**47 011**	**-**	**-**	**47 011**
Net earnings per share				
Basic earnings per share (PLN/share)	0,46	-	-	0,46
Diluted earnings per share (PLN/share)	0,46	-	-	0,46

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

Statement of financial position

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

1) Adjustment resulting from changes in accounting policy

In thousand PLN

	as at: 01.01.2021		
	before	adjustment (1)	after
Loans and advances to customers incl.:	119 077 346	(417 152)	118 660 194
- measured at amortised cost	116 786 037	(417 152)	116 368 885
Total assets	**203 140 470**	**(417 152)**	**202 723 318**
Other provisions	670 645	(417 152)	253 493
Total liabilities	**177 717 626**	**(417 152)**	**177 300 474**

1) Adjustment resulting from changes in accounting policy

Statement of cash flows

	for the period: 01.01.2021 - 31.03.2021		
	before	adjustment 1)	after
Adjustment:			
Provisions	149 091	(136 929)	12 162
Loans and advances to customers	(747 757)	136 929	(610 828)

1) Adjustment resulting from changes in accounting policy

2.6 Use of estimates

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

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

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

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

Key estimates include:

- Allowances for expected credit losses
- Fair value of financial instruments
- Estimates for legal claims
- Estimates for legal risk arising from mortgage loans in foreign currencies

Allowances for expected credit losses in respect of financial assets

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

- measurement of a 12-month ECL or the lifetime ECL;

- determination of when a significant increase in credit risk occurred;
- determination of any forward-looking events reflected in ECL estimation, and their likelihood.

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

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

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

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

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

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

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

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

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

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

A credit-impaired assets

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

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

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

- In the case of individual customers, the probation period is 180 days.
- In the case of SME customers, the probation period is 180 days, and assessment of the customer's financial standing and repayment capacity is required in some cases. However, the exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, client`s death, discontinuation of business, bankruptcy, or pending restructuring/ liquidation proceedings.
- In the case of business and corporate customers, the probation period is 92 days, and positive assessment of the financial standing is required (the Group assesses all remaining payments as likely to be repaid as scheduled in the agreement). The exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, discontinuation of business, or pending restructuring/ insolvency/ liquidation proceedings.
- Additionally, if the customer is in Stage 3 and subject to the forbearance process (incl. so-called Shield 4.0 moratoria), they may be reclassified to Stage 2 not earlier than after 365 days (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) of regular payments, repayment by the client of the amount previously overdue / written off (if any) and after finding that there are no concerns as to the further repayment of the entire debt in accordance with the agreed terms of restructuring.

Changes in the classification resulting from Recommendation R

From January 2022, the Group adjusted the rules of exposure classification to the new guidelines resulting from the KNF recommendation. The main changes in the classification of exposures relate to the situation where:

- the Group has balance sheet exposures towards the obligor which are past due more than 90 days and which constitute over 20% of all balance sheet exposures towards this obligor, all balance sheet and off-balance sheet exposures towards this obligor are considered non-performing

- delay in repayment for a given exposure exceeding 90 days in a situation where the materiality criterion of an overdue credit obligation has not been met for a given exposure results in classification into a stage 2

A significant increases in credit risk

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

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

Fact of being covered by aid measures related to COVID-19 (excluding exposures subject to statutory moratoria (Shield 4.0)) does not automatically result in classification into Stage 2 or Stage 3. Additional client`s risk is monitored on an ongoing basis. In order to manage credit risk following COVID-19 pandemic, management reports and early warning systems have been expanded, the most vulnerable populations are reviewed in detail.

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

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

ECL measurement

Another key feature introduced by IFRS 9 is the approach to the estimation of risk parameters. For the purpose of estimating allowances for expected losses, Santander Bank Polska S.A. Group uses its own estimates of risk parameters that are based on internal models. Expected credit losses are the sum of individual products for each exposure of the estimated values of PD, LGD and EAD parameters in particular periods (depending on the stage either in the horizon of 12 months or in lifetime) discounted using the effective interest rate. The estimated parameters are adjusted for macroeconomic scenarios in accordance with the assumptions of IFRS 9. To this end, the Group determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters. The Group uses scenarios developed internally by the analytical team, which are updated on a monthly basis at least every six months. The models and parameters generated for the needs of IFRS 9 are subject to model management process and periodic calibration and validation. These tools are also used in the financial planning process.

Management provisions

At the end of the first quarter of 2022, in addition to the ECL write-offs resulting from the complex calculation model implemented in the system, management adjustments were also made, updating the risk level with current and expected future events:

- A management reserve for the corporate portfolio of PLN 20 000 k created to reflect the estimated impact of new additional constraints related to the protracted COVID-19 pandemic on the hospitality business. When determining the amount of the additional write-off, the Group assumed an additional classification to stage 2 of the sector with a probability of 50%, and the current stage 2 with an additional probability of 2% will be reclassified to stage 3. In the calculation of the management provision, the average coverage with a write-off for the hotel industry portfolio was assumed.
- A management reserve for the SME portfolio in the amount of PLN 35 000 k related to planned changes in LGD models (planned separation of separate portfolios with lower expected recoveries for exposures after the implementation of GDM collateral and in bankruptcy, as well as exclusion for the SME leasing portfolio during the estimation of historical recoveries at a level not currently implemented).
- Management adjustment of PLN 59,400 k, created to reflect the impact of potential changes in the second quarter of 2022 in the parameters used to calculate the ECL, which is a consequence of the deterioration of the macroeconomic outlook.
- Due to the systemic implementation of Recommendation R, the Group withdrew in January 2022 the management adjustment created in December 2021 for the implementation of the above changes in the amount of PLN 17,200 k.

Estimates for legal claims

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

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

Estimates for legal risk arising from mortgage loans in foreign currencies

Due change in accounting policy, the Santander Bank Polska Group takes into account the impact of legal risk as an adjustment to the gross book value of this portfolio. If there is no credit exposure or its value is insufficient, the impact of legal risk is presented as a provision.

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

Legal risk is estimated based on a number of assumptions, taking into account: a specific time horizon, a number of probabilities such as the probability of possible settlements and the probability of submitting claims by borrowers.

The result on legal risk is presented in a separate position in income statement "Impact of legal risk related to mortgage loans in foreign currencies"

In the first quarter of 2022, the Group recognized PLN 96 460k as cost of legal risk related to mortgage loans in foreign currencies.

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

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

2.7 Judgements that may significantly affect the amounts recognized in the financial statements

When applying the accounting principles, the management of Santander Bank Polska S.A. Group makes various judgements that may significantly affect the amounts recognized in financial statements.

2.8 Change of accounting policy

Santander Bank Polska S.A. Group consistently applied the adopted accounting principles both for the reporting period for which the report is prepared and for the comparative period, except for the changes resulting from the change in accounting policy with regard to the legal risk of mortgage loans denominated / indexed to foreign currencies described in point 2.5.

3. Operating segments reporting

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

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

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

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

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

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

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

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

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

In 2022 the following changes were introduced:

- customer resegmentation between business segments; Once a year, Santander Bank Polska Group carries out the resegmentation / migration of customers between operating segments which results from the fact that customer meets the criteria of assignment for different operating segment than before. This change is intended to provide services at the highest level of quality and tailored to individual needs or the scale of customer operations.
- review of the items reported in ALM and Centre segment, as a result of which a part of the income, costs and balance sheet volumes was allocated to business segments. The change mainly concerns the allocation of equity, as well as the allocation of operating costs and depreciation.
- distinguishing of a separate line in P&L presentation related to the cost of legal risk associated with foreign currency mortgage loans
- split of the net fee and commission into income and expense
- reclassification of the provision for legal risk associated with the portfolio of foreign currency mortgage loans from the item Other provisions to the item Loans and advances to customers (as a reduction of the gross balance sheet value). More details on the above reclassification are provided in the note 2.5.

Comparable data are adjusted accordingly.

In the part regarding Santander Bank Polska, the provisions for legal risk connected with the portfolio of FX mortgage loans and the provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the provisions for legal risk connected with the portfolio of FX mortgage loans and the provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in the Santander Consumer segment. More details regarding the above provisions are described in Note 29.

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

Retail Banking

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

Business & Corporate Banking

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

Corporate & Investment Banking

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

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

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

ALM and Centre

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

Santander Consumer

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

In thousand PLN

Consolidated income statement by business segments

1.01.2022-31.03.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**1 252 714**	**350 064**	**120 647**	**192 999**	**327 525**	**2 243 949**
incl. internal transactions	(477)	(450)	927	-	-	-
Fee and commission income	472 001	164 181	119 179	(12 937)	51 819	794 243
Fee and commission expense	(113 619)	(8 765)	(5 081)	12 289	(18 340)	(133 516)
Net fee and commission income	**358 382**	**155 416**	**114 098**	**(648)**	**33 479**	**660 727**
incl. internal transactions	56 945	33 152	(88 525)	(834)	(738)	-
Other income	**(23 685)**	**32 417**	**101 031**	**(36 711)**	**9 690**	**82 742**
incl. internal transactions	1 347	36 816	(37 629)	(534)	-	-
Dividend income	**213**	**-**	**16**	**-**	**6**	**235**
Operating costs	**(636 318)**	**(154 331)**	**(105 439)**	**(18 113)**	**(142 538)**	**(1 056 739)**
incl. internal transactions	-	-	-	600	(600)	-
Depreciation/amortisation	**(94 348)**	**(15 692)**	**(8 656)**	**-**	**(13 860)**	**(132 556)**
Impairment losses on loans and advances	**(116 180)**	**(13 513)**	**3 216**	**(837)**	**8 033**	**(119 281)**
Cost of legal risk associated with foreign currency mortgage loans	**(77 675)**	**-**	**-**	**-**	**(18 786)**	**(96 461)**
Share in net profits (loss) of entities accounted for by the equity method	**20 371**	**-**	**-**	**(83)**	**-**	**20 288**
Tax on financial institutions	**-**	**-**	**-**	**(169 251)**	**(7 589)**	**(176 840)**
Profit before tax	**683 474**	**354 361**	**224 913**	**(32 644)**	**195 960**	**1 426 064**
Corporate income tax						(396 798)
Consolidated profit for the period						**1 029 266**
of which:						
attributable to owners of the parent entity						959 532
attributable to non-controlling interests						69 734

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

In thousand PLN

1.01.2021-31.03.2021	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**713 892**	**183 569**	**65 403**	**126 268**	**287 032**	**1 376 164**
incl. internal transactions	(417)	(426)	901	(58)	-	-
Fee and commission income	428 105	131 520	112 839	(10 318)	55 347	717 493
Fee and commission expense	(87 516)	(4 930)	(5 519)	10 046	(18 300)	(106 219)
Net fee and commission income	**340 589**	**126 590**	**107 320**	**(272)**	**37 047**	**611 274**
incl. internal transactions	36 183	25 026	(60 138)	(406)	(665)	-
Other income	**26 724**	**19 156**	**46 162**	**18 319**	**18 654**	**129 015**
incl. internal transactions	(20)	18 272	(18 111)	22	(163)	-
Dividend income	**843**	**-**	**5**	**-**	**4**	**852**
Operating costs	**(546 468)**	**(128 103)**	**(89 252)**	**(2 624)**	**(138 126)**	**(904 573)**
incl. internal transactions	-	-	-	188	(188)	-
Depreciation/amortisation	**(109 450)**	**(16 372)**	**(8 023)**	**-**	**(14 082)**	**(147 927)**
Impairment losses on loans and advances	**(170 673)**	**(20 839)**	**(121 020)**	**4 382**	**(54 929)**	**(363 079)**
Cost of legal risk associated with foreign currency mortgage loans	**(165 365)**	**-**	**-**	**-**	**(41 326)**	**(206 691)**
Share in net profits (loss) of entities accounted for by the equity method	**19 599**	**-**	**-**	**(148)**	**-**	**19 451**
Tax on financial institutions	**-**	**-**	**-**	**(144 717)**	**(8 243)**	**(152 960)**
Profit before tax	**109 691**	**164 001**	**595**	**1 208**	**86 031**	**361 526**
Corporate income tax						(168 668)
Consolidated profit for the period						**192 858**
of which:						
attributable to owners of the parent entity						**151 753**
attributable to non-controlling interests						**41 105**

