

Condensed Interim Financial Statements
of Santander Bank Polska SA
for the 6-month period
ended 30 June 2020

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I. Condensed income statement

	for the period:	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019* restated	1.01.2019- 30.06.2019* restated
Interest income and similar to interest		1 255 025	2 768 871	1 563 343	3 109 892
Interest income on financial assets measured at amortised cost		1 046 170	2 347 289	1 339 899	2 649 137
Interest income on financial assets measured at fair value through other comprehensive income		198 194	391 879	185 977	382 953
Income similar to interest - financial assets measured at fair value through profit or loss		10 661	29 703	37 467	77 802
Interest expenses		(195 294)	(478 725)	(387 816)	(763 109)
Net interest income	Note 6	1 059 731	2 290 146	1 175 527	2 346 783
Fee and commission income		477 616	983 772	507 272	989 602
Fee and commission expenses		(71 737)	(148 098)	(83 203)	(149 241)
Net fee and commission income	Note 7	405 879	835 674	424 069	840 361
Dividend income		106 869	107 212	250 608	585 991
Net gains/(losses) on subordinated entities		-	-	-	-
Net trading income and revaluation	Note 8	58 600	78 812	27 939	77 066
Gains (losses) from other financial securities	Note 9	26 188	53 877	63 238	95 662
Other operating income	Note 10	14 789	30 932	32 321	49 595
Impairment allowances for expected credit losses	Note 11	(340 010)	(737 062)	(253 273)	(432 902)
Operating expenses incl.:		(753 295)	(1 760 608)	(818 795)	(1 841 315)
-Staff, Operating expenses and management costs	Note 12,13	(522 422)	(1 361 874)	(650 387)	(1 527 605)
-Amortisation of property, plant and equipment and Intangible assets		(86 980)	(176 478)	(93 257)	(182 645)
-Amortisation of right of use asset		(39 738)	(80 720)	(42 169)	(82 508)
-Other operating expenses	Note 14	(104 155)	(141 536)	(32 982)	(48 557)
Tax on financial institutions		(141 185)	(277 662)	(140 959)	(284 282)
Profit before tax		437 566	621 321	760 675	1 436 959
Corporate income tax	Note 15	(119 413)	(236 460)	(150 834)	(279 749)
Profit for the period		318 153	384 861	609 841	1 157 210
Net earnings per share (PLN/share)					
Basic earnings per share		3,12	3,77	5,98	11,34
Diluted earnings per share		3,12	3,77	5,97	11,33

*details in note 2.4

II. Condensed statement of comprehensive income

	for the period:	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019* restated	1.01.2019- 30.06.2019* restated
Profit for the period		318 153	384 861	609 841	1 157 210
Other comprehensive income which can be transferred to the profit and loss net account:		427 702	465 011	175 049	186 961
Valuation and sales of debt securities measured at fair value through other comprehensive income gross		547 777	537 687	207 045	157 223
Deferred tax		(104 078)	(102 161)	(39 338)	(29 872)
Valuation of cash flow hedging instruments gross		(19 750)	36 401	9 065	73 593
Deferred tax		3 753	(6 916)	(1 723)	(13 983)
Other comprehensive income which can't be transferred to the profit and loss net account:		(69 739)	(69 707)	(10 763)	(10 761)
Valuation and sales of equity securities measured at fair value through other comprehensive income gross		(83 512)	(83 472)	(7 241)	(7 239)
Deferred and current tax		15 868	15 860	(3 522)	(3 522)
Provision for retirement allowances – actuarial gains/losses gross		(2 587)	(2 587)	-	-
Deferred tax		492	492	-	-
Total other comprehensive income for the period net		357 963	395 304	164 286	176 200
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		676 116	780 165	774 127	1 333 410

* details in Note 2.4.

III. Condensed statement of financial position

	as at:	30.06.2020	31.12.2019
ASSETS			
Cash and balances with central banks	Note 16	4 184 093	7 821 831
Loans and advances to banks	Note 17	3 937 724	3 851 564
Financial assets held for trading	Note 18	2 752 713	2 066 616
Hedging derivatives	Note 19	30 546	37 608
Loans and advances to customers incl.:	Note 20	118 932 497	118 356 427
- measured at amortised cost		117 029 139	116 566 001
- measured at fair value through other comprehensive income		1 135 482	923 811
- measured at fair value through profit or loss		767 876	866 615
Buy-sell-back transactions		2 169 867	1 851 171
Investment securities incl.:	Note 21	54 339 484	39 591 351
- debt securities measured at fair value through other comprehensive income		53 361 964	38 542 546
- debt securities measured at fair value through profit and loss		199 723	187 536
- equity securities measured at fair value through other comprehensive income		777 797	861 269
Assets pledged as collateral		59 981	30 737
Investments in subsidiaries and associates	Note 22	2 377 407	2 377 407
Intangible assets		641 359	718 532
Goodwill		1 688 516	1 688 516
Property, plant and equipment		585 995	630 233
Right of use asset		673 868	767 280
Net deferred tax assets		1 092 556	1 013 450
Assets classified as held for sale	Note 23	1 513	2 016
Other assets		834 577	666 748
Total assets		194 302 696	181 471 487
LIABILITIES AND EQUITY			
Deposits from banks	Note 24	2 100 031	1 506 141
Hedging derivatives	Note 19	1 585 839	979 550
Financial liabilities held for trading	Note 18	2 868 149	1 857 837
Deposits from customers	Note 25	154 407 464	144 760 017
Sell-buy-back transactions		59 956	30 774
Subordinated liabilities	Note 26	2 602 957	2 529 855
Debt securities in issue	Note 27	2 243 603	2 687 960
Lease liabilities		739 750	816 365
Current income tax liabilities		109 042	329 095
Provisions for off balance sheet credit facilities	Note 28	71 299	56 064
Other provisions	Note 29	318 419	256 508
Other liabilities	Note 30	2 236 830	1 483 735
Total liabilities		169 343 339	157 293 901
Equity			
Share capital		1 020 883	1 020 883
Other reserve capital		20 273 125	19 214 757
Revaluation reserve		1 710 484	1 315 180
Retained earnings		1 570 004	513 242
Profit for the period		384 861	2 113 524
Total equity		24 959 357	24 177 586
Total liabilities and equity		194 302 696	181 471 487

Notes presented on pages 9–45 constitute an integral part of this Financial Statements.

IV. Condensed statement of changes in equity

Statement of changes in equity				Retained earnings and profit for the period	
1.01.2020 - 30.06.2020	Share capital	Other reserve capital	Revaluation reserve		Total
As at the beginning of the period	1 020 883	19 214 757	1 315 180	2 626 766	24 177 586
Total comprehensive income	-	-	395 304	384 861	780 165
<i>Profit for the period</i>	-	-	-	384 861	384 861
<i>Other comprehensive income</i>	-	-	395 304	-	395 304
Profit allocation to other reserve capital	-	1 056 762	-	(1 056 762)	-
Share scheme charge	-	1 606	-	-	1 606
As at the end of the period	1 020 883	20 273 125	1 710 484	1 954 865	24 959 357

As at the end of the period revaluation reserve in the amount of PLN 1,710,484 k comprises: valuation of debt securities in the amount of PLN 1,156,028 k, valuation of equity securities in the amount of PLN 544,237 k, valuation of cash flow hedge activities in the amount of PLN 2,467 k and accumulated actuarial gains - provision for retirement allowances of PLN 7,752 k.

Statement of changes in equity				Retained earnings and profit for the period	
1.01.2019 - 30.06.2019	Share capital	Other reserve capital	Revaluation reserve		Total
Equity as at 31.12.2018	1 020 883	18 150 998	1 030 661	3 657 815	23 860 357
Effect of a change in the tax on financial institutions as a result of an adjustment to repo transactions	-	-	-	(47 331)	(47 331)
Settlement of acquisition of demerged part of Deutsche Bank Polska SA	-	(57 741)	-	40 324	(17 417)
Equity as at 1.01.2019 (restated)	1 020 883	18 093 257	1 030 661	3 650 808	23 795 609
Total comprehensive income	-	-	176 200	1 157 210	1 333 410
<i>Profit for the period</i>	-	-	-	1 157 210	1 157 210
<i>Other comprehensive income</i>	-	-	176 200	-	176 200
Profit allocation to other reserve capital	-	1 102 620	-	(1 102 620)	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)
Share scheme charge	-	5 519	-	-	5 519
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	22 312	(22 312)	-
As at the end of the period	1 020 883	19 201 396	1 229 173	1 670 403	23 121 855

As at the end of the period revaluation reserve in the amount of PLN 1,229,173 k comprises: valuation of debt securities in the amount of PLN 671,745 k, valuation of equity securities in the amount of PLN 553,841k, valuation of cash flow hedge activities in the amount of PLN (7,296) k and accumulated actuarial gains - provision for retirement allowances of PLN 10,883 k.

V. Condensed statement of cash flows

	for the period	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019* restated
Profit before tax		621 321	1 436 959
Total adjustments:			
Depreciation/amortisation		257 198	265 153
Profit from investing activities		(62 298)	(68 781)
Interest accrued excluded from operating activities		(281 231)	(277 608)
Dividends		(107 182)	(585 721)
Impairment losses (reversal)		40 677	17 460
Changes in:			
Provisions		77 146	17 292
Financial assets / liabilities held for trading		162 862	(61 623)
Assets pledged as collateral		(29 244)	240 298
Hedging derivatives		614 811	(111 136)
Loans and advances to banks		(31 791)	(487 615)
Loans and advances to customers		(2 912 514)	(3 701 361)
Deposits from banks		598 120	45 822
Deposits from customers		10 316 844	11 168
Buy-sell/ Sell-buy-back transactions		61 496	(1 771 434)
Other assets and liabilities		434 933	321 569
Interest received on operating activities		2 414 282	2 737 362
Interests paid on operating activities		(548 025)	(665 236)
Paid income tax		(628 345)	(379 601)
Net cash flows from operating activities		10 999 060	(3 017 033)
Inflows		2 361 426	3 019 562
Sale/maturity of investment securities		1 930 488	2 086 610
Sale of intangible assets and property, plant and equipment		4 617	36 851
Dividends received		98 199	585 601
Interest received		328 122	310 500
Outflows		(17 245 456)	(5 903 811)
Purchase of investment securities		(17 166 574)	(5 816 052)
Purchase of intangible assets and property, plant and equipment		(78 882)	(87 759)
Net cash flows from investing activities		(14 884 030)	(2 884 249)
Inflows		-	632 000
Debt securities in issue		-	632 000
Outflows		(889 007)	(3 296 441)
Debt securities buy out		(550 000)	(650 000)
Repayment of loans		(174 197)	(474 702)
Repayment of lease liability		(87 382)	(79 203)
Dividends to shareholders		-	(2 012 683)
Interest paid		(77 428)	(79 853)
Net cash flows from financing activities		(889 007)	(2 664 441)
Total net cash flows		(4 773 977)	(8 565 723)
Cash and cash equivalents at the beginning of the accounting period		17 156 866	19 187 947
Cash and cash equivalents at the end of the accounting period		12 382 889	10 622 224

* details in Note 2.4.

