

Interim report of Santander Bank Polska Group for Quarter 1 2021



FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	1.01.2021-	1.01.2020-	1.01.2021-	1.01.2020-
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Consolidated financial statements of Santander Bank Polska Group				
I Net interest income	1 376 958	1 636 313	301 165	372 202
II Net fee and commission income	611 274	538 244	133 697	122 431
III Profit before tax	361 526	384 954	79 072	87 563
IV Net profit attributable to owners of the parent entity	151 753	170 934	33 191	38 881
V Total net cash flows	2 422 065	(2 188 726)	529 749	(497 856)
VI Profit of the period attributable to non-controlling interests	41 105	61 943	8 990	14 090
VII Profit per share in PLN/EUR	1,49	1,67	0,33	0,38
VIII Diluted earnings per share in PLN/EUR	1,49	1,67	0,33	0,38
Stand alone financial statements of Santander Bank Polska S.A.				
I Net interest income	1 030 054	1 230 415	225 291	279 875
II Net fee and commission income	520 963	429 795	113 944	97 763
III Profit before tax	169 533	183 755	37 080	41 798
IV Profit for the period	47 011	66 708	10 282	15 174
V Total net cash flows	2 561 772	(2 411 373)	560 305	(548 501)
VI Profit per share in PLN/EUR	0,46	0,65	0,10	0,15
VII Diluted earnings per share in PLN/EUR	0,46	0,65	0,10	0,15

FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
	Consolidated financial statements of Santander Bank Polska Group			
I Total assets	238 243 006	229 311 309	51 121 817	49 690 411
II Deposits from banks	5 387 105	5 373 312	1 155 957	1 164 365
III Deposits from customers	179 484 645	171 522 255	38 513 539	37 167 863
IV Total liabilities	209 154 617	200 653 319	44 880 076	43 480 393
V Total equity	29 088 389	28 657 990	6 241 742	6 210 018
VI Non-controlling interests in equity	1 704 008	1 663 240	365 643	360 414
VII Number of shares	102 189 314	102 189 314		
VIII Net book value per share in PLN/EUR	284,65	280,44	61,08	60,77
IX Capital ratio	20,89%	20,42%*		
X Declared or Paid dividend per share in PLN/EUR	-.**	-	-.**	-
Stand alone financial statements of Santander Bank Polska S.A.				
I Total assets	211 043 892	203 140 470	45 285 473	44 019 344
II Deposits from banks	2 461 920	2 993 349	528 275	648 641
III Deposits from customers	169 722 329	161 133 491	36 418 756	34 916 679
IV Total liabilities	185 343 792	177 717 626	39 770 786	38 510 364
V Total equity	25 700 100	25 422 844	5 514 688	5 508 981
VI Number of shares	102 189 314	102 189 314		
VII Net book value per share in PLN/EUR	251,49	248,78	53,96	53,91
VIII Capital ratio	24,22%	23,90%*		
IX Declared or Paid dividend per share in PLN/EUR	-.**	-	-.**	-

*Data in relevant period include profits included in own funds based on the decisions of the Polish Financial Supervision Authority and the applicable EBA requirements.

**Detailed information are described in Note 42

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

- for balance sheet items – average NBP exchange rate as at 31.03.2021: EUR 1 = PLN 4.6603 and as at 31.12.2020: EUR 1 = PLN 4,6148
- for profit and loss items – as at 31.03.2021 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in Q1 2021: EUR 1 = PLN 4.5721; as at 31.03.2020 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in Q1 2020: EUR 1 = PLN 4.3963

As at 31.03.2021, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 062/A/NBP/2021 dd. 31.03.2021.



Overview of
Santander Bank Polska Group
Performance
in Quarter 1 2021

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I. Basic Information about Santander Bank Polska Group and its Performance in Q1 2021

1. Key Achievements

EFFICIENCY AND SECURITY

- Group's solid capital position confirmed by capital ratios as at 31 March 2021, including total capital ratio of 20.89%.
- Sound liquidity position. Net customer loans to deposits ratio at 79.7%. Supervisory liquidity ratios above the regulatory minimum.
- 14.7% YoY decrease in staff and general expenses (-3.8% YoY on a comparative basis).
- Close monitoring of risk associated with the pandemic, with a particular focus on credit risk.
- Design and implementation of a target hybrid work model.
- Continued focus on development of digital banking and cyber security.

BUSINESS VOLUMES AND ASSET QUALITY

- 10.3% YoY increase in total assets to PLN 238.2bn.
- Strong growth in deposits (+13.8% YoY) supported by an increase in current deposits from personal customers (+26.9% YoY) and from businesses and the public sector (+88.1% YoY).
- 3.0% Ytd growth in loans and advances to enterprises and public sector entities owing to an increased use of overdrafts and origination of project finance for corporate customers.
- A steady rise in lease receivables (+5.0% YoY and +1.9% Ytd).
- Increase in net income from credit fees (+49.2% YoY), payment and settlement services (+23.7% YoY) and account maintenance and cash transactions (+22.4% YoY).
- Increased customers' activity in the capital market reflected in a 59.9% YoY rise in net income from brokerage services.
- Higher net value of assets in investment funds managed by Santander TFI S.A. (+49.2% YoY and +10.9% Ytd).

CUSTOMERS AND COMMUNITIES

- 7.0m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers.
- 18.0% YoY increase in the number of Accounts As I Want It opened with Santander Bank Polska S.A. to 2.2m.
- 3.0m digital customers of both banks, including 2.0m mobile banking customers.
- Automation and optimisation of operational processes and development of CRM tools.
- Continued focus on providing broad support to customers affected by Covid-19.
- Title of the best bank in four categories of Euromoney 2021 Awards: Best Private Bank Overall Services, Best Private Bank in ESG & Impact Investing, Best Private Bank for Technology and Best Private Bank for UHNW

2. Financial and Business Highlights of Santander Bank Polska Group

Key financial data of Santander Bank Polska Group

Selected Income Statement data		Q1 2021	Q1 2020	YoY Change (2021 / 2020)
Total income	PLN m	2 124,8	2 248,5	-5,5%
Total costs	PLN m	(1 266,6)	(1 265,3)	0,1%
Impairment losses on loans and advances	PLN m	(363,1)	(466,3)	-22,1%
Profit before tax	PLN m	361,5	385,0	-6,1%
Net profit attributable to Santander Bank Polska S.A.	PLN m	151,8	170,9	-11,2%
Selected Balance Sheet data		31.03.2021	31.03.2020	YoY Change (2021 / 2020)
Total assets	PLN m	238 243,0	215 899,5	10,3%
Total equity	PLN m	29 088,4	27 241,5	6,8%
Net loans and advances to customers	PLN m	143 001,5	147 672,9	-3,2%
Deposits from customers	PLN m	179 484,6	157 756,8	13,8%
Selected off-Balance Sheet data		31.03.2021	31.03.2020	YoY Change (2021 / 2020)
Net assets under management in investment funds ¹⁾	PLN bn	17,9	12,0	5,9
Selected ratios ²⁾		31.03.2021	31.03.2020	YoY Change (2021 / 2020)
Total costs/Total income	%	59,6%	56,3%	3,3% p.p.
Total capital ratio	%	20,89%	16,79%	4,1% p.p.
ROE	%	4,1%	8,5%	-4,4% p.p.
NPL ratio	%	6,0%	5,2%	0,8 p.p.
Credit risk ratio	%	1,14%	0,96%	0,2 p.p.
Customer net loans/customer deposits	%	79,7%	93,6%	-13,9 p.p.

Key non-financial data of Santander Bank Polska Group

Selected non-financial data		31.03.2021	31.03.2020	YoY Change (2021 / 2020)
Electronic banking users ³⁾	m	5,5	5,3	0,2
Digital (active) customers ⁴⁾	m	3,0	2,7	0,3
Digital (active) mobile banking customers	m	2,0	1,7	0,3
Debit cards	m	4,3	4,2	0,1
Credit cards	m	1,2	1,2	0,0
Customer base	m	7,0	7,2	-0,2
Branches	locations	495	629	-134
Off-site locations and Santander zones	locations	12	11	1
Partner outlets	locations	413	327	86
Employment	FTEs	12 063	13 318	-1 255

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

2) For definitions of ratios presented in the table above, see Section 3 "Selected Financial Ratios" of Chapter V "Financial Performance of Santander Bank Polska Group after Q1 2021".

3) Registered users with active access to internet and mobile banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A.

4) Active users of Santander electronic banking who at least once used the service in the last reporting month.

3. Key External Factors

Key macroeconomic factors impacting financial and business performance of Santander Bank Polska Group in 1Q 2021

Health situation	<ul style="list-style-type: none"> • Third wave of the Covid-19 pandemic in Poland limiting economic activity in some sectors. Disruptions in vaccine supplies, slowing the vaccine rollout in Europe.
Economic growth	<ul style="list-style-type: none"> • Continuation of expansion of Polish manufacturing and clear rise of industrial output, mainly for exports. • Domestic demand in Q1 2021 limited by returning lockdowns. • Clear improvement of business climate indicators in Europe, a pickup in international trade.
Labour market	<ul style="list-style-type: none"> • Continued stabilisation of the unemployment rate, wage growth still solid. Slow improvement of consumer confidence indicators from the local dip triggered by the second wave of the pandemic. • Inflow of foreign migrant workers to Poland confirmed by the rising social security registrations.
Inflation	<ul style="list-style-type: none"> • Higher inflation in Poland caused by rising prices of oil and electricity; stubbornly high core inflation. Rising inflation abroad and worries about its further surge exceeding earlier forecasts (global reflation fear). • Further increase in house prices in Q4 2020, faster than in Q3 2020.
Monetary policy	<ul style="list-style-type: none"> • MPC's strong intention to keep interest rates unchanged until the end of its term of office. As of March, more active bond purchases by the NBP within its QE programme.
Fiscal policy	<ul style="list-style-type: none"> • Extension of anti-crisis aid for companies, but narrowed down to selected entities. • Lower-than-expected deficit of the General Government sector in 2020.
Credit market	<ul style="list-style-type: none"> • Persisting weak demand for credit, especially from firms, where it was still secondary to the government's aid (the PFR Financial Shield).
Financial markets	<ul style="list-style-type: none"> • Clear rise of bond yields and IRS rates in the global markets and in Poland amid a wave of worries about inflation rebound as well as the large US fiscal package and Fed's tolerance for US bond yields increase. • Changes in international investors' moods amid expectations regarding the monetary policy outlook of main central banks (Fed, ECB), incoming economic data, concerns about the health situation. • Weakening of the zloty (with the EUR/PLN rate temporarily above 4.60), and the strengthening of the US dollar triggered by rising Treasury yields.

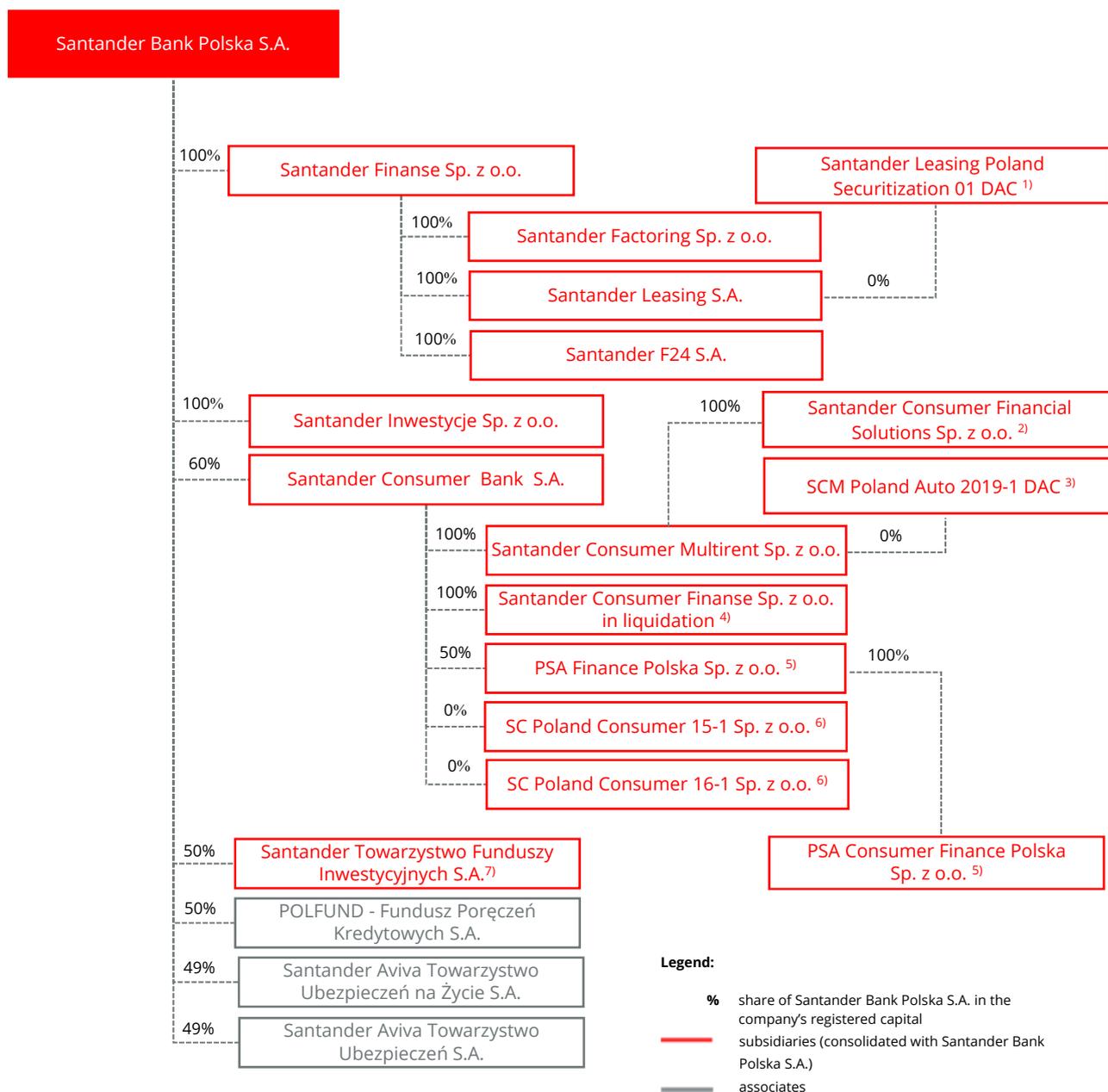
4. Corporate Events

Major corporate events in the reporting period (Q1 2021)

January 2021	<ul style="list-style-type: none"> • Letter received from the KNF (Polish Financial Supervision Authority) on 11 January 2021, including: <ul style="list-style-type: none"> ✓ a recommendation to suspend dividend payment in H1 2021 and refrain from taking any other measures going beyond the scope of the ordinary business and operational activity which could weaken the capital base, unless agreed with the supervisory authority; ✓ information that the KNF position on the policy of dividend payment by commercial banks will be presented in H2 2021 following an analysis of the situation of the banking sector in the first six months of 2021.
February 2021	<ul style="list-style-type: none"> • Decision of Gerry Byrne (Chairman of the Supervisory Board of Santander Bank Polska S.A.) to retire and resign from his membership in the Supervisory Board of the bank (22 February 2021), effective as of adoption of a resolution by the Annual General Meeting (AGM) to approve the Report on activities of the Supervisory Board in 2020. • Adoption of a resolution by the bank's Management Board (23 February 2021) recommending that the entire profit for 2020 totalling PLN 738.4m be retained, with 50% of the profit to be allocated to the capital reserve and 50% to be left undistributed. The resolution was passed in accordance with the KNF recommendation, taking into account the prevailing macroeconomic environment. • Publication of notice (23 February 2021) of the AGM of Santander Bank Polska S.A. to be convened on 22 March 2021, together with draft resolutions and documents to be considered by the AGM.
March 2021	<ul style="list-style-type: none"> • Nomination (8 March 2021) by a shareholder (Banco Santander S.A.) of Antonio Escámez Torres as a candidate for the position of the Chairman of the Supervisory Board. • Affirmation by Fitch Ratings (16 March 2021) of Santander Bank Polska S.A. credit ratings at BBB+/ Negative Outlook/ bbb+ and SR of 2. The decision reflects a high probability of support from Banco Santander S.A. and a relatively low exposure to foreign currency mortgage loans (40% CET1). • Change (17 March 2021) of the bank's Management Board recommendation of 23 February 2021 regarding the proposed profit distribution for 2020, setting aside a dividend reserve (i.e. capital reserve earmarked for payment of dividend/ interim dividend), and allocating 50% of the net profit for 2020 to this dividend reserve (instead of leaving this portion undistributed as initially recommended). No changes were made to the recommended allocation of the remaining 50% of the net profit to the reserve capital. • Decision of Vice President of the bank's Management Board Michael McCarthy (18 March 2021) not to apply for a new term of office starting on 23 March 2021 and to act as an advisor to the President of the bank's Management Board for an interim period. • Annual General Meeting of Santander Bank Polska S.A. held on 22 March 2021, approving the submitted reports, statements and annual assessments (including the report of the bank's Supervisory Board on remuneration paid to members of the Management Board and the Supervisory Board in 2019 and 2020), granting discharge to the members of the Management Board and Supervisory Board, and appointing a new member and the Chairman of the Supervisory Board (Antonio Escámez Torres), and determining his remuneration. The AGM also adopted a resolution on profit distribution in accordance with the Management Board's recommendation, informed the shareholders of the proposal from the KNF President regarding foreign currency mortgage loans and presented changes to the bank's Statutes and to the Policy on the suitability assessment of the Supervisory Board members. • Entering a transaction involving the divestment of three Aviva Group companies from the bank's portfolio of investment financial assets and execution of agreements with the new majority shareholder of the bank's associates, following termination of the agreements with the former shareholder: <ul style="list-style-type: none"> ✓ Execution of share purchase agreements (26 March 2021) relating to the bank's shareholdings in Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. ✓ Commitment by the bank (26 March 2021) to sign a share purchase agreement relating to shares in Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A. and to execute a memorandum of understanding to terminate the cooperation agreements between the bank and Aviva International Holdings Limited with regard to Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A. ✓ For more information on the transaction concerning Aviva Group companies from the bank's investment portfolio, see Chapter IV "Organisational and Infrastructure Development".

5. Structure of Santander Bank Polska Group

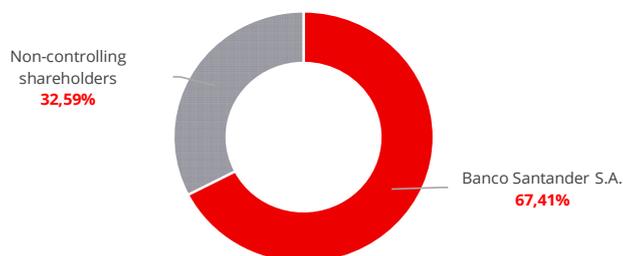
SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 31 MARCH 2021



- 1) Santander Leasing Poland Securitization 01 Designated Activity Company (DAC) with its registered office in Dublin is a special purpose vehicle incorporated on 30 August 2018 for the sole purpose of securitisation of a lease and credit portfolio. The company does not have any capital or personal connections with Santander Leasing S.A., its parent entity.
- 2) Santander Consumer Financial Solutions Sp. z o.o. with its registered office in Wrocław is 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.
- 3) SCM Poland Auto 2019-1 Designated Activity Company with its registered office in Dublin was incorporated on 18 November 2019. Its shareholder is a legal person that is not connected with the Group. It is an SPV established to securitise a part of the lease portfolio of Santander Consumer Multirent Sp. z o.o., its controlling entity.
- 4) Santander Consumer Finance Sp. z o.o. (in liquidation) was dissolved and put into liquidation as of 31 December 2020 by virtue of a resolution of the company's Extraordinary General Meeting of 23 December 2020.
- 5) PSA Finance Polska Sp. z o.o. is a subsidiary undertaking for the purpose of consolidated financial statements due to the fact that it is controlled by Santander Consumer Bank S.A. (directly) and Santander Bank Polska S.A. (indirectly).
- 6) 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.
- 7) 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.

6. Ownership Structure

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE EQUITY AS AT 31.03.2021



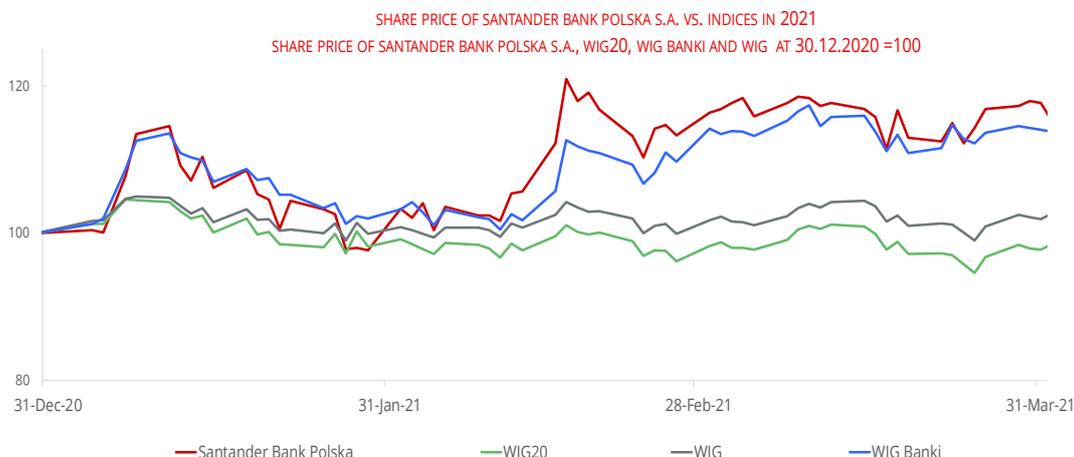
Santander Bank Polska S.A. is a subsidiary of Banco Santander S.A. with its registered office in Madrid, which held 67.41% share in the bank's registered capital and in the total number of votes at the bank's General Meeting as at 31 March 2021. The remaining shares were held by the minority shareholders, 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. Both funds are managed by Nationale-Nederlanden Powszechno Towarzystwo Emerytalne (PTE).

Detailed information about the ownership structure of Santander Bank Polska S.A. is presented in Note 29 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 3-month period ended 31 March 2021.

7. Share Price vs. Indices

After ending 2020 on a positive note, the Warsaw floor stabilised in Q1 2021. While the upward trends continued in early January, in the later part of the quarter the main WSE indices got stuck in consolidation mode, with WIG gaining 1.9%, and WIG20 losing 2.3%. Against this background, WIG-Banks performed exceptionally well, climbing by 14.0%. The share price of Santander Bank Polska S.A. fared even better, rising by 17.7% QoQ from PLN 185.7 at 31 December 2020 to PLN 218.60 at 31 March 2021, and giving the bank the third position in the sector in terms of market capitalisation, which totalled PLN 22,338.6m at the end of Q1 2021. This strong performance is particularly noteworthy because of the negative impact of historically low interest rates, which despite the growing inflationary pressure may be kept unchanged even until the end of 2022, as hinted by the Monetary Policy Council. Another pressure for banks may come from the decisions taken to solve the CHF loans issue, including the stance of the Supreme Court.

Until now, the industry sector has been fairly resilient to the pandemic, with services being the worst-hit sector. Following the last year's pandemic shock and changes to the business model, Santander Bank Polska S.A. is well positioned to leverage the opportunities arising from process digitalisation and automation.



II. Macroeconomic Situation in Q1 2021

Economic growth

The final months of 2020 saw a pronounced increase in economic activity in industry and exports. However, this occurred at the expense of the opening months of 2021 and was caused by foreign companies' stocking up before the end of the Brexit transition period, the holiday period of consumers' increasing propensity to buy durables that are in demand during the pandemic (with Poland being top European supplier of those goods), and the end of Germany's reduced VAT rate. Early 2021 was tough for industry (in Poland and globally) due to commodity shortages and limited transport capacity. Nevertheless, in March industrial output in Poland rebounded sharply, confirming continuation of positive trend. At the same time, inclement winter weather weakened the activity of the construction sector. Further lockdowns imposed in response to another wave of the coronavirus weighed on retail sales, but did not prevent a solid rebound of retail sales in March. Private consumption is estimated to have changed by -1.0% YoY in Q1 2021 vs -3.2% in Q4 2020, while investment growth was around -14% YoY vs -15.4% previously. Total GDP may have still be down approx. 1% YoY after -2.7% YoY registered in Q4 2020. Q1 2021 also saw a strong rebound of business sentiment indexes in Europe and recovery of international trade in goods.

Labour market

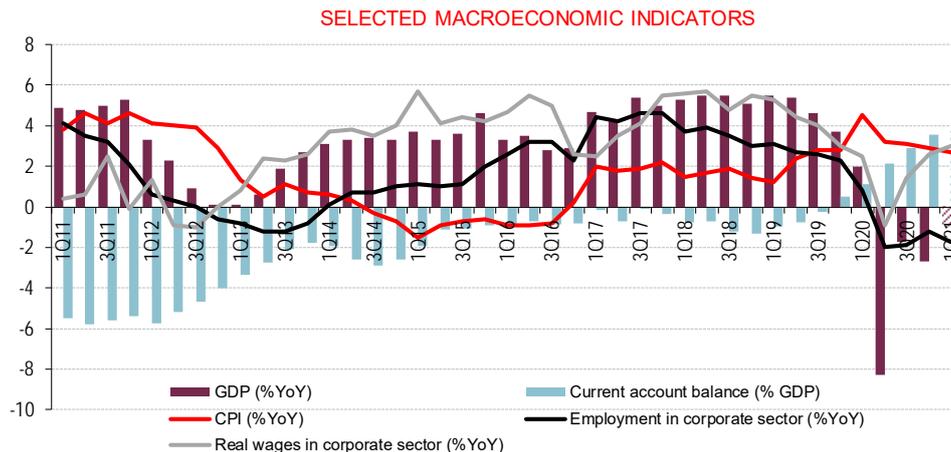
A year after the start of the pandemic, the labour market still looks resilient. The LFS unemployment rate adjusted for seasonal effects, having risen to 3.4% in the middle of 2020, started moving down and in February 2021 was at 3.1%, or just 0.1 p.p. above the pre-pandemic level. Registered unemployment was 180k higher in February than a year ago. The sources of such stability were government's anti-crisis shields and strong migration movements of foreigners. During the pandemic, massive phenomena were noted that could be interpreted as "hidden unemployment", including people who have lost their jobs moving into economic inactivity or into self-employment in agriculture. Despite the high path of inflation in early 2021, real wages in the corporate sector were still growing by approx. 2% YoY (which was the same as the average growth in H2 2020).

Inflation

In 2020, core inflation, mainly the price of services, was the main factor pushing up inflation in Poland, while the non-core component (i.e. costs of food, fuel and energy) was decelerating. In Q1 2021, the non-core component went up significantly due to global oil prices and electricity price hikes in Poland, while core inflation remained persistently high (its quarterly average was 3.9% YoY vs 4.1% in Q4 2020). As a result, CPI inflation rose to 3.2% YoY in March – the highest level in six months. The global supply problems faced by industry caused companies to sustain higher costs, which they transferred to output prices. PPI in Poland grew to 2% YoY in February from 0.1% in December 2020, and jumped to almost 4% YoY in March. Inflation was also driven by the March depreciation of the zloty.

Monetary policy

After in late in 2020 and early in 2021, the NBP governor Adam Glapiński had suggested possible interest rate cuts if the economic outlook deteriorated, in the following months the MPC communications became more balanced. NBP's March forecasts pointing to higher CPI and GDP paths coupled with an upward surprise in March CPI data caused the interest rate market to price-in a possible monetary tightening in Poland. This was however countered by a strong statement by Glapiński that interest rates would remain unchanged until the end of the current MPC term (almost all members are to be replaced in Q1 2022). Given the rising Polish T-bond yields, the NBP stated it would become more flexible in asset purchases, and in March its purchases rose fourfold in comparison to previous months. The NBP governor noted that this change was permanent. So far, in 2021 the NBP has not intervened on the FX market and after the PLN depreciation in March, the MPC removed the statement about PLN misalignment from its official communiqué.



