Condensed Interim Financial Statements of Santander Bank Polska SA for the 6-month period ended 30 June 2021

In thousands of PLN

I. Condensed income statement

	for the period:	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Interest income and similar to interest		**1 118 767**	**2 212 449**	**1 255 025**	**2 768 871**
Interest income on financial assets measured at amortised cost		901 442	1 782 146	1 046 170	2 347 289
Interest income on financial assets measured at fair value through other comprehensive income		213 999	424 401	198 194	391 879
Income similar to interest - financial assets measured at fair value through profit or loss		3 326	5 902	10 661	29 703
Interest expenses		**(53 678)**	**(117 306)**	**(195 294)**	**(478 725)**
Net interest income	Note 6	**1 065 089**	**2 095 143**	**1 059 731**	**2 290 146**
Fee and commission income		588 924	1 176 962	477 616	983 772
Fee and commission expenses		(76 838)	(143 913)	(71 737)	(148 098)
Net fee and commission income	Note 7	**512 086**	**1 033 049**	**405 879**	**835 674**
Dividend income		268 878	269 227	106 869	107 212
Net trading income and revaluation	Note 8	54 261	122 215	58 600	78 812
Gains (losses) from other financial securities	Note 9	36 490	58 182	26 188	53 877
Other operating income	Note 10	31 358	51 411	14 789	30 932
Impairment allowances for expected credit losses	Note 11	(187 799)	(492 386)	(340 010)	(737 062)
Operating expenses incl.:		(1 178 819)	(2 221 046)	(753 295)	(1 760 608)
-Staff, Operating expenses and management costs	Note 12,13	(595 489)	(1 311 269)	(522 422)	(1 361 874)
-Amortisation of property, plant and equipment and Intangible assets		(88 962)	(180 345)	(86 980)	(176 478)
-Amortisation of right of use asset		(37 024)	(75 212)	(39 738)	(80 720)
-Other operating expenses	Note 14	(457 344)	(654 220)	(104 155)	(141 536)
Tax on financial institutions		(140 161)	(284 879)	(141 185)	(277 662)
Profit before tax		**461 383**	**630 916**	**437 566**	**621 321**
Corporate income tax	Note 15	(161 309)	(283 831)	(119 413)	(236 460)
Profit for the period		**300 074**	**347 085**	**318 153**	**384 861**
Net earnings per share (PLN/share)					
Basic earnings per share		2,94	3,40	3,12	3,77
Diluted earnings per share		2,94	3,40	3,12	3,77

Notes presented on pages 9 – 51 constitute an integral part of these Financial Statements.

In thousands of PLN

II. Condensed statement of comprehensive income

for the period:	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Profit for the period	**300 074**	**347 085**	**318 153**	**384 861**
Items that will be reclassified subsequently to profit or loss:	**(297 146)**	**(444 819)**	**427 702**	**465 011**
Revaluation and sales of debt securities measured at fair value through other comprehensive income gross	(404 902)	(593 759)	547 777	537 687
Deferred tax	76 931	112 814	(104 078)	(102 161)
Revaluation of cash flow hedging instruments gross	38 055	44 600	(19 750)	36 401
Deferred tax	(7 230)	(8 474)	3 753	(6 916)
Items that will not be reclassified subsequently to profit or loss:	**(21 983)**	**355 935**	**(69 739)**	**(69 707)**
Revaluation and sales of equity securities measured at fair value through other comprehensive income gross	(27 115)	439 450	(83 512)	(83 472)
Deferred and current tax	5 132	(83 515)	15 868	15 860
Provision for retirement benefits – actuarial gains/losses gross	-	-	(2 587)	(2 587)
Deferred tax	-	-	492	492
Total other comprehensive income, net	**(319 129)**	**(88 884)**	**357 963**	**395 304**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(19 055)**	**258 201**	**676 116**	**780 165**

Notes presented on pages 9 – 51 constitute an integral part of these Financial Statements.

In thousands of PLN

III. Condensed statement of financial position

as at:		30.06.2021	31.12.2020
ASSETS			
Cash and balances with central banks	Note 16	3 153 699	5 369 638
Loans and advances to banks	Note 17	3 097 952	2 918 962
Financial assets held for trading	Note 18	2 884 132	3 218 460
Hedging derivatives	Note 19	4 865	6 901
Loans and advances to customers incl.:	Note 20	117 606 801	119 077 346
- measured at amortised cost		114 981 468	116 786 037
- measured at fair value through other comprehensive income		1 980 668	1 556 791
- measured at fair value through profit or loss		644 665	734 518
Buy-sell-back transactions		587 269	293 583
Investment securities incl.:	Note 21	68 481 011	64 355 667
- debt securities measured at fair value through other comprehensive income		67 102 471	63 312 701
- debt securities measured at fair value through profit and loss		115 044	106 639
- equity securities measured at fair value through other comprehensive income		1 263 496	823 633
- equity securities measured at fair value through profit and loss		-	112 694
Assets pledged as collateral		92 924	14 392
Investments in subsidiaries and associates	Note 22	2 377 407	2 377 407
Intangible assets		564 298	628 643
Goodwill		1 688 516	1 688 516
Property, plant and equipment		551 926	576 975
Right of use asset		563 961	642 396
Current income tax assets		139 788	-
Net deferred tax assets		1 096 133	1 199 689
Assets classified as held for sale	Note 23	4 308	4 308
Other assets		997 461	767 587
Total assets		**203 892 451**	**203 140 470**
LIABILITIES AND EQUITY			
Deposits from banks	Note 24	1 544 847	2 993 349
Hedging derivatives	Note 19	1 295 270	1 686 042
Financial liabilities held for trading	Note 18	2 132 434	3 053 416
Deposits from customers	Note 25	163 499 074	161 133 491
Sell-buy-back transactions		92 851	14 387
Subordinated liabilities	Note 26	2 620 974	2 654 394
Debt securities in issue	Note 27	2 725 628	2 772 351
Lease liabilities		621 263	712 304
Current income tax liabilities		-	138 782
Provisions for off balance sheet credit facilities	Note 28	67 335	74 436
Other provisions	Note 29	1 212 258	670 645
Other liabilities	Note 30	2 399 472	1 814 029
Total liabilities		178 211 406	177 717 626
Equity			
Share capital		1 021 893	1 021 893
Other reserve capital		21 011 537	20 273 125
Revaluation reserve		1 730 877	1 819 661
Retained earnings		1 569 653	1 569 753
Profit for the period		347 085	738 412
Total equity		25 681 045	25 422 844
Total liabilities and equity		**203 892 451**	**203 140 470**

Notes presented on pages 9 – 51 constitute an integral part of these Financial Statements.

In thousands of PLN

IV. Condensed statement of changes in equity

Statement of changes in equity 1.01.2021 - 30.06.2021	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	-	-	(88 884)	347 085	258 201
Profit for the period	-	-	-	*347 085*	*347 085*
Other comprehensive income	-	-	*(88 884)*	-	*(88 884)*
Profit allocation to other reserve capital	-	738 412	-	(738 412)	-
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	100	(100)	-
As at the end of the period	**1 021 893**	**21 011 537**	**1 730 877**	**1 916 738**	**25 681 045**

As at the end of the period revaluation reserve in the amount of PLN 1,730,877 k comprises: valuation of debt securities in the amount of PLN 759,997 k, valuation of equity securities in the amount of PLN 938,209 k, valuation of cash flow hedge activities in the amount of PLN 25,277 k and accumulated actuarial gains - provision for retirement allowances of PLN 7,394 k.

