

Selected Financial Information on Santander Bank Polska Group for 2019

This report contains inside information as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR). Article 17(1) of MAR is the legal basis for this report.

The financial information provided herein and concerning the quarter and the year ended 31 December 2019 includes the selected, preliminary, unaudited data which has been prepared for information purposes, in addition to the interim reporting obligations of Santander Bank Polska Group. The scope of disclosures does not meet the definition of an interim report required by the International Accounting Standard 34 Interim Financial Reporting or the Regulation of the Minister of Finance of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state. Some financial data may be subject to revision in the Group's Annual Report for 2019 to be published on 20 February 2020 along with an independent auditor's opinion.

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I. Consolidated income statement

	1.10.2019- 31.12.2019	1.01.2019- 31.12.2019	1.10.2018- 31.12.2018* restated	1.01.2018- 31.12.2018* restated
for the period:				
Interest income and similar to interest	2 097 532	8 461 836	1 982 843	7 213 796
Interest income on financial assets measured at amortised cost	1 852 731	7 467 538	1 734 889	6 345 132
Interest income on financial assets measured at fair value through other comprehensive income	215 747	833 824	206 081	733 378
Income similar to interest - financial assets measured at fair value through profit or loss	29 054	160 474	41 873	135 286
Interest expense	(450 529)	(1 881 667)	(448 690)	(1 471 391)
Net interest income	1 647 003	6 580 169	1 534 153	5 742 405
Fee and commission income	694 952	2 648 049	664 230	2 526 572
Fee and commission expense	(153 246)	(519 877)	(166 952)	(468 770)
Net fee and commission income	541 706	2 128 172	497 278	2 057 802
Dividend income	513	99 221	255	100 116
Net gains/(losses) on subordinated entities	-	-	-	(65)
Net trading income and revaluation	73 136	215 549	15 922	144 539
Gains (losses) from other financial securities	48 383	185 475	(12 796)	37 480
Other operating income	79 259	275 916	34 159	213 842
Gain on acquisition of organized part of enterprise	-	-	419 295	419 295
Impairment losses on loans and advances	(263 551)	(1 219 353)	(370 163)	(1 085 068)
Operating expenses incl.:	(1 240 856)	(4 488 711)	(965 363)	(3 768 969)
-Staff, Operating expenses and management costs	(766 961)	(3 426 232)	(828 437)	(3 242 758)
-Amortisation of property, plant and equipment and Intangible assets	(119 571)	(425 224)	(88 975)	(333 470)
-Amortisation of right of use asset	(41 258)	(202 951)	-	-
-Other operating expenses	(313 066)	(434 304)	(47 951)	(192 741)
Share in net profits (loss) of entities accounted for by the equity method	18 268	67 192	20 413	62 667
Tax on financial institutions	(147 305)	(599 034)	(143 255)	(499 760)
Profit before tax	756 556	3 244 596	1 029 898	3 424 284
Corporate income tax	(182 156)	(800 488)	(168 312)	(727 139)
Consolidated profit for the period	574 400	2 444 108	861 586	2 697 145
of which:				
-attributable to owners of Santander Bank Polska SA	507 034	2 138 347	788 145	2 363 354
-attributable to non-controlling interests	67 366	305 761	73 441	333 791
Net earnings per share (PLN/share)				
Basic earnings per share	4,97	20,95	7,84	23,70
Diluted earnings per share	4,95	20,92	7,82	23,66

* details in XI

II. Consolidated statement of comprehensive income

	for the period:	1.10.2019- 31.12.2019	1.01.2019- 31.12.2019	1.10.2018- 31.12.2018* restated	1.01.2018- 31.12.2018* restated
Consolidated profit for the period		574 400	2 444 108	861 586	2 697 145
Other comprehensive income which can be transferred to the profit and loss account:		(78 421)	208 609	264 329	333 945
Valuation and sales of debt securities measured at fair value through other comprehensive income gross		(59 003)	208 554	308 844	382 287
Deferred tax		11 211	(39 625)	(58 681)	(72 635)
Valuation of cash flow hedging instruments gross		(37 813)	48 988	17 488	29 991
Deferred tax		7 184	(9 308)	(3 322)	(5 698)
Other comprehensive income which can't be transferred to the profit and loss account:		62 595	48 950	(17 697)	15 576
Valuation and sales of equity securities measured at fair value through other comprehensive income gross		76 095	67 861	(21 127)	6 560
Deferred and current tax		(14 489)	(17 822)	4 014	(1 261)
Provision for retirement allowances – actuarial gains/losses gross		1 220	(1 345)	(721)	12 688
Deferred tax		(231)	256	137	(2 411)
Other comprehensive income for the period net of income tax		(15 826)	257 559	246 632	349 521
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		558 574	2 701 667	1 108 218	3 046 666
Total comprehensive income attributable to:					
Owners of Santander Bank Polska SA		491 391	2 399 940	1 033 468	2 712 388
Non-controlling interests		67 183	301 727	74 750	334 278

* details in XI

III. Consolidated statement of financial position

	as at:	31.12.2019	30.09.2019	31.12.2018* restated	1.01.2018* restated
ASSETS					
Cash and balances with central banks		7 973 014	7 689 819	8 907 552	4 146 222
Loans and advances to banks		3 716 582	2 766 181	2 936 214	2 136 474
Financial assets held for trading		2 058 508	2 760 775	1 186 863	1 429 762
Hedging derivatives		43 973	38 960	73 221	218 061
Loans and advances to customers incl.:		143 402 629	143 825 386	137 460 378	107 556 726
- measured at amortised cost		141 282 371	141 615 368	135 643 297	105 961 354
- measured at fair value through other comprehensive income		923 811	984 048	366 751	-
- measured at fair value through profit or loss		1 196 447	1 225 970	1 450 330	1 595 372
Buy-sell-back transactions		1 851 171	223 860	9 189 763	5 631 488
Investment securities incl.:		41 328 134	37 581 667	37 844 506	26 889 994
- debt securities measured at fair value through other comprehensive income		40 248 937	36 585 574	36 886 457	25 984 209
- debt securities measured at fair value through profit and loss		194 285	187 335	136 511	93 165
- equity securities measured at fair value through other comprehensive income		884 912	808 758	821 538	812 620
Assets pledged as collateral		1 089 558	1 167 517	1 708 744	2 385 727
Investments in associates		903 113	885 208	891 952	889 372
Intangible assets		772 117	734 570	819 409	490 327
Goodwill		1 712 056	1 712 056	1 712 056	1 712 056
Property, plant and equipment		874 078	744 992	986 384	930 717
Right of use asset		838 792	894 006	-	-
Net deferred tax assets		1 847 916	1 879 861	1 760 121	1 473 247
Assets classified as held for sale		2 679	11 120	12 145	103
Other assets		1 061 846	1 157 007	1 166 995	1 065 068
Total assets		209 476 166	204 072 985	206 656 303	156 955 344
LIABILITIES AND EQUITY					
Deposits from banks		5 031 744	3 997 194	2 832 928	2 783 083
Hedging derivatives		995 627	1 280 987	912 482	578 798
Financial liabilities held for trading		1 856 813	2 013 675	1 481 401	1 468 599
Deposits from customers		156 480 343	151 026 677	149 616 658	111 481 135
Sell-buy-back transactions		990 863	1 024 092	9 896 543	6 940 096
Subordinated liabilities		2 630 271	2 679 254	2 644 341	1 488 602
Debt securities in issue		10 629 516	11 234 769	9 368 617	5 895 814
Lease liabilities		746 632	753 151	-	-
Current income tax liabilities		343 763	350 464	288 300	192 925
Provisions for off balance sheet credit facilities		66 109	56 080	81 048	65 686
Other provisions		445 615	169 423	132 881	102 482
Other liabilities		2 279 360	3 069 056	2 806 403	2 882 850
Total liabilities		182 496 656	177 654 822	180 061 602	133 880 070
Equity					
Equity attributable to owners of Santander Bank Polska SA		25 431 987	24 937 823	25 030 517	21 638 865
Share capital		1 020 883	1 020 883	1 020 883	993 335
Other reserve capital		20 141 925	20 126 366	18 911 741	16 920 129
Revaluation reserve		1 316 061	1 331 334	1 019 373	670 419
Retained earnings		814 771	827 927	1 715 166	855 668
Profit for the period		2 138 347	1 631 313	2 363 354	2 199 314
Non-controlling interests in equity		1 547 523	1 480 340	1 564 184	1 436 409
Total equity		26 979 510	26 418 163	26 594 701	23 075 274
Total liabilities and equity		209 476 166	204 072 985	206 656 303	156 955 344