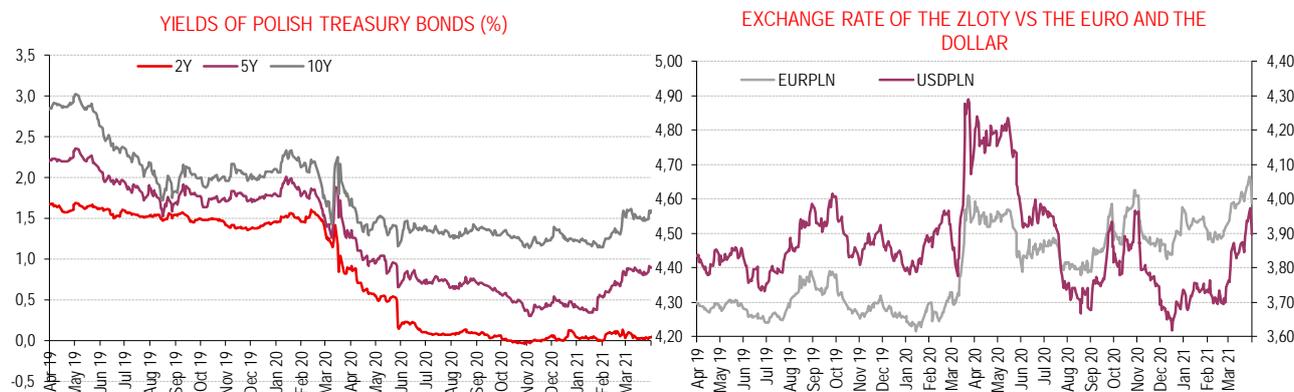
Loan and deposit market

At the start of the year, the loan market remained muted, with the annual growth rate below zero. Demand for loans was undermined by lower economic activity and high uncertainty as well as by another tranche of government financial support, even though it was limited to a few sectors. In March, the FX-adjusted corporate credit growth deteriorated to -9.4% YoY, while consumer credit stabilised near 2.5% YoY. PLN-denominated mortgage growth remained quite stable, near 10.0% YoY. Deposit growth decelerated moderately (to slightly below 12% YoY) given lower money creation via government's pandemic lifeline programmes (i.e. lower PFR and BGK issuances).

Financial market situation

In Q1 2021, the short-end of the bond yield curve did not change and hovered around zero amid a huge liquidity surplus in the banking sector (7-day NBP bills auctions rose to PLN 160-170bn from PLN 60-70bn a year ago). Long-end bond yields increased significantly e.g. for 10Y, to 1.60% from 1.23% at the end of December mainly on the back of increasing core market yields (especially in the United States), but also due to improving economic outlook for the coming quarters and the increasing inflation.

In Q1 2021, the markets calmed down (with the VIX index down to 19.5% from 25.0% at the end of 2020). The main feature was appreciation of the dollar by approx. 4% vs the basket of developed market currencies, correlated with the rise of UST yields. Growing prices of commodities (oil +17%, copper +10% year-to-date) did not result in appreciation of currencies from emerging markets, including our region – the forint, the koruna and the ruble remained close to the levels seen at the turn of the year. Only the EUR/PLN rate behaved differently (+2.5%), possibly due to three local factors: long-maintained NBP rhetoric against the strengthening of the zloty, the rising number of new Covid-19 cases (“the third wave”), and the expected ruling of the Supreme Court on CHF loans (already postponed twice, from 25 March to 13 April and then to 11 May). The USD/PLN rate rose in Q1 by as much as 7%, GBP/PLN by 8%, while CHF/PLN did not change.



III. Business Development in Q1 2021

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

1.1. Retail Banking Segment

Main development directions

The Retail Banking Division sought to increase customers' satisfaction with the bank's products and services, focusing on the following strategic priorities:

Personal customers

- Ensuring unparalleled experience for customers and employees.
- Simplification and digitalisation of products and processes.
- Acquiring new customers and growing business, mainly in digital channels.

Small and Medium-sized Enterprises (SMEs)

- Increasing the satisfaction of business customers.
- Developing remote and electronic banking processes for businesses.
- Simplifying the business lending process.

Other focus areas:

- Further optimisation of the distribution network.
- Improving profitability of products.
- Implementation and processing of applications for government aid under the PFR Financial Shield 2.0.

Key achievements:

- Improving customer loyalty and being ranked among top 3 banks in terms of the NPS.
- Implementing new features to accelerate customer digitalisation and simplify products and processes.
- Increasing net customer acquisition and the volume of key product sales compared to Q4 2020.

The tables below present the performance of product and business lines of Retail Banking segments.

Personal customers

Product line for personal customers	Activities of the Retail Banking Division in Q1 2021
Cash loans and overdrafts	<ul style="list-style-type: none"> In Q1 2021, cash loan sales of Santander Bank Polska S.A. were PLN 1.6bn, i.e. down 22.2% YoY and up 16.4% QoQ. Sales generated via remote channels accounted for 44.3% vs 24.5% in the same period last year. The decline in sales followed the trends in the cash loans market. The cash loan portfolio of Santander Bank Polska S.A. decreased by 2.2% YoY to PLN 14.3bn at the end of March 2021.
Mortgage loans	<ul style="list-style-type: none"> The bank continued the development of after-sales processes for mortgage loans (as of February 2021, notarial deeds of property purchase may be submitted via electronic banking). In addition, a marketing campaign was held (in February and March 2021) to encourage customers to use the electronic and phone banking channels. Mortgage sales were supported by the bank's initiatives, including a CRM campaign for existing customers promoting fixed-rate mortgage loans (February 2021), and a social media campaign (launched early in March 2021) encouraging customers to learn about the bank's offer. In March 2021, Santander Bank Polska S.A. increased the availability of mortgage loans with an LTV above 80% for non-customers buying houses or apartments in voivodship cities or satellite towns (previously the facilities were offered to the bank's customers only). In the first three months of 2021, the value of new mortgage loans was PLN 1.4bn, up 8.5% compared to Q4 2020 and down 2.8% YoY. The gross mortgage portfolio of Santander Bank Polska S.A. grew by 0.8% YoY to PLN 51.0bn as at 31 March 2021, with the PLN mortgage portfolio increasing by 3.5% YoY to PLN 41.9bn. In Q1 2021, an increase was reported in the sales of mortgage loans with a fixed interest rate for the first five years of the lending period (to 18% of total mortgage sales). In addition, the percentage of customers opting for mortgage loans combined with life insurance increased to 77%. Santander Bank Polska S.A. was ranked seventh in the mortgage loans and equity releases market in terms of new sales and third in terms of sales within the existing portfolio.
Personal accounts and bundled products, including:	<ul style="list-style-type: none"> In January 2021, a new account sales process was launched for adult customers at branches and partner outlets. The bank continued its initiatives promoting the sales of personal accounts: <ul style="list-style-type: none"> ✓ launched the 10th edition of the referrals programme "I recommend my bank" ("Polecam mój bank"), awarding both the person who recommended a personal account with Santander Bank Polska S.A. and the person who opened it (February 2021); ✓ continued the promotion "Open an account for yourself and your child and get up to PLN 200 for shopping" ("Zakupy do 200 zł za otwarcie Konta dla Ciebie i Twojego dziecka"); ✓ made special offers for e-commerce customers: "Your account with a PLN 250 bonus" ("Twoje Konto z premią 250 zł"), a campaign ended on 28 February 2021, and "Get PLN 250 for active banking" ("250 zł na aktywne bankowanie"), started on 1 March 2021. The number of PLN personal accounts grew by 3.4% YoY to 4.0m as at 31 March 2021. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 2.2m, up 18.0% YoY. Together with FX accounts, the personal accounts base totalled 4.9m.

Product line for personal customers	Activities of the Retail Banking Division in Q1 2021 (continued)
<p>➤ Payment cards</p>	<ul style="list-style-type: none"> • At the end of January 2021, the bank introduced strong authentication for online card payments, based on logon credentials used for internet banking. This is another phase of implementation of a strong authentication mechanism designed to increase the security of online card transactions in accordance with PSD2. • As at 31 March 2021, 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 1.4% YoY. Including business cards, the total number of debit cards was 4.3m, up 2.2% YoY. ✓ The credit card portfolio comprised 807.7k instruments, up 0.8% YoY. • During the first three months of 2021, the volume of personal debit card transactions totalled PLN 8.9bn and increased by approx. 13% YoY.
<p>Deposit and investment products, including:</p>	<ul style="list-style-type: none"> • In Q1 2021, the bank focused on improving the structure of its deposit and investment base following the rapid growth of deposit balances across the banking sector in 2020 (partly driven by government aid), which continued at a slower pace in the current reporting period despite record-low interest rates. • A number of actions were undertaken to diversify customer savings, including further reduction of deposit costs and additional support for investment product sales, with more effective communication and education for advisors and customers. • The bank's investment proposition mainly comprised brokerage services and investment funds, including funds managed by the bank's subsidiary Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) as well as selected Polish (11) and foreign funds (3).
<p>➤ Deposits</p>	<ul style="list-style-type: none"> • Having been optimised in 2020, the bank's deposit offering in Q1 2021 became more transparent and included: <ul style="list-style-type: none"> ✓ PLN savings accounts with an interest rate of 0.01%. ✓ Negotiable term deposits for specified groups of Select and Private Banking customers, available depending on the length of relationship with the bank. ✓ The 1% Mobile Deposit – a one-off offer for new customers who used mobile banking, with the maximum deposit amount of PLN 20k. ✓ The 3-Month 1% Deposit up to PLN 20k for customers buying investment products, offered as part of the "Investor deposit" ("Lokata dla Inwestora") campaign, ending in January 2021, and the "Deposit with a fund" ("Lokata z funduszem") campaign, starting in mid-February. • During the first three months of 2021, the interest rates on retail deposits were at their historical lows. • Interest rate reductions continued to cause transfer of funds to personal accounts and investment products, notably open-end investment fund units. The high increase in balances in non-interest bearing personal accounts and the more sustainable growth in savings accounts were accompanied by a further strong decline in term deposits. • As at 31 March 2021, retail deposits went up by 6.4% YoY to PLN 94.6bn. Current account balances were PLN 84.0bn (up 26.5%), with savings account balances growing by 6.0% YoY to PLN 32.4bn, and other personal account balances by 44.0% YoY to PLN 51.7bn. Term deposit balances fell by 53.0% YoY to PLN 10.5bn.

Product line for personal customers	Activities of the Retail Banking Division in Q1 2021 (continued)
<p>➤ Investment funds</p>	<ul style="list-style-type: none"> Total net sales of the funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A. were positive at PLN 1.6bn, placing the company among top market players (no. 2 in Poland). The highest monthly net sales were achieved in February 2021 on the back of continuation of the last year's growth trend helped by attractive yields compared to deposits, a fact regularly communicated to customers. Positive net sales were reported for nearly all asset classes, but short-term debt sub-funds enjoyed the highest popularity. Net sales by Santander TFI S.A. were also more diversified than those of its main competitors, with 38% going to funds other than short-term debt funds and debt funds (48% if conversion transactions are included). Together with Santander Bank Polska S.A., Santander TFI S.A. prepared a special offer for the bank's institutional customers. Based on a fully digital service process, the initiative has already brought the first sales results. The process will be continued throughout 2021. During the first three months of 2021, the company continued promoting its special deals on Santander FIO and Santander Prestiż SFIO funds, as part of which customers could purchase, redeem and convert investment fund units free of charge. In Q1 2021, the company strengthened communication to customers regarding its investment products on offer, releasing new education materials and market situation updates, and organising online meetings. In addition, customers could use the promotional products: "Investor deposit" and (since mid-February) the "Deposit with a fund", with an interest rate of 1% up to deposit amount of PLN 20k. Furthermore, implementation continued of the new fund-based investment advisory service for Private Banking customers launched in Q4 2020. As at 31 March 2021, the total net assets of investment funds managed by Santander TFI S.A. were PLN 17.9bn and increased by 10.9% QoQ and 49.2% YoY as a base effect related to the massive outflow of funds and fall in asset prices across financial markets in March 2020, and due to business recovery in subsequent periods.
<p>➤ Brokerage services</p>	<ul style="list-style-type: none"> Following implementation of the Single Sign On (SSO) mechanism, holders of accounts with Santander Brokerage Poland obtained direct access to the Investor online system from the bank's Santander internet platform (via "Brokerage Account" from the main menu, with no extra logging in required). Those who have no brokerage account yet can open it there in a fully remote process. On 1 March 2021, a shareholders register service was made available to non-public market customers. The new service is now used by 450 companies and their 20k shareholders. The offer includes set-up and maintenance of the register, including electronic and phone services, with online access via a website. In order to expand and diversify the range of structured products, Santander International Products plc was added as a product provider. The bank became a partner in the UNIMOT Club+ loyalty scheme intended for the shareholders of UNIMOT. The purpose of the scheme is to encourage long-term investments in the company's stock. It offers benefits in the form of discounts for the company's selected products and subscriptions for partner stock exchange media.
<p>Bancassurance</p>	<ul style="list-style-type: none"> In Q1 2021, insurance premiums obtained increased by 14.9% compared to Q4 2020 (down 16.8% YoY), including by 18% QoQ for related products, a sign of recovery in this business segment following the slowdown in 2020. The upward trend was continued for non-related products. Income from bancassurance was generated mainly on the basis of 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). New convenient features were made available in the Santander internet channel to facilitate the sales of the Worry-Free Loan (Spokojny Kredyt) and Locum Comfort insurance. As a result, the products are more visible to customers, more intuitive and user-friendly.

SMEs

Product line for SMEs	Activities of the Retail Banking Division in Q1 2021
Business accounts and bundled products	<ul style="list-style-type: none"> In Q1 2021, the bank continued the next edition of the special offer of the Business Account Worth Recommending (Konto Firmowe Godne Polecenia).
Loans	<ul style="list-style-type: none"> To increase customers' satisfaction with products and services, in Q1 2021 the bank: <ul style="list-style-type: none"> ✓ Implemented a range of new features in the internal and external processes for SMEs, including a possibility to exchange documents with the bank via remote channels and to apply for a loan as part of an omnichannel process subject to the satisfaction of certain conditions. ✓ Expanded its product range to include a portfolio guarantee from Polfund. ✓ Introduced a new value-added service in Mini Firma internet – eWadia, i.e. bid bonds (one of the possible forms of a bid security required in a tender process). ✓ Provided customers with a possibility to take out a business loan via a mobile application. ✓ Simplified the de minimis guarantee process. ✓ Prepared a prelimit offer for existing customers of the bank and the leasing company. The value of the SME credit portfolio declined YoY due to deceleration of investments and overliquidity in customers' accounts, which limited the use of overdrafts. Compared to the end of December 2020, SME loans were broadly stable, while the value of the lease portfolio went up. Loan sales in Q1 2021 did not return to the pre-pandemic levels (down 21.7% YoY), but increased by 12.0% QoQ.
Lease	<ul style="list-style-type: none"> In Q1 2021, the product range and remote service processes of Santander Leasing S.A. were further developed: <ul style="list-style-type: none"> ✓ An eInvoice feature was added to the eBOK24 portal, providing customers with 24/7 access to invoices and reducing cyber risk. ✓ Pursuant to the EBA guidelines, in February 2021 companies from the sectors indicated in Moratorium 2.0 were offered a possibility to defer principal payments on their liabilities for three or six months on specific conditions. The application process is fully automated and can be completed via the eBOK24 portal. ✓ Customers who wish to make a claim on their motor insurance were offered a dedicated service subject to certain rules. ✓ In March 2021, a new product for SMEs was launched – microfinance for the purchase of low-value assets for internal purposes. The product is available only in remote channels to customers of Santander Bank Polska S.A. who actively use electronic banking services. The process is fully digital, from application to disbursement of funds. ✓ At the end of Q1 2021, Santander F24 S.A. implemented a new consumer finance process relating to the purchase of vehicles and photovoltaic panels. The process is now in a pilot phase. ✓ There are several new products in the pipeline, such as financing for cars using photovoltaic technology, microfinance (Leasing24) for all customers, lease and loan agreement secured by BFG portfolio guarantee and EIF counter-guarantee (as part of support for customers affected by Covid-19). In Q1 2021, Santander Leasing S.A. financed fixed assets of PLN 1,579.0m, up 33.0% YoY, mainly driven by dynamic sales in the vehicles, and machinery and equipment segments.

1.2. Business and Corporate Banking Division

The Business and Corporate Banking Division provides services to businesses and corporations (with turnover from PLN 8m to PLN 1.2bn), local authorities and public sector entities through the Business Customer Department and Corporate Customer Department, which include six Banking Centres (three Business Banking Centres and three Corporate Banking Centres) made up of 29 Offices. It also provides services to customers of other banks and financial institutions under agreements with those institutions.

Main development directions

The strategic goal of the Business and Corporate Banking Division is to become the best business bank and one of the top three banks in Poland in terms of market share. The bank strives to ensure best-in-class customer experience by investing in new CRM and processing platforms. Its ambition is to become both the bank of choice and the employer of choice.

This strategic goal is measured using a range of indicators which cover all stakeholder groups. The market position is assessed on the basis of NPS as well as employee engagement and motivation.

The priorities of the Business and Corporate Banking Division for 2021 have been set in accordance with its strategy and observations and lessons learned from the last year.

NPS	Lending	AAA
<ul style="list-style-type: none"> Customer contact policy 	<ul style="list-style-type: none"> New production and reduction of attrition 	<ul style="list-style-type: none"> Acquisition Activation Attrition

Direction	Activities of the Business and Corporate Banking Division in Q1 2021
Business trends	<ul style="list-style-type: none"> Strong business growth in Q1 2021: <ul style="list-style-type: none"> ✓ Increase in revenues from trade finance, lease and cash management fees. ✓ Sound sales performance, notably in terms of trade finance (+29% YoY), factoring (+22 YoY) and lease (+9% YoY).
Helping businesses prosper	<ul style="list-style-type: none"> Financing investments made by One Core and Premium customers. 1st place in terms of sale of loans with Biznesmax guarantees from BGK. 3rd place in terms of the value of subsidies in the form of technology bonuses supported by a letter of promise of a loan for technological innovations from Santander Bank Polska S.A. (an option available to SMEs applying for BGK subsidies under the EU Smart Growth Operational Programme, Sub-measure 3.2.2 Loan for technological innovation). The application process started on June 2020 and ended on 5 January 2021. Continuation of development projects (e.g. digitalisation) which are key to ensuring customer excellence. Development of customer centricity through: quality of customer contact and customer service, iBiznes24, simplification of the credit process, procedures, product range and the language of communication with customers. Conducting regular Net Promoter Score (NPS) surveys to gain customer feedback and use it to enhance experience of customers transacting with Business and Corporate Banking. Significant improvement of NPS thanks to customer-focused projects.
Cross-segment activities	<ul style="list-style-type: none"> Webinars on the furniture market (in cooperation with Treasury) and the cosmetics market (in partnership with Trade). Biweekly sector reports on various industries (including agri, e-commerce, automotive, cosmetics, bakery, furniture) and customer surveys combined with the report (automotive), providing latest information. PR activities – presence in traditional media (press releases about the latest developments in different sectors), social media (LinkedIn, Twitter) and online (wnp.pl). Educational support through sector reviews combined with webinars, where bankers and credit partners receive guidance regarding various sectors (automotive, bakery, agri).

Direction	Activities of the Business and Corporate Banking Division in Q1 2021 (continued)
<p>Focus on development of platforms and processes</p>	<ul style="list-style-type: none"> • Launch of an electronic banking helpline for users of Salesforce (a CRM solution). Support for non-credit instructions from all operating units available via a single tool. • Activities which help improve NPS: <ul style="list-style-type: none"> ✓ Start of periodic customer surveys on FCR (First Contact Resolution) and satisfaction with services relating to non-credit instructions. ✓ Implementation of customer contact standards with respect to non-credit instructions. • Encouraging customers to make more operations via the self-service module in iBiznes24 electronic banking. • Launch of an upgraded iBiznes24 electronic banking platform for 61 customers (176 users) in 2021. • Introduction of new features in iBiznes24 (progress bars, payroll transfers). • Implementation of eRequest for PFR 2.0 subsidy in iBiznes24.
<p>Support for foreign expansion of Polish businesses</p>	<ul style="list-style-type: none"> • In Q1 2021, the International Banking and Development Office organised or co-organised the following events: <ul style="list-style-type: none"> ✓ Go Poland (January) – a webinar organised in partnership with the Polish Portuguese Chamber of Commerce and Polish Investment and Trade Agency (PAIH) to promote Poland among Portuguese companies, present legal and tax aspects of investing in Poland and facilitate networking between Polish and Portuguese companies; ✓ Meet the Expert Event (January, February) – a series of meetings organised in cooperation with the British Polish Chamber of Commerce, with the participation of experts from Santander Bank Polska S.A. and Santander UK – to present the consequences of Brexit and its impact on business; ✓ “Food and Drink” – a virtual trade mission arranged in partnership with the British Embassy for over 15 UK manufacturers looking to establish relationships with Polish companies; ✓ “Vamos a Chile” – a webinar held in March in cooperation with the Polish Latin American Business Council, Ministry of Foreign Affairs, Ministry of Economic Development, Labour and Technology, National Chamber of Commerce (KIG), Regional Pomeranian Chamber of Commerce (RIGP) and PAIH to promote Chile among Polish companies and present business opportunities of that country. • The representatives of the bank participated in the following events: <ul style="list-style-type: none"> ✓ “VIP Sustainability Knowledge Circle” (March) and “VIP Agriculture Knowledge Circle” (March) – meetings with Dutch and Polish companies organised by the Dutch Polish Chamber of Commerce to give an overview of the initiatives undertaken under the Green Deal in Poland along with the presentation “Future of supply and demand for proteins: strategies and objectives of growing high-protein vegetables for food and fodder”. ✓ “Global Food Forum” (March) – an event organised by Santander UK to present the Polish F&D market.
<p>Cooperation with the Treasury Services Department</p>	<ul style="list-style-type: none"> • Return to stable business growth decelerated by new restrictions connected with the Covid-19 pandemic. Volatility in the FX market caused by an increased uncertainty, contributing to higher trading among customers. • Diversification of performance of individual business lines and subsegments. • Good results in terms of IR effectiveness, growing base of customers using investment lines, increasing FX volumes following the weak performance at the start of the year. • Continuation of measures aimed to activate and acquire global customers.
<p>Factoring business</p>	<ul style="list-style-type: none"> • In Q1 2021, the receivables purchased by Santander Factoring Sp. z o.o. increased by 8.7% YoY to PLN 8.1bn, which gave the company the fourth position in the ranking of members of the Polish Association of Factoring Companies, with a market share of 10.1%. • The value of the company's credit portfolio grew by 9.1% YoY to PLN 6.5bn as at 31 March 2021.

1.3. Corporate and Investment Banking Division

The Corporate and Investment Banking (CIB) Division provides end-to-end services to its customer base, which included nearly 250 of the largest companies and groups in Poland as at 31 March 2021. It also renders services to customers within the integrated international Corporate and Investment Banking structures of Santander Group and cooperates with Group units in terms of transactions in debt securities.

Main directions

- In accordance with the bank's purpose, which is to help people and businesses prosper, the Corporate and Investment Banking Division focuses on development in the following three areas:

Service Quality	Market Position	Staff Development
<ul style="list-style-type: none"> Continuous improvement of service quality through customisation, digitalisation and diversification of the product range. 	<ul style="list-style-type: none"> Strengthening the bank's market position through a range of activities ensuring top ranking positions of its strategic products and services. 	<ul style="list-style-type: none"> Pursuing professional careers in accordance with the Group's values, taking advantage of experience-sharing opportunities in an international work environment.

Key achievements of Corporate and Investment Banking

In Q1 2021, the CIB Division strengthened its market position and was ranked:

- First in the CEE M&A market (excluding Russia).
- First in Poland's M&A advisory market in terms of the volume of transactions.
- First in Poland's equity capital market in terms of the value of public tender offers (ECA).
- Third in terms of equity research according to the ranking by the *Parkiet* daily.

Selected deals closed by the CIB Division in Q1 2021:

- Acting as an intermediary in tender offers for shares of a leading company from the renewable energy sector and a company from the food and agri sector.
- Advisory services for the sellers of shares in companies from the telecommunications infrastructure sector (PLN 7.1bn) and the housing development sector (PLN 1.5bn).
- Advisory services for the buyer of shares in a company from the food and agri sector.

Support for the Poland's energy transition through green transactions, including:

- Acting as an intermediary and a lender in a tender offer for shares of a leading company from the Polish renewable energy sector.
- Participation in syndicated lending of PLN 500m for a wind and solar power plants project.

Participation in the programmes aimed to contain the economic impact of the Covid-19 pandemic:

- Participation in the state aid programme through the purchase and distribution of bonds issued under the Covid-19 Response Fund.
- Since the start of the programme, the bank has concluded 17 lending agreements and 6 supply chain finance agreements for the total amount of PLN 1,281m. They are secured by BGK guarantees of PLN 895m.
- In Q1 2021, four supply chain finance transactions of PLN 690m were concluded, with BGK guarantees of PLN 462m. Further to this, the bank finalised five lending transactions of PLN 335m, secured by BGK guarantees of PLN 228m.

Performance of selected areas

The table below presents the activities of individual units of the CIB Division in Q1 2021.

Unit	Key activities in Q1 2021
Credit Markets Department	<ul style="list-style-type: none"> • Funding (loans and corporate bond issues) towards investments of CIB customers provided by the Department single-handedly and in cooperation with other units. • Execution of deals in the sectors which are relatively resilient to the crisis (such as renewable energy), notably as part of project finance and syndicated lending, including: <ul style="list-style-type: none"> ✓ Participation in syndicated lending of PLN 500m for a wind and solar power plants project. ✓ Syndicated lending for customers from the energy, manufacturing and distribution, logistic property and IT sectors. • Completion of bond issues, including: <ul style="list-style-type: none"> ✓ Acting as a joint bookrunner in relation to the issue of PLN 1bn worth of euro bonds for an international financial institution. ✓ Acting as a coordinator and a joint bookrunner in relation to the first issue of bonds of PLN 150m for a lease company. ✓ Bond issues for financial sector entities totalling around PLN 1.8bn. • Active engagement in large-volume underwriting transactions in the TMT sector (to be finalised in Q2 and Q3 2021) despite the generally low number of transactions concluded in the bank debt market in Q1 2021 due to the Covid-19 pandemic. • Receipt of an advisory mandate with respect to transactions in the renewable energy sector.
Capital Markets Department	<ul style="list-style-type: none"> • Securing the position of the best M&A advisor in the CEE (excluding Russia) in terms of the volume of transactions and the best ECM advisor in Poland in terms of the value of tender offers. Major transactions included: <ul style="list-style-type: none"> ✓ Advisory services for the acquirer of an operator and owner of telecommunications towers in the largest M&A transaction in Poland in Q1 2021 totalling PLN 7.1bn. ✓ Advisory services for a company from the construction and assembly sector regarding the sale of its subsidiary (one of the largest housing development companies in Poland) for PLN 1.5bn. ✓ Acting as an intermediary and a lender in PLN 653m worth of tender offer for shares of a leading company from the Polish renewable energy sector (the largest transaction of this kind concluded in Q1 2021). ✓ Advisory services for a Dutch company from the food and agri sector and intermediation in PLN 510m worth of tender offer for shares of a manufacturer of vegetable fats. ✓ Advisory services for a US company from the food sector in relation to the acquisition of a Slovakian food manufacturer – the first M&A transaction executed by Santander Bank Polska S.A. abroad as part of the CEE Coverage initiative aimed to support Banco Santander customers which are active in the CEE region. • Growing popularity of M&A and ECM transactions among customers looking to gain access to capital in the global markets and leverage economic trends in response to Covid-19 risks.

Unit	Key activities in Q1 2021 (continued)
Global Transactional Banking Department	<ul style="list-style-type: none"> • Business trends in transactional banking: <ul style="list-style-type: none"> ✓ Term deposits volume remaining at a historically low level due to an outflow of funds and the lack of new transactions versus a fairly stable balance of current accounts with a potential to decrease. No unpredicted fluctuations in current accounts as CIB customers generally do not use state aid. ✓ Implementation of preventive measures to limit any unpredicted high deposit balances of a very short-term nature which are not connected with operations of CIB customers. ✓ Businesses looking for optimisation of costs of banking services during the pandemic as indicated by the number of active and new tender offers. • Business trends in trade finance: <ul style="list-style-type: none"> ✓ Relatively stable use of supply chain finance (a volume increase in March). ✓ Focus on supply chain finance with a confirmed mandate, mainly with respect to global receivables finance products. ✓ Very strong market pressure on prices of short-term low-risk assets (e.g. factoring/ confirming programmes). ✓ Steady growth of export finance. ✓ Increased popularity of trade finance transactions based on the risk of financial institutions (IFI Trade). Significant share of transactions secured by KUKI. • Business trends in other areas: <ul style="list-style-type: none"> ✓ Relatively low drawdown of credit limits in Q1 2021, indicating a good liquidity position of CIB customers. ✓ Active management of credit exposure risk, including several financing transactions secured with BGK guarantees under a state aid programme and arrangements made with the Polish Development Fund (PFR) as regards funding under a support programme for large corporates. ✓ Growing popularity of bank guarantees, mainly among customers from the energy and construction sectors.
Financial Markets Area	<ul style="list-style-type: none"> • Focus on process effectiveness, automation, digitalisation, new technologies and innovations, ecosystems and 24/7 access in accordance with the strategy in place. • Main initiatives designed to increase process effectiveness, automation and digitalisation: <ul style="list-style-type: none"> ✓ Continuous development of the Kantor Santander currency exchange platform to provide unparalleled customer experience (in Q1 2021, a new version of the platform was launched for retail customers). ✓ Implementation of tools based on the credit workflow for treasury transactions (FX limit). ✓ Introduction of new solutions to support management of currency risk (Window Forward). • Main activities in the equity research area: <ul style="list-style-type: none"> ✓ Third position of the Stock Market Analysis Team of Santander Brokerage Poland in an annual ranking of stock market analysts organised by <i>Parkiet</i> daily. ✓ Publication of several dozen recommendations with regard to CEE listed companies. ✓ Enabling institutional investors' participation in a number of conferences (e.g. XXVII Santander Iberian Conference). ✓ Partnership with Santander Group units to launch a new single-platform portal for the bank's analytical products, providing business customers with access to products of all regions in which Santander Group operates. • Business trends observed: <ul style="list-style-type: none"> ✓ A considerable decrease in the volume of FX transactions in January and February caused by restrictions imposed in connection with another wave of the Covid-19 pandemic. Increased volatility of the financial markets combined with PLN depreciation, resulting in a significant growth in the volume of FX transactions in March. ✓ Participation in the state aid programme through the purchase and distribution of bonds issued under the Covid-19 Response Fund. ✓ Distribution of eurobonds for an international financial institution.