Statement of changes in equity 1.01.2020 - 30.06.2020	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	-	-	395 304	384 861	780 165
Profit for the period	-	-	-	*384 861*	*384 861*
Other comprehensive income	-	-	*395 304*	-	*395 304*
Profit allocation to other reserve capital	-	1 056 762	-	(1 056 762)	-
Share-based payment	-	1 606	-	-	1 606
As at the end of the period	**1 020 883**	**20 273 125**	**1 710 484**	**1 954 865**	**24 959 357**

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

In thousands of PLN

V. Condensed statement of cash flows

for the period	1.01.2021-30.06.2021	1.01.2020-30.06.2020
Cash flows from operating activities		
Profit before tax	**630 916**	**621 321**
Adjustments for:		
Depreciation/amortisation	255 557	257 198
Profit from investing activities	(37 589)	(62 298)
Interest accrued excluded from operating activities	(302 995)	(281 231)
Dividends	(268 612)	(107 182)
Impairment losses (reversal)	15 699	40 677
Changes in:		
Provisions	534 512	77 146
Financial assets / liabilities held for trading	(556 171)	162 862
Assets pledged as collateral	(78 532)	(29 244)
Hedging derivatives	(338 013)	614 811
Loans and advances to banks	2 789	(31 791)
Loans and advances to customers	(352 931)	(2 912 514)
Deposits from banks	(1 440 441)	598 120
Deposits from customers	3 574 510	10 316 844
Buy-sell/ Sell-buy-back transactions	(216 718)	61 496
Other assets and liabilities	465 858	434 933
Interest received on operating activities	1 789 990	2 414 282
Interests paid on operating activities	(60 929)	(548 025)
Paid income tax	(438 019)	(628 345)
Net cash flows from operating activities	**3 178 881**	**10 999 060**
Cash flows from investing activities		
Inflows	**4 811 514**	**2 361 426**
Sale/maturity of investment securities	4 194 742	1 930 488
Sale of intangible assets and property, plant and equipment	16 803	4 617
Dividends received	147 230	98 199
Interest received	452 739	328 122
Outflows	**(13 694 474)**	**(17 245 456)**
Purchase of investment securities	(13 590 916)	(17 166 574)
Purchase of intangible assets and property, plant and equipment	(103 558)	(78 882)
Net cash flows from investing activities	**(8 882 960)**	**(14 884 030)**
Cash flows from financing activities		
Outflows	**(1 333 279)**	**(889 007)**
Debt securities buy out	-	(550 000)
Repayment of loans and advances	(1 204 608)	(174 197)
Repayment of lease liability	(82 014)	(87 382)
Interest paid	(46 657)	(77 428)
Net cash flows from financing activities	**(1 333 279)**	**(889 007)**
Total net cash flows	**(7 037 358)**	**(4 773 977)**
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	**6 373 840**	**12 382 889**

Notes presented on pages 9 – 51 constitute an integral part of these Financial Statements.

VI. Additional notes to condensed interim financial statements

1. General information about issuer

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

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

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

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

2. Basis of preparation of condensed interim financial statements

2.1 Statement of compliance

Santander Bank Polska S.A. applied accounting rules in accordance with the International Financial Reporting Standards Accounting (IFRS) adopted by the European Union, which are applied on a consistent basis and, in the case of matters not governed by the above Standards, in accordance with the provisions of the Accounting Act of 29 September 1994 (consolidated text: Journal of Law 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 same accounting principles were applied by Santander Bank Polska S.A. as in the case of financial statements for the period ending 31 December 2020, except for income tax, which was charged under IAS 34.30c

In thousands of PLN

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

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A.
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 illustative example for lease incentives treatments was changed, not to cause confusion.	1 January 2022	The amendment will not have a significant impact on 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 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 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 , reassurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2023	The standard will not have a significant impact on financial statements.*
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments to IAS 8 inculde 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 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 assests 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 establised the validity date of the amended regulations.	The amendment will not have a significant impact on financial statements.*
Amendments to IAS 12	Amendmentsclarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023	The amendment will not have a significant impact on financial statements.*
Amendments to IAS 1	There are two amendmants 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 dislosures with regard to the scope of such disclosures.	1 January 2023	The amendment will not have a significant impact on financial statements.*

* not yet endorsed by EU

In thousands of PLN

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.
Amendments to IFRS 16 Leasing-extention	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. Extention 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 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 financial statements.

* not yet endorsed by EU

2.4 Basis of preparation of financial statements

Presented condensed interim financial statements, prepared in accordance with IAS 34 “ Interim financial reporting” does not contain information and disclosures required in annual financial statements and should be read together with separate financial statements as at 31 December 2020.

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

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

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

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

Item	Balance sheet valuation rules
Held-for-trading financial instruments	Fair value through profit or loss
Loans and advances to customers which do not meet the contractual cash flows test	Fair value through profit or loss
Financial instruments measured at fair value through other comprehensive income	Fair value through other comprehensive income
Share-based payment transactions	According to IFRS 2 "Share-based payment" requirements
Equity investment financial assets	Fair value through other comprehensive income – an option
Debt securities measured at fair value through profit or loss	Fair value through profit or loss
Non-current assets	The purchase price or production cost reduced by total depreciation charges and total impairment losses
Non-current assets held for sale and groups of non-current assets designated as held for sale	Are recognised at the lower of their carrying amount and their fair value less costs of disposal.

2.5 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.

Key estimates made by Santander Bank Polska S.A.

Key estimates include:

- Allowances for expected credit losses
- Fair value of financial instruments
- Estimates for legal claims
- Estimated collective provisions for risk arising from mortgage loans in foreign currencies
- Estimates regarding reimbursement of fees related to early repaid consumer loans.

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

The concept of modification

Santander Bank Polska S.A. 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 recognized in profit or loss. Change in gross carrying amount is amortised into interest income/cost using effective interest rate method.

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

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

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

In connection with the COVID-19 pandemic, the Bank offers its clients statutory moratoria (Shield 4.0) and the possibility of changing the terms of contracts aimed at reducing the amount of installments. Non-statutory moratoria are no longer available.

In thousands of PLN

The table below present the value of gross exposure credit loss for instruments subject to statutory and non-statutory moratoria as at 30 June 2021.

	Gross carrying amount								
				Performing			Non performing		
	Granted	Expired	Active		Of which: exposures with forbearance measures	Of which: Instruments with SICR 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	**15 638 050**	**14 964 026**	**674 024**	**14 691 454**	**1 005 861**	**2 276 900**	**946 596**	**583 419**	**631 971**
of which: Households	**6 982 327**	**6 865 342**	**116 986**	**6 333 737**	**137 617**	**488 107**	**648 590**	**437 808**	**471 052**
Collateralised by residential immovable property	5 333 636	5 255 544	78 092	5 012 391	91 374	344 636	321 245	274 936	294 008
Consumer loans	1 648 691	1 609 798	38 893	1 321 346	46 243	143 471	327 345	162 872	177 044
of which: Non-financial corporations	**8 655 723**	**8 098 684**	**557 039**	**8 357 717**	**868 244**	**1 788 793**	**298 006**	**145 611**	**160 919**
SME loans	*2 104 971*	*2 071 275*	*33 696*	*1 891 457*	*118 576*	*329 182*	*213 514*	*79 165*	*105 169*
Corporate loans	*6 550 752*	*6 027 409*	*523 343*	*6 466 260*	*749 668*	*1 459 611*	*84 492*	*66 446*	*55 750*

The table below present the value of expected credit loss for instruments subject to statutory and non-statutory moratoria as at 30 June 2021.

		Accumulated impairment, accumulated negative changes in fair value due to credit risk							
			Performing				Non performing		
	Gross carrying amount of granted moratoria	Accumulated impairment		Of which: exposures with forbearance measures	Of which: Instruments with SICR 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	**15 638 050**	**(677 843)**	**(231 189)**	**(65 795)**	**(156 045)**	**-**	**(446 654)**	**(250 066)**	**(271 145)**
of which: Households	**6 982 327**	**(372 157)**	**(75 254)**	**(8 455)**	**(39 077)**		**(296 903)**	**(185 664)**	**(195 679)**
Collateralised by residential immovable property	*5 333 636*	*(118 828)*	*(16 556)*	*(2 100)*	*(11 706)*		*(102 272)*	*(90 301)*	*(94 448)*
Consumer loans	*1 648 691*	*(253 329)*	*(58 698)*	*(6 355)*	*(27 371)*	-	*(194 631)*	*(95 363)*	*(101 231)*
of which: Non-financial corporations	**8 655 723**	**(305 686)**	**(155 935)**	**(57 340)**	**(116 968)**		**(149 751)**	**(64 402)**	**(75 466)**
SME loans	*2 104 971*	*(204 380)*	*(71 962)*	*(19 288)*	*(47 068)*		*(132 418)*	*(52 362)*	*(64 087)*
Corporate loans	*6 550 752*	*(101 306)*	*(83 973)*	*(38 052)*	*(69 900)*	-	*(17 333)*	*(12 040)*	*(11 379)*

In thousands of PLN

The table below present the value of gross exposure credit loss for instruments subject to statutory and non-statutory moratoria as at 31 December 2020.