Notes presented on pages 9–45 constitute an integral part of this Financial Statements.

VI. Additional notes to condensed interim financial statements

1. General information about issuer

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

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

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

Santander Bank Polska S.A. 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.

2. Basis of preparation of condensed interim financial statements

2.1 Statement of compliance

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

The same accounting principles were applied by Santander Bank Polska S.A. as in the case of financial statements for the period ending 31 December 2019, except for income tax, which was charged under IAS 34.30c.

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

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A.
IFRS 17 Insurance Contracts*	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts have on the financial position, financial performance and cash flows of the entity. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: aggregation levels at which the calculations are made, methods for the valuation of insurance liabilities, recognition a profit or loss over the period, reinsurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2023**	The standard will not have a significant impact on financial statements**
Improvements to IFRS 10 and IAS 28*	Amendments to IFRS 10 and IAS 28 cover sales or contributions of assets between an investor and its associate/joint venture. The amendments eliminate the inconsistencies between IFRS 10 and IAS 28. The accounting treatment hinges on whether the non-monetary assets sold or contributed to an associate/joint venture constitute a business. Should the non-monetary assets constitute a business, the investor shall recognize the profit or loss in full on transaction. Should the assets not constitute a business, the profit or loss shall be recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments were published on 11 September 2014.	The International Accounting Standards Board has not established the validity date of the amended regulations.	The amendment will not have a significant impact on financial statements.
Amendments to IAS 1*	The amendments affect requirements in IAS 1 for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current.	1 January 2023**	The amendment will not have a significant impact on financial statements.

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

** New effective date.

2.3 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2020

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A.
Conceptual Framework for Financial Reporting	<p>The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.</p> <p>The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters:</p> <ul style="list-style-type: none"> • Chapter 1 – The objective of financial reporting • Chapter 2 – Qualitative characteristics of useful financial information • Chapter 3 – Financial statements and the reporting entity • Chapter 4 – The elements of financial statements • Chapter 5 – Recognition and derecognition • Chapter 6 – Measurement • Chapter 7 – Presentation and disclosure • Chapter 8 – Concepts of capital and capital maintenance <p>The Conceptual Framework were published together with the justification for the changes. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 Business Combinations and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p>	Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.	The amendment has no significant impact on financial statement.
IAS 1 Presentation of financial statements and IAS 8 Accounting principles (policy), changes in estimates and correction of errors	The IASB has published a new definition of 'material'. Amendments to IAS 1 and IAS 8 clarify the definition and increase consistency across standards	1 January 2020	The amendment has no significant impact on financial statement.
Amendment to IFRS 9, IAS 39 and IFRS 7 resulting from IBOR reform (interest rate benchmark reform)- Phase 1	Amendments to IFRS 9, IAS 39 and IFRS 7 modify certain requirements in the area of hedge accounting so that the expected IBOR reform generally does not result in termination of hedge accounting. Amendments to the standards require the entity to assume that the interest rate on which the hedged cash flow is based will not change as a result of the reform. As a result, the requirement of highly probable flows is met even where secured cash flows may change as a result of the IBOR reform.	1 January 2020	The SBP Group exercised its right to apply earlier changes to the standards and therefore did not verify the effectiveness of hedging relationships. A working group of representatives of Santander Bank Polska S.A. and subsidiaries is working on the implementation of changes resulting from the IBOR reform.
Amendments to IFRS 3 Business combinations *	As a result of the amendments to IFRS 3, the definition of a "business" has been modified. The currently entered definition has been narrowed down and is likely to result in more acquisitions being classified as a purchase of assets.	1 January 2020	The amendment has no significant impact on financial statement.

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

2.4 Comparability with the results presented in prior periods

In view of the error correction made in the previous periods as well as other changes described in Note 2.4 *Comparability with the results from the previous periods* to the Financial Statements of Santander Bank Polska for 2019, the comparative period data presented in these condensed interim financial statement of Santander Bank Polska for the 6-month period ended 30 June 2020 were appropriately restated.

In the income statement, statement of comprehensive income and statement of cash flows for the period from 1 January 2019 to 30 June 2019, the profit was reduced by PLN (22,429) k and by PLN (10,749) k for the period from 1 April 2019 to 30 June 2019. This was attributed to the change in the amount of tax on financial institutions resulting from the adjustment of repurchase transactions.

As a result of the above adjustment, the comprehensive income for the reporting period from 1 January 2019 to 30 June 2019 decreased to PLN 1,333,410 k, from 1 April 2019 to 30 June 2019 decreased to PLN 774,127k.

The following changes were made to the statement of cash flows for the period from 1 January 2019 to 30 June 2019:

- 1) changes resulting from reclassification of selected transactions in government debt securities from separate purchase and sale transactions to buy-sell-back and sell-buy-back transactions, including in relation to tax on financial institutions;
- 2) changes resulting from separate presentation of assets held as collateral in the statement of financial position;
- 3) changes resulting from separate presentation of interest received in relation to operating activities and interest paid in relation to operating activities in the statement of cash flows.

The table below shows the impact of the above presentation changes on comparative data in the income statement.

	for the period:		
	1.01.2019-30.06.2019		
	Before	Adjustment	After
Interest income and similar to interest	3 109 892	-	3 109 892
Interest income on financial assets measured at amortised cost	2 649 137	-	2 649 137
Interest income on financial assets measured at fair value through other comprehensive income	382 953	-	382 953
Income similar to interest - financial assets measured at fair value through profit or loss	77 802	-	77 802
Interest expenses	(763 109)	-	(763 109)
Net interest income	2 346 783	-	2 346 783
Fee and commission income	989 602	-	989 602
Fee and commission expenses	(149 241)	-	(149 241)
Net fee and commission income	840 361	-	840 361
Dividend income	585 991	-	585 991
Net trading income and revaluation	77 066	-	77 066
Gains (losses) from other financial securities	95 662	-	95 662
Other operating income	49 595	-	49 595
Impairment allowances for expected credit losses	(432 902)	-	(432 902)
Operating expenses incl.:	(1 841 315)	-	(1 841 315)
-Staff, Operating expenses and management costs	(1 527 605)	-	(1 527 605)
-Amortisation of property, plant and equipment and Intangible assets	(182 645)	-	(182 645)
-Amortisation of right of use asset	(82 508)	-	(82 508)
-Other operating expenses	(48 557)	-	(48 557)
Tax on financial institutions	(261 853)	(22 429) ¹⁾	(284 282)
Profit before tax	1 459 388	(22 429)	1 436 959
Corporate income tax	(279 749)	-	(279 749)
Profit for the period	1 179 639	(22 429)	1 157 210
Net earnings per share (PLN/share)			
Basic earnings per share	11,56	-	11,34
Diluted earnings per share	11,55	-	11,33

	for the period: 1.04.2019-30.06.2019		
	Before	Adjustment	After
Interest income and similar to interest	1 563 343	-	1 563 343
Interest income on financial assets measured at amortised cost	1 339 899	-	1 339 899
Interest income on financial assets measured at fair value through other comprehensive income	185 977	-	185 977
Income similar to interest - financial assets measured at fair value through profit or loss	37 467	-	37 467
Interest expenses	(387 816)	-	(387 816)
Net interest income	1 175 527	-	1 175 527
Fee and commission income	507 272	-	507 272
Fee and commission expenses	(83 203)	-	(83 203)
Net fee and commission income	424 069	-	424 069
Dividend income	250 608	-	250 608
Net trading income and revaluation	27 939	-	27 939
Gains (losses) from other financial securities	63 238	-	63 238
Other operating income	32 321	-	32 321
Impairment allowances for expected credit losses	(253 273)	-	(253 273)
Operating expenses incl.:	(818 795)	-	(818 795)
-Staff, Operating expenses and management costs	(650 387)	-	(650 387)
-Amortisation of property, plant and equipment and Intangible assets	(93 257)	-	(93 257)
-Amortisation of right of use asset	(42 169)	-	(42 169)
-Other operating expenses	(32 982)	-	(32 982)
Tax on financial institutions	(130 210)	(10 749)	(140 959)
Profit before tax	771 424	(10 749)	760 675
Corporate income tax	(150 834)	-	(150 834)
Profit for the period	620 590	(10 749)	609 841
Net earnings per share (PLN/share)			
Basic earnings per share	6,09	-	5,98
Diluted earnings per share	6,07	-	5,97

Presented below are changes made to the statement of cash flows for the period from 1 January 2019 to 30 June 2019.