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

Consolidated statement of financial position by business segments

31.03.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	84 022 247	35 307 341	15 348 882	-	15 023 784	**149 702 254**
Investments in associates	904 580	-	-	45 861	-	**950 441**
Other assets	8 877 454	1 560 357	7 501 293	72 755 918	4 590 795	**95 285 817**
Total assets	**93 804 281**	**36 867 698**	**22 850 175**	**72 801 779**	**19 614 579**	**245 938 512**
Deposits from customers	124 817 203	37 705 864	11 805 903	4 176 998	8 814 198	**187 320 166**
Other liabilities	419 751	725 994	6 722 075	16 858 413	6 884 860	**31 611 093**
Equity	11 213 830	6 031 254	3 922 599	1 924 049	3 915 521	**27 007 253**
Total equity and liabilities	**136 450 784**	**44 463 112**	**22 450 577**	**22 959 460**	**19 614 579**	**245 938 512**

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

In thousand PLN

31.12.2021	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	82 973 450	33 844 593	14 447 348	-	15 125 954	146 391 345
Investments in associates	886 796	-	-	45 944	-	932 740
Other assets	9 295 564	1 981 600	5 028 240	74 415 504	4 972 271	95 693 179
Total assets	**93 155 810**	**35 826 193**	**19 475 588**	**74 461 448**	**20 098 225**	**243 017 264**
Deposits from customers	125 698 755	38 826 413	8 513 493	3 051 554	9 283 228	185 373 443
Other liabilities	610 226	455 806	5 113 381	17 257 731	6 993 101	30 430 245
Equity	11 368 207	6 334 201	3 885 179	1 804 093	3 821 896	27 213 576
Total equity and liabilities	**137 677 188**	**45 616 420**	**17 512 053**	**22 113 378**	**20 098 225**	**243 017 264**

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

4. Net interest income

Interest income and similar to interest	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Interest income on financial assets measured at amortised cost	**1 931 077**	**1 189 161**
Loans and advances to enterprises and leasing agreements	573 823	349 399
Loans and advances to individuals, of which:*	1 287 295	838 037
Home mortgage loans	*553 040*	*272 561*
Loans and advances to banks	27 697	331
Loans and advances to public sector	3 057	(127)
Reverse repo transactions	22 413	1 521
Interest recorded on hedging IRS	16 792	-
Interest income on financial assets measured at fair value through other comprehensive income	**394 691**	**213 302**
Loans and advances to enterprises	15 607	11 317
Debt securities	379 084	201 985
Income similar to interest - financial assets measured at fair value through profit or loss	**15 350**	**3 394**
Loans and advances to enterprises	665	207
Loans and advances to individuals	11 470	3 576
Debt securities	3 215	(389)
Income similar to interest on finance leases	**113 698**	**76 221**
Total income	**2 454 816**	**1 482 078**

Interest expenses	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Interest expenses on financial liabilities measured at amortised cost	**(210 867)**	**(105 914)**
Liabilities to individuals	(28 895)	(33 670)
Liabilities to enterprises	(62 067)	(12 609)
Repo transactions	(19 417)	614
Liabilities to public sector	(18 057)	(781)
Liabilities to banks	(19 341)	(6 361)
Lease liability	(3 333)	(4 190)
Subordinated liabilities and issue of securities	(67 639)	(37 162)
Interest recorded on hedging IRS	7 882	(11 755)
Total costs	**(210 867)**	**(105 914)**
Net interest income	**2 243 949**	**1 376 164**

* Details on the impact of the CJEU judgment in case C 383/18 on interest income are presented in note 28

In thousand PLN

5. Net fee and commission income

Fee and commission income	1.01.2022-31.03.2022	1.01.2021-31.03.2021
eBusiness & payments	63 147	58 462
Current accounts and money transfer	118 104	97 970
Asset management fees	58 451	67 122
Foreign exchange commissions	182 755	119 814
Credit commissions incl. factoring commissions and other	107 494	113 117
Insurance commissions	61 258	53 466
Commissions from brokerage activities	44 594	44 790
Credit cards	33 490	35 343
Card fees (debit cards)	84 562	85 235
Off-balance sheet guarantee commissions	26 858	26 049
Finance lease commissions	5 625	6 012
Issue arrangement fees	2 589	5 387
Distribution fees	5 316	4 726
Total	**794 243**	**717 493**
Fee and commission expenses	**1.01.2022-31.03.2022**	**1.01.2021-31.03.2021**
eBusiness & payments	(14 353)	(12 561)
Distribution fees	(2 268)	(3 129)
Commissions from brokerage activities	(4 983)	(5 322)
Credit cards	(2 678)	(3 019)
Card fees (debit cards)	(20 335)	(21 098)
Credit commissions paid	(23 715)	(16 178)
Insurance commissions	(4 430)	(4 150)
Finance lease commissions	(10 180)	(8 029)
Asset management fees and other costs	(5 620)	(5 508)
Other	(44 954)	(27 225)
Total	**(133 516)**	**(106 219)**
Net fee and commission income	**660 727**	**611 274**

6. Net trading income and revaluation

Net trading income and revaluation	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Derivative instruments	22 007	112 817
Interbank FX transactions and other FX related income	26 944	(56 284)
Net gains on sale of equity securities measured at fair value through profit or loss	6 468	11 380
Net gains on sale of debt securities measured at fair value through profit or loss	9 084	2 859
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	(5 119)	259
Total	**59 384**	**71 031**

The above amounts included CVA and DVA adjustments in the amount of PLN 2,474 k for 1Q2022, and PLN 2,875 k for 1Q2021.

In thousand PLN

7. Gains (losses) from other financial securities

Gains (losses) from financial securities	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Net gains on sale of debt securities measured at fair value through other comprehensive income	212	28 176
Net gains on sale of debt securities measured at fair value through profit or loss	-	8
Change in fair value of financial securities measured at fair value through profit or loss	2 785	(7 347)
Total profit (losses) on financial instruments	**2 997**	**20 837**
Change in fair value of hedging instruments	162 694	124 256
Change in fair value of underlying hedged positions	(164 216)	(118 302)
Total profit (losses) on hedging and hedged instruments	**(1 522)**	**5 954**
Total	**1 475**	**26 791**

8. Other operating income

Other operating income	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Income from services rendered	9 788	5 430
Release of provision for legal cases and other assets	5 183	5 603
Recovery of other receivables (expired, cancelled and uncollectable)	13	39
Settlements of leasing agreements	48	1 516
Received compensations, penalties and fines	406	204
Gains on lease modifications	-	1 391
Other	22 620	16 216
Total	**38 058**	**30 399**

9. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Charge for loans and advances to banks	**(21)**	**10**
Stage 1	(21)	10
Stage 2	-	-
Stage 3	-	-
POCI	-	-
Charge for loans and advances to customers	**(177 907)**	**(401 389)**
Stage 1	(67 286)	(42 613)
Stage 2	(77 117)	(21 700)
Stage 3	(63 275)	(349 279)
POCI	29 771	12 203
Recoveries of loans previously written off	**49 044**	**28 671**
Stage 1	-	-
Stage 2	-	-
Stage 3	49 044	28 671
POCI	-	-
Off-balance sheet credit related facilities	**9 603**	**9 629**
Stage 1	6 122	(1 468)
Stage 2	2 464	2 266
Stage 3	1 017	8 831
POCI	-	-
Total	**(119 281)**	**(363 079)**

In thousand PLN

10. Employee costs

Employee costs	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Salaries and bonuses	(351 847)	(334 667)
Salary related costs	(68 096)	(64 097)
Cost of contributions to Employee Capital Plans	(2 384)	(2 239)
Staff benefits costs	(9 224)	(8 184)
Professional trainings	(1 687)	(1 524)
Retirement fund, holiday provisions and other employee costs	(7)	(5)
Total	**(433 245)**	**(410 716)**

11. General and administrative expenses

General and administrative expenses	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Maintenance of premises	(26 676)	(27 396)
Short-term lease costs	(1 976)	(2 365)
Low-value assets lease costs	(322)	(349)
Costs of variable lease payments not included in the measurement of the lease liability	(514)	(88)
Non-tax deductible VAT	(9 674)	(10 973)
Marketing and representation	(29 475)	(24 732)
IT systems costs	(107 480)	(93 543)
Cost of BFG, KNF and KDPW	(287 695)	(192 093)
Postal and telecommunication costs	(16 792)	(13 753)
Consulting and advisory fees	(17 174)	(15 002)
Cars, transport expenses, carriage of cash	(13 165)	(13 032)
Other external services	(34 990)	(33 345)
Stationery, cards, cheques etc.	(5 583)	(5 044)
Sundry taxes and charges	(10 058)	(9 517)
Data transmission	(3 801)	(2 741)
KIR, SWIFT settlements	(7 659)	(7 327)
Security costs	(5 403)	(5 901)
Costs of repairs	(833)	(1 588)
Other	(3 470)	(2 362)
Total	**(582 740)**	**(461 151)**

12. Other operating expenses

Other operating expenses	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Charge of provisions for legal cases and other assets*	(12 739)	(5 996)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(2 470)	(8 783)
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	(2 852)	(2 647)
Costs of purchased services	(1 067)	(871)
Other membership fees	(362)	(234)
Paid compensations, penalties and fines	(354)	(724)
Donations paid	(655)	(26)
Other	(20 255)	(13 425)
Total	**(40 754)**	**(32 706)**

*Details in Note 25

In thousand PLN

13. Corporate income tax

Corporate income tax	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Current tax charge in the income statement	(85 175)	(100 662)
Deferred tax	(311 347)	(67 997)
Adjustments from previous years	(276)	(9)
Total tax on gross profit	**(396 798)**	**(168 668)**

Corporate total tax charge information	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Profit before tax	1 426 064	361 526
Tax rate	19%	19%
Tax calculated at the tax rate	(270 952)	(68 690)
Non-tax-deductible expenses	(4 835)	(3 411)
Provisions for legal claims regarding fx loans	(28 196)	(36 610)
The fee to the Bank Guarantee Fund	(52 745)	(34 669)
Tax on financial institutions	(33 600)	(29 062)
Non-taxable income	125	5 680
Adjustment of prior years tax	(276)	(9)
Non-tax deductible bad debt provisions	(3 667)	(2 737)
Other	(2 652)	840
Total tax on gross profit	**(396 798)**	**(168 668)**

Deferred tax recognised in other comprehensive income	31.03.2022	31.12.2021
Relating to valuation of debt investments measured at fair value through other comprehensive income	624 225	357 326
Relating to valuation of equity investments measured at fair value through other comprehensive income	(40 434)	(38 342)
Relating to cash flow hedging activity	33 527	8 995
Relating to valuation of defined benefit plans	(3 272)	(3 272)
Total	**614 046**	**324 707**

14. Cash and balances with central banks

Cash and balances with central banks	31.03.2022	31.12.2021
Cash	3 728 098	2 664 945
Current accounts in central banks	3 718 280	5 773 330
Total	**7 446 378**	**8 438 275**

Santander Bank Polska SA and Santander Consumer Bank SA hold an obligatory reserve in a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of minimal statutory reserve of the monthly average balance of the customers' deposits, which until 29 November 2021 was 0.5%.