* details in XI

IV. Consolidated statement of changes in equity

Consolidated statement of changes in equity	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
Equity as at 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 ¹⁾	-	-	-	(47 331)	(47 331)	-	(47 331)
Settlement of acquisition of demerged part of Deutsche Bank Polska SA and DB Securities SA ²⁾	-	(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	-	-	261 593	2 138 347	2 399 940	301 727	2 701 667
<i>Consolidated profit for the period</i>	-	-	-	2 138 347	2 138 347	305 761	2 444 108
<i>Other comprehensive income</i>	-	-	261 593	-	261 593	(4 034)	257 559
Profit allocation to other reserve capital	-	1 206 218	-	(1 206 218)	-	-	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)	(318 388)	(2 331 071)
Share scheme charge	-	11 474	-	-	11 474	-	11 474
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	34 885	(34 885)	-	-	-
Equity adjustment due to liquidation of Santander Securities SA	-	12 492	210	(12 702)	-	-	-
Other	-	-	-	2 739	2 739	-	2 739
Equity as at 31.12.2019	1 020 883	20 141 925	1 316 061	2 953 118	25 431 987	1 547 523	26 979 510

¹⁾ details in XI

²⁾ details in XI

As at the end of the period revaluation reserve in the amount of PLN 1,316,061 k comprises: valuation of debt securities in the amount of PLN 725,544 k, valuation of equity securities in the amount of PLN 605,169 k, valuation of cash flow hedge activities in the amount of PLN (24,426) k and accumulated actuarial gains - provision for retirement allowances of PLN 9,774 k.

Consolidated statement of changes in equity	Equity attributable to equity holders of parent entity						
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling 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 ¹⁾	-	-	-	(47 331)	(47 331)	-	(47 331)
Settlement of acquisition of demerged part of Deutsche Bank Polska SA and DB Securities SA ²⁾	-	(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
<i>Consolidated profit for the period</i>	-	-	-	1 631 313	1 631 313	238 395	1 869 708
<i>Other comprehensive income</i>	-	-	277 236	-	277 236	(3 851)	273 385
Profit allocation to other reserve capital	-	1 206 218	-	(1 206 218)	-	-	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)	(318 388)	(2 331 071)
Share scheme charge	-	8 407	-	-	8 407	-	8 407
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	34 725	(34 725)	-	-	-
Other	-	-	-	3 033	3 033	-	3 033
Equity as at 30.09.2019	1 020 883	20 126 366	1 331 334	2 459 240	24 937 823	1 480 340	26 418 163

¹⁾ details in XI

²⁾ details in XI

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 774,141 k, 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.

Consolidated statement of changes in equity	Equity attributable to equity holders of parent entity						
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
Equity as at 31.12.2017	993 335	16 920 129	714 466	3 279 290	21 907 220	1 436 409	23 343 629
Impact of the implementation of IFRS 9	-	-	(44 047)	(210 407)	(254 454)	-	(254 454)
Equity as at 1.01.2018 (considering the impact of the implementation of IFRS 9)	993 335	16 920 129	670 419	3 068 883	21 652 766	1 436 409	23 089 175
Effect of a change in the tax on financial institutions as a result of an adjustment to repo transactions ¹⁾	-	-	-	(13 901)	(13 901)	-	(13 901)
Equity as at 1.01.2018 (restated)	993 335	16 920 129	670 419	3 054 982	21 638 865	1 436 409	23 075 274
Coverage of negative impact of IFRS 9 implementation	-	-	-	222 905	222 905	-	222 905
Total comprehensive income	-	-	349 034	2 363 354	2 712 388	334 278	3 046 666
<i>Consolidated profit for the period</i> ¹⁾	-	-	-	2 363 354	2 363 354	333 791	2 697 145
<i>Other comprehensive income</i>	-	-	349 034	-	349 034	487	349 521
Issue of shares ³⁾	27 548	-	-	-	27 548	-	27 548
Agio ²⁾	-	946 550	-	-	946 550	-	946 550
Profit allocation to other reserve capital	-	1 032 851	-	(1 032 851)	-	-	-
Profit allocation to dividends	-	-	-	(307 627)	(307 627)	(206 503)	(514 130)
Profit allocation to cover negative impact of IFRS 9 implementation	-	-	-	(222 905)	(222 905)	-	(222 905)
Share scheme charge	-	12 445	-	-	12 445	-	12 445
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	130	(130)	-	-	-
Equity adjustment due to merger and liquidation of subsidiaries and controlling stake at the subsidiaries	-	(234)	(210)	792	348	-	348
Equity as at 31.12.2018 (restated)	1 020 883	18 911 741	1 019 373	4 078 520	25 030 517	1 564 184	26 594 701

¹⁾ details in XI

²⁾ details in XI

³⁾ On 9.11.2018, Santander Bank Polska SA was informed that on 9.11.2018 the amendments to the Statute of Santander Bank Polska SA resulting in Bank's share capital increase related to acquisition of a demerged part of Deutsche Bank Polska SA was registered by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register. The amendments to the Bank's Statute were adopted by the Extraordinary General Meeting on 29.05.2018. The registered amendment to the Statutes includes an increase in the capital of Santander Bank Polska SA. The share capital of Bank was increased from PLN 993,334,810 to PLN 1,020,883,050 i.e. by PLN 27,548,240. Shares in the increased share capital have been allocated to Deutsche Bank AG in connection with the finalised acquisition of a demerged part of Deutsche Bank Polska SA by Santander Bank Polska SA.

As at the end of the period revaluation reserve in the amount of PLN 1,019,373 k comprises valuation of debt securities and valuation of equity securities of PLN 553,743 k and PLN 518,983 k respectively and additionally valuation of cash flow hedge activities of PLN (64,190) k and accumulated actuarial gains - provision for retirement allowances of PLN 10,837 k.

V. Consolidated statement of cash flows

	for the period	1.01.2019- 31.12.2019	1.01.2018- 31.12.2018* restated
Profit before tax		3 244 596	3 424 284
Total adjustments:			
Share in net profits of entities accounted for by the equity method		(67 192)	(62 667)
Depreciation/amortisation		628 175	333 470
Gain on acquisition of enterprise		-	(419 295)
Profit from investing activities		(219 385)	(79 107)
Impairment losses (reversal)		34 037	12 959
		3 620 231	3 209 644
Changes:			
Provisions		297 795	32 586
Trading portfolio financial instruments		(404 927)	254 455
Assets pledged as collateral		619 186	676 983
Hedging derivatives		(69 253)	275 688
Loans and advances to banks		(49 286)	111 392
Loans and advances to customers		(13 165 931)	(17 039 488)
Deposits from banks		736 791	(4 080 938)
Deposits from customers		9 411 957	25 064 433
Buy-sell/ Sell-buy-back transactions		(1 568 069)	609 062
Other assets and liabilities		(557 983)	(368 395)
		(4 749 720)	5 535 778
Interest received on operating activities		7 598 103	6 307 596
Interests paid on operating activities		(1 474 463)	(1 271 805)
Interest accrued excluded from operating activities		(354 187)	(342 902)
Dividends		(97 784)	(98 989)
Paid income tax		(899 277)	(947 002)
Net cash flows from operating activities		3 642 903	12 392 320
Inflows		8 166 218	5 868 029
Sale/maturity of investment securities		6 996 521	4 948 065
Sale of intangible assets and property, plant and equipment		213 979	105 615
Dividends received		97 668	98 989
Interest received		858 050	715 360
Outflows		(12 636 011)	(11 436 552)
Acquisition of demerged part of Deutsche Bank Polska SA net of cash acquired		-	(189 470)
Acquisition of subordinated entities net of cash acquired		-	(19 990)
Purchase of investment securities		(12 185 175)	(10 645 906)
Purchase of intangible assets and property, plant and equipment		(450 836)	(581 186)
Net cash flows from investing activities		(4 469 793)	(5 568 523)
Inflows		8 910 256	11 102 519
Debt securities in issue		6 574 500	7 430 794
Drawing of loans		2 335 756	3 671 725
Outflows		(10 240 038)	(6 552 006)
Debt securities buy out		(5 278 326)	(2 975 000)
Repayment of loans		(2 044 255)	(2 781 861)
Repayment of lease liability		(189 283)	-
Dividends and other payments to shareholders		(2 331 071)	(514 130)
Interest paid		(397 103)	(281 015)
Net cash flows from financing activities		(1 329 782)	4 550 513
Total net cash flows		(2 156 672)	11 374 310
Cash and cash equivalents at the beginning of the accounting period		19 422 527	8 048 217
Cash and cash equivalents at the end of the accounting period		17 265 855	19 422 527