	for the period		1.01.2019 - 30.06.2019		
	Before	Adjustment	Adjustment	Adjustment	After
Profit before tax	1 459 388	(22 429) ¹⁾	-	-	1 436 959
Total adjustments:					
Depreciation/amortisation	265 153	-	-	-	265 153
Profit from investing activities	(68 781)	-	-	-	(68 781)
Interest accrued excluded from operating activities	(277 608)	-	-	-	(277 608)
Dividends	(585 721)	-	-	-	(585 721)
Impairment losses (reversal)	17 460	-	-	-	17 460
Changes in:					
Provisions	17 292	-	-	-	17 292
Financial assets / liabilities held for trading	1 166 638	(946 962) ¹⁾	(240 298) ²⁾	(41 001) ³⁾	(61 623)
Assets pledged as collateral	-	-	240 298 ²⁾	-	240 298
Hedging derivatives	(53 047)	-	-	(58 089) ³⁾	(111 136)
Loans and advances to banks	(465 384)	-	-	(22 231) ³⁾	(487 615)
Loans and advances to customers	(1 140 871)	-	-	(2 560 490) ³⁾	(3 701 361)
Deposits from banks	38 172	-	-	7 650 ³⁾	45 822
Deposits from customers	(580 208)	-	-	591 376 ³⁾	11 168
Buy-sell/ Sell-buy-back transactions	(1 319 175)	(463 204) ¹⁾	-	10 945 ³⁾	(1 771 434)
Other assets and liabilities	299 426	22 429 ¹⁾	-	(286) ³⁾	321 569
Interest received on operating activities	-	-	-	2 737 362 ³⁾	2 737 362
Interests paid on operating activities	-	-	-	(665 236) ³⁾	(665 236)
Paid income tax	(379 601)	-	-	-	(379 601)
Net cash flows from operating activities	(1 606 867)	(1 410 166)	-	-	(3 017 033)
Inflows	3 019 562	-	-	-	3 019 562
Sale/maturity of investment securities	2 086 610	-	-	-	2 086 610
Sale of intangible assets and property, plant and equipment	36 851	-	-	-	36 851
Dividends received	585 601	-	-	-	585 601
Interest received	310 500	-	-	-	310 500
Outflows	(5 903 811)	-	-	-	(5 903 811)
Purchase of investment securities	(5 816 052)	-	-	-	(5 816 052)
Purchase of intangible assets and property, plant and equipment	(87 759)	-	-	-	(87 759)
Net cash flows from investing activities	(2 884 249)	-	-	-	(2 884 249)
Inflows	632 000	-	-	-	632 000
Debt securities in issue	632 000	-	-	-	632 000
Outflows	(3 296 441)	-	-	-	(3 296 441)
Debt securities buy out	(650 000)	-	-	-	(650 000)
Repayment of loans	(474 702)	-	-	-	(474 702)
Repayment of lease liability	(79 203)	-	-	-	(79 203)
Dividends to shareholders	(2 012 683)	-	-	-	(2 012 683)
Interest paid	(79 853)	-	-	-	(79 853)
Net cash flows from financing activities	(2 664 441)	-	-	-	(2 664 441)
Total net cash flows	(7 155 557)	(1 410 166)	-	-	(8 565 723)
Cash and cash equivalents at the beginning of the accounting period	17 777 727	1 410 220 ¹⁾	-	-	19 187 947
Cash and cash equivalents at the end of the accounting period	10 622 170	54 ¹⁾	-	-	10 622 224

2.5 Basis of preparation of financial statements

Presented condensed interim financial statements, prepared in accordance with IAS 34 "Interim financial reporting" does not contain information and disclosures required in annual financial statements and should be read together with separate financial statements as at 31 December 2019.

Bank is able to continue as a going concern in unchanged form in a foreseeable future i.e. 12 months from the date of this financial statement.

Management has taken into consideration COVID-19 impact when assessing going concern and undertaken actions aiming at limitation of pandemic negative impact on Group activities and results, are sufficient.

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

Santander Bank Polska S.A. has produced condensed interim financial statements in accordance with the historical cost principle, except for the items below:

Item	Balance sheet valuation rules
Held-for-trading financial instruments	Fair value through profit or loss
Loans and advances to customers which do not meet the contractual cash flows test	Fair value through profit or loss
Financial instruments measured at fair value through other comprehensive income	Fair value through other comprehensive income
Share-based payment transactions	According to IFRS 2 "Share-based payment" requirements
Equity investment financial assets	Fair value through other comprehensive income – an option
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.

2.6 Changes in estimated values

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

The estimates and assumptions are made based on historical experience and various other factors that are believed to be reasonable under the circumstances.

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.

Main estimates made by Santander Bank Polska S.A.

Impairment allowances for expected credit losses in respect of financial assets including COVID-19 impact

The concept of modification

Debt moratorium causes changes both in timing and value of future cash flows in relation to the original financial instrument, thus satisfies definition of modification according to IFRS 9. Santander Bank Polska S.A. assesses COVID-19 debt moratoria in the same manner as current changes in cash flows resulting from annex. If a modification does not result in derecognition of that asset (the so-called minor modification), the gross carrying amount of the financial asset is recalculated and modification gain or loss is recognized in profit or loss. Change in gross carrying amount is amortised into interest income/cost using effective interest rate method.

If a modification leads to derecognition of existing financial asset, a new modified asset is recognised and modification is identified as substantial.

COVID-19 debt moratorium itself is not a trigger for significant modification and financial instrument derecognition. Deferral or suspension of installments repayments under assistance programs were evaluated according to existing in bank qualitative and quantitative criteria.

Due to temporary character of granted debt moratoria, only a small part of COVID-19 modification are substantial and resulting in derecognition. Most of them are insignificant modifications.

Santander Bank Polska S.A. has recognised modifications not resulting in derecognition, leading to decrease in gross carrying amount due to modification amounting to PLN 21,304k for the six month period ending as at 30 June 2020.

Below table presents percentage of client portfolio making use of COVID-19 assistance programs:

cash loans	14,5%
mortgage loans	11,7%
SME loans	31,1%
corporate loans	21,0%

Details of the quantitative and qualitative criteria used to evaluate modification are described in annual financial statements as at 31 December 2019, and was not subject to any changes within the first six months of 2020.

Expected credit loss calculation (ECL)

Santander Bank Polska S.A. calculates allowances for credit losses according to IFRS 9. The 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. 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.

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 500 for individual and small and medium-sized enterprises and PLN 3,000 for business and corporate clients);
- the Santander Bank Polska S.A., for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Santander Bank Polska S.A. would not otherwise consider;
- partial or full write-off;
- 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;
- observable data indicating that there was a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease could not yet be identified with the individual financial assets, including:
 - (i) adverse changes in the payment status of debtors in the Santander Bank Polska S.A.,
 - (ii) national or local economic conditions that correlated with defaults on the assets in Santander Bank Polska S.A.

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 personal customers, the probation period is 6 months.

- In the case of SME customers, the probation period is 6 months, 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, discontinuation of business, or pending restructuring/ liquidation proceedings.
- In the case of business and corporate customers, the probation period is 3 months, and positive assessment of the financial standing is required (the bank assesses all remaining payments as likely to be repaid as scheduled in the agreement). The exposure cannot be reclassified to stage 1 or 2 in the case of fraud, discontinuation of business, or pending restructuring/ insolvency/ liquidation proceedings.
- Additionally, if the customer is in stage 3 and subject to the forbearance process, they may be reclassified to stage 2 not earlier than after 12 months (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) provided that the debt is likely to be repaid in full in accordance with terms and conditions of forbearance.

A significant increases in credit risk (SICR)

Santander Bank Polska S.A. has developed detailed criteria for identifying a significant increase in risk based on the following main assumptions:

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

Significant increase in credit risk indicators have not changed within first six months of 2020. In particular, the fact of being covered by aid measures related to COVID-19 does not automatically result in classification into Stage 2. Additional client's risk is monitored on a current basis. Management reports and early warning systems were developed to help.

In case of long-lasting financial difficulties, being an indicator for significant increase in credit risk, an exposure is recognized in Stage 2 according to qualitative and quantitative measures (eg. decrease in risk evaluation or dedicated monitoring strategies introduced).

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 shall end e.g. when 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 and according to risk buffer method no risk increase occurs.

Management provision covering risk resulting from COVID-19 pandemic

Same as in the first quarter of 2020 Santander Bank Polska S.A. continues close monitoring of current economic situation and credit portfolio behavior in relation to COVID-19 pandemic. Due to high uncertainty, mainly in the context of timing and range of potential economic deterioration, bank decided to maintain additional provision for expected credit loss, in form of post-model adjustment amounting to PLN 108,500k.

In line with the adopted process, the Bank has carried out a six-month review of the risk parameters. Updated parameters including current financial client situation are used for expected credit loss calculation. Unchanged remains reflecting forward-looking events both in the process of estimating ECL and when determining a significant increase in credit risk, by developing appropriate macroeconomic scenarios and then reflecting them in the estimation of parameters for each scenario. The final parameter value and the ECL is the weighted average by the likelihood of each scenario. The bank uses

three scenario types: the baseline scenario and two alternative scenarios, which reflect the probable alternative options of the baseline scenario: best case and worst case.

Based on supervisors guidelines, temporary client financial difficulties and broad range of support measures, materialized through payment moratorium or guaranteed lines, scenarios used for risk parameters estimation were based on forecasts not including COVID-19 impact (current scenario weights: baseline 60%, positive 20%, negative 20%). Provision level update resulting from uncertain macroeconomic perspectives, was recognized in post-model adjustment and was based on a modified scenario including long-term negative impact of COVID-19 pandemic economy.

Santander Bank Polska S.A. will include in subsequent reporting periods along with obtaining reliable information about forecasts and on the basis of observations from the behavior of individual loan portfolios, the Bank will take them into account respectively, as part of changes in the provision model or by changing the value of the estimated additional provision.

Potential ECL variability

Significant volatility for the income statement may be reclassifications to stage 2 from stage 1.

The theoretical reclassification of given percentage of exposures from stage 1 with the highest risk level to stage 2 for each type of exposure would result in an increase in write-offs according to below table (portfolio as at 30 June 2020).

Reclassification from stage 1 to stage 2	1%	5%	10%
Additional write-off (PLN m)	20,2	91.2	160.1

The above estimates show expected variability of loss allowances as a result of transfers between stage 1 and stage 2, resulting in material changes in the degree to which exposures are covered with allowances in respect of different ECL horizons.

Estimates for legal claims

Santander Bank Polska S.A. raises provisions for legal claims on the basis of likelihood of unfavourable verdict and recognises them in accordance with IAS 37.

The provisions have been estimated considering the likelihood of payment.

Bank increased provision for legal claims due to increase in number of cases where bank is a party to proceedings.

Current amount of provision is presented in Note 32.