2. Business Development of Santander Consumer Bank Group

Strategic priorities

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

Priority	Goal
Customer focus	<ul style="list-style-type: none"> To strengthen relationships with customers and increase their satisfaction
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
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)
Data management expert	<ul style="list-style-type: none"> To improve the bank's technological and data management capabilities
Employer of choice	<ul style="list-style-type: none"> To develop talents and corporate culture, and attract highly-qualified staff

Key business development directions

In Q1 2021, Santander Consumer Bank Group focused on:

- Stable growth of loans and leases financing new and used cars, ensuring balance between the scale and profitability of business;
- Maintaining the leadership position in the hire purchase market, with a stable share in traditional sales and a growing share in online sales, as well as identifying new sales growth opportunities and maintaining the profitability of collaboration with trade partners;
- Acquisition of customers based on installment loans and credit cards, and leveraging cross-selling and up-selling opportunities;
- Implementation of agile way of working and change of the organisational structure by setting up units with comprehensive skills and expertise (centres of excellence) to deliver development projects relating to products, processes and technology.

Development of selected business areas

Area	Business development of Santander Consumer Bank Group in Q1 2021
Lending	<ul style="list-style-type: none"> As at 31 March 2021, net loans and advances granted by SCB Group amounted to PLN 15.3bn and were 4.0% lower YoY due to deceleration of consumer loan sales and stabilisation of car loan balances. The pandemic-related restrictions and subdued consumer sentiment adversely affected sales of cash loans and credit cards in the traditional channel. The growth of the credit card portfolio was additionally decelerated by limitation or discontinuation of sales of co-branded cards. Hire purchase decreased each time shops such as retail parks, furniture and DIY stores were closed because of the pandemic. Meanwhile, the lease portfolio continued to grow owing to the distribution of finance products for business customers, the main buyers of new vehicles for the time being.
Deposits	<ul style="list-style-type: none"> As at 31 March 2021, deposits from customers of SCB Group totalled PLN 8.9bn and decreased by 6.4% YoY. In Q1 2021, the structure of deposit sales changed considerably, with a growing importance of savings accounts in acquisition of customer deposits, supported by an attractive interest rate on new funds, and the transfer of money from term deposits to current and savings accounts in line with the prevailing market trend.
Issue of securities	<ul style="list-style-type: none"> In Q1 2021, the debt securities issue agreement of SCB S.A. was joined by Santander Consumer Multirent Sp. z o.o. as a co-issuer. In March 2021, the bank finalised the issue of 2-year bonds of PLN 100m. The transaction was effectively settled in early April 2021. The securities will replace the bonds expired in March 2021.
Debt sale	<ul style="list-style-type: none"> In March 2021, Santander Consumer Bank S.A. sold the written-off portfolio of cash loans and instalment loans of PLN 208.2m, with a P&L impact of PLN 34.6m gross (PLN 28.1m net).
Network, risk and personnel management	<ul style="list-style-type: none"> To improve operational efficiency and increase access to products and services offered by the bank, its subsidiaries and partners, changes were introduced to the business model of retail and partnership network by outsourcing a range of tasks to third parties. The bank completed the transformation of own branches into partner outlets to optimise the cost structure. At the end of February, 32 own branches were integrated with the network of partner outlets, increasing their total number to 274. Due to the Covid-19 pandemic and its possible scenarios for the coming months, the bank focused on present risks related to remote working, including cyber risk. Various issues were analysed: information processing outside the bank, health and safety at work, business continuity plans, etc. The bank intends to develop solutions to ensure smooth and effective implementation of the hybrid work model (combining remote and in-office working) after the end of the pandemic.

3. Management of the Covid-19 Situation

Work model and support measures in Q1 2021

Due to the continuing sanitary and epidemic situation, the bank's Management Board decided that employees of the Business Support Centre would work from home until the end of summer holidays. To ensure that they have appropriate conditions to continue effective and uninterrupted teleworking, the bank purchased and replaced another set of laptops. Meanwhile, measures were taken to prepare the organisation for implementation of a hybrid work model combining remote and in-office working. The launch of the target work model depends on the development of the situation in Poland.

The bank ensured safety for branch banking employees and customers through the following ongoing processes, among other things:

- supply of protective equipment to branches;
- disinfection of branches and their ATMs;
- reporting on availability of branches and presentation of relevant information online, including in social media and on a dedicated website: www.santander.pl/koronawirus;
- updates provided to customer advisors about changes to the organisation of work during the pandemic as part of coordinated communications with the sales network (ensuring, among others, prompt response to the needs reported by employees and a dedicated website with key information for branch staff).

As part of measures taken to support the liquidity of customers, the bank focused on management of the already implemented solutions and on process automation and streamlining. This included:

- EBA moratoria enabling deferral of principal or principal and interest payments for three or six months in relation to loans granted on or after 18 January 2021 – design of bots to support the above solutions provided to SME customers;
- Shield 4.0 – introduction of a zero interest rate on credit accounts and suspension of loan payments;
- PFR Shield 1.0 (subsidies from the Polish Development Fund):
 - ✓ reporting and handling of complaints and powers of attorney;
 - ✓ preparation for automation of settlement and cancellation of subsidies, posting of repayments, monitoring and reporting.
- PFR Shield 2.0 available to customers until 28 February 2021 – adjustment of existing tools to support new subsidies.

Risk management

The Group regularly monitors the Covid-19 situation. Due to the dynamic changes, it responds to new developments as they occur, taking appropriate decisions and actions to limit all risks to employees and customers. It takes preventive measures on an ongoing basis, including awareness-raising campaigns targeted at customers and employees to increase the vigilance of both groups in terms of cyber security. It also closely monitors the areas exposed to fraud risk. All those actions allow the Group 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 the credit portfolios, with a particular focus on exposures subject to aid measures. To that end, the management information system was extended. Furthermore, models used in the lending process were upgraded: stress tests performed to assess the liquidity gap of borrowers (based on the current information) were revised and credit ratings were updated 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 Q1 2021, the Group closely monitored the economic effect of another wave of the coronavirus pandemic, and adjusted its lending policy accordingly. Whereas lockdown was the main risk factor during the first wave of the pandemic in 2020, the present risks include a decrease in the demand following the rebound, an increase in unemployment, change of the demand structure, continuation of the Covid-19 pandemic and expiry of aid solutions used by customers (such as end of the grace period of subsidies received from the Polish Development Fund and its impact on the financial standing of companies).

As part of the state support measures provided to business customers, the Group implemented a non-legislative moratorium, which was valid until the end of March 2021. The Group actively supports corporate credit customers from the industries which have been worst hit by the Covid-19 crisis (e.g. the hotel sector). They are offered solutions to increase their liquidity, such as changes to their repayment schedules (as part of moratoria or not), financing secured by BGK liquidity guarantees and support in application for PFR subsidies. Personal customers may temporarily suspend their loan agreements under the Anti-Crisis Shield 4.0.

While taking 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.

At the beginning of 2021, the Group implemented a new definition of default set out in the guidelines of the European Banking Authority, which introduced a common standard for the entire banking sector. The definition of default has been harmonised and is now applied consistently, both in relation to a debtor and a type of exposure.

IV. Organisational and Infrastructure Development

1. Human Resources

Employment

As at 31 March 2021, the number of FTEs in Santander Bank Polska Group was 12,063 vs. 12,616 as at 31 December 2020. These headcount figures include 9,895 FTEs of Santander Bank Polska S.A. (10,170 as at 31 December 2020) and 1,716 FTEs of Santander Consumer Bank Group (1,976 as at 31 December 2020).

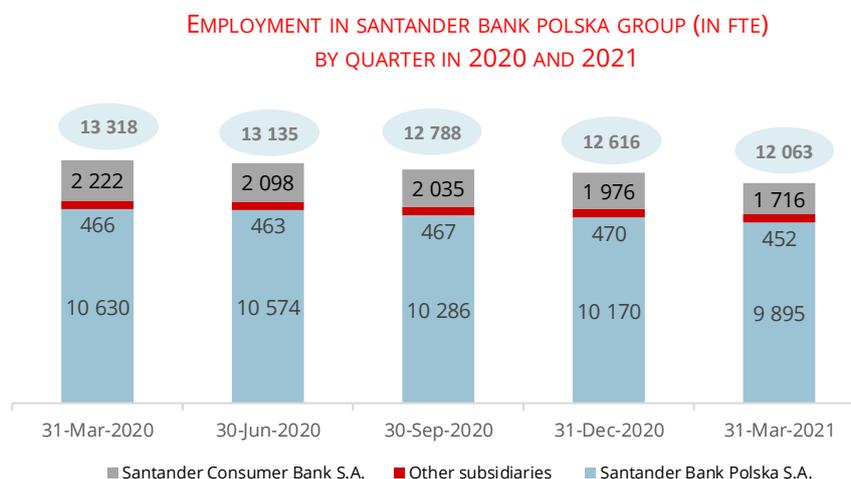
The 4.4% decrease in the total employment of Santander Bank Polska Group during the first three months of 2021 reflects the ongoing transformation of the Group's business model through digitalisation, optimisation of branch network, dynamic migration of sales and services related to financial products to remote distribution channels and steady implementation of technological and organisational solutions increasing operational efficiency of the organisation. The objective is to allocate the maximum resources to strengthen customer relationships, grow business and build competencies in accordance with the target profile.

The HR processes take into account the present business needs and market conditions, such as economic slowdown and other macroeconomic effects of the pandemic. They are based on natural employee attrition and collective redundancies. In the reporting period, the collective redundancies were carried out both at Santander Bank Polska S.A. and Santander Consumer Bank S.A., and contributed to the reduction of headcount by 275 and 260 FTEs, respectively.

The collective redundancy process at Santander Consumer Bank S.A. was started in Q2 2020 to cover around 430 people by mid-2021. The similar process was launched at Santander Bank Polska S.A. pursuant to the Management Board resolution of 29 October 2020. It will cover up to two thousand employees of the bank's head office and distribution network and will be completed by 31 December 2022.

Santander Bank Polska S.A. prepared a comprehensive support programme for employees to be made redundant (reStart), which is focused on re-employment assistance and skills development. The outplacement programme and counselling support is available on a dedicated intranet site.

EMPLOYMENT OF SANTANDER BANK POLSKA GROUP



Remuneration policy

The Management Board of Santander Bank Polska S.A. did not pay an annual bonus to employees for 2020, as the underlying criteria had not been met. It decided, however, to launch the discretionary awards programme for top performers to:

- recognise the employees who contributed most to rebuilding the bank's value;
- appreciate the exceptional engagement in ensuring business and operational continuity of the organisation;
- reward the employees who actively engaged in development and delivery of strategic projects and initiatives.

The awards were paid in March 2021 in accordance with the Remuneration Policy of Santander Bank Polska Group.

Selected HR initiatives

- As part of strategic activities aimed to enhance employee experience, in Q1 2021 the bank identified the key areas for improvement on the basis of surveys and analyses.
- A talent management strategy was formulated in line with an employee lifecycle. It will be implemented in 2021 in the remote channels. The activities, initiatives and training envisaged in the strategy are closely related to individual stages of the employee experience, from employer branding initiatives targeted at prospective employees, to development, assessment and retention of talents, to employee exit from the organisation.
- A range of improvements were implemented in the reporting period thanks to digitalisation of processes and increased access to online HR data in accordance with the idea of a paperless bank. Work is underway to implement an advanced HR system – Workday.
- During the pandemic, HR activities focused on ensuring a safe and hygienic working environment and adjusting the tools and skills of employees and managers to the new normal, while promoting cooperation and strengthening relationships under the remote work culture. Alongside this, measures were taken to prepare for the launch of the target hybrid work model: the organisation of work was agreed, the HR policies were revised and the working environment was changed in accordance with the new model.
- The bank implemented initiatives and tools as part of #theSantanderWay corporate culture based on the Simple | Personal | Fair values to foster the culture of recognition and positive feedback.

2. Changes in the Equity Investments

Transaction concerning Aviva Group companies from the portfolio of investment financial assets and the portfolio of investments in associates

In relation to Aviva Group's intention to exit the Polish market through the sale of its companies to Allianz Holding eins GmbH ("Allianz"), on 25 March 2021 the Management Board of Santander Bank Polska S.A. approved a transaction providing for:

- 1) execution of a share purchase agreement with Allianz regarding the sale by the bank of:
 - a) 4,125 shares in Aviva Towarzystwo Ubezpieczeń na Życie S.A., representing approx. 10% of the company's share capital;
 - b) 2,968 shares in Aviva Towarzystwo Ubezpieczeń Ogólnych S.A., representing approx. 10% of the company's share capital;
 for the total price of EUR 243m (subject to adjustments set out in the share purchase agreement);
- 2) execution of a share purchase agreement with Aviva Towarzystwo Ubezpieczeń na Życie S.A. regarding the sale by the bank of 1,370 shares in Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A., representing approx. 10% of the company's share capital, for EUR 14m (subject to adjustments set out in the share purchase agreement);
- 3) execution of a memorandum of understanding with Aviva International Holdings Limited, Aviva International Insurance Limited, Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A. to terminate the cooperation agreements between the bank and Aviva International Holdings Limited relating to Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A., effective as of the completion of the foregoing transaction. Concurrently, the bank will execute shareholder agreements with Allianz, which will be a new partner of the bank in Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A. as an entity holding approx. 51% of the share capital of each of the companies and a party to bancassurance agreements.

On 26 March 2021, Santander Bank Polska S.A. signed the share purchase agreements relating to the shares held by the bank in the companies referred to in point 1) and undertook to execute the agreements/ memorandums of understanding indicated in point 2) and 3).

The transaction is subject to the consent of relevant bodies as required by law, including the decision of the KNF and the European Commission, and fulfillment of other terms and conditions defined in the transaction documents. The transaction is assumed to be completed within 12 months.

Furthermore, the bank is entitled to an additional payment of EUR 10m after closing the transaction.

3. Distribution Channels

Development of Distribution Channels of Santander Bank Polska S.A.

Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	31.03.2021	31.12.2020	31.03.2020
Branches (location)	434	456	490
Off-site Locations	2	2	2
Santander Zones (acquisition stands)	10	10	9
Partner Outlets	139	138	132
Business and Corporate Banking Centres	6	19	19
ATMs and CDMs (unifunctional) ¹⁾	717	731	762
Dual Function Machines	921	930	935
Registered internet and mobile banking customers ²⁾ (in thousand)	4 249	4 179	3 988
Digital (active) internet and mobile banking customers ³⁾ (in thousand)	2 812	2 757	2 607
Digital (active) mobile banking customers ⁴⁾ (in thousands)	1 912	1 865	1 647
Registered iBiznes24 companies ⁵⁾ (in thousand)	23	21	19

1) The number of devices as at 31 March 2020 included two single-function CDMs.

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

3) The number of active internet and mobile banking users (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.

4) The number of active mobile banking users 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.

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

Traditional distribution channels

As at 31 March 2021, Santander Bank Polska S.A. had 434 branches, 2 off-site locations, 10 Santander Zones and 139 partner outlets. In Q1, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 22, and the number of partner outlets increased by 1.

Apart from branches and partner outlets, Santander Bank Polska S.A. also used indirect distribution channels. In Q1 2021, the external network employed 360 people on average per month. The bank used the services of agents to offer cash loans, mortgage loans, SME loans, loan insurance, personal and business accounts, and leasing facilities.

As part of the Private Banking model, customers were served by 59 Private Bankers based in 27 outlets across Poland (4 Private Banking Centres and 23 other locations).

ATMs

In Q1 2021, the bank started optimisation of ATMs located outside branches. As part of the process, unprofitable ATMs will be shut.

The bank's network of self-service devices was ranked second in the Polish banking sector in terms of the number of ATMs and CDMs (according to the data at the end of 2020). As at 31 March 2021, it comprised 1,638 units, including 717 ATMs and 921 dual function machines (427 recyclers).

Remote channels

In the reporting period, the bank continued to improve the functionality and capacity of digital contact channels in line with its long-term strategy which is to increase the share of such channels in customer acquisition and sales. Most importantly, the bank was adapting to how customers choose to carry out their banking, taking account of external trends and developments promoting remote communication and services. The changes were intended to improve the user-friendliness of existing features and add new ones, while enhancing security of operations.

Electronic channel	Selected solutions and improvements introduced in Q1 2021
Development of digital acquisition and sales	<ul style="list-style-type: none"> Pilot of an innovative service: execution of agreements with new customers using a biometric tablet by courier mode.
Online banking	<ul style="list-style-type: none"> A possibility for users of Mini Firma, Moja Firma plus and iBiznes24 to apply for a subsidy under PFR Financial Shield 2.0. Implementation (1 February 2021) of a request for the 500+ child benefit for the next settlement period. Launch (20 February 2021) of an upgraded version of Santander internet including: <ul style="list-style-type: none"> ✓ new layout of requests for a business account for sole traders and for a salary transfer; ✓ a possibility to make a claim on an insurance policy; ✓ a new "Brokerage account" tab (customers can go from their internet banking account to the Investor online service without the need to log in again); ✓ changes in a tax transfer form (tax office locator). Implementation of a solution to facilitate giving or withdrawing consent for direct marketing in internet banking.
Santander mobile	<ul style="list-style-type: none"> Launch (3 March 2021) of an upgraded version of Santander mobile application (6.7), providing an option to order payments from accounts with other banks and featuring a new home screen for customers without a registered device.
Santander.pl	<ul style="list-style-type: none"> Revamp of Santander TFI website (migration of pages, transfer to the bank's domain, implementation of UX best practice, design suitable for large-size screens). Launch of a new Investor Relations page (easier-to-navigate layout and presentation of content and documents).
Multichannel Communication Centre	<ul style="list-style-type: none"> A YoY increase in the number of calls in Q1 2021 (notably video and audio), indicative of a change in customers' preferences towards remote channels.

CRM solutions

Below are the main customer relationship management (CRM) solutions implemented in Q1 2021:

- Implementation of a two-way SMS gateway enabling the bank to send text messages and receive replies from customers. The gateway is designed to collect marketing consents, update phone and address data, generate sales leads for helpline staff and conduct customer preference and NPS surveys.
- At the beginning of the year, the bank ran the first campaign using native advertising in the mobile application (integrated with CRM environment), preceded by changes in the content server system.
- Based on the signals from the source systems, new real-time activities were put in place to support delivery of the bank's business objectives.

Development of Distribution Channels of Santander Consumer Bank S.A.

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

Basic Statistics on Distribution Channels

Santander Consumer Bank S.A.	31.03.2021	31.12.2020	31.03.2020
Branches	61	94	139
Partner Outlets	274	242	195
Auto Loan lending Partners	836	754	695
Installment Loan Lending Partners	6 915	7 113	7 057
Registered internet and mobile banking customers ¹⁾ (in thousand)	1 202	1 269	1 287
Digital (active) internet and mobile banking customers ²⁾ (in thousand)	184	177	140
Digital (active) mobile banking customers ³⁾ (in thousand)	109	102	39

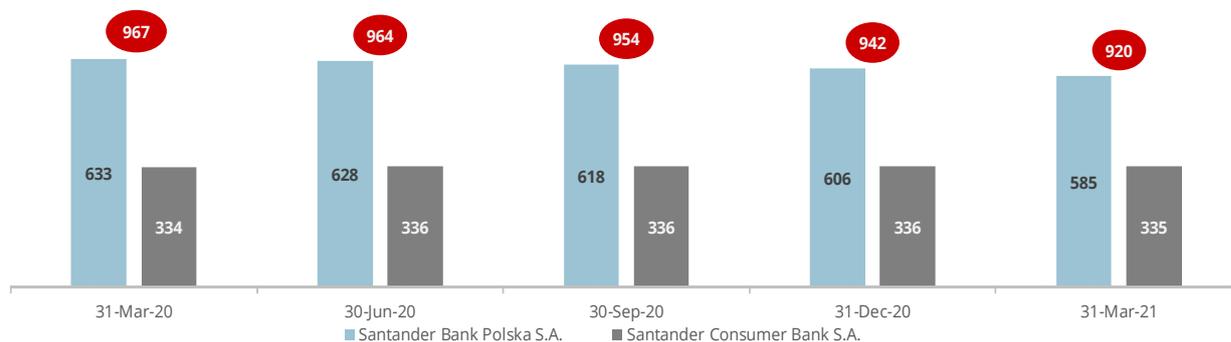
1) Customers who signed an agreement with Santander Consumer Bank S.A. and at least once used the bank's electronic banking system in the reporting period.

2) The number of active internet and mobile banking users (digital customers) who at least once logged 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 mobile banking users 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.

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

NUMBER OF BRANCHES AND PARTNER OUTLETS OF SANTANDER BANK POLSKA S.A. AND SANTANDER CONSUMER BANK S.A.
BY QUARTER IN 2020 AND 2021



4. Digital Transformation of Santander Bank Polska Group

Initiative	Status of delivery of the selected key projects in Q1 2021
Improvement of availability, reliability and performance of the bank's systems	<ul style="list-style-type: none"> The bank finalised development of a high-availability and high-capacity authorisation system and migrated all applications from the existing solution.
Participation in global optimisation initiatives of Santander Group	<ul style="list-style-type: none"> As a member of Santander Group, the bank participates in the following global projects: <ul style="list-style-type: none"> ✓ RPA Center of Excellence for One Europe – launch of a pilot of a common RPA platform. ✓ Mass payments (Electronic Identification of Receivables) – adjustment of the service for a mobile operator, new agreements with business customers for mass and Connectivity services. ✓ PAYHUBPL – technological implementation of payments API as part of GTS (Global Trade Services).
Enhancement of security of the bank's systems	<ul style="list-style-type: none"> The bank implemented SAS Fraud Management, a system which enables 24/7/365 monitoring of online transactions in real time and automatic monitoring of transactions in remote channels. Another group of customers were provided with access to the CyberRescue service to support safe use of the internet. In the months to come, the service will be further developed and its scope will be extended.
Automation and optimisation of operational processes	<ul style="list-style-type: none"> The Smart Loans application supporting loan sales for SMEs was implemented in the Santander mobile channel. The mobile and electronic banking modules were extended to include a new remote process for personal customers: credit card limit increase. The PROROK platform was further developed to support the sale and post-sale of daily banking products, including introduction of new solutions for various customer segments. The product offering of the Multichannel Communication Centre and partner outlets was expanded to include the Life and Health ("Życie i zdrowie") insurance, as part of the programme aimed to design modern insurance processes based on a new architecture in individual distribution channels. As part of development of the Analytical Cluster, a solution dedicated to Big Data projects was implemented to address the needs of analysts and enable development of models predicting customer behaviours. The bank continued to develop Salesforce – a cloud-based CRM solution for corporate customers. The communication process was improved and risk was mitigated through the monitoring of cases, control and measurement of lead time. Work was started to integrate trade finance processes and products with Salesforce workflow. A bot was launched to support preparation of agreements and documents related to mortgage loans (the turnaround time was reduced from 18 to 11 minutes). The bank completed another stage of the project aimed to automate parameterisation of non-standard fees and charges collected from corporate customers (robotisation of fees for electronic banking services and foreign transfers). A pilot of self-service coin deposit machines was started in two branches. A robotic process was designed to support record-keeping with respect to future collateral provided by corporate customers. Work was started to develop a new post-sale model for retail customers as part of 4P strategic programme.

V. Financial Performance after Q1 2021

1. Income Statement

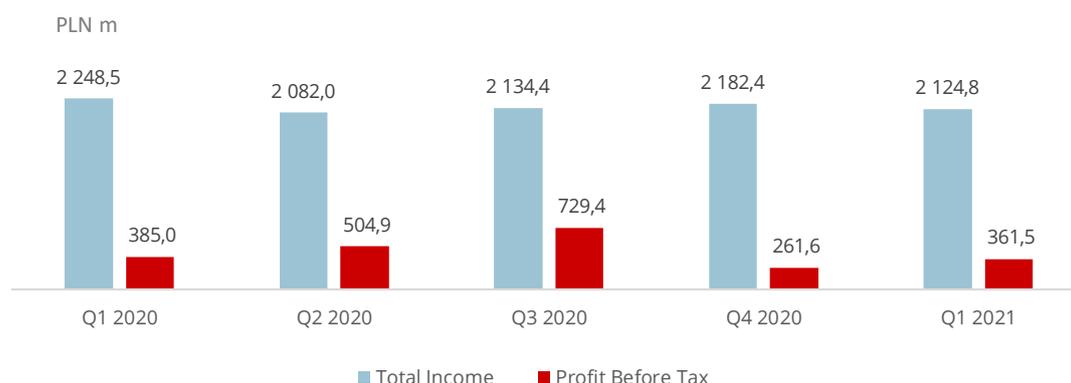
Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1 2021	Q1 2020	YoY Change
Total income	2 124,8	2 248,5	-5,5%
- Net interest income	1 377,0	1 636,3	-15,8%
- Net fee & commission income	611,3	538,2	13,6%
- Other income ¹⁾	136,5	74,0	84,5%
Total costs	(1 266,6)	(1 265,3)	0,1%
- Staff, general and administrative expenses	(871,9)	(1 021,7)	-14,7%
- Depreciation/amortisation ²⁾	(147,9)	(152,3)	-2,9%
- Other operating expenses	(246,8)	(91,3)	170,3%
Impairment allowances for expected credit losses	(363,1)	(466,3)	-22,1%
Profit/loss attributable to the entities accounted for using the equity method	19,4	16,7	16,2%
Tax on financial institutions	(153,0)	(148,6)	3,0%
Consolidated profit before tax	361,5	385,0	-6,1%
Tax charges	(168,6)	(152,1)	10,8%
Net profit for the period	192,9	232,9	-17,2%
- Net profit attributable to Santander Bank Polska shareholders	151,8	170,9	-11,2%
- Net profit attributable to non-controlling shareholders	41,1	62,0	-33,7%

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.

THE GROUP'S TOTAL INCOME AND PROFIT BEFORE TAX BY QUARTER IN 2020 AND 2021



The **profit before tax of Santander Bank Polska Group** for the 3-month period ended 31 March 2021 was PLN 361.5m, down 6.1% YoY. The profit attributable to the bank's shareholders declined by 11.2% YoY to PLN 151.8m.

The table presented in the “Comparability of periods” section below contains the selected items of the income statement of Santander Bank Polska Group which affect the comparability of the analysed periods. Assuming a fixed level of contributions to the BFG and excluding income items and charges specified in the table from the periods in which they were generated or incurred:

- the underlying profit before tax decreased by 19.7% YoY and
- the underlying profit attributable to the shareholders of Santander Bank Polska S.A. went down by 23.0% YoY.