According to the decision of the Monetary Policy Council of 6 October 2021. the required reserve ratio has been increased to 2.0% and applies from the required reserve maintained from 30 November 2021, calculated on the basis of data from October 2021.

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

In thousand PLN

15. Loans and advances to banks

Loans and advances to banks	31.03.2022	31.12.2021
Loans and advances	2 394 648	98 232
Current accounts	3 209 455	2 592 126
Gross receivables	**5 604 103**	**2 690 358**
Allowance for impairment	(126)	(106)
Total	**5 603 977**	**2 690 252**

16. Financial assets and liabilities held for trading

	31.03.2022		31.12.2021	
Financial assets and liabilities held for trading	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading derivatives	**5 766 040**	**5 844 095**	**3 658 438**	**3 492 496**
Interest rate operations	3 777 432	3 735 299	2 273 851	2 266 649
FX operations	1 988 608	2 108 796	1 384 587	1 225 847
Debt and equity securities	**498 027**	**-**	**361 679**	**-**
Debt securities	**462 258**	**-**	**313 350**	**-**
Government securities:	447 681	-	299 046	-
- bonds	447 681	-	299 046	-
Other securities:	14 577	-	14 304	-
- bonds	14 577	-	14 304	-
Equity securities	**35 769**	**-**	**48 329**	**-**
Short sale	**-**	**456 800**	**-**	**385 585**
Total	**6 264 067**	**6 300 895**	**4 020 117**	**3 878 081**

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (5,827) k as at 31.03.2022 and PLN (8,043) k as at 31.12.2021.

17. Loans and advances to customers

	31.03.2022				
Loans and advances to customers	**measured at amortised cost**	**measured at fair value through other comprehensive income**	**measured at fair value through profit and loss**	**from finance leases**	**Total**
Loans and advances to enterprises	58 817 678	1 785 956	49 203	-	60 652 837
Loans and advances to individuals, of which:	83 054 222	-	407 633	-	83 461 855
*Home mortgage loans **	*55 525 201*	-	-	-	*55 525 201*
Finance lease receivables	-	-	-	11 119 482	11 119 482
Loans and advances to public sector	288 283	-	-	-	288 283
Other receivables	75 241	-	-	-	75 241
Gross receivables	**142 235 424**	**1 785 956**	**456 836**	**11 119 482**	**155 597 698**
Allowance for impairment	(5 677 528)	(3 215)	-	(214 701)	(5 895 444)
Total	**136 557 896**	**1 782 741**	**456 836**	**10 904 781**	**149 702 254**

* Includes changes in gross receivables recognized in note 29 Legal risk connected with CHF mortgage loans

In thousand PLN

	31.12.2021				
Loans and advances to customers	measured at amortised cost	measured at fair value through other comprehensive income	measured at fair value through profit and loss	from finance leases	Total
Loans and advances to enterprises	56 155 127	1 732 895	49 667	-	57 937 689
Loans and advances to individuals, of which:	82 535 016	-	504 163	-	83 039 179
*Home mortgage loans **	*54 740 891*	-	-	-	*54 740 891*
Finance lease receivables	-	-	-	10 937 915	10 937 915
Loans and advances to public sector	278 530	-	-	-	278 530
Other receivables	58 372	-	-	-	58 372
Gross receivables	**139 027 045**	**1 732 895**	**553 830**	**10 937 915**	**152 251 685**
Allowance for impairment	(5 648 321)	(3 047)	-	(208 972)	(5 860 340)
Total	**133 378 724**	**1 729 848**	**553 830**	**10 728 943**	**146 391 345**

* Includes changes in gross receivables recognized in note 29 Legal risk connected with CHF mortgage loans

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Balance at the beginning of the period	**(5 648 321)**	**(6 122 440)**
Charge/write back of current period	**(198 178)**	**(288 538)**
Stage 1	(67 097)	(37 630)
Stage 2	(79 049)	(22 926)
Stage 3	(55 957)	(226 301)
POCI	3 925	(1 681)
Write off/Sale of receivables	**139 029**	**216 743**
Stage 1	-	-
Stage 2	-	-
Stage 3	138 547	216 743
POCI	482	-
Transfer	**37 566**	**29 074**
Stage 1	30 082	(10 469)
Stage 2	39 315	127 430
Stage 3	(32 859)	(87 835)
POCI	1 028	(52)
FX differences	**(7 624)**	**(4 201)**
Stage 1	(243)	(112)
Stage 2	419	(650)
Stage 3	(7 599)	(3 513)
POCI	(201)	74
Balance at the end of the period	**(5 677 528)**	**(6 169 362)**

In thousand PLN

18. Investment securities

Investment securities	31.03.2022	31.12.2021
Debt investment securities measured at fair value through other comprehensive income	**63 541 779**	**70 064 796**
Government securities:	46 303 468	49 225 514
- bonds	46 303 468	49 225 514
Central Bank securities:	4 000 000	6 997 960
- bills	4 000 000	6 997 960
Other securities:	13 238 311	13 841 322
-bonds	13 238 311	13 841 322
Debt investment securities measured at fair value through profit and loss	**123 248**	**116 977**
Debt investment securities measured at amortised cost	**2 455 419**	**1 421 272**
Government securities:	2 455 419	1 421 272
- bonds	2 455 419	1 421 272
Equity investment securities measured at fair value through other comprehensive income	**270 798**	**259 788**
- listed	75 318	64 320
- unlisted	195 480	195 468
Equity investment securities measured at fair value through profit and loss	**3 610**	**3 427**
- unlisted	3 610	3 427
Total	**66 394 854**	**71 866 260**

19. Investments in associates

Balance sheet value of associates	31.03.2022	31.12.2021
Polfund - Fundusz Poręczeń Kredytowych S.A.	45 861	45 944
Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	904 580	886 796
Total	**950 441**	**932 740**

Movements on investments in associates	1.01.2022-31.03.2022	1.01.2021-31.03.2021
As at the beginning of the period	**932 740**	**998 397**
Share of profits/(losses)	20 288	19 451
Other	(2 587)	(2 349)
As at the end of the period	**950 441**	**1 015 499**

20. Deposits from banks

Deposits from banks	31.03.2022	31.12.2021
Term deposits	526 667	123 051
Loans received from banks	2 456 199	2 974 651
Current accounts	1 560 673	1 302 436
Total	**4 543 539**	**4 400 138**

In thousand PLN

21. Deposits from customers

Deposits from customers	31.03.2022	31.12.2021
Deposits from individuals	**106 739 087**	**106 267 792**
Term deposits	17 702 555	14 078 671
Current accounts	88 832 652	91 990 149
Other	203 880	198 972
Deposits from enterprises	**72 279 083**	**71 375 840**
Term deposits	10 631 984	9 951 599
Current accounts	57 632 903	58 318 901
Loans received from financial institution	1 601 885	1 403 413
Other	2 412 311	1 701 927
Deposits from public sector	**8 301 996**	**7 729 811**
Term deposits	836 315	558 431
Current accounts	7 459 745	7 171 126
Other	5 936	254
Total	**187 320 166**	**185 373 443**

22. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2022-31.03.2022	1.01.2021-31.03.2021
As at the beginning of the period	**2 750 440**	**2 754 605**
Additions from:	**37 140**	**33 406**
- interest on subordinated loans	17 953	17 146
- FX differences	19 187	16 260
Disposals from:	**(14 135)**	**(13 931)**
- interest repayment	(14 135)	(13 931)
As at the end of the period	**2 773 445**	**2 774 080**
Short-term	17 255	16 470
Long-term (over 1 year)	2 756 190	2 757 610

23. Debt securities in issue

Debt securities in issue on 31.03.2022

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	100 000	EUR	18.12.2020	18.12.2023	465 466
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 492 068
Santander Bank Polska S.A.	Certificates of deposits	750 000	PLN	22.12.2021	22.12.2023	756 493
Santander Bank Polska S.A.	Bonds	500 000	EUR	30.03.2022	30.03.2024	2 326 509
Santander Leasing S.A.	Bonds	850 000	PLN	23.06.2021	23.06.2022	850 302
Santander Consumer Bank S.A.	Bonds	261 400	PLN	06.10.2017	07.10.2022	262 911
Santander Consumer Bank S.A.	Bonds	60 000	PLN	07.12.2017	07.10.2022	60 346
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	100 355
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	160 494
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	220 536
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	690 163	PLN	25.07.2019	16.07.2030	691 564
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	1 035 245	PLN	25.07.2019	16.07.2030	1 037 345
SCM POLAND AUTO 2019-1 DAC	Bonds	740 000	PLN	20.07.2020	31.07.2028	741 306
Total						**11 165 695**

Debt securities in issue on 31.12.2021

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	100 000	EUR	18.12.2020	18.12.2023	459 969
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 450 264
Santander Bank Polska S.A.	Certificates of deposits	750 000	PLN	22.12.2021	22.12.2023	750 649
Santander Factoring Sp. z o.o.	Bonds	655 000	PLN	03.08.2021	03.02.2022	654 782
Santander Leasing S.A.	Bonds	1 100 000	PLN	11.03.2021	11.03.2022	1 016 060
Santander Leasing S.A.	Bonds	850 000	PLN	23.06.2021	23.06.2022	849 103
Santander Leasing Poland Securitization 01	Bonds	330 000	EUR	25.03.2020	20.03.2036	1 517 801
Santander Consumer Bank S.A.	Bonds	261 400	PLN	06.10.2017	07.10.2022	262 094
Santander Consumer Bank S.A.	Bonds	60 000	PLN	07.12.2017	07.10.2022	60 159
Santander Consumer Bank S.A.	Bonds	60 000	PLN	29.03.2018	29.03.2022	60 155
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	100 145
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	160 283
Santander Consumer Multirent sp. z o.o.	Bonds	250 000	PLN	27.09.2021	25.02.2022	250 205
Santander Consumer Multirent sp. z o.o.	Bonds	250 000	PLN	27.09.2021	28.03.2022	250 234
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	220 350
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	800 000	PLN	25.07.2019	16.07.2030	801 010
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	1 200 000	PLN	25.07.2019	16.07.2030	1 201 515
SCM POLAND AUTO 2019-1 DAC	Bonds	740 000	PLN	20.07.2020	31.07.2028	740 684
Total						**12 805 462**

