

Interim report of Santander Bank Polska Group for Quarter 3 2020



FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019* restated	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019* restated
Consolidated financial statements of Santander Bank Polska Group				
I Net interest income	4 477 430	4 933 166	1 007 976	1 144 958
II Net fee and commission income	1 582 805	1 586 466	356 327	368 209
III Profit before tax	1 619 301	2 488 040	364 543	577 459
IV Net profit attributable to owners of Santander Bank Polska SA	955 621	1 631 313	215 133	378 618
V Total net cash flows	(11 394 522)	(8 077 035)	(2 565 178)	(1 874 631)
VI Profit of the period attributable to non-controlling interests	164 365	238 395	37 002	55 330
VII Profit per share in PLN/EUR	9,36	15,98	2,11	3,71
VIII Diluted earnings per share in PLN/EUR	9,35	15,97	2,10	3,71
Stand alone financial statements of Santander Bank Polska S.A.				
I Net interest income	3 325 931	3 591 845	748 746	833 645
II Net fee and commission income	1 273 862	1 278 472	286 777	296 726
III Profit before tax	1 112 669	2 149 968	250 488	498 995
IV Profit for the period	735 551	1 705 081	165 590	395 739
V Total net cash flows	(11 419 185)	(7 983 303)	(2 570 731)	(1 852 876)
VI Profit per share in PLN/EUR	7,20	16,70	1,62	3,88
VII Diluted earnings per share in PLN/EUR	7,20	16,69	1,62	3,87

FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Consolidated financial statements of Santander Bank Polska Group				
I Total assets	222 833 964	209 476 166	49 225 494	49 190 129
II Deposits from banks	5 188 853	5 031 744	1 146 252	1 181 577
III Deposits from customers	166 726 404	156 480 343	36 830 963	36 745 413
IV Total liabilities	194 377 935	182 496 656	42 939 369	42 854 680
V Total equity	28 456 029	26 979 510	6 286 125	6 335 449
VI Non-controlling interests in equity	1 629 539	1 547 523	359 976	363 396
VII Number of shares	102 189 314	102 088 305		
VIII Net book value per share in PLN/EUR	278,46	264,28	61,51	62,06
IX Capital ratio	18,70%	17,07%		
X Declared or Paid dividend per share in PLN/EUR*	-.**	19,72	-.**	4,58
Stand alone financial statements of Santander Bank Polska S.A.				
I Total assets	196 767 454	181 471 487	44 058 991	42 613 946
II Deposits from banks	2 947 602	1 506 141	660 009	353 679
III Deposits from customers	155 706 082	144 760 017	34 864 774	33 993 194
IV Total liabilities	171 430 212	157 293 901	38 385 627	36 936 457
V Total equity	25 337 242	24 177 586	5 673 364	5 677 489
VI Number of shares	102 189 314	102 088 305		
VII Net book value per share in PLN/EUR	247,94	236,83	55,52	55,61
VIII Capital ratio	21,51%	19,58%		
IX Declared or Paid dividend per share in PLN/EUR*	-.**	19,72	-.**	4,58

* Detailed information are described in Note 2.4.

**Detailed information are described in Note 42

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

- for balance sheet items – average NBP exchange rate as at 30.09.2020: EUR 1 = PLN 4.5268 and as at 31.12.2019: EUR 1 = PLN 4.2585
- for profit and loss items – as at 30.09.2020 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2020: EUR 1 = PLN 4.4420; as at 30.09.2019 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2019: EUR 1 = PLN 4.3086

As at 30.09.2020, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 191/A/NBP/2020 dd. 30.09.2020.

Overview of Santander Bank Polska Group Performance in Quarter 3 2020

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I. Basic Information about Santander Bank Polska Group and its Performance in YTD 2020

1. Key Achievements

EFFICIENCY AND SAFETY

- **Sound liquidity position.** Net customer loans to deposits ratio at 85.2%.
- **Group's solid capital position confirmed by capital ratios as at 30 September 2020, including total capital ratio of 18.70%.**
- **Decrease of 2.3% YoY in total operating expenses, including reduction in staff expenses and general and administrative expenses by 15.7% YoY and 1.5% YoY, respectively.**
- **Cost to income ratio at 48.9%.**
- **Close monitoring of risk associated with the pandemic, with a particular focus on credit risk.**
- **Change of the Group's work organisation (predominantly to teleworking) and effective adaptation to the new circumstances during the pandemic.**

BUSINESS VOLUMES

- **9.2% YoY increase in total assets to PLN 222.8bn.**
- **Strong growth in deposits (+10.4% YoY) supported by an increase in current deposits from personal customers (+26.4% YoY) and from businesses and the public sector (+78.9% YoY).**
- **Increase in cash loans (+3.3% YoY), home loans (+2.6% YoY) and lease receivables (+6.0% YoY).**
- **Decline in the value of net assets of Santander investment funds by 10,9% YoY and growth of 20.9% since the market crash in March 2020.**

CUSTOMERS

- **7.2m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers.**
- **2.1m Accounts As I Want It at Santander Bank Polska S.A.**
- **2.9m digital customers of both banks, including 1.9m mobile banking customers.**
- **Implementation of Salesforce, a cloud-based CRM platform for business customers (as the first bank in Poland).**
- **Strong focus on providing broad support to customers affected by Covid-19.**

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

Key financial data of Santander Bank Polska Group

Selected Income Statement data		Q1-3 2020	Q1-3 2019	YoY Change (%)
Total income	PLN m	6 464,9	7 081,5	-8,7%
Total costs	PLN m	(3 159,0)	(3 234,9)	-2,3%
Impairment allowances for expected losses	PLN m	(1 306,1)	(955,8)	36,6%
Profit before tax	PLN m	1 619,3	2 488,0	-34,9%
Net profit attributable to Santander Bank Polska S.A.	PLN m	955,6	1 631,3	-41,4%
Selected Balance Sheet data		30.09.2020	30.09.2019	YoY Change (%)
Total assets	PLN m	222 834,0	204 073,0	9,2%
Net loans and advances to customers	PLN m	142 051,4	143 825,4	-1,2%
Deposits from customers	PLN m	166 726,4	151 026,7	10,4%
Total equity	PLN m	28 456,0	26 418,2	7,7%
Selected off-Balance Sheet data		30.09.2020	30.09.2019	YoY Change (%)
Net assets of Santander mutual funds ¹⁾	PLN bn	14,5	16,3	-11,0%
Selected ratios ²⁾		30.09.2020	30.09.2019	YoY Change (p.p.)
Total costs/Total income	%	48,9%	45,7%	3,2%
Total capital ratio	%	18,70%	16,14%	2,6%
ROE	%	6,2%	11,0%	-4,8%
NPL ratio	%	5,7%	5,0%	0,7%
Credit risk ratio	%	1,07%	0,92%	0,2%
Customer net loans/customer deposits	%	85,2%	95,2%	-10,0%

Key non-financial data of Santander Bank Polska Group

Selected non-financial data		30.09.2020	30.09.2019	YoY Change
Internet and mobile banking customers ³⁾	m	6,7	6,3	0,4
Digital (active) internet and mobile banking customers ⁴⁾	m	2,9	2,6	0,3
Digital (active) mobile banking customers	m	1,9	1,5	0,4
Debit cards	m	4,2	4,1	0,1
Credit cards	m	1,2	1,3	-0,1
Customer base	m	7,2	7,2	0,0
Branches	locations	566	666	-100
Partner outlets	locations	376	310	66
Off-site locations and Santander Zones	locations	12	9	3
Employment	FTEs	12 788	13 575	-787

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

2) For definitions of ratios presented in the table above, see part 3 „Selected Financial Ratios”, Chapter V “Financial Performance in Ytd 2020”.

3) Registered users of electronic banking services (according to a more restrictive definition of this customer group as applicable at Santander Bank Polska S.A. from Q1 2020). The stated numbers include Santander Bank Polska S.A. and Santander Consumer Bank S.A.

4) Active users of electronic banking services who at least once in the last month of the reporting period logged into the system or checked the balance in their accounts. The stated numbers include Santander Bank Polska S.A. and Santander Consumer Bank S.A.

3. Key External Factors

Factors and events significantly affecting financial results of the bank in Q3 2020:

- Relaxation of Covid-19 related restrictions in many areas, with some precautionary regime remaining in place (such as social distancing).
- Quick and solid rebound of the economic activity on the macro level in Q3 after the record-deep contraction reported in Q2.

- Diversified pace of improvement in different parts of the economy. Some sectors managed to recover faster (e.g. the manufacturing sector with a large share of exports and the durable consumer goods sector), while in other areas the activity remained subdued (mainly in the tourism, travel and entertainment sectors).
- No further interest rate cuts by the NBP but continued QE program significantly adding to the liquidity in the banking sector which affected the government bond market.
- Precautionary behaviour of households resulting in subdued consumer spending and lower demand for loans. Pressure to use cashless payment methods.
- Significant increases on the world stock exchanges and return of inflows to investment funds.
- Range-bound Polish zloty and lower yields of government bonds.

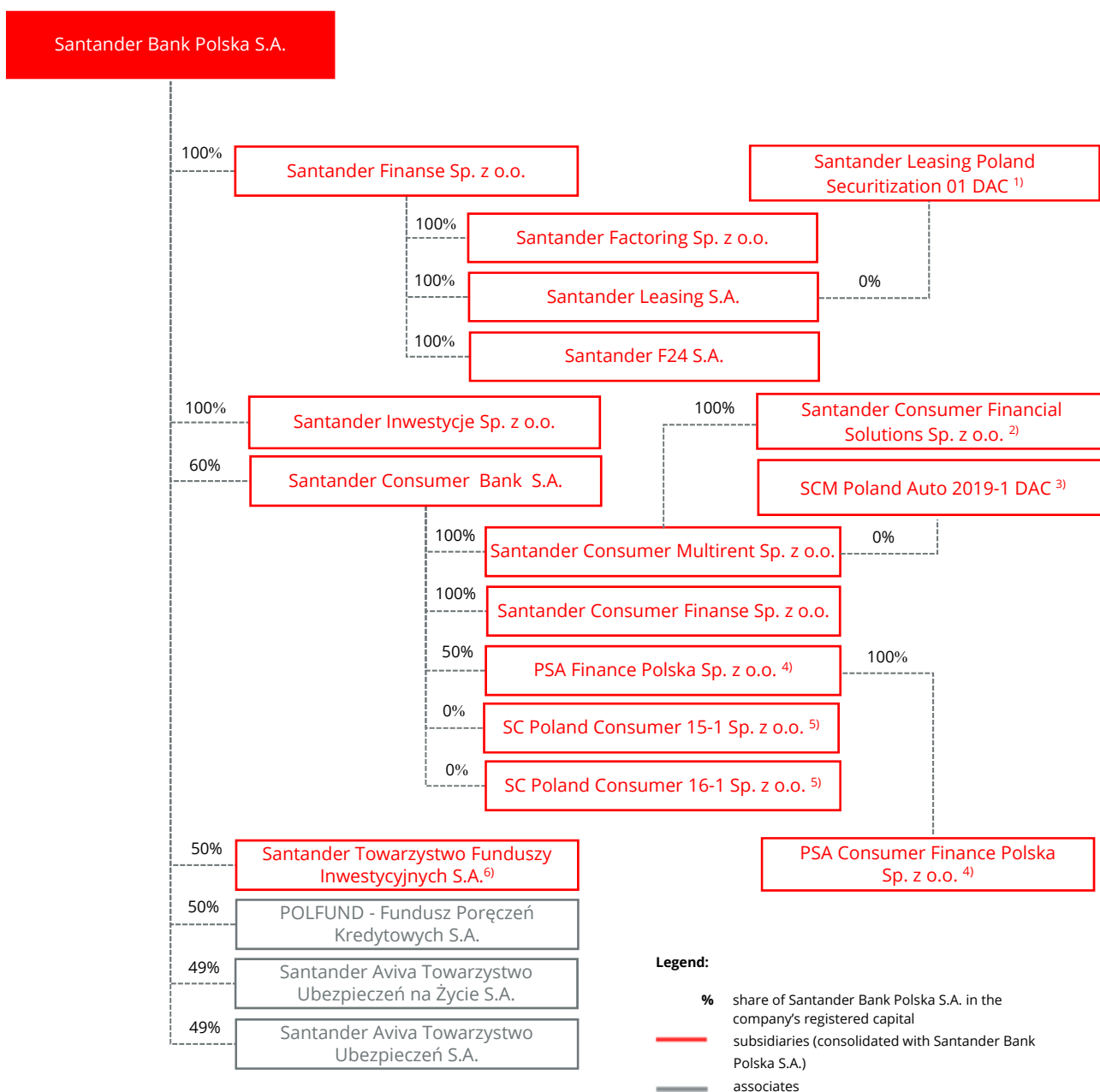
4. Corporate Events

Major corporate events in the reporting period

Registration of changes to the Statutes approved by the Annual General Meeting	<ul style="list-style-type: none"> On 14 July 2020, the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, registered changes to the bank's Statutes approved by the bank's Annual General Meeting of 22 June 2020. They involved removal of custody activities from the bank's objects and simplification of sections on remote meetings of the Supervisory and Management Boards.
Increase in the capital of Santander Bank Polska S.A. by series O performance shares	<p>Execution of subscription agreements for series O shares of Santander Bank Polska S.A.</p> <ul style="list-style-type: none"> In the period from 22 June 2020 to 3 August 2020, Santander Bank Polska S.A. completed the subscription of 101,009 series O ordinary bearer shares with a nominal value of PLN 10 each. The shares were offered through a private placement to the participants of the 6th Incentive Programme specified in the Supervisory Board's Resolution (in accordance with AGM Resolution no. 44 of 17 May 2017 and AGM resolution no. 51 of 22 June 2020). The series O shares were issued as a result of the conclusion of share subscription agreements by 197 eligible participants of the 6th Incentive Programme. The shares were acquired in exchange for cash contributions. <p>Registration of capital increase and change to the Statutes of Santander Bank Polska S.A.</p> <ul style="list-style-type: none"> On 25 September 2020, the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register, registered the change to the Statutes of Santander Bank Polska S.A. involving an increase in the bank's share capital through the issue of series O shares in accordance with AGM Resolution no. 51 of 22 June 2020. The bank's share capital was increased by PLN 1,010,090 to PLN 1,021,893,140. The bank has applied for dematerialisation of the series O shares and for their admission to and floating on the regulated market of the Warsaw Stock Exchange. <p>Conditional registration of Santander Bank Polska S.A. shares by the Central Securities Depository of Poland (KDPW)</p> <ul style="list-style-type: none"> On 16 October 2020, the Central Securities Depository of Poland decided to accept the series O shares for deposit and assign code no. PLBZ00000044 to them on condition they are floated on the regulated market.
Ratings affirmation by Fitch Ratings	<ul style="list-style-type: none"> In its announcement of 29 September 2020, Fitch Ratings affirmed the ratings of Santander Bank Polska S.A., including the long-term issuer default rating (IDR) at 'BBB+' with a negative outlook and the Viability Rating (VR) at 'bbb+'. For details, see Section 8 "Credit Rating".

5. Structure of Santander Bank Polska Group

SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 30 SEPTEMBER 2020



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

2) For more details about Santander Consumer Financial Solutions Sp. z o.o., see Section "Changes in composition of Santander Bank Polska Group".

3) For more details about SCM Poland Auto 2019-1 Designated Activity Company, see Section "Changes in composition of Santander Bank Polska Group".

4) According to the Management Board of Santander Bank Polska S.A., the investment in PSA Finance Polska Sp. z o.o. is a subsidiary undertaking for the purpose of consolidated financial reporting as it is controlled by Santander Consumer Bank S.A. (directly) and Santander Bank Polska S.A. (indirectly).

5) SC Poland Consumer 15-1 Sp. z o.o. and SC Poland Consumer 16-1 Sp. z o.o. are SPVs set up for the purpose of securitisation of part of SCB S.A. credit portfolio. The shareholder of each of the companies is a legal person that is not connected with the Group. The companies are controlled by SCB S.A. as they meet the conditions laid down in IFRS 10.7.

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

Changes in composition of Santander Bank Polska Group

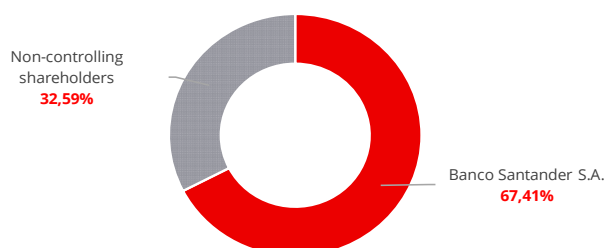
Compared to 30 June 2020, the list of members of Santander Bank Polska Group was extended to include the following two subsidiaries of Santander Consumer Multirent Sp. z o.o. (a company controlled indirectly by Santander Bank Polska S.A. and directly by Santander Consumer Bank S.A.):

- 1) **Santander Consumer Financial Solutions Sp. z o.o.** with its registered office in Wrocław – a wholly-owned subsidiary of Santander Consumer Multirent Sp. z o.o. incorporated on 27 August 2020 and specialising in finance lease, mainly in the segment of passenger cars and vans;
- 2) **SCM Poland Auto 2019-1 DAC** with its registered office in Dublin – an SPV established to securitise a part of the lease portfolio of Santander Consumer Multirent Sp. z o.o. and controlled by the latter company since July 2020 in accordance with IFRS 10.7 (but having no capital connections with the same).

Both subsidiaries are consolidated with Santander Bank Polska S.A. in line with IFRS 10.

6. Ownership Structure

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE EQUITY
AS AT 30.09.2020



Santander Bank Polska S.A. is a subsidiary of Banco Santander S.A. with its registered office in Madrid, which held 67.41% share in the bank's registered capital and in the total number of votes at the bank's General Meeting as at 30 September 2020. The remaining shares were held by the minority shareholders, of which only the following funds: Nationale-Nederlanden Otworthy Fundusz Emerytalny (OFE) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (DFE) jointly exceeded the 5% threshold according to the information held by the bank's Management Board.

Shareholders with a stake of 5% and higher	Number of Shares and Voting Rights Held			% in the Share Capital & Voting Power at AGM		
	30.09.2020	30.06.2019	31.12.2019	30.09.2020	30.06.2019	31.12.2019
Banco Santander S.A.	68 880 774	68 880 774	68 880 774	67,41%	67,47%	67,47%
Nationale-Nederlanden OFE ¹⁾	5 123 581	5 123 581	5 123 581	5,01%	5,02%	5,02%
Nationale-Nederlanden DFE ¹⁾						
Other shareholders	28 184 959	28 083 950	28 083 950	27,58%	27,51%	27,51%
Total	102 189 314	102 088 305	102 088 305	100,00%	100,00%	100,00%

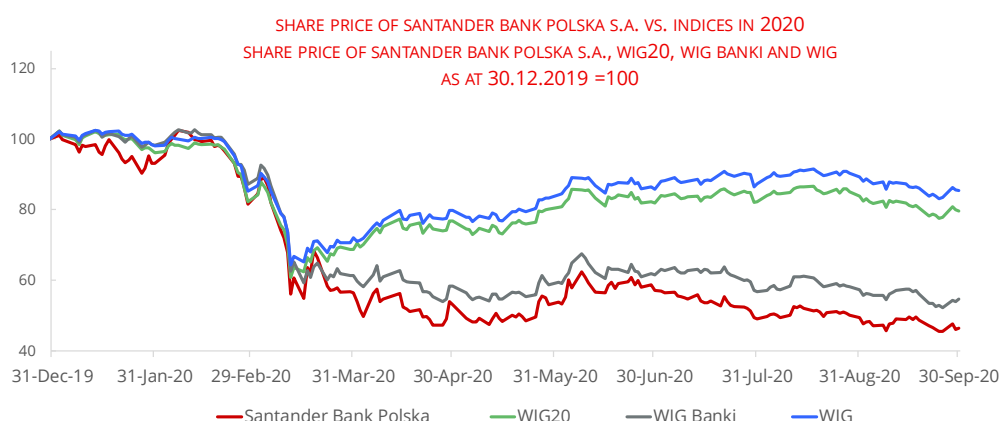
1) Funds managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne (PTE) S.A.

Compared to the end of December 2019 and June 2020, the ownership structure of the share capital of Santander Bank Polska S.A. changed as a result of registration of a share capital increase of PLN 1,010,090 to PLN 1,021,893,140 on 25 September 2020 through the issue of 101,009 series O ordinary bearer shares. For more details, see Section 4 of this Chapter: "Corporate Events". As a consequence of the above-mentioned capital increase, the shareholdings of Banco Santander S.A. and funds managed by Nationale-Nederlanden PTE S.A. have been diluted from 67.47% and 5.02% to 67.41% and 5.01%, respectively. The stake of the remaining minority shareholders has increased from 27.51% to 27.58%.

According to the information held by the Management Board, the ownership structure did not change in the period from the end of Q3 2020 until the approval for publication of the Report of Santander Bank Polska Group for Q3 2020.

7. Share Price vs. Indices

In Q3 2020, the WSE market stabilised following a sharp rebound from the March lows caused by the pandemic. The banking sector remained one of the worst-hit industries, reporting a relatively weak rebound in Q2 and returning to the minimum levels recorded in March in Q3. During the last three months, the WIG-Banks index declined by 11%, while the WIG broad-based index lost only 0.3%. Meanwhile, the share price of Santander Bank Polska S.A. dropped from PLN 175.40 as at 30 June 2020 to PLN 142.60 as at 30 September 2020. As a result, the bank's market capitalisation decreased by 18.6% to PLN 14,572.20m. The continuing strong supply pressure in the banking sector was not only observed on the Warsaw floor but also on the majority of global stock markets. In addition to the challenges related to the spread of the pandemic and the weakening economy, banks' share prices have also been affected by the dovish policy of the major central banks. In Poland, financial institutions not only have to face the pressure on the net interest margin (following three interest rate cuts) but also a significant fiscal charge and growing demands of CHF mortgage borrowers.



8. Credit Ratings

Fitch Ratings

In its announcement of 29 September 2020, Fitch Ratings affirmed the ratings of Santander Bank Polska S.A.

Rating Category of Fitch Ratings	Ratings announced on 29.09.2020 and 14.04.2020
Long-term Issuer Default Rating (long-term IDR)	BBB+
Outlook for the long-term IDR rating	negative
Short-term Issuer Default Rating (short-term IDR)	F2
Viability rating (VR)	bbb+
Support rating	2
National long-term rating	AA(pol)
Outlook for the national long-term rating	negative
National short-term rating	F1+(pol)
Long-term senior unsecured debt rating (EMTN Programme)	BBB+
Short-term senior unsecured debt rating (EMTN Programme)	F2

The IDR of Santander Bank Polska S.A. is driven by its intrinsic strength (as reflected in its VR) and is also underpinned by potential parental support from Banco Santander S.A. (A-/Negative/a-). The bank's VR reflects its established domestic franchise, conservative risk appetite, solid capital and funding position. The bank's asset quality remains solid underpinned by conservative underwriting and healthy origination of new loans. According to the agency, the relatively high exposure to foreign-currency mortgage loans and unsecured cash loans may affect the vulnerability of the bank's credit exposures to the negative impact of the operating environment. As in the case of other Polish banking institutions, the agency expects that the full impact of the pandemic on the asset-quality metrics will materialise only after the expiry of state support measures (guarantees, loans and liquidity support). Further to this, there are still downside risks to the bank's profitability such as fiscal and legislative pressure and effects of the pandemic, such as interest rate cuts and increase in impairment charges.

Moody's Investor Service

In its release of 30 September 2020, Moody's Investors Service announced that it had completed a periodic portfolio review of the ratings of Santander Bank Polska S.A., taking into account recent internal and external developments and financial and operating profiles of similarly rated peers. The review concluded that the bank's ratings are justified.

Category of Moody's Ratings	Ratings upgraded as at 3.06.2019
Long-term/Short-term Counterparty Risk Rating	A1/P-1
Long-term/Short-term Bank Deposits	A2/P-1
Outlook for long-term deposits	stable
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Long-term/Short-term Counterparty Risk Assessment	A1 (cr)/P-1 (cr)
Long-term foreign-currency ratings to senior unsecured eurobonds	A3
Outlook for the bonds	stable
Long-term domestic and foreign-currency senior unsecured eurobond issue programme	(P)A3

II. Macroeconomic Situation in Q3 2020

Economic growth

After a sharp contraction of the economic activity in the second quarter (when GDP fell by 8.2% YoY and 8.9% QoQ after seasonal adjustment, which was the biggest drop since early 90s), the third quarter saw a surprisingly rapid and quite strong rebound. However, the recovery process was uneven: some areas were improving faster, while other remained in stagnation or even deteriorated. For example, industrial production and retail sales returned to positive YoY growth rates, while in the construction sector, which was initially quite immune to the pandemic, the output fell significantly in Q3. The activity also remained heavily subdued in such sectors as tourism, travel, entertainment and events because of the continued social distancing and pandemic regime. Moreover, even in those areas which showed a visible improvement at least part of it was driven by the pent-up demand rather than the structural revival of the demand outlook. Taking into account the available monthly data, GDP is estimated to have increased to around -2% YoY in Q3 2020, i.e. at least +8% QoQ after seasonal adjustment. The official data about the third quarter's GDP will be released at the end of November.

Labour market

As the economic activity improved in Q3, companies started to return to the standard worktime, which resulted in some improvement of the average employment and average wages. However, while the average employment rebounded, the number of people employed kept declining slowly (at -0.8% YoY), as firms were adjusting to the new reality. Households' labour income remained subdued and was still declining in real terms (adjusted for inflation) for the better part of the third quarter. Only in September, the real wage bill growth returned to the level above zero.

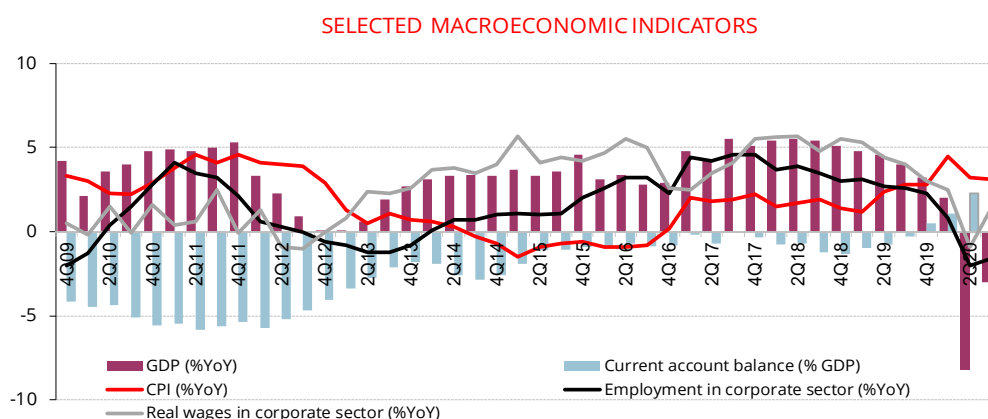
The official unemployment numbers did not change much – the registered unemployment rate stabilised at 6.1% in June–August, while the seasonally adjusted LFS unemployment reported by the Eurostat even declined slightly to 3.1% in August from 3.3% in June. However, the unemployment data may be slightly misleading for several reasons. For example, people could have been discouraged from registering as unemployed before September 2020, as the government introduced a special solidarity benefit available between June and August, which was higher than the unemployment benefit and these two could not be claimed together. In September, the unemployment benefit was increased by 36%. The outflow of foreign workforce was also a stabiliser of the unemployment rate. As regards the LFS unemployment, it was the survey methodology that prevented a quick rise: in order to be considered unemployed, people needed to actively seek employment, while the collapse of the labour demand and the lockdown most likely discouraged active search for work for some time (which might have increased the statistics of the inactive rather than the unemployed).

Inflation

The third quarter saw a decline in inflation followed by another rise. After falling to 2.9% YoY in August, CPI rebounded to 3.2% YoY in September. The core inflation excluding food and energy prices closed the quarter at 4.3% YoY, its highest level since 2001. Interestingly, inflation trends in Poland clearly diverged from the corresponding trends in the Eurozone, where the price pressure subsided and the core inflation decreased below zero. To some extent, it was due to rising administered prices (costs of waste management, for example), as the core inflation measure excluding this component stabilised near 2.0% YoY in the third quarter. The growth in food prices, which pushed inflation higher in late 2019 and at the beginning of 2020, clearly decelerated to 2.8% YoY in September vs 8% YoY in March 2020. Moreover, costs of fuel were much lower than in the previous year, reducing the headline inflation rate.

Monetary policy

The parameters of the monetary policy did not change in Q3 2020. The main central bank rate remained at 0.10%. The communiques published after the NBP meetings did not change much either and according to the majority of the MPC members the interest rates should remain at the current level for a longer time in order to help the economy fully recover post pandemic-related recession. Similarly as in the previous months, there were some opinions suggesting gradual hikes in 2021; however, the MPC members expressing such views were in the minority.



Credit and deposit markets

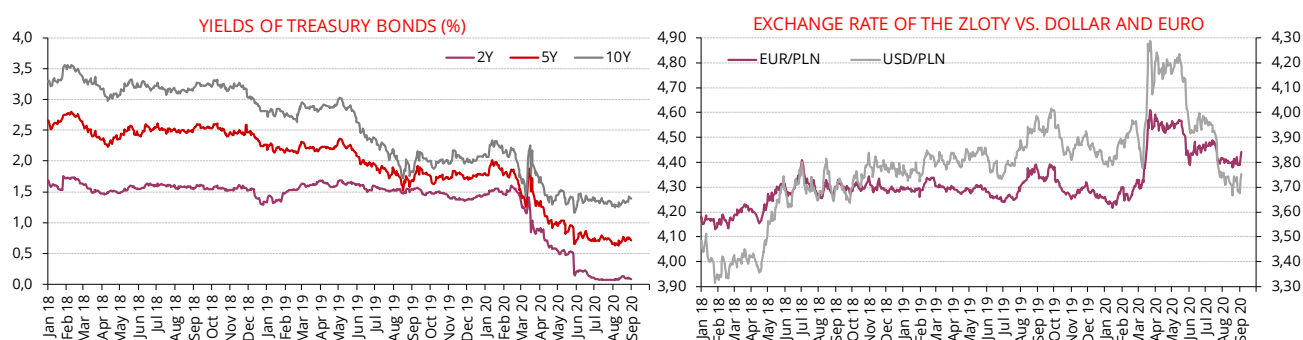
As we entered the third quarter, M3 money supply growth started to gradually decrease from the June peak of 18.1% YoY. This was due to lower money creation by the debt issuances from PFR and BGK, which were financing the fiscal stimulus programme, amid still relatively low demand for credit. Total credit growth corrected for exchange rate fluctuations descended further to just -0.2% YoY in September from 5.3% at the start of 2020 and 2.0% in the middle of the year. Corporate loans started to fall already in June and reached -5.3% YoY by September. Household loans were slowing down gradually to 3.2% on average in Q3 from 5% on average in Q2 2020. PLN-denominated mortgage loans were still up by approx. 11% YoY, while consumer loans almost stopped growing. During Q3 2020, the growth in total deposits eased to around 14% YoY, with the continued switch from term deposits (down by more than 25% YoY) to current accounts (up by approx. 35% YoY).