Estimated collective provisions for risk arising from mortgage loans in foreign currencies

Santander Bank Polska S.A. constantly monitors level of credit risk referring to mortgage loans in foreign currencies, which would justify the change in collective provision. Calculation approach was presented in annual financial statements as at 31 December 2019.

Santander Bank Polska S.A. has increased portfolio provision for mortgage loans in foreign currencies as at 30 June 2020 due model update and changes in estimates, and will carry on with monitoring of the risk in subsequent reporting periods. Change in estimates reflects current sentencing guidelines.

Details regarding the value of the provisions for the above-mentioned items are provided in Note 32.

Estimates regarding reimbursement of fees related to early repaid consumer loans

Santander Bank Polska S.A. analyses level of partial reimbursement of fees on consumer loans repaid ahead of their contractual maturity on the ongoing basis. In the second quarter of 2020 bank updated provision amount for potential reimbursements of fees related to early repaid consumer loans based on most recent data. Estimates update was a result of portfolio characteristics update, and decreased interest income.

Changes in value of the provisions related to early repaid consumer loans are described in Note 32.

2.7 Judgements that affect the amounts recognised in financial statements

In the process of applying the accounting policies, the management of Santander Bank Polska S.A. makes various subjective judgements, apart from those involving estimates, that can significantly affect the amounts it recognises in the financial statements. Santander Bank Polska S.A. did not make any new judgements, except of those described in point 2.6.

2.8 Changes to accounting principles

Santander Bank Polska S.A. applied the accounting policies consistently both to the reporting period and to the comparable period.

3. Operating segments reporting

Data regarding the respective business segments are presented in „Condensed interim consolidated financial statements of Santander Bank Polska Group for 6-month period ended 30 June 2020” published on 29 July 2020.

4. Risk management

Information on risk management included in „Condensed interim consolidated financial statements of Santander Bank Polska Group for 6-month period ended 30 June 2020” fully stand in for notes to this condensed interim financial statements.

5. Capital management

Details on capital management have been presented in document „Information on Capital Adequacy of Santander Bank Polska Group as at 30 June 2020”.

6. Net interest income

	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Interest income and similar to interest				
Interest income on financial assets measured at amortised cost	1 046 170	2 347 289	1 339 899	2 649 137
Loans and advances to enterprises and leasing agreements	388 657	864 064	509 509	1 019 650
Loans and advances to individuals, of which:	636 528	1 406 225	752 640	1 473 717
<i>Home mortgage loans</i>	346 217	754 967	391 990	772 140
Loans and advances to banks	1 335	10 436	12 541	24 542
Loans and advances to public sector	2 141	4 742	2 488	5 244
Reverse repo transactions	3 725	15 334	25 573	50 188
Interest recorded on hedging IRS	13 784	46 488	37 148	75 796
Interest income on financial assets measured at fair value through other comprehensive income	198 194	391 879	185 977	382 953
Loans and advances to enterprises	9 826	20 424	4 707	9 245
Debt securities	188 368	371 455	181 270	373 708
Income similar to interest - financial assets measured at fair value through profit or loss	10 661	29 703	37 467	77 802
Loans and advances to enterprises	396	904	510	1 011
Loans and advances to individuals	5 307	19 890	16 179	33 112
Debt securities	4 958	8 909	20 778	43 679
Total income	1 255 025	2 768 871	1 563 343	3 109 892
	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Interest expenses				
Interest expenses on financial liabilities measured at amortised cost	(195 294)	(478 725)	(387 816)	(763 109)
Liabilities to individuals	(117 076)	(264 864)	(198 191)	(389 450)
Liabilities to enterprises	(41 227)	(120 848)	(99 710)	(204 987)
Repo transactions	(1 871)	(9 078)	(33 486)	(62 835)
Liabilities to public sector	(4 666)	(15 774)	(13 980)	(25 827)
Liabilities to banks	(849)	(4 015)	(4 580)	(7 250)
Lease liabilities	(5 179)	(10 576)	(6 524)	(11 071)
Subordinated liabilities and issue of securities	(24 426)	(53 570)	(31 345)	(61 689)
Total costs	(195 294)	(478 725)	(387 816)	(763 109)
Net interest income	1 059 731	2 290 146	1 175 527	2 346 783

7. Net fee and commission income

	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Fee and commission income				
eBusiness & payments	125 935	258 253	155 587	290 878
Current accounts and money transfer	73 148	152 507	79 846	159 032
Foreign exchange commissions	104 174	225 713	113 794	220 644
Credit commissions incl. factoring commissions and other	78 176	150 488	80 238	159 949
Insurance commissions	18 237	35 232	20 405	38 314
Commissions from brokerage activities	34 128	62 419	11 537	28 683
Credit cards	20 032	38 844	21 749	43 485
Off-balance sheet guarantee commissions	19 728	44 481	17 520	35 815
Issue arrangement fees	959	8 491	1 399	2 433
Distribution fees	3 099	7 344	5 197	10 369
Total	477 616	983 772	507 272	989 602
Fee and commission expenses				
eBusiness & payments	(40 328)	(83 552)	(57 255)	(97 855)
Commissions from brokerage activities	(5 900)	(9 514)	(1 783)	(4 286)
Credit cards	(3 076)	(6 409)	(3 874)	(7 614)
Credit commissions paid	(2 865)	(9 634)	(3 943)	(9 467)
Insurance commissions	(4 502)	(8 745)	(5 298)	(10 034)
Finance lease commissions	(96)	(132)	(57)	(100)
Other	(14 970)	(30 112)	(10 993)	(19 885)
Total	(71 737)	(148 098)	(83 203)	(149 241)
Net fee and commission income	405 879	835 674	424 069	840 361

8. Net trading income and revaluation

	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Net trading income and revaluation				
Derivative instruments	214 838	(411 816)	47 597	9 369
Interbank FX transactions and other FX related income	(171 388)	491 204	(10 817)	70 633
Profit on equity securities measured at fair value through profit or loss	3 421	(9 353)	(3 102)	(2 133)
Profit on debt securities measured at fair value through profit or loss	15 481	14 417	(3 039)	(20 560)
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	(3 752)	(5 640)	(2 700)	19 757
Total	58 600	78 812	27 939	77 066

The above amounts included CVA and DVA adjustments in the amount of PLN (9,753)k for H1 2020, PLN 5,538k for 2Q 2020 and PLN (1,978)k for H1 2019, PLN (636)k for 2Q 2019.

9. Gains (losses) from other financial securities

Gains (losses) from other financial securities	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Profit on sale of debt securities measured at fair value through other comprehensive income	8 500	60 476	40 760	48 986
Change in fair value of debt securities mandatorily measured at fair value through profit or loss	32 144	3 243	17 124	40 679
Impairment losses on securities	(8 535)	(8 535)	-	-
Total profit (losses) on financial instruments	32 109	55 184	57 884	89 665
Change in fair value of hedging instruments	(49 322)	(228 926)	(7 809)	(11 917)
Change in fair value of underlying hedged positions	43 401	227 619	13 163	17 914
Total profit (losses) on hedging and hedged instruments	(5 921)	(1 307)	5 354	5 997
Total	26 188	53 877	63 238	95 662

10. Other operating income

Other operating income	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Income on sale of services	3 986	7 769	5 661	9 313
Release of provision for legal cases and other assets	2 618	5 338	2 978	4 948
Settlements of leasing agreements	228	960	185	263
Recovery of other receivables (expired, cancelled and uncollectable)	93	285	5 040	5 761
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	1 196	2 104	13 818	19 837
Received compensations, penalties and fines	147	388	173	514
Profit on lease modifications	3 664	4 576	-	-
Other	2 857	9 512	4 466	8 959
Total	14 789	30 932	32 321	49 595

11. Impairment allowances for expected losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Charge for loans and advances to banks	4	-	(2)	(2)
Stage 1	4	-	(2)	(2)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	(337 374)	(716 177)	(259 162)	(445 047)
Stage 1	(41 514)	(55 926)	(7 206)	(15 112)
Stage 2	(89 319)	(285 554)	(71 115)	(116 632)
Stage 3	(209 214)	(376 510)	(186 286)	(339 676)
POCI	2 673	1 813	5 445	26 373
Recoveries of loans previously written off	(3 664)	(6 243)	(1 915)	(3 689)
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(3 664)	(6 243)	(1 915)	(3 689)
POCI	-	-	-	-
Off-balance sheet credit related facilities	1 024	(14 642)	7 806	15 836
Stage 1	(5 143)	94	5 648	6 708
Stage 2	(4 657)	(3 878)	155	2 377
Stage 3	10 824	(10 858)	2 003	6 751
POCI	-	-	-	-
Total	(340 010)	(737 062)	(253 273)	(432 902)

Management adjustment in the level of allowances reflecting the risk related to the COVID -19 situation amounted to PLN 108,500 k as at 30.06.2020 (stage 2) – details are described in note 2.6.