In thousand PLN

Movements in debt securities in issue	1.01.2022-31.03.2022	1.01.2021-31.03.2021
As at the beginning of the period	**12 805 462**	**11 241 312**
Increase (due to:)	**2 461 080**	**1 816 019**
- debt securities in issue	2 325 350	1 755 000
- interest on debt securities in issue	48 255	18 566
- FX differences	86 526	42 453
- other changes	949	-
Decrease (due to):	**(4 100 847)**	**(819 216)**
- debt securities repurchase	(4 062 885)	(803 455)
- interest repayment	(37 962)	(12 666)
- other changes	-	(3 095)
As at the end of the period	**11 165 695**	**12 238 115**

24. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	31.03.2022	31.12.2021
Provisions for financial commitments to grant loans and credit lines	35 855	43 872
Provisions for financial guarantees	14 999	16 406
Other provisions	528	533
Total	**51 382**	**60 811**

Change in provisions for off balance sheet credit related commitments	31.03.2022
As at the beginning of the period	**60 811**
Provision charge	26 609
Write back	(36 212)
Other changes	174
As at the end of the period	**51 382**
Short-term	34 897
Long-term	16 485

Change in provisions for off balance sheet credit related commitments	31.03.2021
As at the beginning of the period	**64 541**
Provision charge	35 950
Write back	(45 579)
Other changes	267
As at the end of the period	**55 179**
Short-term	37 082
Long-term	18 097

25. Other provisions

Other provisions	31.03.2022	31.12.2021
Provisions for legal risk connected with foreign currency mortgage loans	185 790	176 059
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	76 232	80 945
Provisions for legal claims and other	153 718	148 601
Provisions for restructuring	85 122	94 308
Total	**500 862**	**499 913**

In thousand PLN

Change in other provisions for the period 1.01.2022 – 31.03.2022	Provisions for legal risk connected with foreign currency mortgage loans	Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	Provisions for legal claims and other	Provisions for restructuring	Total
As at the beginning of the period	**176 059**	**80 945**	**148 601**	**94 308**	**499 913**
Provision charge	219	(4 713)	18 587	(5)	14 089
Utilization	(4 694)	-	(13 470)	(9 181)	(27 345)
Other	14 206	-	-	-	14 205
As at the end of the period	**185 790**	**76 232**	**153 718**	**85 122**	**500 862**

Change in other provisions for the period 1.01.2021 – 31.03.2021	Provisions for legal risk connected with foreign currency mortgage loans	Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	Provisions for legal claims and other	Provisions for restructuring	Total
As at the beginning of the period	**40 649**	**117 722**	**83 628**	**147 662**	**389 661**
Provision charge	28 766	-	7 591	(14 986)	21 371
Utilization	-	(10 519)	(2 878)	(7 561)	(20 958)
Other	270	(174)	(51)	-	45
As at the end of the period	**69 685**	**107 029**	**88 290**	**125 115**	**390 119**

26. Other liabilities

Other liabilities	31.03.2022	31.12.2021
Settlements of stock exchange transactions	74 516	64 259
Interbank and interbranch settlements	759 813	319 716
Employee provisions	245 362	383 915
Sundry creditors	1 087 322	1 588 584
Liabilities from contracts with customers	188 342	194 578
Public and law settlements	179 107	100 489
Accrued liabilities	682 756	452 625
Finance lease related settlements	151 222	177 348
Other	14 752	28 776
Total	**3 383 192**	**3 310 290**
of which financial liabilities *	3 000 991	2 986 447

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

In thousand PLN

Change in employee provisions 1.01.2022 - 31.03.2022		of which: Provisions for retirement allowances
As at the beginning of the period	**383 915**	***42 728***
Provision charge	78 062	*76*
Utilization	(216 379)	-
Release of provisions	(236)	-
As at the end of the period	**245 362**	***42 804***
Short-term	202 558	-
Long-term	42 804	*42 804*

Change in employee provisions 1.01.2021 - 31.03.2021		of which: Provisions for retirement allowances
As at the beginning of the period	**266 220**	***48 266***
Provision charge	72 087	*158*
Utilization	(101 737)	-
Release of provisions	(18 630)	*(20)*
As at the end of the period	**217 940**	***48 404***
Short-term	169 536	-
Long-term	48 404	*48 404*

27. Fair value

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

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

	31.03.2022		31.12.2021	
ASSETS	**Book Value**	**Fair value**	**Book Value**	**Fair value**
Cash and balances with central banks	7 446 378	7 446 378	8 438 275	8 438 275
Loans and advances to banks	5 603 977	5 603 977	2 690 252	2 690 252
Loans and advances to customers measured at amortised cost	136 557 896	137 955 216	133 358 207	136 155 381
Debt investment securities measured at amortised cost	2 455 419	2 330 678	1 421 272	1 411 022
LIABILITIES				
Deposits from banks	4 543 539	4 543 539	4 400 138	4 400 138
Deposits from customers	187 320 166	187 244 053	185 373 443	185 272 700
Subordinated liabilities	2 773 445	2 762 732	2 750 440	2 743 086

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

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

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

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

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

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

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

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

As at 31.03.2022 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.

In thousand PLN

Level 3: Other valuation techniques

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

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

As at 31.03.2022 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.03.2022	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	498 027	5 758 638	7 402	6 264 067
Hedging derivatives	-	318 123	-	318 123
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 782 741	1 782 741
Loans and advances to customers measured at fair value through profit and loss	-	-	456 836	456 836
Debt securities measured at fair value through other comprehensive income	52 852 833	10 685 471	3 475	63 541 779
Debt securities measured at fair value through profit and loss	-	-	123 248	123 248
Equity securities measured at fair value through other comprehensive income	-	-	3 610	3 610
Equity securities measured at fair value through other comprehensive income	75 318	-	195 480	270 798
Total	**53 426 178**	**16 762 232**	**2 572 792**	**72 761 202**
Financial liabilities				
Financial liabilities held for trading	456 800	5 837 909	6 186	6 300 895
Hedging derivatives	-	1 756 888	-	1 756 888
Total	**456 800**	**7 594 797**	**6 186**	**8 057 783**

In thousand PLN

31.12.2021	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	361 679	3 654 553	3 885	4 020 117
Hedging derivatives	-	163 177	-	163 177
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 729 848	1 729 848
Loans and advances to customers measured at fair value through profit and loss	-	-	553 830	553 830
Debt securities measured at fair value through other comprehensive income	58 805 233	11 256 088	3 475	70 064 796
Debt securities measured at fair value through profit and loss	-	-	116 977	116 977
Equity securities measured at fair value through other comprehensive income	-	-	3 427	3 427
Equity securities measured at fair value through other comprehensive income	64 320	-	195 468	259 788
Total	**59 231 232**	**15 073 818**	**2 606 910**	**76 911 960**
Financial liabilities				
Financial liabilities held for trading	385 585	3 489 880	2 616	3 878 081
Hedging derivatives	-	1 762 334	-	1 762 334
Total	**385 585**	**5 252 214**	**2 616**	**5 640 415**

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

Level III

31.03.2022	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Financial liabilities held for trading
As at the beginning of the period	**3 885**	**553 830**	**1 729 848**	**116 977**	**3 475**	**195 468**	**3 427**	**2 616**
Profit or losses								
recognised in income statement	2 699	*4 342*	-	*6 271*	-	-	*183*	*3 180*
recognised in equity (OCI)	-	-	*15 607*	-	-	*12*	-	-
Purchase/granting	1 437	47 115	60 457	-	-	-	-	717
Sale	-	(922)	-	-	-	-	-	-
Matured	-	(146 554)	(27 458)	-	-	-	-	-
Transfer	(619)	-	-	-	-	-	-	(327)
Other	-	(975)	4 287	-	-	-	-	-
As at the end of the period	**7 402**	**456 836**	**1 782 741**	**123 248**	**3 475**	**195 480**	**3 610**	**6 186**

In thousand PLN

Level III

31.12.2021	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Financial liabilities held for trading
As at the beginning of the period	**2 064**	**892 226**	**1 556 791**	**110 155**	**7 492**	**826 737**	**115 896**	**-**
Profit or losses								
recognised in income statement	164	*22 104*	-	*(1 768)*	-	-	*3 968*	*1 782*
recognised in equity (OCI)	-	-	*45 769*	-	-	*485 025*	-	-
Purchase/granting	2 011	323 272	1 738 526	-	-	428	-	700
Sale	-	(1 978)	(845 276)	(500)	-	(1 116 722)	(116 422)	-
Matured	-	(647 734)	(661 980)	-	-	-	-	-
Transfer	(354)	(15 872)	-	-	-	-	-	134
Other	-	(18 188)	(103 982)	9 090	(4 017)	-	(15)	-
As at the end of the period	**3 885**	**553 830**	**1 729 848**	**116 977**	**3 475**	**195 468**	**3 427**	**2 616**

28. Contingent liabilities

Significant court proceedings

As at 31.03.2022 the value of all litigation amounts to PLN 4,219,237 k. This amount includes PLN 1,152,801 k claimed by the Group, PLN 2,995,811 k in claims against the Group and PLN 70,625 k of the Group's receivables due to bankruptcy or arrangement cases.

The amount of all court proceedings which had been completed in the period from 1.01.2022 to 31.03.2022 amounted to PLN 90,726k.

As at 31.03.2022, the value of provisions for legal claims was PLN 1,198,873 k.

As at 31.12.2021 the value of all litigation amounts to PLN 3 721 903 k. This amount includes PLN 1 133 832 k claimed by the Group, PLN 2 533 296 k in claims against the Group and PLN 54,775 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2021 the amount of all court proceedings which had been completed amounted to PLN 659 326 k.

As at 31.12.2021, the value of provisions for legal claims was PLN 923 617 k. In 441 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), a provisions of PLN 211 070 k was raised.

Off-balance sheet liabilities

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

In thousand PLN

	31.03.2022			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities sanctioned	**43 501 752**	**795 444**	**46 291**	**44 343 487**
- financial	**34 650 736**	**591 014**	**40 882**	**35 282 632**
- credit lines	30 113 720	537 842	29 551	30 681 113
- credit cards debits	3 624 851	43 217	10 068	3 678 136
- import letters of credit	912 165	9 955	1 263	923 383
- term deposits with future commencement term	20 378	-	-	20 378
- guarantees	**8 880 594**	**211 052**	**20 591**	**9 112 237**
Provision for off-balance sheet liabilities	**(29 578)**	**(6 622)**	**(15 182)**	**(51 382)**
Liabilities received				**55 098 910**
- financial				**368 938**
- guarantees				**54 729 972**
Total	**43 501 752**	**795 444**	**46 291**	**99 442 397**

	31.12.2021			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities sanctioned	**44 542 432**	**883 386**	**52 463**	**45 478 281**
- financial	**35 785 367**	**709 686**	**46 434**	**36 541 487**
- credit lines	30 799 120	639 398	36 399	31 474 917
- credit cards debits	3 671 725	63 935	8 674	3 744 334
- import letters of credit	1 314 522	6 353	1 361	1 322 236
- guarantees	**8 792 556**	**182 951**	**22 098**	**8 997 605**
Provision for off-balance sheet liabilities	**(35 491)**	**(9 251)**	**(16 069)**	**(60 811)**
Liabilities received				**54 956 051**
- financial				**26 439**
- guarantees				**54 929 612**
Total	**44 542 432**	**883 386**	**52 463**	**100 434 332**

Court proceedings relating to a partial reimbursement of arrangement fees on consumer loans

As at 31.03.2022, Santander Bank Polska Group was sued in 908 cases concerning partial refund of an arrangement fee on consumer loans, including 200 cases against Santander Consumer Bank S.A. and 708 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Polska Group raised provisions in the total amount of PLN 124k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 27k and provisions raised by Santander Bank Polska S.A in the amount of PLN 96k.