Financial markets

Q3 2020 was positive for risk assets as markets started to price in a V-shaped recovery from the immense pandemic-induced shock that took place in Q2 2020. The August announcement of the change to the monetary policy strategy by the Federal Reserve propelled the S&P500 index to almost 3600, i.e. well above the February all-time high of 3400. At the same time, in Q3 2020 dollar lost approx. 3.3% vs other G10 currencies and many low-yielding EM currencies (including zloty). US 10Y Treasury yields remained stable near 0.75%, while the yields of German Bunds declined by 10 bp over the quarter to -0.55%. In Q3, most global central banks kept the main interest rates unchanged. There were some central banks which kept cutting rates (like Mexico) but there were also a few exceptions that were forced to hike rates due to poor performance of their local currencies (Turkey, Hungary). In the summer months, the Covid-19 situation in the northern hemisphere was by and large under control and only started to deteriorate significantly towards the end of the quarter.

In Q3 2020, Polish bond yields, both short- and long-end ones, were moving within a very narrow range and finished the quarter at 0.08% and 1.34% for 2Y and 10Y tenors, respectively (down 6 bp and 10 bp). As a result, the 2x10 bond yield steepness remained broadly unchanged in the vicinity of 125 bp. Similarly, the spread vs Bund remained very stable near 185 bp. The NBP bond purchase programme exceeded PLN 100bn but started to lose momentum at the end of the quarter. The additional funds were directed to the banking sector and then to the bond sector, reducing the yield of 2-year bonds nearly to zero and induced yield-hunting further out the curve. 7-day redeemable NBP bills reached almost PLN 180bn at the end of September vs approx. PLN 80bn before the pandemic. The bonds issued by BGK and PFR were popular among investors as they offered higher rates of return.

Thanks to the global appetite for high risk assets, many emerging market currencies remained strong throughout Q3 2020. The quarterly change in EUR/PLN was marginal (4.48 vs 4.46 at the beginning of the quarter), but there were significant fluctuations along the way. In July and August, the rate hit 4.40 as the market aggressively priced in a V-shaped economy recovery. The late September saw EUR/PLN rise to almost 4.60 as it became increasingly clear that the economic rebound might not be as strong as initially assumed. However, just before the end of the quarter EUR/PLN moved back to below 4.50 possibly on the flows related to one of the largest IPOs in recent history of Warsaw Stock Exchange USD/PLN lost 4% during Q3 2020, mainly on account of the dollar depreciation. GBP/PLN and CHF/PLN did not change significantly in Q3 2020, closing the quarter at 4.95 and 4.18, respectively.



III. Business Development in Q3 2020

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

1.1. Management of the Covid-19 Situation in Q3 2020

Employees

- In view of the epidemic situation in Poland, the bank's Management Board decided to postpone the return of employees to offices and to continue teleworking until the end of the year.
 - ✓ This requires the bank to ensure that its staff (around 60% of the headcount) have appropriate conditions for further effective and uninterrupted work from home.
 - ✓ In preparation for the second wave of the pandemic, another group of head office employees was equipped with laptops, while key branch advisors – with handheld mobile computers.
- Focus was placed on developing target remote work rules and a hybrid work model at the bank.
 - ✓ Internal quality surveys and workshops were held to establish remote work culture standards and create a report for managers and HR leaders.
 - ✓ The "Effectiveness and remote work tools" workshops for managers were designed and launched. The feedback from the workshops will be used to develop an effective hybrid work model.
 - ✓ Cross-functional work groups were set up to define detailed assumptions of the above model.
- As part of ongoing management of the crisis situation connected with the pandemic:
 - ✓ Additional safety measures were put in place in branches located in the amber and red zones such as taking employees' temperature.
 - ✓ An application was implemented to monitor the health of bank's employees and returns from abroad.
 - ✓ The bank started cooperation with the Medical Centre to test employees who are particularly at risk or are suspected of SARS-CoV-2 infection.
 - ✓ The bank's employees and their families who need testing for Covid-19 can use paid tests on preferential terms.
 - ✓ Ongoing traffic monitoring was put in place in head office buildings to limit staff density, mitigate business disruption risk and facilitate management if an employee tests positive for Covid-19.
 - ✓ All branches were equipped with additional counter screens and face shields to ensure customers and employees remain as well protected as possible.
 - ✓ Regular communication activities were delivered, focusing on information about the safety regime.
 - ✓ An online meeting with the Management Board members was organised for all employees.
 - ✓ A campaign was launched with the participation of the bank's leaders and senior executives to encourage people to wear face masks.

Digitalisation, automation and cyber security

- The bank continued to focus on business continuity and top quality services in remote channels which have been increasingly used during the pandemic.
 - ✓ To that end, the capacity of remote distribution channels was improved and additional security measures were put in place in relation to the key IT systems of the bank. Alongside this, new controls were set up and implemented to monitor customer service in remote channels.
 - ✓ The bank continued to digitalise and automate central banking operations, and increased access to operational services in the remote channels. It also offered a wide range of solutions to limit the impact of the pandemic:
 - ❖ **Deferral of loan repayments:**
 - principal instalments or principal and interest instalments payable by personal and business customers (a solution implemented using the RPA technology);
 - statutory grace period (Shield 4.0);
 - extension of SME overdrafts;
 - change of interest accrual dates (for SME customers);
 - extension of the scope of amendments which do not require an annex to the agreement.
 - ❖ **Subsidies from the Polish Development Fund/ PFR** (ongoing process support, including settlements, reporting, complaints and PoA handling).
 - ❖ **Automated process for agreements and loans secured by de minimis guarantees** (turnaround times reduced from 3 business days to 15 minutes).
 - ❖ **Mass mailing tool** (launch of another communication channel and dispatch of 530k emails to customers in Q3 2020 alone; work is underway to develop a front-end solution for an advanced system that will be used to process mass correspondence and create document templates).
- In Q3 2020, intensive measures were taken to implement the Forbearance Portal to enable customers to make operations in relation to debt subject to forbearance arrangements (payment deferral, extension of the lending period, quick automated debt repayment from an account with another bank).
- While automating development and operational processes, the bank also focused on their control to enhance the quality and stability of IT systems.
- In view of an increased risk of cyber attacks during the pandemic, the bank continued its educational campaign to increase the awareness of cyber threats and ways to deal with them. In the year to date, the messages published on the bank's profiles have reached more than 7.5m users. The bank also uses its social media and websites to warn customers of potential attacks.

Support for personal customers

- Since the start of the pandemic, Santander Bank Polska S.A. has been trying to position itself as a **partner through good times and bad which helps customers in distress**. In Q3 2020, a particular focus was placed on the elderly and on customers whose financial standing deteriorated due to the pandemic.
 - ✓ The bank waived debit and credit card fees for three months for customers who had lost their salary. Customers with liquidity problems were offered a range of solutions which are presented on the bank's website: [Santander.pl/dopasujspiate](https://santander.pl/dopasujspiate) (such as deferral of principal payments or principal and interest payments, suspension of an agreement, automatic renewal of overdraft, etc.). Customers affected by the pandemic are serviced by the trained advisors from the Multichannel Communication Centre and Branch Banking.
 - ✓ The Multichannel Communication Centre offered a special service for older people via the helpline. Also, the bank launched a social media campaign called #HelpTheElderlyGetOnline (#ZalogujSeniora) with information on how to help one's relatives with remote banking. These guidelines were also published at [Santander.pl/bliscy](https://santander.pl/bliscy). Following a successful pilot, the bank started to implement the relevant measures to support digital inclusion of the elderly.
 - ✓ The bank implemented best practice ensuring a uniform approach to identification and treatment of vulnerable customers, i.e. people in a difficult situation due to age, disability, job loss, illness or financial distress.

Support for business customers

- In Q3 2020, a range of measures were put in place to support borrowers and increase liquidity of customers from the SME and corporate segments, including:
 - ✓ deferral of principal repayments or principal and interest repayments under loan, factoring or lease agreements for three or six months;
 - ✓ automatic free-of-charge two-month extension of SME business overdrafts due for renewal during the coronavirus pandemic; and a possibility for large companies to apply for such extension without additional fees and charges as part of a fast-track credit procedure;
 - ✓ an option for business customers that used or use loan payment deferral to apply for a six-month extension of the lending period;
 - ✓ suspension of repayments on SME overdrafts with a decreasing limit for three or six months;
 - ✓ a possibility to apply for a grant under the stimulus package of the Polish Development Fund (PFR) aimed to help businesses in financial distress;
 - ✓ liquidity guarantees offered by the Polish Development Fund (PFR) as part of the portfolio guarantee line of the Liquidity Guarantee Fund in the total amount of PLN 13bn securing max 80% of the loan amount up to PLN 250m;
 - ✓ ad-hoc support for customers under a personalised approach (e.g. bridge financing, short-term liquidity support).
- As a support measure, largest corporate customers were offered BGK guarantees for working capital financing and a possibility to defer principal repayments or principal and interest repayments. Further to this, starting from Q3 2020 they could avail of BGK guarantees to secure factoring exposures. Customers who had applied for a principal payment deferral were not servicing their debt during the reporting period, as in the majority of cases the payments were postponed for six months. Corporate customers could apply for support from the Polish Development Fund (PFR) on their own.
- Following the reopening of the economy in June 2020, customers of Corporate and Investment Banking as well as Business and Corporate Banking were less interested in the state support measures, as their financial standing started to improve.
- Customer service continued to be predominantly provided via remote channels (phone and video). Advisors stayed in touch with their customers, while complying with the safety measures applied by the bank.
- For Santander Leasing S.A. customers the key form of support during the pandemic was a quick change of a repayment schedule. Customers could request a deferral of lease payments for three to six months via the eBOK24 platform (the total number of amended agreements exceeded 22k), still during the last two months of Q3 2020, the number of customers interested in this solution was insignificant.
- Santander Factoring Sp. z o.o. provided customers with an option to defer reverse factoring payments, extend invoice payment dates and sign documents on a remote basis.
- The Group implemented tools to enable customers to conclude agreements remotely by placing a traditional signature or a qualified electronic signature.

Risk management

- The bank monitors the Covid-19 situation and responds to it accordingly, taking relevant decisions and measures to mitigate risk for employees and customers.
- Preventive actions are being taken, including awareness-raising campaigns targeted at customers and employees, and initiatives increasing the vigilance of both groups in terms of cyber security. Furthermore, the areas exposed to the risk of fraud are covered with increased surveillance. All those actions allow the bank to maintain business continuity to the full extent.
- As part of credit risk management, the Group closely monitors the current economic environment and trends in credit portfolios. To that end, the management information system was extended. The models used in the lending process were revised: stress tests determining the liquidity gap were updated, the Early Warning System was extended in relation to corporate customers (including implementation of event-based monitoring in place of quarterly monitoring) and credit ratings were updated on an ongoing basis in accordance with the relevant guidelines to account for the impact of the Covid-19 pandemic on the economic and financial standing of customers.
- In Q3 2020, the bank closely monitored the economic recovery and adjusted its credit policy accordingly, taking into account the risk of the second wave of Covid-19. Whereas lockdown was the main risk factor during the first wave of the pandemic, the present risks include a decrease in the demand following the rebound, an increase in unemployment and change of the demand structure.
- As part of the state support measures provided to customers, the moratorium was extended until the end of September 2020. In addition to that, liquidity guarantees were introduced and a simplified restructuring procedure was put in place. While taking subsequent decisions to help the borrowers, the Group carefully follows relevant guidelines of the banking supervision authorities (both Polish and European ones) and acts prudentially to ensure security for the bank's deposit holders.
- The share of Santander Bank Polska S.A. in payments from the Polish Development Fund (PFR) under the financial aid programme (ended in July for SME) was 15.8%. The bank issued 52.7k positive decisions for SMEs and corporates for the total amount of PLN 9.6bn.

1.2. Development of Selected Business Areas of Individual Segments

Main development directions

This section summarises the key focus areas of Santander Bank Polska Group as part of its overarching goal which is to help people and businesses prosper:

- Ensuring unparalleled experience for customers and employees, including measures supporting both groups during the Covid-19 pandemic.
- Steady improvement of service quality based on the analysis of customers' needs, knowledge of industries and development of the bank's product range (along with its personalisation, digitalisation and diversification).
- Wider use of remote channels to support sales and customer service. Simplification and digitalisation of products and processes. Development of CRM and Big Data tools.
- Further optimisation of brick-and-mortar franchise.
- Continuous increase in effectiveness of risk management processes.
- Focus on the areas providing competitive advantage in the value chain (e.g. proposition for selected sectors of Business and Corporate Banking customers).
- Staff development in accordance with the Group's values, taking advantage of experience-sharing opportunities in an international work environment.

The tables below present the performance of product and business lines of the bank's operating segments.

1.2.1. Retail Banking Division

Personal customers

Product line for personal customers	Activities of the Retail Banking Division in Q3 2020
Cash loans	<ul style="list-style-type: none"> In Q3 2020, the bank continued to offer special deals to encourage customers to take out cash loans in remote channels. The bank modified processes in internet and mobile banking to improve the experience of customers applying for an overdraft increase or a credit card. During the three quarters of 2020, cash loan sales of Santander Bank Polska S.A. totalled PLN 4.7bn, i.e. down 26.0% YoY. The share of remote sales has been steadily growing – in Q3 2020, it was 45% (33.7% in the year to date vs 23.7% in the same period last year). The cash loan portfolio of Santander Bank Polska S.A. was up 6.8% YoY and totalled PLN 14.7bn at the end of September 2020.
Mortgage loans	<ul style="list-style-type: none"> In Q3 2020, Santander Bank Polska S.A. modified twice its mortgage pricing policy: <ul style="list-style-type: none"> ✓ The highest margins were applied to loans with LTV above 80% in order to encourage borrowers to put down a higher deposit (July and September 2020). ✓ Arrangement fees for customers and non-customers were standardised (September 2020). In Q3 2020, the value of the new mortgage loans sanctioned totalled PLN 3.9bn, down 14.1% YoY. The gross mortgage portfolio grew by 2.9% YoY to PLN 50.8 bn as at 30 September 2020. The value of PLN mortgage loans amounted to PLN 41.3bn, up 4.9% YoY.
Personal accounts and bundled products, including:	<ul style="list-style-type: none"> The internet banking features were expanded to include an option for parents to open an account for children from 13 to 18 years of age and to sign up for a debit card and internet banking services. The process is entirely remote as customers are identified using video verification. From 1 July to 30 September, the bank ran a media campaign called “Account As I Want It with a mobile app” (“Konto Jakiego Chcę z aplikacją mobilną”) on TV, in digital channels and at branches, acquiring 72.1k new customers. In Q3, the bank offered a range of special deals, including: <ul style="list-style-type: none"> ✓ “Account with medical care” (“Konto z opieką medyczną”) (1 July–31 August) – promotion launched to support the sale of the Select Account in the e-commerce channel, providing customers who met certain criteria (e.g. signed up for the Select Account with a debit card via internet) with a code for a medical consultation via the Telemedi platform. ✓ “PLN 50 for school certificate” (“50 zł za świadectwo”) – promotion rewarding customers aged 13–19 with the highest GPA. ✓ “I recommend my bank” (“Polecam mój bank”) – next edition of the promotion awarding both the person who recommended a personal account with Santander Bank Polska S.A. and the person who opened it (benefits of the Priceless Moments loyalty programme were made available to new customers). From 14 September to 5 October 2020, the bank promoted the charity campaign called “Power to Help” (“PoMoc jest w nas”) among customers and employees. For each free of charge BLIK transaction, the bank donated PLN 0.05 for the pediatric oncology. The initiative helped the bank increase the number of transactions made by customers and acquire new BLIK users. In total, 613k customers joined the campaign. The number of PLN personal accounts grew by 5.3% YoY and reached 3.9m as at 30 September 2020. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 2.1m, up 29.6% YoY. Together with FX accounts, the personal accounts base totalled nearly 4.8m.

Product line for personal customers	Activities of the Retail Banking Division in Q3 2020 (cont.)
<p>➤ Payment cards</p>	<ul style="list-style-type: none"> • More than 60k cards were sold under the special offer on VISA Akcja Pajacyk credit cards. • As a result of measures taken to grow sales, the bank ranked top in terms of the volume of credit card sales (1st place in August 2020 according to BIK data). • As at 30 September 2020, the volumes of key payment cards offered by Santander Bank Polska S.A. were as follows: <ul style="list-style-type: none"> ✓ The personal debit card portfolio comprised more than 3.9m cards and increased by 1.5% YoY. Including business cards, the total number of debit cards reached 4.2m, up 2.7% YoY. ✓ The credit card portfolio comprised 829.3k instruments, an increase of 0.7% YoY. • In Q3 2020, the volumes of non-cash transactions with key payment cards offered by Santander Bank Polska S.A. were as follows: <ul style="list-style-type: none"> ✓ The volume of personal debit card transactions totalled PLN 9.7bn and increased by 18% YoY. ✓ The volume of credit card transactions was PLN 1.8bn, up 1.5% YoY.
<p>Deposit and investment products, including:</p>	<ul style="list-style-type: none"> • After a series of interest rate cuts and dynamic transfer of customer funds from investment to deposit products witnessed in the first half of the year, in Q3 2020 the bank's priority in managing the deposit and investment base was to increase its profitability and optimise its structure. • In the reporting period, the bank took measures to restore the structure of the deposit and investment portfolio from before the pandemic. These included changes to the pricing policy and initiatives aimed to support the sale of investment products (improving communication and enabling remote education for advisors and employees).
<p>➤ Deposits</p>	<ul style="list-style-type: none"> • In Q3 2020, the bank completed the series of deposit rate reductions in response to three reference rate cuts announced in H1 2020 by the Monetary Policy Council (by 1.4 p.p. in total) as well as interest rate cuts enacted by the Federal Reserve and the Bank of England. • The cost and structure of the deposit portfolio was optimised as a result of the following measures: <ul style="list-style-type: none"> ✓ 30 June 2020 – removal of 22 savings products from the offer and reduction of interest rates on all personal term deposits in PLN, USD and GBP as well as personal and savings accounts. ✓ 31 July 2020 – end of special deal of Select Savings Accounts with an interest rate of 1.30% for active customers. ✓ 18 August 2020 – standardisation of interest rates on all savings accounts (both on-sale and off-sale accounts in all available currencies) to 0.01%. • The above interest rate reductions contributed to a further decrease in customer demand for savings products and caused transfer of funds to personal accounts and investment products, notably open-end investment fund units. No significant outflows outside the Group were recorded though. • The balances of non-interest bearing personal accounts increased by 11% QoQ, while term deposits and savings account balances declined by 16.5% QoQ and 3.3% QoQ, respectively. • As at 30 September 2020, total deposits from retail customers increased by 7.6% YoY to PLN 89.9bn. Current deposits went up by 26.6% YoY to PLN 74.7bn, including PLN 32.1bn worth of savings account balances (up 15.3% YoY) and PLN 42.6bn worth of personal account balances (up 36.7%). As a result of interest rate optimisation, term deposit balances decreased by 38.1% YoY to PLN 15.1bn.

Product line for personal customers	Activities of the Retail Banking Division in Q3 2020 (cont.)
<p>➤ Investment funds</p>	<ul style="list-style-type: none"> • In Q3 2020, Santander TFI S.A. topped the league table in terms of total net sales of investment funds, which reached PLN 1.3bn. This was a combined effect of: <ul style="list-style-type: none"> ✓ higher rates of return offered by funds compared to deposits; ✓ the special deal called "We add 1%" ("Dodajemy 1%"), which offered a bonus of 1% on the balance of contributions made by investors; ✓ temporary waiver of fees on purchase, repurchase and conversion of investment fund units; ✓ successful CRM campaigns delivered at the Group level and new communication activities targeted at customers (e.g. regular webinars). • Positive net sales were reported for all asset classes, notably short-term debt sub-funds. • As at 30 September 2020, the total net assets of investment funds managed by Santander TFI S.A. were PLN 14.5bn, increasing by 11.3% QoQ and decreasing by 14.1% Ytd as a result of a mass outflow of funds and fall in asset prices across financial markets in March 2020. • Sales of Santander funds via the network of Santander Bank Polska S.A. strongly accelerated in the analysed period and totalled PLN 1.8bn gross. • In addition to investment funds managed by Santander TFI S.A., Santander Bank Polska S.A. distributes funds of 15 other investment fund companies, including three foreign ones. • In Q3 2020, the bank continued the pilot of investment advice services started in June, which is focused mainly on investment funds and targeted at Private Banking customers (the roll-out is planned for Q4 2020).
<p>➤ Brokerage services</p>	<ul style="list-style-type: none"> • In Q3 2020, the bank increased the competitiveness of brokerage services by waiving an account maintenance fee for all customers. • The processes related to structured products for Private Banking customers were digitalised, automated and simplified (enabling remote presentation of products, among other things). As a result, customers no longer need to meet advisors in person. • Santander Brokerage Poland joined the "ORLEN Portfolio" ("ORLEN w portfelu") programme for PKN ORLEN shareholders, which encourages customers to make long-term investments and expand their knowledge of the capital market. • During the first three quarters of 2020, the number of new brokerage accounts increased by 530% YoY to 9.3k. Many customers opened the account via Santander internet (a channel launched in Q4 2019). The new internet customers started to invest more quickly than the customers who used the traditional channel – 50% of the online accounts were already active in the month of opening. • The number of customers using Inwestor mobile application and Inwestor online platform grew by 241% YoY and 104% YoY, respectively.
<p>Bancassurance</p>	<ul style="list-style-type: none"> • In Q3 2020, the bank was rebuilding its bancassurance business following the economic shutdown. The premium increased by 21% QoQ as a result of introduction of a new life and health insurance (Życie i zdrowie; available in Santander internet) and market stabilisation after the lockdown. • Income from bancassurance was generated mainly on the basis of the following products: individual life and unemployment insurance packages for cash loan borrowers (Życie i Praca and Życie+), life insurance package for business loan borrowers (Biznes Gwarant) and non-related life and health insurance (Życie i zdrowie).

SMEs

Product line for SMEs	Activities of the Retail Banking Division in Q3 2020
Business accounts and bundled products	<ul style="list-style-type: none"> A range of special deals were made to encourage customers to use the bank's products and services: <ul style="list-style-type: none"> ✓ The bank continued the "Special Offer for Businesses" ("Promocja dla Przedsiębiorców") in the remote channels (e-request, electronic banking platform and the Multichannel Communication Centre), as part of which customers were exempt from selected business account fees for 24 months and could get cashback if they made certain operations. ✓ The bank launched the sixth edition of the special deal called "I got a Six" ("Dostałem Szóstkę") for new and existing customers who sign a payment terminal agreement, offering them free of charge use of the terminal for a specified time and subject to certain conditions.
Business loans	<ul style="list-style-type: none"> In September 2020, all business customers who applied for deferral of principal payments or principal and interest payments due to the pandemic were offered an option to extend the lending period by 6 months. In late June/ early July 2020, the buy-by-click procedure for Business Express loans and business overdrafts for sole traders was replaced by a modern, automated and omnichannel lending process (Smart Loans). On 14 January 2020, the range of credit facilities was expanded to include Business Express Loan for Professionals up to PLN 500k.
Leasing	<ul style="list-style-type: none"> In Q3 2020, Santander Leasing S.A. re-launched its website for customers and partners. The new website was thoroughly re-designed to make it even more accessible and easier to navigate. The value of fixed assets financed by Santander Leasing S.A. during the first nine months of 2020 totalled PLN 3,732.3m and was down 1.3% YoY due to the coronavirus pandemic and temporary shutdown of the economy. At the same time, the market reported approx. 18.7% YoY decrease in sales (according to the data of the Polish Leasing Association for the period from January to August 2020), mainly driven by changes in the vehicles segment.

1.2.2. Business and Corporate Banking Division

Area	Activities of the Business and Corporate Banking Division in Q3 2020
Helping businesses prosper	<ul style="list-style-type: none"> Financing investments made by business and corporate customers. Support for customers in applying for subsidies from the Polish Development Fund (PFR). Execution of more than ten financing transactions secured by BGK guarantees. Active use of the Santander Trade Alliance portal to support business growth and networking. Increase in the volumes of documentary letters of credit and collections. QoQ increase in the number of transactions in customer accounts. Execution of an agreement with BGK on securing factoring limits with guarantees under the Liquidity Guarantee Fund: We were the first factor in Poland to sign such an agreement, while the scheme was the first of this kind in the EU in the factoring segment. Introduction of an option for the bank's customers to conclude lease agreements remotely (e.g. using an electronic signature). Continuation of development projects (e.g. digitalisation) which are key to ensuring customer excellence. Conducting regular Net Promoter Score surveys to gain customer feedback and use it to enhance experience of customers transacting with Business and Corporate Banking.

Area	Activities of the Business and Corporate Banking Division in Q3 2020 (cont.)
Cross-segment activities	<ul style="list-style-type: none"> • Joining the Plastics Pact network of Ellen MacArthur Foundation as a member and signatory of the Polish Plastics Pact (the first entity from Polish banking sector). Pursuant to its responsible banking strategy, the bank is committed to supporting businesses in transforming towards a circular economy of plastics. • Organisation of webinars for customers to discuss the situation of selected sectors and key markets of Santander Group as well as business activities supported by trade finance instruments. The webinars are an important platform for exchanging sector knowledge, discussing trends and forecasts, increasing customers' awareness of the bank's products, and B2B networking. • Continuation of internal sector webinars aimed to develop bankers' knowledge of industries in which their customers operate. • Publication of a report in partnership with Spot Data: "It's margin time: how Polish food producers can move from volume-based expansion to productivity improvement" ("Czas na marżę. Jak polscy producenci żywności mogą przejść od ekspansji wolumenowej do zwiększenia efektywności"). The report received a positive feedback from market participants and industry experts. It was preceded by a series of press releases and accompanied by an expert webinar. • Regular publication of analyses and expert commentaries in social media (LinkedIn, Twitter) and trade press.
Focus on development of platforms and processes	<ul style="list-style-type: none"> • Implementation of Salesforce CRM: <ul style="list-style-type: none"> ✓ Santander Bank Polska S.A. was the first bank in Poland to implement a cloud-based CRM solution. Salesforce CRM is one of the most innovative systems worldwide. It provides bankers with access to complete information about business customers, which facilitates service and reduces turnaround times. • Effective customer service in remote channels: <ul style="list-style-type: none"> ✓ Emergency support for customers without access to iBiznes24 and IVR. ✓ Execution of agreements with existing and new customers using qualified signatures and scans. • Key changes to iBiznes24: <ul style="list-style-type: none"> ✓ Pilot of new iBiznes24 electronic banking services for selected customers. ✓ Implementation of automatic verification of payee accounts with the list of VAT payers. ✓ Alignment of SWIFT transfers with estimated costs of FX transfers. ✓ Implementation of changes to the e-FX module, ensuring 24/7 access to the service. • Key enhancements to iBiznes24 mobile application: <ul style="list-style-type: none"> ✓ Presentation of estimated costs of various types of transfers. ✓ Option to edit and clone tax payments (CIT, PIT, VAT). ✓ Verification of payee accounts with the list of VAT payers. • Credit delivery: <ul style="list-style-type: none"> ✓ Online confirmation of contributions in e-ZUS. ✓ Process and product standardisation as part of the Standard Credit Process to reduce TTY and TTA for standard credit facilities to 24 hours and 48 hours, respectively.
Business trends	<ul style="list-style-type: none"> • Reduction of deposit base costs. • Increase in the value of term deposits caused by growing market liquidity; higher share of current deposits resulting from interest rate cuts. • Still relatively low utilisation of credit lines in Q3; a visible increase in utilisation of factoring limits. • Stabilisation of transaction volumes in value terms, combined with a clear rise in the number of transactions made in the selected sectors. • Growth in sales of credit facilities in Q3, notably lease facilities and trade finance products. • YoY increase in income from the key business lines despite the economic slowdown caused by the pandemic: factoring (+8% YoY), trade finance (+7% YoY), leasing (+5% YoY).

Area	Activities of the Business and Corporate Banking Division in Q3 2020 (cont.)
Factoring business	<ul style="list-style-type: none"> During the first nine months of 2020, the receivables purchased by Santander Factoring Sp. z o.o. totalled PLN 21.4bn (-1.0% YoY), which gave the company the fourth position in the ranking of members of the Polish Association of Factoring Companies, with a market share of 10.3%. The value of the company's credit portfolio declined by 2.3% YoY to PLN 5.2bn as at 30 September 2020. The company continued partnership with BGK in relation to factoring schemes and joined a liquidity programme for factoring on 4 September 2020 (for more details, see Section "Helping businesses prosper"). Operational processes were prepared to launch factoring transactions secured by BGK guarantees.

1.2.3. Corporate and Investment Banking Division

Unit	Key activities of the Corporate and Investment Banking in Q3 2020
Credit Markets Department	<ul style="list-style-type: none"> Execution of deals in the sectors which are relatively resilient to the crisis (such as renewable energy), notably as part of project finance and syndicated lending, including: <ul style="list-style-type: none"> ✓ Issue of bonds for financial sector entities totalling nearly PLN 1bn. ✓ Participation in syndicated lending of above PLN 0.5bn for the leading company from the renewable energy sector to finance one of the largest wind farm projects in Poland. Active management of the credit portfolio through sale of selected credit exposures, among others through syndication of a syndicated lending for a customer from the telecommunications sector (with Santander Bank Polska S.A. acting as the coordinator).
Capital Markets Department	<ul style="list-style-type: none"> Good performance in the M&A and ECM markets and strengthening the leadership position in terms of financial advisory services for the above sectors. Key transactions executed in Q3 2020: <ul style="list-style-type: none"> ✓ Advisory services for the private equity fund from the renewable energy sector regarding the sale of wind farms. ✓ Tender offer for shares of a telecommunications company listed on the Warsaw Stock Exchange in excess of PLN 9bn, being the second largest tender offer in the history of the Polish market and the largest in 9 years.
Global Transactional Banking Department	<ul style="list-style-type: none"> Business trends observed: <ul style="list-style-type: none"> ✓ Further decrease in term deposits resulting from lower interest rates, coupled with an increase in current account balances. ✓ Stabilisation of transaction volumes in value terms, combined with a clear increase in the number of transactions made in the selected sectors. ✓ Growing tendency among customers to look for best possible banking terms (cost optimisation) and cash placement solutions. ✓ Extension of cooperation as part of several strategic relationships, resulting in the growth of profitability of the corporate line. ✓ Launch and closure of several deals secured by BGK guarantees under the financial stimulus programme (total exposure coverage of 80%). ✓ Relatively low utilisation of credit lines in Q3 at a level similar to Q1 2020. ✓ Significant use of trade finance channels. Strong focus on export financing and cooperation with KUKE. Considerable increase in documentary business. Participation in the arrangement of financing for investments supporting climate protection.