* details in XI

VI. Income statement of Santander Bank Polska

	1.10.2019- 31.12.2019	1.01.2019- 31.12.2019	1.10.2018- 31.12.2018*	1.01.2018- 31.12.2018*
for the period:			restated	restated
Interest income and similar to interest	1 544 524	6 243 772	1 445 587	5 174 209
Interest income on financial assets measured at amortised cost	1 322 488	5 341 992	1 223 550	4 401 909
Interest income on financial assets measured at fair value through other comprehensive income	202 456	781 164	192 979	683 986
Income similar to interest - financial assets measured at fair value through profit or loss	19 580	120 616	29 058	88 314
Interest expenses	(318 943)	(1 426 346)	(353 537)	(1 111 153)
Net interest income	1 225 581	4 817 426	1 092 050	4 063 056
Fee and commission income	522 301	2 017 476	509 808	1 900 245
Fee and commission expenses	(102 336)	(319 039)	(94 398)	(283 342)
Net fee and commission income	419 965	1 698 437	415 410	1 616 903
Dividend income	21 319	608 752	246	492 607
Net gains/(losses) on subordinated entities	-	-	-	(65)
Net trading income and revaluation	64 322	204 721	18 739	153 564
Gains (losses) from other financial securities	46 432	184 634	(10 471)	40 522
Other operating income	58 794	194 267	22 551	154 335
Gain on acquisition of organized part of enterprise	-	-	405 089	405 089
Impairment losses on loans and advances	(190 043)	(868 538)	(293 475)	(777 511)
Operating expenses incl.:	(925 988)	(3 550 242)	(763 444)	(3 023 043)
-Staff, Operating expenses and management costs	(603 409)	(2 762 161)	(657 647)	(2 590 275)
-Amortisation of property, plant and equipment and Intangible assets	(92 090)	(368 386)	(73 931)	(280 350)
-Amortisation of right of use asset	(40 418)	(165 475)	-	-
-Other operating expenses	(190 071)	(254 220)	(31 866)	(152 418)
Tax on financial institutions	(135 261)	(554 368)	(133 308)	(460 499)
Profit before tax	585 121	2 735 089	753 387	2 664 958
Corporate income tax	(176 678)	(621 565)	(100 928)	(490 903)
Profit for the period	408 443	2 113 524	652 459	2 174 055
Net earnings per share (PLN/share)				
Basic earnings per share	4,00	20,70	6,48	21,80
Diluted earnings per share	3,99	20,68	6,46	21,76

* details in XI

VII. Statement of comprehensive income of Santander Bank Polska

	for the period:	1.10.2019- 31.12.2019	1.01.2019- 31.12.2019	1.10.2018- 31.12.2018* restated	1.01.2018- 31.12.2018* restated
Profit for the period		408 443	2 113 524	652 459	2 174 055
Other comprehensive income which can be transferred to the profit and loss account:		(78 142)	215 996	260 315	331 641
Valuation and sales of debt securities measured at fair value through other comprehensive income gross		(61 493)	217 416	304 070	379 159
Deferred tax		11 684	(41 309)	(57 773)	(72 040)
Valuation of cash flow hedging instruments gross		(34 979)	49 246	17 306	30 274
Deferred tax		6 646	(9 357)	(3 288)	(5 752)
Other comprehensive income which can't be transferred to the profit and loss account:		59 053	46 259	(17 891)	18 865
Valuation and sales of equity securities measured at fair value through other comprehensive income gross		71 521	64 472	(21 538)	10 270
Deferred and current tax		(13 620)	(17 178)	4 092	(1 966)
Provision for retirement allowances – actuarial gains/losses gross		1 422	(1 278)	(550)	13 038
Deferred tax		(270)	243	105	(2 477)
Other comprehensive income for the period net of income tax		(19 089)	262 255	242 424	350 506
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		389 354	2 375 779	894 883	2 524 561

* details in XI

VIII. Statement of financial position of Santander Bank Polska

	31.12.2019	30.09.2019	31.12.2018* restated	1.01.2018* restated
ASSETS				
Cash and balances with central banks	7 821 831	7 659 391	8 841 902	4 114 801
Loans and advances to banks	3 851 564	2 748 757	2 859 479	2 012 118
Financial assets held for trading	2 066 616	2 780 865	1 193 717	1 435 201
Hedging derivatives	37 608	38 695	52 554	146 724
Loans and advances to customers incl.:	118 356 427	119 965 586	117 492 490	90 292 999
- measured at amortised cost	116 566 001	118 095 374	116 056 599	89 157 480
- measured at fair value through other comprehensive income	923 811	984 048	366 751	-
- measured at fair value through profit or loss	866 615	886 164	1 069 140	1 135 519
Buy-sell-back transactions	1 851 171	223 860	9 189 763	5 631 488
Investment securities incl.:	39 591 351	35 947 966	36 372 113	25 768 311
- debt securities measured at fair value through other comprehensive income	38 542 546	34 977 197	35 439 836	24 889 479
- debt securities measured at fair value through profit and loss	187 536	180 822	131 005	90 175
- equity securities measured at fair value through other comprehensive income	861 269	789 947	801 272	788 657
Assets pledged as collateral	30 737	15 724	374 150	875 003
Investments in subsidiaries and associates	2 377 407	2 405 699	2 405 699	2 377 037
Intangible assets	718 532	684 810	775 908	459 976
Goodwill	1 688 516	1 688 516	1 688 516	1 688 516
Property, plant and equipment	630 233	627 249	870 686	821 532
Right of use asset	767 280	792 806	-	-
Net deferred tax assets	1 013 450	1 057 117	950 886	764 476
Assets classified as held for sale	2 016	10 572	11 123	8
Other assets	666 748	796 499	771 783	790 110
Total assets	181 471 487	177 444 112	183 850 769	137 178 300
LIABILITIES AND EQUITY				
Deposits from banks	1 506 141	1 395 089	1 039 979	1 414 448
Hedging derivatives	979 550	1 253 944	903 170	578 798
Financial liabilities held for trading	1 857 837	2 012 807	1 485 690	1 494 754
Deposits from customers	144 760 017	139 981 588	139 469 776	102 155 522
Sell-buy-back transactions	30 774	15 729	8 789 749	5 768 917
Subordinated liabilities	2 529 855	2 577 952	2 543 940	1 488 602
Debt securities in issue	2 687 960	2 820 622	3 311 969	1 240 244
Lease liabilities	816 365	846 442	-	-
Current income tax liabilities	329 095	315 957	186 769	61 143
Provisions for off balance sheet credit facilities	56 064	44 216	58 143	49 873
Other provisions	256 508	94 551	83 644	57 216
Other liabilities	1 483 735	2 307 457	2 182 331	2 276 651
Total liabilities	157 293 901	153 666 354	160 055 160	116 586 168
Equity				
Share capital	1 020 883	1 020 883	1 020 883	993 335
Other reserve capital	19 214 757	19 204 283	18 093 257	16 176 183
Revaluation reserve	1 315 180	1 334 317	1 030 661	680 025
Retained earnings	513 242	513 194	1 476 753	840 173
Profit for the period	2 113 524	1 705 081	2 174 055	1 902 416
Total equity	24 177 586	23 777 758	23 795 609	20 592 132
Total liabilities and equity	181 471 487	177 444 112	183 850 769	137 178 300

* details in XI

IX. Statement of changes in equity of Santander Bank Polska

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Equity as at 31.12.2018	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 ¹⁾	-	-	-	(47 331)	(47 331)
Settlement of acquisition of demerged part of Deutsche Bank Polska SA ²⁾	-	(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	-	-	262 255	2 113 524	2 375 779
<i>Profit for the period</i>	-	-	-	2 113 524	2 113 524
<i>Other comprehensive income</i>	-	-	262 255	-	262 255
Profit allocation to other reserve capital	-	1 102 619	-	(1 102 619)	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)
Share scheme charge	-	11 474	-	-	11 474
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	22 264	(22 264)	-
Equity adjustment due to liquidation of Santander Securities SA	-	7 407	-	-	7 407
Equity as at 31.12.2019	1 020 883	19 214 757	1 315 180	2 626 766	24 177 586

¹⁾ details in XI

²⁾ details in XI

As at the end of the period revaluation reserve in the amount of PLN 1,315,180 k comprises: valuation of debt securities in the amount of PLN 720,501 k, valuation of equity securities in the amount of PLN 611,848 k, valuation of cash flow hedge activities in the amount of PLN (27,017) k and accumulated actuarial gains - provision for retirement allowances of PLN 9,848 k.