Comparability of periods

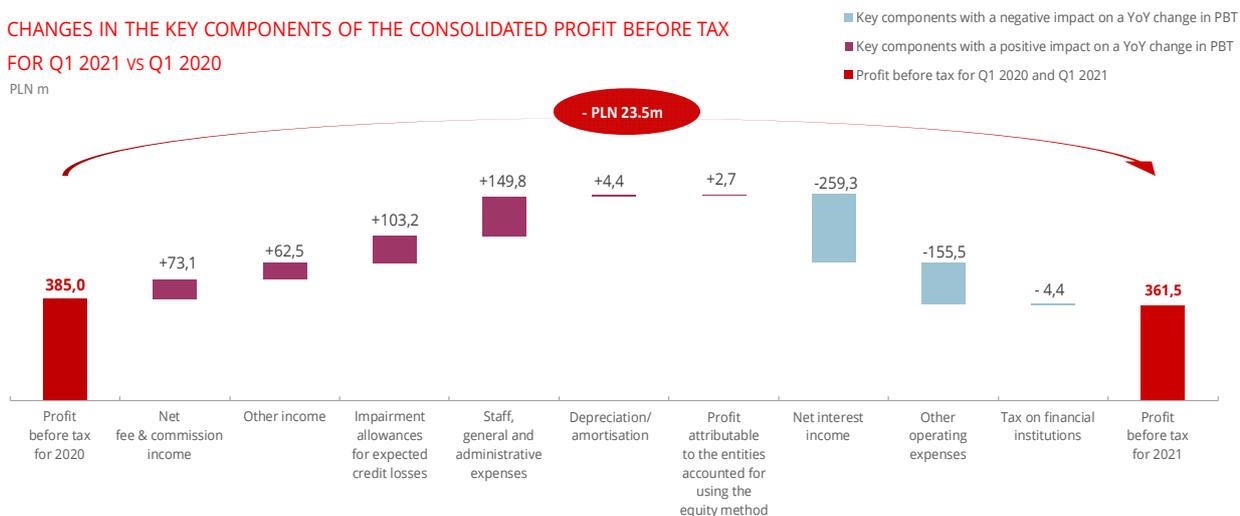
Selected items of the income statement affecting the comparability of periods

	Q1 2021	Q1 2020
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 182.5m, including a contribution of PLN 27.0m to the bank guarantee fund and a contribution of PLN 155.5m to the bank resolution fund 	<ul style="list-style-type: none"> • PLN 287.6m, including a contribution of PLN 39.6m to the bank guarantee fund and PLN 248.0m to the bank resolution fund
Provisions for legal disputes and other assets <i>(other operating expense)</i>	<ul style="list-style-type: none"> • PLN 142.0m, including PLN 114.5m with respect to claims related to foreign currency mortgage loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • PLN 21.3m
Collective provision for legal risk <i>(other operating expense)</i>	<ul style="list-style-type: none"> • a provision of PLN 78.8m for legal risk connected with the portfolio of foreign currency mortgage loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • a provision of PLN 47.1m for legal risk connected with the portfolio of consumer loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A.
Adjustment to net interest income in respect of an obligation to reimburse a part of fees related to early repaid consumer loans <i>(net interest income)</i>	<ul style="list-style-type: none"> • PLN 29.1m, including PLN 13.8m in relation to Santander Bank Polska S.A., and PLN 15.3m in relation to Santander Consumer Bank Group 	<ul style="list-style-type: none"> • PLN 52.6m, including PLN 27.2m in relation to Santander Bank Polska S.A., and PLN 25.4m in relation to Santander Consumer Bank Group
Provision for employment restructuring <i>(staff expenses)</i>	<ul style="list-style-type: none"> • No such provision 	<ul style="list-style-type: none"> • PLN 5.6m at Santander Consumer Bank S.A.
Additional expected credit loss allowance connected with the Covid-19 pandemic (post-model adjustment) <i>(net expected credit loss allowances)</i>	<ul style="list-style-type: none"> • No such allowance 	<ul style="list-style-type: none"> • PLN 119m at Santander Bank Polska S.A. and Santander Consumer Bank S.A.

Determinants of the Group's profit for Q1 2021

CHANGES IN THE KEY COMPONENTS OF THE CONSOLIDATED PROFIT BEFORE TAX FOR Q1 2021 VS Q1 2020

PLN m



In Q1 2021, the following components of Santander Bank Polska Group's profit before tax improved significantly year-on-year:

- **Net fee and commission income** increased by 13.6% YoY on account of considerably higher net income from credit fees; electronic, payment and settlement services; account maintenance and cash transactions; and brokerage activities.
- **Other income** went up by 84.5% YoY owing to higher net trading income and revaluation supported by favourable trends in the financial markets.
- **Net impairment allowances** were down 22.1% YoY, reflecting a stable or lower cost of credit in individual credit portfolios.
- **Staff and general expenses** fell by 14.7% YoY due to a decrease in remuneration expenses and operating expenses, including fees payable to the BFG on account of bank resolution and guarantee funds recognised in Q1 2021.

At the same time, the Group's consolidated profit before tax was under a strong pressure from **net interest income**, which was down 15.8% YoY due to interest rate cuts, deceleration of credit delivery compared to the last year (notably high-margin loans for personal and SME customers) and low returns on investments in debt instruments given the continuing overliquidity of the Polish banking sector.

The financial result was weighed down by provisions for individual court cases and collective legal risk in respect of foreign currency mortgage loans. The foregoing provisions caused an increase of 170.3% YoY in **other operating expenses**, including a rise of 223.0% YoY to PLN 220.8m in total items disclosed under provisions raised for legal risk and provisions raised for legal claims and other assets.

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

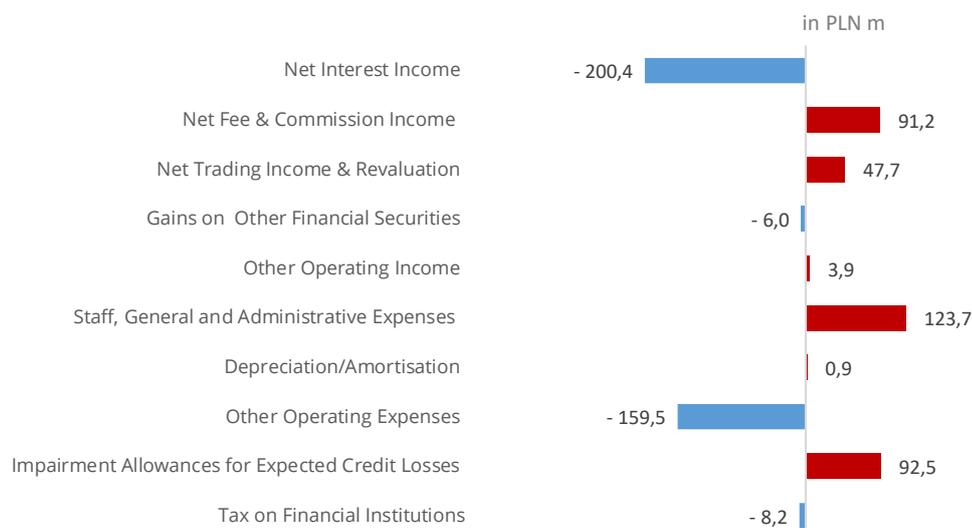
Components of Santander Bank Polska Group Profit Before Tax in PLN m (by contributing entities)	Q1 2021	Q1 2020	YoY Change
Santander Bank Polska S.A.	169,5	183,8	-7,8%
Subsidiary undertakings:	172,6	184,5	-6,4%
Santander Consumer Bank S.A. and its subsidiaries ¹⁾	86,1	121,2	-29,0%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	37,8	50,7	-25,4%
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.)	48,2	12,5	285,6%
Santander Inwestycje Sp. z o.o.	0,5	0,1	400,0%
Equity method valuation	19,4	16,7	16,2%
Elimination of dividends received by Santander Bank Polska S.A. and consolidation adjustments	-	-	-
Profit before tax	361,5	385,0	-6,1%

¹⁾ In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o. w likwidacji (a company in liquidation), SC Poland Consumer 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, two new companies joined the Group: 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.

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

The profit before tax of Santander Bank Polska S.A. for Q1 2021 was PLN 169.5m, down 7.8% YoY. Changes in the main components of the standalone profit reflect the trends relating to the consolidated profit. As in the case of the Group, the lower YoY profitability of the bank was mainly attributed to a decrease in net interest income and an increase in provisions for financial risk connected with foreign currency mortgage loans. On the other hand, the profit before tax was positively affected by net fee and commission income, net trading income, staff and general expenses and net impairment allowances on loans and advances.

YEAR-ON-YEAR CHANGES IN THE MAIN ITEMS OF THE INCOME STATEMENT OF SANTANDER BANK POLSKA S.A. FOR Q1 2021 IN ABSOLUTE NUMBERS



Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a drop of 6.4% YoY in their total profit before tax.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated **profit before tax** of Santander Bank Polska Group for Q1 2021 was PLN 86.1m (after intercompany transactions and consolidation adjustments) and decreased by 29.0% YoY as a combined effect of the following:

- A decline of 19.3% YoY in **net interest income** to PLN 287.2m as a result of the negative impact of the Covid-19 pandemic, including three official interest rate cuts in 2020 (starting from 17 March 2020), deceleration of lending and a lower value of the credit portfolio. In the period under review, the negative adjustment of interest income in respect of early repaid consumer loans was PLN 15.3m compared to PLN 25.4m in Q1 2020.
- A fairly stable level of **net fee and commission income** of PLN 36.8m (-1.1% YoY), thanks to higher gains on settlements with retail network partners of Santander Consumer Bank S.A., which offset a decrease in insurance proceeds caused by decelerated sales resulting from the Covid-19 pandemic.
- A drop of 1.1% YoY in **net expected credit loss allowances** to PLN 54.4m, including gross gain of PLN 34.6m from sale of overdue receivables in Q1 2021 vs PLN 28.7m in Q1 2020.
- An increase of 6.6% YoY in **other non-interest and non-fee income** to PLN 16.7m, reflecting a rise of PLN 10.7m in the total net trading income and gain on financial instruments resulting from the sale of securities and revaluation of a part of the credit cards portfolio measured at fair value.
- A reduction of 12.9% YoY in **operating expenses** to PLN 191.9m, attributed to a savings plan implemented in connection with the Covid-19 pandemic and a lower total value of provisions for legal claims, other assets and legal risk. In the corresponding period last year, operating expenses also included a restructuring provision of PLN 5.6m, which is not recognised in the current period.

Other subsidiaries

Profit before tax of Santander TFI S.A. for Q1 2021 declined by 25.4% YoY to PLN 37.8m as a result of a 30.7% YoY decrease in net commission income. This was attributed to a decline in fees on investment fund management caused by a drop in the margin resulting from changes in the asset structure and a lower management fee. The net fee and commission income was also adversely affected by fees and commissions payable to the distributor.

Total profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. increased by 285.6% YoY to PLN 48.2m.

- Total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o., Santander Leasing Poland Securitization 01 Designated Activity Company and Santander F24 S.A. grew by PLN 27.6m YoY to PLN 33.5m. This was mainly attributed to a positive impact of measurement of IRS and currency hedges (+PLN 12.1m), a reversal of trends observed in Q1 2020. Furthermore, high sales generated in the reporting period triggered an increase of 5% YoY in the lease portfolio, a growth of 15% YoY in net interest income and a rise of 21% YoY in net insurance income.
- The profit before tax posted by Santander Factoring Sp. z o.o. was up 121.1% YoY and totalled PLN 14.7m. It was impacted by an increase of 45% YoY in net interest income and a positive change in the balance of expected credit loss allowances in respect of the factoring portfolio.

Structure of Santander Bank Polska Group's profit before tax

Total income

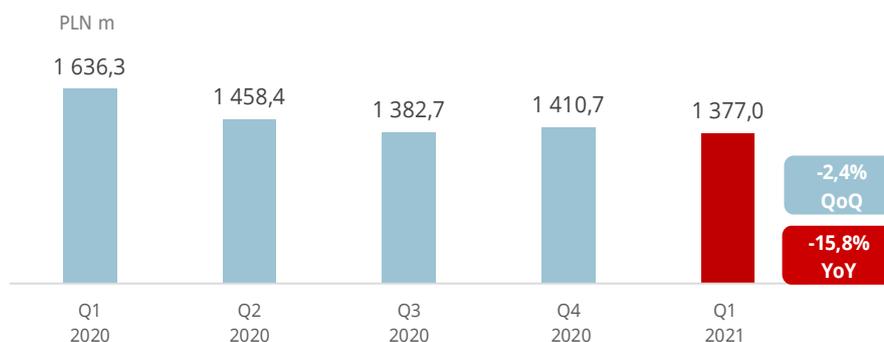
Total income of Santander Bank Polska Group for the 3-month period ended 31 March 2021 was PLN 2,124.8, down 5.5% YoY. On an underlying basis (excluding the impact of the charge for early repaid consumer loans), the decrease was 6.4% YoY.

Net interest income

Net interest income for Q1 2021 was PLN 1,377.0m, down 15.8% YoY. The decline was a combined effect of the following:

- Pressure on net interest margin from NBP interest rate cuts started in Q1 2020 (on 17 March 2020 by 0.5 p.p. to 1.00%) and continued in the subsequent months (on 8 April and 28 May by 0.9 p.p. in total to 0.1%).
- A decrease in sales of loans to personal customers and a lower demand for investment loans and overdrafts from business customers due to state liquidity support measures and the continuing uncertainty as to the economic impact of the pandemic.
- Changes to the Group's balance sheet structure, including growth of the portfolio of investment debt securities with lower YoY yields and an increase in liquid asset placed with banks.
- Flexible pricing management aimed to optimise asset funding costs and support the bank's credit policy.

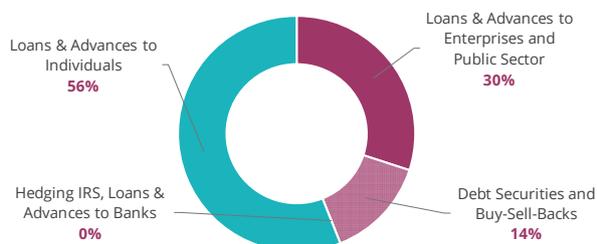
NET INTEREST INCOME BY QUARTER IN 2020 AND 2021



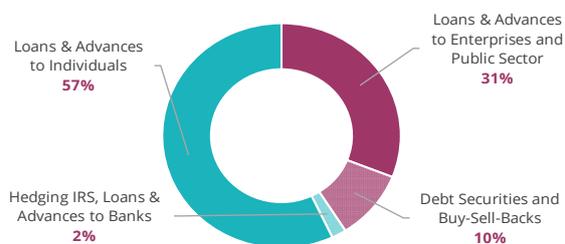
The Group's interest income for Q1 2021 totalled PLN 1,492.5m and was down 27.2% YoY due to pressure from the main components, i.e. loans and advances to personal and business customers.

The negative financial result of changes in interest income was offset by interest expenses, which decreased over twice as fast to PLN 115.5m (down 72.1% YoY). This was attributed to a steady decline in the balance of term deposits from personal and business customers caused by a transfer of funds to current accounts and investment products. It was also supported by the product and pricing changes to term deposits continued in Q1 2021 and developments in the financial markets, including in the stock and investment funds markets.

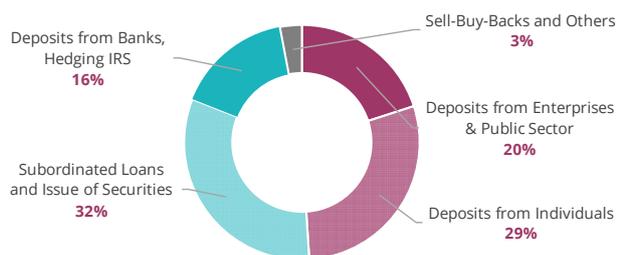
STRUCTURE OF INTEREST REVENUE IN Q1 2021



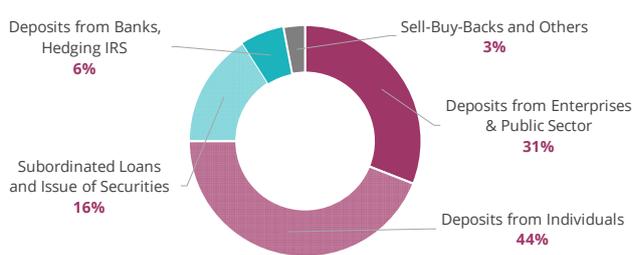
STRUCTURE OF INTEREST REVENUES IN Q1 2020



STRUCTURE OF INTEREST EXPENSE IN Q1 2021



STRUCTURE OF INTEREST EXPENSE IN Q1 2020



Net interest margin for Q1 2021 (annualised on a quarterly basis) totalled 2.56% and was down 76 b.p. YoY and 10 b.p. QoQ.

The YoY decline in the margin reflects the interest rate cuts between March and May 2020 and the continuation of business trends from the previous periods, which were additionally strengthened by the Covid-19 pandemic (low demand for credit, growing investments of free cash in debt securities). The slowdown in credit delivery translated into a YoY decrease in the value of loans and advances to personal and business customers. The increased portfolio of investment securities did not offset the deficit in interest income from the lending business.

The QoQ drop in the margin is attributed to a fall in high-margin loans and advances to individuals (versus a growth in lending to businesses) and changes to the structure of assets such as an increase in investment debt securities and liquid assets in bank accounts.

NET INTEREST MARGIN¹⁾ BY QUARTER IN THE YEARS 2020 AND 2021
(INCLUDING SWAP POINTS)²⁾



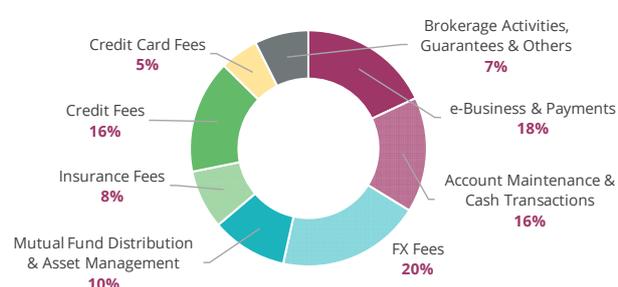
1) Net interest margin in consecutive quarters, annualised on a quarterly and year-to-date basis.
2) The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading.

Net fee and commission income

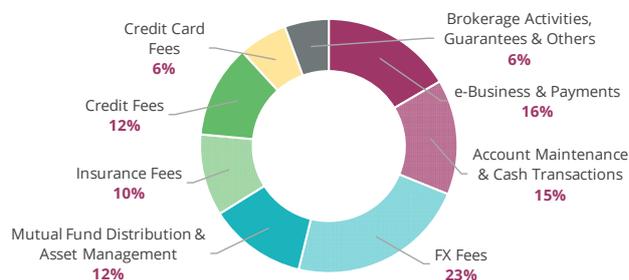
Net Fee and Commission Income (in PLN m)	Q1 2021	Q1 2020	YoY Change
FX fees	119,8	121,5	-1,4%
E-Business and payments ¹⁾	110,0	88,9	23,7%
Account maintenance and cash transactions ²⁾	96,7	79,0	22,4%
Credit fees ³⁾	94,9	63,6	49,2%
Asset management and distribution	63,2	66,2	-4,5%
Insurance fees	49,3	56,0	-12,0%
Brokerage activities	39,5	24,7	59,9%
Credit cards	32,3	33,2	-2,7%
Guarantees and sureties ⁴⁾	11,0	10,6	3,8%
Other ⁵⁾	(5,4)	(5,5)	-1,8%
Total	611,3	538,2	13,6%

- 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) 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 3-month period ended 31 March 2021 are included in the line item "Other" (PLN 1.2m for Q1 2021 and PLN 0.7m for Q1 2020).
- 3) Fee and commission income from lending, factoring and lease activities which is not amortised to net interest income. This line item includes inter alia the cost of credit agency fees.
- 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 3-month period ended 31 March 2021 are included in the line item "Other" (PLN 15.0m for Q1 2021 and PLN 13.2m for Q1 2020).
- 5) Issue arrangement fees and others.

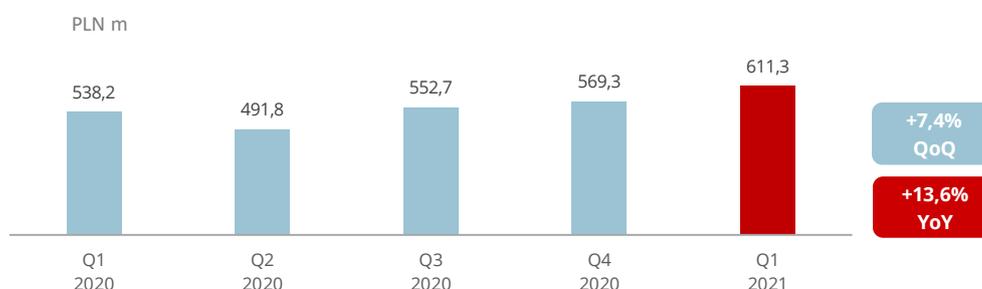
NET FEE & COMMISSION INCOME STRUCTURE IN Q1 2021



NET FEE & COMMISSION INCOME STRUCTURE IN Q1 2020



NET FEE & COMMISSION INCOME BY QUARTER IN 2020 AND 2021

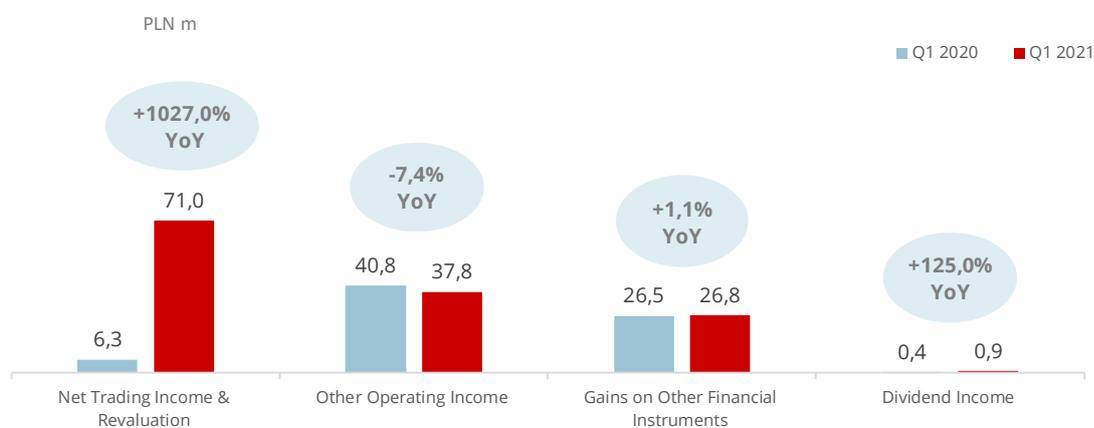


Net fee and commission income for the 3-month period ended 31 March 2021 amounted to PLN 611.3m and increased by 13.6% YoY, driven by the performance of individual business lines of Santander Bank Polska S.A. and its subsidiaries. The key changes were as follows:

- Net brokerage fee and commission income went up by 59.9% YoY due to high volatility of the capital markets observed since March 2020, resulting in an increased investment activity among individuals and businesses. The growth in the number of new retail investors was largely driven by an online brokerage account opening process available to customers of Santander Bank Polska S.A. For companies, the stock exchange was a place to raise capital, an option they choose more and more frequently.
- Net credit fee and commission income went up by 49.2% YoY, as the Group actively participated in project finance for the sectors which were relatively resilient to the pandemic. The positive change in income was additionally supported by lower costs of credit agency as part of settlements between Santander Consumer Bank S.A. and its retail partners.
- An increase of 23.7% YoY in net fee and commission income from the Group's settlement and payment products and services disclosed under eBusiness and payments was triggered by debit cards due to their rising number and non-cash payments (+13% YoY) made with these instruments as well as beneficial discounts in respect of card issue and processing as offered by payment organisations cooperating with Santander Bank Polska S.A. The settlements carried out in Q1 2021 involved discounts payable for 2020 and certain ongoing discounts for 2021.
- Net fee and commission income from account maintenance and cash transaction increased by 22.4% YoY on account of a YoY growth in the portfolio of Accounts As I Want It (a flagship personal account of Santander Bank Polska S.A.) and introduction of a conditional maintenance fee for that account which can only be waived if the customer makes specific operations in the account.
- A drop of 12.0% YoY in net fee and commission income from insurance business results from lower income from insurance related to bank products, notably cash loans whose sales did not return to pre-pandemic levels.

Non-interest and non-fee income

COMPONENTS OF OTHER INCOME FOR Q1 2021 vs. Q1 2020



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 136.5m and went up by 84.5% YoY on account of an increase of PLN 64.7m to PLN 71.0m in net trading income and revaluation driven by the volatility of the financial instruments market.

- As part of net trading income and revaluation for Q1 2021:
 - ✓ Total gain on derivatives, interbank FX transactions and FX trading transactions was PLN 56.5m, up 100.9% YoY.
 - ✓ Positive change of PLN 0.3m was reported in the fair value of credit card receivables measured through profit or loss in Q1 2021 vs a decrease of PLN 8.0m in the fair value in the comparative period.
 - ✓ Total gain on trading in equity and debt securities measured at fair value through profit or loss was PLN 14.2m vs a loss of PLN 13.8m in the corresponding period last year.
- Gain on other financial instruments totalled PLN 26.8m and increased by 1.1% YoY despite a decrease of PLN 23.8m in gain on bond sales, which was offset by a decline in negative change in the fair value of Visa Inc. shares to PLN 7.3m from PLN 29.8m in Q1 2020 (excluding FX differences) along with a higher gain on hedging and hedged instruments.

- Other operating income fell by 7.4% YoY to PLN 37.8m, mainly due to a drop of PLN 3.8m in gain on sale/ liquidation of property, plant and equipment and assets held for sale recognised in the current period.

Expected credit loss allowances

Impairment allowances for expected credit losses on loans and advances measured at amortised cost (in PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Charge on loans and advances to customers	(42,6)	(12,0)	(21,7)	(261,0)	(349,3)	(218,5)	12,2	1,9	(401,4)	(489,6)
Recoveries of loans previously written off	-	-	-	-	28,7	18,6	-	-	28,7	18,6
Off-balance sheet credit related facilities	(1,5)	8,0	2,3	1,1	8,8	(4,4)	-	-	9,6	4,7
Total	(44,1)	(4,0)	(19,4)	(259,9)	(311,8)	(204,3)	12,2	1,9	(363,1)	(466,3)

In Q1 2021, the charge made by Santander Bank Polska Group to the income statement on account of expected credit loss allowances was PLN 363.1m vs PLN 466.3m in Q1 2020. This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 54.4m and decreased by 1.1% YoY.

The decline in the Group's net expected credit loss allowances from PLN 489.6m in Q1 2020 to PLN 401.4m in Q1 2021 is due to an additional expected credit loss allowance of PLN 119.0m recognised in the base period as a post-model adjustment accounting for an uncertainty as to the consequences of the Covid-19 pandemic. No such adjustment was made in the reporting period.

In Q1 2021, credit risk was broadly stable, particularly in the portfolio of personal and SME loans. In the case of corporate loans portfolio, the bank regularly reflects changes in risk in credit rating and classification of exposures to individual stages, taking into account the risk connected with Covid-19. In March, the bank made a significant allowance in respect of a non-performing exposure towards a single customer.

During the first three months of 2021, there were no significant downgrades to NPLs in the case of corporate customers. Downgrades in the mortgage and cash portfolios concerned selected customers applying for state aid under the Anti-Crisis Shield 4.0.

In Q1 2021, Santander Bank Polska S.A. and Santander Consumer Bank S.A. sold PLN 474.7m worth of credit receivables from personal and business customers at a gross profit of PLN 37.0m (last year, receivables of PLN 781,9m were sold at a gross profit of PLN 22.8m).

Total costs

Total costs (in PLN m)	Q1 2021	Q1 2020	YoY Change
Staff, general and administrative expenses, of which:	(871,9)	(1 021,7)	-14,7%
- Staff expenses	(410,7)	(447,7)	-8,3%
- General and administrative expenses	(461,2)	(574,0)	-19,7%
Depreciation/amortisation	(147,9)	(152,3)	-2,9%
- Depreciation/amortisation of PP&E and intangible assets	(100,6)	(99,1)	1,5%
- Depreciation of right-of-use assets	(47,3)	(53,2)	-11,1%
Other operating expenses	(246,8)	(91,3)	170,3%
Total costs	(1 266,6)	(1 265,3)	0,1%

After the first three months of 2021, total operating expenses of Santander Bank Polska Group were stable YoY at 1,266.6m. The financial impact of lower contributions payable to the Bank Guarantee Fund (-36.6% YoY to PLN 182.5m) and reduced staff expenses (-8.3% YoY) was offset by higher operating costs (+170.3% YoY) due to provisions for legal claims and other assets (+567.7% YoY to PLN 142.0m) and provisions for legal risk (+67.3% YoY to PLN 78.8m). The above-mentioned increases were driven by customers' claims related to foreign currency mortgage loans, which were provisioned for the total amount of PLN 193.3m both in respect of individual court cases and collective legal risk. The provisioning level for foreign currency mortgage loans results from update and recalibration of model parameters.

On a comparative basis, i.e. assuming the fixed level of fees payable to the Bank Guarantee Fund and excluding the provisions for legal risk and legal claims from both analysed periods and the restructuring provision from the base period, the underlying total operating expenses were down 3.4% YoY, reflecting a decrease in total remuneration expense and depreciation/amortisation as well as cost reductions in certain components of general and administrative expenses as a result of adjustments made to the operating model of the Group and ongoing optimisation processes.