Unit	Key activities of the Corporate and Investment Banking in Q3 2020 (cont.)
Financial Markets Area	<ul style="list-style-type: none"> • Issuance of around 200 recommendations and organisation of the 2020 CEE Equity Outlook conference for institutional investors, attended by several dozens investment and pension fund managers. • Continuous development of the Kantor Santander currency exchange platform to provide unparalleled customer experience (relaunch of the platform website as part of Santander online banking). • Continuation of remote work to ensure uninterrupted best-in-class customer service during the pandemic.

2. Business Development of Santander Consumer Bank Group

Main development directions

The bank has defined five strategic priorities to increase its competitive advantage in terms of product range, notably in electronic channels.

Priority	Objective	Performance
Customer focus	<ul style="list-style-type: none"> • To strengthen relationships with customers and increase their satisfaction. 	<ul style="list-style-type: none"> • NPS above the target.
Leader of e-commerce	<ul style="list-style-type: none"> • To develop and implement solutions which will position the bank as a strategic provider of financing in the electronic channel. • To grow the share of sales via the electronic channel. 	<ul style="list-style-type: none"> • Progressing digitalisation of sales processes. • The share of online channel in customer acquisition at 20%, i.e. two-fold higher than in 2019. • Implementation of structural and functional changes to support acquisition and retention of customers in remote distribution channels (including setting up two dedicated departments in Q3 2020).
Leader of growth	<ul style="list-style-type: none"> • To increase the share in the consumer finance market (to maintain at least the existing customer acquisition levels in the credit area). 	<ul style="list-style-type: none"> • Stable share in the balance of consumer loans granted in Q3 2020 compared to the previous quarter (6.7%).
Data management expert	<ul style="list-style-type: none"> • To improve technological and data management capabilities of the bank. 	<ul style="list-style-type: none"> • Growth of work automation in Q3 2020.
Employer of choice	<ul style="list-style-type: none"> • To develop talents and corporate culture and attract highly-qualified staff. 	<ul style="list-style-type: none"> • Continuation of measures aimed at improving the work environment, developing the corporate culture and building the employer brand.

Development of selected business areas

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

Area	Activities of Santander Consumer Bank Group in Q3 2020
Lending	<p>Key focus areas</p> <ul style="list-style-type: none"> • Santander Consumer Bank Group focused on the following areas of credit delivery: <ul style="list-style-type: none"> ✓ maintenance of the leadership position in the hire purchase market through stable share in traditional sales, optimisation of cooperation with large retailers, further development and increase in share in online sales, as well as identification of new sales growth opportunities (e.g. financing renewable energy sources) and increase in profitability of collaboration with trade partners; ✓ acquisition of customers based on hire purchase loans and credit cards and maximisation of sales opportunities through cross-selling and up-selling; ✓ delivery of the policy aimed at maximising the value of customer relationships and optimising the cash loan proposition; ✓ further delivery of key projects related to online sales of hire purchase and cash loans and development of the mobile application; ✓ car finance in accordance with customers' preferences, taking account of existing market trends (decline in sales caused by the pandemic). • SCB Group also offered solutions to support individuals and businesses during the pandemic such as payment holidays or an extended scope of services in remote channels. From March to September, Santander Consumer Bank S.A. and Santander Consumer Multirent S.A. granted payment deferrals for 57k agreements in the total amount of PLN 1.7bn (retail loans, lease agreements, stock financing and factoring). Until the end of September, 74% of payment holidays were ended. • Intensive efforts were taken to restore the assumed levels of sales to individuals (other than sole traders) and micro and small companies. <p>Product changes</p> <ul style="list-style-type: none"> • In Q3 2020, Santander Consumer Multirent S.A. piloted consumer lease, a product complementary to hire purchase. • Santander Consumer Bank S.A. offered new terms and conditions for credit card holders, with interest based on a lombard rate. • The bank further developed the Full Service Leasing, a product offering additional benefits such as car service by approved repairers (Mazda), and damage and theft insurance. <p>Credit portfolio</p> <ul style="list-style-type: none"> • As at 30 September 2020, net loans and advances granted by Santander Consumer Bank Group amounted to PLN 16.1bn and decreased by 5.5% YoY as a result of deceleration of sales in March and April caused by the Covid-19 pandemic. A gradual upward trend has been observed since May as a result of reopening the economy and lifting restrictions connected with the coronavirus. <p>Sales trends</p> <ul style="list-style-type: none"> • In Q3 2020, consumer loan sales fell by 17.2% YoY, largely on account of a slowdown in the cash loans and a decline in the number of credit card transactions (end of cooperation with one of the key partners in terms of co-branded cards starting from February 2020). Meanwhile, the share of remote sales of cash loans and hire purchase loans increased from 6% to 11% and from 11% to 20%, respectively. Despite the overall decrease in sales, the bank maintained its market position. • Quarterly sales of financial products for passenger car buyers dropped by 6.6% YoY due to the Covid-19 crisis. Though improved, sales trends will depend on the further development of the epidemic situation in Poland.

Area	Activities of Santander Consumer Bank Group in Q3 2020 (cont.)
Deposits	<p>Deposit base:</p> <ul style="list-style-type: none"> As at 30 September 2020, deposits from customers of Santander Consumer Bank Group totalled PLN 9.9bn and increased by 2.9% YoY, combined with a lower demand for credit due to the Covid-19 pandemic. Compared to the end of June 2020, the balance of retail deposits went down, while the balance of corporate deposits was broadly stable. <p>Deposit offering:</p> <ul style="list-style-type: none"> The bank focuses on the sale of deposits with tenors longer than one year (12-month, 24-month and 36-month deposits). At the end of Q3 2020, the deposit product range was expanded to include a savings account for retail customers available in the internet channel only. The bank lowered interest rates on retail deposits along with the NBP reference rate reduction in line with its policy to efficiently adjust the offering to the market levels.
Other product lines	<ul style="list-style-type: none"> The range of non-related insurance products was expanded to include garden equipment insurance available to customers of retailers offering hire purchase in cooperation with the bank. A new cashback promotion was launched for holders of the Turbokarta credit card: 5% on car wash, 3% in restaurants and 1% on fuel.
Other	<ul style="list-style-type: none"> In Q3 2020, PLN 740m was disbursed under a securitisation transaction to finance business operations of a subsidiary of Santander Consumer Multirent sp. z o.o.

IV. Organisational and Infrastructure Development

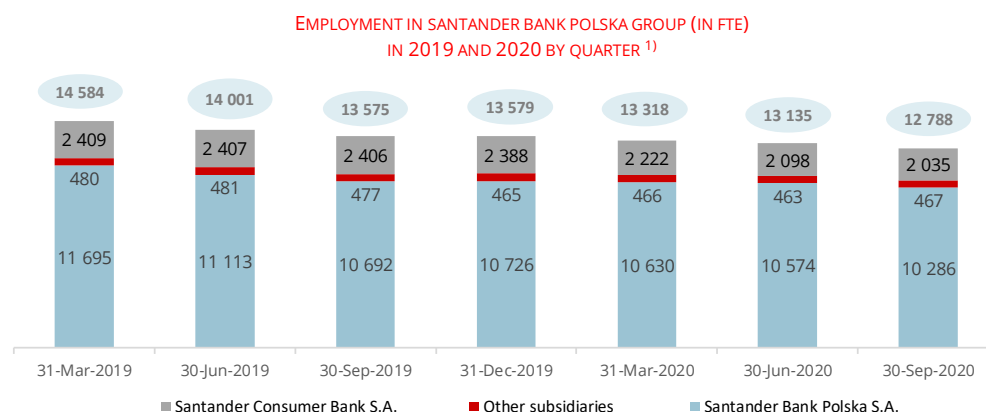
1. Human Resources Management

Employment

As at 30 September 2020, the number of FTEs in Santander Bank Polska Group was 12,788 vs 13,579 as at 31 December 2019. These headcount figures included 10,286 FTEs of Santander Bank Polska S.A. (10,726 as at 31 December 2019) and 2,035 FTEs of Santander Consumer Bank Group (2,388 as at 31 December 2019).

The 5.8% decrease in the total employment of Santander Bank Polska Group during the first nine months of 2020 reflects the ongoing transformation of the business models of both banks through digitalisation, optimisation of branch network, dynamic migration of sales and services related to financial products to remote distribution channels and steady implementation of technological and organisational solutions increasing operational efficiency of the organisation. The objective of these measures is to allocate the maximum resources to strengthen customer relationships, grow business and build competencies, which involves a gradual reduction of branch headcount and an increase in staffing levels of business support areas. The HR management processes at both banks are based on natural employee attrition and take into account the present business needs and market conditions.

In connection with the ongoing transformation, in Q2 2020 Santander Consumer Bank S.A. started the collective redundancy process to be completed by the end of H1 2021 with 430 people to be covered. This has contributed to a decrease in the employment of Santander Consumer Bank Group by 353 FTEs in the year to date.



1) Staff headcount at Santander Consumer Bank Group has been restated for ETEs identified as external

2. Digital Transformation

Main development directions

- In response to the customers' expectations in the dynamically changing environment, Santander Bank Polska S.A. decided to accelerate the digitalisation process and expand the scope of products and services available in electronic channels. The bank aims to offer more end-to-end solutions and improve the main service processes (e.g. related to credit and insurance products).
- As part of the Application Portfolio Optimisation (APO), a long-term plan was devised to simplify and upgrade the IT architecture, whilst reducing maintenance and development costs and enhancing security.
- A strong focus was placed on the quality of the initial stages of development and its automation in order to reduce the number of production incidents and accelerate changes.

3. Distribution Channels

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

Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	30.09.2020	31.12.2019	30.09.2019
Branches (location)	469	505	516
Off-site Locations	2	2	2
Santander Zones (acquisition stands)	10	8	7
Partner Outlets	137	134	127
Business and Corporate Banking Centres	19	19	18
ATMs and CDMs (unifunctional)	740	777	798
Dual Function Machines	934	923	918
Registered internet and mobile banking customers (in thousand) ¹⁾	4 139	4 424	4 293
Digital (active) internet and mobile banking customers (in thousand) ²⁾	2 704	2 510	2 459
Digital (active) mobile banking customers (in thousands) ³⁾	1 800	1 577	1 527
Registered iBiznes24 companies ⁴⁾ (in thousand)	19	18	17

1) The number of customers who signed an electronic banking agreement under which they can use the available products and services. In Q1 2020, the bank introduced a narrower definition of customers with active access to electronic services.

2) The number of active users of Santander service (digital customers) who at least once logged in to internet or mobile banking in the last month of the reporting period or checked the balance in the account without logging in.

3) The number of active users of Santander mobile who at least once logged in to the mobile application or its light version in the last month of the reporting period or checked the balance in the account without logging in.

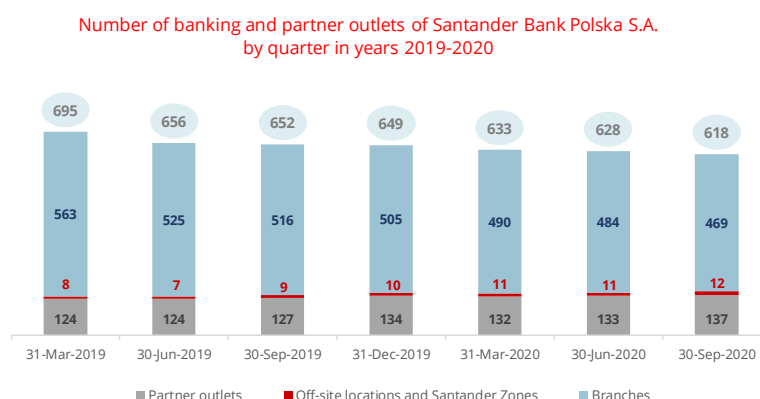
4) Only customers using iBiznes24 – an electronic platform for business customers (the customers having access to Moja Firma Plus and Mini Firma platforms are not included).

Branch network

In Q3 2020, another three branches were adapted to the new format. Currently, there are 74 remodelled branches where advisors may provide service in modern and spacious areas. Alongside this, branches were equipped with tools supporting people with disabilities (induction loops, tactile ground surface indicators and maps, and the TOTUPOINT navigation and information system).

The branch network was further optimised and 15 branches were closed: 10 branches were liquidated and 5 were transformed into partner outlets.

As at 30 September 2020, the bank had 469 branches, 2 off-site locations, 10 Santander Zones and 137 partner outlets. The brick-and-mortar network was reduced by 36 branches Ytd. Meanwhile, the number of acquisition stands and partner outlets increased by 2 and 3, respectively.



Indirect distribution channel

As at the end of September 2020, the indirect distribution channel of Santander Bank Polska S.A. included 428 agents who offered the bank's cash loans, mortgage loans, SME loans, loan insurance and leasing facilities.

ATMs

In Q3 2020, the bank continued to install recyclers, i.e. dual function ATMs enabling withdrawal of cash that has been previously deposited by other customers. The number of such devices increased by 25 Ytd to 423.

As at 30 September 2020, the network of self-service devices of Santander Bank Polska S.A. comprised 1,674 units, including 739 ATMs, 1 CDMs and 934 dual function machines (dual-chamber devices and recyclers).

Remote channels

Internet and mobile banking

Santander Bank Polska S.A. has been steadily enhancing the functionality and capacity of its digital contact channels in accordance with its long-term strategy of increasing their share in acquisition, sales and communication. This process was accelerated in response to the customers' preferences and spread of the pandemic.

In Q3 2020, the bank focused on further improvement of existing processes, introduced new functionalities and products, and enhanced security. Below are the examples of initiatives undertaken during that period:

- Development of digital acquisition:
 - ✓ Launch of a remote account opening process via courier with the use of a biometric tablet with an encrypted agreement (provided by the courier) and a decryption code (held by the customer). Once decrypted, the agreement is signed by the courier and the customer on the biometric tablet. The account is activated after the agreement is sent to the bank and verified.

- Development of digital sales:
 - ✓ Option for children aged 13 and older to sign up for Santander internet and Santander mobile services and for their parents to monitor their accounts in internet banking without the possibility to make remote operations on their behalf.
- Development of internet banking:
 - ✓ Launch of new product websites in Santander internet dedicated to loans, an integrated account and a credit card account, including links to banking operations associated with a given product.
 - ✓ Changes to the layout and tabs in Santander internet (including modification of the Alerts24 and History tabs, change to the presentation of funds in the account).
 - ✓ Possibility for customers to reset their passwords to the internet banking platform or mobile application by providing correct answers to the verification questions or to reset their internet banking password by using PIN mobile.
- Development of Santander mobile application:
 - ✓ Possibility to select a payee from the list in the mobile FX transfers module.
- Other changes:
 - ✓ Access to the chat history for customers using Online Advisor services.
 - ✓ Improvement of the transaction authorisation process using a mobile signature.

E-commerce

The bank continued to sell its flagship products (personal accounts, business accounts and cash loans) in partnership with affiliate networks in Poland, i.e. the largest online platforms. The e-commerce channel contributes to a steady increase in the share of digital channels in acquisition and sales.

iBiznes 24 internet and iBiznes24 mobile

For details about the key changes to the above-mentioned applications, see Section 1.2.2 about development directions of the Business and Corporate Banking Division.

CRM solutions

Below are the main customer relationship management (CRM) solutions implemented in Q3 2020:

- Improvement of the SMS gateway capacity enabling full automation of campaigns delivered in this channel.
- Implementation of an internal email gateway supporting contact with customers via another free-of-charge channel.
- Publication of personalised marketing messages on internal banners in Santander internet.
- Extension of activities in the digital channels, including campaigns aimed to enhance customer experience and increase the number of transactions.
- Further support for customers during the Covid-19 pandemic, including promotion of remote banking solutions.

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

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

Basic Statistics on Distribution Channels

Santander Consumer Bank S.A.	30.09.2020	31.12.2019	30.09.2019
Branches	97	150	150
Partner Outlets	239	183	183
Auto Loan lending Partners	667	780	787
Installment Loan Lending Partners	7 087	7 224	7 313
Registered internet and mobile banking customers (in thousand) ¹⁾	2 580	2 199	2 040
Digital (active) internet and mobile banking customers (in thousand) ²⁾	176	129	122
Digital (active) mobile banking customers (in thousand) ³⁾	95	18	8

1) The number of customers who signed an electronic banking agreement under which they can use the available products and services.

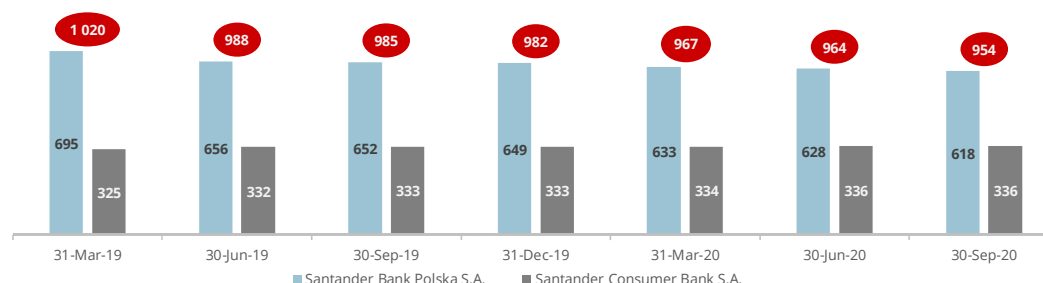
2) The number of active users of service (digital customers) who at least once logged in to internet or mobile banking in the last month of the reporting period or checked their balance without logging in.

3) The number of active users of mobile services who at least once logged in to the mobile application or its light version in the last month of the reporting period or checked their balance without logging in.

Santander Consumer Bank S.A. has been adapting its branch network to the requirements and expectations of the external environment as well as latest operating standards. At the same time, it has been optimising its franchise by closing selected branches or transforming them into partner outlets. In Q3 2020, the bank's network was reduced by four branches, two of which were liquidated and two transformed into partner outlets. The bank steadily develops the network of partner outlets for customers who prefer face-to-face interaction and traditional banking.

Combined network of Santander Bank Polska S.A. and Santander Consumer Bank S.A.

NUMBER OF BANKING AND PARTNER OUTLETS OF SANTANDER BANK POLSKA S.A. AND SANTANDER CONSUMER BANK S.A.
BY QUARTER IN YEARS 2019 -2020



V. Financial Performance in Ytd 2020

1. Income Statement

Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1-3 2020	Q1-3 2019 ³⁾	YoY Change
Total income	6 464,9	7 081,5	-8,7%
- Net interest income	4 477,4	4 933,2	-9,2%
- Net fee & commission income	1 582,8	1 586,5	-0,2%
- Other income ¹⁾	404,7	561,8	-28,0%
Total costs	(3 159,0)	(3 234,9)	-2,3%
- Staff, general and administrative expenses	(2 417,9)	(2 659,3)	-9,1%
- Depreciation/amortisation ²⁾	(445,3)	(467,4)	-4,7%
- Other operating expenses	(295,8)	(108,2)	173,4%
Impairment allowances for expected credit losses	(1 306,1)	(955,8)	36,6%
Profit/loss attributable to the entities accounted for using the equity method	68,5	48,9	40,1%
Tax on financial institutions	(449,0)	(451,7)	-0,6%
Consolidated profit before tax	1 619,3	2 488,0	-34,9%
Tax charges	(499,3)	(618,3)	-19,2%
Net profit for the period	1 120,0	1 869,7	-40,1%
- Net profit attributable to Santander Bank Polska shareholders	955,6	1 631,3	-41,4%
- Net profit attributable to non-controlling shareholders	164,4	238,4	-31,0%

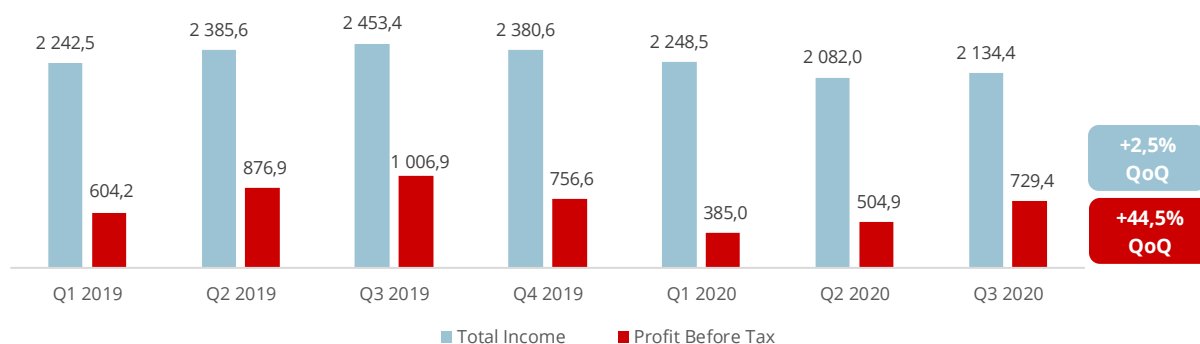
1) Other income includes total non-interest and non-fee income of the Group. It comprises in particular the following items of the full income statement: dividend income, net trading income and revaluation, gain/ loss on other financial instruments and other operating income.

2) Amortisation/ depreciation includes depreciation of property, plant and equipment, amortisation of intangible assets and depreciation of the right-of-use asset.

3) Data for the period from Q1 to Q3 2019 were restated in relation to a) change in the presentation of repurchase transactions resulting in an increase in tax on financial institutions; b) presentation of income from and cost of lease modifications as net amounts under other operating income, which is a component of other income in this condensed income statement.

PLN m

THE GROUP'S TOTAL INCOME AND PROFIT BEFORE TAX BY QUARTER
IN 2019 AND 2020



The profit before tax of Santander Bank Polska Group for the 9-month period ended 30 September 2020 totalled of PLN 1,619.3m and was down 34.9% YoY. Profit attributable to the shareholders of Santander Bank Polska S.A. decreased by 41.4% YoY to PLN 955.6m.

Comparability of periods

Selected items of the income statement affecting the comparability of periods

	Q1-Q3 2020	Q1-Q3 2019
Contributions to the Bank Guarantee Fund made by Santander Bank Polska Group <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> • PLN 369.5m, including a contribution of PLN 122.3m to the bank guarantee fund and a contribution of PLN 247.2m to the bank resolution fund 	<ul style="list-style-type: none"> • PLN 262.2m, including a contribution of PLN 62.8m to the bank guarantee fund and a contribution of PLN 199.3m to the bank resolution fund
Additional expected credit loss allowance (post-model adjustment) <i>(net expected credit loss allowances)</i>	<ul style="list-style-type: none"> • PLN 151.3m, including PLN 108.5m in relation to Santander Bank Polska S.A., PLN 30.3m in relation to Santander Consumer Bank S.A. and PLN 12.5m in relation to other subsidiaries. 	<ul style="list-style-type: none"> • No such allowance
Collective provision for legal risk <i>(other operating expense)</i>	<ul style="list-style-type: none"> • PLN 110.3m, including a provision of PLN 63.2m for the foreign currency mortgage loan portfolio and a provision of PLN 47.1m for partial reimbursement of fees in respect of early repaid consumer loans 	<ul style="list-style-type: none"> • PLN 10m for legal risk of Santander Consumer Bank S.A. connected with the consumer loans portfolio
Adjustment to net interest income in respect of an obligation to reimburse fees related to early repaid consumer loans <i>(net interest income)</i>	<ul style="list-style-type: none"> • PLN 129m, including PLN 79.9m in relation to Santander Bank Polska S.A., PLN 48.5m in relation to Santander Consumer Bank S.A. and the remaining amount in relation to a subsidiary of Santander Consumer Bank Group. 	<ul style="list-style-type: none"> • No such charge
Income of Santander Consumer Bank S.A. from revision of the model for calculation of provisions for insurance premium refunds <i>(net interest income and net fee and commission income)</i>	<ul style="list-style-type: none"> • PLN 103m, including PLN 90m recognised in interest income and PLN 13m in fee and commission income 	<ul style="list-style-type: none"> • No such one-off income
Dividend income	<ul style="list-style-type: none"> • PLN 22.5m, including PLN 11.0m from Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A. 	<ul style="list-style-type: none"> • PLN 98.7m, including PLN 88.6m from three companies from Aviva Group
Provision for employment restructuring <i>(staff expenses)</i>	<ul style="list-style-type: none"> • PLN 15.4m in respect of collective redundancies at Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • PLN 88.2m, including PLN 80m for severance pay for employees selected for collective redundancies at Santander Bank Polska S.A. and PLN 8.2m for optimisation of employment at Santander Consumer Bank S.A.
Impact of investments and divestments <i>(other operating income)</i>	<ul style="list-style-type: none"> • No such transaction 	<ul style="list-style-type: none"> • PLN 50.0m in respect of preliminary settlement of the sale of an organised part of the enterprise

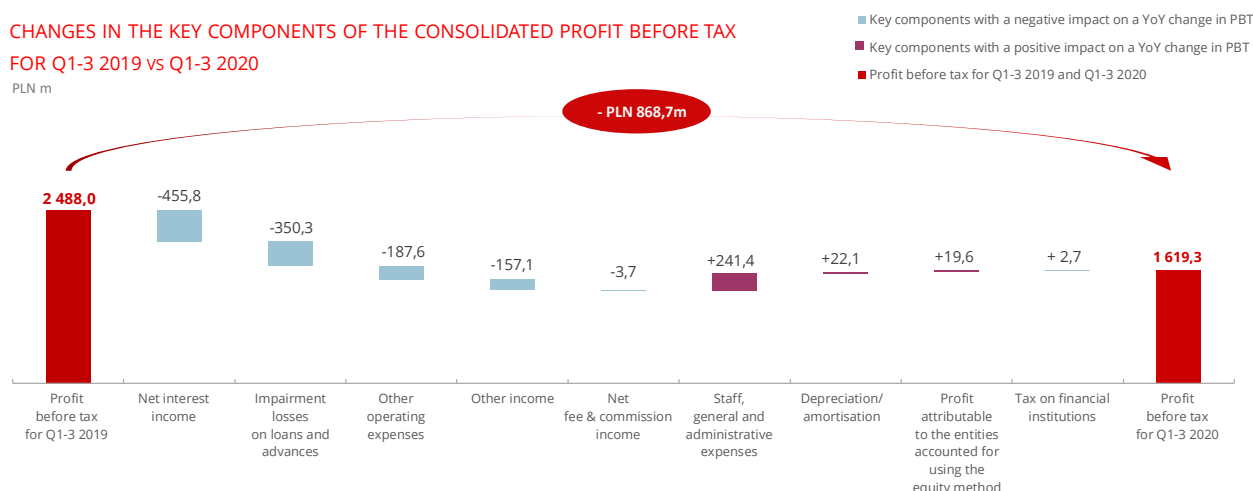
On comparative basis, i.e. assuming a fixed level of contributions to the BFG and excluding income items and charges specified in the table above from the periods in which they were generated or incurred,

- the **underlying profit before tax** decreased by 17.7% YoY and
- the **underlying profit attributable to the shareholders of the parent** went down by 18.2% YoY.

Determinants of the Group's profit during the first three quarters of 2020

CHANGES IN THE KEY COMPONENTS OF THE CONSOLIDATED PROFIT BEFORE TAX FOR Q1-3 2019 vs Q1-3 2020

PLN m



- The decrease in the **net interest income** of Santander Bank Polska Group (-9.2% r/r) is primarily attributed to the pressure on net interest margin from three NBP rate cuts in H1 2020, charge of PLN 129m to net interest income in respect of partial reimbursement of fees related to early repaid consumer loans (in accordance with the judgment of the Court of Justice of the European Union) and deceleration of credit delivery caused by the Covid-19 pandemic.
- Another factor determining the Group's profit before tax was an increase of 36.6% YoY in **expected credit loss allowances** caused by higher credit risk of sectors affected by the economic lockdown, difficult circumstances of many personal customers, review of model parameters and an additional expected credit loss allowance of PLN 151.3m raised as a post-model adjustment to account for uncertainty related to the pandemic.
- Other income** (i.e. total non-interest and non-fee income) was down 28.0%. Included in this position was **net trading income and revaluation**, which decreased by 34.6% YoY, reflecting a negative change in the fair value of credit card receivables (-PLN 43.7m) and a lower gain on derivatives, interbank FX transactions and FX trading transactions (-PLN 37.8m). A drop of 41.6% YoY in **other operating income** was a combined effect of high base resulting from PLN 50m recognised in the comparative period in respect of preliminary settlement of sale of an organised part of the enterprise and a higher volume of property sale transactions. **Dividend income** was down 77.2% YoY, as Aviva insurance companies did not pay out dividends this year in line with the supervisory requirements for the insurance sector. In the base period, the Group recognised dividend income of PLN 76.2m from the above-mentioned companies. A negative change in the foregoing components was offset by an increase of 32.5% YoY in **gains on other financial instruments** from the sale of government bonds with record low yields.
- Total operating expenses** were down 2.3% YoY as a result of a strong reduction in **staff expenses** (-15.7% YoY) combined with a moderate decrease in **amortisation and depreciation** (-4.7% YoY) and **general and administrative expenses** (-1.5% YoY). The positive financial impact of the above changes was largely offset by an increase in **other operating expenses** (+173.4% YoY), including in collective provisions for legal risk and provisions for legal disputes associated with foreign currency mortgage loans and early repaid consumer loans.

Structure of profit before tax earned by Santander Bank Polska Group by contributing entities

Components of Santander Bank Polska Group Profit Before Tax in PLN m (by contributing entities)	Q1-3 2020	Q1-3 2019	YoY Change
Santander Bank Polska S.A.	1 112,7	2 150,0	-48,2%
Subsidiary undertakings:	524,7	778,0	-32,6%
Santander Consumer Bank S.A. and its subsidiaries ¹⁾	339,8	558,0	-39,1%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	128,6	160,7	-20,0%
Santander Finanse Sp. z o.o. and its subsidiaries (Santander Leasing S.A., Santander Leasing Poland Securitization 01 Designated Activity Company, Santander Factoring Sp. z o.o., Santander F24 S.A.)	55,5	64,9	-14,5%
Other companies ²⁾	0,8	(5,6)	-
Equity method valuation	68,5	48,9	40,1%
Elimination of dividends received by Santander Bank Polska S.A. and consolidation adjustments ³⁾	(86,6)	(488,9)	-82,3%
Profit before tax	1 619,3	2 488,0	-34,9%

1) In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o., SC Poland Consumer 15-1 Sp. z o.o., SC Poland Consumer 16-1 Sp. z o.o., PSA Finance Polska Sp. z o.o. and PSA Consumer Finance Polska Sp. z o.o. In Q3 2020, the list of the Group's members was expanded to include two new companies: Santander Consumer Financial Solutions Sp. z o.o. and SCM Poland Auto 2019-1 DAC. The amounts provided above represent profit before tax (after intercompany and consolidation adjustments) of SCB Group for the periods indicated.

2) The figures relate to Santander Inwestycje Sp. z o.o. and Santander Securities S.A. until the latter's division and dissolution on 8 November 2019.