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Equity as at 31.12.2018	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 ¹⁾	-	-	-	(47 331)	(47 331)
Settlement of acquisition of demerged part of Deutsche Bank Polska SA ²⁾	-	(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
<i>Profit for the period</i>	-	-	-	1 705 081	1 705 081
<i>Other comprehensive income</i>	-	-	281 344	-	281 344
Profit allocation to other reserve capital	-	1 102 619	-	(1 102 619)	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)
Share scheme charge	-	8 407	-	-	8 407
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	22 312	(22 312)	-
Equity as at 30.09.2019	1 020 883	19 204 283	1 334 317	2 218 275	23 777 758

¹⁾ details in XI

²⁾ details in XI

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.

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Equity as at 31.12.2017	993 335	16 176 183	712 303	2 957 016	20 838 837
Impact of the implementation of IFRS 9	-	-	(32 278)	(200 527)	(232 805)
Equity as at 1.01.2018 (considering the impact of the implementation of IFRS 9)	993 335	16 176 183	680 025	2 756 489	20 606 032
Effect of a change in the tax on financial institutions as a result of an adjustment to repo transactions ¹⁾	-	-	-	(13 901)	(13 901)
Equity as at 1.01.2018 (restated)	993 335	16 176 183	680 025	2 742 588	20 592 131
Coverage of negative impact of IFRS 9 implementation	-	-	-	218 466	218 466
Total comprehensive income	-	-	350 506	2 174 055	2 524 561
<i>Profit for the period</i> ¹⁾	-	-	-	2 174 055	2 174 055
<i>Other comprehensive income</i>	-	-	350 506	-	350 506
Issue of shares ³⁾	27 548	-	-	-	27 548
Agio ²⁾	-	946 550	-	-	946 550
Profit allocation to other reserve capital	-	958 078	-	(958 078)	-
Profit allocation to dividends	-	-	-	(307 627)	(307 627)
Profit allocation to cover negative impact of IFRS 9 implementation	-	-	-	(218 466)	(218 466)
Share scheme charge	-	12 446	-	-	12 446
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	130	(130)	-
Equity as at 31.12.2018 (restated)	1 020 883	18 093 257	1 030 661	3 650 808	23 795 609

¹⁾ details in XI

²⁾ details in XI

³⁾ On 9.11.2018, Santander Bank Polska SA was informed that on 9.11.2018 the amendments to the Statute of Santander Bank Polska SA resulting in Bank's share capital increase related to acquisition of a demerged part of Deutsche Bank Polska SA was registered by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register. The amendments to the Bank's Statute were adopted by the Extraordinary General Meeting on 29.05.2018. The registered amendment to the Statutes includes an increase in the capital of Santander Bank Polska SA. The share capital of Bank was increased from PLN 993,334,810 to PLN 1,020,883,050 i.e. by PLN 27,548,240. Shares in the increased share capital have been allocated to Deutsche Bank AG in connection with the finalised acquisition of a demerged part of Deutsche Bank Polska SA by Santander Bank Polska SA.

As at the end of the period revaluation reserve in the amount of PLN 1,030,661 k comprises of debt securities and equity shares of PLN 544,394 k and PLN 542,290 k respectively and additionally cash flow hedge activities of PLN (66,906) k and accumulated actuarial gains - provision for retirement allowances of PLN 10,883 k.

X. Statement of cash flows of Santander Bank Polska

	for the period	1.01.2019- 31.12.2019	1.01.2018- 31.12.2018* restated
Profit before tax		2 735 089	2 664 958
Total adjustments:			
Depreciation/amortisation		533 861	280 350
Gain on acquisition of enterprise		-	(405 089)
Profit from investing activities		(222 555)	(78 408)
Impairment losses (reversal)		40 070	13 054
		3 086 465	2 474 865
Changes in:			
Provisions		170 785	21 523
Trading portfolio financial instruments		(409 446)	231 175
Assets pledged as collateral		343 413	500 853
Hedging derivatives		(69 467)	238 946
Loans and advances to banks		(47 792)	(139 901)
Loans and advances to customers		(6 058 862)	(12 568 655)
Deposits from banks		480 119	(4 157 149)
Deposits from customers		7 845 057	24 479 467
Buy-sell/ Sell-buy-back transactions		(1 421 517)	675 436
Other assets and liabilities		(493 303)	(317 133)
		338 987	8 964 562
Interest received on operating activities		5 546 408	4 510 216
Interests paid on operating activities		(1 220 701)	(1 139 894)
Interest accrued excluded from operating activities		(549 393)	(516 747)
Dividends		(607 315)	(491 480)
Paid income tax		(608 216)	(580 950)
Net cash flows from operating activities		5 986 235	13 220 572
Inflows		7 683 632	5 638 949
Sale of investments in subsidiaries		-	35
Sale/maturity of investment securities		6 075 628	4 383 747
Sale of intangible assets and property, plant and equipment		171 636	73 277
Dividends received		607 199	491 480
Interest received		829 169	690 410
Outflows		(11 325 694)	(10 414 032)
Acquisition of demerged part of Deutsche Bank Polska SA net of cash acquired		-	(189 470)
Acquisition of subordinated entities net of cash acquired		-	(19 990)
Purchase of investment securities		(11 002 378)	(9 728 225)
Purchase of intangible assets and property, plant and equipment		(323 316)	(476 347)
Net cash flows from investing activities		(3 642 062)	(4 775 083)
Inflows		632 000	5 659 259
Debt securities in issue		632 000	4 290 794
Drawing of loans		-	1 368 465
Outflows		(5 007 254)	(2 808 677)
Debt securities buy out		(1 232 000)	(1 235 000)
Repayment of loans		(1 433 269)	(1 173 101)
Repayment of lease liability		(150 116)	-
Dividends and other payments to shareholders		(2 012 683)	(307 627)
Interest paid		(179 186)	(92 949)
Net cash flows from financing activities		(4 375 254)	2 850 582
Total net cash flows		(2 031 081)	11 296 071
Cash and cash equivalents at the beginning of the accounting period		19 187 947	7 891 876
Cash and cash equivalents at the end of the accounting period		17 156 866	19 187 947

* details in XI

XI. Comparability with the results presented in prior periods

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

In 2019, the Group finalised purchase price allocation for the transaction of the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A.

The table below presents the impact of adjustments to the provisional values relating to the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A. on the key data presented in the Consolidated Income Statement and the Consolidated Statement of Financial Position of Santander Bank Polska Group.

Changes	Gain on acquisition 2018	Net profit for the period 1.01.2018-31.12.2018	Other capital as at 31.12.2018
Provisional values	387 733	2 365 222	18 969 482
Fair value adjustment of consideration in the form of demerger shares	57 741	57 741	(57 741)
Adjustment to cash consideration	(2 988)	(2 988)	-
Update of the fair value of the identified net assets	(23 192)	(23 192)	-
Restated value	419 294	2 396 783	18 911 741

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

Correction of errors

In the Consolidated Financial Statements of Santander Bank Polska Group for 2019, changes were introduced due to error corrections which had impacted financial data for comparable periods. The accounting principles were not changed as a result of the above.

The analysis conducted by the Group in 2019 revealed incorrect recognition of selected sale/ purchase transactions in debt securities in the previous years. As a consequence, of the transactions which were recognised previously as separate sale/ purchase transactions, were corrected and recognised as sell-buy-back/ buy-sell-back transactions. The change in the recognition of these transactions did not affect financial results except for an additional tax on financial institutions plus statutory interest.

Furthermore, as a result of an analysis, *Assets pledged as collateral* were separated and presented as an additional line in the statement of financial position.

In addition, *Interest received in relation to operating activities* and *Interest paid in relation to operating activities* were separated and presented as additional lines in the statement of cash flows.

Impact of correction of errors and final settlement of the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A. on the comparable data

As a result of both : correction of errors and finalisation of purchase price allocation in relation to the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A., the following adjustments were made to the comparative data in the primary statements.