The Group's cost to income ratio increased to 59.6% from 56.3% in Q1 2020. Adjusting for the above-mentioned cost and income items, the underlying cost to income ratio was 53.4% vs 51.8% a year before.

Staff expenses

Staff expenses decreased by 8.3% YoY to PLN 410.7m, reflecting lower fixed labour costs (with 7.3% YoY reduction in average employment) and accruals aligned with the modified bonus scheme under the prevailing circumstances. It was combined with lower costs of training delivered in remote channels.

General and administrative expenses

General and administrative expenses of Santander Bank Polska Group went down by 19.7% YoY to PLN 461.2m. Fees charged by the BFG, KNF and KDPW, which are the largest constituent item, decreased by 34.9% YoY to PLN 192.1m, largely as a result of a reduction in the amounts payable to the BFG in 2021, including a charge for an annual contribution to the bank resolution fund (of 155.5m, down 37.3% YoY) and for a quarterly contribution to the bank guarantee fund (PLN 27.0m, down 31.9% YoY). If the above-mentioned contributions had not changed compared to the last year, the Group's general and administrative expenses would have declined by 1.3% YoY.

Due to the ongoing optimisation of the branch network and a limited use of Business Support Centre locations, the cost of maintenance of premises went down (-9.5% YoY), as did the expense in respect of non-deductible VAT (-13.6% YoY) and the cost of purchase and repair of equipment (-49.0% YoY). Lower telecommunication charges for selected services and development of CRM tools resulted in a decrease of 20.1% YoY in postal fees and telecommunications fees.

Due to the restrictions connected with the coronavirus crisis and introduction of the remote work and customer service model, a decline was reported in the cost of consumables, printouts, cards and cheques (-11.9% YoY) and in the cost of third party services (-14.6% YoY), as the bank abandoned a number of relationship-building initiatives involving physical presence of participants.

Meanwhile, the cost of IT usage went up by 13.6% YoY in connection with delivery of various IT projects within Santander Group and locally as well as support and maintenance of the infrastructure used for day-to-day operations.

Taxes

In Q1 2021, tax on financial institutions was PLN 153.0m (+3.0% YoY), reflecting a growth in taxable assets.

Income tax was PLN 168.6m and effectively higher compared to the last year (the effective tax rate was up from 39.5% in Q1 2020 to 46.6% in Q1 2021), mainly on account of lower profit before tax recognised in the reporting period and higher provisions for claims related to foreign currency mortgage loans.

2. Statement of Financial Position

Consolidated assets

As at 31 March 2021, the total assets of Santander Bank Polska Group were PLN 238,243.0m, up 10.3% YoY and 3.9% Ytd. The value and structure of the Group's financial position was determined by the parent entity, which held 88.6% of the consolidated total assets similarly to three months before vs 86.6% as at 31 March 2020.

TOTAL ASSETS AT THE END OF CONSECUTIVE QUARTERS IN 2020 AND 2021



Structure of consolidated assets

Assets in PLN m (condensed presentation for analytical purposes)	Structure 31.03.2021		Structure 31.12.2020		Structure 31.03.2020		Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers ¹⁾	143,001.5	60.0%	141,998.8	61.9%	147,672.9	68.4%	0.7%	-3.2%
Investment financial assets ²⁾	68,758.9	28.9%	66,783.4	29.1%	41,193.1	19.1%	3.0%	66.9%
Cash and operations with Central Banks	10,914.6	4.6%	5,489.3	2.4%	7,106.1	3.3%	98.8%	53.6%
Fixed assets, intangibles, goodwill and right-of-use assets	3,795.3	1.6%	3,934.5	1.7%	4,076.5	1.9%	-3.5%	-6.9%
Loans and advances to banks	3,570.9	1.5%	2,926.5	1.3%	5,552.4	2.6%	22.0%	-35.7%
Financial assets held for trading and hedging derivatives	3,128.4	1.3%	3,190.4	1.4%	3,924.4	1.8%	-1.9%	-20.3%
Buy-sell-back transactions and assets pledged as collateral	835.3	0.3%	951.2	0.4%	2,312.6	1.0%	-12.2%	-63.9%
Other assets ³⁾	4,238.1	1.8%	4,037.2	1.8%	4,061.5	1.9%	5.0%	4.3%
Total	238,243.0	100.0%	229,311.3	100.0%	215,899.5	100.0%	3.9%	10.3%

- 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) Investment securities include debt and equity investment securities measured at fair value through other comprehensive income and debt and equity investment securities measured at fair value through profit or loss.
- 3) Other assets include the following items of the full version of financial statements: investments in associates, current income tax assets, net deferred tax assets, assets classified as held for sale and other assets.

In the above condensed statement of financial position as at 31 March 2021, net loans and advances to customers were the key item of the consolidated assets (60.0%). They totalled PLN 143,001.5m and grew by 0.7% Ytd on account of working capital and project finance provided to corporate customers.

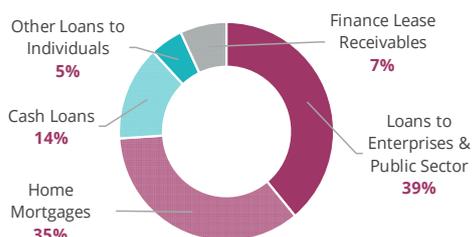
As part of the ongoing management of liquidity arising in connection with the state aid programme, the Group increased cash and balances at central banks (+98.8% Ytd) and loans and advances to banks (+22.0% Ytd).

The balance of investment securities continued to grow (+3.0% Ytd), notably debt securities measured at fair value through other comprehensive income, including government bonds, NBP bills, and BFG and PFR bonds.

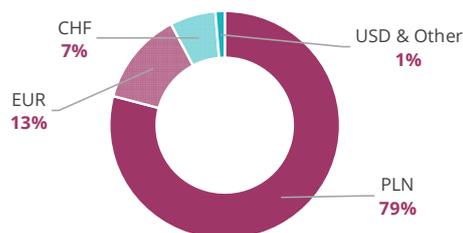
Credit portfolio

Gross Loans and Advances to Customers (in PLN m)	31.03.2021	31.12.2020	31.03.2020	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Loans and advances to individuals	80 682,1	81 387,9	82 109,9	-0,9%	-1,7%
Loans and advances to enterprises and public sector customers	58 806,5	57 121,1	61 591,6	3,0%	-4,5%
Finance lease receivables	9 969,3	9 783,4	9 497,7	1,9%	5,0%
Other	48,1	33,6	37,4	43,2%	28,6%
Total	149 506,1	148 326,0	153 236,5	0,8%	-2,4%

PRODUCT STRUCTURE OF CONSOLIDATED
LOANS & ADVANCES TO CUSTOMERS AS AT 31.03.2021



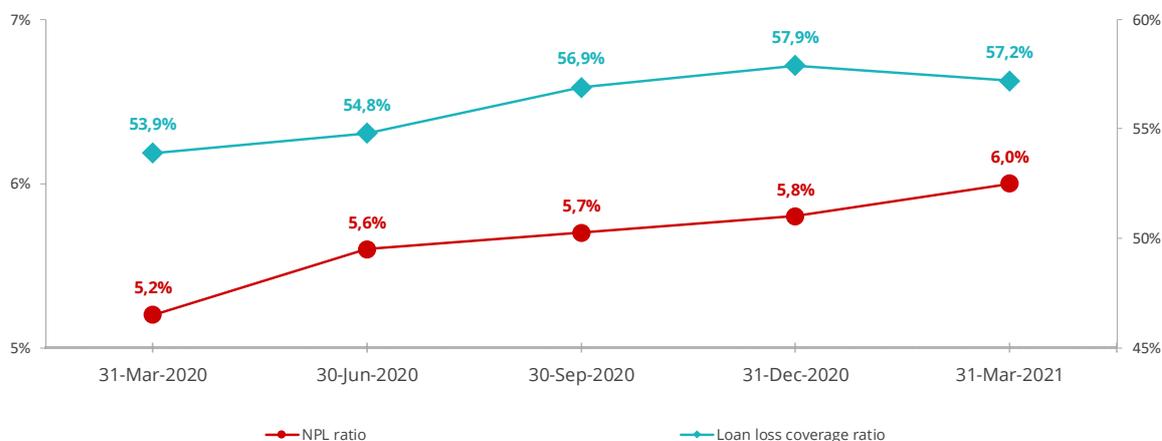
FX STRUCTURE OF CONSOLIDATED
LOANS AND ADVANCES TO CUSTOMERS AS AT 31.03.2021



As at 31 March 2021, consolidated gross loans and advances to customers were PLN 149,506.1m and were stable compared to the end of 2020 (+0.8% Ytd). The portfolio includes loans and advances to customers measured at amortised cost totalling PLN 145,779.6m (-0.03% Ytd), loans and advances to customers measured at fair value through other comprehensive income amounting to PLN 2,880.1m (+79.1% Ytd) and loans and advances to customers measured at fair value through profit or loss at PLN 846.5m (-5.1% Ytd).

- Loans and advances to individuals decreased by 0.9% Ytd to PLN 80,682.1m. Housing loans, which were the main contributor to this figure, were stable Ytd and totalled PLN 52,646.3m. The second largest constituent item, i.e. cash loans, decreased by 1.4% Ytd to PLN 20,564.9m despite accelerated sales in Q1 2021.
- Loans and advances to enterprises and the public sector went up by 3.0% Ytd to PLN 58,806.5m as a result of finance originated by Business and Corporate Banking and Corporate and Investment Banking.
- Finance lease portfolios of subsidiaries of Santander Bank Polska S.A. rose by 1.9% Ytd to PLN 9,969.3m, supported by dynamic sales of machines and equipment and of vehicles.

CREDIT QUALITY RATIOS BY QUARTER IN 2020 AND 2021



The NPL ratio was 6.0% as 31 March 2021 compared with 5.8% three months before and 5.2% twelve months before. The provision coverage ratio for impaired loans was 57.2% compared with 57.9% as at 31 December 2020 and 53.9% as at 31 March 2020.

Structure of consolidated equity and liabilities

Liabilities & Equity in PLN m (condensed presentation for analytical purposes)	Structure		Structure		Structure		Ytd	YoY
	31.03.2021	31.03.2021	31.12.2020	31.12.2020	31.03.2020	31.03.2020	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	179 484,6	75,3%	171 522,3	74,8%	157 756,8	73,1%	4,6%	13,8%
Subordinated liabilities and debt securities in issue	15 012,2	6,3%	13 995,9	6,1%	14 555,9	6,7%	7,3%	3,1%
Deposits from banks	5 387,1	2,3%	5 373,3	2,3%	5 392,5	2,5%	0,3%	-0,1%
Financial liabilities held for trading and hedging derivatives	4 276,4	1,8%	4 805,4	2,1%	5 346,3	2,5%	-11,0%	-20,0%
Sell-buy-back transactions	589,3	0,2%	653,7	0,3%	1 143,1	0,5%	-9,9%	-48,4%
Other liabilities ¹⁾	4 405,0	1,9%	4 302,7	1,9%	4 463,4	2,1%	2,4%	-1,3%
Total equity	29 088,4	12,2%	28 658,0	12,5%	27 241,5	12,6%	1,5%	6,8%
Total	238 243,0	100,0%	229 311,3	100,0%	215 899,5	100,0%	3,9%	10,3%

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 31 March 2021 totalled PLN 179,484.6m and increased by 4.6% Ytd on account of, among other things, customers' funds from state aid 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 (75.3%) and were the main source of funding for the Group's assets.

Subordinated liabilities and liabilities in respect of debt securities went up by 7.3% Ytd in connection with the issue of debt instruments with a total nominal value of PLN 1,755.0m and repurchase of matured securities of PLN 803.5m. In Q1 2021, the following issues were made:

- On 3 February 2021, Santander Factoring Sp. z o.o. issued series J variable-rate bonds with maturity of six months and a nominal value of PLN 655.0m.
- On 11 March 2021, Santander Leasing S.A. issued series H variable-rate bonds with a total nominal value of PLN 1,100.0m and maturity of up to one year.

In the same period, a drop was reported in financial liabilities held for trading and hedging derivatives (-11.0% Ytd) and in liabilities due to repo transactions (-9.9% Ytd).

Compared to 31 December 2020, total equity increased by 1.5% to PLN 29,088.4m under the resolution of the Annual General Meeting of Santander Bank Polska S.A. of 22 March 2021 to retain the entire profit of PLN 738.4m for 2020. Of this amount, 50% was earmarked for the capital reserve and 50% was set aside as a dividend reserve (i.e. capital reserve allocated for payment of dividend or interim dividend).

Deposit base

Deposits by entities

Deposits from Customers in PLN m	31.03.2021	31.12.2020	31.03.2020	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Deposits from individuals	100 453,0	98 213,4	95 861,3	2,3%	4,8%
Deposits from enterprises and public sector customers	79 031,6	73 308,9	61 895,5	7,8%	27,7%
Total	179 484,6	171 522,3	157 756,8	4,6%	13,8%

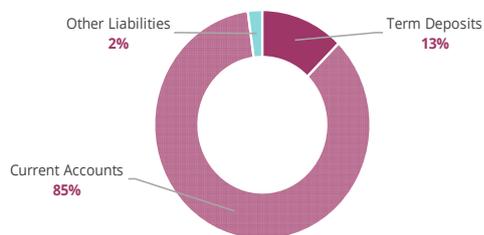
During the first three months of 2021, consolidated deposits from customers increased by 4.6% to PLN 179,484.6m as at the end of March.

- The retail deposit base was up 2.3% Ytd at PLN 100,453.0m, driven by an increase of 6.0% Ytd in current deposits. This included savings account balances, which grew by 2.3% Ytd to PLN 32.4bn. Current account balances increased mainly due to transfer of funds from term deposits, which paid lower interest and dropped by 13.6% Ytd. The bank also witnessed outflows from its deposit base to investment funds.

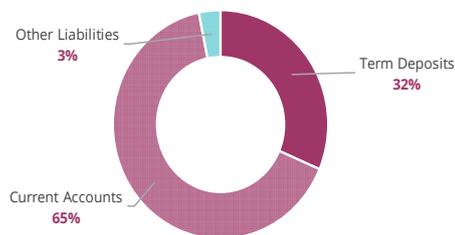
- Deposits from enterprises and the public sector grew by 7.8% Ytd to PLN 79,031.7m along with an increase in current account balances (+11.6% Ytd) resulting from subsidies paid under state aid programmes (anti-crisis shields) and transfers from gradually withdrawn or less and less attractive term deposits for businesses (-16.2% Ytd).

Deposits by tenors

STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.03.2021



STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.03.2020

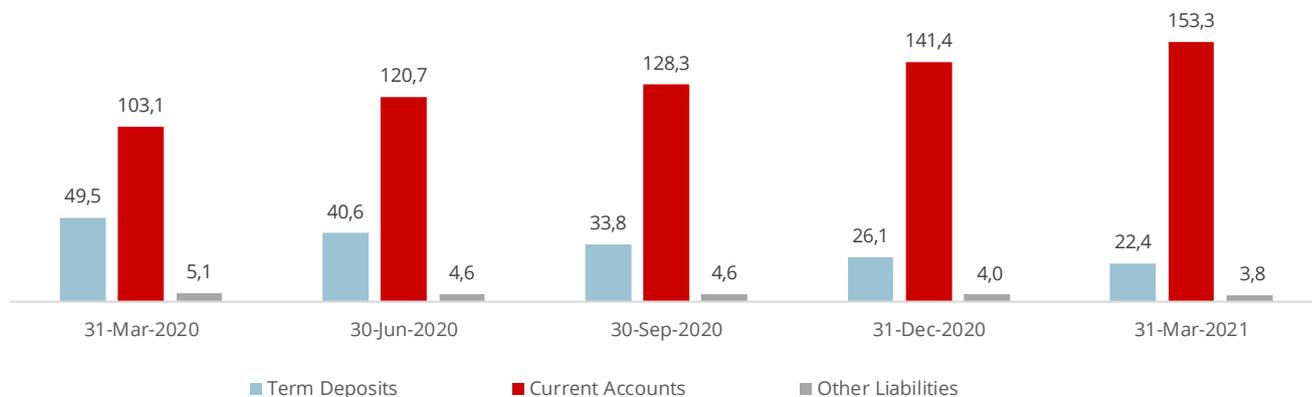


The Group's total term deposits from customers amounted to PLN 22,370.1m and declined by 14.3% during the first three months of 2021. Current account balances rose by 8.4% Ytd to PLN 153,275.4m, and other liabilities were PLN 3,839.1m, down 4.6% Ytd.

Loans and advances from financial institutions (PLN 2,452.3m vs PLN 3,013.7m as at 31 December 2020) 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 loan repayments at agreed dates.

TERM DEPOSITS AND CURRENT ACCOUNTS * AT QUARTER-ENDS OF 2020 AND 2021

PLN m



* including savings accounts

3. Selected Financial Ratios

Selected financial ratios of Santander Bank Polska Group	Q1 2021	Q1 2020
Total costs / Total income	59,6%	56,3%
Net interest income / Total income	64,8%	72,8%
Net interest margin ¹⁾	2,56%	3,32%
Net commission income / Total income	28,8%	23,9%
Customer net loans / Customer deposits	79,7%	93,6%
NPL ratio ²⁾	6,0%	5,2%
NPL coverage ratio ³⁾	57,2%	53,9%
Credit risk ratio ⁴⁾	1,14%	0,96%
ROE ⁵⁾	4,1%	8,5%
ROTE ⁶⁾	5,0%	10,1%
ROA ⁷⁾	0,4%	0,9%
Capital ratio ⁸⁾	20,89%	16,79%
Tier I ratio ⁹⁾	18,87%	14,91%
Book value per share (in PLN)	284,65	266,84
Earnings per share (in PLN) ¹⁰⁾	1,49	1,67

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

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

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

4) Net expected credit loss allowance (for four consecutive quarters) to average gross loans and advances to customers measured at amortised cost (as at the end of the current reporting period and the end of the 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 divided by the average weighted number of ordinary shares.

Capital ratios

The table below presents calculation of the total capital ratio and Tier 1 ratio of Santander Bank Polska Group as at 31 March 2021, 31 December 2020 and 31 March 2020.

Capital Ratios of Santander Bank Polska Group	31.03.2021	31.12.2020*	31.03.2020
I Total capital requirement	10 775,4	10 819,4	11 841,6
II Own funds after reductions	28 143,3	27 610,4	24 847,3
Total Capital Ratio [II/(I*12.5)]	20,89%	20,42%	16,79%
Tier I Ratio	18,87%	18,38%	14,91%

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

The table below presents the total capital ratio and Tier 1 ratio of Santander Bank Polska S.A. and Santander Consumer Bank S.A. as at 31 March 2021, 31 December 2020 and 31 March 2020.

Santander Bank Polska Capital Ratios	31.03.2021	31.12.2020*	31.03.2020
Total Capital Ratio	24,22%	23,90%	19,36%
Tier I Ratio	21,82%	21,50%	17,15%

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

Santander Consumer Bank Capital Ratios	31.03.2021	31.12.2020	31.03.2020
Total Capital Ratio	28,66%	24,36%	18,64%
Tier I Ratio	27,07%	22,89%	17,27%

4. Factors Affecting the Financial Performance in the Next Quarter and Beyond

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

- Further development of the Covid-19 pandemic, including the level of new infections and of hospital beds occupancy, with possible resulting restrictions to social and economic activity. The base case assumes vaccination progress fast enough to avoid another waves of the pandemic and restricting the economy once again in autumn.
- Potential further changes in the monetary policy of the ECB, the Federal Reserve and other main central banks aimed at limiting the depth of the global recession. Their level of tolerance to the global rise of yields.
- Monetary policy in Poland with the most likely scenario of keeping interest rates on hold.
- Possible rulings by the Supreme Court and the CJEU on foreign currency loans, which may affect banks' decisions on customer settlements and further course of legal proceedings.
- Fluctuation in credit risk prices on the financial markets, including changes in geopolitical risk assessment (among others, in view of the escalating Russia-Ukraine conflict).
- Bond yields changes which are a function of monetary and fiscal policy expectations as well as of the liquidity in the banking sector and the global reflation trend.
- Changes in the demand for loans in the context of fluctuations in the liquidity and in expectations, and taking into account the phasing out of government support.
- Changes in households' financial situation under the influence of labour market trends.
- Changes to the customers' savings allocation decisions which are impacted by expected yields from different asset classes as well as changes to the savings and spending as a result of pandemic related fears changes.
- Evolution of the global equity markets as well as the demand for investment funds and equities.

VI. Other Information

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

As at the release date of this report (Report of Santander Bank Polska Group for Q1 2021) and the previous report (Annual Report of Santander Bank Polska Group for 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 the Management Board members as at the release dates of the reports for the periods ended 31 March 2021 and 31 December 2020.

Management Board Members	28.04.2021	23.02.2021
	Number of Santander Bank Polska shares	Number of Santander Bank Polska shares
Michał Gajewski	4 795	4 795
Andrzej Burliga	3 884	3 884
Michael McCarthy ¹⁾		4 403
Patryk Nowakowski	1 055	1 055
Carlos Polaino Izquierdo	3 126	3 126
Juan de Porras Aguirre	3 379	3 379
Arkadiusz Przybył	2 999	2 999
Maciej Reluga	2 301	2 301
Dorota Strojowska	2 732	2 732
Total	24 271	28 674

1) On 18 March 2021, Michael McCarthy decided not to apply for a new term of office, starting on 23 March 2021. Consequently, the table does not disclose his shareholding as at 28 April 2021.

Condensed Interim Consolidated
Financial Statements of
Santander Bank Polska Group
for the 3-month period ended
31 March 2021

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I. Condensed consolidated income statement

	for the period:	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Interest income and similar to income		1 492 477	2 050 090
Interest income on financial assets measured at amortised cost		1 275 781	1 816 161
Interest income on financial assets measured at fair value through other comprehensive income		213 302	206 593
Income similar to interest on financial assets measured at fair value through profit or loss		3 394	27 336
Interest expense		(115 519)	(413 777)
Net interest income	Note 4	1 376 958	1 636 313
Fee and commission income		717 493	661 836
Fee and commission expense		(106 219)	(123 592)
Net fee and commission income	Note 5	611 274	538 244
Dividend income		852	349
Net trading income and revaluation	Note 6	71 031	6 303
Gains (losses) from other financial securities	Note 7	26 791	26 486
Other operating income	Note 8	37 817	40 816
Impairment allowances for expected credit losses	Note 9	(363 079)	(466 300)
Operating expenses incl.:		(1 266 609)	(1 265 327)
-Staff, operating expenses and management costs	Note 10,11	(871 867)	(1 021 684)
-Amortisation of property, plant and equipment and Intangible assets		(100 660)	(99 142)
-Amortisation of right of use asset		(47 267)	(53 160)
-Other operating expenses	Note 12	(246 815)	(91 341)
Share in net profits (loss) of entities accounted for by the equity method		19 451	16 699
Tax on financial institutions		(152 960)	(148 629)
Profit before tax		361 526	384 954
Corporate income tax	Note 13	(168 668)	(152 077)
Consolidated profit for the period		192 858	232 877
of which:			
-attributable to owners of the parent entity		151 753	170 934
-attributable to non-controlling interests		41 105	61 943
Net earnings per share			
Basic earnings per share (PLN/share)		1,49	1,67
Diluted earnings per share (PLN/share)		1,49	1,67

II. Condensed consolidated statement of comprehensive income

	for the period:	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Consolidated profit for the period		192 858	232 877
Items that will be reclassified subsequently to profit or loss:		(148 515)	29 737
Revaluation and sales of debt securities measured at fair value through other comprehensive income gross		(188 077)	(24 188)
Deferred tax		35 735	4 596
Revaluation of cash flow hedging instruments gross		4 725	60 900
Deferred tax		(898)	(11 571)
Items that will not be reclassified subsequently to profit or loss:		387 960	(2 978)
Revaluation and sales of equity securities measured at fair value through other comprehensive income gross		478 963	(3 676)
Deferred and current tax		(91 003)	698
Total other comprehensive income, net		239 445	26 759
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		432 303	259 636
Total comprehensive income attributable to:			
Owners of the parent entity		391 535	200 722
Non-controlling interests		40 768	58 914

III. Condensed consolidated statement of financial position

	as at:	31.03.2021	31.12.2020
ASSETS			
Cash and balances with central banks	Note 14	10 914 631	5 489 303
Loans and advances to banks	Note 15	3 570 869	2 926 522
Financial assets held for trading	Note 16	3 121 990	3 182 769
Hedging derivatives		6 436	7 654
Loans and advances to customers incl.:	Note 17	143 001 534	141 998 745
- measured at amortised cost		139 451 632	139 549 728
- measured at fair value through other comprehensive income		2 703 415	1 556 791
- measured at fair value through profit and loss		846 487	892 226
Buy-sell-back transactions		191 774	293 583
Investment securities incl.:	Note 18	68 758 852	66 783 434
- debt securities measured at fair value through other comprehensive income		67 191 633	65 700 052
- debt securities measured at fair value through profit and loss		112 080	110 155
- equity securities measured at fair value through other comprehensive income		1 336 707	857 331
- equity securities measured at fair value through profit and loss		118 432	115 896
Assets pledged as collateral		643 558	657 664
Investments in associates	Note 19	1 015 499	998 397
Intangible assets		669 130	708 356
Goodwill		1 712 056	1 712 056
Property, plant and equipment		748 561	803 429
Right of use assets		665 512	710 657
Current income tax assets		24 012	-
Net deferred tax assets		1 872 826	1 996 552
Assets classified as held for sale		5 318	11 901
Other assets		1 320 448	1 030 287
Total assets		238 243 006	229 311 309
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	5 387 105	5 373 312
Hedging derivatives		1 587 932	1 775 098
Financial liabilities held for trading	Note 16	2 688 423	3 030 340
Deposits from customers	Note 21	179 484 645	171 522 255
Sell-buy-back transactions		589 300	653 687
Subordinated liabilities	Note 22	2 774 080	2 754 605
Debt securities in issue	Note 23	12 238 115	11 241 312
Lease liabilities		585 442	624 690
Current income tax liabilities		-	79 049
Provisions for off balance sheet credit facilities	Note 24	55 179	64 541
Other provisions	Note 25	1 123 240	952 115
Other liabilities	Note 26	2 641 156	2 582 315
Total liabilities		209 154 617	200 653 319
Equity			
Equity attributable to owners of the parent entity		27 384 381	26 994 750
Share capital		1 021 893	1 021 893
Other reserve capital		22 352 383	21 296 994
Revaluation reserve		2 077 170	1 839 292
Retained earnings		1 781 182	1 799 404
Profit for the period		151 753	1 037 167
Non-controlling interests in equity		1 704 008	1 663 240
Total equity		29 088 389	28 657 990
Total liabilities and equity		238 243 006	229 311 309

Notes presented on pages 14 – 59 constitute an integral part of these Financial Statements.

IV. Condensed consolidated statement of changes in equity

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

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

Consolidated statement of changes in equity 1.01.2020 - 31.03.2020	Equity attributable to owners of parent entity				Total	Non-controlling	
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period		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	-	-	29 788	170 934	200 722	58 914	259 636
<i>Consolidated profit for the period</i>	-	-	-	170 934	170 934	61 943	232 877
<i>Other comprehensive income</i>	-	-	29 788	-	29 788	(3 029)	26 759
Profit allocation to other reserve capital	-	41 386	-	(41 386)	-	-	-
Share-based payment	-	1 606	-	-	1 606	-	1 606
Other changes	-	-	761	-	761	-	761
As at the end of the period	1 020 883	20 184 917	1 346 610	3 082 666	25 635 076	1 606 437	27 241 513

As at the end of the period revaluation reserve in the amount of PLN 1,346,610 k comprises: valuation of debt securities in the amount of PLN 711,280 k, valuation of equity securities in the amount of PLN 602,191 k, valuation of cash flow hedge activities in the amount of PLN 23,365 k and accumulated actuarial gains - provision for retirement allowances of PLN 9,774 k.