3) The figure for Q1-Q3 2020 includes the dividend of PLN 86.6m from Santander TFI S.A., whereas the figure for Q1-Q3 2019 comprises the dividend of PLN 335.2m from SCB S.A., PLN 95.0m from Santander TFI S.A. and PLN 58.7m from Aviva Group associates.

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

The **unconsolidated profit before tax of Santander Bank Polska S.A.** for the 9-month period ended 30 September 2020 was PLN 1,112.7m, down 48.2% YoY. The results of the bank reflect the majority of trends observed at the Group level. The key changes were as follows:

- **Net income from the core business** decreased by 5.6% YoY:
 - ✓ **Net interest income** went down by 7.4% YoY to PLN 3,325.9m amid lower interest rates, decelerated lending activity and a negative adjustment of PLN 79.9m accounting for partial reimbursements of fees on early repaid consumer loans.
 - ✓ **Net fee and commission income** was stable at PLN 1,273.9m (-0.4% YoY) as a result of an increase in FX and brokerage fees and a parallel decline in net fee and commission income from lending activities and such business lines as e-business and payments, credit cards, account maintenance and cash transactions.
- **Other income** (non-interest and non-fee income) was down 54.9% YoY:
 - ✓ **Dividend income** decreased by 81.6% to PLN 108.3m as a result of recognition of PLN 335.2m worth of dividend from Santander Consumer Bank S.A. for 2018 which was not recorded in the current period (in 2020, the General Meeting of Santander Consumer Bank S.A. decided to retain the entire profit for 2019 in line with the regulatory recommendation on profit distribution by financial sector entities).
 - ✓ **Net trading income and revaluation** went down by 24.4% YoY to PLN 106.2m, reflecting a lower gain on derivatives, interbank FX transactions and other FX trading transactions, higher total gain on trading in equity and debt instruments and a negative change in the fair value of credit card receivables.
 - ✓ **Gains on other financial instruments** increased by 30.3% to PLN 180.0m, driven by a higher result on the sale of government bonds, which was accompanied by a lower positive adjustment of market valuation of shares in Visa Inc. (PLN 14.7m vs PLN 38.9m in the corresponding period last year).
 - ✓ **Other operating income** fell by 57.7% YoY to PLN 57.3m due to a high base effect caused by recognition of PLN 50m in relation to preliminary settlement of sale of an organised part of the enterprise (Investment Services Centre) and higher property sales last year.

- **Net expected credit loss allowances** increased by 49.3% to PLN 1,013.2m due to higher credit risk connected with the economic and epidemic situation and an additional allowance of PLN 108.5m made to account for uncertainty about the scale and scope of deterioration in macroeconomic outlook due to Covid-19 (post-model adjustment).
- **Total operating expenses** went down by 4.4% YoY to PLN 2,509.2m:
 - ✓ **Staff and general expenses** were reduced by 9.4% YoY, as no charges were made in the current period in relation to employment restructuring (last year, a provision of PLN 80m was raised in this respect) and the total value of fixed labour costs were lower due to a YoY decrease in average employment. At the same time, total obligatory contributions to the Bank Guarantee Fund were up PLN 109.1m YoY, which was offset by reductions in such cost items as marketing and entertainment, maintenance of premises, other third party services, security and office equipment.
 - ✓ **Other operating expenses** went up by 163.2% YoY, after the Group raised high collective provisions for legal risk and topped up provisions for legal disputes and other assets in respect of customer claims connected with foreign currency mortgage loans and early repaid consumer loans.

Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a drop of 32.6% YoY in their total profit before tax.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated **profit before tax** of Santander Bank Polska Group for the first three quarters of 2020 was PLN 339.8m (after intercompany transactions and consolidation adjustments) and decreased by 39.1% YoY as a combined effect of the following:

- A decrease of 17.0% YoY in **net interest income** to PLN 996.0m due to a negative adjustment to interest income on account of early repaid consumer loans (PLN 49.0m) and impact of the Covid-19 pandemic, i.e. sharp interest rate cuts, payment deferrals, deceleration of sales and reduction in the value of the credit portfolio. The financial impact of the above-mentioned developments was offset to some extent by one-off income of PLN 90m from the update of parameters based on the revised model for calculation of provisions for insurance premium refunds.
- An increase of 39.3% YoY to PLN 121.5m in **net fee and commission income** driven by higher gains on settlements with retail network partners and a rise in insurance proceeds caused by a one-off adjustment of PLN 13m resulting from the revision and update of the provision calculation model for insurance premium refunds. This was accompanied by an increase in fee and commission expenses related to securitisation and the lack of income from spot transactions (since July 2019).
- Lower **net allowances** of PLN 236.7m (down 2.0% YoY) **for expected credit losses**, resulting from an additional allowance of PLN 33.0m raised to account for uncertainty as to the scale and scope of the impact of the coronavirus crisis on the macroeconomic situation and a YoY increase of PLN 11.7m in gross profit from debt sale.
- A drop in **gains on trading in financial instruments and net trading income** (down PLN 9.8m to -PLN 2.0m) due to fair value measurement of the credit card portfolio taking account of interest rate cuts.
- **Operating expenses** grew by 5.6% YoY to PLN 540.4m, impacted by other operating expenses as a result of the CJEU judgments of 2019 on foreign currency mortgage loans and consumer loans, which prompted a top-up of provisions for legal claims related to the former loans and a set-up of additional provisions of PLN 22.2m and PLN 29.5m for legal risk associated with both above-mentioned portfolios (vs PLN 10m worth of provisions raised in the comparative period for reimbursement of fees on early repaid consumer loans). Meanwhile, staff and general expenses, including an employment restructuring provision of PLN 15.4m (PLN 8.2m in Q1–Q3 2019), went down by 8% YoY.

Other subsidiaries

Profit before tax of Santander TFI S.A. for the first three quarters of 2020 decreased by 20.0% to PLN 128.6m. Fee and commission income was down 12.9% YoY along with income from fund management due to a lower value of average net assets under management and a narrower margin reflecting changes to the asset structure and reduction of management fees in accordance with the applicable regulations. Operating expenses grew by 6.9% YoY, including as a result of implementation of the Employee Capital Plans in November 2019 and higher capital market supervision fees.

Total profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. dropped by 14.5% YoY to PLN 55.5m.

- The total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o., Santander Leasing Poland Securitization 01 Designated Activity Company and Santander F24 S.A. declined by 23.5% YoY to PLN 34.9m. This negative change was mainly attributed to higher expected credit loss allowances for the lease portfolio, including allowances made as a result of the Covid-19 pandemic. The quality of the lease portfolio measured by the NPL ratio remained satisfactory (-0.03 p.p. YoY). The development of the lease business in that period triggered an increase of 7% YoY in the performing portfolio, growth of 8.2% YoY in net interest income and a rise of 5% YoY in net insurance income.
- The profit before tax posted by Santander Factoring Sp. z o.o. was up 7.1% YoY and totalled PLN 20.6m. The growing factoring portfolio generated a 20% increase in net interest income, which was partly offset by higher expected credit loss allowances connected with Poland's uncertain economic outlook resulting from the Covid-19 pandemic, among other things.

Structure of Santander Bank Polska Group's profit before tax

Total income

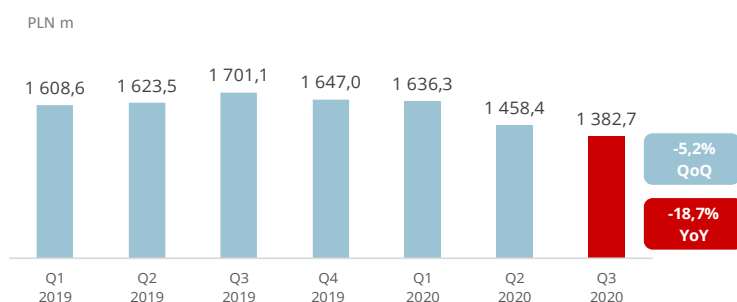
Total income of Santander Bank Polska Group for the 9-month period ended 30 September 2020 decreased by 8.7% YoY to PLN 6,464.9m. Excluding the last year's gain of PLN 50m from the preliminary settlement of sale of the Investment Services Centre, dividend income in both analysed periods (PLN 22.5m in Q1–Q3 2020 and PLN 98.7m in Q1–Q3 2019) and items recognised in the current periods such as income of PLN 103m from revision of the provision calculation model of Santander Consumer Bank S.A. in relation to refunds of insurance premiums and fees, and a negative adjustment of PLN 129.0m on account of partial reimbursement of fees on early repaid consumer loans, the underlying total income was down 6.7% YoY.

Net interest income

Net interest income for the three quarters of 2020 was PLN 4,477.4m, down 9.2% YoY. Excluding the provision of PLN 129.0m in respect of partial reimbursement of fees on early repaid consumer loans and the one-off income of PLN 90m from an update of parameters of the model for calculation of provisions for insurance premium refunds at Santander Consumer Bank S.A., the Group's underlying net interest income decreased by 8.4% YoY as a combined effect of the following:

- Pressure on net interest margin from sharp NBP interest rate cuts in H1 2020 (the reference rate was reduced by the MPC three times: on 17 March, 8 April and 28 May by 1.4 p.p. in total to 0.1%) and decreasing market rates.
- Flexible pricing management resulting in optimisation of cost of asset funding and supporting the bank's credit policy.
- Negative impact of the coronavirus pandemic on the Group's lending business observed in 2020, including deceleration of credit delivery (particularly in the SME segment).
- Continuing favourable YoY changes in the Group's balance sheet structure (an increase in low-cost balances of current deposits combined with a rise in high-margin retail loans).
- Lower yield of debt investment securities alongside a growth in the portfolio of these financial assets.

NET INTEREST INCOME BY QUARTER IN 2019 AND 2020

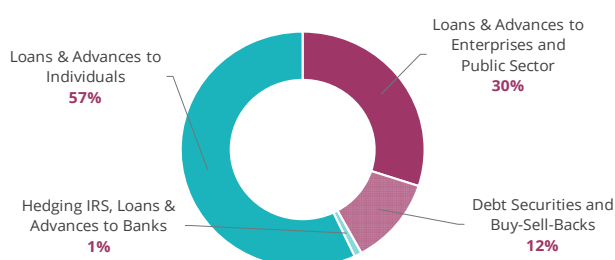


Interest income for the three quarters of 2020 totalled PLN 5,357.2m and was down 15.8% YoY due to pressure from the main components. In absolute terms, loans and advances to personal and business customers had the largest impact on the above figure, but the most significant decline was observed in interest income from loans and advances to banks (-65.9% YoY), repurchase transactions (-79.5% YoY) and IRS hedges (-55.6% YoY).

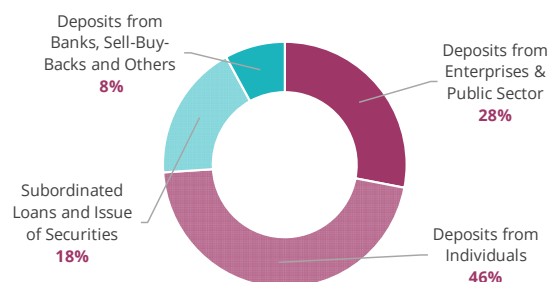
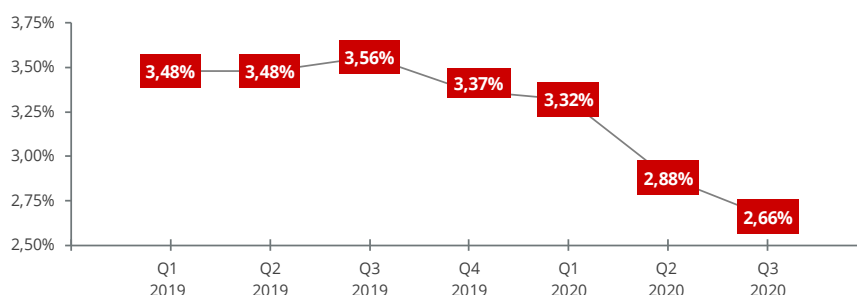
Interest expense decreased at a much faster rate than interest income (down 38.5% YoY to PLN 879.7m for the three quarters of 2020), as personal and business customers transferred funds from term deposit accounts to current and savings accounts. This was underpinned by changes to the pricing of the Group's term deposit offer in response to official interest rate cuts and developments in the financial markets in H1 2020.

The net interest margin (annualised on a year-to-date basis) was down from 3.50% to 2.95%.

STRUCTURE OF INTEREST REVENUE IN Q1-3 2020



STRUCTURE OF INTEREST EXPENSE IN Q1-3 2020

NET INTEREST MARGIN¹⁾ BY QUARTER IN THE YEARS 2019 AND 2020
(INCLUDING SWAP POINTS)²⁾

- ¹⁾ The quarterly net interest margin in 2019 takes account of the retrospective change to the recognition of repurchase transactions introduced in Q4 2019.
- ²⁾ The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading.

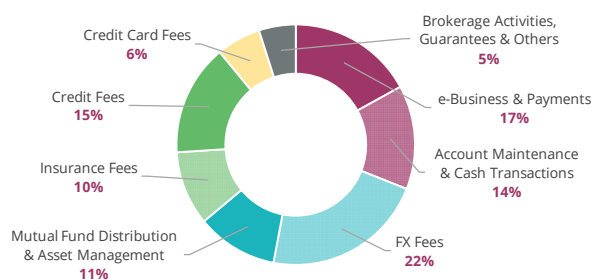
Net interest margin for Q3 2020 (annualised on a quarterly basis) totalled 2.66% and was down 22 b.p. QoQ and 90 b.p. YoY. The third quarter fully reflected the impact of interest rate cuts introduced in H1 2020, both in terms of interest income and interest expense. Further outflow of funds from term deposits was observed, coupled with growing popularity of investment solutions, deceleration of credit delivery due to the economic shock caused by the Covid-19 pandemic, and significant investments of free cash in debt securities of relatively low yields. The majority of the foregoing factors had a negative impact on the margin.

Net fee and commission income

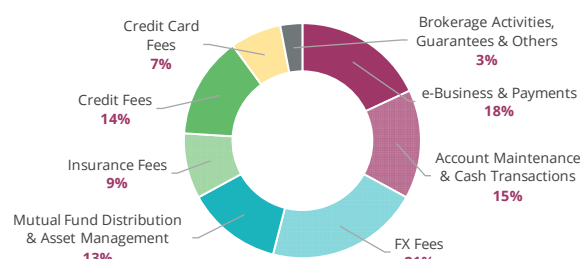
Net Fee and Commission Income (in PLN m)	Q1-3 2020	Q1-3 2019	YoY Change
FX fees	342,1	332,3	2,9%
E-Business and payments ¹⁾	274,2	293,4	-6,5%
Credit fees ²⁾	244,0	215,8	13,1%
Account maintenance and cash transactions ³⁾	229,5	243,9	-5,9%
Asset management and distribution	171,1	202,2	-15,4%
Insurance fees	152,6	149,4	2,1%
Credit cards	96,0	106,7	-10,0%
Brokerage activities	76,0	41,4	83,6%
Guarantees and sureties ⁴⁾	24,1	43,5	-44,6%
Other ⁵⁾	(26,8)	(42,1)	-36,3%
Total	1 582,8	1 586,5	-0,2%

- 1) Fees for payments (foreign and mass payments, Western Union transfers), trade finance, debit cards, services for third party institutions as well as other electronic and telecommunications services.
- 2) Net fee and commission income from lending, factoring and lease activities which is not amortised to net interest income. This line item includes, inter alia, the cost of credit agency.
- 3) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2020 are included in the line item "Other" (PLN 2.3m for Q1-Q3 2020 vs PLN 1.4m for Q1-Q3 2019).
- 4) Fee income from guarantees has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2020 are included in the line item "Other" (PLN 41.7m for Q1-Q3 2020 vs PLN 8.5m for Q1-Q3 2019).
- 5) Issue arrangement fees and others.

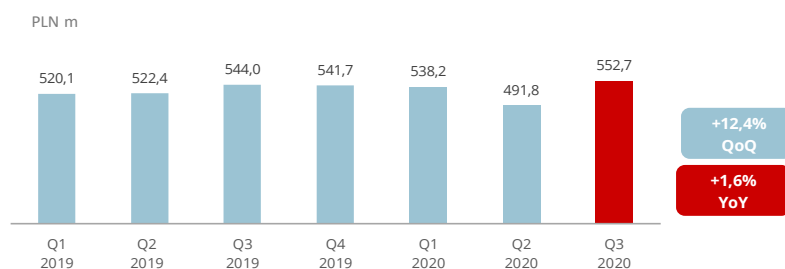
NET COMMISSION INCOME STRUCTURE IN Q1-3 2020



NET COMMISSION INCOME STRUCTURE IN Q1-3 2019



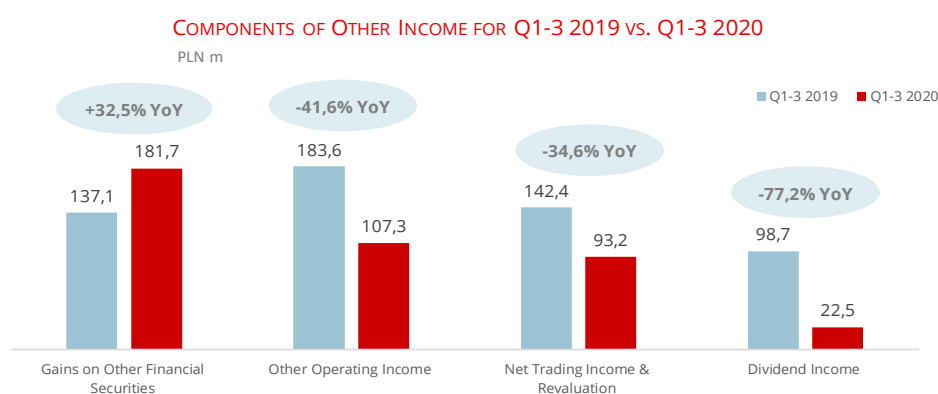
NET FEE & COMMISSION INCOME BY QUARTER IN THE YEARS 2019 AND 2020



Net fee and commission income for the 9-month period ended 30 September 2020 amounted to PLN 1,582.8m and was broadly stable (-0.2% YoY) due to the performance of individual business lines of Santander Bank Polska S.A. and its subsidiaries. The key changes were as follows:

- Brokerage fees rose by 83.6% YoY as a result of higher trading generated by all segments of Santander Brokerage Poland customers who looked for investment opportunities in view of a crash in stock markets and their higher volatility. The increase in trading was supported by remote processes available in the internet and mobile banking services, such as a new procedure for opening investment accounts.
- An increase of 13.1% YoY in net credit fee and commission income is largely attributed to lower costs of credit agency as part of settlements between Santander Consumer Bank S.A. and its retail partners.
- A moderate improvement in FX fee income (+2.9% YoY) was driven by transactions in e-FX (iBiznes24 module) and Kantor Santander currency exchange platform (available in Santander online and Santander mobile) coupled with a decrease in average quotations.
- An increase of 2.1% YoY in net fee and commission income from insurance business results from recognition of non-recurring income of PLN 13m by Santander Consumer Bank S.A. following an update of parameters of the provision for insurance premium refunds (as part of revision of the underlying calculation model).
- Net fee and commission income from asset management and distribution fell by 15.4% YoY as a result of a slump in share prices in March 2020. Trends in financial markets caused a decline in the value of average net assets managed by Santander TFI S.A. and reduction in the margin due to changes in the structure of assets and the level of fees.
- A decrease of 5.9% YoY in net fee and commission income from account maintenance and cash transactions is attributed to lower number of transactions made by customers, among other things. A decline of 6.5% YoY in e-Business and payments was caused by changes to cross-border payments in EUR arising from the new EU regulations.
- Net fee and commission income from issuance and management of a combined portfolio of credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. decreased by 10.0% YoY due to a reduced number of cards resulting from the modification of the product range and varied intensity of promotional and CRM activities at the beginning of the year. Further to this, a drop in the number of credit card transactions was recorded, including the number of cash withdrawals with credit cards, transfers from credit cards and currency conversions.
- A 44.6% YoY drop in net fee and commission income from guarantees is due to higher costs incurred by the bank and its subsidiaries in relation to their guarantee and securitisation business designed to diversify the funding and manage the equity.

Non-interest and non-fee income



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 404.7m and decreased by 28.0% YoY due to the volatility of the financial instruments market, a one-off divestment transaction recognised in Q3 2019 (PLN 50m on account of preliminary settlement of the sale of an organised part of the enterprise) and measures taken by the financial supervision authority to ensure security of the financial system by restricting profit distributions by the supervised entities. Pursuant to the KNF recommendation, the insurance companies from Aviva Group included in the portfolio of Santander Bank Polska S.A. retained their entire profit for 2019, which resulted in a decrease of 77.2% YoY in dividend income on a consolidated basis.

- Net trading income and revaluation for Q1–Q3 2020 was PLN 93.2m, down 34.6% YoY due to:
 - ✓ a decrease of 26.7% YoY in gains on derivatives, interbank FX transactions and FX trading which totalled PLN 103.9m; this line item excludes net interest income from the CIRS and IRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 83.7m for Q1–Q3 2020 vs PLN 136.6m for Q1–Q3 2019), which is disclosed under interest income;
 - ✓ a negative change of PLN 18.0m in the fair value of credit card receivables mandatorily measured through profit or loss for the three quarters of 2020 vs an increase of PLN 25.7m in their fair value for the three quarters of 2019;
 - ✓ a loss of PLN 11.0m for the three quarters of 2020 on trading in equity securities measured at fair value through profit or loss, which was deeper by PLN 4.7m YoY compared with last year.

The negative impact of the above components of net trading income was offset by a gain of PLN 18.3m on trading in debt financial assets measured at fair value through profit or loss vs a loss of PLN 18.7m incurred on such transactions in the same period last year.

- Gains on other financial instruments totalled PLN 181.7m and were up 32.5% YoY on account of a profit of PLN 170.1m from the sale of government bonds (PLN 86.5m from Q1 to Q3 2019) largely supported by market trends (low bond yields). The Group recorded a positive change in the fair value of shares of Visa Inc. amounting to PLN 15.1m (including PLN 7.8m in relation to shares from the portfolio of Santander Bank Polska S.A. converted into series A shares) vs PLN 40.3m in the corresponding period last year (excluding FX differences).
- Other operating income fell by 41.6% YoY to PLN 107.3m due to PLN 19.7m YoY drop in gain on sale/ liquidation of property, plant and equipment and assets held for sale recognised in the current period and a one-off transaction accounted for in the base period (a gain of PLN 50m on preliminary settlement of the sale of an organised part of the enterprise).

Impairment allowances

Impairment allowances for expected credit losses on loans and advances measured at amortised cost (in PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	Q1-3 2020	Q1-3 2019	Q1-3 2020	Q1-3 2019	Q1-3 2020	Q1-3 2019	Q1-3 2020	Q1-3 2019	Q1-3 2020	Q1-3 2019
Charge on loans and advances to customers	(55,5)	(91,7)	(562,7)	(371,6)	(701,6)	(566,9)	9,0	59,8	(1 310,8)	(970,4)
Recoveries of loans previously written off	-	-	-	-	(2,6)	(10,5)	-	-	(2,6)	(10,5)
Off-balance sheet credit related facilities	4,8	17,1	(2,2)	2,7	4,7	5,3	-	-	7,3	25,1
Total	(50,7)	(74,6)	(564,9)	(368,9)	(699,5)	(572,1)	9,0	59,8	(1 306,1)	(955,8)

The charge made by Santander Bank Polska Group to the income statement on account of expected credit loss allowances was PLN 1,306.1m for the three quarters of 2020 vs PLN 955.8m for the corresponding period last year. This figure includes allowances of PLN 236.7m made by Santander Consumer Bank Group, which were broadly stable compared to the base period (PLN 241.6m, down 2.0% YoY).

The increase in impairment allowances on loans and advances to the Group's customers (from PLN 970.4m for the three quarters of 2019 to PLN 1,310.8m for the three quarters of 2020) reflects:

- ✓ higher credit risk associated with the sectors which were worst hit by the economic shutdown;
- ✓ individual cases of deterioration in customers' financial standing;
- ✓ declining financial situation of a number of households;
- ✓ change of parameters as part of the half-yearly revision of models;
- ✓ an additional expected credit loss allowance of PLN 151.3m made as post-model adjustment accounting for an uncertain economic outlook.

Compared to Q2 2020, credit risk of individual portfolios stabilised or decreased. The bank monitored risk on an ongoing basis, including risk of loans subject to expiring support schemes. Loan loss coverage in the corporate segment was increased.

During the three quarters of 2020, the Group sold credit receivables of PLN 1,055.2 from personal and business customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., generating a gross profit of PLN 20.2m. In the corresponding period last year, the Group sold credit receivables of PLN 654.5m at a loss of PLN 4.6m.

The NPL ratio (including POCI exposures) was 5.7% as at 30 September 2020 (5.0% as at 30 September 2019), while the ratio of impairment allowances to average gross loans and advances measured at amortised cost was 1.07% (0.92% a year before).

Total costs

Total costs (in PLN m)	Q1-3 2020	Q1-3 2019	YoY Change
Staff, general and administrative expenses, of which:	(2 417,9)	(2 659,3)	-9,1%
- Staff expenses	(1 199,4)	(1 422,3)	-15,7%
- General and administrative expenses	(1 218,5)	(1 237,0)	-1,5%
Depreciation/amortisation	(445,3)	(467,4)	-4,7%
- Depreciation/amortisation of PP&E and intangible assets	(293,0)	(305,7)	-4,2%
- Depreciation of right-of-use assets	(152,3)	(161,7)	-5,8%
Other operating expenses	(295,8)	(108,2)	173,4%
Total costs	(3 159,0)	(3 234,9)	-2,3%

In the 9-month period ended 30 September 2020, total operating expenses of Santander Bank Polska Group went down by 2.3% YoY to PLN 3,159.0m. On a comparative basis, i.e.:

- assuming a fixed level of fees payable to the Bank Guarantee Fund in both analysed periods (i.e. excluding the surplus of PLN 107.3m from the cost base for the three quarters of 2020) and
- excluding:
 - ✓ from the current reporting period: provisions for legal risk of customer claims connected with foreign currency mortgage loans (PLN 63.2m) and partial reimbursement of fees related to early repaid consumer loans (PLN 47.1m);
 - ✓ from both analysed periods: provisions for employment restructuring at Santander Consumer Bank S.A. (PLN 15.4m for the three quarters of 2020 and PLN 8.2m for the three quarters of 2019) and at Santander Bank Polska S.A. (PLN 80m for the three quarters of 2019);

the underlying operating expenses declined by 6.7% YoY.

The Group's cost to income ratio increased moderately to 48.9% from 45.7% a year before. Adjusting for the above-mentioned cost and income items, the underlying cost to income ratio was 45.2% and stable YoY.

Staff expenses

During the first nine months of 2020, staff expenses of Santander Bank Polska Group totalled PLN 1,199.4m, down 15.7% YoY. Excluding employment restructuring provisions from both analysed periods, the underlying consolidated staff expenses declined by 11.3% YoY, reflecting lower fixed labour costs resulting from reduction in average employment and bonus scheme adjustments in the new circumstances. This was achieved along with the periodic salary review and payment of annual bonuses connected with performance review.

General and administrative expenses

General and administrative expenses of Santander Bank Polska Group went down by 1.5% to PLN 1,218.5m. Fees payable to the BFG, KNF and KDPW, which are the largest constituent item, went up by 36.4% YoY, largely as a result of an increase in amounts paid to the BFG, including an annual contribution to the bank resolution fund for 2020 (up 24.0% YoY to PLN 247.2m) and a quarterly contribution to the bank guarantee fund (up 94.6% to PLN 122.3m). If the above-mentioned contributions had not changed compared to the last year, the Group's general and administrative expenses would have declined by 10.2% YoY, which indicates the level of savings generated.

During the first three quarters of 2020, a significant drop was recorded under marketing and entertainment (-43.2% YoY), as the bank completed the last year's brand awareness campaign and limited entertainment expenses during the pandemic. Due to ongoing optimisation of the branch network and lower costs of repairs, the cost of maintenance of premises went down (-14.8% YoY), as did the cost of short-term leases and leases of low-value assets (-38.7% YoY), the cost of purchase and repair of equipment (-56.8% YoY) and the cost of bank security (-17.1% YoY). Owing to a reduced number of branches, optimised cash replenishments and active management of car fleet, the cost of cars, transport and CIT declined by 18.1% YoY. Costs of other external services were reduced by 15.5% YoY along with a lower number of meetings and demand for third party services.

At the same time, the cost of IT usage went up by 5.3% YoY in connection with delivery of numerous IT projects within Santander Group and locally as well as support and maintenance of systems used for day-to-day operations (including by Branch Banking and the Multichannel Communication Centre).

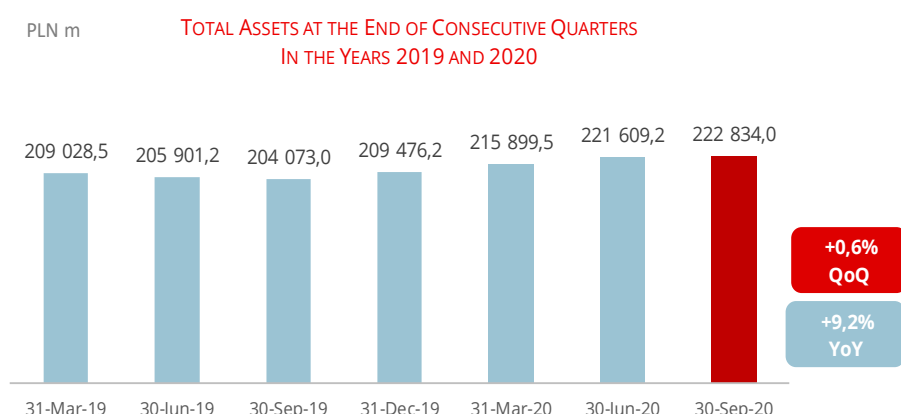
Effective tax rate

The consolidated effective tax rate after the three quarters of 2020 was 30.8% vs 24.9% in the corresponding period last year due to lower profit before tax in the analysed period (-34.9% YoY), lower dividend income (-77.2% YoY) from the portfolio of non-controlled entities and higher contributions to the Bank Guarantee Fund (+40.9% YoY).

2. Statement of Financial Position

Consolidated assets

As at 30 September 2020, total assets of Santander Bank Polska Group were PLN 222,834.0m and increased by 6.4% on 31 December 2019 and by 9.2% on 30 September 2019. The value and structure of the Group's financial position is determined by the parent entity, which held 88.3% of the consolidated total assets vs 86.6% as at the end of December 2019.