	Gross carrying amount								
				Performing			Non performing		
	Granted	Expired	Active		Of which: exposures with forbearance measures	Of which: Instruments with SICR 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	**16 897 714**	**15 703 324**	**1 194 390**	**16 363 387**	**493 075**	**2 389 739**	**534 327**	**345 015**	**405 444**
of which: Households	**7 537 027**	**7 096 516**	**440 511**	**7 147 624**	**74 930**	**562 757**	**389 403**	**279 133**	**311 172**
Collateralised by residential immovable	5 599 602	5 295 090	304 512	5 379 603	50 223	394 492	219 999	186 989	202 607
Consumer loans	1 937 425	1 801 426	135 999	1 768 021	24 707	168 265	169 404	92 144	108 565
of which: Non-financial corporations	**9 360 687**	**8 606 808**	**753 879**	**9 215 763**	**418 145**	**1 826 982**	**144 924**	**65 882**	**94 272**
SME loans	*2 244 697*	*2 193 985*	*50 712*	*2 168 848*	*88 681*	*346 351*	*75 849*	*14 703*	*37 089*
Corporate loans	*7 115 990*	*6 412 823*	*703 167*	*7 046 915*	*329 464*	*1 480 631*	*69 075*	*51 179*	*57 184*

The table below present the value of expected credit loss for instruments subject to statutory and non-statutory moratoria as at 31 December 2020.

		Accumulated impairment, accumulated negative changes in fair value due to credit risk						
			Performing			Non performing		
	Gross carrying amount of granted moratoria	Accumulated impairment		Of which: exposures with forbearance measures	Of which: Instruments with SICR 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	**16 897 714**	**(483 688)**	**(251 817)**	**(38 834)**	**(131 857) -**	**(231 871)**	**(132 215)**	**(160 376)**
of which: Households	**7 537 027**	**(244 768)**	**(76 325)**	**(3 456)**	**(37 936)**	**(168 443)**	**(112 517)**	**(125 732)**
Collateralised by residential immovable property	*5 599 602*	*(92 142)*	*(19 118)*	*(1 334)*	*(13 624)*	*(73 024)*	*(63 116)*	*(67 264)*
Consumer loans	*1 937 425*	*(152 626)*	*(57 208)*	*(2 122)*	*(24 312) -*	*(95 418)*	*(49 401)*	*(58 469)*
of which: Non-financial corporations	**9 360 687**	**(238 920)**	**(175 491)**	**(35 378)**	**(93 922)**	**(63 429)**	**(19 698)**	**(34 644)**
SME loans	*2 244 697*	*(142 780)*	*(94 340)*	*(17 062)*	*(43 193)*	*(48 440)*	*(10 418)*	*(23 647)*
Corporate loans	*7 115 990*	*(96 140)*	*(81 151)*	*(18 316)*	*(50 729) -*	*(14 989)*	*(9 280)*	*(10 997)*

Type of assistance tool	Number of clients with granted assistance tools	Gross carrying amount of granted assistance tools (in kPLN)
non-legislative moratoria	80 932	15 318 777
legislative moratoria	3 659	319 273
Moratoria	84 591	15 638 050
liquidity BGK	18 551	4 930 584
All assistance tools	**103 142**	**20 568 634**

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 (Stage 2) or impairment (Stage 3). Accordingly, the ECL model gives rise to measurement uncertainty, especially in relation to

- measurement of a 12-month ECL or the lifetime ECL;
- determination of when a significant increase in credit risk occurred;
- determination of any forward-looking events reflected in ECL estimation, and their likelihood.

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

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

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

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

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

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

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

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

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

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

A credit-impaired assets

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, e.g. delay in repayment of interest or principal over 90 days in an amount exceeding the materiality threshold (PLN 400 for individual and small and medium-sized enterprises and PLN 2,000 for business and corporate clients) and at the same time relative thresholds (above 1% of the amount past due in relation to the balance sheet amount);
- the Santander Bank Polska S.A., for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Santander Bank Polska S.A. would not otherwise consider, which fulfill below criteria:

  (1) contingent restructuring transactions that meet the criteria for reclassification into Stage 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:

    o 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

    o 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 Bank 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, Bank 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 that determines the classification to Stage 2. Santander Bank Polska S.A. has developed detailed criteria for identifying a significant increase in risk based on the following main assumptions:

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

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

ECL measurement

Another key feature introduced by IFRS 9 is the approach to the estimation of risk parameters. For the purpose of estimating allowances for expected losses, Santander Bank Polska S.A. uses its own estimates of risk parameters that are based on internal models. Expected credit losses are equal to the estimated PD parameter multiplied by the estimated LGD and EAD parameters. The final value of expected credit losses is the sum of expected losses from all periods (depending on the Stage, either in 12 months or in the entire lifetime) discounted using the effective interest rate. The estimated parameters are adjusted for macroeconomic scenarios in accordance with the assumptions of IFRS 9. To this end, the Bank determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters. The Bank uses internally developed scenarios, which are updated at least every six months. The models and parameters generated for the needs of IFRS 9 are subject to model management process and periodic calibration and validation.

Determination of forward-looking events and their likelihood

Forward-looking events are reflected both in the process of estimating ECL and when determining a significant increase in credit risk, by developing appropriate macroeconomic scenarios and then reflecting them in the estimation of parameters for each scenario. The final parameter value and the ECL is the weighted average of the parameters weighted by the likelihood of each scenario. Bank uses three scenario types: the baseline scenario and two alternative scenarios, which reflect the probable alternative options of the baseline scenario: upside and downside scenario.

Management provision covering risk resulting from COVID-19 pandemic

At the end of June 2021, in connection with the cyclical semi-annual review of risk parameters for expected credit losses calculation, the models and macroeconomic scenarios were updated, taking into account the current forecasts of the future economic situation in accordance with the requirements of IFRS 9.

Bank analyzed the risks associated with COVID-19 and, based on observations from recent periods as well as expectations regarding the future behaviour of the portfolio and the impact of COVID-19, adequately included these factors in the estimated parameters of credit losses. Therefore, the maintenance of the additional management adjustment for COVID-19 to the values resulting from the models is no longer required.

At the same time, the Bank continues to closely monitor the economic situation and the behavior of credit portfolios in connection with the COVID-19 events.

Macroeconomic scenarios

In 2020 the Polish economy shrank by 2.7% due to COVID-19 pandemic and economic lockdowns. The biggest toll on the economy was taken in 2Q20, due to lockdowns with the first one in the spring 2020, the second one in autumn 2020 and the third one in spring 2021. Though initially slow, a major acceleration was seen in 2Q21, supporting hopes that 2H21 will allow for a major economic rebound as no more lockdowns will be necessary.

Baseline scenario

In the baseline scenario, in 2021, the economy is expected to grow by 4.7%, mostly thanks to a strong rebound in 2H21. In the following quarters, the economic growth will be supported by new EU funds, with 5.2% and 3.7% growth rates envisaged for 2022 and 2023. Strong domestic demand along with weaker PLN and higher commodity prices will be supportive for CPI inflation, which is expected to average 3.5% in 2021 and 2022.

In thousands of PLN

The government responded to the crisis with a fiscal stimulus, aimed at supporting companies and encouraging them not to cut jobs. Third wave of the coronavirus triggered a need to prolong the programme into 2021. Due to these actions, the general government deficit jumped to 7.0% of GDP in 2021 and is expected to be only slightly lower in 2022. In 2020 the NBP cut the reference rate by 140bp to 0.1%, introduced liquidity tools for the banking sector and launched a bond-purchasing programme. Economic rebound as well as relatively high inflation will encourage the NBP to start slowly hiking rates at the turn of 2021 and 2022, bringing the NBP reference rates up to 2.0% in early 2026.