V. Condensed consolidated statement of cash flows

	for the period	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Cash flows from operating activities			
Profit before tax		361 526	384 954
Adjustments for:			
Share in net profits of entities accounted for by the equity method		(19 451)	(16 699)
Depreciation/amortisation		147 927	152 302
Profit from investing activities		(25 537)	(53 087)
Interest accrued excluded from operating activities		(135 834)	(82 183)
Dividends		(847)	(349)
Impairment losses (reversal)		8 783	8 688
Changes in:			
Provisions		161 763	34 785
Financial assets / liabilities held for trading		(287 217)	(364 598)
Assets pledged as collateral		14 106	(62 676)
Hedging derivatives		(153 682)	862 734
Loans and advances to banks		569	(9 662)
Loans and advances to customers		(2 283 639)	(6 028 583)
Deposits from banks		(584 455)	631 121
Deposits from customers		8 543 820	1 516 676
Buy-sell/ Sell-buy-back transactions		(111 529)	179 018
Other assets and liabilities		(248 125)	412 348
Interest received on operating activities		1 286 909	1 815 917
Interest paid on operating activities		(43 596)	(295 655)
Paid income tax		(203 757)	(203 286)
Net cash flows from operating activities		6 427 734	(1 118 235)
Cash flows from investing activities			
Inflows		2 979 012	2 517 362
Sale/maturity of investment securities		2 818 627	2 369 149
Sale of intangible assets and property, plant and equipment		19 265	15 875
Dividends received		847	349
Interest received		140 273	131 989
Outflows		(7 882 486)	(4 187 754)
Purchase of investment securities		(7 844 267)	(4 144 419)
Purchase of intangible assets and property, plant and equipment		(38 219)	(43 335)
Net cash flows from investing activities		(4 903 474)	(1 670 392)
Cash flows from financing activities			
Inflows		3 289 796	3 410 261
Debt securities in issue		1 755 000	2 067 790
Drawing of loans		1 534 796	1 342 471
Outflows		(2 391 991)	(2 810 360)
Debt securities buy out		(803 455)	(1 106 587)
Repayment of loans and advances		(1 502 430)	(1 576 603)
Repayment of lease liabilities		(44 560)	(49 782)
Interest paid		(41 546)	(77 388)
Net cash flows from financing activities		897 805	599 901
Total net cash flows		2 422 065	(2 188 726)
Cash and cash equivalents at the beginning of the accounting period		13 632 245	17 265 855
Cash and cash equivalents at the end of the accounting period		16 054 310	15 077 129

Notes presented on pages 14 – 59 constitute an integral part of these Financial Statements.

VI. Condensed income statement

	for the period	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Interest income and similar to income		1 093 682	1 513 846
Interest income on financial assets measured at amortised cost		880 704	1 301 119
Interest income on financial assets measured at fair value through other comprehensive income		210 402	193 685
Income similar to interest on financial assets measured at fair value through profit or loss		2 576	19 042
Interest expense		(63 628)	(283 431)
Net interest income		1 030 054	1 230 415
Fee and commission income		588 038	506 156
Fee and commission expense		(67 075)	(76 361)
Net fee and commission income		520 963	429 795
Dividend income		349	343
Net trading income and revaluation		67 954	20 212
Gains (losses) from other financial securities		21 692	27 689
Other operating income		20 053	16 143
Impairment losses on loans and advances		(304 587)	(397 052)
Operating expenses incl.:		(1 042 227)	(1 007 313)
-Staff, operating expenses and management costs		(715 780)	(839 452)
-Amortisation of property, plant and equipment and Intangible assets		(91 383)	(89 498)
-Amortisation of right of use asset		(38 188)	(40 982)
-Other operating expenses		(196 876)	(37 381)
Tax on financial institutions		(144 718)	(136 477)
Profit before tax		169 533	183 755
Corporate income tax		(122 522)	(117 047)
Profit for the period		47 011	66 708
Net earnings per share			
Basic earnings per share (PLN/share)		0,46	0,65
Diluted earnings per share (PLN/share)		0,46	0,65

VII. Condensed statement of comprehensive income

	for the period:	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Profit for the period		47 011	66 708
Items that will be reclassified subsequently to profit or loss:		(147 673)	37 309
Revaluation and sales of debt securities measured at fair value through other comprehensive income gross		(188 857)	(10 090)
Deferred tax		35 883	1 917
Revaluation of cash flow hedging instruments gross		6 545	56 151
Deferred tax		(1 244)	(10 669)
Items that will not be reclassified subsequently to profit or loss:		377 918	32
Revaluation and sales of equity securities measured at fair value through other comprehensive income gross		466 565	40
Deferred and current tax		(88 647)	(8)
Total other comprehensive income, net		230 245	37 341
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		277 256	104 049

VIII. Condensed statement of financial position

	as at:	31.03.2021	31.12.2020
ASSETS			
Cash and balances with central banks		10 898 679	5 369 638
Loans and advances to banks		3 600 008	2 918 962
Financial assets held for trading		3 152 052	3 218 460
Hedging derivatives		5 315	6 901
Loans and advances to customers incl.:		118 935 942	119 077 346
- measured at amortised cost		115 530 303	116 786 037
- measured at fair value through other comprehensive income		2 703 415	1 556 791
- measured at fair value through profit and loss		702 224	734 518
Buy-sell-back transactions		191 774	293 583
Investment securities incl.:		66 434 381	64 355 667
- debt securities measured at fair value through other comprehensive income		64 919 638	63 312 701
- debt securities measured at fair value through profit and loss		108 972	106 639
- equity securities measured at fair value through other comprehensive income		1 290 611	823 633
- equity securities measured at fair value through profit and loss		115 160	112 694
Assets pledged as collateral		-	14 392
Investments in subsidiaries and associates		2 377 407	2 377 407
Intangible assets		584 390	628 643
Goodwill		1 688 516	1 688 516
Property, plant and equipment		542 546	576 975
Right of use asset		593 424	642 396
Net deferred tax assets		1 078 394	1 199 689
Assets classified as held for sale		4 308	4 308
Other assets		956 756	767 587
Total assets		211 043 892	203 140 470
LIABILITIES AND EQUITY			
Deposits from banks		2 461 920	2 993 349
Hedging derivatives		1 514 238	1 686 042
Financial liabilities held for trading		2 710 595	3 053 416
Deposits from customers		169 722 329	161 133 491
Sell-buy-back transactions		-	14 387
Subordinated liabilities		2 673 577	2 654 394
Debt securities in issue		2 804 692	2 772 351
Lease liabilities		671 834	712 304
Current income tax liabilities		9 648	138 782
Provisions for off balance sheet credit facilities		69 016	74 436
Other provisions		825 156	670 645
Other liabilities		1 880 787	1 814 029
Total liabilities		185 343 792	177 717 626
Equity			
Share capital		1 021 893	1 021 893
Other reserve capital		21 011 537	20 273 125
Revaluation reserve		2 049 906	1 819 661
Retained earnings		1 569 753	1 569 753
Profit for the period		47 011	738 412
Total equity		25 700 100	25 422 844
Total liabilities and equity		211 043 892	203 140 470

Notes presented on pages 14 – 59 constitute an integral part of these Financial Statements.

IX. Condensed statement of changes in equity

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

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

Statement of changes in equity 1.01.2020 - 31.03.2020	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	-	-	37 341	66 708	104 049
<i>Profit for the period</i>	-	-	-	66 708	66 708
<i>Other comprehensive income</i>	-	-	37 341	-	37 341
Share-based payment	-	1 606	-	-	1 606
As at the end of the period	1 020 883	19 216 363	1 352 521	2 693 474	24 283 241

As at the end of the period revaluation reserve in the amount of PLN 1,352,521 k comprises: valuation of debt securities in the amount of PLN 712,327 k, valuation of equity securities in the amount of PLN 611,881 k, valuation of cash flow hedge activities in the amount of PLN 18,465 k and accumulated actuarial gains - provision for retirement allowances of PLN 9,848 k.

X. Condensed statement of cash flows

	for the period	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Cash flows from operating activities			
Profit before tax		169 533	183 755
Adjustments for:			
Depreciation/amortisation		129 571	130 480
Profit from investing activities		(23 401)	(52 884)
Interest accrued excluded from operating activities		(151 041)	(134 334)
Dividends		(344)	(343)
Impairment losses (reversal)		8 783	8 688
Changes in:			
Provisions		149 091	18 805
Financial assets / liabilities held for trading		(282 492)	(600 780)
Assets pledged as collateral		14 392	(59 308)
Hedging derivatives		(134 292)	802 349
Loans and advances to banks		312	(56 205)
Loans and advances to customers		(747 757)	(4 683 551)
Deposits from banks		(530 389)	300 290
Deposits from customers		9 042 084	1 981 399
Buy-sell/ Sell-buy-back transactions		(61 068)	86 587
Other assets and liabilities		(162 591)	383 694
Interest received on operating activities		894 691	1 298 689
Interests paid on operating activities		(34 515)	(216 852)
Paid income tax		(184 370)	(156 346)
Net cash flows from operating activities		8 096 197	(765 867)
Cash flows from investing activities			
Inflows		2 340 360	1 524 444
Sale/maturity of investment securities		2 196 872	1 399 052
Sale of intangible assets and property, plant and equipment		5 915	1 927
Dividends received		344	343
Interest received		137 229	123 122
Outflows		(7 358 904)	(3 060 069)
Purchase of investment securities		(7 339 268)	(3 040 160)
Purchase of intangible assets and property, plant and equipment		(19 636)	(19 909)
Net cash flows from investing activities		(5 018 544)	(1 535 625)
Cash flows from financing activities			
Outflows		(515 881)	(109 881)
Repayment of loans and advances		(455 074)	(40 986)
Repayment of lease liabilities		(39 932)	(43 184)
Interest paid		(20 875)	(25 711)
Net cash flows from financing activities		(515 881)	(109 881)
Total net cash flows		2 561 772	(2 411 373)
Cash and cash equivalents at the beginning of the accounting period		13 411 198	17 156 866
Cash and cash equivalents at the end of the accounting period		15 972 970	14 745 493

Notes presented on pages 14 – 59 constitute an integral part of these Financial Statements.

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 3-month period ended 31 March 2021 includes Bank's financial information as well as information from its subsidiaries (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 31.03.2021	[%] of votes on AGM at 31.03.2020
1. Santander Finanse sp. z o.o.	Poznań	100%	100%
2. Santander Factoring sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3. Santander Leasing S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4. Santander Leasing Poland Securitization 01	Dublin	subsidiary of Santander Leasing S.A.	subsidiary of Santander Leasing S.A.
5. Santander Inwestycje sp. z o.o.	Warszawa	100%	100%
6. Santander F24 S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
7. Santander Towarzystwo Funduszy Inwestycyjnych S.A. ¹⁾	Poznań	50%	50%
8. Santander Consumer Bank S.A.	Wrocław	60%	60%
9. Santander Consumer Finanse sp. z o.o. ²⁾	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
10. PSA Finance Polska sp. z o.o. ³⁾	Warszawa	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.
11. PSA Consumer Finance Polska sp. z o.o. ³⁾	Warszawa	100% of AGM votes are held by PSA Finance Polska sp. z o.o.	100% of AGM votes are held by PSA Finance Polska sp. z o.o.
12. Santander Consumer Multirent sp. z o.o.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
13. SCMPOLAND AUTO 2019-1 DAC ⁴⁾	Dublin	subsidiary of Santander Consumer Multirent S.A.	-
14. Santander Consumer Financial Solutions Sp. z o.o. ⁵⁾	Wrocław	subsidiary of Santander Consumer Multirent S.A.	-
15. 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.
16. S.C. Poland Consumer 16-1 sp.z o.o. ⁶⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

1. As at 31.03.2021, 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.

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

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

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

5. On 27 August 2020, Santander Consumer Financial Solutions Sp. z o.o. (SCFS Sp. z o.o.) with its registered office in Wrocław was incorporated under Polish law. The company 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. and SC Poland Consumer 16-1 sp. z o.o. were set up for the purpose of securitisation of a part of the loan portfolio; their shareholder is polish legal entity who has no ties with the Group; the companies are controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7.

Associates:

Associates	Registered office	[%] of votes on AGM at 31.03.2021	[%] of votes on AGM at 31.03.2020
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2. Santander - Aviva Towarzystwo Ubezpieczeń S.A.	Warszawa	49%	49%
3. Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Warszawa	49%	49%

2. Basis of preparation of condensed interim consolidated financial statements

2.1 Statement of compliance

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 2021, item 217) and related implementing acts as well as the requirements imposed on issuers whose securities are admitted to trading on regulated markets or issuers who have applied to have securities admitted to trading on regulated markets outlined in the Act of 29 July 2005 on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies.

The accounting 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 2020, 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
Annual improvements to IFRS standards 2018-2020	As a result of annual improvements project, amendments to four IFRSs were introduced (IFRS1, IFRS9, IFRS16, IAS 41). Amendments to IFRS 9 clarify which fees an entity applies when "10% test" is performed for derecognition of financial asset. For IFRS 16 an illustrative example for lease incentives treatments was changed, not to cause confusion.	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 37 Provisions	The changes concern the clarification of the scope of costs that should be taken into account in assessing whether the contract is a onerous contract	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 16 Property, Plant and Equipment	The changes indicate, i.a, that revenues from the sale of goods produced in the course of bringing an asset to the desired location and condition, cannot be deducted from the costs associated with this asset. Instead, such revenues should be recognized in the profit and loss account along with the costs of manufacturing these products	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.*
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 consolidated financial statements.*
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments to IAS 8 include definition of accounting estimates, which should help to distinguish between accounting policies and accounting estimates.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*
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 consolidated financial statements.*
Amendments to IAS 1	There are two amendments to IAS 1. The first one affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current. The second one concern accounting policy disclosures with regard to the scope of such disclosures.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*

*New standards and amendments to the existing standards issued by the IASB, but not yet adopted 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 2021

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Amendments to IFRS 16 Leasing-extension	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. Extension by one year for rent concessions beyond 30 June 2021 (May 2020 amendment)	1 April 2021	The amendment does not have a significant impact on consolidated financial statements.*
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 consolidated financial statements.

*New standards and amendments to the existing standards issued by the IASB, but not yet adopted by EU.

2.4 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 2020.

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.

2.5 Changes in estimated values

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

The 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 and financial instruments modifications

The concept of modification

Santander Bank Polska S.A. Group assesses changes in cash flows resulting from annexes according to IFRS 9. 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 recognised 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.

Details of the quantitative and qualitative criteria used to evaluate modification are described in consolidated annual financial statements as at 31 December 2020, and were not subject to any changes.

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 319 k for the three-month period ending as at 31 March 2021.

Deferral or suspension of installments repayments under assistance programs are evaluated according to existing in Group qualitative and quantitative criteria.

The table below presents data on the assistance tools provided by the Group as part of initiatives aimed at mitigating the negative effects of the COVID-19 epidemic by 31 March 2021.

Type of assistance tool	Number of clients with granted assistance tools	Gross carrying amount of granted assistance tools
non-legislative moratoria	150 256	20 158 924
legislative moratoria	3 462	326 879
Moratoria	153 718	20 485 802
liquidity BGK	15 716	4 065 076
All assistance tools	169 434	24 550 879

The tables below present the value of exposure and expected credit loss for instruments subject to statutory and non-statutory moratoria according as at 31 March 2021.

	Gross carrying amount								
	Granted	Expired	Active		Performing		Non performing		
					Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	20 485 802	18 888 097	1 597 705	19 437 303	961 760	2 968 812	1 048 500	538 587	710 542
of which: Households	8 270 467	8 014 741	255 727	7 564 237	121 881	693 592	706 231	413 708	505 996
<i>Santander Bank Polska</i>	7 319 088	7 068 969	250 119	6 734 781	121 881	506 853	584 307	413 708	443 993
<i>Santander Consumer Bank</i>	951 369	945 761	5 608	829 445	-	186 739	121 924	-	62 003
<i>Santander Leasing</i>	11	11	-	11	-	-	-	-	-
Collateralised by residential	5 781 292	5 619 625	161 668	5 451 207	78 059	408 630	330 085	265 410	302 428
<i>Santander Bank Polska</i>	5 503 087	5 342 018	161 069	5 197 910	78 059	371 466	305 177	265 410	282 135
<i>Santander Consumer Bank</i>	278 205	277 607	599	253 297	-	37 164	24 908	-	20 293
Consumer loans	2 489 164	2 395 105	94 059	2 113 019	43 822	284 962	376 146	148 298	203 568
<i>Santander Bank Polska</i>	1 816 000	1 726 951	89 050	1 536 871	43 822	135 387	279 130	148 298	161 858
<i>Santander Consumer Bank</i>	673 163	668 154	5 009	576 148	-	149 575	97 016	-	41 710
of which: Non-financial	12 215 335	10 873 356	1 341 978	11 873 066	839 879	2 275 220	342 269	124 879	204 546
<i>Santander Bank Polska</i>	9 222 677	8 497 421	725 255	8 962 288	839 879	1 947 326	260 389	123 426	148 008
<i>Santander Consumer Bank</i>	514 914	513 012	1 902	511 796	-	9 311	3 118	-	859
<i>Santander Leasing</i>	1 896 821	1 840 530	56 291	1 820 291	-	288 600	76 530	-	53 447
<i>Santander Factoring</i>	580 923	22 393	558 530	578 691	-	29 983	2 232	1 453	2 232
SME loans	2 796 725	2 683 716	113 009	2 604 402	127 061	391 365	192 323	55 306	99 771
<i>Santander Bank Polska</i>	2 237 393	2 134 277	103 116	2 062 897	127 061	356 524	174 496	55 306	89 415
<i>Santander Consumer Bank</i>	393 634	391 732	1 902	390 710	-	9 311	2 924	-	665
<i>Santander Leasing</i>	165 698	157 707	7 991	150 795	-	25 530	14 903	-	9 691
Corporate loans	9 418 610	8 189 640	1 228 970	9 268 664	712 818	1 883 855	149 946	69 573	104 775
<i>Santander Bank Polska</i>	6 985 284	6 363 144	622 139	6 899 391	712 818	1 590 802	85 893	68 120	58 593
<i>Santander Consumer Bank</i>	121 280	121 280	0	121 086	-	-	194	-	194
<i>Santander Leasing</i>	1 731 123	1 682 823	48 300	1 669 496	-	263 070	61 627	-	43 756
<i>Santander Factoring</i>	580 923	22 393	558 530	578 691	-	29 983	2 232	1 453	2 232

Accumulated impairment, accumulated negative changes in fair value due to credit risk

	Gross carrying amount of granted moratoria		Performing			Non performing		
			Of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	20 485 802	(795 182)	(322 555)	(69 215)	(220 804)	(472 627)	(220 991)	(291 611)
of which: Households	8 270 467	(467 318)	(129 541)	(6 814)	(77 631)	(337 777)	(175 132)	(221 965)
<i>Santander Bank Polska</i>	7 319 088	(335 065)	(72 563)	(6 814)	(35 842)	(262 502)	(175 132)	(184 945)
<i>Santander Consumer Bank</i>	951 369	(132 253)	(56 978)	-	(41 789)	(75 275)	-	(37 020)
<i>Santander Leasing</i>	11	-	-	-	-	-	-	-
Collateralised by residential	5 781 292	(140 723)	(25 923)	(2 331)	(19 492)	(114 800)	(90 095)	(105 317)
<i>Santander Bank Polska</i>	5 503 087	(120 933)	(20 805)	(2 331)	(14 895)	(100 128)	(90 095)	(93 389)
<i>Santander Consumer Bank</i>	278 205	(19 790)	(5 118)	-	(4 597)	(14 672)	-	(11 928)
Consumer loans	2 489 164	(326 595)	(103 618)	(4 483)	(58 139)	(222 977)	(85 037)	(116 648)
<i>Santander Bank Polska</i>	1 816 000	(214 132)	(51 758)	(4 483)	(20 947)	(162 374)	(85 037)	(91 556)
<i>Santander Consumer Bank</i>	673 163	(112 463)	(51 860)	-	(37 192)	(60 603)	-	(25 092)
of which: Non-financial	12 215 335	(327 864)	(193 014)	(62 401)	(143 173)	(134 850)	(45 859)	(69 646)
<i>Santander Bank Polska</i>	9 222 677	(297 533)	(179 943)	(62 401)	(136 242)	(117 590)	(45 811)	(61 000)
<i>Santander Consumer Bank</i>	514 914	(4 511)	(3 393)	-	(807)	(1 118)	-	(251)
<i>Santander Leasing</i>	1 840 530	(24 226)	(8 186)	-	(5 509)	(16 040)	-	(8 293)
<i>Santander Factoring</i>	580 923	(1 594)	(1 492)	-	(615)	(102)	(48)	(102)
SME loans	2 796 725	(193 309)	(88 396)	(22 331)	(55 849)	(104 913)	(34 863)	(51 404)
<i>Santander Bank Polska</i>	2 237 393	(185 207)	(84 422)	(22 331)	(54 382)	(100 785)	(34 863)	(49 604)
<i>Santander Consumer Bank</i>	393 634	(4 089)	(3 035)	-	(807)	(1 054)	-	(187)
<i>Santander Leasing</i>	157 707	(4 013)	(939)	-	(660)	(3 074)	-	(1 613)
Corporate loans	9 418 610	(134 491)	(104 618)	(40 070)	(87 324)	(29 873)	(10 996)	(18 242)
<i>Santander Bank Polska</i>	6 985 284	(112 326)	(95 521)	(40 070)	(81 860)	(16 805)	(10 948)	(11 396)
<i>Santander Consumer Bank</i>	121 280	(358)	(358)	-	-	-	-	(64)
<i>Santander Leasing</i>	1 731 123	(20 213)	(7 247)	-	(4 849)	(12 966)	-	(6 680)
<i>Santander Factoring</i>	580 923	(1 594)	(1 492)	-	(615)	(102)	(48)	(102)

Expected credit loss calculation (ECL)

The IFRS 9 approach is based on estimation of the expected credit loss (ECL). ECL allowances reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at an amount equal to a 12-month ECL or the lifetime ECL, when it is deemed there has been a significant increase in credit risk since initial recognition. 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 400 for individual and small and medium-sized enterprises and PLN 2,000 for business and corporate clients) and at the same time relative thresholds (above 1% of the amount past due in relation to the balance sheet amount);
- the Santander Bank Polska S.A. Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Santander Bank Polska S.A. Group would not otherwise consider, which fulfill below criteria:
 - (1) contingent restructuring transactions that meet the criteria for reclassification into basket 3 (quantitative and / or qualitative),
 - (2) contingent restructuring transactions previously classified as non-performing, which have been refinanced or restructured, or are more than 30 days past due to the customer's with observed financial difficulties,
 - (3) restructured transactions, where contractual clauses have been applied that defer payments through a grace period for repayment of the principal for a period longer than two years,
 - (4) restructured transactions including debt write-off, interest grace periods or repaid in installments without contractual interest,
 - (5) restructured transactions, where there was a change in the net present value of cash flows (NPV) of at least 1% compared to the NPV before the application of the forbearance measures,
 - (6) transactions where:
 - inadequate repayment schedules (initial or later, if used) were applied, which are related to, inter alia, repeated situations of non-compliance with the schedule, changes in the repayment schedule in order to avoid situations of non-compliance with it, or
 - a repayment schedule that is based on expectations, unsupported by macroeconomic forecasts or credible assumptions about the borrower's ability or willingness to repay was applied.
 - (7) transactions for which the Group has reasonable doubts as to the probability of payment by the customer.
- it becoming probable that the debtor will enter bankruptcy, recovery proceedings, arrangement or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- exposures subject to the statutory moratorium, the so-called Shield 4.0 (Act of 19 June 2020 on interest subsidies for bank loans granted to entrepreneurs affected by COVID-19) - application of a moratorium on the basis of a declaration of loss of source of income.

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

- In the case of individual customers, the probation period is 180 days.
- In the case of SME customers, the probation period is 180 days, and assessment of the customer's financial standing and repayment capacity is required in some cases. However, the exposure cannot be reclassified to stage 1 or 2 in the case of fraud, client's death, discontinuation of business, bankruptcy, or pending restructuring/ liquidation proceedings.

- In the case of business and corporate customers, the probation period is 92 days, and positive assessment of the financial standing is required (the 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 365 days (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) of regular payments, repayment by the client of the amount previously overdue / written off (if any) and after finding that there are no concerns as to the further repayment of the entire debt in accordance with the agreed terms of restructuring.

From January 2021, the Group has adopted the rules of credit risk classification to the new regulations: (a) the Guidelines of the European Banking Authority (EBA / GL / 2016/07) on the application of the definition of default, and (b) the regulation of the Minister of Finance, on materiality thresholds for overdue credit obligations.

A significant increases in credit risk (SICR)

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

- Qualitative assumptions:
 - Implementing dedicated monitoring strategies for the customer following the identification of early warning signals that indicate a significant increase in credit risk
 - Restructuring actions connected with making concessions to the customers as a result of their difficult financial standing
 - Delay in payment as defined by the applicable standard, i.e. 30 days past due combined with the materiality threshold
- Quantitative assumptions:
 - A risk buffer method based on the comparison of curves illustrating the probability of default over the currently remaining lifetime of the exposure based on the risk level assessment at exposure recognition and at reporting date. Risk buffer is set in relative terms for every single exposure based on its risk assessment resulting from internal models and other parameters of exposure impacting assessment of the Group whether the increase might have significantly increased since initial recognition of the exposure (such parameters considered types of the products, term structure as well as profitability). Risk buffer methodology was prepared internally and is based on the information gathered in course of the decisioning process as well as in process of transactions structuring.
 - Fact of being covered by aid measures related to COVID-19 (excluding exposures subject to statutory moratoria (Shield 4.0)) does not automatically result in classification into Stage 2 or Stage 3. Additional client`s risk is monitored on an ongoing basis. In order to manage credit risk following COVID-19 pandemic, management reports and early warning systems have been expanded, the most vulnerable populations are reviewed in detail
 - 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).
 - In defining persistent difficulties, the Group compares the risk level before the pandemic with the current one, taking into account the backlog and additional aid granted.
 - In order to be consistent with the regulatory interpretations of the classification approach for the COVID-19 period, in March 2021 the classification rules for SME sector companies were extended for clients using capital and interest grace to include the following conditions:
 - if there were no persistent difficulties and the client / exposures are classified in Stage 1, then all client exposures are reclassified into Stage 2.
 - if there were permanent difficulties and the client used a capital and interest grace period, then all client exposures are reclassified to Stage 3.
 - Exposure in Stage 2 may be re-classified into Stage 1 without probation period as soon as significant increase in credit risk indicators after its initial recognition end e.g. when the following conditions are met: client`s current situation does not require constant monitoring, no restructuring actions towards exposure are taken, exposure has no payment delay over 30 days for significant amounts, no suspension of the contact due to Shield 4.0, no persistent difficulties and according to risk buffer method no risk increase occurs.

- Moratoria are classified into Stage 2 according to the rules outlined above. In particular for expired moratoria, the Group continues to use the definition of persistent difficulties, also subsequent aid measures classified as restructuring are a trigger for classification into stage 2.
- Additionally, the long-term impact of the COVID-19 pandemic in terms of provisions calculated using the individual approach, due to the specifics of this calculation, is reflected in the individual analysis by means of additional adjustments to the original (pre COVID) assumptions. Adjustments to the assumptions include: the probabilities of the cure scenario realization, the probabilities of the realization of operational cash flows as well as the expected recovery from the sale of tangible collateral.

Management provision covering risk resulting from COVID-19 pandemic

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 121,414 k as at 31 March 2021.

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 by PLN 137,620 k as at 31 March 2021.

Current amount of provision is presented in Note 25 and 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 2020.

In the first quarter of 2021, based on the observed data, the Group decided to increase its portfolio provisions for legal risk by PLN 82,282 k.

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 first quarter of 2021 the Group has not identified the need to update provision amount for potential reimbursements of fees related to early repaid consumer loans.

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

AVIVA share sale agreement

In connection with the concluded agreement for the sale of shares in AVIVA Towarzystwo Ubezpieczeń na Życie S.A., AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A., AVIVA Powszechne Towarzystwo Emerytalne Aviva Santander S.A. (details in Note 38), as at the end of March 2021, the Group assumed the investment selling price with adjustments and additional financial benefits as fair value for the above-mentioned financial instruments. The Group booked PLN 466,673 k as an increase in valuation in other comprehensive income.

2.6 Judgements that affect the amounts recognised in financial statements

In the process of applying the accounting policies, the management of Santander Bank Polska 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 2.5.

2.7 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 2021 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.
- Transfer of Investments in associates of Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A. from Segment ALM and Centre to Segment Retail Banking as an effect of presentation change in reporting to the chief operating decision maker in Santander Bank Polska S.A. Group
- Transfer of Share in net profits of entities accounted for by the equity method of Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A. from Segment ALM and Centre to Segment Retail Banking as an effect of presentation change in reporting to the chief operating decision maker in Santander Bank Polska S.A. Group

Comparable data are adjusted accordingly.