Structure of consolidated assets

Assets in PLN m (condensed presentation for analytical purposes)	Structure 30.09.2020		Structure 31.12.2019		Structure 30.09.2019		Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers ¹⁾	142 051,4	63,7%	143 402,6	68,5%	143 825,4	70,5%	-0,9%	-1,2%
Investment financial assets	61 210,0	27,6%	41 328,1	19,7%	37 581,7	18,4%	48,1%	62,9%
Financial assets held for trading and hedging derivatives	4 730,3	2,1%	2 102,5	1,0%	2 799,7	1,4%	125,0%	69,0%
Fixed assets, intangibles, goodwill and right-of-use assets	3 920,8	1,8%	4 197,1	2,0%	4 085,6	2,0%	-6,6%	-4,0%
Loans and advances to banks	2 971,3	1,3%	3 716,6	1,8%	2 766,2	1,3%	-20,1%	7,4%
Cash and operations with Central Banks	2 907,8	1,3%	7 973,0	3,8%	7 689,8	3,8%	-63,5%	-62,2%
Buy-sell-back transactions and assets pledged as collateral	954,5	0,4%	2 940,7	1,4%	1 391,4	0,7%	-67,5%	-31,4%
Other assets ²⁾	4 087,9	1,8%	3 815,6	1,8%	3 933,2	1,9%	7,1%	3,9%
Total	222 834,0	100,0%	209 476,2	100,0%	204 073,0	100,0%	6,4%	9,2%

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

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

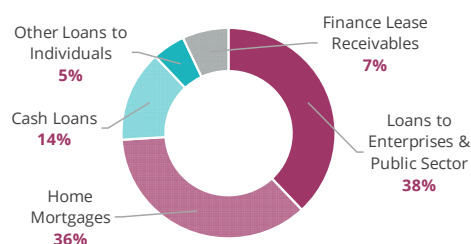
In the above condensed statement of financial position as at 30 September 2020, net loans and advances to customers were the key item of the consolidated assets (63.7%). They totalled PLN 142,051.4m and decreased by 0.9% Ytd on account of a slowdown in credit delivery. Sales of consumer loans decelerated in the analysed period (particularly in Q2 2020), which was coupled with a decline in the demand for business loans (notably overdrafts and investment loans). This was caused by an uncertain economic outlook due to the Covid-19 crisis and use of alternative financial solutions and state support schemes.

As part of management of the Group's liquidity and balance sheet structure, a drop was reported in the first nine months of 2020 in cash and balances at central banks (-63.5% Ytd). Meanwhile, the balance of investment financial assets grew by 48.1% Ytd, mainly debt securities measured at fair value through other comprehensive income. These changes reflect extra liquidity resulting from reduction of the minimum reserve requirement by the NBP and the inflow of funds to deposits under the anti-crisis shield. Free cash was invested in government bonds as well as bonds of the Polish Development Fund (PFR) and BGK financing the shield. During the nine months of 2020, the Group also reported a significant growth in assets held for trading and hedging derivatives (+125.0% Ytd), largely fuelled by IRS transactions.

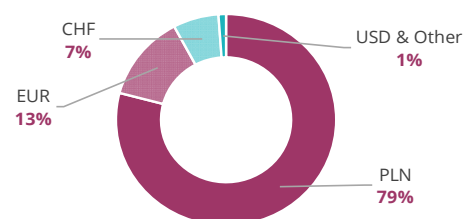
Credit portfolio

	30.09.2020	31.12.2019	30.09.2019	Ytd Change	YoY Change
Gross Loans and Advances to Customers (in PLN m)	1	2	3	1/2	1/3
Loans and advances to individuals	81 778,8	80 895,6	79 847,9	1,1%	2,4%
Loans and advances to enterprises and public sector customers	56 737,3	58 455,0	59 992,5	-2,9%	-5,4%
Finance lease receivables	9 628,7	9 267,0	9 083,1	3,9%	6,0%
Other	38,8	29,4	19,2	32,0%	102,1%
Total	148 183,6	148 647,0	148 942,7	-0,3%	-0,5%

PRODUCT STRUCTURE OF CONSOLIDATED LOANS & ADVANCES TO CUSTOMERS AS AT 30.09.2020



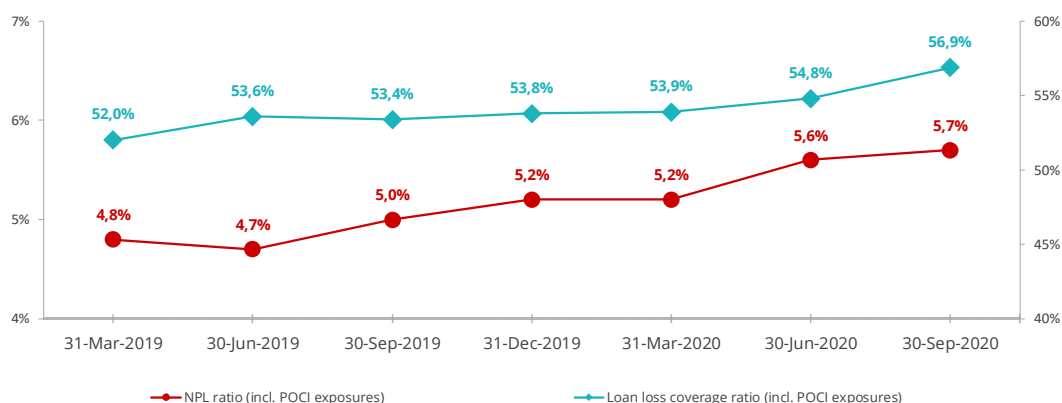
FX STRUCTURE OF CONSOLIDATED LOANS AND ADVANCES TO CUSTOMERS AS AT 30.09.2020



As at 30 September 2020, consolidated gross loans and advances to customers totalled PLN 148,183.6m and were stable compared to the end of 2019 (-0.3% Ytd). The portfolio includes loans and advances to customers measured at amortised cost totalling PLN 145,987.3m (-0.4% Ytd), loans and advances to customers measured at fair value through other comprehensive income amounting to PLN 1,140.3m (+23.4% Ytd) and loans and advances to customers measured at fair value through profit or loss at PLN 1,056.0m (-11.7% Ytd).

- Loans and advances to individuals went up by 1.1% Ytd to PLN 81,778.8m. Housing loans, which were the main contributor to this figure, increased by 2.6% to PLN 52,518.5m. The second significant constituent item, i.e. cash loans, grew by 0.7% Ytd to PLN 21,307.7m. Cash loan sales decelerated both at Santander Bank Polska S.A. and Santander Consumer Bank S.A., particularly during the economic shutdown.
- Loans and advances to enterprises and public sector entities declined by 2.9% to PLN 56,737.3m due to a lower demand for business loans, notably overdrafts. One of the contributing factors was the state aid scheme under which some companies were granted subsidies to finance their working capital needs. Other factors included uncertainty as to the scope and scale of the pandemic impact on the economic outlook and changes in the risk profile of customers from sectors which have been worst hit by the coronavirus crisis. This line item includes credit exposures of Santander Leasing S.A., Santander Consumer Multirent Sp. z o.o. and PSA Finance Polska Sp. z o.o. related to financing machines and vehicles, which totalled PLN 4.1bn at the end of September 2020 (PLN 5.1bn at the end of 2019).
- Finance lease portfolios of subsidiaries of Santander Bank Polska S.A. rose by 3.9% to PLN 9,628.7m, supported by sales of machines and equipment, and of vehicles.

CREDIT QUALITY RATIOS BY QUARTER IN 2019 AND 2020



Including POCI exposures, the NPL ratio was 5.7% as at 30 September 2020 compared with 5.2% nine months before and 5.0% a year before. The provision coverage ratio for impaired loans was 56.9% compared with 53.8% as at 31 December 2019 and 53.4% as at 30 September 2019. The increase in impaired loan coverage in Q3 2020 results from top-ups of allowances for expected credit losses in the loan portfolios of a number of corporate customers.

Structure of consolidated equity and liabilities

Liabilities & Equity in PLN m (condensed presentation for analytical purposes)	30.09.2020	Structure 30.09.2020	31.12.2019	Structure 31.12.2019	30.09.2019	Structure 30.09.2019	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	166 726,4	74,8%	156 480,3	74,7%	151 026,7	74,0%	6,5%	10,4%
Subordinated liabilities and debt securities in issue	13 044,5	5,9%	13 259,8	6,3%	13 914,0	6,8%	-1,6%	-6,2%
Deposits from banks	5 188,9	2,3%	5 031,8	2,4%	3 997,2	2,0%	3,1%	29,8%
Financial liabilities held for trading and hedging derivatives	4 568,5	2,0%	2 852,4	1,4%	3 294,6	1,6%	60,2%	38,7%
Sell-buy-back transactions	826,8	0,4%	990,9	0,5%	1 024,1	0,5%	-16,6%	-19,3%
Other liabilities ¹⁾	4 022,9	1,8%	3 881,5	1,8%	4 398,2	2,1%	3,6%	-8,5%
Total equity	28 456,0	12,8%	26 979,5	12,9%	26 418,2	13,0%	5,5%	7,7%
Total	222 834,0	100,0%	209 476,2	100,0%	204 073,0	100,0%	6,4%	9,2%

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

Deposits from customers disclosed in the consolidated statement of financial position of Santander Bank Polska Group as at 30 September 2020 totalled PLN 166,726.4m and increased by 6.5% Ytd on account of, among other things, customers' funds from state programmes aimed to contain the economic impact of the Covid-19 pandemic. Deposits from customers were the largest constituent item of the Group's total equity and liabilities (74.8%) and were the main source of funding for the Group's assets.

Compared to the end of 2019, a strong upward trend was observed in financial liabilities held for trading and hedging derivatives (+60.2% Ytd), which was driven by interest rate derivatives amid the increased volatility of financial markets.

The aggregated subordinated liabilities and liabilities in respect of debt securities went down by 1.6% Ytd as a combined effect of the issue of debt instruments by members of Santander Bank Polska Group in the total nominal value of PLN 4,755.7m, repurchase of matured securities of PLN 4,194.2m and their redemption at PLN 1,052.9m.

During the 9-month period ended 30 September 2020, Santander Factoring Sp. z o.o. issued series G variable-coupon bonds with a nominal value of PLN 620m (repurchased) and series H bonds totalling PLN 445m.

Santander Leasing S.A. issued three series of variable-coupon bonds with a total nominal value of PLN 1,440m (including series D bonds of PLN 440m, series E bonds of PLN 550m and series F bonds of PLN 450m). Due to developments in the bond market, in April 2020 Santander Leasing S.A. repurchased series D bonds of PLN 363.3m at a discount of 99.85% for the purpose of redemption.

As part of the securitisation agreement signed in December 2018 and annexed in March 2020 to increase financing by EUR 100m, Santander Leasing Poland Securitization 01 DAC, a special purpose vehicle, issued EUR 330m worth of bonds (the bonds of EUR 230m issued in December 2018 were redeemed). Further to this, PLN 740m was disbursed in Q3 2020 under a securitisation transaction to finance business operations of a subsidiary of Santander Consumer Multirent Sp. z o.o.

Total equity increased by 5.5% Ytd to PLN 28,456.0m under the resolution of the Annual General Meeting of Santander Bank Polska S.A. of 22 June 2020 to retain the entire profit of PLN 2,113.5m for 2019. Of this amount, PLN 1,056.8m was earmarked for the reserve capital and the remainder was left undistributed.

Deposit base

Deposits by entities

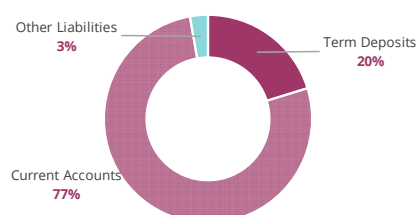
	30.09.2020	31.12.2019	30.09.2019	Ytd Change	YoY Change
Deposits from Customers in PLN m	1	2	3	1/2	1/3
Deposits from individuals	96 204,8	91 716,3	90 362,2	4,9%	6,5%
Deposits from enterprises and public sector customers	70 521,6	64 764,0	60 664,5	8,9%	16,2%
Total	166 726,4	156 480,3	151 026,7	6,5%	10,4%

During the first nine months of 2020, consolidated deposits from customers went up by 6.5% to PLN 166,726.4m at the end of September.

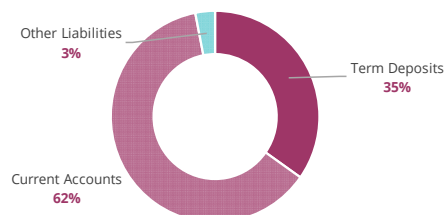
- The retail deposit base was PLN 96,204.8m and up 4.9% Ytd, driven by an increase of 21.5% Ytd in current deposits. This included savings account balances which grew from PLN 29.1bn at the end of December 2019 to PLN 32.1bn at the end of September 2020. The rise in current account balances was mainly caused by transfer of funds from term deposits (-29.2% Ytd), which became less attractive due to sharp cuts in NBP interest rates as reflected in the Group's pricing policy. In H1 2020, another source were outflows from investment funds following a crash and increased volatility of the financial markets. This trend partly reversed in Q3 as more money was transferred to investment funds.
- Deposits from enterprises and the public sector grew by 8.9% to PLN 70,521.6m along with an increase in current account balances (+49.7% Ytd) fuelled, among other things, by subsidies granted to businesses as part of financial stimulus programmes introduced by the government. The rise in current account balances exceeded the parallel outflow of term deposits at the rate of 48.6%.

Deposits by tenors

STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 30.09.2020



STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.12.2019

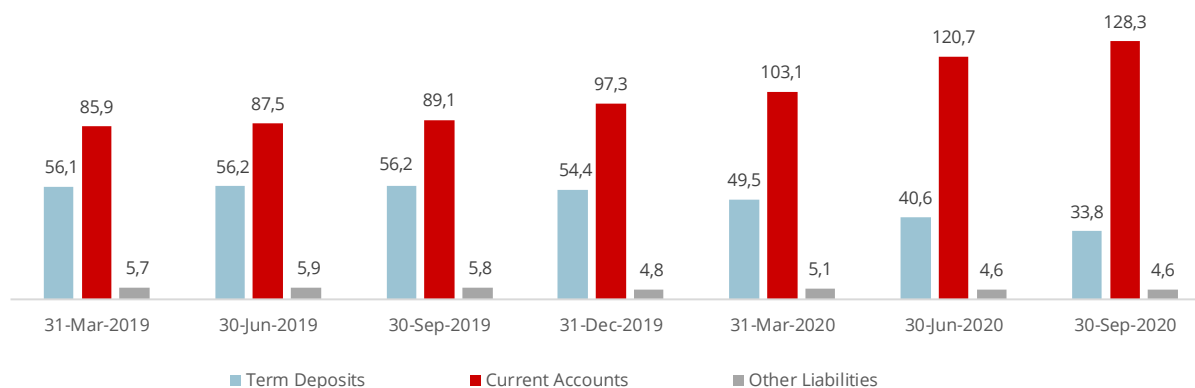


The Group's total term deposits from customers amounted to PLN 33,772.1m and declined by 37.9% in the year to date. Current account balances rose by 31.9% Ytd to PLN 128,323.4m, and other liabilities were PLN 4,630.9m, down 3.2% Ytd.

Loans and advances of PLN 3,186.1m (PLN 3,537.0m as at 31 December 2019) were the largest constituent item of other liabilities and were disclosed under deposits from enterprises, which included loans granted by international financial organisations (the European Investment Bank/ EIB, the European Bank for Reconstruction and Development/ EBRD and the Council of Europe Development Bank/ CEB) to finance the lending activity of the bank and its subsidiaries. A drop in the foregoing liabilities is attributed to the scheduled loan repayments and disbursement of EUR 50m worth of tranche under the agreement made by Santander Leasing S.A. and the EBRD last year.

TERM DEPOSITS AND CURRENT ACCOUNTS * AT QUARTER-ENDS OF 2019 AND 2020

PLN m



* including savings accounts

3. Selected Financial Ratios

Selected financial ratios of Santander Bank Polska Group

Q1-3 2020

Q1-3 2019 ¹¹⁾

Total costs/Total income	48,9%	45,7%
Net interest income/Total income	69,3%	69,7%
Net interest margin ¹⁾	2,95%	3,50%
Net commission income/Total income	24,5%	22,4%
Customer net loans/Customer deposits	85,2%	95,2%
NPL ratio ²⁾	5,7%	5,0%
NPL coverage ratio ³⁾	56,9%	53,4%
Credit risk ratio ⁴⁾	1,07%	0,92%
ROE ⁵⁾	6,2%	11,0%
ROTE ⁶⁾	7,5%	13,2%
ROA ⁷⁾	0,7%	1,2%
Capital ratio ⁸⁾	18,70%	16,14%
Tier I ratio ⁹⁾	16,76%	14,31%
Book value per share (in PLN)	278,46	258,78
Earnings per share (in PLN) ¹⁰⁾	9,36	15,98

- 1) Net interest income annualised on a year-to-date basis (excluding interest income from the portfolio of debt securities held for trading and other exposures related to trading) to average net earning assets as at the end of consecutive quarters after the end of the year preceding a given accounting year (excluding financial assets held for trading, hedging derivatives, other exposures related to trading and other loans and advances to customers).
- 2) Gross loans and advances to customers classified to stage 3 and POCI exposures to the portfolio of gross loans and advances to customers measured at amortised cost at the end of the reporting period.
- 3) Impairment allowances for loans and advances to customers classified to stage 3 and measured at amortised cost and POCI exposures to gross value of such loans and advances at the end of the reporting period.
- 4) Impairment allowances (for four consecutive quarters) to average gross loans and advances to customers (as at the end of the current reporting period and the end of the last year).
- 5) Profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the current reporting period and the end of the last year), net of non-controlling interests, current period profit and the undistributed portion of the profit.
- 6) Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the current reporting period and the end of the last year) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, dividend, undistributed portion of the profit, intangible assets and goodwill.
- 7) Profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the current reporting period and the end of the last year).
- 8) The capital adequacy ratio was calculated on the basis of own funds and total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package.
- 9) Tier 1 capital ratio calculated as a quotient of Tier 1 capital and risk-weighted assets for credit, market and operational risk.
- 10) Net profit for the period attributable to shareholders of the parent entity to the average weighted number of ordinary shares.
- 11) The ratios for Q1-Q3 2020 were recalculated taking into account the impact of an adjustment to the accounting treatment of repurchase transactions.

Capital ratios

The table below presents the total capital ratio and Tier 1 ratio of Santander Bank Polska Group as at 30 September 2020, 31 December 2019 and 30 September 2019.

Capital Ratios of Santander Bank Polska Group	30.09.2020	31.12.2019	30.09.2019
I Total capital requirement	11 276,1	11 454,5	11 906,6
II Own funds after reductions	26 360,3	24 440,2	24 023,0
Total Capital Ratio [II/(I*12.5)]	18,70%	17,07%	16,14%
Tier I Ratio	16,76%	15,21%	14,31%

The table below shows the total capital ratio and Tier 1 ratio of Santander Bank Polska S.A. and Santander Consumer Bank S.A. as at 30 September 2020, 31 December 2019 and 30 September 2019.

Santander Bank Polska Capital Ratios	30.09.2020	31.12.2019	30.09.2019
Total Capital Ratio	21,51%	19,58%	18,49%
Tier I Ratio	19,24%	17,38%	16,33%

Santander Consumer Bank Capital Ratios	30.09.2020	31.12.2019	30.09.2019
Total Capital Ratio	24,21%	19,03%	17,95%
Tier I Ratio	22,75%	17,64%	16,63%

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

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

- Potential further changes in the monetary policy of the ECB, the Federal Reserve and other main central banks (including NBP) aimed at limiting the depth of the global recession. As the Federal Reserve has already changed its monetary policy strategy on the September meeting, the ECB may now decide to follow suit.
- Surge in the number of Covid-19 infections at the start of Q4 2020, increasing uncertainty about the economic outlook.
- Possible extension of the financial stimulus measures introduced by the government and state agencies leading to a significant rise in fiscal deficit and/or banking sector liquidity, among other things.
- Information about further spread of the pandemic, affecting government's decisions to ease or tighten the economic and social restrictions.
- Changes in credit risk pricing on the financial markets.
- Changes in bond yields depending on, among other things, expectations regarding monetary and fiscal policy and changes in the banking sector's liquidity.
- Changes in demand for loans amid changes in liquidity and expectations for the future.
- Changes in households' financial situation under the influence of labour market trends.
- Changes in clients' decisions regarding the allocation of savings, impacted by the expected returns on different asset classes.
- Further developments on the global stock market and their impact on the demand for investment fund units or equity shares.

VI. Other Information

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

As at the release date of this Report of Santander Bank Polska Group for Q3 2020 and the previous report (Report of Santander Bank Polska Group for H1 2020), none of the members of the Supervisory Board held any shares or conditional rights to shares of Santander Bank Polska S.A.

The table below shows shares of Santander Bank Polska S.A. held by Management Board members and shares allotted to them as part of the 6th Incentive Programme as at the release dates of the reports for the periods ended 30 September 2020 and 30 June 2020.

Management Board Members	27.10.2020		28.07.2020	
	Number of Santander Bank Polska shares	Number of allotted shares of Santander Bank Polska ¹⁾ (6th Incentive Scheme)	Number of Santander Bank Polska shares	Rights ¹⁾ (6th Incentive Scheme)
Michał Gajewski	-	4 795	-	4 795
Andrzej Burliga	1 389	2 495	1 389	2 495
Michael McCarthy	1 528	2 875	1 528	2 875
Patryk Nowakowski	329	726	329	726
Carlos Polaino Izquierdo	631	2 495	631	2 495
Juan de Porras Aguirre	1 397	1 982	1 397	1 982
Arkadiusz Przybył	-	2 999	-	2 999
Maciej Reluga	505	1 796	505	1 796
Dorota Strojewska	635	2 097	635	2 097
Total	6 414	22 260	6 414	22 260

1) Pursuant to Resolution no. 51 of the bank's AGM of 22 June 2020 confirming satisfaction of the awarding criteria under the 6th Incentive Programme, the bank issued performance shares and offered them to the eligible programme participants, including members of the bank's Management Board. Each participant signed an agreement under which they subscribed for series O shares with an issue price of PLN 10 each (equal to their nominal value) in exchange for cash contribution. On 25 September 2020, the share capital increase was registered in the National Court Register. On 16 October 2020, the shares were conditionally registered in the Central Securities Depository of Poland (KDPW). Once admitted to trading on the WSE, the shares will be recorded in the brokerage accounts of the programme participants.



Condensed Interim Consolidated
Financial Statements of
Santander Bank Polska Group
for the 9-month period ended
30 September 2020

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I. Condensed consolidated income statement

		1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019* restated	1.01.2019- 30.09.2019* restated
	for the period:				
Interest income and similar to income		1 548 842	5 357 172	2 166 156	6 364 304
Interest income on financial assets measured at amortised		1 323 301	4 674 802	1 923 854	5 614 807
Interest income on financial assets measured at fair value through other comprehensive income		219 908	636 093	209 193	618 077
Income similar to interest on financial assets measured at fair value through profit or loss		5 633	46 277	33 109	131 420
Interest expense		(166 160)	(879 742)	(465 122)	(1 431 138)
Net interest income	Note 4	1 382 682	4 477 430	1 701 034	4 933 166
Fee and commission income		668 754	1 934 225	662 229	1 953 097
Fee and commission expense		(116 024)	(351 420)	(118 182)	(366 631)
Net fee and commission income	Note 5	552 730	1 582 805	544 047	1 586 466
Dividend income		1 825	22 496	1 468	98 708
Net trading income and revaluation	Note 6	28 321	93 236	63 780	142 413
Gains (losses) from other financial securities	Note 7	128 102	181 644	42 341	137 092
Other operating income	Note 8	40 773	107 313	100 791	183 663
Impairment allowances for expected credit losses	Note 9	(358 898)	(1 306 117)	(336 556)	(955 802)
Operating expenses incl.:		(929 893)	(3 159 002)	(982 177)	(3 234 861)
-Staff, operating expenses and management costs	Note 10 and 11	(729 211)	(2 417 910)	(789 211)	(2 659 271)
-Amortisation of property, plant and equipment and Intangible assets		(98 185)	(292 957)	(103 264)	(305 653)
-Amortisation of right of use asset		(48 048)	(152 288)	(54 283)	(161 693)
-Other operating expenses	Note 12	(54 449)	(295 847)	(35 419)	(108 244)
Share in net profits (loss) of entities accounted for by the equity method		31 620	68 459	18 641	48 924
Tax on financial institutions		(147 835)	(448 963)	(146 433)	(451 729)
Profit before tax		729 427	1 619 301	1 006 936	2 488 040
Corporate income tax	Note 13	(189 459)	(499 315)	(227 709)	(618 332)
Consolidated profit for the period		539 968	1 119 986	779 227	1 869 708
of which:					
-attributable to owners of Santander Bank Polska SA		479 834	955 621	695 841	1 631 313
-attributable to non-controlling interests		60 134	164 365	83 386	238 395
Net earnings per share					
Basic earnings per share (PLN/share)		4,70	9,36	6,82	15,98
Diluted earnings per share (PLN/share)		4,69	9,35	6,81	15,97

* details in Note 2.4.

II. Condensed consolidated statement of comprehensive income

	for the period:	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019* restated	1.01.2019- 30.09.2019* restated
Consolidated profit for the period		539 968	1 119 986	779 227	1 869 708
Other comprehensive income which can be transferred to the profit and loss net account:		24 899	501 419	106 178	287 030
Valuation and sales of debt securities measured at fair value through other comprehensive income gross		44 945	595 784	120 350	267 557
Deferred tax		(8 540)	(113 199)	(22 867)	(50 836)
Valuation of cash flow hedging instruments gross		(14 205)	23 252	10 734	86 801
Deferred tax		2 699	(4 418)	(2 039)	(16 492)
Other comprehensive income which can't be transferred to the profit and loss net account:		3 702	(66 343)	(897)	(13 645)
Valuation and sales of equity securities measured at fair value through other comprehensive income gross		4 806	(78 666)	1 457	(8 234)
Deferred and current tax		(1 104)	14 756	(276)	(3 333)
Provision for retirement allowances – actuarial gains/losses gross		-	(3 003)	(2 565)	(2 565)
Deferred tax		-	570	487	487
Total other comprehensive income net		28 601	435 076	105 281	273 385
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		568 569	1 555 062	884 508	2 143 093
Total comprehensive income attributable to:					
Owners of Santander Bank Polska SA		508 697	1 386 491	801 477	1 908 549
Non-controlling interests		59 872	168 571	83 031	234 544

* details in Note 2.4.

III. Condensed consolidated statement of financial position

	as at:	30.09.2020	31.12.2019
ASSETS			
Cash and balances with central banks	Note 14	2 907 749	7 973 014
Loans and advances to banks	Note 15	2 971 312	3 716 582
Financial assets held for trading	Note 16	4 697 681	2 058 508
Hedging derivatives		32 634	43 973
Loans and advances to customers incl.:	Note 17	142 051 438	143 402 629
- measured at amortised cost		139 855 112	141 282 371
- measured at fair value through other comprehensive income		1 140 320	923 811
- measured at fair value through profit or loss		1 056 006	1 196 447
Buy-sell-back transactions		125 828	1 851 171
Investment securities incl.:	Note 18	61 209 949	41 328 134
- debt securities measured at fair value through other comprehensive income		60 192 017	40 248 937
- debt securities measured at fair value through profit and loss		103 695	194 285
- equity securities measured at fair value through other comprehensive income		808 264	884 912
- equity securities measured at fair value through profit and loss		105 973	-
Assets pledged as collateral		828 689	1 089 558
Investments in associates	Note 19	978 234	903 113
Intangible assets		688 811	772 117
Goodwill		1 712 056	1 712 056
Property, plant and equipment		784 112	874 078
Right of use assets		735 823	838 792
Net deferred tax assets		1 964 394	1 847 916
Assets classified as held for sale		10 923	2 679
Other assets		1 134 331	1 061 846
Total assets		222 833 964	209 476 166
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	5 188 853	5 031 744
Hedging derivatives		1 699 290	995 627
Financial liabilities held for trading	Note 16	2 869 257	1 856 813
Deposits from customers	Note 21	166 726 404	156 480 343
Sell-buy-back transactions		826 814	990 863
Subordinated liabilities	Note 22	2 731 657	2 630 271
Debt securities in issue	Note 23	10 312 795	10 629 516
Lease liabilities		645 156	746 632
Current income tax liabilities		90 245	343 763
Provisions for off balance sheet credit facilities	Note 24	59 563	66 109
Other provisions	Note 25	507 401	445 615
Other liabilities	Note 26	2 720 500	2 279 360
Total liabilities		194 377 935	182 496 656
Equity			
Equity attributable to owners of Santander Bank Polska S.A.		26 826 490	25 431 987
Share capital		1 021 893	1 020 883
Other reserve capital		21 296 994	20 141 925
Revaluation reserve		1 752 578	1 316 061
Retained earnings		1 799 404	814 771
Profit for the period		955 621	2 138 347
Non-controlling interests in equity		1 629 539	1 547 523
Total equity		28 456 029	26 979 510
Total liabilities and equity		222 833 964	209 476 166

Notes presented on pages 14 – 68 constitute an integral part of these Financial Statements.

IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2020 - 30.09.2020	Equity attributable to equity holders of parent entity				Non-controlling		
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	interests	Total equity
As at the beginning of the period	1 020 883	20 141 925	1 316 061	2 953 118	25 431 987	1 547 523	26 979 510
Total comprehensive income	-	-	430 870	955 621	1 386 491	168 571	1 555 062
Consolidated profit for the period	-	-	-	955 621	955 621	164 365	1 119 986
Other comprehensive income	-	-	430 870	-	430 870	4 206	435 076
Issue of shares *	1 010	-	-	-	1 010	-	1 010
Profit allocation to other reserve capital	-	1 153 463	-	(1 153 463)	-	-	-
Profit allocation to dividends	-	-	-	-	-	(86 555)	(86 555)
Valuation of share-based payments	-	1 606	-	-	1 606	-	1 606
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	251	(251)	-	-	-
Other changes	-	-	5 396	-	5 396	-	5 396
As at the end of the period	1 021 893	21 296 994	1 752 578	2 755 025	26 826 490	1 629 539	28 456 029

* details in Note 29

As at the end of the period revaluation reserve in the amount of PLN 1,752,578 k comprises: valuation of debt securities in the amount of PLN 1,209,241 k, valuation of equity securities in the amount of PLN 541,489 k, valuation of cash flow hedge activities in the amount of PLN (5,629) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,477 k.