Downside

The downside scenario was built under an assumption that COVID-19 vaccination rollout is not strong enough to secure herd immunity, causing lingering restrictions throughout 2021. This will discourage inflow of new workers, undermining the potential growth rate.

In 2021 the economy is expected to rise by 3.7% and then to slow down to 2.9% in 2022 and 2.0% in 2023 before reaccelerating again in the following years. The lower demand is expected to slightly undermine the prices growth, especially the services' and globally-trade commodities' prices. CPI inflation is expected to average 3.4% in 2021 and 3.1% in 2022.

The NBP will keep interest rates unchanged throughout the forecast horizon (i.e. until 2026). This will anchor the interbank rates at low levels.

Upside

The upside scenario was built under an assumption that the vaccination rollout is strong and no new coronavirus waves or lockdowns appears. The economic optimism returns fast, utilisation of new EU funds is effective and inflow of workers from abroad remain robust.

In 2021 the economy is expected to grow by 6.1% and then to accelerate even to 7.2% in 2022 before slowing down in the following years, but remaining strong. Strong growth will fuel the already elevated inflation, averaging 4.0% in 2021 and 4.1% in 2022.

Economic rebound as well as relatively high inflation will encourage the NBP to start slowly hiking rates at the turn of 2021 and 2022, bringing the NBP reference rates up to 2.0% in early 2026. The assumed rate path is the same as in the baseline scenario.

Potential ECL variability

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

The theoretical reclassification of given percentage of exposures from Stage 1 with the highest risk level to Stage 2 for each type of exposure would result in an increase in write-offs according to below table (portfolio as at 30 June 2021).

		additional expected loss (in mPLN)	
reclassification from Stage 1 to Stage 2		**31.12.2020**	**30.06.2021**
	1%	19.2	21.7
	5%	89.5	110.0
	10%	152.8	175.8

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

Changes in forecasts of macroeconomic indicators may result in significant effects affecting the level of created provisions. Adoption of macroeconomic parameter estimates at only one scenario level (pessimistic or optimistic) will result in a one-off change in ECL at the level below.

	in PLN m	change in ECL level
scenario	**31.12.2020**	**30.06.2021**
pessimistic	43.5	46.2
optimistic	-42.3	-31.0

Estimates for legal claims

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

The provisions have been estimated considering the likelihood of payment.

As at 30 June 2021, Santander Bank Polska S.A. increased provisions for legal claims in connection with the inflow of new court cases and a change in the estimated probabilities of negative conclusions for the Bank.

Details on the value of the provisions and the assumptions made for their calculation are provided in Notes 29 and 32.

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

In connection with the CJEU's ruling described in Note 32, there is an increased risk that clauses in agreements from the portfolio of mortgage loans denominated in or indexed to foreign currencies may be effectively challenged by customers. The Management Board considered the risk that the scheduled cash flows may not be fully recoverable and/or a liability may arise resulting in a future cash outflow. Bank decided to maintain additional collective provision for legal risk, in addition to provisions for individual court cases.

The collective provision, in particular the provision for mortgage loans denominated in or indexed to foreign currencies, has been estimated on the basis of a specific time horizon, the likelihood of a number of events, such as finding contractual clauses abusive or losing a court case, and different scenarios for possible judgments.

Santander Bank Polska S.A., based on observed data, has increased portfolio provision for mortgage loans in foreign currencies as at 30 June 2021, and will carry on with monitoring of the risk in subsequent reporting periods. Change in estimates reflects current sentencing guidelines. As at 30 June 2021 collective provision amounts to PLN 325 501k.

Details on the value of the provisions and the assumptions made for their calculation are provided in Notes 29 and 32.

Estimates regarding reimbursement of fees related to early repaid consumer loans

Santander Bank Polska S.A. analyses level of partial reimbursement of fees on consumer loans repaid ahead of their contractual maturity on the ongoing basis. In the second quarter of 2021, Santander Bank Polska S.A. did not identify the need to update the estimated value of possible commission returns for the consumer loan portfolio due to early repayment.

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

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. makes various subjective judgements, apart from those involving estimates, that can significantly affect the amounts it recognises in the financial statements. Santander Bank Polska S.A. did not make any new judgements, except of those described in point 2.5.

2.7 Changes to accounting principles

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

3. Operating segments reporting

Data regarding the respective business segments are presented in „Condensed interim consolidated financial statements of Santander Bank Polska Group for 6-month period ended 30 June 2021" published on 28 July 2021.

4. Risk management

Information on risk management included in „Condensed interim consolidated financial statements of Santander Bank Polska Group for 6-month period ended 30 June 2021" fully stand in for notes to this condensed interim financial statements.

5. Capital management

Details on capital management have been presented in document „Information on Capital Adequacy of Santander Bank Polska Group as at 30 June 2021".

In thousands of PLN

6. Net interest income

Interest income and similar to interest	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Interest income on financial assets measured at amortised cost	**901 442**	**1 782 146**	**1 046 170**	**2 347 289**
Loans and advances to enterprises and leasing agreements	323 461	641 486	388 657	864 064
Loans and advances to individuals, of which:*	578 446	1 140 498	636 528	1 406 225
Home mortgage loans	*271 307*	*535 033*	*346 217*	*754 967*
Loans and advances to banks	(1 710)	(2 771)	1 335	10 436
Loans and advances to public sector	1 134	2 491	2 141	4 742
Reverse repo transactions	111	442	3 725	15 334
Interest recorded on hedging IRS	-	-	13 784	46 488
Interest income on financial assets measured at fair value through other comprehensive income	**213 999**	**424 401**	**198 194**	**391 879**
Loans and advances to enterprises	12 832	24 149	9 826	20 424
Debt securities	201 167	400 252	188 368	371 455
Income similar to interest - financial assets measured at fair value through profit or loss	**3 326**	**5 902**	**10 661**	**29 703**
Loans and advances to enterprises	207	414	396	904
Loans and advances to individuals	2 611	5 370	5 307	19 890
Debt securities	508	118	4 958	8 909
Total income	**1 118 767**	**2 212 449**	**1 255 025**	**2 768 871**

Interest expenses	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Liabilities to individuals	(9 978)	(25 937)	(117 076)	(264 864)
Liabilities to enterprises	(2 385)	(6 338)	(41 227)	(120 848)
Repo transactions	383	486	(1 871)	(9 078)
Liabilities to public sector	(56)	(769)	(4 666)	(15 774)
Liabilities to banks	(909)	(2 171)	(849)	(4 015)
Lease liabilities	(4 051)	(8 499)	(5 179)	(10 576)
Subordinated liabilities and issue of securities	(21 171)	(43 230)	(24 426)	(53 570)
Interest recorded on hedging IRS	(15 511)	(30 848)	-	-
Total costs	**(53 678)**	**(117 306)**	**(195 294)**	**(478 725)**
Net interest income	**1 065 089**	**2 095 143**	**1 059 731**	**2 290 146**

* Details on the impact of the CJEU judgment in case C 383/18 on interest income are presented in note 32

In thousands of PLN

7. Net fee and commission income

Fee and commission income	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Electronic and payment services	60 473	118 974	49 788	103 518
Current accounts and money transfer	94 268	191 889	73 148	152 507
Foreign exchange commissions	136 633	256 447	104 174	225 713
Credit commissions incl. factoring commissions and other	72 634	163 053	78 176	150 488
Insurance commissions	22 133	42 340	18 237	35 232
Commissions from brokerage activities	29 891	74 693	34 128	62 419
Credit cards	21 054	40 321	20 032	38 844
Card fees (debit cards)	87 007	172 242	76 147	154 735
Off-balance sheet guarantee commissions	26 826	53 047	19 728	44 481
Issue arrangement fees	15 645	21 363	959	8 491
Distribution fees	22 360	42 593	3 099	7 344
Total	**588 924**	**1 176 962**	**477 616**	**983 772**