Consolidated statement of financial position

	as at:		31.12.2018		
	Before	Adjustment	Adjustment	Adjustment	After
ASSETS					
Cash and balances with central banks	8 907 552	-	-	-	8 907 552
Loans and advances to banks	2 936 214	-	-	-	2 936 214
Financial assets held for trading	9 769 851	-	(8 208 838) ²⁾	(374 150) ³⁾	1 186 863
Hedging derivatives	73 221	-	-	-	73 221
Loans and advances to customers incl.:	137 460 378	-	-	-	137 460 378
- measured at amortised cost	135 643 297	-	-	-	135 643 297
- measured at fair value through other comprehensive income	366 751	-	-	-	366 751
- measured at fair value through profit or loss	1 450 330	-	-	-	1 450 330
Buy-sell-back transactions	177 482	-	9 012 281 ²⁾	-	9 189 763
Investment securities incl.:	39 179 100	-	-	(1 334 594) ³⁾	37 844 506
- debt securities measured at fair value through other comprehensive income	38 221 051	-	-	(1 334 594) ³⁾	36 886 457
- debt securities measured at fair value through profit and loss	136 511	-	-	-	136 511
- equity securities measured at fair value through other comprehensive income	821 538	-	-	-	821 538
Assets pledged as collateral	-	-	-	1 708 744 ³⁾	1 708 744
Investments in associates	891 952	-	-	-	891 952
Intangible assets	819 409	-	-	-	819 409
Goodwill	1 712 056	-	-	-	1 712 056
Property, plant and equipment	986 384	-	-	-	986 384
Net deferred tax assets	1 760 121	-	-	-	1 760 121
Assets classified as held for sale	12 145	-	-	-	12 145
Other assets	1 166 995	-	-	-	1 166 995
Total assets	205 852 860	-	803 443	-	206 656 303
LIABILITIES AND EQUITY					
Deposits from banks	2 832 928	-	-	-	2 832 928
Hedging derivatives	912 482	-	-	-	912 482
Financial liabilities held for trading	1 233 713	-	247 688 ²⁾	-	1 481 401
Deposits from customers	149 616 658	-	-	-	149 616 658
Sell-buy-back transactions	9 340 788	-	555 755 ²⁾	-	9 896 543
Subordinated liabilities	2 644 341	-	-	-	2 644 341
Debt securities in issue	9 368 617	-	-	-	9 368 617
Current income tax liabilities	288 300	-	-	-	288 300
Provisions for off balance sheet credit facilities	81 048	-	-	-	81 048
Other provisions	132 881	-	-	-	132 881
Other liabilities	2 732 893	26 179 ¹⁾	47 331 ²⁾	-	2 806 403
Total liabilities	179 184 649	26 179	850 774	-	180 061 602
Equity					
Equity attributable to owners of Santander Bank Polska S.A.	25 104 027	(26 179)	(47 331)	-	25 030 517
Share capital	1 020 883	-	-	-	1 020 883
Other reserve capital	18 969 482	(57 741) ¹⁾	-	-	18 911 741
Revaluation reserve	1 019 373	-	-	-	1 019 373
Retained earnings	1 729 067	-	(13 901) ²⁾	-	1 715 166
Profit for the period	2 365 222	31 562 ¹⁾	(33 430) ²⁾	-	2 363 354
Non-controlling interests in equity	1 564 184	-	-	-	1 564 184
Total equity	26 668 211	(26 179)	(47 331)	-	26 594 701
Total liabilities and equity	205 852 860	-	803 443	-	206 656 303

¹⁾ Changes resulting from the finalisation of purchase price allocation in relation to the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A.

²⁾ Changes in the recognition of selected government debt securities transactions from separate purchase and sale transactions to buy-sell-back and sell-buy-back transactions, including related tax on financial institutions.

³⁾ Changes resulting from separate presentation of *Assets pledged as collateral* in the statement of financial position.

Consolidated statement of financial position

	as at:		1.01.2018*	
	Before	Adjustment	Adjustment	After
ASSETS				
Cash and balances with central banks	4 146 222	-	-	4 146 222
Loans and advances to banks	2 136 474	-	-	2 136 474
Financial assets held for trading	3 416 108	(1 111 343) ²⁾	(875 003) ³⁾	1 429 762
Hedging derivatives	218 061	-	-	218 061
Loans and advances to customers incl.:	107 556 726	-	-	107 556 726
- measured at amortised cost	105 961 354	-	-	105 961 354
- measured at fair value through profit or loss	1 595 372	-	-	1 595 372
Buy-sell-back transactions	-	5 631 488 ²⁾	-	5 631 488
Investment securities incl.:	28 400 718	-	(1 510 724) ³⁾	26 889 994
- debt securities measured at fair value through other comprehensive income	27 494 933	-	(1 510 724) ³⁾	25 984 209
- debt securities measured at fair value through profit and loss	93 165	-	-	93 165
- equity securities measured at fair value through other comprehensive income	812 620	-	-	812 620
Assets pledged as collateral	-	-	2 385 727 ³⁾	2 385 727
Investments in associates	889 372	-	-	889 372
Intangible assets	490 327	-	-	490 327
Goodwill	1 712 056	-	-	1 712 056
Property, plant and equipment	930 717	-	-	930 717
Net deferred tax assets	1 473 247	-	-	1 473 247
Assets classified as held for sale	103	-	-	103
Other assets	1 065 068	-	-	1 065 068
Total assets	152 435 199	4 520 145	-	156 955 344
LIABILITIES AND EQUITY				
Deposits from banks	2 783 083	-	-	2 783 083
Hedging derivatives	578 798	-	-	578 798
Financial liabilities held for trading	1 237 704	230 895 ²⁾	-	1 468 599
Deposits from customers	111 481 135	-	-	111 481 135
Sell-buy-back transactions	2 650 846	4 289 250 ²⁾	-	6 940 096
Subordinated liabilities	1 488 602	-	-	1 488 602
Debt securities in issue	5 895 814	-	-	5 895 814
Current income tax liabilities	192 925	-	-	192 925
Provisions for off balance sheet credit facilities	65 686	-	-	65 686
Other provisions	102 482	-	-	102 482
Other liabilities	2 868 949	13 901 ²⁾	-	2 882 850
Total liabilities	129 346 024	4 534 046	-	133 880 070
Equity				
Equity attributable to owners of Santander Bank Polska S	21 652 766	(13 901)	-	21 638 865
Share capital	993 335	-	-	993 335
Other reserve capital	16 920 129	-	-	16 920 129
Revaluation reserve	670 419	-	-	670 419
Retained earnings	855 829	(161) ²⁾	-	855 668
Profit for the period	2 213 054	(13 740) ²⁾	-	2 199 314
Non-controlling interests in equity	1 436 409	-	-	1 436 409
Total equity	23 089 175	(13 901)	-	23 075 274
Total liabilities and equity	152 435 199	4 520 145	-	156 955 344

* data as at 1.01.2018 with implementation of IFRS 9

²⁾ Changes in the recognition of selected government debt securities transactions from separate purchase and sale transactions to buy-sell-back and sell-buy-back transactions, including related tax on financial institutions.

³⁾ Changes resulting from separate presentation of *Assets pledged as collateral* in the statement of financial position.

Consolidated statement of cash flows

	for the period		1.01.2018 - 31.12.2018			
	Before	Adjustment	Adjustment	Adjustment	Adjustment	After
Profit before tax	3 426 152	31 562 ¹⁾	(33 430) ²⁾	-	-	3 424 284
Total adjustments:						
Share in net profits of entities accounted for by the equity method	(62 667)	-	-	-	-	(62 667)
Depreciation/amortisation	333 470	-	-	-	-	333 470
Gain on acquisition of enterprise	(387 733)	(31 562) ¹⁾	-	-	-	(419 295)
Profit from investing activities	(79 107)	-	-	-	-	(79 107)
Impairment losses (reversal)	12 959	-	-	-	-	12 959
	3 243 074	-	(33 430)	-	-	3 209 644
Changes:						
Provisions	32 586	-	-	-	-	32 586
Trading portfolio financial instruments	(6 345 807)	-	7 114 288 ²⁾	(500 853) ³⁾	(13 173) ⁴⁾	254 455
Assets pledged as collateral	-	-	-	676 983 ³⁾	-	676 983
Hedging derivatives	478 524	-	-	-	(202 836) ⁴⁾	275 688
Loans and advances to banks	151 667	-	-	-	(40 275) ⁴⁾	111 392
Loans and advances to customers	(11 063 294)	-	-	-	(5 976 194) ⁴⁾	(17 039 488)
Deposits from banks	(4 094 278)	-	-	-	13 340 ⁴⁾	(4 080 938)
Deposits from customers	23 883 844	-	-	-	1 180 589 ⁴⁾	25 064 433
Buy-sell/ Sell-buy-back transactions	6 689 942	-	(6 089 917) ²⁾	-	9 037 ⁴⁾	609 062
Other assets and liabilities	(400 553)	2 988 ¹⁾	33 430 ²⁾	2 019 ³⁾	(6 279) ⁴⁾	(368 395)
	9 332 631	2 988	1 057 801	178 149	(5 035 791)	5 535 778
Interest received on operating activities	-	-	-	-	6 307 596 ⁴⁾	6 307 596
Interests paid on operating activities	-	-	-	-	(1 271 805) ⁴⁾	(1 271 805)
Interest accrued excluded from operating activities	(369 152)	-	-	26 250 ³⁾	-	(342 902)
Dividends	(98 989)	-	-	-	-	(98 989)
Paid income tax	(947 002)	-	-	-	-	(947 002)
Net cash flows from operating activities	11 160 562	2 988	1 024 371	204 399	-	12 392 320
Inflows	6 309 947	-	-	(441 918)	-	5 868 029
Sale/maturity of investment securities	5 358 065	-	-	(410 000) ³⁾	-	4 948 065
Sale of intangible assets and property, plant and equipment	105 615	-	-	-	-	105 615
Dividends received	98 989	-	-	-	-	98 989
Interest received	747 278	-	-	(31 918) ³⁾	-	715 360
Outflows	(11 671 083)	(2 988)	-	237 519	-	(11 436 552)
Acquisition of demerged part of Deutsche Bank Polska SA net of cash acquired	(186 482)	(2 988) ¹⁾	-	-	-	(189 470)
Acquisition of subordinated entities net of cash acquired	(19 990)	-	-	-	-	(19 990)
Purchase of investment securities	(10 883 425)	-	-	237 519 ³⁾	-	(10 645 906)
Purchase of intangible assets and property, plant and equipment	(581 186)	-	-	-	-	(581 186)
Net cash flows from investing activities	(5 361 136)	(2 988)	-	(204 399)	-	(5 568 523)
Inflows	11 102 519	-	-	-	-	11 102 519
Debt securities in issue	7 430 794	-	-	-	-	7 430 794
Drawing of loans	3 671 725	-	-	-	-	3 671 725
Outflows	(6 552 006)	-	-	-	-	(6 552 006)
Debt securities buy out	(2 975 000)	-	-	-	-	(2 975 000)
Repayment of loans	(2 781 861)	-	-	-	-	(2 781 861)
Dividends and other payments to shareholders	(514 130)	-	-	-	-	(514 130)
Interest paid	(281 015)	-	-	-	-	(281 015)
Net cash flows from financing activities	4 550 513	-	-	-	-	4 550 513
Total net cash flows	10 349 939	-	1 024 371	-	-	11 374 310
Cash and cash equivalents at the beginning of the accounting period	7 662 368	-	385 849 ²⁾	-	-	8 048 217
Cash and cash equivalents at the end of the accounting period	18 012 307	-	1 410 220 ²⁾	-	-	19 422 527