On 11.09.2019, the CJEU issued a ruling in case C 383/18, in which it held that pursuant to Directive 2008/48/EC of the European Parliament and of the Council the in the event of early repayment of the loan, consumer is entitled to an equitable reduction in the total cost of the credit, irrespective of whether such costs are linked to the lending period.

On 12.12.2019 The Supreme Court issued a ruling in case III CZP 45/19 in which it held that the interpretation of art. 49 of the Consumer Credit Act indicates that the arrangement fee should be refunded in the event of early repayment of the loan. At the same time, the Supreme Court did not indicate how the fee is related to the period by which the duration of the contract was shortened and what part of the fee is covered by the period of which the duration of the contract was shortened. It is important to settle the interpretation of national law, which will indicate the method and the time horizon of settlements.

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 taking in to account interpretation differences.

29. Legal risk connected with CHF mortgage loans

As at 31 March 2022, the Group had retail exposures of PLN 9,126,692k (before adjustment to the gross carrying amount under IFRS 9 at PLN 1,930,945k) (PLN 9,265,163k as at 31 December 2021) in respect of mortgage loans denominated in and indexed to CHF.

Due to differences in the legal structure of these two types of loans and the underlying agreement templates, the assessment of legal risk varies.

There are differences in courts' rulings on loans indexed to or denominated in foreign currencies:

– rulings unfavourable to banks, which generally fall into two main categories: (1) judgments resulting in invalidation of the loan agreement due to the unfairness of the contested contractual terms (prevailing practice); (2) judgments resulting in the conversion of the loan to PLN meaning that due to the unfairness of the clause providing for loan indexation and application of an exchange rate from the bank's FX table the indexation mechanism is to be removed, and the loan concerned is to be treated as a PLN loan with an interest rate based on CHF LIBOR;

– rulings partially favourable to banks where loan indexation itself is deemed to be lawful but application of an exchange rate based on the bank's FX table is deemed to be unfair and as such it should be replaced by an objective indexation rate, i.e. an average NBP exchange rate. This may result in particular claims being admitted, but only in an amount equal to the FX differences close to the currency spread.

– rulings favourable to banks where conversion clauses are not deemed to be unfair and the case against the bank is dismissed.

In addition, due to the legal uncertainty described below, related to the lack of a conclusive position of the Supreme Court and the pending preliminary rulings of the Court of Justice of the European Union (CJEU), other types of rulings may also be expected in the ruling practice of common courts, especially first-instance courts, including those pointing to the absolute invalidity of the loan agreement due to unlawfulness of certain contractual provisions Currently, in the Group's opinion, such rulings do not have a material impact on the legal risk assessment of court cases related to CHF mortgage loans – due to their rarity, lack of confirmation in the ruling practice of higher courts, and the lack of well-established differences as to the practical consequences of such rulings compared to the prevailing ruling practice based on the concept of nullity of the contract due to the presence of unfair clauses (therefore, they are not reflected in the estimates of provisions for legal risk raised as at 31 March 2022).

The above differences result from several key rulings issued by the CJEU and the Supreme Court, which leave a margin of interpretation.

On 3 October 2019, the CJEU issued a ruling (C-260/18) regarding the consequences of potentially unfair terms in a CHF-indexed loan agreement. The ruling is of key importance to the current case law. The CJEU found that if the indexation clause is held to be unfair and if after the removal of the indexation mechanism the nature of the main subject matter of the agreement is likely to change, a national court may annul the agreement, having presented to the borrower the consequences of this solution and having obtained their consent. At the same time, according to the CJEU, the national court may decide that the agreement should continue in existence after the indexation 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 was deemed uncertain. The CJEU precluded the possibility to substitute unfair terms of the agreement with general provisions of the Polish law, but confirmed the possibility of replacing the gaps in the agreement with explicit supplementary provisions or other rules agreed by the parties.

Before the CJEU judgment was issued, the Supreme Court's stance as to the consequences of rendering the exchange rate calculation clause unfair was that indexed loan agreements are valid and lawful and the loan agreement, once the FX clause is eliminated, retains the features of an agreement on an indexed loan. In 2019, in some cases, the Supreme Court ruled that the indexation clause should be removed, and the agreement may be treated as an agreement on a PLN loan with an interest rate based on LIBOR. These rulings were an exception to the previous decisions made by the Supreme Court.

In its judgement of 11 December 2019 issued in the case against Santander Bank Polska S.A. (V CSK 382/18, justification published in April 2020), the Supreme Court decided that invalidation of indexation and continuation of the agreement as a PLN loan with a LIBOR-based interest rate is not permissible because indexation clauses are the element of the main contractual obligations of the parties, so their unfairness and elimination from the agreement makes the loan agreement invalid. This triggers the need for mutual settlements between the parties due to unjust enrichment. At the same time, the Supreme Court stated that the previous judgements of the CJEU do not preclude the bank from demanding compensation for unjustified (i.e. without an agreement) use of the loan principal as a result of invalidation of the agreement.

In its ruling of 16 February 2021 (III CZP 11/20), the Supreme Court stated that the borrower whose loan agreement is declared invalid may claim reimbursement of the sums paid to the bank irrespective of whether and to what extent they owe the amounts to the bank in respect of unduly received loan proceeds (two separate claims theory). At the same time, the Supreme Court held that there are legal instruments in place, such as set-off and the right of retention, which make it possible to concurrently account for mutual settlements in relation to unjust enrichment following the invalidation of the loan agreement.

In the Group's opinion, another important development affecting the ruling practice was the CJEU judgment issued on 29 April 2021 (C-19/20), in which the CJEU indicated that the purpose of Directive 93/13/EEC on unfair terms in consumer contracts was not to annul the credit agreement, but to restore the contractual balance, and noted that when assessing the effects of unfairness of a contract, the court should take into account objective criteria, not only the consumer's situation. In addition, the CJEU stated that in order to ensure that the contract can continue in existence, the court should apply all available measures, including an analysis of the possibility of removing only some of the clauses considered unfair; at the same time, the national court should not change the substance of the contractual obligation. The CJEU confirmed that the court should always inform the consumer of all potential claims that the bank might have due to possible annulment of the contract (the majority of courts do not meet this requirement). At the same time, the CJEU did not respond to questions regarding potential claims of the bank towards the borrower, which may indicate that these claims are outside the CJEU's remit and their assessment is exclusively subject to the national law.

In its resolution of 7 May 2021 (III CZP 6/21) adopted by a bench of seven judges (and having the force of a legal rule), the Supreme Court stated that the parties may make unjust enrichment claims in the event of annulment of the loan agreement, with the settlement being made in accordance with the two separate claims theory (confirming the position expressed in the ruling of 16 February 2021). The Supreme Court confirmed that banks may pursue their claims towards borrowers as part of the lawsuits filed by customers based on the alleged set-off or retention. The Supreme Court also pointed out that the limitation of the bank's claims for return of unjust enrichment may not commence until the contract is considered permanently ineffective, i.e. until the consumer takes an informed decision as to invalidity of the contract, after they have been duly informed about the unfairness of contractual provisions and the related effects.

Despite the above resolution adopted by the Supreme Court (having the force of a legal rule) there are still doubts as to disputes regarding loans linked to a foreign currency.

Notwithstanding the resolution of 7 May 2021, in 2021 the Supreme Court was expected to take – at the request of the First President of the Supreme Court (III CZP 11/21) – a position in the form of a resolution of the entire Civil Chamber on the key aspects of the disputes (i.e. the possibility for a loan agreement to continue in existence after removal of the unfair clauses, as well as the consequences of possible invalidation of the entire agreement, including the basic principles of settlements between the borrower and the bank in this regard). The position of the Supreme Court was to clarify the discrepancies and harmonise the case law with respect to foreign currency loans. The Supreme Court met several times, with the last session taking place on 2 September 2021. However, the resolution was not adopted, and the Supreme Court requested a preliminary ruling from the CJEU on the constitutional issues. The date of adopting the resolution is not known.

On 2 September 2021, the CJEU issued another judgment (C-932/19) concerning loans based on a foreign currency (case against a Hungarian bank) in which it confirmed that pursuant to Directive 93/13/ECC the objective is to restore the balance between the parties while preserving the validity of the agreement, and that the situation of one of the parties cannot be regarded by the court as the decisive criterion determining the fate of the agreement. At the same time, the CJEU confirmed that in order to uphold the agreement it is necessary to refer to the national legislation (supplementary provisions) which will ensure due performance of the agreement even if the borrower objects to it or if such legislation was not effective at the time the agreement was made.

In its judgment of 18 November 2021 on a loan indexed to a foreign currency (C-212/20), the CJEU held that the loan agreement must precisely define the criteria for determination of an exchange rate so that a consumer can evaluate the economic consequences of the agreement. The CJEU also stated that the agreement may continue in existence based on a supplementary provision only if its annulment could expose the consumer to unfavourable consequences. It further upheld its stance previously presented in its judgment of 3 October 2019 that gaps in the agreement cannot be filled on the basis of national provisions of a general nature which refer to the principle of equity or established customs. The CJEU reiterated that supplementary provisions or applicable provisions may be used where the parties to the agreement so agree.

Although the CJEU judgments indicate the primacy of the resolution under which the agreement should continue in existence and the balance between the parties should be restored, the majority of court decisions continue to be unfavourable to the Group.

There are also other issues pending the CJEU judgement that are relevant to the ruling practice concerning loans indexed to or denominated in a foreign currency. In August 2021, the District Court for Warsaw–Śródmieście requested a preliminary ruling from the CJEU on the settlement of benefits arising from the non-contractual use of the capital in the case of annulment of the agreement pursuant to Directive 93/13/EEC on unfair terms in consumer contracts. In November 2021, the Regional Court in Warsaw asked the CJEU to give a preliminary ruling on the commencement of the limitation of claims for return of considerations following the annulment of the agreement and the possibility to exercise the right of retention by the entity (where the return of the considerations received from the consumer would only be possible if the consumer offered to return or secured the return of the considerations received from the entity). In January 2022, new requests for preliminary rulings were submitted to the CJEU by the Regional Court in Kraków (regarding the possibility to exercise the right of retention as part of settlement of an annulled agreement) and by the District Court for Warsaw-Śródmieście (regarding the legal basis for invalidation of a loan agreement and the resulting settlements as well as the effect of a contractual clause being entered in the register of unfair clauses in the course of an abstract review in relation to individual court proceedings).

Pending the CJEU judgment are also the questions referred for a preliminary ruling by the District Court for Warsaw-Wola concerning the scope of application of Directive 93/13/ECC on unfair terms in consumer contracts (whether it includes the settlement of an invalid agreement) and the importance of the consumer's will for the court adjudicating on invalidation of the agreement. In October 2020, the District Court for Warsaw-Śródmieście requested a preliminary ruling from the CJEU on: the possibility to apply supplementary provisions of national law to fill the gaps caused by the removal of the unfair terms, the commencement of the limitation of the consumer's claims for return of considerations resulting from the annulment of the agreement, possibility to remove only a part of the clause considered to be unfair and modify by interpretation the part of the agreement that has not been considered unfair (for the agreement to continue in existence).