Fee and commission expenses	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Electronic and payment services	(13 696)	(26 215)	(13 319)	(25 889)
Commissions from brokerage activities	(3 595)	(8 917)	(5 900)	(9 514)
Credit cards	(1 869)	(3 372)	(3 076)	(6 409)
Card fees (debit cards)	(24 504)	(45 602)	(27 009)	(57 663)
Credit commissions paid	(14 168)	(22 695)	(2 865)	(9 634)
Insurance commissions	(4 420)	(8 494)	(4 502)	(8 745)
Finance lease commissions	(151)	(229)	(96)	(132)
Other	(14 435)	(28 389)	(14 970)	(30 112)
Total	**(76 838)**	**(143 913)**	**(71 737)**	**(148 098)**
Net fee and commission income	**512 086**	**1 033 049**	**405 879**	**835 674**

8. Net trading income and revaluation

Net trading income and revaluation	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Derivative instruments	220 156	328 808	214 838	(411 816)
Interbank FX transactions and other FX related income	(165 127)	(218 694)	(171 388)	491 204
Profit on equity securities measured at fair value through profit or loss	17 746	28 847	3 421	(9 353)
Profit on debt securities measured at fair value through profit or loss	(17 421)	(14 284)	15 481	14 417
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	(1 093)	(2 462)	(3 752)	(5 640)
Total	**54 261**	**122 215**	**58 600**	**78 812**

The above amounts included CVA and DVA adjustments in the amount of PLN 5,126k for H1 2021, PLN 2,251k for 2Q 2021 and PLN (9,753)k for H1 2020, PLN 5,538k for 2Q 2020.

In thousands of PLN

9. Gains (losses) from other financial securities

Gains (losses) from other financial securities	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Profit on sale of debt securities measured at fair value through other comprehensive income	10 005	34 656	8 500	60 476
Profit on sale of equity securities measured at fair value through profit and loss	8 148	8 148	-	-
Change in fair value of financial securities mandatorily measured at fair value through profit or loss	18 294	11 150	32 144	3 243
Impairment losses on securities	(4 015)	(4 015)	(8 535)	(8 535)
Total profit (losses) on financial instruments	**32 432**	**49 939**	**32 109**	**55 184**
Change in fair value of hedging instruments	40 250	162 971	(49 322)	(228 926)
Change in fair value of underlying hedged positions	(36 192)	(154 728)	43 401	227 619
Total profit (losses) on hedging and hedged instruments	**4 058**	**8 243**	**(5 921)**	**(1 307)**
Total	**36 490**	**58 182**	**26 188**	**53 877**

10. Other operating income

Other operating income	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Income on sale of services	4 210	7 776	3 986	7 769
Release of provision for legal cases and other assets	6 680	17 702	2 618	5 338
Settlements of leasing agreements	74	1 213	228	960
Recovery of other receivables (expired, cancelled and uncollectable)	27	48	93	285
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	4 183	2 933	1 196	2 104
Received compensations, penalties and fines	282	479	147	388
Profit on lease modifications	10 783	11 901	3 664	4 576
Other	5 119	9 359	2 857	9 512
Total	**31 358**	**51 411**	**14 789**	**30 932**

In thousands of PLN

11. Impairment allowances for expected losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Charge for loans and advances to banks	**7**	**8**	**4**	**-**
Stage 1	7	8	4	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	**(186 242)**	**(497 781)**	**(337 374)**	**(716 177)**
Stage 1	(34 569)	(33 866)	(41 514)	(55 926)
Stage 2	66 682	41 773	(89 319)	(285 554)
Stage 3	(218 712)	(515 577)	(209 214)	(376 510)
POCI	357	9 889	2 673	1 813
Recoveries of loans previously written off	**(2 724)**	**(1 460)**	**(3 664)**	**(6 243)**
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(2 724)	(1 460)	(3 664)	(6 243)
POCI	-	-	-	-
Off-balance sheet credit related facilities	**1 160**	**6 847**	**1 024**	**(14 642)**
Stage 1	(1 026)	(2 831)	(5 143)	94
Stage 2	684	2 126	(4 657)	(3 878)
Stage 3	1 502	7 552	10 824	(10 858)
POCI	-	-	-	-
Total	**(187 799)**	**(492 386)**	**(340 010)**	**(737 062)**

As at 30.06.2021 management provision accounting for the risk related to the COVID-19 situation was released in the amount PLN 80,300 k. As at 30.06.2020, the corresponding provision totalled PLN 108,500k and was classified in Stage 2.

12. Employee costs

Employee costs	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Salaries and bonuses	(267 511)	(540 558)	(214 387)	(506 271)
Salary related costs	(48 555)	(100 671)	(38 886)	(93 284)
Cost of contributions to Employee Capital Plans	(1 787)	(3 516)	(1 964)	(3 789)
Staff benefits costs	(6 500)	(12 656)	(6 717)	(13 515)
Professional trainings	(1 612)	(2 913)	106	(1 060)
Retirement fund, holiday provisions and other employee costs	-	-	(408)	(408)
Total	**(325 965)**	**(660 314)**	**(262 256)**	**(618 327)**

In thousands of PLN

13. General and administrative expenses

General and administrative expenses	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Maintenance of premises	(23 749)	(47 871)	(32 710)	(57 504)
Short-term lease costs	(2 096)	(4 461)	(2 528)	(4 725)
Low-value assets lease costs	(361)	(661)	(480)	(1 437)
Costs of variable lease payments not included in the measurement of the lease liability	(38)	(126)	27	(124)
Non-tax deductible VAT	(9 903)	(19 828)	(7 860)	(18 772)
Marketing and representation	(24 261)	(38 538)	(8 656)	(20 199)
IT systems costs	(76 047)	(150 524)	(63 789)	(125 271)
Cost of BFG, KNF and KDPW	(32 540)	(199 844)	(42 085)	(311 072)
Postal and telecommunication costs	(10 747)	(21 482)	(12 734)	(26 366)
Consulting and advisory fees	(19 066)	(28 762)	(16 884)	(28 132)
Cars, transport expenses, carriage of cash	(13 029)	(25 324)	(13 791)	(26 202)
Other external services	(27 931)	(55 291)	(28 444)	(61 334)
Stationery, cards, cheques etc.	(2 726)	(5 874)	(3 604)	(7 151)
Sundry taxes and charges	(9 066)	(17 016)	(9 972)	(17 772)
Data transmission	(2 065)	(4 442)	(2 319)	(4 726)
KIR, SWIFT settlements	(5 654)	(11 803)	(4 985)	(10 095)
Security costs	(5 641)	(11 253)	(6 324)	(11 673)
Costs of repairs	(1 601)	(3 150)	(1 083)	(4 106)
Other	(3 003)	(4 705)	(1 945)	(6 886)
Total	**(269 524)**	**(650 955)**	**(260 166)**	**(743 547)**

14. Other operating expenses

Other operating expenses	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Charge of provisions for legal cases and other assets*	(368 920)	(488 407)	(28 751)	(31 253)
Charge of provisions for legal risk*	(75 861)	(135 891)	(41 000)	(58 600)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(2 901)	(11 684)	(23 454)	(32 142)
Costs of purchased services	(1 114)	(1 985)	(707)	(1 670)
Other membership fees	(289)	(473)	(384)	(524)
Paid compensations, penalties and fines	(8)	(19)	(254)	(1 073)
Donations paid	(3 500)	(3 500)	(3 545)	(5 545)
Other	(4 751)	(12 261)	(6 060)	(10 729)
Total	**(457 344)**	**(654 220)**	**(104 155)**	**(141 536)**

*Details in note 29.