¹⁾ Changes resulting from the finalisation of purchase price allocation in relation to the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A.

²⁾ Changes in the recognition of selected government debt securities transactions from separate purchase and sale transactions to buy-sell-back and sell-buy-back transactions, including related tax on financial institutions.

³⁾ Changes resulting from separate presentation of *Assets pledged as collateral* in the statement of financial position.

⁴⁾ Changes resulting from separate presentation of *Interest received on operating activities* and *Interests paid on operating activities* in the consolidated statement of cash flows.

Consolidated income statement

for the period: 1.01.2018 - 31.12.2018

	Before	Adjustment	After
Interest income and similar to income	7 213 796	-	7 213 796
Interest income on financial assets measured at amortised cost	6 345 132	-	6 345 132
Interest income on financial assets measured at fair value through other comprehensive income	733 378	-	733 378
Income similar to interest on financial assets measured at fair value through profit or loss	135 286	-	135 286
Interest expense	(1 471 391)	-	(1 471 391)
Net interest income	5 742 405	-	5 742 405
Fee and commission income	2 526 572	-	2 526 572
Fee and commission expense	(468 770)	-	(468 770)
Net fee and commission income	2 057 802	-	2 057 802
Dividend income	100 116	-	100 116
Net gains/(losses) on subordinated entities	(65)	-	(65)
Net trading income and revaluation	144 539	-	144 539
Gains (losses) from other financial securities	37 480	-	37 480
Other operating income	213 842	-	213 842
Gain on acquisition of enterprise	387 733	31 562 ¹⁾	419 295
Impairment losses on loans and advances	(1 085 068)	-	(1 085 068)
Operating expenses incl.:	(3 768 969)	-	(3 768 969)
-Staff, operating expenses and management costs	(3 242 758)	-	(3 242 758)
-Depreciation/amortisation	(333 470)	-	(333 470)
-Other operating expenses	(192 741)	-	(192 741)
Share in net profits (loss) of entities accounted for by the equity method	62 667	-	62 667
Tax on financial institutions	(466 330)	(33 430) ²⁾	(499 760)
Profit before tax	3 426 152	(1 868)	3 424 284
Corporate income tax	(727 139)	-	(727 139)
Consolidated profit for the period	2 699 013	(1 868)	2 697 145
of which:			
-attributable to owners of Santander Bank Polska SA	2 365 222	(1 868)	2 363 354
-attributable to non-controlling interests	333 791	-	333 791

¹⁾ Changes resulting from the finalisation of purchase price allocation in relation to the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A.

²⁾ Changes in the recognition of selected government debt securities transactions from separate purchase and sale transactions to buy-sell-back and sell-buy-back transactions, including related tax on financial institutions.

Consolidated statement of comprehensive income

	for the period		1.01.2018 - 31.12.2018	
	Before	Adjustment	Before	After
Consolidated profit for the period	2 699 013	(1 868) ^{1),2)}		2 697 145
Other comprehensive income which can be transferred to the profit and loss account:	333 945	-		333 945
Valuation and sales of debt securities measured at fair value through other comprehensive income gross	382 287	-		382 287
Deferred tax	(72 635)	-		(72 635)
Valuation of cash flow hedging instruments gross	29 991	-		29 991
Deferred tax	(5 698)	-		(5 698)
Other comprehensive income which can't be transferred to the profit and loss account:	15 576	-		15 576
Valuation and sales of equity securities measured at fair value through other comprehensive income gross	6 560	-		6 560
Deferred and current tax	(1 261)	-		(1 261)
Provision for retirement allowances – actuarial gains/losses gross	12 688	-		12 688
Deferred tax	(2 411)	-		(2 411)
Other comprehensive income for the period net of income tax	349 521	-		349 521
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3 048 534	(1 868) ^{1),2)}		3 046 666
Total comprehensive income attributable to:				
Owners of Santander Bank Polska SA	2 714 256	(1 868) ^{1),2)}		2 712 388
Non-controlling interests	334 278	-		334 278

¹⁾ Changes resulting from the finalisation of purchase price allocation in relation to the acquisition of an organised part of the enterprise of Deutsche Bank Polska S.A. and DB Securities S.A.

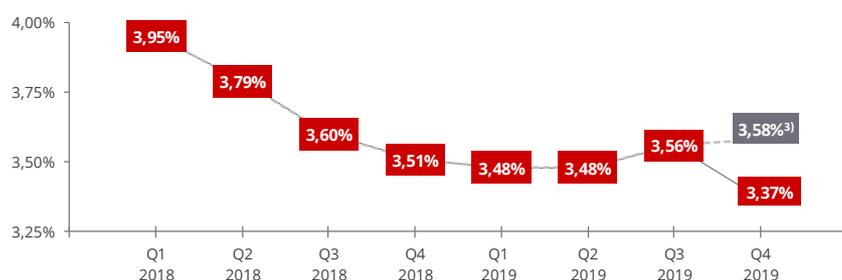
²⁾ Changes in the recognition of selected government debt securities transactions from separate purchase and sale transactions to buy-sell-back and sell-buy-back transactions, including related tax on financial institutions.

XII. Overview of Financial Performance of Santander Bank Polska Group in 2019

Key financial and business data of Santander Bank Polska Group for 2019

Total income	<ul style="list-style-type: none"> • Total income of Santander Bank Polska Group for 2019 increased by 8.8% YoY to PLN 9,484.5m. • Underlying total income grew by 14.8% YoY, when adjusted for: <ul style="list-style-type: none"> ✓ reporting period: one-off gain of PLN 59.1m on sale of the Investment Services Centre (a demerged part of Santander Bank Polska S.A.) and a charge of PLN 100.4m to net interest income for refund of fees in respect of early repayment of consumer loans; ✓ comparative period: gain of PLN 419.3m on acquisition of a demerged part of Deutsche Bank Polska S.A.
Net interest income	<ul style="list-style-type: none"> • Net interest income increased by 14.6% YoY to PLN 6,580.2m in the stable low interest rate environment, which reflects: <ul style="list-style-type: none"> ✓ an increase in net earning assets (resulting from organic growth and acquisition of a demerged part of Deutsche Bank Polska S.A. in November 2018), particularly in loans and advances and investment debt securities; ✓ solid balance sheet structure of the Group with a growing share of high-margin retail loans and low-cost current account balances; ✓ flexible management of pricing and product parameters. • Adjusting for the amount of PLN 100.4m earmarked for pro rata reimbursement of fees in respect of premature repayment of consumer loans, the underlying net interest income was up 16.3% YoY. • Cumulative net interest margin (calculated on a yearly basis) declined from 3.66% in 2018 to 3.52%¹⁾ in 2019 amid growing funding costs, which was largely impacted by acquisition of deposits (through organic growth and takeover of retail portfolios of Deutsche Bank Polska S.A. in late 2018) and issue of own debt securities by the Group. In 2019, the Group's interest expense grew by 27.9% YoY, while interest income increased by 17.3% YoY. • After a steady decrease since the beginning of 2018, the quarterly net interest margin (annualised on a quarterly basis) went up from 3.48% in Q1 2019 to 3.58%¹⁾ in Q4 2019. The resulting change can be attributed to optimisation of deposit proposition and dynamic growth of lending (notably cash loans for individuals). Taking into account the charge for refund of fees in respect of early repayment of consumer loans, the net interest margin declined in Q4 2019 to 3.37%.