Consolidated statement of changes in equity 1.01.2019 - 30.09.2019	Equity attributable to equity holders of parent entity				Non-controlling		
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	interests	Total equity
Equity as at 31.12.2018	1 020 883	18 969 482	1 019 373	4 094 289	25 104 027	1 564 184	26 668 211
Effect of a change in the tax on financial institutions as a result of an adjustment to repo transactions	-	-	-	(47 331)	(47 331)	-	(47 331)
Settlement of acquisition of demerged part of Deutsche Bank Polska SA and DB Securities SA	-	(57 741)	-	31 562	(26 179)	-	(26 179)
Equity as at 1.01.2019 (restated)	1 020 883	18 911 741	1 019 373	4 078 520	25 030 517	1 564 184	26 594 701
Total comprehensive income	-	-	277 236	1 631 313	1 908 549	234 544	2 143 093
Consolidated profit for the period	-	-	-	1 631 313	1 631 313	238 395	1 869 708
Other comprehensive income	-	-	277 236	-	277 236	(3 851)	273 385
Profit allocation to other reserve capital	-	1 206 218	-	(1 206 218)	-	-	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)	(318 388)	(2 331 071)
Valuation of share-based payments	-	8 407	-	-	8 407	-	8 407
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	34 725	(34 725)	-	-	-
Other changes	-	-	-	3 033	3 033	-	3 033
As at the end of the period	1 020 883	20 126 366	1 331 334	2 459 240	24 937 823	1 480 340	26 418 163

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

V. Condensed consolidated statement of cash flows

	for the period	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019* restated
Profit before tax		1 619 301	2 488 040
Total adjustments:			
Share in net profits of entities accounted for by the equity method		(68 459)	(48 924)
Depreciation/amortisation		445 245	467 346
Profit from investing activities		(177 449)	(157 876)
Interest accrued excluded from operating activities		(315 497)	(296 411)
Dividends		(22 335)	(97 283)
Impairment losses (reversal)		42 937	18 459
Changes:			
Provisions		55 240	11 574
Financial assets / liabilities held for trading		(1 783 632)	(343 936)
Assets pledged as collateral		260 869	541 227
Hedging derivatives		720 055	288 878
Loans and advances to banks		(10 947)	(38 355)
Loans and advances to customers		(3 341 593)	(11 757 444)
Deposits from banks		1 424 784	654 276
Deposits from customers		11 177 434	2 671 866
Buy-sell/ Sell-buy-back transactions		(33 755)	(1 327 031)
Other assets and liabilities		385 736	249 746
Interest received on operating activities		4 774 264	5 666 535
Interests paid on operating activities		(557 949)	(1 132 923)
Paid income tax		(972 867)	(746 104)
Net cash flows from operating activities		13 621 382	(2 888 340)
Inflows		6 245 832	5 178 545
Sale/maturity of investment securities		5 458 983	4 295 408
Sale of intangible assets and property, plant and equipment		55 585	156 291
Dividends received		21 643	96 941
Interest received		709 621	629 905
Outflows		(28 586 600)	(9 709 813)
Purchase of investment securities		(28 358 533)	(9 462 088)
Purchase of intangible assets and property, plant and equipment		(228 067)	(247 725)
Net cash flows from investing activities		(22 340 768)	(4 531 268)
Inflows		7 321 999	7 191 088
Debt securities in issue		3 702 790	5 864 500
Proceeds from issuing/shares		1 010	-
Drawing of loans		3 618 199	1 326 588
Outflows		(9 997 135)	(7 848 515)
Debt securities buy out		(4 194 229)	(4 043 700)
Repayment of loans and advances		(5 306 325)	(1 041 348)
Repayment of lease liabilities		(148 480)	(139 979)
Dividends to shareholders		(86 555)	(2 331 071)
Interest paid		(261 546)	(292 417)
Net cash flows from financing activities		(2 675 136)	(657 427)
Total net cash flows		(11 394 522)	(8 077 035)
Cash and cash equivalents at the beginning of the accounting period		17 265 855	19 422 527
Cash and cash equivalents at the end of the accounting period		5 871 333	11 345 492

* details in Note 2.4.

Notes presented on pages 14 – 68 constitute an integral part of these Financial Statements.

VI. Condensed income statement

	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019* restated	1.01.2019- 30.09.2019* restated
for the period:				
Interest income and similar to interest	1 124 079	3 892 950	1 589 356	4 699 248
Interest income on financial assets measured at amortised cost	907 438	3 254 727	1 370 367	4 019 504
Interest income on financial assets measured at fair value through other comprehensive income	212 531	604 410	195 755	578 708
Income similar to interest - financial assets measured at fair value through profit or loss	4 110	33 813	23 234	101 036
Interest expenses	(88 294)	(567 019)	(344 294)	(1 107 403)
Net interest income	1 035 785	3 325 931	1 245 062	3 591 845
Fee and commission income	522 901	1 506 673	505 573	1 495 175
Fee and commission expenses	(84 713)	(232 811)	(67 462)	(216 703)
Net fee and commission income	438 188	1 273 862	438 111	1 278 472
Dividend income	1 083	108 295	1 442	587 433
Net trading income and revaluation	27 374	106 186	63 333	140 399
Gains (losses) from other financial securities	126 162	180 039	42 540	138 202
Other operating income	26 367	57 299	85 878	135 473
Impairment allowances for expected credit losses	(276 109)	(1 013 171)	(245 593)	(678 495)
Operating expenses incl.:	(748 587)	(2 509 195)	(782 939)	(2 624 254)
-Staff, Operating expenses and management costs	(593 250)	(1 955 124)	(631 147)	(2 158 752)
-Amortisation of property, plant and equipment and Intangible assets	(89 663)	(266 141)	(93 651)	(276 296)
-Amortisation of right of use asset	(38 387)	(119 107)	(42 549)	(125 057)
-Other operating expenses	(27 287)	(168 823)	(15 592)	(64 149)
Tax on financial institutions	(138 915)	(416 577)	(134 825)	(419 107)
Profit before tax	491 348	1 112 669	713 009	2 149 968
Corporate income tax	(140 658)	(377 118)	(165 138)	(444 887)
Profit for the period	350 690	735 551	547 871	1 705 081
Net earnings per share (PLN/share)				
Basic earnings per share	3,43	7,20	5,36	16,70
Diluted earnings per share	3,43	7,20	5,36	16,69

* details in Note 2.4.

VII. Condensed statement of comprehensive income

	for the period:	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019* restated	1.01.2019- 30.09.2019* restated
Profit for the period		350 690	735 551	547 871	1 705 081
Other comprehensive income which can be transferred to the profit and loss net account:		25 608	490 619	107 177	294 138
Valuation and sales of debt securities measured at fair value through other comprehensive income gross		44 880	582 567	121 686	278 909
Deferred tax		(8 527)	(110 688)	(23 121)	(52 993)
Valuation of cash flow hedging instruments gross		(13 265)	23 136	10 632	84 225
Deferred tax		2 520	(4 396)	(2 020)	(16 003)
Other comprehensive income which can't be transferred to the profit and loss net account:		577	(69 130)	(2 033)	(12 794)
Valuation and sales of equity securities measured at fair value through other comprehensive income gross		948	(82 524)	190	(7 049)
Deferred and current tax		(371)	15 489	(36)	(3 558)
Provision for retirement allowances – actuarial gains/losses gross		-	(2 587)	(2 700)	(2 700)
Deferred tax		-	492	513	513
Total other comprehensive income net		26 185	421 489	105 144	281 344
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		376 875	1 157 040	653 015	1 986 425

* details in Note 2.4.

VIII. Condensed statement of financial position

	as at:	30.09.2020	31.12.2019
ASSETS			
Cash and balances with central banks		2 879 498	7 821 831
Loans and advances to banks		2 959 974	3 851 564
Financial assets held for trading		4 729 821	2 066 616
Hedging derivatives		31 024	37 608
Loans and advances to customers incl.:		119 368 728	118 356 427
- measured at amortised cost		117 467 587	116 566 001
- measured at fair value through other comprehensive income		1 140 320	923 811
- measured at fair value through profit and loss		760 821	866 615
Buy-sell-back transactions		125 828	1 851 171
Investment securities incl.:		58 599 499	39 591 351
- debt securities measured at fair value through other comprehensive income		57 615 310	38 542 546
- debt securities measured at fair value through profit and loss		100 396	187 536
- equity securities measured at fair value through other comprehensive income		777 820	861 269
- equity securities measured at fair value through profit and loss		105 973	-
Assets pledged as collateral		178 161	30 737
Investments in subsidiaries and associates		2 377 407	2 377 407
Intangible assets		622 443	718 532
Goodwill		1 688 516	1 688 516
Property, plant and equipment		574 455	630 233
Right of use assets		663 061	767 280
Net deferred tax assets		1 150 189	1 013 450
Assets classified as held for sale		1 513	2 016
Other assets		817 337	666 748
Total assets		196 767 454	181 471 487
LIABILITIES AND EQUITY			
Deposits from banks		2 947 602	1 506 141
Hedging derivatives		1 618 994	979 550
Financial liabilities held for trading		2 890 556	1 857 837
Deposits from customers		155 706 082	144 760 017
Sell-buy-back transactions		178 026	30 774
Subordinated liabilities		2 630 763	2 529 855
Debt securities in issue		2 261 971	2 687 960
Lease liabilities		726 432	816 365
Current income tax liabilities		135 062	329 095
Provisions for off balance sheet credit facilities		70 027	56 064
Other provisions		324 392	256 508
Other liabilities		1 940 305	1 483 735
Total liabilities		171 430 212	157 293 901
Equity			
Share capital		1 021 893	1 020 883
Other reserve capital		20 273 125	19 214 757
Revaluation reserve		1 736 920	1 315 180
Retained earnings		1 569 753	513 242
Profit for the period		735 551	2 113 524
Total equity		25 337 242	24 177 586
Total liabilities and equity		196 767 454	181 471 487

Notes presented on pages 14 – 68 constitute an integral part of these Financial Statements.

IX. Condensed statement of changes in equity

Statement of changes in equity 1.01.2020 - 30.09.2020	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	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	-	-	421 489	735 551	1 157 040
Profit for the period	-	-	-	735 551	735 551
Other comprehensive income	-	-	421 489	-	421 489
Issue of shares *	1 010	-	-	-	1 010
Profit allocation to other reserve capital	-	1 056 762	-	(1 056 762)	-
Valuation of share-based payments	-	1 606	-	-	1 606
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	251	(251)	-
As at the end of the period	1 021 893	20 273 125	1 736 920	2 305 304	25 337 242

* details in Note 29

As at the end of the period revaluation reserve in the amount of PLN 1,736,920 k comprises: valuation of debt securities in the amount of PLN 1,192,381 k, valuation of equity securities in the amount of PLN 545,065 k, valuation of cash flow hedge activities in the amount of PLN (8,278) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,752 k.

Statement of changes in equity 1.01.2019 - 30.09.2019	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	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	-	-	281 344	1 705 081	1 986 425
Profit for the period	-	-	-	1 705 081	1 705 081
Other comprehensive income	-	-	281 344	-	281 344
Profit allocation to other reserve capital	-	1 102 619	-	(1 102 619)	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)
Valuation of share-based payments	-	8 407	-	-	8 407
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	19 204 283	1 334 317	2 218 275	23 777 758

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

X. Condensed statement of cash flows

	for the period	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019* restated
Profit before tax		1 112 669	2 149 968
Total adjustments:			
Depreciation/amortisation		385 248	401 353
Profit from investing activities		(175 138)	(161 586)
Interest accrued excluded from operating activities		(437 589)	(418 309)
Dividends		(108 134)	(586 008)
Impairment losses (reversal)		41 275	18 557
Changes in:			
Provisions		81 847	(3 020)
Financial assets / liabilities held for trading		(1 787 389)	(362 329)
Assets pledged as collateral		(147 424)	358 426
Hedging derivatives		667 418	266 865
Loans and advances to banks		(9 547)	(37 179)
Loans and advances to customers		(4 278 300)	(6 381 543)
Deposits from banks		1 446 128	366 220
Deposits from customers		11 513 436	1 914 223
Buy-sell/ Sell-buy-back transactions		279 214	(1 230 112)
Other assets and liabilities		270 844	197 207
Interest received on operating activities		3 328 670	4 164 449
Interests paid on operating activities		(388 664)	(960 449)
Paid income tax		(806 992)	(493 969)
Net cash flows from operating activities		10 987 572	(797 236)
Inflows		4 845 053	4 956 129
Sale/maturity of investment securities		4 041 104	3 664 824
Sale of intangible assets and property, plant and equipment		13 135	120 691
Dividends received		108 109	585 666
Interest received		682 705	584 948
Outflows		(26 215 241)	(8 827 278)
Purchase of investment securities		(26 072 665)	(8 662 089)
Purchase of intangible assets and property, plant and equipment		(142 576)	(165 189)
Net cash flows from investing activities		(21 370 188)	(3 871 149)
Inflows		1 010	632 000
Debt securities in issue		-	632 000
Proceeds from issuing/shares		1 010	-
Outflows		(1 037 579)	(3 946 918)
Debt securities buy out		(550 000)	(1 150 000)
Repayment of loans and advances		(240 059)	(540 418)
Repayment of lease liabilities		(130 716)	(107 132)
Dividends to shareholders		-	(2 012 683)
Interest paid		(116 804)	(136 685)
Net cash flows from financing activities		(1 036 569)	(3 314 918)
Total net cash flows		(11 419 185)	(7 983 303)
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		5 737 681	11 204 644

* details in Note 2.4.

XI. Additional notes to condensed interim consolidated financial statements

1. General information about issuer

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

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

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 9-month period ended 30 September 2020 includes Bank's financial information as well as information from its subsidiaries and shares in associated entities (all together called Group).

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

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

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

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

Subsidiaries	Registered office	[%] of votes on AGM at 30.09.2020	[%] of votes on AGM at 30.09.2019
1. Santander Finanse sp. z o.o. (formerly BZ WBK Finanse sp. z o.o.)	Poznań	100%	100%
2. Santander Factoring sp. z o.o. (formerly BZ WBK Faktor sp. z o.o.)	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3. Santander Leasing S.A. (formerly BZ WBK Leasing S.A.)	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4. Santander Leasing Poland Securitization 01	Dublin	subsidiary of Santander Leasing S.A.	subsidiary of Santander Leasing S.A.
5. Santander Inwestycje sp. z o.o. (formerly BZ WBK Inwestycje sp. z o.o.)	Warszawa	100%	100%
6. Santander F24 S.A. (formerly BZ WBK F24 S.A.)/ BZ WBK Nieruchomości S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
7. Santander Securities S.A.	Warszawa	- ¹⁾	100%
8. Santander Towarzystwo Funduszy Inwestycyjnych S.A. (formerly BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.) ²⁾	Poznań	50%	50%
9. Santander Consumer Bank S.A.	Wrocław	60%	60%
10. Santander Consumer Finanse sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
11. PSA Finance Polska sp. z o.o. ³⁾	Warszawa	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.
12. PSA Consumer Finance Polska sp. z o.o. ³⁾	Warszawa	100% of AGM votes are held by PSA Finance Polska sp. z o.o.	100% of AGM votes are held by PSA Finance Polska sp. z o.o.
13. Santander Consumer Multirent sp. z o.o.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
14. SCM POLAND AUTO 2019-1 DAC ⁴⁾	Dublin	subsidiary of Santander Consumer Multirent S.A.	-
15. Santander Consumer Financial Solutions Sp. z o.o. ⁵⁾	Wrocław	subsidiary of Santander Consumer Multirent S.A.	-
16. S.C. Poland Consumer 15-1 sp. z o.o. ⁶⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.
17. S.C. Poland Consumer 16-1 sp. z o.o. ⁶⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

¹⁾ On 8 November 2019, Santander Securities S.A. was struck off the National Court Register

²⁾ As at 30.09.2020, Santander Bank Polska was a co-owner of Santander Towarzystwo Funduszy Inwestycyjnych SA, together with Banco Santander SA Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska exercises control over the subsidiary Santander Towarzystwo Funduszy Inwestycyjnych SA because though it, Banco Santander implements its policy in Poland. Consequently, the company is treated as a subsidiary.

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

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

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

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

Associates:

Associates	Registered office	[%] of votes on AGM at 30.09.2020	[%] of votes on AGM at 30.09.2019
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
Santander - Aviva Towarzystwo Ubezpieczeń S.A.	Poznań	49%	49%
2. Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Poznań	49%	49%

2. Basis of preparation of condensed interim consolidated financial statements

2.1 Statement of compliance

Santander Bank Polska S.A. Group 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 accounting policies have been applied consistently by Santander Bank Polska S.A. Group entities. The same accounting principles were applied as in the case of the consolidated financial statements for the period ending 31 December 2019, except for income tax, which is 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. Group and are not yet effective or have neither been implemented earlier

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Amendments to IFRS 16 Leasing	The amendments provide the possibility of exempting lessees from recognizing rental concessions as modifications in accordance with IFRS 16, if they meet certain conditions and result from COVID-19	1 June 2020	The amendment will not have a significant impact on financial statement.*
IBOR reform -Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16)	The amendments complement the changes introduced in Phase 1 and relate to the following areas: changes in cash flows, hedge accounting and disclosures. The change in cash flows resulting from reform will only require updating the EIR, without affecting the gross carrying amount of the financial instrument or the need to derecognise it.	1 January 2021	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. The working group has not finished to analyse potential impact of amendments on financial statement.
Amendments to IAS 37 Provisions	The changes concern the clarification of the scope of costs that should be taken into account in assessing whether the contract is a onerous contract	1 January 2022	The amendment will not have a significant impact on financial statement.
Amendments to IAS 16 Property, Plant and Equipment	The changes indicate, i.a., that revenues from the sale of goods produced in the course of bringing an asset to the desired location and condition, cannot be deducted from the costs associated with this asset. Instead, such revenues should be recognized in the profit and loss account along with the costs of manufacturing these products	1 January 2022	The amendment will not have a significant impact on financial statement.
IFRS 17 Insurance Contracts	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts 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 statement
Improvements to IFRS 10 and IAS 28	Improvements to IFRS 10 and IAS 28 cover sales or contributions of assets between an investor and its associate/joint venture. The improvements eliminate the inconsistencies between IFRS 10 and IAS 28. The accounting treatment hinges on whether the non-monetary assets sold or contributed to an associate/joint venture constitute a business. Should the non-monetary assets constitute a business, the investor shall recognize the profit or loss in full. Should the assets not constitute a business, the profit or loss shall be recognised only to the extent of unrelated investors' interests in the associate or joint venture. 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 statement.
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 statement.

* Not yet endorsed by EU.

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. Group
Conceptual Framework for Financial Reporting	<p>The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.</p> <p>The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters:</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 does not have a significant impact on financial statement.
IAS 1 Presentation of financial statements and IAS 8 Accounting principles (policy), changes in estimates and correction of errors	The IASB has published a new definition of 'material'. Amendments to IAS 1 and IAS 8 clarify the definition and increase consistency across standards	1 January 2020	The amendment does not have a 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 does not have a significant impact on financial statement.

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

2.4 Comparability with the results presented in prior period

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 presented in prior periods" to the Consolidated Financial Statements of Santander Bank Polska Group and Financial Statements of Santander Bank Polska SA for 2019, the comparative period data presented in these Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2020 were appropriately restated.

In the consolidated and separate: income statements, statements of comprehensive income and statements of cash flows for the periods from 1 January 2019 to 30 September 2019 and from 1 July 2019 to 30 September 2019, the profit was increased by PLN 47,755k and PLN 70,184k, respectively. This was attributed to the change in the amount of tax on financial institutions arising from the correction of repurchase transactions.

The foregoing correction resulted in an increase in the total comprehensive income presented in the consolidated and separate statements of comprehensive income, respectively:

- for the period from 1 January 2019 to 30 September 2019: to the amount of PLN 2,143,093 k, for the period from 1 July 2019 to 30 September 2019: to the amount of PLN 884,508 k
- for the period from 1 January 2019 to 30 September 2019: to the amount of PLN 1,986,425 k, for the period from 1 July 2019 to 30 September 2019: to the amount of PLN 635,015 k.

The following changes were made to the consolidated and separate statements of cash flows for the period from 1 January 2019 to 30 September 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 pledged as collateral in the statement of financial position;
- 3) changes resulting from separate presentation of interest received on operating activities and interest paid on operating activities in the statement of cash flows.

The above figures affect comparability with prior period results and are presented in the tables included in the later part of this document.

Furthermore, following the analysis made in 2020, the Group changed the presentation of the result of modification of lease assets/liabilities in the consolidated income statement starting from 1 January 2020 in order to better reflect the nature of the underlying transactions. The relevant data for 2019 were restated accordingly. These items were previously disclosed as other operating income under profit on lease modifications and as other operating expenses under costs of lease modifications. Since 1 January 2020, they have been netted and presented as other operating income under profit on lease modifications.

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

Consolidated income statement

	for the period:		1.01.2019-30.09.2019
	Before	Adjustment	After
Interest income and similar to income	6 364 304	-	6 364 304
Interest income on financial assets measured at amortised cost	5 614 807	-	5 614 807
Interest income on financial assets measured at fair value through other comprehensive income	618 077	-	618 077
Income similar to interest on financial assets measured at fair value through profit or loss	131 420	-	131 420
Interest expense	(1 431 138)	-	(1 431 138)
Net interest income	4 933 166	-	4 933 166
Fee and commission income	1 953 097	-	1 953 097
Fee and commission expense	(366 631)	-	(366 631)
Net fee and commission income	1 586 466	-	1 586 466
Dividend income	98 708	-	98 708
Net trading income and revaluation	142 413	-	142 413
Gains (losses) from other financial securities	137 092	-	137 092
Other operating income	196 657	(12 994)	183 663
Impairment allowances for expected credit losses	(955 802)	-	(955 802)
Operating expenses incl.:	(3 247 855)	12 994	(3 234 861)
-Staff, operating expenses and management costs	(2 659 271)	-	(2 659 271)
-Amortisation of property, plant and equipment and Intangible assets	(305 653)	-	(305 653)
-Amortisation of right of use asset	(161 693)	-	(161 693)
-Other operating expenses	(121 238)	12 994	(108 244)
Share in net profits (loss) of entities accounted for by the equity method	48 924	-	48 924
Tax on financial institutions	(499 484)	47 755	(451 729)
Profit before tax	2 440 285	47 755	2 488 040
Corporate income tax	(618 332)	-	(618 332)
Consolidated profit for the period	1 821 953	47 755	1 869 708
of which:			
-attributable to owners of Santander Bank Polska SA	1 583 558	47 755	1 631 313
-attributable to non-controlling interests	238 395	-	238 395

	for the period: 1.07.2019-30.09.2019		
	Before	Adjustment	After
Interest income and similar to income	2 166 156	-	2 166 156
Interest income on financial assets measured at amortised cost	1 923 854	-	1 923 854
Interest income on financial assets measured at fair value through other comprehensive income	209 193	-	209 193
Income similar to interest on financial assets measured at fair value through profit or loss	33 109	-	33 109
Interest expense	(465 122)	-	(465 122)
Net interest income	1 701 034	-	1 701 034
Fee and commission income	662 229	-	662 229
Fee and commission expense	(118 182)	-	(118 182)
Net fee and commission income	544 047	-	544 047
Dividend income	1 468	-	1 468
Net trading income and revaluation	63 780	-	63 780
Gains (losses) from other financial securities	42 341	-	42 341
Other operating income	100 956	(165)	100 791
Impairment allowances for expected credit losses	(336 556)	-	(336 556)
Operating expenses incl.:	(982 342)	165	(982 177)
-Staff, operating expenses and management costs	(789 211)	-	(789 211)
-Amortisation of property, plant and equipment and Intangible assets	(103 264)	-	(103 264)
-Amortisation of right of use asset	(54 283)	-	(54 283)
-Other operating expenses	(35 584)	165	(35 419)
Share in net profits (loss) of entities accounted for by the equity method	18 641	-	18 641
Tax on financial institutions	(216 617)	70 184	(146 433)
Profit before tax	936 752	70 184	1 006 936
Corporate income tax	(227 709)	-	(227 709)
Consolidated profit for the period	709 043	70 184	779 227
of which:			
-attributable to owners of Santander Bank Polska SA	625 657	70 184	695 841
-attributable to non-controlling interests	83 386	-	83 386

Income statement

	for the period: 1.01.2019-30.09.2019		
	Before	Adjustment	After
Interest income and similar to interest	4 699 248	-	4 699 248
Interest income on financial assets measured at amortised cost	4 019 504	-	4 019 504
Interest income on financial assets measured at fair value through other comprehensive income	578 708	-	578 708
Income similar to interest - financial assets measured at fair value through profit or loss	101 036	-	101 036
Interest expenses	(1 107 403)	-	(1 107 403)
Net interest income	3 591 845	-	3 591 845
Fee and commission income	1 495 175	-	1 495 175
Fee and commission expenses	(216 703)	-	(216 703)
Net fee and commission income	1 278 472	-	1 278 472
Dividend income	587 433	-	587 433
Net trading income and revaluation	140 399	-	140 399
Gains (losses) from other financial securities	138 202	-	138 202
Other operating income	135 473	-	135 473
Impairment allowances for expected credit losses	(678 495)	-	(678 495)
Operating expenses incl.:	(2 624 254)	-	(2 624 254)
-Staff, Operating expenses and management costs	(2 158 752)	-	(2 158 752)
-Amortisation of property, plant and equipment	(276 296)	-	(276 296)
-Amortisation of right of use asset	(125 057)	-	(125 057)
-Other operating expenses	(64 149)	-	(64 149)
Tax on financial institutions	(466 862)	47 755	(419 107)
Profit before tax	2 102 213	47 755	2 149 968
Corporate income tax	(444 887)	-	(444 887)
Profit for the period	1 657 326	47 755	1 705 081

	for the period: 1.07.2019-30.09.2019		
	Before	Adjustment	After
Interest income and similar to interest	1 589 356	-	1 589 356
Interest income on financial assets measured at amortised cost	1 370 367	-	1 370 367
Interest income on financial assets measured at fair value through other comprehensive income	195 755	-	195 755
Income similar to interest - financial assets measured at fair value through profit or loss	23 234	-	23 234
Interest expenses	(344 294)	-	(344 294)
Net interest income	1 245 062	-	1 245 062
Fee and commission income	505 573	-	505 573
Fee and commission expenses	(67 462)	-	(67 462)
Net fee and commission income	438 111	-	438 111
Dividend income	1 442	-	1 442
Net trading income and revaluation	63 333	-	63 333
Gains (losses) from other financial securities	42 540	-	42 540
Other operating income	85 878	-	85 878
Impairment allowances for expected credit losses	(245 593)	-	(245 593)
Operating expenses incl.:	(782 939)	-	(782 939)
-Staff, Operating expenses and management costs	(631 147)	-	(631 147)
-Amortisation of property, plant and equipment	(93 651)	-	(93 651)
-Amortisation of right of use asset	(42 549)	-	(42 549)
-Other operating expenses	(15 592)	-	(15 592)
Tax on financial institutions	(205 009)	70 184	(134 825)
Profit before tax	642 825	70 184	713 009
Corporate income tax	(165 138)	-	(165 138)
Profit for the period	477 687	70 184	547 871

Presented below are changes made to the consolidated and separate statement of cash flows for the period from 1 January 2019 to 30 September 2019.

Consolidated statement of cash flows

	for the period		1.01.2019 - 30.09.2019			
	Before	Adjustment	Adjustment	Adjustment	After	
Profit before tax	2 440 285	47 755 ¹⁾	-	-	2 488 040	
Total adjustments:						
Share in net profits of entities accounted for by the equity method	(48 924)	-	-	-	(48 924)	
Depreciation/amortisation	467 346	-	-	-	467 346	
Profit from investing activities	(157 876)	-	-	-	(157 876)	
Interest accrued excluded from operating activities	(296 411)	-	-	-	(296 411)	
Dividends	(97 283)	-	-	-	(97 283)	
Impairment losses (reversal)	18 459	-	-	-	18 459	
Changes in:						
Provisions	83 574	(72 000) ¹⁾	-	-	11 574	
Financial assets / liabilities held for trading	8 513 221	(8 456 526) ¹⁾	(358 426) ²⁾	(42 205) ³⁾	(343 936)	
Assets pledged as collateral	-	-	541 227 ²⁾	-	541 227	
Hedging derivatives	402 766	-	-	(113 888) ³⁾	288 878	
Loans and advances to banks	(1 635)	-	-	(36 720) ³⁾	(38 355)	
Loans and advances to customers	(6 365 008)	-	-	(5 392 436) ³⁾	(11 757 444)	
Deposits from banks	631 920	-	-	22 356 ³⁾	654 276	
Deposits from customers	1 655 884	-	-	1 015 982 ³⁾	2 671 866	
Buy-sell/ Sell-buy-back transactions	(8 381 146)	7 046 306 ¹⁾	-	7 809 ³⁾	(1 327 031)	
Other assets and liabilities	228 514	24 245 ¹⁾	(8 503) ²⁾	5 490 ³⁾	249 746	
Interest received on operating activities	-	-	-	5 666 535 ³⁾	5 666 535	
Interests paid on operating activities	-	-	-	(1 132 923) ³⁾	(1 132 923)	
Paid income tax	(746 104)	-	-	-	(746 104)	
Net cash flows from operating activities	(1 652 418)	(1 410 220)	174 298	-	(2 888 340)	
Inflows	5 352 843	-	(174 298)	-	5 178 545	
Sale/maturity of investment securities	4 465 113	-	(169 705) ²⁾	-	4 295 408	
Sale of intangible assets and property, plant and equipment	156 291	-	-	-	156 291	
Dividends received	96 941	-	-	-	96 941	
Interest received	634 498	-	(4 593) ²⁾	-	629 905	
Outflows	(9 709 813)	-	-	-	(9 709 813)	
Purchase of investment securities	(9 462 088)	-	-	-	(9 462 088)	
Purchase of intangible assets and property, plant and equipment	(247 725)	-	-	-	(247 725)	
Net cash flows from investing activities	(4 356 970)	-	(174 298)	-	(4 531 268)	
Inflows	7 191 088	-	-	-	7 191 088	
Debt securities in issue	5 864 500	-	-	-	5 864 500	
Drawing of loans	1 326 588	-	-	-	1 326 588	
Outflows	(7 848 515)	-	-	-	(7 848 515)	
Debt securities buy out	(4 043 700)	-	-	-	(4 043 700)	
Repayment of loans and advances	(1 041 348)	-	-	-	(1 041 348)	
Repayment of lease liabilities	(139 979)	-	-	-	(139 979)	
Dividends to shareholders	(2 331 071)	-	-	-	(2 331 071)	
Interest paid	(292 417)	-	-	-	(292 417)	
Net cash flows from financing activities	(657 427)	-	-	-	(657 427)	
Total net cash flows	(6 666 815)	(1 410 220)	-	-	(8 077 035)	
Cash and cash equivalents at the beginning of the accounting period	18 012 307	1 410 220 ¹⁾	-	-	19 422 527	
Cash and cash equivalents at the end of the accounting period	11 345 492	-	-	-	11 345 492	

Statement of cash flows

	for the period		1.01.2019 - 30.09.2019			
	Before	Adjustment	Adjustment	Adjustment	After	
Profit before tax	2 102 213	47 755	¹⁾ -	-	-	2 149 968
Total adjustments:						
Depreciation/amortisation	401 353	-	-	-	-	401 353
Profit from investing activities	(161 586)	-	-	-	-	(161 586)
Interest accrued excluded from operating activities	(418 309)	-	-	-	-	(418 309)
Dividends	(586 008)	-	-	-	-	(586 008)
Impairment losses (reversal)	18 557	-	-	-	-	18 557
Changes in:						
Provisions	68 980	(72 000)	¹⁾ -	-	-	(3 020)
Financial assets / liabilities held for trading	8 494 828	(8 456 526)	¹⁾ (358 426)	²⁾ (42 205)	³⁾ -	(362 329)
Assets pledged as collateral	-	-	358 426	²⁾ -	-	358 426
Hedging derivatives	364 633	-	-	(97 768)	³⁾ -	266 865
Loans and advances to banks	(2 436)	-	-	(34 743)	³⁾ -	(37 179)
Loans and advances to customers	(2 473 096)	-	-	(3 908 447)	³⁾ -	(6 381 543)
Deposits from banks	355 110	-	-	11 110	³⁾ -	366 220
Deposits from customers	1 051 962	-	-	862 261	³⁾ -	1 914 223
Buy-sell/ Sell-buy-back transactions	(8 282 715)	7 046 306	¹⁾ -	6 297	³⁾ -	(1 230 112)
Other assets and liabilities	173 467	24 245	¹⁾ -	(505)	³⁾ -	197 207
Interest received on operating activities	-	-	-	4 164 449	³⁾ -	4 164 449
Interests paid on operating activities	-	-	-	(960 449)	³⁾ -	(960 449)
Paid income tax	(493 969)	-	-	-	-	(493 969)
Net cash flows from operating activities	612 984	(1 410 220)	-	-	-	(797 236)
Inflows	4 956 129	-	-	-	-	4 956 129
Sale/maturity of investment securities	3 664 824	-	-	-	-	3 664 824
Sale of intangible assets and property, plant and equipment	120 691	-	-	-	-	120 691
Dividends received	585 666	-	-	-	-	585 666
Interest received	584 948	-	-	-	-	584 948
Outflows	(8 827 278)	-	-	-	-	(8 827 278)
Purchase of investment securities	(8 662 089)	-	-	-	-	(8 662 089)
Purchase of intangible assets and property, plant and equipment	(165 189)	-	-	-	-	(165 189)
Net cash flows from investing activities	(3 871 149)	-	-	-	-	(3 871 149)
Inflows	632 000	-	-	-	-	632 000
Debt securities in issue	632 000	-	-	-	-	632 000
Outflows	(3 946 918)	-	-	-	-	(3 946 918)
Debt securities buy out	(1 150 000)	-	-	-	-	(1 150 000)
Repayment of loans and advances	(540 418)	-	-	-	-	(540 418)
Repayment of lease liabilities	(107 132)	-	-	-	-	(107 132)
Dividends to shareholders	(2 012 683)	-	-	-	-	(2 012 683)
Interest paid	(136 685)	-	-	-	-	(136 685)
Net cash flows from financing activities	(3 314 918)	-	-	-	-	(3 314 918)
Total net cash flows	(6 573 083)	(1 410 220)	-	-	-	(7 983 303)
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	11 204 644	-	-	-	-	11 204 644

2.5 Basis of preparation of consolidated financial statements

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

Companies within Santander Bank Polska S.A. Group are 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.