In thousands of PLN

15. Corporate income tax

Corporate income tax	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Current tax charge in the income statement	(118 168)	(173 404)	(259 115)	(404 638)
Deferred tax charge in the income statement	(45 947)	(113 233)	143 590	172 066
Adjustments from previous years	2 806	2 806	(3 888)	(3 888)
Total tax on gross profit	**(161 309)**	**(283 831)**	**(119 413)**	**(236 460)**

Corporate total tax charge information	1.04.2021-30.06.2021	1.01.2021-30.06.2021	1.04.2020-30.06.2020	1.01.2020-30.06.2020
Profit before tax	461 383	630 916	437 566	621 321
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(87 663)	(119 874)	(83 138)	(118 051)
Non-tax-deductible expenses	(3 888)	(7 512)	(2 988)	(7 193)
Provisions for legal claims regarding fx loans	(75 401)	(104 528)	(3 895)	(3 895)
The fee to the Bank Guarantee Fund	(4 898)	(35 404)	(7 247)	(57 332)
Tax on financial institutions	(26 631)	(54 127)	(26 825)	(52 756)
Non-tax deductible bad debt provisions	(3 911)	(5 102)	(4 083)	(14 501)
Non-taxable income	51 038	51 038	20 233	20 233
Adjustment of prior year tax	2 806	2 806	(3 888)	(3 888)
Other	(12 761)	(11 128)	(7 582)	923
Total tax on gross profit	**(161 309)**	**(283 831)**	**(119 413)**	**(236 460)**

Deferred tax recognised in other comprehensive income	30.06.2021	31.12.2020
Relating to valuation of debt investments measured at fair value through other comprehensive income	(178 271)	(291 085)
Relating to valuation of equity investments measured at fair value through other comprehensive income	(220 074)	(136 559)
Relating to cash flow hedging activity	(5 930)	2 544
Relating to valuation of defined benefit plans	(1 735)	(1 735)
Total	**(406 010)**	**(426 835)**

16. Cash and balances with central banks

Cash and balances with central banks	30.06.2021	31.12.2020
Cash	2 252 439	2 749 603
Current accounts in central banks	901 260	1 020 035
Term deposits	-	1 600 000
Total	**3 153 699**	**5 369 638**

Santander Bank Polska 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%.

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

In thousands of PLN

17. Loans and advances to banks

Loans and advances to banks	30.06.2021	31.12.2020
Loans and advances	700 189	185 722
Current accounts	2 397 821	2 733 306
Gross receivables	**3 098 010**	**2 919 028**
Allowance for expected credit losses	(58)	(66)
Total	**3 097 952**	**2 918 962**

18. Financial assets and liabilities held for trading

	30.06.2021		31.12.2020	
Financial assets and liabilities held for trading	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading derivatives	**1 955 885**	**1 775 940**	**3 039 661**	**2 986 415**
Interest rate operations	1 068 951	1 042 451	1 534 975	1 593 636
FX operations	886 934	733 489	1 504 686	1 392 779
Debt and equity securities	**928 247**	**-**	**178 799**	**-**
Debt securities	**906 535**	**-**	**147 405**	**-**
Government securities:	889 485	-	132 109	-
- bonds	889 485	-	132 109	-
Other securities:	17 050	-	15 296	-
- bonds	17 050	-	15 296	-
Equity securities	**21 712**	**-**	**31 394**	**-**
Short sale	**-**	**356 494**	**-**	**67 001**
Total	**2 884 132**	**2 132 434**	**3 218 460**	**3 053 416**

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (4,208) k as at 30.06.2021 and PLN (10,763) k as at 31.12.2020.

19. Hedging derivatives

	30.06.2021		31.12.2020	
Hedging derivatives	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives hedging fair value	-	210 700	-	344 311
Derivatives hedging cash flow	4 865	1 084 570	6 901	1 341 731
Total	**4 865**	**1 295 270**	**6 901**	**1 686 042**

Hedging derivatives – derivatives hedging cash flow include value adjustments day first profit or loss for start forward CIRS transactions in the amount of PLN (5,934) k as at 30.06.2021 and PLN (6,456) k as at 31.12.2020.

In thousands of PLN

20. Loans and advances to customers

	30.06.2021			
Loans and advances to customers	**Measured at amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Total**
Loans and advances to enterprises	51 551 115	2 151 561	49 199	53 751 875
Loans and advances to individuals, of which:	67 214 192	-	595 466	67 809 658
Home mortgage loans	*50 255 531*	-	-	*50 255 531*
Loans and advances to public sector	239 266	-	-	239 266
Other receivables	39 819	-	-	39 819
Gross receivables	**119 044 392**	**2 151 561**	**644 665**	**121 840 618**
Allowance for expected credit losses	(4 062 924)	(170 893)	-	(4 233 817)
Total	**114 981 468**	**1 980 668**	**644 665**	**117 606 801**

	31.12.2020			
Loans and advances to customers	**Measured at amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Total**
Loans and advances to enterprises	54 031 600	1 608 312	49 935	55 689 847
Loans and advances to individuals, of which:	66 620 605	-	684 583	67 305 188
Home mortgage loans	*49 810 765*	-	-	*49 810 765*
Loans and advances to public sector	209 612	-	-	209 612
Other receivables	30 951	-	-	30 951
Gross receivables	**120 892 768**	**1 608 312**	**734 518**	**123 235 598**
Allowance for expected credit losses	(4 106 731)	(51 521)	-	(4 158 252)
Total	**116 786 037**	**1 556 791**	**734 518**	**119 077 346**

Loans and advances to enterprises 30.06.2021	**Gross carrying amount**	**Allowance for expected credit losses**	**Net**
Stage 1	43 612 316	(151 328)	43 460 988
Stage 2	3 947 820	(247 965)	3 699 855
Stage 3	3 661 716	(2 062 427)	1 599 289
POCI	329 264	(71 814)	257 450
Total	**51 551 116**	**(2 533 534)**	**49 017 582**

Loans and advances to individuals 30.06.2021	**Gross carrying amount**	**Allowance for expected credit losses**	**Net**
Stage 1	63 003 388	(216 026)	62 787 362
Stage 2	1 931 627	(150 535)	1 781 092
Stage 3	2 048 601	(1 114 156)	934 445
POCI	230 577	(48 673)	181 904
Total	**67 214 193**	**(1 529 390)**	**65 684 803**

In thousands of PLN

Loans and advances to enterprises 31.12.2020	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	46 174 900	(159 090)	46 015 810
Stage 2	3 939 535	(321 242)	3 618 293
Stage 3	3 672 518	(2 012 581)	1 659 937
POCI	244 647	(33 983)	210 664
Total	**54 031 600**	**(2 526 896)**	**51 504 704**

Loans and advances to individuals 31.12.2020	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	62 341 242	(200 445)	62 140 797
Stage 2	1 907 790	(184 854)	1 722 936
Stage 3	2 048 243	(1 118 892)	929 351
POCI	323 330	(75 644)	247 686
Total	**66 620 605**	**(1 579 835)**	**65 040 770**

Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2021-30.06.2021	1.01.2020-30.06.2020
Balance at the beginning of the period	**(4 106 731)**	**(3 247 910)**
Charge/write back of current period	**(397 350)**	**(731 363)**
Stage 1	(32 299)	(56 259)
Stage 2	41 773	(281 108)
Stage 3	(395 624)	(376 510)
POCI	(11 200)	(17 486)
Write off/Sale of receivables	**389 039**	**256 207**
Stage 1	-	1 177
Stage 2	-	-
Stage 3	389 039	255 030
POCI	-	-
Transfer	**41 754**	**17 879**
Stage 1	23 866	41 444
Stage 2	64 395	116 546
Stage 3	(46 439)	(138 968)
POCI	(68)	(1 143)
FX differences	**10 364**	**(17 703)**
Stage 1	611	(1 335)
Stage 2	1 428	(1 377)
Stage 3	7 916	(14 288)
POCI	409	(703)
Balance at the end of the period	**(4 062 924)**	**(3 722 890)**

In thousands of PLN

21. Investment securities

Investment securities	30.06.2021	31.12.2020
Debt investment securities measured at fair value through other comprehensive income	**67 102 471**	**63 312 701**
Government securities:	50 882 901	43 761 840
- bills	-	1 366 058
- bonds	50 882 901	42 395 782
Central Bank securities:	-	4 999 904
- bills	-	4 999 904
Other securities:	16 219 570	14 550 957
-bonds	16 219 570	14 550 957
Debt investment securities measured at fair value through profit and loss	**115 044**	**106 639**
Equity investment securities measured at fair value through other comprehensive income	**1 263 496**	**823 633**
- unlisted	1 263 496	823 633
Equity investment securities measured at fair value through profit and loss	**-**	**112 694**
- unlisted	-	112 694
Total	**68 481 011**	**64 355 667**