**NET INTEREST MARGIN¹⁾ BY QUARTER IN THE YEARS 2018-2019
(INCLUDING SWAP POINTS)²⁾**



- 1) The net quarterly interest margin has been adjusted to account for the retrospective change in the accounting treatment of transactions in government securities for the previous quarterly reporting periods.
- 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 instruments held for trading and other exposures arising from trading transactions.
- 3) The annualised net interest margin of 3.58% for Q4 2019 excludes the amount of PLN 100.4m charged to net interest income for partial refund of fees in respect of early repaid consumer loans.

1) Net interest margin for 2019 and Q4 2019 excludes the additional charge to net interest income of PLN 100.4m.

Key financial and business data of Santander Bank Polska Group for 2019 (continued)

Net fee and commission income	<ul style="list-style-type: none"> • Net fee and commission income went up by 3.4% YoY to PLN 2,128.2m, as a combined effect of the following: <ul style="list-style-type: none"> ✓ an increase in fee and commission income on account of growing credit portfolios, dynamic sales of insurance, foreign exchange transactions accessible through remote channels, high non-cash turnover generated by credit and debit cards, and an increased number of current accounts; ✓ a decrease in fee and commission income from brokerage services, issuance of securities and distribution of investment funds affected by external factors (stock market downturn and regulations impacting the operations of investment funds); ✓ higher costs of sales activities and transactions made by the Group with third parties.
Other income ²⁾	<ul style="list-style-type: none"> • Other recurring income increased by 44.6% YoY to PLN 776.1m, largely due to gain on sale of Treasury bonds (measured at fair value through other comprehensive income) and gain on derivatives and interbank FX trading. Taking into account the gain on sale/acquisition of an organised part of an enterprise earned in both periods, other income declined by 15.2% YoY.
Total costs	<ul style="list-style-type: none"> • Total operating expenses went up by 19.1% to PLN 4,488.7m, propelled by: <ul style="list-style-type: none"> ✓ provisions of PLN 266.6m for legal risk connected with the portfolio of FX mortgage loans and pro rata reimbursement of fees related to early repaid consumer loans; ✓ higher fees payable to market regulators, including a YoY increase of PLN 79.9m in the total mandatory contributions to the Bank Guarantee Fund recognised in 2019 (including a contribution of PLN 199.3m to the bank resolution fund compared with PLN 89.5m in 2018). • Excluding the above-mentioned provisions from the reporting period and assuming the constant level of fees payable to the Bank Guarantee Fund in both periods under consideration, the underlying total costs were up 9.9% YoY, mainly due to larger staff expenses and higher amortisation and depreciation connected with extension of the Group's IT infrastructure and operating assets following the acquisition of a demerged part of Deutsche Bank Polska S.A. • Staff and general expenses were up 5.7% YoY, including: <ul style="list-style-type: none"> ✓ General and administrative expenses which decreased by 1.0% YoY to PLN 1,556.5m, mainly as a result of changes to the accounting treatment of lease contracts arising from IFRS 16 (the majority of lease expenses are now disclosed under depreciation of a right-of-use asset). The drop in general and administrative expenses was also recorded in such areas as consultancy and advisory services, marketing and entertainment and office equipment purchases. Aside from fees payable to market regulators, the most pronounced growth was reported in the cost of IT usage, due to a large number of projects carried out by the Group alone or in partnership with the global Santander Group to develop new solutions, improve IT infrastructure and support operational processes. ✓ Staff expenses, which totalled PLN 1,869.7m were up 11.9% YoY, impacted by salary review and severance payments under collective redundancy in Santander Bank Polska S.A.
Costs/Income	<ul style="list-style-type: none"> • Cost to income ratio (C/I) was 47.3% vs. 43.2% for 2018. Taking into account the above-mentioned cost and income adjustments, the underlying cost to income ratio for 2019 was 43.5%, compared with 45.4% a year before.
Net impairment allowances	<ul style="list-style-type: none"> • Net allowance for losses on loans and advances went up by 12.4% YoY to PLN 1,219.4m, largely as a result of the following: <ul style="list-style-type: none"> ✓ growth in new credit exposures (with a high share of consumer and mortgage loans) driven by lending delivered through an extended sales network (including branches and agents acquired along with Deutsche Bank Polska S.A.); ✓ acquisition of the retail loans portfolio of Deutsche Bank Polska S.A. in November 2018; ✓ sale of credit receivables (including cash and mortgage loans) by Santander Bank Polska S.A. and Santander Consumer Bank S.A. in the total amount of PLN 1,460.3m (resulting in a gross profit of PLN 16.1m).

2) Other income includes the following items of the comprehensive income statement: dividend income; net gains on shares in subordinate entities; net trading income and revaluation; gains on other financial instruments; other operating income and gain on the acquisition of the demerged part of an enterprise.

Key financial and business data of Santander Bank Polska Group for 2019 (continued)

Tax on financial institutions	<ul style="list-style-type: none"> • Tax on financial institutions was PLN 599.0m and up 19.9% YoY as a result of growth in taxable assets. The tax in the comparative period reflects the retrospective correction of the recognition of transactions in government securities.
Profit	<ul style="list-style-type: none"> • Profit before tax was PLN 3,244.6, down 5.2% YoY, and profit attributable to the shareholders of Santander Bank Polska S.A. was PLN 2,138.3m, down 9.5% YoY. • Assuming a constant level of contributions to the Bank Guarantee Fund and adjusting the 2019 profit for the gain on sale of the Investment Services Centre and the impact of additional charges and provisions for liabilities arising from the portfolio of FX mortgage loans and consumer loans, while excluding the impact of acquisition of an organised part of Deutsche Bank Polska S.A. from the 2018 profit (as indicated in the table below "Selected items of the income statement affecting the comparability of the periods"), the underlying profit before tax increased by 15.9% YoY and the underlying profit attributable to the shareholders of Santander Bank Polska S.A. by 19.8% YoY.
Capital ratio	<ul style="list-style-type: none"> • Total capital ratio was 17.07% (15.98% as at 31 December 2018), ensuring security of operations and stable growth. • Tier 1 capital ratio was 15.21% vs. 14.11% as at 31 December 2018.
ROE	<ul style="list-style-type: none"> • ROE totalled 9.7% (11.9% as at 31 December 2018). Excluding the items affecting the comparability of the periods (according to the table mentioned above) the underlying ROE was 11.2% vs. 10.3% as at 31 December 2018.
Credit quality	<ul style="list-style-type: none"> • Excluding POCI³⁾ exposures, the NPL ratio was 4.7% as at 31 December 2019 (4.1% as at 31 December 2018), while the ratio of impairment losses to average gross loans and advances measured at amortised cost was 0.85% (0.86% the year before). • Including POCI exposures, the NPL ratio was 5.2% compared to 4.6% a year before.
Loans and advances to customers	<ul style="list-style-type: none"> • Gross loans and advances to customers increased by 4.8% YoY to PLN 148,647.0m on account of: <ul style="list-style-type: none"> ✓ growth of 8.3% YoY in personal loans (notably cash and mortgage loans) to PLN 80,895.6m; ✓ an increase of 13.0% YoY in finance lease to PLN 9,267.0m; ✓ a stable level of loans and advances to enterprises and public sector entities at PLN 58,455.0m.
Deposit from customers	<ul style="list-style-type: none"> • Deposits from customers grew by 4.6% to PLN 156,480.3m as a result of an increase of 4.0% YoY in personal deposits to PLN 91,716.3m and 5.5% YoY in deposits from enterprises and the public sector to PLN 64,764.0m. • The above growth was largely supported by current account balances, including personal savings accounts.
Loans/Deposits	<ul style="list-style-type: none"> • Net customer loans to deposits ratio was 91.6% as at 31 December 2019 compared with 91.9% as at 31 December 2018.
Assets under management	<ul style="list-style-type: none"> • Net value of assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A. totalled PLN 16.9bn, up 12.4% YoY. • In 2019, the highest balance of contributions and redemptions was reported by corporate bond sub-funds and government bond sub-funds.
Customer base	<ul style="list-style-type: none"> • Total customer base exceeded 7.2 million, including 5 million customers of Santander Bank Polska S.A. The number of loyal customers of both banks increased by 11.2% in 2019 to 3.6 million. • The number of PLN personal accounts of Santander Bank Polska S.A. was 3.8 million (up 4.2% YoY), including 1.8 million Accounts As I Want It. Together with FX accounts, the personal accounts base totalled nearly 4.6 million.
Electronic banking	<ul style="list-style-type: none"> • The number of customers with access to Santander24 electronic banking services was 4.4 million (up 10.1% YoY). • The number of digital customers (those who used the Santander24 platform at least once a month) exceeded 2.5 million (up 7.0% YoY), including over 1.6 million customers with access to mobile services (up 17.3% YoY). • Payment cards base of Santander Bank Polska Group (excluding prepaid cards) included nearly 4.2 million debit cards (up 4.6% YoY) and more than 1.3 million credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. (down 4.2% YoY).