In the part regarding Santander Bank Polska, the provisions for legal risk connected with the portfolio of FX mortgage loans and the provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the provisions for legal risk connected with the portfolio of FX mortgage loans and the provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in the Santander Consumer segment. More details regarding the above provisions are described in Note 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 119,000 k (stage 2) was estimated and presented in the results of particular business segments in comparable data as at 31.03.2020. The adjustment was also described in notes 2.5 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
1.01.2021-31.03.2021						
Net interest income	718 798	188 022	65 041	118 065	287 032	1 376 958
incl. internal transactions	(840)	(852)	1 751	2 974	(3 033)	-
Net fee and commission income	343 496	127 787	103 076	(132)	37 047	611 274
incl. internal transactions	38 487	26 720	(64 101)	(441)	(665)	-
Other income	26 618	14 219	50 315	25 833	18 654	135 639
incl. internal transactions	659	13 330	(13 893)	67	(163)	-
Dividend income	-	-	5	843	4	852
Operating costs	(653 171)	(101 993)	(68 879)	(115 187)	(179 452)	(1 118 682)
incl. internal transactions	-	-	-	188	(188)	-
Depreciation/amortisation	(87 252)	(16 061)	(5 841)	(24 691)	(14 082)	(147 927)
Impairment losses on loans and advances	(167 616)	(19 363)	(121 204)	33	(54 929)	(363 079)
Share in net profits (loss) of entities accounted for by the equity method	19 599	-	-	(148)	-	19 451
Tax on financial institutions	-	-	-	(144 717)	(8 243)	(152 960)
Profit before tax	200 472	192 611	22 513	(140 101)	86 031	361 526
Corporate income tax						(168 668)
Consolidated profit for the						192 858
of which:						
attributable to owners of the parent entity						151 783
attributable to non-controlling interests						41 105

* 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
1.01.2020-31.03.2020						
Net interest income	819 438	196 580	72 835	189 592	357 868	1 636 313
incl. internal transactions	(396)	(756)	1 165	1 253	(1 266)	-
Net fee and commission income	324 422	106 547	76 444	(6 435)	37 266	538 244
incl. internal transactions	42 837	20 785	(62 624)	(299)	(699)	-
Other income	11 807	14 764	20 049	12 858	14 127	73 605
incl. internal transactions	1 501	13 743	(14 954)	(1 464)	1 174	-
Dividend income	-	-	-	342	7	349
Operating costs	(508 894)	(114 285)	(66 418)	(220 415)	(203 013)	(1 113 025)
incl. internal transactions	-	-	-	334	(334)	-
Depreciation/amortisation	(85 597)	(13 693)	(5 428)	(29 975)	(17 609)	(152 302)
Impairment losses on loans and advances	(304 459)	(43 313)	(55 392)	(8 191)	(54 945)	(466 300)
Share in net profits (loss) of entities accounted for by the equity method	17 005	-	-	(306)	-	16 699
Tax on financial institutions	-	-	-	(136 477)	(12 152)	(148 629)
Profit before tax	273 722	146 600	42 090	(199 007)	121 549	384 954
Corporate income tax						(152 077)
Consolidated profit for the						232 877
of which:						
attributable to owners of the parent entity						170 934
attributable to non-controlling interests						61 943

* 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
31.03.2021						
Loans and advances to customers	79 877 597	33 066 896	14 790 103	-	15 266 938	143 001 534
Investments in associates	969 935	-	-	45 564	-	1 015 499
Other assets	5 950 256	1 018 866	3 396 779	79 597 076	4 262 996	94 225 973
Total assets	86 797 788	34 085 762	18 186 882	79 642 640	19 529 934	238 243 006
Deposits from customers	116 517 329	37 146 386	13 366 560	3 531 651	8 922 719	179 484 645
Other liabilities	619 562	502 899	4 028 406	17 745 051	6 774 054	29 669 972
Equity	5 539 016	2 962 572	1 763 761	14 989 879	3 833 161	29 088 389
Total equity and liabilities	122 675 907	40 611 857	19 158 727	36 266 581	19 529 934	238 243 006

* 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
31.03.2020						
Loans and advances to customers	79 943 150	32 662 656	13 486 099	-	15 906 840	141 998 745
Investments in associates	952 686	-	-	45 711	-	998 397
Other assets	5 836 621	1 052 307	3 467 155	71 482 558	4 475 526	86 314 167
Total assets	86 732 457	33 714 963	16 953 254	71 528 269	20 382 366	229 311 309
Deposits from customers	114 564 280	36 877 378	6 776 275	3 771 434	9 532 888	171 522 255
Other liabilities	632 986	606 003	3 926 625	16 889 133	7 076 317	29 131 064
Equity	5 845 825	3 333 447	1 992 303	13 713 254	3 773 161	28 657 990
Total equity and liabilities	121 043 091	40 816 828	12 695 203	34 373 821	20 382 366	229 311 309

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

4. Net interest income

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Interest income and similar to interest		
Interest income on financial assets measured at amortised cost	1 275 781	1 816 161
Loans and advances to enterprises and leasing agreements	435 273	615 521
Loans and advances to individuals, of which:*	838 783	1 139 006
<i>Home mortgage loans</i>	272 884	423 909
Loans and advances to banks	(127)	9 889
Loans and advances to public sector	1 521	2 803
Reverse repo transactions	331	11 609
Interest recorded on hedging IRS	-	37 333
Interest income on financial assets measured at fair value through other comprehensive income	213 302	206 593
Loans and advances to enterprises	11 317	10 598
Debt securities	201 985	195 995
Income similar to interest - financial assets measured at fair value through profit or loss	3 394	27 336
Loans and advances to enterprises	207	508
Loans and advances to individuals	3 576	22 877
Debt securities	(389)	3 951
Total income	1 492 477	2 050 090
	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Interest expenses		
Interest expenses on financial liabilities measured at amortised cost	(115 519)	(413 777)
Liabilities to individuals	(33 670)	(181 213)
Liabilities to enterprises	(22 214)	(116 967)
Repo transactions	614	(6 829)
Liabilities to public sector	(781)	(11 898)
Liabilities to banks	(6 361)	(23 574)
Lease liability	(4 190)	(5 268)
Subordinated liabilities and issue of securities	(37 162)	(68 028)
Interest recorded on hedging IRS	(11 755)	-
Total costs	(115 519)	(413 777)
Net interest income	1 376 958	1 636 313

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

5. Net fee and commission income

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Fee and commission income		
eBusiness & payments	143 697	132 181
Current accounts and money transfer	97 970	79 708
Asset management fees	67 122	70 263
Foreign exchange commissions	119 814	121 539
Credit commissions incl. factoring commissions and other	113 117	93 088
Insurance commissions	53 466	60 310
Commissions from brokerage activities	44 790	28 274
Credit cards	35 343	34 740
Off-balance sheet guarantee commissions	26 049	23 810
Finance lease commissions	6 012	6 455
Issue arrangement fees	5 387	7 223
Distribution fees	4 726	4 245
Total	717 493	661 836
Fee and commission expenses		
eBusiness & payments	(33 659)	(43 280)
Distribution fees	(3 129)	(2 307)
Commissions from brokerage activities	(5 322)	(3 614)
Credit cards	(3 019)	(1 522)
Credit commissions paid	(16 178)	(28 684)
Insurance commissions	(4 150)	(4 340)
Finance lease commissions	(8 029)	(7 287)
Asset management fees and other costs	(5 508)	(6 001)
Other	(27 225)	(26 557)
Total	(106 219)	(123 592)
Net fee and commission income	611 274	538 244

6. Net trading income and revaluation

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Net trading income and revaluation		
Derivative instruments	112 817	(657 220)
Interbank FX transactions and other FX related income	(56 284)	685 364
Profit on equity securities measured at fair value through profit or loss	11 380	(12 775)
Profit on debt securities measured at fair value through profit or loss	2 859	(1 064)
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	259	(8 002)
Total	71 031	6 303

The amounts included CVA and DVA adjustments which in 1Q 2021 and 1Q 2020 totaled PLN 2 730 k and PLN (15,291) k respectively.

7. Gains (losses) from other financial securities

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Gains (losses) from other financial securities		
Profit on sale of debt securities measured at fair value through other comprehensive income	28 176	51 976
Profit (loss) on sale of debt securities mandatorily measured at fair value through profit or loss	8	(5)
Change in fair value of financial securities mandatorily measured at fair value through profit or loss	(7 347)	(29 930)
Total profit (losses) on financial instruments	20 837	22 041
Change in fair value of hedging instruments	124 256	(179 604)
Change in fair value of underlying hedged positions	(118 302)	184 049
Total profit (losses) on hedging and hedged instruments	5 954	4 445
Total	26 791	26 486

8. Other operating income

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Other operating income		
Income on sale of services	5 430	6 020
Release of provision for legal cases and other assets	15 668	15 211
Recovery of other receivables (expired, cancelled and uncollectable)	39	202
Settlements of leasing agreements	1 516	1 188
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	(2 647)	1 116
Received compensations, penalties and fines	204	245
Profit on lease modifications	1 391	1 055
Other	16 216	15 779
Total	37 817	40 816

9. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Charge for loans and advances to banks	10	(4)
Stage 1	10	(4)
Stage 2	-	-
Stage 3	-	-
POCI	-	-
Charge for loans and advances to customers	(401 389)	(489 635)
Stage 1	(42 613)	(12 044)
Stage 2	(21 700)	(260 944)
Stage 3	(349 279)	(218 512)
POCI	12 203	1 865
Recoveries of loans previously written off	28 671	18 572
Stage 1	-	-
Stage 2	-	-
Stage 3	28 671	18 572
POCI	-	-
Off-balance sheet credit related facilities	9 629	4 767
Stage 1	(1 468)	8 017
Stage 2	2 266	1 127
Stage 3	8 831	(4 377)
POCI	-	-
Total	(363 079)	(466 300)

As at 31.03.2021 no additional allowance was created to reflect the risk related to the COVID-19 situation, as at 31.03.2020 the amount of the management adjustment for the risk generated by the pandemic was PLN 119,000 k /stage 2/.

10. Employee costs

Employee costs	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Salaries and bonuses	(334 667)	(360 903)
Salary related costs	(64 097)	(67 574)
Cost of contributions to Employee Capital Plans	(2 239)	(2 389)
Staff benefits costs	(8 184)	(8 659)
Professional trainings	(1 524)	(2 388)
Retirement fund, holiday provisions and other employee costs	(5)	(137)
Restructuring provision	-	(5 612)
Total	(410 716)	(447 662)

11. General and administrative expenses

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
General and administrative expenses		
Maintenance of premises	(27 396)	(30 257)
Short-term lease costs	(2 365)	(2 202)
Low-value assets lease costs	(349)	(999)
Costs of variable lease payments not included in the measurement of the lease liability	(88)	(151)
Non-tax deductible VAT	(10 973)	(12 693)
Marketing and representation	(24 732)	(25 493)
IT systems costs	(93 543)	(82 364)
Cost of BFG, KNF and KDPW	(192 093)	(294 897)
Postal and telecommunication costs	(13 753)	(17 218)
Consulting and advisory fees	(15 002)	(15 713)
Cars, transport expenses, carriage of cash	(13 032)	(13 939)
Other external services	(33 345)	(39 040)
Stationery, cards, cheques etc.	(5 044)	(5 723)
Sundry taxes and charges	(9 517)	(9 171)
Data transmission	(2 741)	(2 877)
KIR, SWIFT settlements	(7 327)	(6 186)
Security costs	(5 901)	(5 693)
Costs of repairs	(1 588)	(3 114)
Other	(2 362)	(6 292)
Total	(461 151)	(574 022)

12. Other operating expenses

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Other operating expenses		
Charge of provisions for legal cases and other assets*	(141 984)	(21 264)
Charge of provisions for legal risk portfolio*	(78 824)	(47 105)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(8 783)	(8 688)
Costs of purchased services	(871)	(963)
Other membership fees	(233)	(188)
Paid compensations, penalties and fines	(724)	(775)
Donations paid	(26)	(2 034)
Other	(15 370)	(10 324)
Total	(246 815)	(91 341)

*Details in note 28.

13. Corporate income tax

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Corporate income tax		
Current tax charge in the income statement	(100 662)	(174 392)
Deferred tax	(67 997)	15 696
Adjustments from previous years	(9)	6 619
Total tax on gross profit	(168 668)	(152 077)

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Corporate total tax charge information		
Profit before tax	361 526	384 954
Tax rate	19%	19%
Tax calculated at the tax rate	(68 690)	(73 141)
Non-tax-deductible expenses	(3 411)	(3 859)
Provisions for legal claims regarding fx loans	(36 610)	(1 252)
The fee to the Bank Guarantee Fund	(34 669)	(54 649)
Tax on financial institutions	(29 062)	(28 240)
Non-taxable income	5 680	3 516
Adjustment of prior years tax	(9)	6 619
Other	(1 897)	(1 071)
Total tax on gross profit	(168 668)	(152 077)

	31.03.2021	31.12.2020
Deferred tax recognised in other comprehensive income		
Relating to valuation of debt investments measured at fair value through other comprehensive income	(257 798)	(293 533)
Relating to valuation of equity investments measured at fair value through other comprehensive income	(227 765)	(136 762)
Relating to cash flow hedging activity	934	1 832
Relating to valuation of defined benefit plans	(1 914)	(1 914)
Total	(486 543)	(430 377)

14. Cash and balances with central banks

	31.03.2021	31.12.2020
Cash and balances with central banks		
Cash	2 648 071	2 761 280
Current accounts in central banks	1 266 560	1 128 023
Term deposits	7 000 000	1 600 000
Total	10 914 631	5 489 303

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	31.03.2021	31.12.2020
Loans and advances	749 254	87 351
Current accounts	2 821 652	2 839 277
Gross receivables	3 570 906	2 926 628
Allowance for impairment	(37)	(106)
Total	3 570 869	2 926 522

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2021		31.12.2020	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	2 922 529	2 587 221	3 003 970	2 963 339
Interest rate operations	1 220 504	1 243 703	1 526 067	1 593 606
FX operations	1 702 025	1 343 518	1 477 903	1 369 733
Debt and equity securities	199 461	-	178 799	-
Debt securities	169 483	-	147 405	-
Government securities:	150 641	-	132 109	-
- bonds	150 641	-	132 109	-
Other securities:	18 842	-	15 296	-
- bonds	18 842	-	15 296	-
Equity securities	29 978	-	31 394	-
Short sale	-	101 202	-	67 001
Total	3 121 990	2 688 423	3 182 769	3 030 340

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (7,924) k as at 31.03.2021 and PLN (10,708) k as at 31.12.2020.

17. Loans and advances to customers

Loans and advances to customers	31.03.2021			Total
	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit and loss	
Loans and advances to enterprises	55 591 926	2 880 076	61 522	58 533 524
Loans and advances to individuals, of which:	79 897 163	-	784 965	80 682 128
<i>Home mortgage loans</i>	52 646 291	-	-	52 646 291
Finance lease receivables	9 969 328	-	-	9 969 328
Loans and advances to public sector	273 052	-	-	273 052
Other receivables	48 107	-	-	48 107
Gross receivables	145 779 576	2 880 076	846 487	149 506 139
Allowance for impairment	(6 327 944)	(176 661)	-	(6 504 605)
Total	139 451 632	2 703 415	846 487	143 001 534

31.12.2020

Loans and advances to customers	Measured at		Measured at fair value through profit and loss	Total
	Measured at amortised cost	fair value through other comprehensive income		
Loans and advances to enterprises	55 235 227	1 608 312	66 068	56 909 607
Loans and advances to individuals, of which:	80 561 733	-	826 158	81 387 891
<i>Home mortgage loans</i>	52 758 103	-	-	52 758 103
Finance lease receivables	9 783 366	-	-	9 783 366
Loans and advances to public sector	211 489	-	-	211 489
Other receivables	33 691	-	-	33 691
Gross receivables	145 825 506	1 608 312	892 226	148 326 044
Allowance for impairment	(6 275 778)	(51 521)	-	(6 327 299)
Total	139 549 728	1 556 791	892 226	141 998 745

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Balance at the beginning of the period	(6 327 299)	(5 244 364)
Charge/write back of current period	(415 273)	(502 652)
Stage 1	(42 613)	(12 211)
Stage 2	(21 700)	(260 943)
Stage 3	(349 279)	(218 512)
POCI	(1 681)	(10 986)
Write off/Sale of receivables	216 803	220 722
Stage 1	-	1 177
Stage 2	-	-
Stage 3	216 803	219 545
POCI	-	-
Transfer	27 696	(4 229)
Stage 1	(8 561)	23 108
Stage 2	132 716	108 035
Stage 3	(96 407)	(133 980)
POCI	(52)	(1 392)
FX differences	(6 532)	(33 035)
Stage 1	(148)	(2 353)
Stage 2	(762)	(6 243)
Stage 3	(5 696)	(24 298)
POCI	74	(141)
Balance at the end of the period	(6 504 605)	(5 563 558)

18. Investment securities

Investment securities	31.03.2021	31.12.2020
Debt investment securities measured at fair value through other comprehensive income	67 191 633	65 700 052
Government securities:	50 122 581	46 149 191
- bills	-	1 415 983
- bonds	50 122 581	44 733 208
Central Bank securities:	1 499 996	4 999 904
- bills	1 499 996	4 999 904
Other securities:	15 569 056	14 550 957
-bonds	15 569 056	14 550 957
Debt investment securities measured at fair value through profit and loss	112 080	110 155
Equity investment securities measured at fair value through other comprehensive income	1 336 707	857 331
- listed	42 991	30 594
- unlisted*	1 293 716	826 737
Equity investment securities measured at fair value through profit and loss	118 432	115 896
- unlisted	118 432	115 896
Total	68 758 852	66 783 434

* details in Note 38

19. Investments in associates

Balance sheet value of associates	31.03.2021	31.12.2020
Polfund - Fundusz Poręczeń Kredytowych S.A.	45 564	45 712
Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	969 935	952 685
Total	1 015 499	998 397

Movements on investments in associates	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
As at the beginning of the period	998 397	903 113
Share of profits/(losses)	19 451	16 699
Other	(2 349)	940
As at the end of the period	1 015 499	920 752

20. Deposits from banks

Deposits from banks	31.03.2021	31.12.2020
Term deposits	50 213	433 629
Loans received from banks	2 934 282	2 302 496
Current accounts	2 402 610	2 637 187
Total	5 387 105	5 373 312

21. Deposits from customer

Deposits from customers	31.03.2021	31.12.2020
Deposits from individuals	100 452 994	98 213 401
Term deposits	15 940 497	18 443 221
Current accounts	84 305 696	79 562 177
Other	206 801	208 003
Deposits from enterprises	72 799 580	67 954 371
Term deposits	6 079 526	7 393 581
Current accounts	63 087 736	56 745 875
Loans received from financial institution	2 452 297	3 013 707
Other	1 180 021	801 208
Deposits from public sector	6 232 071	5 354 483
Term deposits	350 058	281 162
Current accounts	5 882 012	5 073 320
Other	1	1
Total	179 484 645	171 522 255

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	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
As at the beginning of the period	2 754 605	2 630 271
Additions from:	33 406	126 646
- interest on subordinated loans	17 146	21 935
- FX differences	16 260	104 711
Disposals from:	(13 931)	(13 527)
- interest repayment	(13 931)	(13 527)
As at the end of the period	2 774 080	2 743 390
Short-term	16 470	24 996
Long-term (over 1 year)	2 757 610	2 718 394

23. Debt securities in issue

Debt securities in issue on 31.03.2021	Nominal value	Currency	Date of issue	Redemption date	Book Value (PLN)
Santander Bank Polska bonds	500 000	EUR	10.09.2018	20.09.2021	2 338 446
Santander Bank Polska bonds	100 000	EUR	18.12.2020	18.12.2023	466 246
Series I bonds of Santander Factoring	670 000	PLN	19.11.2020	19.05.2021	669 900
Series J bonds of Santander Factoring	655 000	PLN	03.02.2021	03.08.2021	654 357
Series F bonds of Santander Leasing	450 000	PLN	22.09.2020	22.06.2021	449 850
Series G bonds of Santander Leasing	715 000	PLN	08.12.2020	08.12.2021	714 207
Series H bonds of Santander Leasing	1 100 000	PLN	11.03.2021	11.03.2022	1 098 096
Senior bonds of Santander Leasing Poland Securitization 01 05/2019	1 202 500	PLN	24.05.2019	20.02.2035	592 391
Senior bonds of Santander Leasing Poland Securitization 01 03/2020	330 000	EUR	25.03.2020	20.03.2036	1 537 899
SCB00038	300 000	PLN	04.08.2017	09.08.2021	300 484
SCB00040	261 400	PLN	06.10.2017	07.10.2022	262 739
SCB00041	60 000	PLN	07.12.2017	07.10.2022	60 306
SCB00043	60 000	PLN	29.03.2018	29.03.2022	59 982
SCB00044	156 000	PLN	15.05.2018	14.05.2021	156 494
SCB00045	90 000	PLN	17.05.2018	18.05.2021	90 276
SCB00046	45 000	PLN	17.05.2018	18.05.2021	45 138
Securitized bonds Float sale	800 000	PLN	25.07.2019	16.07.2030	1 200 600
Securitized bonds Float sale	1 200 000	PLN	25.07.2019	16.07.2030	800 400
Securitized bonds Float sale	740 000	PLN	20.07.2020	31.07.2028	740 304
Total					12 238 115

Debt securities in issue on 31.12.2020	Nominal value	Currency	Date of issue	Redemption date	Book Value (PLN)
Santander Bank Polska bonds	500 000	EUR	10.09.2018	20.09.2021	2 310 842
Santander Bank Polska bonds	100 000	EUR	18.12.2020	18.12.2023	461 509
Series H bonds of Santander Factoring	445 000	PLN	30.07.2020	29.01.2021	445 013
Series I bonds of Santander Factoring	670 000	PLN	19.11.2020	19.05.2021	669 469
Series D bonds of Santander Leasing	440 000	PLN	10.03.2020	10.03.2021	76 690
Series F bonds of Santander Leasing	450 000	PLN	22.09.2020	22.06.2021	449 630
Series G bonds of Santander Leasing	715 000	PLN	08.12.2020	08.12.2021	714 583
Senior bonds of Santander Leasing Poland Securitization 01 05/2019	1 202 500	PLN	24.05.2019	20.02.2035	774 173
Senior bonds of Santander Leasing Poland Securitization 01 03/2020	330 000	EUR	25.03.2020	20.03.2036	1 522 884
SCB00038	300 000	PLN	04.08.2017	09.08.2021	301 441
SCB00040	261 400	PLN	06.10.2017	07.10.2022	261 967
SCB00041	60 000	PLN	07.12.2017	07.10.2022	60 129
SCB00042	100 000	PLN	02.03.2018	05.03.2021	100 274
SCB00043	60 000	PLN	29.03.2018	29.03.2022	60 126
SCB00044	156 000	PLN	15.05.2018	14.05.2021	156 150
SCB00045	90 000	PLN	17.05.2018	18.05.2021	90 078
SCB00046	45 000	PLN	17.05.2018	18.05.2021	45 039
Securitized bonds Float sale	800 000	PLN	25.07.2019	16.07.2030	800 403
Securitized bonds Float sale	1 200 000	PLN	25.07.2019	16.07.2030	1 200 605
Securitized bonds Float sale	740 000	PLN	20.07.2020	31.07.2028	740 307
Total					11 241 312

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Movements in debt securities in issue		
As at the beginning of the period	11 241 312	10 629 516
Increase (due to):	1 816 019	3 371 383
- debt securities in issue	1 755 000	3 120 707
- interest on debt securities in issue	18 566	38 684
- FX differences	42 453	211 992
Decrease (due to):	(819 216)	(2 188 341)
- debt securities repurchase	(803 455)	(1 106 587)
- debt securities redemption	-	(1 052 917)
- interest repayment	(12 666)	(27 836)
- other changes	(3 095)	(1 001)
As at the end of the period	12 238 115	11 812 558

24. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	31.03.2021	31.12.2020
Provisions for financial liabilities to grant loans and credit lines	35 541	45 146
Provisions for financial guarantees	19 216	18 733
Other provisions	422	662
Total	55 179	64 541

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

Change in provisions for off balance sheet credit facilities	31.03.2020
As at the beginning of the period	66 109
Provision charge	34 554
Write back	(39 319)
Other changes	782
As at the end of the period	62 126
Short-term	48 094
Long-term	14 032

25. Other provisions

Other provisions	31.03.2021	31.12.2020
Provisions for legal claims*	530 394	408 485
Provisions for legal risk*	467 731	395 968
Provisions for restructuring	125 115	147 662
Total	1 123 240	952 115

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

Change in other provisions on 31.03.2021	Provisions for legal claims *	Provisions for restructuring	Provisions for legal risk	Total
As at the beginning of the period	408 485	147 662	395 968	952 115
Provision charge	137 620	-	82 282	219 902
Utilization	(3 080)	(7 561)	(10 519)	(21 160)
Write back	(12 631)	(14 986)	-	(27 617)
As at the end of the period	530 394	125 115	467 731	1 123 240

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

Change in other provisions on 31.03.2020	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	7 613	5 612	72 547	85 772
Utilization	(60)	(7 844)	(37 816)	(45 720)
Write back	(370)	(914)	-	(1 284)
As at the end of the period	142 842	11 594	329 947	484 383

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

26. Other liabilities

Other liabilities	31.03.2021	31.12.2020
Settlements of stock exchange transactions	84 625	126 778
Interbank and interbranch settlements	446 845	500 973
Employee provisions	217 940	266 220
Sundry creditors	907 015	904 997
Liabilities from contracts with customers	223 408	243 738
Public and law settlements	136 068	98 280
Accrued liabilities	498 679	297 787
Finance lease related settlements	114 574	131 781
Other	12 002	11 761
Total	2 641 156	2 582 315
of which financial liabilities *	2 269 678	2 228 536

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

		<i>of which: Provisions for retirement allowances</i>
Change in employee provisions		
1.01.2020 - 31.03.2020		
As at the beginning of the period	368 514	44 636
Provision charge	74 275	374
Utilization	(178 667)	(7)
Release of provisions	(18 842)	-
As at the end of the period	245 280	45 003
Short-term	200 277	-
Long-term	45 003	45 003

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.

	31.03.2021		31.12.2020	
	Book Value	Fair value	Book Value	Fair value
ASSETS				
Cash and balances with central banks	10 914 631	10 914 631	5 489 303	5 489 303
Loans and advances to banks	3 570 869	3 570 869	2 926 522	2 926 522
Loans and advances to customers measured at amortised cost	139 451 632	139 136 282	139 549 728	138 836 783
LIABILITIES				
Deposits from banks	5 387 105	5 387 105	5 373 312	5 373 312
Deposits from customers	179 484 645	179 497 009	171 522 255	171 554 319
Subordinated liabilities	2 774 080	2 753 393	2 754 605	2 736 671

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 31.03.2021 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),

were based on the provisions of conditional sales contracts concluded on March 26, 2021, the finalization of which depends on obtaining regulatory approvals.

Details are presented in Note 38.