22. Investments in subsidiaries and associates

Investments in subsidiaries and associates	30.06.2021	31.12.2020
Subsidiaries	2 340 801	2 340 801
Associates	36 606	36 606
Total	**2 377 407**	**2 377 407**

23. Assets classified as held for sale

Assets classified as held for sale	30.06.2021	31.12.2020
Land and buildings	4 308	4 308
Total	**4 308**	**4 308**

24. Deposits from banks

Deposits from banks	30.06.2021	31.12.2020
Term deposits	8 655	429 014
Current accounts	1 530 092	2 552 135
Loans received from banks	6 100	12 200
Total	**1 544 847**	**2 993 349**

In thousands of PLN

25. Deposits from customers

Deposits from customers	30.06.2021	31.12.2020
Deposits from individuals	**95 209 615**	**92 374 458**
Term deposits	9 069 982	12 759 999
Current accounts	86 072 775	79 549 866
Other	66 858	64 593
Deposits from enterprises	**61 455 494**	**63 547 957**
Term deposits	3 272 715	4 061 513
Current accounts	56 880 691	57 289 269
Loans	212 695	1 420 749
Other	1 089 393	776 426
Deposits from public sector	**6 833 965**	**5 211 076**
Term deposits	104 779	137 755
Current accounts	6 729 078	5 073 320
Other	108	1
Total	**163 499 074**	**161 133 491**

26. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2021-30.06.2021	1.01.2020-30.06.2020
As at the beginning of the period	**2 654 394**	**2 529 855**
Additions from:	**32 951**	**114 212**
- interest on subordinated loans	32 951	39 961
- FX differences	-	74 251
Disposals from:	**(66 371)**	**(41 110)**
- interest repayment	(33 452)	(41 110)
- FX differences	(32 919)	-
As at the end of the period	**2 620 974**	**2 602 957**
Short-term	12 512	15 012
Long-term (over 1 year)	2 608 462	2 587 945

27. Debt securities in issue

Debt securities in issue on 30.06.2021	Nominal value	Currency	Date of issue	Redemption date	Book Value (in thousands of PLN)
Santander Bank Polska bonds	500 000	EUR	10.09.2018	20.09.2021	2 273 156
Santander Bank Polska bonds	100 000	EUR	18.12.2020	18.12.2023	452 472
Total					**2 725 628**

Debt securities in issue on 31.12.2020	Nominal value	Currency	Date of issue	Redemption date	Book Value (in thousands of 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
Total					**2 772 351**

Movements in debt securities in issue	1.01.2021-30.06.2021	1.01.2020-30.06.2020
As at the beginning of the period	**2 772 351**	**2 687 960**
Increase (due to:)	**9 392**	**116 814**
- interest on debt securities in issue	8 952	12 386
- FX differences	-	103 981
- other changes	440	447
Decrease (due to):	**(56 115)**	**(561 171)**
- debt securities repurchase	-	(550 000)
- interest repayment	-	(11 171)
- FX differences	(56 115)	-
As at the end of the period	**2 725 628**	**2 243 603**

28. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	30.06.2021	31.12.2020
Provisions for financial liabilities to grant loans and credit lines	32 982	37 966
Provisions for financial guarantees	15 664	17 808
Other provisions	18 689	18 662
Total	**67 335**	**74 436**

In thousands of PLN

Change in provisions for off balance sheet credit facilities	1.01.2021-30.06.2021
As at the begining of the period	**74 436**
Provision charge	59 767
Write back	(66 613)
Other changes	(255)
As at the end of the period	**67 335**
Short-term	51 776
Long-term	15 559

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

29. Other provisions

Other provisions	30.06.2021	31.12.2020
Provisions for legal claims*	752 438	309 658
Provisions for legal risk**	367 495	239 868
Provisions for restructuring	92 325	121 119
Total	**1 212 258**	**670 645**

*As at 30.06.2021, the Bank's collective inter alia provisions for disputes over contractual clauses in mortgage loan agreements indexed to and denominated in foreign currencies totalled PLN 676,730k (PLN 241,237k as at 31.12.2020).

**As at 30.06.2021 the Bank's collective provisions for legal risk totalled PLN 325,501k (PLN 191,900k as at 31.12.2020) inter alia related to contractual clauses in agreements on mortgage loans indexed to and denominated in foreign currencies.

Change in other provisions for the period 1.01.2021- 30.06.2021	Provisions for legal claims	Provisions for legal risk	Provisions for restructuring	Total
As at the beginning of the period	**309 658**	**239 868**	**121 119**	**670 645**
Provision charge	471 978	135 027	-	607 005
Utilization	(13 192)	(5 975)	(28 794)	(47 961)
Write back	(16 006)	(1 425)	-	(17 431)
As at the end of the period	**752 438**	**367 495**	**92 325**	**1 212 258**

In thousands of PLN

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

30. Other liabilities

Other liabilities	30.06.2021	31.12.2020
Settlements of stock exchange transactions	88 395	126 778
Interbank settlements	701 980	500 354
Employee provisions	206 098	201 834
Sundry creditors	747 781	543 951
Liabilities from contracts with customers	144 076	167 392
Public and law settlements	97 311	95 433
Accrued liabilities	413 831	178 287
Total	**2 399 472**	**1 814 029**
of which financial liabilities *	2 158 085	1 551 204

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

Change in employee provisions 1.01.2021 - 30.06.2021		*of which: Provisions for retirement allowances*
As at the beginning of the period	**201 834**	***41 205***
Provision charge	114 718	*305*
Utilization	(110 610)	-
Release of provisions	-	-
Other changes	156	-
As at the end of the period	**206 098**	***41 510***
Short-term	164 588	-
Long-term	41 510	*41 510*

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

In thousands of PLN

31. Fair value

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

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

	30.06.2021		31.12.2020	
ASSETS	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Cash and balances with central banks	3 153 699	3 153 699	5 369 638	5 369 638
Loans and advances to banks	3 097 952	3 097 952	2 918 962	2 918 962
Loans and advances to clients measured at amortised cost	114 981 468	116 581 441	116 786 037	116 433 729
LIABILITIES				
Deposits from banks	1 544 847	1 544 847	2 993 349	2 993 349
Deposits from customers	163 499 074	163 499 463	161 133 491	161 146 321
Subordinated liabilities	2 620 974	2 609 857	2 654 394	2 643 330

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

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

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

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

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

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

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

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

As at 30.06.2021 and in the comparable periods the Bank made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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

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

Valuation of major capital investments classified to Level III:

a) AVIVA Towarzystwo Ubezpieczeń na Życie SA (AVIVA TUŻ),

b) AVIVA Powszechne Towarzystwo Emerytalne SA (AVIVA PTE),

c) AVIVA Towarzystwo Ubezpieczeń Ogólnych SA (AVIVA TUO).

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 37.

Level 3: Other valuation techniques.