12. Employee costs

Employee costs	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Salaries and bonuses	(214 387)	(506 271)	(302 498)	(598 141)
Salary related costs	(38 886)	(93 284)	(52 614)	(107 916)
Cost of contributions to Employee Capital Plans	(1 964)	(3 789)	-	-
Staff benefits costs	(6 717)	(13 515)	(7 119)	(14 131)
Professional trainings	106	(1 060)	(2 839)	(4 398)
Retirement fund, holiday provisions and other employee costs	(408)	(408)	-	-
Restructuring provision	-	-	-	(80 000)
Total	(262 256)	(618 327)	(365 070)	(804 586)

13. General and administrative expenses

General and administrative expenses	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Maintenance of premises	(32 710)	(57 504)	(29 942)	(76 024)
Short-term lease costs	(2 528)	(4 725)	(5 916)	(7 334)
Low-value assets lease costs	(480)	(1 437)	(2 541)	(2 717)
Costs of variable lease payments not included in the measurement of the lease liability	27	(124)	(894)	(1 110)
Non-tax deductible VAT	(7 860)	(18 772)	(13 665)	(20 284)
Marketing and representation	(8 656)	(20 199)	(27 202)	(46 778)
IT systems costs	(63 789)	(125 271)	(55 150)	(110 425)
Cost of BFG, KNF and KDPW	(42 085)	(311 072)	(27 326)	(225 046)
Postal and telecommunication costs	(12 734)	(26 366)	(12 817)	(25 589)
Consulting and advisory fees	(16 884)	(28 132)	(16 678)	(27 190)
Cars, transport expenses, carriage of cash	(13 791)	(26 202)	(12 419)	(29 828)
Other external services	(28 444)	(61 334)	(39 821)	(74 477)
Stationery, cards, cheques etc.	(3 604)	(7 151)	(3 043)	(8 843)
Sundry taxes and charges	(9 972)	(17 772)	(8 174)	(16 347)
Data transmission	(2 319)	(4 726)	(2 725)	(5 454)
KIR, SWIFT settlements	(4 985)	(10 095)	(8 167)	(16 075)
Security costs	(6 324)	(11 673)	(7 290)	(14 356)
Costs of repairs	(1 083)	(4 106)	(4 653)	(5 450)
Other	(1 945)	(6 886)	(6 894)	(9 692)
Total	(260 166)	(743 547)	(285 317)	(723 019)

14. Other operating expenses

Other operating expenses	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Charge of provisions for legal cases and other assets	(28 751)	(31 253)	(9 744)	(17 211)
Charge of provisions for legal risk*	(41 000)	(58 600)	-	-
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(23 454)	(32 142)	(17 460)	(17 460)
Costs of purchased services	(707)	(1 670)	(718)	(1 216)
Other membership fees	(384)	(524)	(317)	(451)
Paid compensations, penalties and fines	(254)	(1 073)	(570)	(777)
Donations paid	(3 545)	(5 545)	(2 200)	(4 399)
Other	(6 060)	(10 729)	(1 973)	(7 043)
Total	(104 155)	(141 536)	(32 982)	(48 557)

*Details in note 29.

15. Corporate income tax

Corporate income tax	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Current tax charge in the income statement	(259 115)	(404 638)	(197 958)	(328 583)
Deferred tax	143 356	171 832	47 124	50 446
Adjustments from previous years	(3 654)	(3 654)	-	(1 612)
Total tax on gross profit	(119 413)	(236 460)	(150 834)	(279 749)

Corporate total tax charge information	1.04.2020- 30.06.2020	1.01.2020- 30.06.2020	1.04.2019- 30.06.2019	1.01.2019- 30.06.2019
Profit before tax	437 566	621 321	760 675	1 436 959
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(83 138)	(118 051)	(144 528)	(273 022)
Non-tax-deductible expenses	(7 852)	(14 638)	(10 100)	(8 592)
The fee to the Bank Guarantee Fund	(7 247)	(57 332)	(4 202)	(40 836)
Tax on financial institutions	(26 825)	(52 756)	(26 783)	(54 014)
Non-taxable income	20 233	20 233	47 568	111 245
Non-tax deductible bad debt provisions	(7 968)	(9 635)	(2 731)	(5 086)
Adjustment of prior year tax	(3 654)	(3 654)	-	(1 612)
Other	(2 962)	(627)	(10 058)	(7 832)
Total tax on gross profit	(119 413)	(236 460)	(150 834)	(279 749)

Deferred tax recognised in other comprehensive income	30.06.2020	31.12.2019
Relating to valuation of debt investments measured at fair value through other comprehensive income	(271 167)	(169 006)
Relating to valuation of equity investments measured at fair value through other comprehensive income	(127 660)	(143 520)
Relating to cash flow hedging activity	(579)	6 337
Relating to valuation of defined benefit plans	(1 818)	(2 310)
Total	(401 224)	(308 499)

16. Cash and balances with central banks

Cash and balances with central banks	30.06.2020	31.12.2019
Cash	2 082 504	2 359 708
Current accounts in central banks	2 101 589	5 462 123
Total	4 184 093	7 821 831

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 April 2020 in all the covered periods was 3.5%.

Pursuant to Resolution no. 2/2020 of 17 March 2020 the minimum reserve requirement has been reduced to 0.5% and applies as of 30 April 2020.

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

17. Loans and advances to banks

Loans and advances to banks	30.06.2020	31.12.2019
Loans and advances	1 418 281	2 388 547
Current accounts	2 519 514	1 463 088
Gross receivables	3 937 795	3 851 635
Allowance for expected credit losses	(71)	(71)
Total	3 937 724	3 851 564

18. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.06.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	2 666 712	2 657 596	1 482 269	1 525 274
Interest rate operations	1 767 163	1 737 506	725 861	768 171
Transactions on equity instruments	-	-	1 450	1 450
FX operations	899 549	920 090	754 958	755 653
Debt and equity securities	86 001	-	584 347	-
Debt securities	72 346	-	546 607	-
Government securities:	59 240	-	391 616	-
- bonds	59 240	-	391 616	-
Central Bank securities:	-	-	149 987	-
- bills	-	-	149 987	-
Other securities:	13 106	-	5 004	-
- bonds	13 106	-	5 004	-
Equity securities	13 655	-	37 740	-
Short sale	-	210 553	-	332 563
Total financial assets/liabilities	2 752 713	2 868 149	2 066 616	1 857 837

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (13,732) k as at 30.06.2020 and PLN (3,979) k as at 31.12.2019.

19. Hedging derivatives

Hedging derivatives	30.06.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Derivatives hedging fair value	-	409 101	2 880	156 700
Derivatives hedging cash flow	30 546	1 176 738	34 728	822 850
Total hedging derivatives	30 546	1 585 839	37 608	979 550

Hedging derivatives – derivatives hedging cash flow include value adjustments day first profit or loss for start forward CIRS transactions in the amount of PLN (6,986) k as at 30.06.2020 and (7,510) k as at 31.12.2019.

20. Loans and advances to customers

Loans and advances to customers	30.06.2020				
	Measured at amortised cost	Measured at fair value through other comprehensive income		Measured at fair value through profit or loss	Total
		Measured at fair value through other comprehensive income			
		Measured at fair value through other comprehensive income			
Loans and advances to enterprises	54 242 614	1 135 482	54 344	55 432 440	
Loans and advances to individuals, of which:	66 158 078	-	713 532	66 871 610	
<i>Home mortgage loans</i>	49 290 845	-	-	49 290 845	
Loans and advances to public sector	317 675	-	-	317 675	
Other receivables	33 662	-	-	33 662	
Gross receivables	120 752 029	1 135 482	767 876	122 655 387	
Allowance for expected credit losses	(3 722 890)	-	-	(3 722 890)	
Total	117 029 139	1 135 482	767 876	118 932 497	

Loans and advances to customers	31.12.2019				
	Measured at amortised cost	Measured at fair value through other comprehensive income		Measured at fair value through profit or loss	Total
		Measured at fair value through other comprehensive income			
		Measured at fair value through other comprehensive income			
Loans and advances to enterprises	54 625 458	923 811	52 629	55 601 898	
Loans and advances to individuals, of which:	64 849 375	-	813 986	65 663 361	
<i>Home mortgage loans</i>	48 159 764	-	-	48 159 764	
Loans and advances to public sector	312 414	-	-	312 414	
Other receivables	26 664	-	-	26 664	
Gross receivables	119 813 911	923 811	866 615	121 604 337	
Allowance for expected credit losses	(3 247 910)	-	-	(3 247 910)	
Total	116 566 001	923 811	866 615	118 356 427	

Loans and advances to enterprises	Gross carrying amount	Allowance for expected credit losses	Net
30.06.2020			
Stage 1	47 069 350	(151 205)	46 918 145
Stage 2	3 212 430	(310 229)	2 902 201
Stage 3	3 682 401	(1 817 842)	1 864 559
POCI	278 433	(40 326)	238 107
Total	54 242 614	(2 319 602)	51 923 012

Loans and advances to individuals	Gross carrying amount	Allowance for expected credit losses	Net
30.06.2020			
Stage 1	62 062 389	(183 537)	61 878 852
Stage 2	1 992 439	(182 278)	1 810 161
Stage 3	1 784 188	(965 579)	818 609
POCI	319 062	(71 894)	247 168
Total	66 158 078	(1 403 288)	64 754 790

Loans and advances to enterprises	Gross carrying amount	Allowance for expected credit losses	Net
31.12.2019			
Stage 1	48 395 117	(143 287)	48 251 830
Stage 2	2 346 287	(196 183)	2 150 104
Stage 3	3 554 558	(1 690 665)	1 863 893
POCI	329 496	(36 513)	292 983
Total	54 625 458	(2 066 648)	52 558 810

Loans and advances to individuals	Gross carrying amount	Allowance for expected credit losses	Net
31.12.2019			
Stage 1	61 280 482	(176 334)	61 104 148
Stage 2	1 822 598	(130 534)	1 692 064
Stage 3	1 433 120	(818 020)	615 100
POCI	313 175	(56 375)	256 800
Total	64 849 375	(1 181 263)	63 668 112

Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2020-30.06.2020	1.01.2019-30.06.2019
Balance at the beginning of the period	(3 247 910)	(2 723 002)
Charge/write back of current period	(731 363)	(506 008)
Stage 1	(56 259)	(14 895)
Stage 2	(281 108)	(116 632)
Stage 3	(376 510)	(339 676)
POCI	(17 486)	(34 805)
Write off/Sale of receivables	256 207	206 173
Stage 1	1 177	-
Stage 2	-	-
Stage 3	255 030	206 173
POCI	-	-
Transfer	17 879	21 666
Stage 1	41 444	51 543
Stage 2	116 546	42 442
Stage 3	(138 968)	(72 333)
POCI	(1 143)	14
FX differences	(17 703)	2 816
Stage 1	(1 335)	228
Stage 2	(1 377)	104
Stage 3	(14 288)	2 486
POCI	(703)	(2)
Balance at the end of the period	(3 722 890)	(2 998 355)

21. Investment securities

Investment securities	30.06.2020	31.12.2019
Debt investment securities measured at fair value through other comprehensive income	53 361 964	38 542 546
Government securities:	42 991 505	32 626 234
- bills	1 840 522	-
- bonds	41 150 983	32 626 234
Central Bank securities:	599 997	3 849 679
- bills	599 997	3 849 679
Other securities:	9 770 462	2 066 633
-bonds	9 770 462	2 066 633
Debt investment securities measured at fair value through profit and loss	199 723	187 536
Equity investment securities measured at fair value through other comprehensive income	777 797	861 269
- unlisted	777 797	861 269
Total	54 339 484	39 591 351