It is still difficult to assess the potential impact of the CJUE judgments on rulings of Polish courts in cases regarding foreign currency loans. To date, the Supreme Court has not taken a position to clarify the discrepancies and harmonise the case law with respect to foreign currency loans.

As there is no uniform ruling practice and – in the Management Board's opinion – it is not possible to predict the Supreme Court's decisions on individual cases, as at the date of these financial statements the Group estimated legal risk associated with the portfolio of loans indexed to and denominated in a foreign currency using a model which considers different possible judgments (in the form of adjustment to the gross carrying amount for active exposures or provisions for inactive exposures), including those which are the subject of the request for the resolution of the entire Civil Chamber of the Supreme Court. The Group is monitoring court decisions taken with regard to foreign currency loans in terms of changes in the ruling practice.

In December 2020, the Chairman of the Polish Financial Supervision Authority (KNF) presented a proposal for voluntary settlements between banks and borrowers under which CHF loans would be retrospectively settled as PLN loans bearing an interest rate based on WIBOR plus margin. The Bank has been testing such settlements in relation to different customer groups in parallel with own settlement solutions. The tests will need to be continued due to lingering legal uncertainty and unstable economic environment caused by interest rate hikes. The overall outcome of tests and analyses will be a significant factor for the Bank to decide whether or not to roll out the settlement process. As the final decision in that respect might have a large impact on the Group's financial position, consent from the General Meeting will be required. If the settlement process is started, additional scenarios will be included in the models for calculation of provisions for legal risk and the estimated impact of settlements on the level of those provisions will be reflected accordingly.

In view of the above, the Group identified the risk that the scheduled cash flows from the portfolio of mortgage loans denominated in and indexed to foreign currencies might not be fully recoverable and/or that a liability might arise, resulting in a future cash outflow. Total cumulative impact of legal risk associated with foreign currency mortgage loans is recognised in line with the requirements arising from:

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

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

As at 31 March 2022, there were 9,476 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 2,471,738k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 534 CHF-indexed loans, with the disputed amount of PLN 50,983k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 31 March 2022, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 2,116,735k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 1,930,945k (including PLN 1,521,410k in the case of Santander Bank Polska S.A. and PLN 409,535k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 185,790k (including PLN 133,951k in the case of Santander Bank Polska S.A. and PLN 51,840k in the case of Santander Consumer Bank S.A.)

The tables below present the total cost of legal risk connected with mortgage loans recognised in the Group's income statement and the statement of financial position:

In thousand PLN

Cost of legal risk associated with foreign currency mortgage loans	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(60 612)	(164 462)
Impact of legal risk associated with foreign currency mortgage loans recognised as provision	(219)	(28 766)
Other costs	(35 629)	(13 463)
Total cost of legal risk associated with foreign currency mortgage loans	**(96 460)**	**(206 691)**

	31.03.2022	31.12.2021
Adjustment to gross carrying amount due to legal risk connected with foreign currency mortgage loans	1 930 945	1 859 075
Provision in respect of legal risk connected with foreign currency mortgage loans	185 790	176 058
Total cumulative impact of legal risk associated with foreign currency mortgage loans	**2 116 735**	**2 035 133**

Total adjustment to the gross carrying amount and provisions for legal risk and legal provisions (for legal claims and a collective portion) account for 23.2% of the active portfolio of CHF loans.

The Group used a statistical model to estimate the likelihood of claims being made by borrowers in relation to both active and repaid loans based on the existing claims against the Group and the estimated growth in their number. The model assesses a lifetime risk and is based on a range of behavioural characteristics related to the loan and the customer. The Group assumes that lawsuits have been or will be filed against the Group in relation to approx. 19.7% of loans (active and repaid). These assumptions are highly sensitive to a number of external factors, including but not limited to the ruling practice of Polish courts, the level of publicity around individual rulings, measures taken by the mediating law firms and the cost of proceedings. The Group expects that most of the lawsuits will be filed by mid-2023, and then the number of new claims will drop as the legal environment will become more structured.

For the purpose of calculation of provisions, the Group also estimated the likelihood of possible court rulings for existing and potential lawsuits. The likelihood of unfavourable ruling for the Group is higher for indexed loans and lower for denominated loans. The Group also considered the disproportion in rulings issued by first and second instance courts, the relatively low number of final and non-appealable judgments and protracted proceedings in some courts. As at 31 March 2022, 277 final and non-appealable judgments were issued in cases against the Group (including those passed after the CJEU ruling of 3 October 2019), of which 241 were unfavourable to the Bank, and 36 were entirely or partially favourable to the Bank (compared to 175 judgments as at 31 December 2021, including 148 unfavourable ones and 27 entirely or partially favourable). When assessing these likelihoods, the Group used the support of law firms and conducted thorough analysis of the ruling practice in cases concerning indexed and denominated loans.

30. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	26.04.2022	23.02.2022	26.04.2022	23.02.2022	26.04.2022	23.02.2022	26.04.2022	23.02.2022
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,01%	5 123 581	5 123 581	5,01%	5,01%
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
Total	**102 189 314**	**102 189 314**	**100%**	**100%**	**102 189 314**	**102 189 314**	**100%**	**100%**

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

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total numer of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 1Q 2022 /26.04.2022/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

31. Capital Adequacy

The capital requirements of Santander Bank Polska Capital Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), as amended, inter alia, by CRR II, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, which was the official legal basis as at 31.03.2022.

In thousand PLN

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

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

		a	b	c	d	e
		31.03.2022	31.12.2021*	30.09.2021	30.06.2021	31.03.2021
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	21 838 048	23 141 977	24 555 302	25 127 766	25 411 155
2	Tier 1 capital	21 838 048	23 141 977	24 555 302	25 127 766	25 411 155
3	Total capital	24 438 171	25 778 873	27 231 229	27 787 749	28 143 290
Risk-weighted exposure amounts						
4	Total risk exposure amount	134 884 116	135 344 122	133 605 850	131 302 855	134 692 447
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	16,19%	17,10%	18,38%	19,14%	18,87%
6	Tier 1 ratio (%)	16,19%	17,10%	18,38%	19,14%	18,87%
7	Total capital ratio (%)	18,12%	19,05%	20,38%	21,16%	20,89%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,02%	0,02%	0,02%	0,02%	0,02%
EU 7b	of which: to be made up of CET1 capital (%)	0,00%	0,00%	0,01%	0,01%	0,01%
EU 7c	of which: to be made up of Tier 1 capital (%)	0,01%	0,01%	0,00%	0,00%	0,00%
EU 7d	Total SREP own funds requirements (%)	8,03%	8,03%	8,03%	8,03%	8,03%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer (%)	0,75%	0,75%	0,75%	0,75%	0,75%
11	Combined buffer requirement (%)	3,26%	3,26%	3,26%	3,26%	3,26%
EU 11a	Overall capital requirements (%)	11,29%	11,29%	11,29%	11,29%	11,29%
12	CET1 available after meeting the total SREP own funds requirements (%)	13 606 976 884	14 910 740 026	16 498 869	17 210 204	-
Leverage ratio						
13	Total exposure measure	255 778 223	253 598 723	247 729 473	239 903 946	245 850 785
14	Leverage ratio (%)	8,54%	9,13%	9,91%	10,47%	10,34%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	na
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	na
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	70 982 475	70 328 417	68 378 215	66 061 005	61 851 300
EU 16a	Cash outflows - Total weighted value	40 817 190	39 576 331	39 068 606	38 428 389	37 430 609
EU 16b	Cash inflows - Total weighted value	7 269 341	7 151 124	6 934 581	6 760 679	7 013 594
16	Total net cash outflows (adjusted value)	33 547 849	32 425 207	32 134 025	31 667 711	30 407 306
17	Liquidity coverage ratio (%)	212%	217%	213%	209%	203%
Net Stable Funding Ratio						
18	Total available stable funding	184 206 100	183 370 235	175 779 608	175 235 797	-
19	Total required stable funding	121 555 988	119 348 687	118 662 479	115 161 547	-
20	NSFR ratio (%)	152%	154%	148%	152%	-

*including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

In thousand PLN

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

		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		a	b	c	d	e	f
		31.03.2022	31.03.2022	31.12.2021*	30.09.2021	30.06.2021	31.03.2021
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	31 658 764	31 658 764	29 300 156	27 819 189	28 339 137	28 705 770
EU-1a	Of which own funds and subordinated liabilities	26 954 139					
2	Total risk exposure amount of the resolution group (TREA)	134 884 116	134 884 116	135 344 122	133 605 850	131 302 855	134 692 447
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	23,47%	23,47%	21,65%	20,82%	21,58%	21,31%
EU-3a	Of which own funds and subordinated liabilities	19,98%					
4	Total exposure measure of the resolution group	255 778 223	255 778 223	253 598 723	247 729 473	239 903 946	245 850 785
5	Own funds and eligible liabilities as percentage of the total exposure measure	12,38%	12,38%	11,55%	11,23%	11,81%	11,68%
EU-5a	Of which own funds or subordinated liabilities	10,54%					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		no	no	no	no	no
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		4 704 625	3 383 603	481 144	469 934	501 738
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		-	27,38%	-	-	-
Minimum requirement for own funds and eligible liabilities (MREL)							
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	11,73%					
EU-8	Of which to be met with own funds or subordinated liabilities	9,73%					
EU-9	MREL requirement expressed as percentage of the total exposure measure	3,00%					
EU-10	Of which to be met with own funds or subordinated liabilities	3,00%					

*including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

In thousand PLN

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

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31.03.2022	31.12.2021**	31.03.2022
1	**Credit risk (excluding CCR)**	**112 290 877**	**114 201 934**	**8 983 270**
2	Of which the standardised approach	112 290 877	114 201 934	8 983 270
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**3 848 527**	**2 784 164**	**307 882**
7	Of which the standardised approach	2 838 582	2 214 204	227 087
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	99 002	64 969	7 920
EU 8b	Of which credit valuation adjustment - CVA	458 035	373 589	36 643
9	Of which other CCR	452 908	131 403	36 233
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**599 176**	**346 937**	**47 934**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	599 176	346 937	47 934
EU 19a	Of which 1250% / deduction *	571 194	447 727	45 696
20	**Position, foreign exchange and commodities risks (Market risk)**	**2 466 563**	**2 383 958**	**197 325**
21	Of which the standardised approach	2 466 563	2 383 958	197 325
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**15 678 974**	**15 627 129**	**1 254 318**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	15 678 974	15 627 129	1 254 318
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	8 130 459	8 385 345	650 437
29	**Total**	**134 884 116**	**135 344 122**	**10 790 729**

* In row EU 19a institution disclose the own funds requirement for securitisation exposures on the non-trading book deducted from own funds in accordance with Chapter 5 of Title II of Part Three CRR. This own funds requirement is deducted from own funds and does not generate risk-weighted assets (RWAs) with risk-weigh at 1 250 %.

** Including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines.

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

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

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

From June 2020, Santander Bank Polska Group applied the updated rules for transitional arrangements related to IFRS 9 in accordance with the Regulation of the European Parliament and of the Council (EU) 2020/873 of 24 June 2020. Based on the changes resulting from the above-mentioned Regulation and Art. 473a (7a) from June 2020 The Group uses a derogation in the form of assigning a risk weight equal to 100% to the adjustment value included in own funds.