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

Group has produced condensed interim financial statements in accordance with the historical cost principle, except for the items below:

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

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. Group 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 Group qualitative and quantitative criteria.

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

Santander Bank Polska S.A. Group has recognised modifications not resulting in derecognition, leading to decrease in gross carrying amount due to modification amounting to PLN 38 045k for the nine month period ending as at 30 September 2020.

The table below presents the share of the portfolio where customers benefited from initiatives aimed at mitigating the negative effects of the COVID-19 pandemic till 30 September 2020.

Santander Bank Polska S.A		
	retail loans	14,5%
	mortgage loans	11,6%
	corporate loans	33,7%
	SME loans	36,5%
Santander Consumer Bank S.A Group (incl.Santander Multirent)		
	cash loans	9,5%
	mortgage loans	7,8%
	SME	22,9%

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

Expected credit loss calculation (ECL)

Santander Bank Polska S.A. Group 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. Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Santander Bank Polska S.A. Group would not otherwise consider;
- partial of 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. Group,
 - (ii) national or local economic conditions that correlated with defaults on the assets in the Santander Bank Polska S.A. Group.

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

- In the case of individual customers, the probation period is 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. Group 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
 - Suspension of the performance of the individual customer's loan agreement in accordance with Shield 4.0¹

¹ Shield 4.0 - The Act of June 19, 2020 on subsidies to interest on bank loans granted to entrepreneurs affected by COVID-19 and on simplified proceedings for approval of an arrangement in connection with the occurrence of COVID-19 ordering the implementation of the Bank's possibility to suspend loan agreements for individual customers in cases where the borrower (or at least one of the borrowers) has lost work / main source of income after March 13, 2020

- Quantitative assumptions:
 - A risk buffer method based on the comparison of curves illustrating the probability of default over the currently remaining lifetime of the exposure based on the risk level assessment at exposure recognition and at reporting date. Risk buffer is set in relative terms for every single exposure based on its risk assessment resulting from internal models and other parameters of exposure impacting assessment of the Group whether the increase might have significantly increased since initial recognition of the exposure (such parameters considered types of the products, term structure as well as profitability). Risk buffer methodology was prepared internally and is based on the information gathered in course of the decisioning process as well as in process of transactions structuring.

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 an ongoing basis. Management reports and early warning systems have been expanded.

In case of persistent financial difficulties, being an indicator for significant increase in credit risk, an exposure is recognized in Stage 2 (it is a separate premise or the existing quantitative and qualitative criteria are used, for example, lowering the risk assessment or covering the client with dedicated monitoring strategies).

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, no suspension of the contact due to Shield 4.0, no persistent difficulties and according to risk buffer method no risk increase occurs.

Management provision covering risk resulting from COVID-19 pandemic

Same as in the first half-year of 2020 Santander Bank Polska S.A. Group 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, Group decided to maintain additional provision for expected credit loss, in form of post-model adjustment. The Group verified current level of post-model adjustment and has not identified indicators for changing current provision, amounting to PLN 151 262k as at 30 September 2020.

The Group 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.

Estimates for legal claims

Santander Bank Polska S.A. Group 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.

Group 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 28.

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

Santander Bank Polska S.A. Group 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 consolidated financial statement as at 31 December 2019.

The Group, based on observed data, has not decided to change portfolio provision for mortgage loans in foreign currencies as at 30 September 2020.

Details regarding the value of the provisions for the above-mentioned items are provided in Note 28.

Estimates regarding reimbursement of fees related to early repaid consumer loans

Santander Bank Polska S.A. Group analyses level of partial reimbursement of fees on consumer loans repaid ahead of their contractual maturity on the ongoing basis. In the third quarter of 2020 the Group has not updated provision amount for potential reimbursements of fees related to early repaid consumer loans. Only current reimbursement cost decrease interest income.

Changes in value of the provisions related to early repaid consumer loans are described in Note 28.

Estimates for insurance refund calculation

A subsidiary of Santander Bank Polska S.A. Group, Santander Consumer Bank S.A. has performed a review of a model calculating provision for credit linked insurance refund. The review was done in order to harmonise models used for calculation of insurance refund and partial reimbursement of fees in case of early termination. A change in amortization timing between linear and effective part was identified. Additionally based on historic refund levels, an update of parameters in reviewed model for future period calculations was made. Santander Bank Polska S.A. Group recognized in first half-year of 2020 a one-off income amounting to PLN 103 000k (PLN 90 000k as interest income, and PLN 13 000k as fee income).

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. Group makes various subjective judgements, apart from those involving estimates, that can significantly affect the amounts it recognises in the financial statements. Santander Bank Polska S.A. Group 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. Group applied the accounting policies consistently both to the reporting period and to the comparable period.

Consolidation adjustments within consolidation process are used in order to eliminate differences in applied accounting rules between Santander Bank Polska S.A. and other companies within the Group.

3. Operating segments reporting

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

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

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

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

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

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

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

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

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

In 2020 introduced the following changes:

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

Comparable data are adjusted accordingly.

Additionally, adjustments to the following comparable data were made in relation to the errors of previous periods corrected in these Financial Statements:

- the adjustment concerning the additional tax payment from financial institutions was presented in the Consolidated Income Statement in ALM and Centre segment in line 'Tax on financial institutions'.
- Reclassification concerning the adjustment of the purchase price cost of shares of PSA Finance Polska Sp. z o.o. acquired by Santander Consumer Bank was reflected in the Santander Consumer segment in lines: "Other income" and "Operating Costs"

In the part regarding Santander Bank Polska, the provisions for legal risk connected with the portfolio of FX mortgage loans were presented in ALM and Centre segment, whereas the provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the provisions for legal risk connected with the portfolio of FX mortgage loans and the provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in the Santander Consumer segment. More details regarding the above provisions are described in Note 28.

Additional write-off for expected credit losses in the form of so-called adjustments to values resulting from post model adjustments in the amount of PLN 151 262 thousand was estimated and presented in the results of particular business segments. The adjustment was also described in notes 2.6 and 9 of these Financial Statements.

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

Retail Banking

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

Business & Corporate Banking

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

Corporate & Investment Banking

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

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

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

ALM and Centre

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

Santander Consumer

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

Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2020-30.09.2020						
Net interest income	2 409 816	654 423	219 895	197 287	996 009	4 477 430
incl. internal transactions	(1 435)	(2 071)	3 706	7 302	(7 502)	-
Net fee and commission income	952 418	317 258	215 363	(23 867)	121 633	1 582 805
incl. internal transactions	123 857	66 132	(188 415)	764	(2 338)	-
Other income	24 190	28 513	95 032	200 187	34 271	382 193
incl. internal transactions	2 944	33 150	(35 163)	(1 127)	196	-
Dividend income	-	-	161	22 303	32	22 496
Operating costs	(1 480 003)	(308 768)	(169 883)	(260 662)	(494 441)	(2 713 757)
incl. internal transactions	-	-	-	1 848	(1 848)	-
Depreciation/amortisation	(255 543)	(41 642)	(16 692)	(83 558)	(47 810)	(445 245)
Impairment losses on loans and advances	(735 543)	(242 104)	(74 094)	(16 819)	(237 557)	(1 306 117)
Share in net profits (loss) of entities accounted for by the equity	-	-	-	68 459	-	68 459
Tax on financial institutions	-	-	-	(416 578)	(32 385)	(448 963)
Profit before tax	915 335	407 680	269 782	(313 248)	339 752	1 619 301
Corporate income tax						(499 315)
Consolidated profit for the period						1 119 986
of which:						
attributable to owners of Santander Bank Polska SA						955 621
attributable to non-controlling interests						164 365

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.07.2020-30.09.2020						
Net interest income	836 911	234 930	68 924	(46 195)	288 112	1 382 682
incl. internal transactions	(570)	(640)	1 261	2 989	(3 040)	-
Net fee and commission income	327 851	106 586	74 731	(10 112)	53 674	552 730
incl. internal transactions	43 482	23 878	(66 968)	389	(781)	-
Other income	7 771	10 263	27 278	135 362	16 522	197 196
incl. internal transactions	1 078	9 386	(10 173)	(178)	(113)	-
Dividend income	-	-	131	1 676	18	1 825
Operating costs	(494 846)	(100 865)	(55 088)	(1 174)	(131 687)	(783 660)
incl. internal transactions	-	-	-	1 336	(1 336)	-
Depreciation/amortisation	(85 452)	(14 525)	(5 615)	(26 448)	(14 193)	(146 233)
Impairment losses on loans and advances	(138 642)	(130 927)	(13 528)	(4 910)	(70 891)	(358 898)
Share in net profits (loss) of entities accounted for by the equity	-	-	-	31 620	-	31 620
Tax on financial institutions	-	-	-	(138 917)	(8 918)	(147 835)
Profit before tax	453 593	105 462	96 833	(59 098)	132 637	729 427
Corporate income tax						(189 459)
Consolidated profit for the period						539 968
of which:						
attributable to owners of Santander Bank Polska SA						479 834
attributable to non-controlling interests						60 134

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

Consolidated statement of financial position by business segment

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
30.09.2020						
Loans and advances to customers	80 161 057	33 193 603	12 588 260	-	16 108 518	142 051 438
Investments in associates	-	-	-	978 234	-	978 234
Other assets	5 170 391	911 776	4 867 282	64 326 525	4 528 318	79 804 292
Total assets	85 331 448	34 105 379	17 455 542	65 304 759	20 636 836	222 833 964
Deposits from customers	111 417 495	32 955 536	8 193 377	4 243 091	9 916 905	166 726 404
Other liabilities and equity	6 860 924	4 167 505	5 323 310	29 035 890	10 719 931	56 107 560
Total equity and liabilities	118 278 419	37 123 041	13 516 687	33 278 981	20 636 836	222 833 964

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

Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2019-30.09.2019						
Net interest income	2 396 563	614 156	218 127	499 153	1 205 167	4 933 166
incl. internal transactions	(1 475)	(1 899)	3 383	3 056	(3 065)	-
Net fee and commission income	1 012 421	323 595	173 989	(10 993)	87 454	1 586 466
incl. internal transactions	107 139	76 242	(183 744)	2 553	(2 190)	-
Other income	50 567	51 329	56 768	264 225	40 279	463 168
incl. internal transactions	5 870	28 213	(31 696)	11 587	(13 974)	-
Dividend income	-	-	1 425	97 266	17	98 708
Operating costs	(1 471 307)	(331 595)	(190 968)	(326 403)	(447 242)	(2 767 515)
incl. internal transactions	-	-	-	1 966	(1 966)	-
Depreciation/amortisation	(261 937)	(42 452)	(18 535)	(91 084)	(53 338)	(467 346)
Impairment losses on loans and advances	(633 525)	(78 781)	8 342	(10 609)	(241 229)	(955 802)
Share in net profits (loss) of entities accounted for by the equity	-	-	-	48 924	-	48 924
Tax on financial institutions	-	-	-	(419 107)	(32 622)	(451 729)
Profit before tax	1 092 782	536 252	249 148	51 372	558 486	2 488 040
Corporate income tax						(618 332)
Consolidated profit for the period						1 869 708
of which:						
attributable to owners of Santander Bank Polska SA						1 631 313
attributable to non-controlling interests						238 395

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.07.2019-30.09.2019						
Net interest income	858 457	201 295	73 470	158 749	409 063	1 701 034
incl. internal transactions	(311)	(658)	968	1 203	(1 202)	-
Net fee and commission income	345 567	113 147	61 020	(4 893)	29 206	544 047
incl. internal transactions	36 133	26 429	(62 717)	897	(742)	-
Other income	26 467	24 069	31 505	112 956	11 915	206 912
incl. internal transactions	1 850	15 806	(17 134)	12 857	(13 379)	-
Dividend income	-	-	1 155	307	6	1 468
Operating costs	(491 815)	(109 614)	(65 831)	(10 753)	(146 617)	(824 630)
incl. internal transactions	-	-	-	1 026	(1 026)	-
Depreciation/amortisation	(87 636)	(14 501)	(6 370)	(32 021)	(17 019)	(157 547)
Impairment losses on loans and advances	(219 233)	(37 462)	3 913	(3 584)	(80 190)	(336 556)
Share in net profits (loss) of entities accounted for by the equity	-	-	-	18 641	-	18 641
Tax on financial institutions	-	-	-	(134 825)	(11 608)	(146 433)
Profit before tax	431 807	176 934	98 862	104 577	194 756	1 006 936
Corporate income tax						(227 709)
Consolidated profit for the period						779 227
of which:						
attributable to owners of Santander Bank Polska SA						695 841
attributable to non-controlling interests						83 386

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

Consolidated statement of financial position (by business segment)

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
31.12.2019						
Loans and advances to customers	78 266 092	34 110 482	13 431 027	-	17 595 028	143 402 629
Investments in associates	-	-	-	903 113	-	903 113
Other assets	9 153 899	2 021 815	3 098 796	46 633 728	4 262 186	65 170 424
Total assets	87 419 991	36 132 297	16 529 823	47 536 841	21 857 214	209 476 166
Deposits from customers	101 216 177	28 431 955	12 169 521	4 263 340	10 399 350	156 480 343
Other liabilities and equity	6 145 409	4 385 856	5 424 516	25 582 178	11 457 864	52 995 823
Total equity and liabilities	107 361 586	32 817 811	17 594 037	29 845 518	21 857 214	209 476 166

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

4. Net interest income

	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Interest income and similar to interest				
Interest income on financial assets measured at amortised cost	1 323 301	4 674 802	1 923 854	5 614 807
Loans and advances to enterprises and leasing agreements	454 302	1 586 846	627 128	1 852 203
Loans and advances to individuals, of which:	863 626	2 995 274	1 213 030	3 511 075
<i>Home mortgage loans</i>	286 950	1 070 343	418 730	1 222 855
Loans and advances to banks	228	12 421	11 057	36 440
Loans and advances to public sector	1 514	6 647	2 448	7 706
Reverse repo transactions	454	15 788	26 866	77 054
Interest recorded on hedging IRS	3 177	57 826	43 325	130 329
Interest income on financial assets measured at fair value through other comprehensive income	219 908	636 093	209 193	618 077
Loans and advances to enterprises	7 521	27 945	11 223	20 468
Debt securities	212 387	608 148	197 970	597 609
Income similar to interest - financial assets measured at fair value through profit or loss	5 633	46 277	33 109	131 420
Loans and advances to enterprises	223	1 127	517	1 528
Loans and advances to individuals	4 388	35 219	26 623	80 244
Debt securities	1 022	9 931	5 969	49 648
Total income	1 548 842	5 357 172	2 166 156	6 364 304
Interest expenses				
Interest expenses on financial liabilities measured at amortised cost	(166 160)	(879 742)	(465 122)	(1 431 138)
Liabilities to individuals	(68 976)	(399 080)	(198 159)	(653 237)
Liabilities to enterprises	(39 467)	(229 509)	(135 182)	(378 780)
Repo transactions	329	(7 869)	(23 616)	(86 554)
Liabilities to public sector	(2 077)	(19 636)	(15 278)	(43 340)
Liabilities to banks	(8 907)	(48 143)	(18 754)	(50 516)
Lease liabilities	(4 568)	(14 859)	(5 507)	(16 259)
Subordinated liabilities and issue of securities	(42 494)	(160 646)	(68 626)	(202 452)
Total costs	(166 160)	(879 742)	(465 122)	(1 431 138)
Net interest income	1 382 682	4 477 430	1 701 034	4 933 166

5. Net fee and commission income

	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Fee and commission income				
eBusiness & payments	148 471	406 436	143 895	434 417
Current accounts and money transfer	78 479	231 744	82 570	245 315
Asset management fees	60 320	183 358	72 832	210 492
Foreign exchange commissions	116 339	342 052	111 614	332 259
Credit commissions incl. factoring commissions and other	109 844	300 820	102 697	302 415
Insurance commissions	57 028	165 788	57 861	164 399
Commissions from brokerage activities	27 202	89 603	16 001	47 722
Credit cards	36 757	110 787	46 451	136 101
Off-balance sheet guarantee commissions	23 531	65 793	17 837	52 081
Finance lease commissions	5 750	17 287	6 576	18 851
Issue arrangement fees	638	8 819	2 505	4 503
Distribution fees	4 395	11 738	1 390	4 542
Total	668 754	1 934 225	662 229	1 953 097
Fee and commission expenses				
eBusiness & payments	(48 599)	(132 248)	(43 102)	(141 055)
Distribution fees	(3 445)	(7 891)	(2 130)	(7 161)
Commissions from brokerage activities	(4 043)	(13 557)	(2 068)	(6 354)
Credit cards	(6 302)	(14 807)	(10 119)	(29 366)
Credit commissions paid	(8 599)	(53 512)	(26 283)	(82 947)
Insurance commissions	(4 233)	(13 162)	(4 634)	(14 959)
Finance lease commissions	(6 760)	(20 579)	(7 424)	(22 563)
Asset management fees and other costs	(5 055)	(16 140)	(2 017)	(5 636)
Other	(28 988)	(79 524)	(20 405)	(56 590)
Total	(116 024)	(351 420)	(118 182)	(366 631)
Net fee and commission income	552 730	1 582 805	544 047	1 586 466

6. Net trading income and revaluation

	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Net trading income and revaluation				
Derivative instruments	(7 513)	(441 636)	(350 017)	(341 379)
Interbank FX transactions and other FX related income	34 900	545 582	409 450	483 106
Profit on equity securities measured at fair value through profit or loss	(1 696)	(11 049)	(4 231)	(6 364)
Profit on debt securities measured at fair value through profit or loss	3 913	18 330	1 898	(18 662)
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	(1 283)	(17 991)	6 680	25 712
Total	28 321	93 236	63 780	142 413

The above amounts included CVA and DVA adjustments in the amount of PLN(7 189) k for 1-3Q 2020, PLN 2 564k for 3Q 2020 and PLN (4 180) k for 1-3Q 2019, PLN (2 202) k for 3Q 2019.

7. Gains (losses) from other financial securities

Gains (losses) from other financial securities	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Profit on sale of debt securities measured at fair value through other comprehensive income	109 596	170 072	37 508	86 494
Profit (loss) on sale of debt securities mandatorily measured at fair value through profit or loss	-	(85)	26	18
Change in fair value of financial securities mandatorily measured at fair value through profit or loss	11 755	15 030	(1 927)	40 364
Impairment losses on securities	-	(8 535)	-	-
Total profit (losses) on financial instruments	121 351	176 482	35 607	126 876
Change in fair value of hedging instruments	22 906	(206 020)	(46 668)	(58 585)
Change in fair value of underlying hedged positions	(16 155)	211 182	53 402	68 801
Total profit (losses) on hedging and hedged instruments	6 751	5 162	6 734	10 216
Total	128 102	181 644	42 341	137 092

8. Other operating income

Other operating income	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Income on sale of services	6 631	18 100	6 875	20 048
Release of provision for legal cases and other assets	3 970	22 324	14 266	27 138
Profit on the preliminary settlement of the sale of an organized part of enterprise	-	-	50 000	50 000
Settlements of leasing agreements	848	2 763	741	2 173
Recovery of other receivables (expired, cancelled and uncollectable)	21	329	1 179	7 035
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	5 535	7 744	6 303	27 473
Received compensations, penalties and fines	230	626	224	817
Profit on lease modifications	2 225	6 957	9 962	9 965
Other	21 313	48 470	11 242	39 015
Total	40 773	107 313	100 792	183 664

9. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Charge for loans and advances to banks	3	(4)	(1)	(3)
Stage 1	3	(4)	(1)	(3)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	(350 509)	(1 310 825)	(323 350)	(970 425)
Stage 1	513	(55 510)	(44 965)	(91 671)
Stage 2	(97 955)	(562 715)	(125 026)	(371 619)
Stage 3	(256 963)	(701 563)	(174 146)	(566 897)
POCI	3 896	8 963	20 787	59 762
Recoveries of loans previously written off	(9 680)	(2 594)	(12 115)	(10 520)
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(9 680)	(2 594)	(12 115)	(10 520)
POCI	-	-	-	-
Off-balance sheet credit related facilities	1 288	7 306	(1 090)	25 146
Stage 1	1 227	4 856	1 365	17 159
Stage 2	1 522	(2 216)	(670)	2 660
Stage 3	(1 461)	4 666	(1 785)	5 327
POCI	-	-	-	-
Total	(358 898)	(1 306 117)	(336 556)	(955 802)

Management adjustment in the level of allowances reflecting the risk related to the COVID-19 situation amounted to PLN 151.262 k as at 30.09.2020 (stage 2) – details are described in Note 2.6

10. Employee costs

Employee costs	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Salaries and bonuses	(330 755)	(969 278)	(364 128)	(1 102 310)
Salary related costs	(57 115)	(175 678)	(59 348)	(192 372)
Cost of contributions to Employee Capital Plans	(2 274)	(7 029)	-	-
Staff benefits costs	(9 122)	(26 864)	(9 990)	(28 362)
Professional trainings	(2 080)	(4 562)	(4 051)	(10 901)
Retirement fund, holiday provisions and other employee costs	(4)	(553)	(115)	(124)
Restructuring provision	(4 313)	(15 425)	(1 860)	(88 180)
Total	(405 663)	(1 199 389)	(439 492)	(1 422 249)

11. General and administrative expenses

	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
General and administrative expenses				
Maintenance of premises	(31 078)	(99 413)	(32 849)	(116 726)
Short-term lease costs	(2 575)	(7 305)	(2 997)	(10 610)
Low-value assets lease costs	(377)	(1 904)	(1 610)	(4 406)
Costs of variable lease payments not included in the measurement of the lease liability	(30)	(154)	(7)	(1 117)
Non-tax deductible VAT	(11 189)	(33 319)	(12 397)	(36 223)
Marketing and representation	(23 300)	(67 408)	(40 751)	(118 596)
IT systems costs	(81 851)	(248 802)	(80 745)	(236 312)
Cost of BFG, KNF and KDPW	(49 562)	(388 891)	(28 041)	(285 147)
Postal and telecommunication costs	(15 476)	(49 275)	(14 422)	(45 911)
Consulting and advisory fees	(22 874)	(59 372)	(22 522)	(58 103)
Cars, transport expenses, carriage of cash	(14 678)	(43 197)	(19 287)	(52 736)
Other external services	(35 076)	(108 172)	(41 814)	(127 959)
Stationery, cards, cheques etc.	(5 476)	(16 774)	(7 552)	(20 704)
Sundry taxes and charges	(10 036)	(30 606)	(10 717)	(30 888)
Data transmission	(2 808)	(8 437)	(2 985)	(9 433)
KIR, SWIFT settlements	(7 362)	(19 761)	(8 897)	(26 850)
Security costs	(6 187)	(18 695)	(7 514)	(22 544)
Costs of repairs	(1 194)	(5 461)	(6 920)	(12 648)
Other	(2 419)	(11 575)	(7 692)	(20 109)
Total	(323 548)	(1 218 521)	(349 719)	(1 237 022)

12. Other operating expenses

	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Other operating expenses				
Charge of provisions for legal cases and other assets	(33 361)	(101 372)	(13 976)	(43 367)
Charge of provisions for legal risk*	-	(110 333)	(9 954)	(9 954)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(3 925)	(36 591)	(1 097)	(18 557)
Costs of purchased services	(786)	(2 456)	(1 411)	(2 627)
Other membership fees	(275)	(895)	(340)	(889)
Paid compensations, penalties and fines	(280)	(1 355)	(776)	(1 675)
Donations paid	(682)	(6 661)	(107)	(4 569)
Costs of lease modifications	(9)	(69)	(19)	(503)
Other	(15 131)	(36 115)	(7 739)	(26 103)
Total	(54 449)	(295 847)	(35 419)	(108 244)

*Details in Note 25

13. Corporate income tax

	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Corporate income tax				
Current tax charge in the income statement	(250 154)	(713 200)	(356 180)	(805 080)
Deferred tax	60 695	210 967	128 471	188 323
Adjustments from previous years	-	2 918	-	(1 575)
Total tax on gross profit	(189 459)	(499 315)	(227 709)	(618 332)

	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020	1.07.2019- 30.09.2019	1.01.2019- 30.09.2019
Corporate total tax charge information				
Profit before tax	729 427	1 619 301	1 006 936	2 488 040
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(138 591)	(307 667)	(191 318)	(472 728)
Non-tax-deductible expenses	(5 205)	(19 691)	(7 815)	(21 742)
The fee to the Bank Guarantee Fund	(7 882)	(70 204)	(3 953)	(50 354)
Tax on financial institutions	(28 089)	(85 303)	(27 822)	(85 829)
Non-taxable income	412	7 853	220	18 600
Non-tax deductible bad debt provisions	(3 891)	(25 173)	(6 014)	(16 537)
Adjustment of prior years tax	-	2 918	-	(1 575)
Tax effect of consolidation adjustments	-	-	-	11 830
Other	(6 213)	(2 048)	8 993	3
Total tax on gross profit	(189 459)	(499 315)	(227 709)	(618 332)

	30.09.2020	31.12.2019
Deferred tax recognised in other comprehensive income		
Relating to valuation of debt investments measured at fair value through other comprehensive income	(283 416)	(170 217)
Relating to valuation of equity investments measured at fair value through other comprehensive income	(126 880)	(141 812)
Relating to cash flow hedging activity	1 084	5 502
Relating to valuation of defined benefit plans	(1 710)	(2 280)
Total	(410 922)	(308 807)

14. Cash and balances with central banks

	30.09.2020	31.12.2019
Cash and balances with central banks		
Cash	2 296 366	2 381 455
Current accounts in central banks	611 383	5 591 557
Term deposits	-	2
Total	2 907 749	7 973 014

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 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.

15. Loans and advances to banks

Loans and advances to banks	30.09.2020	31.12.2019
Loans and advances	334 447	2 115 445
Current accounts	2 636 965	1 601 232
Gross receivables	2 971 412	3 716 677
Allowance for expected credit losses	(100)	(95)
Total	2 971 312	3 716 582

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.09.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	2 721 848	2 754 926	1 474 161	1 524 250
Interest rate operations	1 704 589	1 797 322	719 181	766 820
Transactions on equity instruments	-	-	1 450	1 450
FX operations	1 017 259	957 604	753 530	755 980
Debt and equity securities	1 975 833	-	584 347	-
Debt securities	1 943 664	-	546 607	-
Government securities:	185 724	-	391 616	-
- bonds	185 724	-	391 616	-
Central Bank securities:	-	-	149 987	-
- bills	-	-	149 987	-
Other securities:	1 757 940	-	5 004	-
- bonds	1 757 940	-	5 004	-
Equity securities	32 169	-	37 740	-
Short sale liabilities	-	114 331	-	332 563
Total	4 697 681	2 869 257	2 058 508	1 856 813

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (11,131) k as at 30.09.2020 and PLN (3,933) k as at 31.12.2019.