Level 3: Other valuation techniques

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

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method	Effective margin on loans
C-SERIES PREFERENCE SHARES OF VISA INC.	Estimating the fair value based on the current market value of the listed ordinary shares (A-series) of Visa Inc., including a discount which takes into account the limited liquidity of C-series preferential shares and A-series preferential shares.	Discount taking into account the limited liquidity of C-series preferential shares and the A-series preferential shares.
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company
SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company; selection of peer group
SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION	Estimation of the fair value based on the net assets value of the company and average FX	Net asset value of the company
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA	Estimation of the fair value based on the net assets value of the company	Net asset value of the company
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK” SP Z O.O.	Estimation of the fair value based on the agreed selling price of the shares (directly and indirectly for the Allianz Group), taking into account the agreed adjustments and additional financial benefits related to the transaction	not applicable
SHARES IN AVIVA POWSZECHNE TOWARZYSTWO EMERYTALNE AVIVA SANTANDER SA		
AVIVA TOWARZYSTWO UBEZPIECZEŃ NA ŻYCIE SA		
AVIVA TOWARZYSTWO UBEZPIECZEŃ OGÓLNYCH SA		
LEGNICKA SPECJALNA STREFA EKONOMICZNA SA	Current valuation based on estimated transactional value due to planned sale	not applicable
POLSKI HOLDING OBRONNY SP. Z O.O. BUMAR		
AGROREG AGENCJA ROZWOJU REGIONALNEGO SA W NOWEJ RUDZIE		

As at 31.03.2021 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.03.2021	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	199 461	2 920 631	1 898	3 121 990
Hedging derivatives	-	6 436	-	6 436
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 703 415	2 703 415
Loans and advances to customers measured at fair value through profit and loss	-	-	846 487	846 487
Debt securities measured at fair value through other comprehensive income	66 993 738	190 403	7 492	67 191 633
Debt securities measured at fair value through profit and loss	-	-	112 080	112 080
Equity securities measured at fair value through profit and loss	-	-	118 432	118 432
Equity securities measured at fair value through other comprehensive income	42 991	-	1 293 716	1 336 707
Total	67 236 190	3 117 470	5 083 520	75 437 180
Financial liabilities				
Financial liabilities held for trading	101 202	2 587 221	-	2 688 423
Hedging derivatives	-	1 587 932	-	1 587 932
Total	101 202	4 175 153	-	4 276 355

31.12.2020	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	178 799	3 001 906	2 064	3 182 769
Hedging derivatives	-	7 654	-	7 654
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 556 791	1 556 791
Loans and advances to customers measured at fair value through profit and loss	-	-	892 226	892 226
Debt securities measured at fair value through other comprehensive income	65 501 421	191 139	7 492	65 700 052
Debt securities measured at fair value through profit and loss	-	-	110 155	110 155
Equity securities measured at fair value through profit and loss	-	-	115 896	115 896
Equity securities measured at fair value through other comprehensive income	30 594	-	826 737	857 331
Total	65 710 814	3 200 699	3 511 361	72 422 874
Financial liabilities				
Financial liabilities held for trading	67 001	2 963 339	-	3 030 340
Hedging derivatives	-	1 775 098	-	1 775 098
Total	67 001	4 738 437	-	4 805 438

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 profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
31.03.2021							
As at the beginning of the period	2 064	892 226	1 556 791	110 155	7 492	826 737	115 896
Profit or losses							
<i>recognised in income statement</i>	(375)	3 566	-	1 925	-	-	2 536
<i>recognised in equity (OCI)</i>	-	-	11 317	-	-	466 979	-
Purchase/granting	210	90 647	1 459 889	-	-	-	-
Sale	-	(240)	-	-	-	-	-
Matured	-	(138 647)	(211 439)	-	-	-	-
Transfer	(1)	-	-	-	-	-	-
Other	-	(1 065)	(113 143)	-	-	-	-
As at the end of the period	1 898	846 487	2 703 415	112 080	7 492	1 293 716	118 432

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 profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
31.12.2020							
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>	(24)	9 378	-	15 957	-	-	17 245
<i>recognised in equity (OCI)</i>	-	-	40 498	-	-	(37 254)	-
Purchase/granting	1 379	404 407	1 181 483	-	-	-	-
Sale	-	(3)	(275 370)	(1 000)	-	(925)	-
Matured	-	(591 551)	(278 668)	-	-	-	-
Transfer	709	(109 773)	-	(101 550)	-	-	101 550
Other	-	(16 679)	(34 963)	2 463	(8 535)	-	(2 899)
As at the end of the period	2 064	892 226	1 556 791	110 155	7 492	826 737	115 896

28. Contingent liabilities

Significant court proceedings

As at 31.03.2021 the value of all litigation amounts to PLN 2,714,810 k. This amount includes PLN 1,108,713 k claimed by the Group, PLN 1,547,964 k in claims against the Group and PLN 58,133 k of the Group's receivables due to bankruptcy or arrangement cases.

The amount of all court proceedings which had been completed in the period from 1.01.2021 to 31.03.2021 amounted to PLN 184,329 k.

As at 31.03.2021, the value of provisions for legal claims was PLN 530,394 k. In 301 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), a provisions of PLN 85,359 k was raised.

Court proceedings on CHF mortgage loans

As at 31.03.2021, the Group's CHF retail mortgage loan exposure totalled PLN 9,502,164 k (as at 31.12.2020 – PLN 9,853,480k).. The portfolio included both denominated and indexed loans.

So far, there have been significant differences in courts' rulings on CHF loan cases:

- Courts deciding in favour of banks hold that indexation clauses are not unfair and dismiss the cases.
- Courts deciding against banks generally rule that: (1) loan indexation and application of an exchange rate from the bank's exchange rates table is unfair, and therefore the indexation mechanism is to be removed, and the loan concerned is to be treated as a PLN loan with an interest rate based on CHF LIBOR; or (2) the indexation and exchange rate calculation terms are unfair and render the loan agreement null and void.
- Some courts argue that loan indexation itself is lawful but application of an exchange rate based on the bank's FX table is unfair and should be eliminated. Accordingly, an objective indexation rate should be used, i.e. an average NBP exchange rate. This may result in particular claims being admitted, but only in an amount equal to the FX differences close to the currency spread.

On 3 October 2019, the Court of Justice of the European Union (CJEU) ruled on the case of a loan granted by Raiffeisen Bank Polska S.A. regarding the consequences of potentially unfair terms in a CHF-indexed loan agreement. The CJEU found that if the indexation clause was held to be unfair and if after the removal of the indexation mechanism the nature of the main subject matter of the agreement was likely to alter, the national court might annul the agreement, having presented to the borrower the consequences of this solution and having obtained their consent. At the same time, according to the CJEU, the national court might decide that the agreement should continue in existence after the indexing mechanism is removed (whereby the loan at issue would be treated as a PLN loan with an interest rate based on LIBOR); however, such a solution was deemed uncertain. The CJEU precluded the possibility to substitute unfair terms of the agreement with general provisions of the Polish law, but confirmed the possibility of replacing the gaps in the agreement with explicit supplementary provisions or other rules agreed by the parties.

The CJUE ruling does not resolve the doubts as to the consequences of potentially unfair terms in foreign currency loan agreements. Most court decisions taken after the CJUE ruling of 3 October 2019 are not favourable for the Group, but the case law has not become consistent yet. Some courts have requested preliminary rulings from the CJEU, which may affect future court verdicts. It is still difficult to assess the potential impact of the ruling on court judgments in cases regarding foreign currency loans. The established opinion of the Supreme Court may be of importance here.

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

In April 2020, the Supreme Court published justification of the decision of 11 December 2019 given in the case against Santander Bank Polska S.A. The Supreme Court decided that 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 unfairness and elimination from the agreement makes the loan agreement invalid. This triggers the need for mutual settlements between the parties due to unjust enrichment; at the same time, the Supreme Court stated that the previous verdicts 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. In its ruling of 16 February 2021, the Supreme Court stated that the borrower whose loan agreement is declared invalid may claim reimbursement of the sums paid to the bank irrespective of whether and to what extent they owe the

amounts to the bank in respect of unduly received loan proceeds. At the same time, the Supreme Court held that there are legal instruments in place, such as set-off and the right of retention, which make it possible to concurrently account for mutual settlements in relation to unjust enrichment following the invalidation of the loan agreement.

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

The Group identified the risk that the scheduled cash flows from the portfolio of mortgage loans denominated in and indexed to foreign currencies might not be fully recoverable and/or that a liability might arise, resulting in a future cash outflow. The Group raises provisions for disputes (individual court cases) and legal risk (on a collective basis) in line with IAS 37 *Provisions, contingent liabilities and contingent assets*. The amount of provisions was estimated taking into account a number of assumptions, which significantly influence the estimate reflected in the Group's financial statements.

As at 31 March 2021, there were 5,315 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 1,128,511k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 548 CHF-indexed loans, with the disputed amount of PLN 50,283k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 31.03.2021, the Group's provisions for disputes over contractual clauses in mortgage loan agreements indexed to and denominated in foreign currencies totalled PLN 442,125k (PLN 324,920k as at 31.12.2020).

As at 31.03.2021, the Group's collective provisions for legal risk totalled PLN 360,701k (PLN 278,247k as at 31.12.2020) due to the higher number of cases related to contractual clauses in agreements on mortgage loans indexed to and denominated in foreign currencies. The above provisions for Santander Bank Polska S.A. was PLN 254,770k and for Santander Consumer Bank S.A. was PLN 105,931k (PLN 191,900k and 86,347k, respectively, as at 31.12.2020). The Group will continue to monitor and evaluate the adequacy of the above-mentioned provisions in subsequent reporting periods.

On 11 May 2021, at the request of the First President of the Supreme Court, the Supreme Court is expected to take a position (in the form of a resolution of the entire Civil Chamber) on the key aspects of court cases concerning foreign currency loans (i.e. the possibility to keep a loan agreement after removing unfair clauses, as well as the consequences of possible invalidation of the entire agreement, including the basic principles of settlements between the borrower and the bank in this regard). The position of the Supreme Court is to clarify the discrepancies and harmonise the case law with respect to loans based on a foreign currency. Due to the fact that the position is to be formally presented as a resolution of the entire Civil Chamber and will be construed as legal rule, it may have a significant influence on the ruling practice. The model used by the Group to raise provisions for legal risk associated with the portfolio of loans indexed to or denominated in a foreign currency takes into account different possible judgments which are the subject of the request for the above-mentioned resolution. In particular, the Supreme Court's position may trigger revision of the model assumptions, and lead to potentially significant changes in the estimated collective and individual provisions for legal risk. As it is not possible to predict the Supreme Court's decisions on individual cases, the Management Board believes that the impact of those decisions on the level of provisions cannot be accurately estimated as at the date of these financial statements.

In December 2020, the Chairman of the Polish Financial Supervision Authority (KNF) presented a proposal for voluntary settlements between banks and borrowers under which CHF loans would be retrospectively settled as PLN loans bearing an interest rate based on WIBOR plus margin. This proposal is currently being analysed by the Bank and representatives of banks and consulted with the KNF and the Ministry of Finance. The Bank plans to test such settlements in the first half of 2021. Depending on the test results, further steps will be considered, including a pilot of the selected sample of borrowers. The overall outcome will be a significant factor for the Group to decide whether or not to roll out the settlement process. Due to the potential high impact of the decision to commence the process of entering into settlements on the Group's financial position, the approval of the General Meeting will be required. If the Group decides to do so, it will take into account additional scenarios in the models for calculation of provisions for legal risk and will reflect the estimated impact on the level of those provisions. Due to the fact that at the moment of preparation of this financial statements the Group has not made yet a decision to enter the settlement process and due to the early stage of the ongoing discussions around possible solutions concerning financial aspects of the settlements (in particular, tax treatment of the costs arising from the proposals, the approach to the calculation of RWAs for the exposures covered by the settlements, and the costs of closing the FX positions), it was not reflected in the scenarios and likelihoods assumed by the Bank to estimate the provisions as at 31 March 2021. The Group estimated a potential impact of the participation in the process of voluntary settlements on the Group's financial position. Assuming that 100% of current borrowers choose to convert their loans as proposed by the KNF Chairman, the Group's loss would be in the order of PLN 3.5bn at the consolidated level. The calculation was made at and exchange rate of 4.15 PLN/CHF.

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

As at 31.03.2021, Santander Bank Group was sued in 1,052 cases concerning partial refund of an arrangement fee on consumer loans, including 471 cases against Santander Consumer Bank S.A. and 581 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Group raised provisions in the total amount of PLN 182k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 35k and provisions raised by Santander Bank Polska S.A. in the amount of PLN 147k.

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 three months of 2021, 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 29,068k, that decreased the Group's net interest income. The above amount for the Santander Bank Polska was PLN 13,806 k. The remaining amount charged to the Group's profit or loss represent the amount recognized in the result of the subsidiary Santander Consumer Bank.

As at 31.12.2020 the value of all litigation amounts to PLN 2,317,882 k. This amount includes PLN 1,004,690 k claimed by the Group, PLN 1,261,620 k in claims against the Group and PLN 51,572 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2020 the amount of all court proceedings which had been completed amounted to PLN 735,191 k.

As at 31.12.2020, the value of provisions for legal claims was PLN 408,485 k. In 229 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), a provisions of PLN 70,373 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 value of contingent liabilities and off-balance sheet transactions are presented below. The value of liabilities sanctioned and provision for off-balance sheet liabilities are presented also presented by categories. The values of guarantees and letters of credit as set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if the customers did not meet any of their obligations towards third parties.

31.03.2021

Contingent liabilities	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned	40 845 837	999 354	90 119	41 935 310
- financial	33 265 288	741 724	72 551	34 079 563
- credit lines	28 466 008	677 836	61 308	29 205 152
- credit cards debits	4 024 746	57 157	8 917	4 090 820
- import letters of credit	774 534	6 731	2 326	783 591
- guarantees	7 607 578	267 622	35 726	7 910 926
Provision for off-balance sheet liabilities	(27 029)	(9 992)	(18 158)	(55 179)
Liabilities received				54 495 377
- financial				655 005
- guarantees				53 840 372
Total	40 845 837	999 354	90 119	96 430 687

31.12.2020

Contingent liabilities	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned	41 296 843	853 890	95 625	42 246 358
- financial	34 006 951	634 428	83 603	34 724 982
- credit lines	28 831 615	494 054	67 902	29 393 571
- credit cards debits	3 960 832	131 695	13 914	4 106 441
- import letters of credit	1 194 014	8 679	1 787	1 204 480
- term deposits with future commencement term	20 490	-	-	20 490
- guarantees	7 315 501	231 608	38 808	7 585 917
Provision for off-balance sheet liabilities	(25 609)	(12 146)	(26 786)	(64 541)
Liabilities received				60 810 347
- financial				153 119
- guarantees				60 657 228
Total	41 296 843	853 890	95 625	103 056 705

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	
	28.04.2021	24.02.2021	28.04.2021	24.02.2021	28.04.2021	24.02.2021	28.04.2021	24.02.2021
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,01%	5 123 581	5 123 581	5,01%	5,01%
Nationale-Nederlanden DFE *								
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
Total	102 189 314	102 189 314	100%	100%	102 189 314	102 189 314	100%	100%

* Funds managed by Nationale-Nederlanden Powszechna 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 1Q2021 /28.04.2021/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne SA.: Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny.

30. Acquisitions and disposals of investments in subsidiaries and associates

There were no acquisitions and disposals of investments in subsidiaries and associates in 1Q2021.

31. Capital Adequacy

The capital requirements of Santander Bank Polska Capital Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), which was the official legal basis as at 31.03.2021, as well as applicable provisions arising from Regulation (EU) 2019/876 ("CRR 2") and Regulation (EU) 2020/873 (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 31.03.2021.

	31.03.2021
Common Equity Tier 1 (CET1) capital before regulatory adjustments	27 340 405
Common Equity Tier 1 (CET1) capital	25 411 155
Additional Tier 1 (AT1) capital before regulatory adjustments	-
Additional Tier 1 (AT1) capital	-
Tier 1 capital	25 411 155
Tier 2 (T2) capital before regulatory adjustment	2 732 134
Tier 2 (T2) capital	2 732 134
Total capital	28 143 290
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(1 929 250)
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)	18,87%
Tier 1 (as a percentage of total risk exposure amount)	18,87%
Total capital (as a percentage of total risk exposure amount)	20,89%
Combined buffer requirement	4 385 239

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

Resolution group	31.03.2021	31.12.2020**	30.09.2020**	30.06.2020**	31.03.2020
1 Total Loss Absorbing Capacity (TLAC) available	28 705 770	28 145 005	26 620 131	28 773 094	27 081 716
1a Fully loaded ECL accounting model TLAC available*	28 417 633	27 800 408	26 422 511	28 575 475	26 879 953
2 Total RWA at the level of the resolution group	134 692 447	135 242 155	140 950 963	140 194 561	148 020 351
3 TLAC as a percentage of RWA (row1/row2) (%)	21,31%	20,81%	18,89%	20,52%	18,30%
3a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	21,12%	20,58%	18,76%	20,40%	18,17%
4 Leverage exposure measure at the level of the resolution group	245 850 785	235 734 749	231 543 185	228 891 346	222 075 146
5 TLAC as a percentage of leverage exposure measure (row1/row4) (%)	11,68%	11,94%	11,50%	12,57%	12,19%
5a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)	11,57%	11,81%	11,42%	12,49%	12,11%
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	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
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

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

** data in relevant periods include profits included in own funds based on the decisions of the Polish Financial Supervision Authority and the applicable EBA requirements

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

		RWAs		Minimum capital requirements
		31.03.2021	31.12.2020	31.03.2021
	1. Credit risk (excluding CCR)	107 083 409	107 660 445	8 566 673
Article 438(c)(d)	2. Of which the standardised approach	107 083 409	107 660 445	8 566 673
Article 107 Article 438(c)(d)	6. CCR	2 372 129	2 272 093	189 770
Article 438(c)(d)	7. Of which mark to market	1 918 252	1 855 320	153 460
Article 438(c)(d)	11. Of which risk exposure amount for contributions to the default fund of a CCP	14 740	4 612	1 179
Article 438(c)(d)	12. Of which CVA	439 137	412 161	35 131
Article 438 (e)	19. Market risk	2 060 510	1 773 640	164 841
	20. Of which the standardised approach	2 060 510	1 773 640	164 841
Article 438(f)	23. Operational risk	15 627 129	15 755 929	1 250 170
	25. Of which standardised approach	15 627 129	15 755 929	1 250 170
Article 437(2), Article 48 and	27. Amounts below the thresholds for deduction (subject to 250% risk weight)	7 549 270	7 780 048	603 942
	29. Total	134 692 447	135 242 155	10 775 396

32. Leverage ratio

The leverage ratio of Santander Bank Polska Capital 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, as well as applicable provisions arising from Regulation (EU) 2019/876 ("CRR 2") and Regulation (EU) 2020/873 (CRR 'quick fix'), disclosed in accordance with the guidelines of EBA/GL/2020/11.

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	25 411 155
Leverage ratio total exposure	245 850 785
Leverage ratio	10,34%
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)		31.03.2021	31.12.2020*	30.09.2020*	30.06.2020*	31.03.2020
1	Common Equity Tier 1 (CET1) capital	25 411 155	24 862 392	23 812 776	23 753 537	22 072 814
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25 123 285	24 518 170	23 615 532	23 556 293	21 871 052
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	25 411 155	24 862 392	23 812 776	-	-
3	Tier 1 capital	25 411 155	24 862 392	23 812 776	23 753 537	22 072 814
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25 123 285	24 518 170	23 615 532	23 556 293	21 871 052
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	25 411 155	24 862 392	23 812 776	-	-
5	Total capital	28 143 290	27 610 413	26 552 685	26 486 532	24 847 276
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	27 855 152	27 265 816	26 355 066	26 288 912	24 645 212
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	28 143 290	27 610 413	26 552 685	-	-
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	134 692 447	135 242 155	140 950 963	140 194 561	148 020 351
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	134 568 563	135 055 858	140 862 634	140 106 233	147 914 691
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	18,87%	18,38%	16,89%	16,94%	14,91%
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	18,67%	18,15%	16,76%	16,81%	14,79%
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	18,87%	18,38%	16,89%	-	-
11	Tier 1 (as a percentage of risk exposure amount)	18,87%	18,38%	16,89%	16,94%	14,91%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,67%	18,15%	16,76%	16,81%	14,79%
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	18,87%	18,38%	16,89%	-	-
13	Total capital (as a percentage of risk exposure amount)	20,89%	20,42%	18,84%	18,89%	16,79%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,70%	20,19%	18,71%	18,76%	16,66%
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	20,89%	20,42%	18,84%	-	-
Leverage ratio						
15	Leverage ratio total exposure measure	245 850 785	235 734 749	231 543 185	228 891 346	222 075 146
16	Leverage ratio	10,34%	10,55%	10,28%	10,38%	9,94%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,23%	10,41%	10,21%	10,30%	9,86%
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	10,34%	10,55%	10,28%	-	-

* data in relevant periods include profits included in own funds based on the decisions of the Polish Financial Supervision Authority and the applicable EBA requirements

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 table below presents the liquidity coverage ratio information.

Scope of consolidation: consolidated		Total unweighted value (average)				Total weighted value (average)			
Currency and units (PLN million)									
Quarter ending on (DD Month YYYY)		31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2021	31 December 2020	30 September 2020	30 June 2020
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)					61 851	55 120	49 232	43 243
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	122 392	113 673	104 230	94 225	9 361	8 910	8 377	7 871
3	Stable deposits	70 607	64 004	57 483	51 161	3 530	3 200	2 874	2 558
4	Less stable deposits	41 463	40 734	39 459	38 387	5 830	5 710	5 503	5 313
5	Unsecured wholesale funding	42 201	39 708	38 349	37 479	20 732	19 551	18 521	17 634
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	1 780	3 770	5 677	0	444	942	1 418
7	Non-operational deposits (all counterparties)	41 967	37 611	34 325	31 494	20 498	18 790	17 326	15 908
8	Unsecured debt	234	317	253	307	234	317	253	307
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	27 928	27 710	26 633	25 470	5 339	5 470	5 286	4 979
11	Outflows related to derivative exposures and other collateral requirements	3 098	3 378	3 364	3 078	3 098	3 378	3 364	3 078
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	24 830	24 332	23 269	22 392	2 242	2 092	1 922	1 901
14	Other contractual funding obligations	1 694	1 530	1 452	1 440	1 397	1 245	1 183	1 165
15	Other contingent funding obligations	13 552	12 798	12 038	11 561	592	564	537	520
16	TOTAL CASH OUTFLOWS					37 421	35 740	33 903	32 168
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	520	713	1 034	1 235	0	0	0	1
18	Inflows from fully performing exposures	7 338	6 808	6 979	7 142	6 145	5 569	5 756	5 948
19	Other cash inflows	868	1 118	1 265	1 287	868	1 118	1 265	1 287
	(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
EU-19a						0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	8 727	8 638	9 279	9 663	7 014	6 687	7 021	7 236
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	8 727	8 638	9 279	9 663	7 014	6 687	7 021	7 236
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					61 851	55 120	49 232	43 243
22	TOTAL NET CASH OUTFLOWS					30 407	29 054	26 882	24 933
23	LIQUIDITY COVERAGE RATIO (%)					203%	189%	182%	173%

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	31.03.2021	31.12.2020
Assets		
Other assets	73	77
Liabilities		
Deposits from customers	74 025	87 998
Other liabilities	82	104

	1.01.2021- 31.03.2021	1.01.2020- 31.03.2020
Transactions with associates		
Income	9 634	8 106
Fee and commission income	9 634	8 106
Expenses	1	520
Interest expense	1	281
Fee and commission expense	-	239

Transactions with Santander Group	with the parent company		with other entities	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Assets	1 767 138	1 874 598	18 657	9 068
Loans and advances to banks, incl:	663 228	766 201	18 657	8 184
<i>Loans and advances</i>	147 633	-	-	-
<i>Current accounts</i>	515 595	766 201	18 657	8 184
Financial assets held for trading	1 103 297	1 107 257	-	4
Other assets	613	1 140	-	880
Liabilities	3 992 953	3 542 443	537 646	555 327
Deposits from banks incl.:	2 279 623	1 521 825	453 030	448 183
<i>Current accounts</i>	597 522	490 902	453 030	448 183
<i>Loans from other banks</i>	1 682 101	1 030 923	-	-
Financial liabilities held for trading	1 238 335	1 556 881	-	-
Deposits from customers	-	-	65 032	84 596
Lease liabilities	-	-	25	25
Debt securities in issue	466 246	461 509	-	-
Other liabilities	8 749	2 228	19 559	22 523
Contingent liabilities	5 044 226	5 120 775	65 018	64 329
Sanctioned:	-	-	33 180	32 505
<i>guarantees</i>	-	-	33 180	32 505
Received:	5 044 226	5 120 775	31 838	31 824
<i>guarantees</i>	5 044 226	5 120 775	31 838	31 824

Transactions with Santander Group	with the parent company		with other entities	
	01.01.2021- 31.03.2021	01.01.2020- 31.03.2020	01.01.2021- 31.03.2021	01.01.2020- 31.03.2020
Income	308 723	1 526	405	901
Interest income	(431)	1 009	-	2
Fee and commission income	850	514	42	72
Other operating income	1	3	363	3
Net trading income and revaluation	308 303	-	-	824
Expenses	15 832	39 799	21 127	16 735
Interest expense	3 936	7 450	-	68
Fee and commission expense	3 063	2 710	110	37
Net trading income and revaluation	-	20 403	10	-
Operating expenses incl.:	8 833	9 236	21 007	16 630
<i>Staff, Operating expenses and management costs</i>	8 768	9 236	21 007	16 630
<i>Other operating expenses</i>	65	-	-	-

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

The execution of the share purchase agreement relating to the shares held by the Bank in AVIVA Towarzystwo Ubezpieczeń na Życie S.A., AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A., AVIVA Powszechne Towarzystwo Emerytalne and Aviva Santander S.A.; a change in the partner of the Bank with respect to Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A.

On 26 March 2021:

1. the Bank executed a share purchase agreement relating to: 4,125 shares in AVIVA Towarzystwo Ubezpieczeń na Życie S.A., representing ca. 10% of the share capital of this company; and 2,968 shares in AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A., representing ca. 10% of the share capital of this company, to ALLIANZ HOLDING EINS GMBH ("Allianz"), for the total purchase price of EUR 243,000,000 (whereby the purchase price may be subject to adjustments as set out in the share purchase agreement);
2. the Bank undertook to executed a share purchase agreement relating to 1,370 shares in AVIVA Powszechne Towarzystwo Emerytalne Aviva Santander S.A., representing ca. 10% of the share capital of this company, to AVIVA Towarzystwo Ubezpieczeń na Życie S.A., for the purchase price of EUR 14,000,000 (whereby the purchase price may be subject to adjustments as set out in the share purchase agreement); and
3. the Bank undertook to execute with Aviva International Holdings Limited, Aviva International Insurance Limited, Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A. a termination agreement effective as at the completion of the aforementioned transactions involving the agreements concerning the cooperation of the Bank and Aviva International Holdings Limited in Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A. (including the shareholders agreements relating to Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A.),

One of the parts of the Transaction will be the execution of the new shareholder agreements with Allianz, which will be the new partner to the Bank with respect to Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A., where Allianz will hold approximately 51% of the shares in their respective share capitals as a result of the Transaction, as well as new bancassurance agreements with Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A.

The Bank further announces that the completion of the transaction is dependent on the receipt of all the regulatory approvals required by law, including the required decisions of the Polish Financial Supervision Authority and the European Commission, and the satisfaction of the other conditions specified in the Transaction documentation. It is assumed that the transaction will be completed within 12 months.

Furthermore, the Bank is entitled to an additional payment of EUR 10m after closing the transaction.

The impact of the transaction on the capital position of the Bank is presented in statement of comprehensive income (note II) and the fair value of the shares in Aviva as at 31.03.2021 is in Note 18.

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

As at 31.03.2021 and 31.12.2020 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 31.03.2021 and 31.12.2020 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

The Management Board of Santander Bank Polska S.A. announced that on 17 March 2021 it had decided to change its recommendation presented in the current report of 23 February 2021, i.e. to retain the Bank's entire net profit of PLN 738,411,718.72 for the accounting year from 1 January 2020 to 31 December 2020 and to allocate 50% of that amount, i.e. PLN 369,205,859.36 to the capital reserve, and leave PLN 369,205,859.36 undistributed.

When taking the decision to change its recommendation of 23 February 2021, the Management Board took into account the current macroeconomic environment as well as the recommendations and current position of the Polish Financial Supervision Authority (KNF). The Management Board also considered the fact that profit distribution falls within the exclusive powers of the Annual General Meeting.

The amended recommendation was approved by the Bank's Supervisory Board and the Annual General Meeting.

As recommended by the Management Board, the Bank's Annual General Meeting distributed the Bank's net profit of PLN 738,411,718.72 for the accounting year from 1 January 2020 to 31 December 2020 as follows:

- PLN 369,205,859.36 was allocated to the capital reserve;
- PLN 369,205,859.36 was allocated to the dividend reserve.

The Annual General Meeting set aside the capital reserve for payment of dividend/ interim dividend ("dividend reserve") and authorised the Management Board to use this reserve to pay interim dividend pursuant to Article 349(2) of the Commercial Companies Code.

The recommended profit distribution by the Annual General Meeting is without prejudice to the Management Board's right to decide on distribution of the profit to the shareholders in the form of interim dividend and to use the dividend reserve for that purpose in H2 2021 pursuant to the authorisation given to the Management Board under § 50(4) of the Bank's Statutes. This will be subject to the receipt of the KNF's position on the dividend policy in H2 2021 that will permit such distribution. The Management Board's potential decision to pay interim dividend in H2 2021 will also require the approval of the Supervisory Board.

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

Council determining the amount of contribution to the compulsory restructuring fund

On 21 April 2021, the Management Board of Santander Bank Polska S.A. received information about Resolution no. 20/2021 adopted by the Board of the Bank Guarantee Fund on 16 April 2021 and setting the amount of the contribution to the bank resolution fund payable by Santander Bank Polska S.A. and Santander Consumer Bank S.A. (the Bank's subsidiary) in 2021 (including adjustment of the contribution accrued for 2020) at PLN 135,082,139.87 and PLN 19,033,627.23, respectively.

Signatures of the persons representing the entity

Date	Name	Function	Signature
27.04.2021	Michał Gajewski	President	
27.04.2021	Andrzej Burliga	Vice-President	
27.04.2021	Juan de Porras Aguirre	Vice-President	
27.04.2021	Arkadiusz Przybył	Vice-President	
27.04.2021	Patryk Nowakowski	Member	
27.04.2021	Carlos Polaino Izquierdo	Member	
27.04.2021	Maciej Reluga	Member	
27.04.2021	Dorota Strojowska	Member	

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

Date	Name	Function	Signature
27.04.2021	Wojciech Skalski	Financial Accounting Area Director	