3) POCI – purchased or originated credit-impaired loans.

Financial data included in the consolidated financial statements of Santander Bank Polska Group for the 12-month period ended on 31 December 2019 are not fully comparable with the previous year as a result of the following:

- expanded scope of operations after the acquisition of the demerged part of Deutsche Bank Polska S.A. on 9 November 2018;
- first-time application of IFRS 16 Leases under the modified retrospective approach (re-statement of the prior period not made);
- occurrence of events set out in the following table.

Selected items of the income statement affecting the comparability of periods

2019

2018

	2019	2018
Contributions to the Bank Guarantee Fund made by the Group <i>(general and administrative expense)</i>	<ul style="list-style-type: none"> • PLN 282.8m, including a contribution of PLN 83.5m to the bank guarantee fund and a contribution of PLN 199.3m to the bank resolution fund 	<ul style="list-style-type: none"> • PLN 202.8m, including a contribution of PLN 113.3m to the bank guarantee fund and a contribution of PLN 89.5m to the bank resolution fund
Legal risk provision <i>(other operating expense)</i>	<ul style="list-style-type: none"> • PLN 266.6m, including a provision of PLN 173.1m connected with a foreign currency mortgage loan portfolio and a provision of PLN 93.5m for partial refund of fees in respect of early repaid consumer loans 	<ul style="list-style-type: none"> • No such provision
Charge to net interest income for partial refund of fees in respect of early repaid consumer loans <i>(net interest income)</i>	<ul style="list-style-type: none"> • PLN 100.4m 	<ul style="list-style-type: none"> • No such charge
Impact of investments and divestments <i>(other operating income/ gain on acquisition an enterprise)</i>	<ul style="list-style-type: none"> • PLN 59.1m – gain on settlement of the sale of an organised part of the enterprise of Santander Bank Polska S.A., i.e. the Investment Services Centre <i>(other operating income)</i> 	<ul style="list-style-type: none"> • PLN 419.3m – gain on the final settlement of the acquisition of a demerged part of Deutsche Bank Polska S.A. (a surplus of the fair value of the acquired net assets over the purchase price) <i>(gain on acquisition of an enterprise)</i>
Additional impairment charge for loans and advances to customers acquired along with a part of Deutsche Bank Polska S.A. <i>(impairment losses on loans and advances)</i>	<ul style="list-style-type: none"> • No acquisition of an enterprise or its organised part 	<ul style="list-style-type: none"> • PLN 130.5 m

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

Economic growth	<ul style="list-style-type: none"> Continued solid but slower economic growth compared with 2018. Further economic slowdown in the eurozone, notably in the processing and foreign trade sectors. Negative revision of the global outlook by international institutions.
Labour market	<ul style="list-style-type: none"> Favourable conditions in the labour market with record-low unemployment and accelerating wage growth in support of private consumption. Private consumption growing above 4% YoY with consumer confidence still at high levels. Slightly less severe but continuous shortage of workforce, making it difficult for companies to expand. Fast growing labour costs. Introduction of Employee Capital Plans (PPK) in large companies.
Inflation	<ul style="list-style-type: none"> Increase in CPI inflation and core inflation. Gradual rise in inflation expectations. Increase in house prices coupled with a slight decline in real estate sales.
Monetary policy	<ul style="list-style-type: none"> NBP official rates kept at the record low levels.
Fiscal policy	<ul style="list-style-type: none"> Increase in social transfers: reduced PIT, payment of an additional pension benefit, extension of the scope of the 500+ child benefit programme. Discipline in public finances maintained, mainly thanks to the stabilising expenditure rule.
Credit market	<ul style="list-style-type: none"> Solid demand for credit from households and lower demand from companies. Total credit growth in line with the nominal GDP growth.
Financial markets	<ul style="list-style-type: none"> Continued uncertainty about Britain's exit from the European Union. Changes of mood in international financial markets influenced by the expected policy orientation of the main central banks (Federal Reserve, ECB), incoming macroeconomic data, worries about the geopolitical situation, including concerns about the results of negotiations between the UK and the EU, and the impact of trade wars on the global growth. Stabilisation of the Polish zloty against euro in the range of 4.25–4.35; visible drop in yields of Polish treasury bonds.
Legal environment	<ul style="list-style-type: none"> Increased legal risk resulting from the rulings of the Court of Justice of the European Union regarding mortgage loans indexed to the foreign currency and pro rata reimbursement of fees on consumer loans repaid ahead of schedule.

Selected Financial Ratios of Santander Bank Polska

Group	2019	2018 ¹¹⁾
Total costs/Total income	47,3%	43,2%
Net interest income/Total income	69,4%	65,9%
Net interest margin ¹⁾	3,46%	3,66%
Net commission income/Total income	22,4%	23,6%
Customer net loans/Customer deposits	91,6%	91,9%
NPL ratio ²⁾	5,2%	4,6%
NPL coverage ratio ³⁾	53,8%	50,9%
Credit risk ratio ⁴⁾	0,85%	0,86%
ROE ⁵⁾	9,7%	11,9%
ROTE ⁶⁾	11,7%	14,2%
ROA ⁷⁾	1,0%	1,3%
Capital ratio ⁸⁾	17,07%	15,98%
Tier I ratio ⁹⁾	15,21%	14,11%
Book value per share (in PLN)	264,28	260,51
Earnings per share (in PLN) ¹⁰⁾	20,95	23,70

1) Net interest income for an accounting year (excluding interest income from the portfolio of debt securities held for trading and other exposures arising from trading transactions) to average net earning assets as at the end of subsequent quarters starting from the end of the year preceding the year under analysis (excluding financial assets held for trading, hedging derivatives, other exposures arising from trading transactions and other loans and advances to customers).

Excluding the charge of PLN 100.4m to net interest income for Q4 2019 for refund of fees in respect of early repaid consumer loans, the cumulative net interest margin for 2019 was 3.52%.

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.

Following the implementation of an IT solution for POCI accounting, NPL ratios have been recalculated, taking POCI exposures into account.

Excluding the POCI portfolio, the NPL ratio was 4.7% in 2019 vs. 4.1% in 2018.

3) Impairment allowances for loans and advances to customers measured at amortised cost and classified to stage 3 and POCI exposures to gross value of such loans and advances at the end of the reporting period. Loan loss coverage ratio, excluding the POCI exposures was 56.9% in 2019 vs. 56.7% in 2018.

4) Impairment allowances (for the accounting year) to average gross loans and advances to customers (as at the end of the accounting year and the end of the preceding year).

5) Profit attributable to the parent's shareholders (for the accounting year) to average equity (as at the end of the accounting year and the end of the preceding year), net of non-controlling interests, current period profit and the undistributed portion of the profit. The underlying ROE for 2019 was 11.2% vs. 10.3% for 2018.

6) Profit attributable to the parent's shareholders (for the accounting year) to average tangible equity (as at the end of the accounting year and the end of the preceding year) defined as common equity attributable to the parent's shareholders less revaluation reserve, current period profit, dividend, undistributed profit, intangible assets and goodwill.

7) Profit attributable to the shareholders of the parent entity (for the accounting year) to average total assets (as at the end of the accounting year and the end of the preceding year). On a comparable basis, ROA for 2019 was 1.2% vs. 1.1% for 2018.

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

9) Tier 1 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 divided by the average weighted number of ordinary shares.

11) The ratios for 2018 have been restated to take into account the gain on the final settlement of acquisition of a demerged part of Deutsche Bank Polska S.A. and the impact of the retrospective correction of the accounting treatment of certain transactions in Treasury debt securities.