22. Investments in subsidiaries and associates

Investments in subsidiaries and associates	30.06.2020	31.12.2019
Subsidiaries	2 340 801	2 340 801
Associates	36 606	36 606
Total	2 377 407	2 377 407

23. Assets classified as held for sale

Assets classified as held for sale	30.06.2020	31.12.2019
Land and buildings	1 513	2 016
Total	1 513	2 016

24. Deposits from banks

Deposits from banks	30.06.2020	31.12.2019
Term deposits	80 609	193 728
Current accounts	2 019 422	1 312 413
Total	2 100 031	1 506 141

25. Deposits from customers

Deposits from customers	30.06.2020	31.12.2019
Deposits from individuals	89 772 440	84 774 716
Term deposits	18 062 740	23 151 720
Current accounts	71 624 997	61 519 766
Other	84 703	103 230
Deposits from enterprises	60 447 968	55 687 913
Term deposits	12 373 072	20 787 944
Current accounts	45 659 724	32 182 860
Loans	1 541 870	1 695 481
Other	873 302	1 021 628
Deposits from public sector	4 187 056	4 297 388
Term deposits	525 337	564 737
Current accounts	3 661 693	3 732 586
Other	26	65
Total	154 407 464	144 760 017

26. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019
As at the beginning of the period	2 529 855	2 543 940
Increase (due to):	114 212	40 004
- interest on subordinated loans	39 961	40 004
- FX differences	74 251	-
Decrease (due to):	(41 110)	(56 970)
- interest repayment	(41 110)	(40 372)
- FX differences	-	(16 598)
As at the end of the period	2 602 957	2 526 974
Short-term	15 012	16 058
Long-term (over 1 year)	2 587 945	2 510 916

27. Debt securities in issue

In 1H 2020 there were no issues of debt securities.

Issuance of debt securities in 2019 (non-matured securities)	Nominal value	Currency	Redemption date
Series J bank securities	550 000	PLN	27.04.2020

Movements in debt securities in issue	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019
As at the beginning of the period	2 687 960	3 311 969
Increase (due to):	116 814	653 074
- debt securities in issue	-	632 000
- interest on debt securities in issue	12 386	20 354
- FX differences	103 981	-
- other	447	720
Decrease (due to):	(561 171)	(685 617)
- debt securities redemption	(550 000)	(650 000)
- interest repayment	(11 171)	(11 633)
- FX differences	-	(23 984)
As at the end of the period	2 243 603	3 279 426

28. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	30.06.2020	31.12.2019
Provisions for financial liabilities to grant loans and credit lines	34 629	38 570
Provisions for financial guarantees	18 253	16 107
Other provisions	18 417	1 387
Total	71 299	56 064

Change in provisions for off balance sheet credit facilities	1.01.2020- 30.06.2020
As at the beginning of the period	56 064
Provision charge	83 782
Write back	(69 140)
Other changes	593
As at the end of the period	71 299
Short-term	57 357
Long-term	13 942

Change in provisions for off balance sheet credit facilities	1.01.2019- 30.06.2019
As at the beginning of the period	58 143
Provision charge	57 495
Write back	(73 331)
Other changes	(96)
As at the end of the period	42 211
Short-term	29 965
Long-term	12 246

29. Other provisions

Other provisions	30.06.2020	31.12.2019
Provisions for legal claims	116 698	92 893
Provisions for legal risk*	201 655	155 771
Provisions for restructuring**	66	7 844
Total	318 419	256 508

* Details regarding the provisions for legal risk are presented in note 32.

** Details about the provisions for restructuring are presented in note 12.

Change in other provisions for the period 1.01.2020- 30.06.2020	Provisions for legal claims*	Provisions for restructuring	Provisions for legal risk	Total
As at the beginning of the period	92 893	7 844	155 771	256 508
Provision charge	25 179	-	58 600	83 779
Utilization	(68)	(7 778)	(12 716)	(20 562)
Write back	(1 306)	-	-	(1 306)
As at the end of the period	116 698	66	201 655	318 419

*Provisions for cases disputed in court also include individual provisions and provisions for class actions.

Change in other provisions for the period 1.01.2019- 30.06.2019	Provisions for legal claims*	Provisions for restructuring	Total
As at the beginning of the period	83 644	-	83 644
Provision charge	8 747	80 000	88 747
Utilization	(231)	(55 266)	(55 497)
Write back	(26)	-	(26)
As at the end of the period	92 134	24 734	116 868

*Provisions for cases disputed in court also include individual provisions and provisions for class actions.

30. Other liabilities

Other liabilities	30.06.2020	31.12.2019
Settlements of stock exchange transactions	74 705	25 264
Interbank settlements	830 749	224 358
Employee provisions	140 276	292 630
Sundry creditors	461 801	409 234
Liabilities from contracts with customers	168 610	194 289
Public and law settlements	96 234	100 980
Accrued liabilities	464 455	236 980
Total	2 236 830	1 483 735
of which financial liabilities *	1 971 986	1 188 466

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

Change in provisions 1.01.2020 - 30.06.2020	Employee provisions			Total
	of which:			
		Provisions for retirement allowances	Other provisions	
As at the beginning of the period	292 630	37 313	-	292 630
Provision charge	86 577	3 361	-	86 577
Utilization	(200 109)	-	-	(200 109)
Write back	(38 822)	-	-	(38 822)
As at the end of the period	140 276	40 674	-	140 276
Short-term	99 602	-	-	99 602
Long-term	40 674	40 674	-	40 674

Change in provisions 1.01.2019 - 30.06.2019	Employee provisions			Total
	of which:			
		Provisions for retirement allowances	Other provisions	
As at the beginning of the period	333 250	34 351	3 300	336 550
Provision charge	135 622	844	-	135 622
Utilization	(248 330)	-	-	(248 330)
Write back	(36)	-	-	(36)
As at the end of the period	220 506	35 195	3 300	223 806
Short-term	185 311	-	3 300	188 611
Long-term	35 195	35 195	-	35 195

31. Fair value

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

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

	30.06.2020		31.12.2019	
	Book Value	Fair Value	Book Value	Fair Value
ASSETS				
Cash and balances with central banks	4 184 093	4 184 093	7 821 831	7 821 831
Loans and advances to banks	3 937 724	3 937 724	3 851 564	3 851 564
Loans and advances to clients measured at amortised cost	117 029 139	117 012 834	116 566 001	117 308 731
LIABILITIES				
Deposits from banks	2 100 031	2 100 031	1 506 141	1 506 141
Deposits from customers	154 407 464	154 456 739	144 760 017	144 798 569
Subordinated liabilities	2 602 957	2 590 343	2 529 855	2 516 452

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

Loans and advances to banks: The fair value of deposits is measured using discounted cash flows at the current money market interest rates for receivables of similar credit risk, maturity and currency. In the case of demand deposits without

a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors.

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

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

Debt securities in issue and subordinated liabilities: The Bank has made an assumption that fair value of those securities is based on discounted cash flows methods incorporating adequate interest rates. Debt securities in issue and subordinated liabilities were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

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

As at 30.06.2020 and in the comparable periods the Bank made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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

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

Valuation of major capital investments classified to Level III:

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

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

Level 3: Other valuation techniques.

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

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method.	Effective margin on loans
C-SERIES PREFERENCE SHARES OF VISA INC.	Estimating the fair value based on the current market value of the listed ordinary shares of Visa Inc., including a discount which takes into account the limited liquidity of C-series shares and the terms and conditions of the conversion of C-series shares into ordinary shares.	Discount taking into account the limited liquidity of C-series shares and the terms of converting the C-series shares into ordinary 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
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 present value of the forecast results of the company.	Forecast results of the company
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK” SP Z O.O.		Net asset value of the Company
SHARES IN AVIVA POWSZECHNE TOWARZYSTWO EMERYTALNE AVIVA SANTANDER SA	Estimation of the fair value based on the present value of the forecast results of the company.	Forecast results of the company + discount
AVIVA TOWARZYSTWO UBEZPIECZEŃ NA ŻYCIE SA		Forecast results of the company
AVIVA TOWARZYSTWO UBEZPIECZEŃ OGÓLNYCH SA		Forecast results of the company
LEGNICKA SPECJALNA STREFA EKONOMICZNA SA		
POLSKI HOLDING OBRONNY SP. Z O.O. BUMAR	Periodic valuation based on net assets value;	Net asset value and future results of the Company
WARSZAWSKI ROLNO-SPOŻYWCZY RYNEK HURTOWY SA	Estimation of the fair value based on the present value of the forecast results of the company.	
AGROREG AGENCJA ROZWOJU REGIONALNEGO SA W NOWEJ RUDZIE		

As at 30.06.2020 and in the comparable periods the Bank classified its financial instruments to the following fair value levels:

30.06.2020	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	86 001	2 665 077	1 635	2 752 713
Hedging derivatives	-	30 546	-	30 546
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 135 482	1 135 482
Loans and advances to customers measured at fair value through profit or loss	-	-	767 876	767 876
Debt securities measured at fair value through other comprehensive income	53 160 109	194 363	7 492	53 361 964
Debt securities measured at fair value through profit and loss	-	-	199 723	199 723
Equity securities measured at fair value through other comprehensive income	-	-	777 797	777 797
Total	53 246 110	2 889 986	2 890 005	59 026 101
Financial liabilities				
Financial liabilities held for trading	210 553	2 657 596	-	2 868 149
Hedging derivatives	-	1 585 839	-	1 585 839
Total	210 553	4 243 435	-	4 453 988
31.12.2019	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	584 347	1 482 269	-	2 066 616
Hedging derivatives	-	37 608	-	37 608
Loans and advances to customers measured at fair value through other comprehensive income	-	-	923 811	923 811
Loans and advances to customers measured at fair value through profit or loss	-	-	866 615	866 615
Debt securities measured at fair value through other comprehensive income	38 526 519	-	16 027	38 542 546
Debt securities measured at fair value through profit and loss	-	-	187 536	187 536
Equity securities measured at fair value through other comprehensive income	-	-	861 269	861 269
Total	39 110 866	1 519 877	2 855 258	43 486 001
Financial liabilities				
Financial liabilities held for trading	332 563	1 525 274	-	1 857 837
Hedging derivatives	-	979 550	-	979 550
Total	332 563	2 504 824	-	2 837 387