17. Loans and advances to customers

Loans and advances to customers	30.09.2020			Total
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	
Loans and advances to enterprises	55 222 383	1 140 320	74 124	56 436 827
Loans and advances to individuals, of which:	80 796 910	-	981 882	81 778 792
<i>Home mortgage loans</i>	52 518 480	-	-	52 518 480
Finance lease receivables	9 628 749	-	-	9 628 749
Loans and advances to public sector	300 439	-	-	300 439
Other receivables	38 788	-	-	38 788
Gross receivables	145 987 269	1 140 320	1 056 006	148 183 595
Allowance for expected credit losses	(6 132 157)	-	-	(6 132 157)
Total	139 855 112	1 140 320	1 056 006	142 051 438

	31.12.2019			Total
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	
Loans and advances to customers				
Loans and advances to enterprises	57 165 101	923 811	53 649	58 142 561
Loans and advances to individuals, of which:	79 752 787	-	1 142 798	80 895 585
<i>Home mortgage loans</i>	51 209 256	-	-	51 209 256
Finance lease receivables	9 266 969	-	-	9 266 969
Loans and advances to public sector	312 469	-	-	312 469
Other receivables	29 409	-	-	29 409
Gross receivables	146 526 735	923 811	1 196 447	148 646 993
Allowance for expected credit losses	(5 244 364)	-	-	(5 244 364)
Total	141 282 371	923 811	1 196 447	143 402 629

Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019
Balance at the beginning of the period	(5 244 364)	(4 384 322)
Charge/write back of current period	(1 322 658)	(1 086 620)
Stage 1	(56 363)	(91 671)
Stage 2	(546 604)	(371 619)
Stage 3	(701 563)	(566 897)
POCI	(18 128)	(56 433)
Write off/Sale of receivables	448 097	458 424
Stage 1	1 177	-
Stage 2	-	-
Stage 3	446 750	458 418
POCI	170	6
Transfer	12 407	(90 674)
Stage 1	68 724	83 098
Stage 2	313 935	264 979
Stage 3	(369 688)	(396 803)
POCI	(564)	(41 948)
FX differences	(25 639)	(14 156)
Stage 1	(1 740)	(955)
Stage 2	(4 316)	(3 035)
Stage 3	(19 396)	(10 157)
POCI	(187)	(9)
Balance at the end of the period	(6 132 157)	(5 117 348)

18. Investment securities

Investment securities	30.09.2020	31.12.2019
Debt investment securities measured at fair value through other comprehensive income	60 192 017	40 248 937
Government securities:	45 938 077	34 332 625
- bills	1 415 156	-
- bonds	44 522 921	34 332 625
Central Bank securities:	-	3 849 679
- bills	-	3 849 679
Other securities:	14 253 940	2 066 633
-bonds	14 253 940	2 066 633
Debt investment securities measured at fair value through profit and loss	103 695	194 285
Equity securities measured at fair value through profit and loss	105 973	-
- unlisted	105 973	-
Equity investment securities measured at fair value through other comprehensive income	808 264	884 912
- listed	24 328	19 996
- unlisted	783 936	864 916
Total	61 209 949	41 328 134

19. Investments in associates

Balance sheet value of associates	30.09.2020	31.12.2019
Polfund - Fundusz Poręczeń Kredytowych S.A.	45 959	45 273
Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	932 275	857 840
Total	978 234	903 113

Movements on investments in associates	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019
As at the beginning of the period	903 113	891 952
Share of profits/(losses)	68 459	48 924
Dividends	-	(58 661)
Other	6 662	2 993
As at the end of the period	978 234	885 208

20. Deposits from banks

Deposits from banks	30.09.2020	31.12.2019
Term deposits	971 036	468 294
Loans received from banks	1 945 051	3 213 874
Current accounts	2 272 766	1 349 576
Total	5 188 853	5 031 744

21. Deposits from customers

Deposits from customers	30.09.2020	31.12.2019
Deposits from individuals	96 204 771	91 716 261
Current accounts	74 734 896	61 519 766
Term deposits	21 218 059	29 984 379
Other	251 816	212 116
Deposits from enterprises	65 273 186	60 281 335
Current accounts	49 450 870	32 054 525
Term deposits	11 443 284	23 656 190
Loans	3 186 110	3 536 953
Other	1 192 922	1 033 667
Deposits from public sector	5 248 447	4 482 747
Current accounts	4 137 611	3 732 587
Term deposits	1 110 789	750 095
Other	47	65
Total	166 726 404	156 480 343

22. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2020-30.09.2020	1.01.2019-30.09.2019
As at the beginning of the period	2 630 271	2 644 341
Additions from:	157 906	90 309
- interest on subordinated loans	61 762	63 425
- FX differences	96 144	26 884
Disposals from:	(56 520)	(55 396)
- interest repayment	(56 520)	(55 396)
As at the end of the period	2 731 657	2 679 254
Short-term	21 837	24 873
Long-term (over 1 year)	2 709 820	2 654 381

23. Debt securities in issue

Issuance of debt securities on 30.09.2020 (non-matured securities)	Nominal value	Currency	Redemption date
Series H bonds of Santander Factoring	445 000	PLN	29.01.2021
Series D bonds of Santander Leasing	76 673	PLN	10.03.2021
Series E bonds of Santander Leasing	550 000	PLN	04.12.2020
Series F bonds of Santander Leasing	450 000	PLN	22.06.2021
Senior bonds of Santander Leasing Poland Securitization 01 03/2020	330 000	EUR	03.2036
Securitized bonds Float sale	740 000	PLN	31.07.2028

Issuance of debt securities in 2019 (non-matured securities)	Nominal value	Currency	Redemption date
Series J bank securities	550 000	PLN	27.04.2020
Series F bonds of Santander Factoring	710 000	PLN	22.04.2020
Senior bonds of Santander Leasing Poland Securitization 01 05/2019	1 202 500	PLN	20.02.2035
Bonds of Santander Leasing	350 000	PLN	10.02.2020
Bonds of Santander Leasing	350 000	PLN	10.03.2020
Bonds of Santander Leasing	430 000	PLN	21.09.2020
Securitized bonds Float sale	1 200 000	PLN	16.07.2030
Securitized bonds Float sale	800 000	PLN	16.07.2030

	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019
Movements in debt securities in issue		
As at the beginning of the period	10 629 516	9 368 617
Increase (due to):	5 042 340	6 055 506
- debt securities in issue	4 755 707	5 864 500
- interest on debt securities in issue	95 475	137 303
- FX differences	191 112	53 703
- other changes	46	-
Decrease (due to):	(5 359 061)	(4 189 354)
- debt securities redemption	(4 194 229)	(4 043 700)
- debt securities repurchase	(1 052 917)	-
- interest repayment	(111 915)	(145 435)
- other changes	-	(219)
As at the end of the period	10 312 795	11 234 769

24. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	30.09.2020	31.12.2019
Provisions for financial liabilities to grant loans and credit lines	41 338	48 865
Provisions for financial guarantees	17 593	16 856
Other provisions	632	388
Total	59 563	66 109

	1.01.2020- 30.09.2020
Change in provisions for off balance sheet credit facilities	
As at the beginning of the period	66 109
Provision charge	106 246
Release of provisions	(113 552)
Other changes	760
As at the end of the period	59 563
Short-term	43 471
Long-term	16 092

	1.01.2019- 30.09.2019
Change in provisions for off balance sheet credit facilities	
As at the beginning of the period	81 048
Provision charge	97 527
Release of provisions	(122 674)
Other changes	179
As at the end of the period	56 080
Short-term	42 385
Long-term	13 695

25. Other provisions

Other provisions	30.09.2020	31.12.2019
Provisions for legal claims	210 554	135 659
Provisions for legal risk*	284 149	295 216
Provisions for restructuring**	12 698	14 740
Total	507 401	445 615

* Details regarding the provisions for legal risk are presented in note 28.

** Details about the provisions for restructuring are presented in note 10.

Change in other provisions for the period 1.01.2020 - 30.09.2020	Provisions for legal claims *	Provisions for restructuring	Provisions for legal risk	Total
As at the beginning of the period	135 659	14 740	295 216	445 615
Provision charge	79 252	19 952	110 334	209 538
Utilization	(1 520)	(7 697)	(73 112)	(82 329)
Release of provisions	(2 837)	(14 297)	-	(17 134)
Reclassification	-	-	(48 289)	(48 289)
As at the end of the period	210 554	12 698	284 149	507 401

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

	Provisions for tax			
Change in other provisions for the period 1.01.2019- 30.09.2019	Provisions for legal claims	on financial institution	Provisions for restructuring	Total
As at the beginning of the period	132 382	-	499	132 881
Provision charge	31 343	72 000	88 308	191 651
Utilization	(410)	-	(73 319)	(73 729)
Release of provisions	(8 559)	-	(821)	(9 380)
As at the end of the period	154 756	72 000	14 667	241 423

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

26. Other liabilities

Other liabilities	30.09.2020	31.12.2019
Settlements of stock exchange transactions	82 385	25 264
Interbank settlements	495 689	224 485
Employee provisions	227 281	368 514
Sundry creditors	1 024 421	647 576
Liabilities from contracts with customers	248 609	278 814
Public and law settlements	102 593	106 393
Accrued liabilities	429 960	519 263
Finance lease related settlements	100 183	101 418
Other	9 379	7 633
Total	2 720 500	2 279 360
of which financial liabilities *	2 359 919	1 886 520

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

Change in provisions 1.01.2020 - 30.09.2020	Employee provisions			Total
	of which:			
	Provisions for retirement allowances	Other provisions		
As at the beginning of the period	368 514	44 636	-	368 514
Provision charge	160 417	4 388	-	160 417
Utilization	(226 290)	(7)	-	(226 290)
Release of provisions	(75 360)	-	-	(75 360)
As at the end of the period	227 281	49 017	-	227 281
Short-term	178 264	-	-	178 264
Long-term	49 017	49 017	-	49 017

Change in provisions 1.01.2019 - 30.09.2019	Employee provisions			Total
	of which:			
	Provisions for retirement allowances	Other provisions		
As at the beginning of the period	405 231	40 858	3 300	408 531
Provision charge	251 666	3 972	-	251 666
Utilization	(291 072)	-	-	(291 072)
Release of provisions	(36 270)	(150)	-	(36 270)
Other changes	54	-	-	54
As at the end of the period	329 609	44 680	3 300	332 909
Short-term	284 929	-	3 300	288 229
Long-term	44 680	44 680	-	44 680

27. Fair value

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

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

ASSETS	30.09.2020		31.12.2019	
	Book Value	Fair value	Book Value	Fair value
Cash and balances with central banks	2 907 749	2 907 749	7 973 014	7 973 014
Loans and advances to banks	2 971 312	2 971 312	3 716 582	3 716 582
Loans and advances to customers measured at amortised cost	139 855 112	139 324 426	141 282 371	141 958 073
LIABILITIES				
Deposits from banks	5 188 853	5 188 853	5 031 744	5 031 744
Deposits from customers	166 726 404	166 701 631	156 480 343	156 520 781
Subordinated liabilities	2 731 657	2 712 887	2 630 271	2 619 205

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

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

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

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

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

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

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

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

As at 30.09.2020 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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

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

Valuation of major capital investments classified to Level III:

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

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

Level 3: Other valuation techniques

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

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method	Effective margin on loans
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.	Estimation of the fair value based on the present value of the forecast results of the company	Net asset value of the Company
SHARES IN AVIVA POWSZECHNE TOWARZYSTWO EMERYTALNE AVIVA SANTANDER SA		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	Periodic valuation based on net assets value; Estimation of the fair value based on the present value of the forecast results of the company	Net asset value and future results of the Company
POLSKI HOLDING OBRONNY SP. Z O.O. BUMAR		
AGROREG AGENCJA ROZWOJU REGIONALNEGO SA W NOWEJ RUDZIE		

As at 30.09.2020 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.09.2020	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 975 833	2 719 622	2 226	4 697 681
Hedging derivatives	-	32 634	-	32 634
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 140 320	1 140 320
Loans and advances to customers measured at fair value through profit and loss	-	-	1 056 006	1 056 006
Debt securities measured at fair value through other comprehensive income	59 987 855	196 670	7 492	60 192 017
Debt securities measured at fair value through profit and loss	-	-	103 695	103 695
Equity securities measured at fair value through other comprehensive income	24 328	-	783 936	808 264
Equity securities measured at fair value through profit and loss	-	-	105 973	105 973
Total	61 988 016	2 948 926	3 199 648	68 136 590
Financial liabilities				
Financial liabilities held for trading	114 331	2 754 926	-	2 869 257
Hedging derivatives	-	1 699 290	-	1 699 290
Total	114 331	4 454 216	-	4 568 547

31.12.2019	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	584 347	1 474 161	-	2 058 508
Hedging derivatives	-	43 973	-	43 973
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 and loss	-	-	1 196 447	1 196 447
Debt securities measured at fair value through other comprehensive income	40 232 910	-	16 027	40 248 937
Debt securities measured at fair value through profit and loss	-	-	194 285	194 285
Equity securities measured at fair value through other comprehensive income	19 996	-	864 916	884 912
Total	40 837 253	1 518 134	3 195 486	45 550 873
Financial liabilities				
Financial liabilities held for trading	332 563	1 524 250	-	1 856 813
Hedging derivatives	-	995 627	-	995 627
Total	332 563	2 519 877	-	2 852 440

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				
			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	Equity securities measured at fair value through other comprehensive income
30.09.2020	Financial assets held for trading					
As at the beginning of the period	-	1 196 447	923 811	194 285	16 027	864 916
Profit or losses						
<i>recognised in income statement</i>	83	13 243	30 568	8 908	-	-
<i>recognised in equity (OCI)</i>	-	-	-	-	-	(82 999)
Purchase/granting	670	319 249	570 809	-	-	-
Sale	-	(2)	(113 370)	(1 000)	-	(925)
Matured	-	(467 816)	(267 805)	-	-	-
Transfer	1 473	-	-	-	-	-
Conversion VISA	-	-	-	(98 605)	-	2 944
Other	-	(5 115)	(3 693)	107	(8 535)	-
As at the end of the period	2 226	1 056 006	1 140 320	103 695	7 492	783 936

Level III		Financial assets				
			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	Equity securities measured at fair value through other comprehensive income
31.12.2019	Financial assets held for trading					
As at the beginning of the period	-	1 360 030	366 751	136 511	27 270	804 818
Profit or losses						
<i>recognised in income statement</i>	-	107 700	-	58 274	-	-
<i>recognised in equity (OCI)</i>	-	-	-	-	-	64 409
Purchase/granting	-	539 632	645 517	-	-	-
Sale	-	-	(45 000)	(500)	-	(4 311)
Matured	-	(803 187)	(42 875)	-	-	-
Other	-	(7 728)	(582)	-	(11 243)	-
As at the end of the period	-	1 196 447	923 811	194 285	16 027	864 916

28. Contingent liabilities

Significant court proceedings

As at 30.09.2020 no proceedings were instituted by court or by state administration agencies with relation to liabilities or receivables made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 2,064,241k, which is 7.25% of the Group's equity. This amount includes PLN 923,228k claimed by the Group, PLN 1,091,423k in claims against the Group and PLN 49,590k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.09.2020 the amount of significant court proceedings which had been completed amounted to PLN 569,850k.

As at 30.09.2020, the value of provisions for legal claims was PLN 210,554k. In 170 cases against Santander Bank Polska SA, where the claim value was high (from PLN 500 k), a provisions of PLN 38,401k was raised.

Court proceedings on CHF mortgage loans

As at 30.09.2020, the Group's CHF retail mortgage loan exposure totalled PLN 9,913,316k. The portfolio included both denominated and indexed loans.

To date, there have been 22 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. As regards Santander Consumer Bank S.A., the courts made decisions favourable to the Bank in 15 cases, while 17 cases ended up with unfavourable decisions.

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

The Group 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 Group 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 Group's financial statements.

As at 30.09.2020, the Group has been a defendant in 3,471 cases regarding indexed or denominated loans in CHF with the disputable amount of PLN 667,384k. They include 2 class actions subject to the Class Action Law:

- the class action filed against Santander Bank Polska S.A. involving 548 CHF indexed loans, total disputable amount of PLN 50,283k;
- the class action filed against Santander Consumer Bank S.A. involving 31 CHF indexed loans, total disputable amount of PLN 38k.

As at 30.09.2020, the Group created provisions of PLN 137,613k for disputes regarding contractual clauses in FX denominated and indexed mortgage loan agreements.

As at 30.09.2020, the Group created portfolio provisions for legal risk totalling PLN 256,193k due to an increased number of disputes regarding contractual clauses in FX denominated and indexed mortgage loan agreements. This provision in the Bank amounts to PLN 190,000k, and in the subsidiary Santander Consumer Bank (SCB) PLN 66,193k. The Group will continue to monitor and assess appropriateness of those provisions in the upcoming reporting periods.

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

As at 30.09.2020, Santander Bank Group was sued in 797 cases concerning partial refund of an arrangement fee on consumer loans, including 453 cases against Santander Consumer Bank S.A. and 344 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Group raised provisions in the total amount of PLN 1,163k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 1,000k and provisions raised by Santander Bank Polska S.A. in the amount of PLN 163k.

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, the Santander Bank Polska Group raises provisions for legal risks related to disputes regarding art. 49 of the Consumer Credit Act taking in to account interpretation differences. In relation to both banks, UOKiK conducted explanatory proceedings regarding the correct settlement of commissions based on art. 49 of the Consumer Credit Act, both proceedings were discontinued.

During the first nine 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 Group had the following impact on its P&L:

The total amount taken by the Group to its P&L was PLN 176,065k, including a charge of PLN 128,961k to net interest income and a charge of PLN 47,105k to other operating expenses.

The corresponding charges made by the bank were as follows: total charge of PLN 97,533k to P&L, including PLN 79,933k to net interest income and PLN 17,600k to other operating expenses. Others amounts charged to the Group's P&L include the amounts recognised in P&L of Santander Consumer Bank S.A.

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 or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 1,579,363 k, which is 5.85% of the Group's equity. This amount includes PLN 925,730 k claimed by the Group, PLN 604,262 k in claims against the Group and PLN 49,371 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2019 the amount of all court proceedings which had been completed amounted to PLN 630,285 k.

As at 31.12.2019, the value of provisions for legal claims was PLN 135,659 k. In 61 cases against Santander Bank Polska SA, where the claim value was high (above PLN 500 k), a provisions of PLN 36,672 k was raised.

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

Off-balance sheet liabilities

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

Contingent liabilities - sanctioned	30.09.2020			
	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned				
- financial	31 881 260	554 678	80 516	32 516 454
- credit lines	26 858 155	446 173	63 559	27 367 887
- credit cards debits	4 069 513	105 550	14 456	4 189 519
- import letters of credit	947 707	2 955	2 501	953 163
- term deposits with future commencement term	5 885	-	-	5 885
- guarantees	7 615 768	147 097	28 325	7 791 190
Provision for off-balance sheet liabilities	(26 052)	(10 952)	(22 559)	(59 563)
Total	39 470 976	690 823	86 282	40 248 081

Contingent liabilities - sanctioned	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned				
- financial	33 003 043	436 630	66 938	33 506 611
- credit lines	28 394 392	302 847	56 138	28 753 377
- credit cards debits	4 001 749	126 485	10 800	4 139 034
- import letters of credit	606 902	7 298	-	614 200
- guarantees	6 529 154	149 680	32 781	6 711 615
Provision for off-balance sheet liabilities	(31 555)	(8 185)	(26 369)	(66 109)
Total	39 500 642	578 125	73 350	40 152 117

29. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	27.10.2020	29.07.2020	27.10.2020	29.07.2020	27.10.2020	29.07.2020	27.10.2020	29.07.2020
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,47%	68 880 774	68 880 774	67,41%	67,47%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,02%	5 123 581	5 123 581	5,01%	5,02%
Nationale-Nederlanden DFE *								
Others	28 184 959	28 083 950	27,58%	27,51%	28 184 959	28 083 950	27,58%	27,51%
Total	102 189 314	102 088 305	100%	100%	102 189 314	102 088 305	100%	100%

* Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 3Q2020 /27.10.2020/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.: Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny.

On 25 September 2020, the Management Board of Santander Bank Polska informed about registration the amendments to the Statute of SAN PL resulting in SAN PL's share capital increase related to the issuance O series shares. The share capital of SAN PL was increased from PLN 1 020 883 050 to PLN 1 021 893 140, i.e. by PLN 1 010 090, it is 101 009 ordinary bearer series O shares with a nominal value of PLN 10 each. The shares in the increased share capital have been paid up in full.

30. Acquisitions and disposals of investments in subsidiaries and associates

Registration of SCM Poland Auto 2019-1 Designated Activity Company

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

Registration of Santander Consumer Financial Solutions Sp. z o.o.

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

31. Capital Adequacy

The capital requirements of Santander Bank Polska Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), which was the official legal basis as at 30.09.2020, as well as applicable provisions arising from Regulation (EU) 2019/8768 ("CRR 2") and Regulation (EU) 2020/8739 (CRR 'quick fix').

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

The tabel below presents a details of own funds, adjustments and capital adequacy ratios as at 30.09.2020.

	30.09.2020
Common Equity Tier 1 (CET1) capital before regulatory adjustments	25 995 191
Common Equity Tier 1 (CET1) capital	23 620 345
Additional Tier 1 (AT1) capital before regulatory adjustments	-
Additional Tier 1 (AT1) capital	-
Tier 1 capital	23 620 345
Tier 2 (T2) capital before regulatory adjustment	2 739 910
Tier 2 (T2) capital	2 739 910
Total capital	26 360 255
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2 374 846)
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
Total regulatory adjustments to Tier 2 (T2) capital	-
Common Equity Tier 1 (as a percentage of total risk exposure amount)	16,76%
Tier 1 (as a percentage of total risk exposure amount)	16,76%
Total capital (as a percentage of total risk exposure amount)	18,70%
Combined buffer requirement	4 584 576

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

Resolution group	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019
1 Total Loss Absorbing Capacity (TLAC) available	26 427 700	28 580 664	27 081 716	26 824 328	26 679 007	26 581 276
1a Fully loaded ECL accounting model TLAC available*	26 230 081	28 383 044	26 879 953	26 570 620	26 486 761	26 535 495
2 Total RWA at the level of the resolution group	140 950 963	140 194 561	148 020 351	143 180 901	148 832 179	146 860 022
3 TLAC as a percentage of RWA (row1/row2) (%)	18,75%	20,39%	18,30%	18,73%	17,93%	18,10%
3a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	18,62%	20,26%	18,17%	18,58%	17,82%	18,09%
4 Leverage exposure measure at the level of the resolution group	231 543 185	228 891 346	222 075 146	216 545 068	211 890 820	213 078 028
5 TLAC as a percentage of leverage exposure measure (row1/row4) (%)	11,41%	12,49%	12,19%	12,39%	12,59%	12,47%
5a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)	11,34%	12,41%	12,11%	12,28%	12,51%	12,45%
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No	No
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No	No
6c If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A	N/A

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

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

		Minimum capital requirements		
		RWAs		
		30.09.2020	30.06.2020	30.09.2020
	1. Credit risk (excluding CCR)	112 810 038	113 395 810	9 024 803
Article 438(c)(d)	2. Of which the standardised approach	112 810 038	113 395 810	9 024 803
Article 107 Article 438(c)(d)	6. CCR	2 259 424	2 120 314	180 755
Article 438(c)(d)	7. Of which mark to market	1 880 004	1 803 237	150 401
	Of which risk exposure amount for contributions to the default fund of			
Article 438(c)(d)	11. a CCP	6 057	5 202	485
Article 438(c)(d)	12. Of which CVA	373 363	311 875	29 869
Article 438 (e)	19. Market risk	2 406 379	1 418 465	192 510
	20. Of which the standardised approach	2 406 379	1 418 465	192 510
Article 438(f)	23. Operational risk	15 755 929	15 755 929	1 260 474
	25. Of which standardised approach	15 755 929	15 755 929	1 260 474
Article 437(2), Article 48 and	27. Amounts below the thresholds for deduction (subject to 250% risk weight)	7 719 193	7 504 043	617 535
29. Total		140 950 963	140 194 561	11 276 077

32. Leverage ratio

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

The leverage ratio of Santander Bank Polska Group is set in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), as amended, Commission delegated Regulation (EU) 2015/62 of 10.10.2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio and Regulation (EU) 2020/873.

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

Leverage ratio	
Tier I capital	23 620 345
Leverage ratio total exposure	231 543 185
Leverage ratio	10,20%
Choice on transitional arrangements for the definition of the capital measure	phase in

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

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

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

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

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

Available capital (amounts)		30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
1	Common Equity Tier 1 (CET1) capital	23 620 345	23 561 106	22 072 814	21 772 007	21 304 929
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23 423 102	23 363 863	21 871 052	21 518 299	21 112 683
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	23 620 345	-	-	-	-
3	Tier 1 capital	23 620 345	23 561 106	22 072 814	21 772 007	21 304 929
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23 423 102	23 363 863	21 871 052	21 518 299	21 112 683
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	23 620 345	-	-	-	-
5	Total capital	26 360 255	26 294 101	24 847 276	24 440 183	24 022 983
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 162 636	26 096 482	24 645 212	24 186 104	23 830 358
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	26 360 255	-	-	-	-
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	140 950 963	140 194 561	148 020 351	143 180 901	148 832 179
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	140 862 634	140 106 233	147 914 691	143 036 349	148 669 000
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16,76%	16,81%	14,91%	15,21%	14,31%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,63%	16,68%	14,79%	15,04%	14,20%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16,76%	-	-	-	-
11	Tier 1 (as a percentage of risk exposure amount)	16,76%	16,81%	14,91%	15,21%	14,31%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,63%	16,68%	14,79%	15,04%	14,20%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	16,76%	-	-	-	-
13	Total capital (as a percentage of risk exposure amount)	18,70%	18,76%	16,79%	17,07%	16,14%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,57%	18,63%	16,66%	16,91%	16,03%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18,70%	-	-	-	-
Leverage ratio						
15	Leverage ratio total exposure measure	231 543 185	228 891 346	222 075 146	216 545 068	211 890 820
16	Leverage ratio	10,20%	10,29%	9,94%	10,05%	10,05%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,12%	10,21%	9,86%	9,95%	9,97%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	10,20%	-	-	-	-

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

34. Liquidity measures

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

Scope of consolidation: consolidated		Total unweighted value (average)				Total weighted value (average)			
Currency and units (PLN million)		30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Quarter ending on (DD Month YYYY)		30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					49 232	43 243	38 877	38 223
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	104 230	94 225	84 461	80 502	8 377	7 871	7 449	7 031
3	Stable deposits	57 483	51 161	47 760	46 140	2 874	2 558	2 388	2 307
4	Less stable deposits	39 459	38 387	36 701	34 361	5 503	5 313	5 061	4 724
5	Unsecured wholesale funding	38 349	37 479	36 895	37 637	18 521	17 634	16 871	16 850
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3 770	5 677	7 491	7 975	942	1 418	1 871	1 991
7	Non-operational deposits (all counterparties)	34 325	31 494	29 149	29 407	17 326	15 908	14 745	14 603
8	Unsecured debt	253	307	255	255	253	307	255	255
9	Secured wholesale funding	0	0	0	0	0	0	0	0
10	Additional requirements	26 633	25 470	24 341	22 970	5 286	4 979	4 476	3 831
11	Outflows related to derivative exposures and other collateral requirements	3 364	3 078	2 561	1 887	3 364	3 078	2 561	1 887
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	23 269	22 392	21 780	21 082	1 922	1 901	1 915	1 943
14	Other contractual funding obligations	1 452	1 440	1 599	1 672	1 183	1 165	1 322	1 419
15	Other contingent funding obligations	12 038	11 561	11 331	11 336	537	520	515	529
16	TOTAL CASH OUTFLOWS	33 903	32 168	30 633	29 658				
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	1 034	1 235	992	769	0	1	1	1
18	Inflows from fully performing exposures	6 979	7 142	6 786	6 410	5 756	5 948	5 644	5 291
19	Other cash inflows	1 265	1 287	1 236	1 000	1 265	1 287	1 236	1 000
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	0	0	0	0	0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)	0	0	0	0	0	0	0	0
20	TOTAL CASH INFLOWS	9 279	9 663	9 013	8 179	7 021	7 236	6 881	6 292
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows Subject to 90% Cap	0	0	0	0	0	0	0	0
EU-20c	Inflows Subject to 75% Cap	9 279	9 663	9 013	8 179	7 021	7 236	6 881	6 292
21	LIQUIDITY BUFFER					49 232	43 243	38 877	38 223
22	TOTAL NET CASH OUTFLOWS					26 882	24 933	23 752	23 366
23	LIQUIDITY COVERAGE RATIO (%)					182%	173%	164%	164%

35. Related parties

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

Transactions with associates	30.09.2020	31.12.2019
Assets	79	69
Other assets	79	69
Liabilities	94 771	96 286
Deposits from customers	94 662	96 157
Other liabilities	109	129

Transactions with associates	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019
Income	32 343	32 165
Fee and commission income	32 343	32 165
Expenses	1 430	2 992
Interest expense	544	1 250
Fee and commission expense	886	1 166
Operating expenses incl.:	-	576
<i>General and administrative expenses</i>	-	576

Transactions with Santander Group	with the parent company		with other entities	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Assets	1 839 427	1 409 334	3 873	23 855
Loans and advances to banks, incl:	584 678	740 278	3 548	16 794
<i>Loans and advances</i>	173 961	545 774	-	-
<i>Current accounts</i>	410 717	194 504	3 548	16 794
Financial assets held for trading	1 254 724	668 115	-	2
Other assets	25	941	325	7 059
Liabilities	3 083 020	2 126 708	142 145	136 108
Deposits from banks incl.:	1 686 564	1 474 523	13 219	26 532
<i>Current accounts</i>	799 165	381 234	13 219	26 532
<i>Loans from other banks</i>	887 399	1 093 289	-	-
Financial liabilities held for trading	1 373 382	628 143	-	-
Deposits from customers	-	-	84 985	69 511
Lease liabilities	-	-	25	1 027
Other liabilities	23 074	24 042	43 916	39 038
Contingent liabilities	5 386 971	5 330 665	63 052	4 360
Sanctioned:	-	-	31 255	3 063
<i>guarantees</i>	-	-	31 255	3 063
Received	5 386 971	5 330 665	31 797	1 297

	with the parent company		with other entities	
	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019
Transactions with Santander Group				
Income	49 887	184 881	1 921	1 228
Interest income	638	5 243	4	58
Fee and commission income	1 117	1 749	208	351
Other operating income	27	49	1 709	7
Net trading income and revaluation	48 105	177 840	-	812
Expenses	55 387	39 601	53 777	49 603
Interest expense	21 553	8 065	82	563
Fee and commission expense	6 260	2 184	97	106
Net trading income and revaluation	-	-	386	-
Operating expenses incl.:	27 574	29 352	53 212	48 934
<i>Staff, Operating expenses and management costs</i>	<i>27 574</i>	<i>29 352</i>	<i>53 212</i>	<i>48 934</i>

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

There were no changes in the business or economic circumstances that would affect the fair value of the entity's financial assets or financial liabilities, whether these assets or liabilities were recognised at fair value or amortised cost. Details in Note 27.

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

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

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

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

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

As at 30.09.2020 and 31.12.2019 Santander Bank Polska and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Note 12.

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

As at 30.09.2020 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.

42. 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.

43. 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
26.10.2020	Michał Gajewski	President	
26.10.2020	Andrzej Burliga	Vice-President	
26.10.2020	Michael McCarthy	Vice-President	
26.10.2020	Juan de Porras Aguirre	Vice-President	
26.10.2020	Arkadiusz Przybył	Vice-President	
26.10.2020	Patryk Nowakowski	Member	
26.10.2020	Carlos Polaino Izquierdo	Member	
26.10.2020	Maciej Reluga	Member	
26.10.2020	Dorota Strojowska	Member	

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

Date	Name	Function	Signature
26.10.2020	Wojciech Skalski	Financial Accounting Area Director	