Below, Santander Bank Polska Group has disclosed own funds, capital ratios, as well as the leverage ratio, both including and excluding application of transitional solutions stemming from Article 473a of Regulation (EU) No 575/2013 in accordance with Guidelines EBA/GL/2020/12 from 11 August 2020 amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic.

In thousand PLN

	Available capital (amounts)	31.03.2022	31.12.2021*	30.09.2021	30.06.2021	31.03.2021
1	Common Equity Tier 1 (CET1) capital	21 838 048	23 141 977	24 555 302	25 127 766	25 411 155
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21 637 258	22 828 513	24 267 432	24 839 896	25 123 285
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	21 838 048	23 141 977	24 555 302	25 127 766	25 411 155
3	Tier 1 capital	21 838 048	23 141 977	24 555 302	25 127 766	25 411 155
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21 637 258	22 828 513	24 267 432	24 839 896	25 123 285
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	21 838 048	23 141 977	24 555 302	25 127 766	25 411 155
5	Total capital	24 438 171	25 778 873	27 231 229	27 787 749	28 143 290
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 236 961	25 465 144	26 943 093	27 499 612	27 855 152
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	24 438 171	25 778 873	27 231 229	27 787 749	28 143 290
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	134 884 116	135 344 122	133 605 850	131 302 855	134 692 447
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	134 783 023	135 082 733	133 481 966	131 178 972	134 568 563
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16,19%	17,10%	18,38%	19,14%	18,87%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,05%	16,90%	18,18%	18,94%	18,67%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16,19%	17,10%	18,38%	19,14%	18,87%
11	Tier 1 (as a percentage of risk exposure amount)	16,19%	17,10%	18,38%	19,14%	18,87%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,05%	16,90%	18,18%	18,94%	18,67%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16,19%	17,10%	18,38%	19,14%	18,87%
13	Total capital (as a percentage of risk exposure amount)	18,12%	19,05%	20,38%	21,16%	20,89%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,98%	18,85%	20,18%	20,96%	20,70%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18,12%	19,05%	20,38%	21,16%	20,89%
	Leverage ratio					
15	Leverage ratio total exposure measure	255 778 223	253 598 723	247 729 473	239 903 946	245 850 785
16	Leverage ratio	8,54%	9,13%	9,91%	10,47%	10,34%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,46%	9,01%	9,81%	10,36%	10,23%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,54%	9,13%	9,91%	10,47%	10,34%

*including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

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

In thousand PLN

33. Liquidity measures

The table below presents the liquidity coverage ratio information.

		a	b	c	d
		Total unweighted value (average)			
EU 1a	**Quarter ending on**	**31.03.2022**	**31.12.2021**	**30.09.2021**	**30.06.2021**
EU 1b	**Number of data points used in the calculation of averages**	**12**	**12**	**12**	**12**
	CASH - OUTFLOWS				
2	**Retail deposits and deposits from small business customers, of which:**	**130 669 051**	**128 491 942**	**126 080 865**	**124 256 634**
3	*Stable deposits*	*82 195 587*	*80 957 649*	*78 961 475*	*76 330 470*
4	*Less stable deposits*	*43 994 757*	*42 795 093*	*41 779 189*	*41 069 411*
5	**Unsecured wholesale funding**	**49 433 200**	**47 979 510**	**46 383 905**	**44 631 079**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-
7	*Non-operational deposits (all counterparties)*	*48 528 854*	*47 338 499*	*45 824 456*	*44 299 569*
8	*Unsecured debt*	*904 346*	*641 011*	*559 449*	*331 510*
9	**Secured wholesale funding**				
10	**Additional requirements**	**28 496 681**	**28 276 188**	**28 429 740**	**28 227 266**
11	*Outflows related to derivative exposures and other collateral requirements*	*2 489 649*	*2 466 537*	*2 632 893*	*2 808 670*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*26 007 032*	*25 809 651*	*25 796 848*	*25 418 596*
14	**Other contractual funding obligations**	**965 133**	**1 152 290**	**1 370 713**	**1 592 788**
15	**Other contingent funding obligations**	**15 435 547**	**14 931 506**	**14 615 329**	**14 140 740**
16	**TOTAL CASH OUTFLOWS**				
	CASH - INFLOWS				
17	**Secured lending (e.g. reverse repos)**	**586 500**	**466 656**	**434 214**	**327 853**
18	**Inflows from fully performing exposures**	**7 104 797**	**7 388 529**	**7 360 701**	**7 161 291**
19	**Other cash inflows**	**1 168 450**	**809 113**	**683 301**	**726 386**
EU-19a	**(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)**				
EU-19b	**(Excess inflows from a related specialised credit institution)**				
20	**TOTAL CASH INFLOWS**	**8 859 747**	**8 664 298**	**8 478 216**	**8 215 530**
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*8 859 747*	*8 664 298*	*8 478 216*	*8 215 530*

In thousand PLN

		E	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	31.03.2022	31.12.2021	30.09.2021	30.06.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	Total high-quality liquid assets (HQLA)	70 982 475	70 328 417	68 378 215	66 061 005
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	10 364 807	10 120 380	9 858 735	9 618 573
3	*Stable deposits*	*4 109 779*	*4 047 882*	*3 948 074*	*3 816 524*
4	*Less stable deposits*	*6 255 028*	*6 072 498*	*5 910 661*	*5 802 049*
5	Unsecured wholesale funding	24 464 080	23 285 878	22 508 154	21 775 291
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-
7	*Non-operational deposits (all counterparties)*	*23 559 734*	*22 644 866*	*21 948 705*	*21 443 782*
8	*Unsecured debt*	*904 346*	*641 011*	*559 449*	*331 510*
9	Secured wholesale funding	-	-	-	-
10	Additional requirements	4 635 953	4 715 350	5 002 672	5 117 553
11	*Outflows related to derivative exposures and other collateral requirements*	*2 489 649*	*2 466 537*	*2 632 893*	*2 808 670*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*2 146 304*	*2 248 813*	*2 369 779*	*2 308 884*
14	Other contractual funding obligations	598 380	783 346	1 033 978	1 263 530
15	Other contingent funding obligations	753 970	671 378	665 068	653 442
16	TOTAL CASH OUTFLOWS	40 817 190	39 576 331	39 068 606	38 428 389
	CASH - INFLOWS				
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	6 100 891	6 342 011	6 251 280	6 034 293
19	Other cash inflows	1 168 450	809 113	683 301	726 386
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	TOTAL CASH INFLOWS	7 269 341	7 151 124	6 934 581	6 760 679
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*7 269 341*	*7 151 124*	*6 934 581*	*6 760 679*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	70 982 475	70 328 417	68 378 215	66 061 005
22	TOTAL NET CASH OUTFLOWS	33 547 849	32 425 207	32 134 025	31 667 711
23	LIQUIDITY COVERAGE RATIO	212%	217%	213%	209%

Main factors impacted on Liquid Coverage Ratio (LCR) are:

- on the side of outflows subseqently: retail deposits, non-operational deposits from corporates, additional outflows due to the impact of an adverse market scenario on derivatives transactions, credit committed facilities and outflows from trade finance off-balance sheet related products;

- on the side of inflows: monies from financial institutions (interbank loans and loans to central bank);

- on the side of liquid assets subsequently: Treasury Bonds or bonds fully guaranteed by Central Government (including those issued by state-owned institutions within anti-crisis programmes during the pandemic of covid 19), central bank's bills, cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve.

The above factors maintain stable in time. However it should be emphasized that the share of retail deposits in total outflows have raised during the pandemic of covid 19.

In thousand PLN

Disclosed LCR in March 2022 remains on stable and historical high level, much above both the regulatory and internal Group's limits. The crucial factor is still increase in customers' current aacounts (especially in 'stable retail deposits' category), allocated mainly in high quality liquid assets.

In line with the Liquidity Risk Policy, the Group prudently manages an appropriately diversified deposit base. Financing is mostly based on the current accounts of individual clients and enterprises, mainly non-financial. The Group also focuses on increasing the level of diversification of long-term financing sources, expanding its presence on wholesale markets by issuing debt and taking long-term loans on the financial market. A significant, but much smaller than the aforementioned, part of financing are own issues in the form of both subordinated and ordinary debt. It should be noted that in March 2022, the Bank issued EUR 500 million of the EMTN. The Group attempts to reduce financing from secured lending transactions.

General description of the institution's liquidity buffer structure:

High quality liquid assets (HQLAs) consists of: extremely liquid securities (mainly Treasury Bonds or bonds fully guaranteed by Central Government), central bank assets (including NBP bills), cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve. As of March 2022, 31st the above mentioned categories accounted for 88.4%, 6.2%, 5.4% and 0%, respectively, of the liquid buffer. All components of liquid buffer are recognized as level 1 of liquid assets.

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

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

Notwithstanding the fulfillment of the required LCR limits at the aggregated level for all currencies, the Group maintains the LCR ratio above 100% for the domestic currency (PLN). In the case of the second currency identified as significant within the meaning of the CRR provisions, the occurring mismatches are additionally monitored as part of the adjusted gap analysis and stress scenarios for the EUR currency. The Bank has the option of adjusting the liquidity position in EUR by acquiring liquid funds in this currency on the wholesale financial market, including, inter alia, FX swap transactions on dates beyond the LCR horizon (i.e. over 30 days).

The Group finances its activities to a limited extent using secured lending instruments. However, based on existing provisions in the aggrements with suppliers of such the funding, the potential maximum amount of additional collaterals in the event of rating downgrade by 1 notch (to BBB) would be PLN 32m as of March 2022, 31st.It should be emphasized that the aforementioned potential liability is not unconditional and its final amount would depend on the result of negotiations between the Bank and the suppliers of the above-mentioned funding.

34. Related parties

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

Transactions with associates	31.03.2022	31.12.2021
Assets	**229**	**63**
Loans and advances to customers	171	-
Other assets	58	63
Liabilities	**50 468**	**50 783**
Deposits from customers	50 410	50 708
Other liabilities	58	75

In thousand PLN

Transactions with associates	1.01.2022-31.03.2022	1.01.2021-31.03.2021
Income	**11 669**	**9 634**
Fee and commission income	11 667	9 634
Other operating income	2	-
Expenses	**212**	**1**
Interest expense	212	1

Transactions with Santander Group	with the parent company		with other entities	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Assets	**3 950 002**	**2 205 680**	**15 214**	**28 379**
Loans and advances to banks, incl:	955 258	406 371	11 480	20 773
Current accounts	*566 633*	*406 371*	*11 480*	*20 773*
Loans and advances	*388 625*	-	-	-
Financial assets held for trading	2 993 127	1 797 764	-	-
Other assets	1 617	1 545	3 734	7 606
Liabilities	**10 287 795**	**7 643 555**	**264 830**	**254 932**
Deposits from banks incl.:	890 857	1 879 707	156 516	119 507
Current accounts	*91 573*	*138 571*	*156 516*	*119 507*
Loans from other banks	*799 284*	*1 741 136*	-	-
Financial liabilities held for trading	3 101 295	1 850 935	-	-
Deposits from customers	-	-	69 343	84 647
Lease liabilities	-	-	25	25
Debt securities in issue	6 284 042	3 910 233	-	-
Other liabilities	11 601	2 680	38 946	50 753
Income	**210 360**	**365 524**	**4 673**	**8 717**
Interest income	(305)	(2 825)	2	20
Fee and commission income	3 819	8 633	438	280
Other operating income	53	1 172	4 032	8 417
Net trading income and revaluation	206 793	358 544	201	-
Expenses	**21 243**	**67 067**	**30 770**	**105 416**
Interest expense	7 919	22 354	413	13
Fee and commission expense	2 030	7 811	227	697
Net trading income and revaluation	-	-	-	246
Operating expenses incl.:	11 294	36 902	30 130	104 460
Staff,Operating expenses and management costs	*11 292*	*36 837*	*30 130*	*104 460*
Other operating expenses	*2*	*65*	-	-
Contingent liabilities	**3 975 454**	**5 325 641**	**43 675**	**64 355**
Sanctioned:	-	-	11 840	32 536
guarantees	-	-	*11 840*	*32 536*
Received:	3 975 454	5 325 641	31 835	31 819
guarantees	*3 975 454*	*5 325 641*	*31 835*	*31 819*

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

The monetary policy tightening cycle started by the National Bank of Poland in 2021 and continued in 2022 (by increasing the level of interest rates) resulted in a further increase in the profitability of the debt securities portfolio and, consequently, a decrease in the valuation of those securities.