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

Level III	Financial assets					
	Financial assets held for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Equity securities measured at fair value through other comprehensive income
30.06.2020						
As at the beginning of the period	-	866 615	923 811	16 027	187 536	861 269
Profit or losses						
<i>recognised in income statement</i>	-	15 155	21 125	-	12 187	-
<i>recognised in equity (OCI)</i>	-	-	-	-	-	(83 472)
Purchase/ granting	-	183 466	472 379	-	-	-
Sale	-	(2)	(113 370)	-	-	-
Matured	-	(297 358)	(176 311)	-	-	-
Transfer	1 635	-	-	-	-	-
Other	-	-	7 848	(8 535)	-	-
As at the end of the period	1 635	767 876	1 135 482	7 492	199 723	777 797

Level III	Financial assets					
	Financial assets held for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Equity securities measured at fair value through other comprehensive income
31.12.2019						
As at the beginning of the period		978 840	366 751	27 270	131 005	801 272
Profit or losses						
<i>recognised in income statement</i>		106 855	-	-	56 531	-
<i>recognised in equity (OCI)</i>		-	-	-	-	64 308
Purchase/ granting		505 590	645 517	-	-	-
Sale		-	(45 000)	-	-	(4 311)
Matured		(724 670)	(42 875)	-	-	-
Transfer		-	-	-	-	-
Other		-	(582)	(11 243)	-	-
As at the end of the period		866 615	923 811	16 027	187 536	861 269

32. Contingent liabilities

Significant court proceedings

As at 30.06.2020, no proceedings were instituted by court or by state administration agencies with relation to liabilities or receivables made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 1,256,281 k, which is ca. 5.03% of the Bank's equity. This amount includes PLN 432,077 k claimed by the Bank, PLN 824,204 k in claims against the Bank. There were no litigations for bankruptcy or arrangement.

As at 30.06.2020 the amount of significant court proceedings which had been completed amounted to PLN 36,002 k.

As at 30.06.2020, the value of provisions for legal claims was PLN 116,698 k. In 136 cases against Santander Bank Polska SA, where the claim value was high (from PLN 500 k), a provisions of PLN 35,552 k was raised.

Court proceedings on CHF mortgage loans

As at 30.06.2020, the Bank's CHF retail mortgage loan exposure totalled PLN 7,931,921k. The portfolio included both denominated and indexed loans.

To date, there have been 20 favourable court decisions on cases against Santander Bank Polska S.A. and 12 unfavourable decisions, while in 2 cases the courts decided that the FX clauses referring to the bank's FX rate tables should be replaced with an objective indexation measure.

Court decisions in CHF mortgage loan disputes have diverged significantly:

- court decisions favourable to banks were based on it being determined that the fx rate clauses were not abusive, which resulted in dismissal of the claims against the Bank.

- court decisions that are entirely unfavourable to banks could be divided into two main categories: (1) decisions resulting in the loan currency being "re-converted to PLN" – meaning that the abusiveness of the loan indexation clause and the FX rate clause (with a reference to the bank's fx rate table) results in invalidation of the indexation and treatment of the borrower's liability as a PLN loan with interest rate based on LIBOR CHF; (2) invalidation of the loan agreement as a result of abusiveness of the said clauses in the agreements.

- court decisions based on deeming the very loan indexation as permissible and compliant with the law, but at the same time invalidating the FX rate clause that is deemed abusive (i.e. clauses referring to the bank's fx table) and substituting that clause with an alternative, objective indexation measure, i.e. average NBP rate; this can result in the court's acceptance of certain claims of the borrower, however, only to the amount of FX differences (close to the FX spread).

On 3.10.2019, the Court of Justice of the European Union (CJEU) made a ruling on Raiffeisen Bank Polska loan regarding the effects of a potential abusiveness of CHF-indexed loan agreement. According to the CJEU, if the indexation clause is deemed abusive, the domestic court may invalidate the agreement – upon informing the borrower of the effects of the invalidation and subject to the borrower's consent, if the court finds that elimination of the entire indexation and fx risk mechanism changed the main purpose of the agreement. The CJEU also stated that the domestic court could also decide that the agreement could continue to exist without the indexation mechanism (which means that the loan would be treated as a PLN loan with LIBOR-based interest rate). However, the CJEU deemed this solution uncertain. The CJEU ruled out a possibility of supplementing the agreement with rules arising from generally applicable domestic laws after elimination of abusive clauses. However, the CJEU confirmed that such gaps could be filled in with an explicit dispositive (supplementary) provision or other clauses agreed on by the parties.

The CJEU's ruling does not dispel doubts as to the effects of the potential abusiveness of contractual clauses in loan agreements based on foreign currencies. The case law is still ambiguous. Some courts dealing with CHF cases requested preliminary rulings from the CJEU, and the CJEU's position may affect further decisions in such cases. Currently it is still difficult to assess the ultimate impact of the ruling on the case law with respect to loans based on foreign currencies. It seems that the well-established Supreme Court's position on that matter will be crucial.

In terms of abusiveness of FX rate clauses, the Supreme Court previously was of the opinion that indexed loan agreements are permissible and compliant with the law and that they continue to be indexed loan agreements. In 2019, the Supreme Court in some cases invalidated the indexation and decided that the loan should be considered as a PLN loan with LIBOR-based interest rate, which was an exception given the Court's previous decisions.

In April 2020, the Supreme Court published the justification of the decision of 11.12.2019 given in the case against Santander Bank Polska, according to which invalidation of indexation and continuation of the agreement as a PLN loan with LIBOR-based interest rate is not permissible because indexation clauses are the element of main contractual obligations of the parties, so their abusiveness and elimination from the agreement makes the loan agreement invalid. This triggers mutual settlements between the parties due to unjust enrichment; at the same time, the Supreme Court stated that the previous rulings of the CJEU do not rule out the possibility for the bank to demand compensation for unjustified (i.e. without an agreement) use of the loan principal as a result of invalidation of the agreement.

The Bank monitors the case law on indexed and denominated loans to identify any potential changes in the justifications of court decisions.

The Bank identified the risk that the cash flows from the denominated and indexed mortgage loan portfolio based on the schedules in place may not be fully recoverable and/ or that there may arise an obligation resulting in an outflow of funds in the future. The Bank creates provisions for the disputes and legal risk in line with IAS37 Provisions, contingent liabilities and contingent assets. The value of the provisions was estimated on the basis of a range of assumptions that significantly affect the estimation disclosed in the Bank's financial statements.

As at 30.06.2020, the Bank has been a defendant in 2,020 cases regarding indexed or denominated loans (mainly CHF) with the disputable amount of PLN 442,323k. They include 1 class action subject to the Class Action Law involving 527 CHF indexed loans, total disputable amount of PLN 47,022k.

As at 30.06.2020, the Bank created provisions of PLN 59,715k for those disputes.

As at 30.06.2020, the Bank raised collective provisions for legal risk of PLN 190,000k due to the higher number of cases related to contractual clauses in agreements on mortgage loans indexed to and denominated in foreign currencies. The Bank will continue to monitor and evaluate the adequacy of the above-mentioned provisions in subsequent reporting periods.

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

As at 30.06.2020, Santander Bank Polska S.A. was sued in 210 cases concerning partial refund of an arrangement fee on consumer loans. For these proceedings Santander Bank Polska S.A. raised provisions in the amount of PLN 163 k.

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

However, the CJEU's ruling concerns the interpretation of the provisions of the Directive which are not directly binding and must be transposed by respective member states. Accordingly, it is the national law and its interpretation that are key to resolving disputes over the refund of fees for consumer loans, therefore, it is important to settle the interpretation of national law, which will indicate the method on the basis of which the settlements should be made, and the time horizon covered by the obligation to refund the commission.

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 as part of the total cost of the loan 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.

When assessing legal risk associated with Article 49 of the Consumer Credit Act, Santander Bank Polska S.A. raises provisions for legal risks related to disputes regarding art. 49 of the Consumer Credit Act taking in to account interpretation differences. In relation to Santander Bank Polska S.A., UOKiK conducted explanatory proceedings regarding the correct settlement of commissions based on art. 49 of the Consumer Credit Act, proceedings were discontinued.

During the first six months of 2020, the provisions for expected partial reimbursements of fees on early repaid loans (calculated on a straight-line basis) and the associated liabilities recognised by the Bank had the following impact on its P&L:

The total amount taken by the Bank to its P&L was PLN 79,978k, including a charge of PLN 62,378k to net interest income and a charge of PLN 17,600k to other operating expenses.

As at 31.12.2019 no proceedings were instituted by court or by state administration agencies with relation to liabilities or receivables made by or against the Bank amounting to a minimum of 10% of the Bank's equity.

The value of all litigation amounts to PLN 943,954 k, which is 3.90% of the bank's equity. This amount includes PLN 407,125 k claimed by the Bank, PLN 536,829 k in claims against the Bank.

As at 31.12.2019 the amount of all court proceedings which had been completed amounted to PLN 143,370 k.

As at 31.12.2019, the value of provisions for legal claims was PLN 92,893 k. In 61 cases against Santander Bank Polska SA, where the claim value was high (above PLN 500 k), a provision of PLN 36,672 k was raised.

The Bank raises provisions for legal risk where an internal risk assessment for a particular case indicates a possible outflow of cash. Provisions for legal claims are presented in Note 29.