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

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

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

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

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

As at 31.03.2022 and 31.12.2021 Santander Bank Polska and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Notes 8 and 12.

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

As at 31.03.2022 and 31.12.2021 or Santander Bank Polska S.A. or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

41. Acquisitions and disposals of investments in subsidiaries and associates

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

42. Dividend per share

The Management Board's recommendation on the distribution of profit for 2021 and undistributed profit for 2019.

The Management Board of Santander Bank Polska S.A. informed that on 31 March 2022 it issued a recommendation on the distribution of profit for 2021 and undistributed profit for 2019. The recommendation was approved by the Bank's Supervisory Board.
In line with the decision taken, the Bank's Management Board recommended that the profit of PLN 915,877,566.59 for 2021 be distributed as follows:

- PLN 273,867,361.52 to be allocated to dividend for shareholders;
- PLN 457,938,783.30 to be allocated to reserve capital;

- PLN 184,071,421.77 to be kept undistributed.
- the undistributed profit of PLN 1,056,761,994.64 for 2019 be allocated to the Dividend Reserve created by force of resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve.

In addition, the Management Board recommends that the dividend to be paid out of the profit earned in 2021 should include 102,189,314 shares of series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O; the Dividend will represent 29.90% of the net profit earned in 2021; the Dividend per share will be PLN 2.68; the Dividend record date will be 25 May 2022 and the Dividend will be paid on 1 June 2022.
The Bank's Management Board and Supervisory Board will present this proposal along with the recommendation at the next Bank's Annual General Meeting.

The Bank hereby informed that:

1. Pursuant to Article 349 § 1 of the Commercial Companies Code and § 50(4) of the Bank's Statutes, and based on Management Board resolution no. 175/2021 of 1 September 2021 and Supervisory Board resolution no. 122/2021 of 1 September 2021, on 15 October 2021 the Bank paid interim dividend of PLN 220,728,918.24 ("Interim Dividend"). The Interim Dividend included 102,189,314 shares (one hundred two million one hundred eighty-nine thousand and three hundred fourteen) of series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O. The Interim Dividend per share was PLN 2.16 and the record date for the Interim Dividend was 8 October 2021.
2. The Interim Dividend was paid from the Dividend Reserve created by force of resolution of the Annual General Meeting no. 6/2021 of 22 March 2021 from the part of the net profit earned by the Bank in 2020; it does not reduce the Dividend to be paid out to shareholders.

When taking its decision, the Management Board took into account the current macroeconomic environment as well as the recommendations and current position of the Polish Financial Supervision Authority (KNF), including that outlined in the KNF's letter of 23 February 2022, of which the Bank informed in its current report no. 5/2022 of 23 February 2022, as well as the position outlined in the letter of 9 March 2020 confirming the Bank's compliance with the criteria for paying a dividend from the profit earned in 2019, of which the Bank informed in its current report no. 4/2020 of 10 March 2020.
The profit distribution recommended to the Annual General Meeting will not preclude the Management Board's potential decision to distribute profit to the shareholders in the form of interim dividend and to use the Dividend Reserve for that purpose in H2 2022 pursuant to the authorisation given to the Management Board in accordance with § 50(4) of the Bank's Statutes.

That will be contingent in particular on the positive opinion of the KNF as well as economic situation and market conditions.

The Management Board's potential decision to pay an interim dividend in H2 2022 will also require the approval of the Supervisory Board.

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

Change of classification of specific bonds portfolio

In the first quarter of 2022 the Management of the Bank performed a review of its asset and liability management policy.

Considering the following external factors observable in the economy and markets and constituting a material change of a scenario for inflation and interest rates in Poland:

- An unprecedented increase in inflation expectations globally and locally;
- Significant acceleration in interest rate increases with more increases expected;
- Russian invasion in Ukraine resulting in headwinds to economic growth and fuelling global inflationary pressure further;
- Highly increased volatility of the Polish currency and interest rates;
- Polish inflation forecasts adjusted significantly upwards and for a longer period;

the Management identified the necessity to revise the existing strategy and related business model regarding the management of customer deposits.

The Bank's business model strategy for customer deposits has assumed to-date that any deposit including all current accounts, regardless of its existing price characteristics, may be subject to repricing risk and its price is linked to prevailing market rates depending on market conditions and/or the liquidity position of the Bank. This in turn has had a direct impact on the ALCo business model, which in the past was limited to investments into assets classified as Held To Collect and for Sale ("HTC&S"). The option to sell these assets and reinvest was required for the Bank to be able to manage and protect the net interest margin in case the deposits would need to be remunerated.

The analyses performed by the Management resulted in the following conclusions. The stable part of the current accounts, including retail current accounts and the *"Konto Jakie Chcę"* ("KJC") specifically, has been and remains the main source of interest rate risk in the liability side of the balance sheet (long-term fixed rate positions which are modelled by the Bank). As such, in order to manage risk in the balance sheet (to protect the balance sheet i.e. the market/economic value of equity - MVE) a corresponding fixed rate position is required in the asset side of the balance sheet. This can be obtained either by directly investing into fixed rate assets or via derivative hedging (via interest rate swaps). Given the excess liquidity of the Bank historically and specifically since the beginning of 2020 i.e. the start of Covid support programs leading to the excess liquidity across the market, the strategy has been to utilize the excess liquidity to purchase fixed rate assets to the ALCO portfolio. Given that in order to fund COVID support programs the Polish government decided BGK and PFR would issue long term bonds, the Bank decided to acquire them as part of the strategy mentioned above – which was reflected in a dedicated ALCo mandate for these securities valid from April 2020. The evolution of EVE sensitivity showed that the growth in current accounts had been constantly fuelling growth in risk exposure, and despite model recalibration to account for potential uncertainty regarding the pricing of these deposits the decision to purchase the COVID bonds was directly linked to the management of risk (management of rising EVE sensitivity exposure) resulting from the growth in stable PLN current accounts, including the KJC.

In the light of the increased repricing risk for the deposit base in general, given the change in macroeconomic conditions described above, the Bank decided to cease an element of its significant commercial activity to date, namely to resign from the possibility to remunerate the KJC account going forward. This was confirmed by formal decisions of the Asset and Liability Management Committee ("ALCo") and the Management Board of the Bank in March 2022.

The direct consequence of the change in strategy for these particular current accounts that will be managed differently going forward is simultaneously triggering a change in the investment strategy of the underlying assets. The protection strategy has to change as the fixed rate assets which hedge the interest rate risk exposure of the KJC portfolio have to be included in a new business model: Held To Collect ("HTC"). Under that strategy, the Bank invests in fixed rate assets which will be held to maturity to offset interest rate risk of this portfolio.

We have identified that the specific portfolio of fixed rate bonds described above should be reclassified to HTC model as the sale option is no longer valid for the purpose of the execution of the revised strategy. The bonds are invested on the basis that the core deposits (specifically KJC current accounts) are stable, therefore do not require reinvestment option. All bonds with required specification have been included in the revised business model.

All the criteria stipulated in IFRS 9 as required to implement a change in the business model have been fulfilled. It is infrequent, stimulated by external factors, considered to have significant impact for the business and visible for external parties. Also the decision about the change of the business model (and consequently the change of classification of financial instruments) has been made under the prescribed governance regime, with ALCo and the Management Board decisions.

Following the provisions of IFRS 9, as the decision on the change of the business model was made in the first quarter of 2022, and the Bank publishes interim financial statements on a quarterly basis, the reclassification will be included in the next interim financial report, i.e. for H1 2022, with effective date of implementation as at 01.04.2022.

The impact of the reclassification of specific financial instruments on the financial position of the Bank and its assets structure as at 01.04.2022 is as follows. Debt investment securities measured at fair value through other comprehensive income of PLN 10,521.72m have been reclassified and related fair value adjustment has been reversed, also related deferred tax asset of PLN 353.11m has been released. Debt investment securities measured at amortised cost of PLN 12,380.19m have been recognised. The changes resulted in the net other comprehensive income increase in the amount of PLN 1,505.36m.

Following the change of classification from HTC&S into HTC category in accordance with IFRS 9, the Bank is required to make the accounting entries in order to measure the portfolio of the bonds at the reclassification date as if it had always been measured at amortised cost. The portfolio has been reclassified at fair value and at the reclassification date the cumulative loss previously recognised in other comprehensive income was removed from equity and adjusted against the fair value of the portfolio of bonds. Deferred tax asset related to cumulative loss previously recognised in other comprehensive income was reversed accordingly. There were no significant expected credit losses recognised for respective bonds.

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

On 20.04.2022 the Management Board of Santander Bank Polska S.A. informed that it received an information that the Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny) adopted the Resolution of the Council of the Bank Guarantee Fund no. 14/2022 dated 12.04.2022 specifying the amount of PLN 192 168 701.92 as Bank's contribution to the resolution fund in 2022 (the amount includes the correction of the calculated contribution for 2020 and 2021).

In addition, the Bank informed that on 20.04.2022 it received an information about the amount of the contribution to the resolution fund in 2022 imposed on Santander Consumer Bank S.A. (the Bank's subsidiary) calculated in the Resolution of the BGF no. 14/2022 in the amount of PLN 16 781 610.84 (the amount includes the correction of the calculated contribution for 2020 and 2021).

In thousand PLN

Signatures of the persons representing the entity

Date	Name	Function	Signature
25.04.2022	Michał Gajewski	President	
25.04.2022	Andrzej Burliga	Vice-President	
25.04.2022	Juan de Porras Aguirre	Vice-President	
25.04.2022	Arkadiusz Przybył	Vice-President	
25.04.2022	Lech Gałkowski	Member	
25.04.2022	Patryk Nowakowski	Member	
25.04.2022	Carlos Polaino Izquierdo	Member	
25.04.2022	Maciej Reluga	Member	
25.04.2022	Dorota Strojkowska	Member	

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

Date	Name	Function	Signature
25.04.2022	Wojciech Skalski	Financial Accounting Area Director	