Off-balance sheet liabilities

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

Contingent liabilities - sanctioned	30.06.2020			
	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned				
- financial	27 351 570	377 629	54 603	27 783 802
- credit lines	22 919 257	334 134	43 230	23 296 621
- credit cards debits	3 459 936	40 858	8 438	3 509 232
- import letters of credit	972 377	2 637	2 935	977 949
- guarantees	11 854 446	154 674	35 838	12 044 958
Provision for off-balance sheet liabilities	(24 676)	(11 177)	(35 446)	(71 299)
Total	39 181 340	521 126	54 995	39 757 461

Contingent liabilities - sanctioned	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned				
- financial	30 902 958	251 182	61 031	31 215 171
- credit lines	26 947 571	195 061	55 538	27 198 170
- credit cards debits	3 348 485	48 823	5 493	3 402 801
- import letters of credit	606 902	7 298	-	614 200
- guarantees	10 515 818	149 680	32 781	10 698 279
Provision for off-balance sheet liabilities	(25 633)	(6 478)	(23 953)	(56 064)
Total	41 393 143	394 384	69 859	41 857 386

33. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	29.07.2020	28.04.2020	29.07.2020	28.04.2020	29.07.2020	28.04.2020	29.07.2020	28.04.2020
Banco Santander S.A.	68 880 774	68 880 774	67,47%	67,47%	68 880 774	68 880 774	67,47%	67,47%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,02%	5,02%	5 123 581	5 123 581	5,02%	5,02%
Nationale-Nederlanden DFE *								
Others	28 083 950	28 083 950	27,51%	27,51%	28 083 950	28 083 950	27,51%	27,51%
Total	102 088 305	102 088 305	100%	100%	102 088 305	102 088 305	100%	100%

* Funds managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne SA

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim report for 1H 2020 /29.07.2020/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne SA.: Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny.

34. Related parties

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

Transactions with subsidiaries	30.06.2020	31.12.2019
Assets	7 887 651	7 973 186
Loans and advances to banks	153 208	281 312
Financial assets held for trading	33 193	9 435
Loans and advances to customers	7 698 905	7 679 729
Other assets	2 345	2 710
Liabilities	581 291	557 915
Deposits from banks	22 301	3 885
Financial liabilities held for trading	1 148	1 370
Deposits from customers	361 927	349 570
Lease liabilities	195 893	203 023
Other liabilities	22	67
Contingent Liabilities	6 351 798	6 533 768
Sanctioned:	6 351 798	6 533 768
- <i>financial</i>	1 439 766	2 545 342
- <i>guarantees</i>	4 912 032	3 988 426

Transactions with subsidiaries	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019
Income	95 483	119 911
Interest income	67 426	105 481
Fee and commission income	3 084	10 184
Other operating income	2 900	3 688
Net trading income and revaluation	22 073	558
Expenses	5 014	6 363
Interest expenses	4 253	5 402
Fee and commission expenses	274	705
Operating expenses incl.:	487	256
<i>Bank's staff, operating expenses and management costs</i>	291	106
<i>Other</i>	196	150

Transactions with associates	30.06.2020	31.12.2019
Liabilities	113 573	96 157
Deposits from customers	113 573	96 157

Transactions with associates	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019
Income	19 750	19 992
Fee and commission income	19 750	19 992
Expenses	486	1 414
Interest expense	486	838
Operating expenses incl.:	-	576
<i>General and administrative expenses</i>	-	576

Transactions with Santander Group	with the parent company		with other entities	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Assets	1 766 991	1 409 334	19 586	23 855
Loans and advances to banks, incl:	369 313	740 278	16 906	16 794
<i>Loans and advances</i>	39 806	545 774	-	-
<i>Current accounts</i>	329 507	194 504	16 906	16 794
Financial assets held for trading	1 397 648	668 115	-	2
Other assets	30	941	2 680	7 059
Liabilities	1 961 014	1 033 215	130 873	131 720
Deposits from banks incl.:	650 760	381 234	22 371	26 532
<i>Current accounts</i>	650 760	381 234	22 371	26 532
Financial liabilities held for trading	1 292 003	628 143	-	-
Deposits from customers	-	-	78 719	69 511
Lease liabilities	-	-	25	1 027
Other liabilities	18 251	23 838	29 758	34 650
Contingent liabilities	-	-	31 963	3 063
Sanctioned:	-	-	31 963	3 063
<i>guarantees</i>	-	-	31 963	3 063

Transactions with Santander Group	with the parent company		with other entities	
	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019
Income	141 256	224 828	472	1 000
Interest income	915	3 792	5	24
Fee and commission income	830	1 128	142	153
Other operating income	3	-	21	4
Net trading income and revaluation	139 508	219 908	304	819
Expenses	27 167	26 500	34 893	32 632
Interest expense	6 528	5 406	81	433
Fee and commission expense	2 263	1 453	6	6
Operating expenses incl.:	18 376	19 641	34 806	32 193
<i>Staff, Operating expenses and management costs</i>	18 376	19 641	34 806	32 193

Transactions with key management personnel

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

Loans and advances granted to key management personnel

As at 30.06.2020, 31.12.2019 and 30.06.2019 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

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

Remuneration of Management Board Members and Key Management Personnel	Management Board Members		Key Management Personnel	
	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019	1.01.2020- 30.06.2020	1.01.2019- 30.06.2019
Fixed remuneration	6 286	5 979	13 031	11 432
Additional benefits (e.g among others, life insurance cover without pension option, medical cover, travel expenses and school fees)	587	293	515	304
The awards paid in 2020 and 2019*	8 826	10 887	14 526	12 841
Equivalent paid for unused annual leave	-	129	-	-
Provisions for retirement benefits and provision for unused holidays	1 728	1 904	3 819	3 223
The number of conditional rights to shares	22 260	25 160	29 597	34 200

	Management Board Members		Key Management Personnel	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Loans and advances made by the Bank to the Members of the Management Board/Key Management and to their relatives	7 288	9 316	27 050	26 474
Deposits from The Management Board/Key management and their relatives	18 449	16 516	23 022	29 490

* included part of the award for 2019, 2018, 2017, 2016 and 2015 which was conditional and deferred in time

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

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

Persons holding managerial positions are paid variable remuneration once a year following the end of the settlement period and release of the bank's results. Variable remuneration is awarded in accordance with applicable bonus regulations and paid in cash and phantom stock. The latter shall represent min. 50% of the total amount of variable remuneration. Payment of min. 40% of variable remuneration referred to above is conditional and deferred for the period of at least three years (13.3% per annum). Variable remuneration is paid in arrears in equal annual instalments depending on the business and quality results obtained and individual performance in the period subject to assessment and the value of the phantom stock.

In H1 2020, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 734 k. Mr John Power received remuneration of PLN 25.6 k from subsidiaries for his membership in their Supervisory Boards.

In H1 2019, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 972.1 k. Mr John Power received remuneration for the supervision over the integration process with the acquired carve-out business of Deutsche Bank Poland by Santander Bank Polska in the amount of PLN 1,720.6 k. Mr John Power received remuneration of PLN 24.8 k from subsidiaries for his membership in their Supervisory Boards.

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

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

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

Management adjustment reflecting the risk related to the COVID -19 situation - details in Note 2.6.

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

As at 30.06.2020 and 31.12.2019 Santander Bank Polska SA and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Note 14.

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

As at 30.06.2020 and 31.12.2019 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. Dividend per share

Profit distribution for 2019

The Management Board of Santander Bank Polska S.A. informed that in compliance with the expectations issued by the Polish Financial Supervision Authority ("PFSA") in the letter dated 26th March 2020, has adopted today a resolution recommending the retention of the entire net profit achieved by the Bank in the accounting year commenced on 01.01.2019 and ended on 31.12.2019 in the amount of PLN 2,113,523,989.28 and the allocation of 50% of the Bank's net profit in amount of PLN 1,056,761,994.64 to the reserve capital and the amount of PLN 1,056,761,994.64 left undivided.

The Bank's Supervisory Board approved this recommendation.

The Management Board and the Supervisory Board was submit the above proposal along with the recommendation to the Annual General Meeting of the Bank. On 22th June 2020 General Meeting of the Bank approved recommendation of profit distribution for 2019.

The following are arguments to support the notified proposals regarding profit distribution for 2019.

As at 31st December 2019 the capital ratios amounted:

- Tier I ratio (T1) for the Bank 17,38% and for the Group 15,21%
- Total Capital Ratio for the Bank 19,58% and for the Group 17,07%.

Considering above and the criteria regarding dividend payment presented in the PFSA's letter dated 24th December 2019 The Bank received from the PFSA recommendation dated 9th March 2020 regarding increasing the own funds of the Bank by retaining at least 50% of the net profit for the period from 1st January 2019 to 31st December 2019 ("Recommendation"). The PFSA's recommendation shows that as at 31st December 2019 the Bank met the criteria to pay to shareholders a dividend up to 50% of the Bank's net profit for the period from 1st January 2019 to 31st December 2019.

However, in the letter dated 26th March 2020 the PFSA pointed that taking into account current situation related to the state of the epidemic announced in Poland and possible further negative economic consequences of this state, as well as their expected impact on banks, the PFSA expects that banking sector - regardless of any actions already undertaken in this respect - will retain entire profit earned in previous years. The PFSA expects that no other actions are undertaken without agreement with the PFSA, in particular those actions outside of the scope of ongoing business and operating activities, which may result in weakening of capital position.

Considering the PFSA's recommendation and expectation respectively of 9th March 2020 and 26th March 2020 and current changes in the macroeconomic environment, the Bank's Management Board proposed to retain the entire net profit for the period from 1 January to 31st December 2019 by allocating 50% of 2019 profit to the reserve capital and 50% of profit will be left undivided.

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

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

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

which means that the proposed dividend:

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

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

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

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

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

Signatures of the persons representing the entity

Date	Name	Function	Signature
28.07.2020	Michał Gajewski	President	
28.07.2020	Andrzej Burliga	Vice-President	
28.07.2020	Michael McCarthy	Vice-President	
28.07.2020	Juan de Porras Aguirre	Vice-President	
28.07.2020	Arkadiusz Przybył	Vice-President	
28.07.2020	Patryk Nowakowski	Member	
28.07.2020	Carlos Polaino Izquierdo	Member	
28.07.2020	Maciej Reluga	Member	
28.07.2020	Dorota Strojowska	Member	

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

Date	Name	Function	Signature
28.07.2020	Wojciech Skalski	Financial Accounting Area Director	