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

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method	Effective margin on loans
C-SERIES PREFERENCE SHARES OF VISA INC.	Estimating the fair value based on the current market value of the listed ordinary shares (A-series) of Visa Inc., including a discount which takes into account the limited liquidity of C-series preferential shares.	Discount taking into account the limited liquidity of C-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.		
SHARES IN AVIVA POWSZECHNE TOWARZYSTWO EMERYTALNE AVIVA SANTANDER SA	Estimation of the fair value based on the provisions of conditional sales contracts concluded on March 2021.	Price components included in sales contracts
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 planed sale	not applicable
POLSKI HOLDING OBRONNY SP. Z O.O. BUMAR		

In thousands of PLN

As at 30.06.2021 and in the comparable periods the Bank classified its financial instruments to the following fair value levels:

30.06.2021	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	928 247	1 954 084	1 801	2 884 132
Hedging derivatives	-	4 865	-	4 865
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 980 668	1 980 668
Loans and advances to customers measured at fair value through profit or loss	-	-	644 665	644 665
Debt securities measured at fair value through OCI	53 664 950	13 434 046	3 476	67 102 472
Debt securities measured at fair value through profit and loss	-	-	115 044	115 044
Equity securities measured at fair value through profit and loss	-	-	-	-
Equity securities measured at fair value through OCI	-	-	1 263 496	1 263 496
Total	**54 593 197**	**15 392 995**	**4 009 150**	**73 995 342**
Financial liabilities				
Financial liabilities held for trading	356 494	1 775 741	199	2 132 434
Hedging derivatives	-	1 295 270	-	1 295 270
Total	**356 494**	**3 071 011**	**199**	**3 427 704**

31.12.2020	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	178 799	3 037 597	2 064	3 218 460
Hedging derivatives	-	6 901	-	6 901
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 or loss	-	-	734 518	734 518
Debt securities measured at fair value through OCI	63 114 070	191 139	7 492	63 312 701
Debt securities measured at fair value through profit and loss	-	-	106 639	106 639
Equity securities measured at fair value through profit and loss	-	-	112 694	112 694
Equity securities measured at fair value through OCI	-	-	823 633	823 633
Total	**63 292 869**	**3 235 637**	**3 343 831**	**69 872 337**
Financial liabilities				
Financial liabilities held for trading	67 001	2 986 415	-	3 053 416
Hedging derivatives	-	1 686 042	-	1 686 042
Total	**67 001**	**4 672 457**	**-**	**4 739 458**

In thousands of PLN

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						
30.06.2021	Financial assets held for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through other comprehensive income	Debt Investment securities measured at fair value through profit and loss	Equity investment securities measured at fair value through profit and loss	Equity securities measured at fair value through other comprehensive income
As at the beginning of the period	**2 064**	**734 518**	**1 556 791**	**7 492**	**106 639**	**112 694**	**823 633**
Profit or losses	-					-	
recognised in income statement	*(591)*	*3 498*	*-*	*-*	*7 141*	*4 009*	*-*
recognised in equity (OCI)	*-*	*-*	*24 149*	*-*	*-*	*-*	*439 863*
Purchase/ granting	353	179 763	1 713 459	-	-	-	-
Sale	-	(284)	(845 276)	-	-	(116 422)	-
Matured	-	(272 830)	(342 360)	-	-	-	-
Transfer	(25)	-	-	-	-	-	-
Other	-	-	(126 095)	(4 016)	1 264	(281)	-
As at the end of the period	**1 801**	**644 665**	**1 980 668**	**3 476**	**115 044**	**-**	**1 263 496**

Level III	Financial assets						
31.12.2020	Financial assets held for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through other comprehensive income	Debt Investment securities measured at fair value through profit and loss	Equity investment securities measured at fair value through profit and loss	Equity securities measured at fair value through other comprehensive income
As at the beginning of the period	**-**	**866 615**	**923 811**	**16 026**	**187 536**	**-**	**861 269**
Profit or losses	-					-	
recognised in income statement	*(24)*	*9 868*	*-*	*-*	*15 379*	*16 920*	*-*
recognised in equity (OCI)	*-*	*-*	*40 498*	*-*	*-*	*-*	*(36 711)*
Purchase/ granting	1 379	382 352	1 181 483	-	-	98 606	-
Sale	-	(3)	(275 370)	-	(98 606)	-	(925)
Matured	-	(524 314)	(278 668)	-	-	-	-
Transfer	709	-	-	-	-	-	-
Other	-	-	(34 963)	(8 534)	2 330	(2 832)	-
As at the end of the period	**2 064**	**734 518**	**1 556 791**	**7 492**	**106 639**	**112 694**	**823 633**

32. Contingent liabilities

Significant court proceedings

As at 30.06.2021 the value of all litigation amounts to PLN 2,283,430 k. This amount includes PLN 692,978 k claimed by the Bank, PLN 1,590,452 k in claims against the Bank.

The amount of all court proceedings which had been completed in the period from 1.01.2021 to 30.06.2021 amounted to PLN 71,420 k.

As at 30.06.2021, the value of provisions for legal claims was PLN 752,438 k. In 441 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), as at the balance sheet date, the amount of provision was PLN 211,070 k.

Court proceedings on CHF mortgage loans

As at 30.06.2021, the Bank's CHF retail mortgage loan exposure totalled PLN 7,123,693 k (as at 31.12.2020 – PLN 7,734,340k). The portfolio included both denominated and indexed loans.

There are significant differences in court 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 did 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 Bank, but the case law has not become consistent yet. Some courts have requested preliminary rulings from the CJEU, which may affect future court verdicts.

On 29 April 2021, the CJEU issued another ruling concerning a loan indexed to a foreign currency (the case of Bank BPH SA), in which it indicated that the purpose of Directive 93/13/EEC on unfair terms in consumer contracts is not to annul the credit agreement, but to restore the contractual balance, and noted that when assessing the effects of abusiveness of a contract, the court should take into account objective criteria, not only the consumer's situation. In addition, the CJEU stated that in order to ensure that the contract can continue in existence, the court should apply all available measures, including an analysis of the possibility of removing only some of the clauses considered unfair; at the same time, the national court should not change the substance of the contractual obligation. The court should always inform the consumer of all potential claims that the bank might have due to possible annulment of the contract.

Although the CJEU ruling of 29 April 2021 indicated the primacy of the resolution under which an agreement should continue in existence and the balance between the contractual parties should be restored, most court decisions continue to be unfavourable for the Bank.

It is still difficult to assess the potential impact of the CJUE ruling on judgments of Polish courts 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 rulings of the CJEU do not rule out the possibility for the bank to demand compensation for unjustified (i.e. without an agreement) use of the loan principal as a result of invalidation of the agreement. 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 (the "two separate claims theory"). At the same time, the Supreme Court held that there are legal instruments in place, such as set-off and the right of retention, which make it possible to concurrently account for mutual settlements in relation to unjust enrichment following the invalidation of the loan agreement. In its resolution of 7 May 2021 adopted by a bench of seven judges (and having the force of a legal rule), the Supreme Court stated that the parties may make unjust enrichment claims in the event of annulment of the loan agreement, with the settlement being made in accordance with the two separate claims theory (confirming the position expressed in the ruling of 16 February 2021). The Supreme Court also pointed out that the limitation of the bank's claims for return of unjust enrichment may not commence until the contract is considered permanently ineffective, i.e. until the consumer's informed decision as to invalidity of the contract, taken after he has been duly informed about the abusiveness of contractual provisions and the related effects.

On 11 May 2021, at the request of the First President of the Supreme Court, the Supreme Court was 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 as such will have the force of a legal rule), it may have a significant influence on the ruling practice. The resolution has not been adopted yet – the Supreme Court stayed the case and approached the Polish Financial Supervision Authority (KNF), the Commissioner of Human Rights, the Financial Ombudsman and the Children's Ombudsman for opinion. The hearing was scheduled for 2 September 2021. 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 recognised as at 30 June 2021 cannot be reliably estimated at the time of preparation of these financial statements.

The Bank is monitoring court decisions taken with regard to loans indexed to or denominated in foreign currency, and is tracking changes in the ruling practice.

The Bank 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 Bank 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 Bank's financial statements.

As at 30.06.2021, there were 4,786 pending lawsuits against the Bank over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 1,210,350k. This included one class action filed under the Class Action Act and relating to 548 CHF-indexed loans with the disputed amount of PLN 50,283k.

As at 30.06.2021, the Bank's provisions for disputes over contractual clauses in mortgage loan agreements indexed to and denominated in foreign currencies totalled PLN 676,730k (PLN 241,237k as at 31.12.2020).

As at 30.06.2021, the Bank's collective provisions for legal risk totalled PLN 325,501k (PLN 191,900k as at 31.12.2020). The Bank will continue to monitor and evaluate the adequacy of the above-mentioned provisions in subsequent reporting periods.

The total provisions for legal claims and collective provisions account for 13.8% of the active portfolio of CHF loans.

The increase in the above provisions in 2021 is mainly due to new court cases (+1,739 compared to December 2020) and a change in total loss on credit exposure should the Bank lose the case resulting from changes to the level of the likelihood of claims being resolved in favour of customers.

The Bank estimated the likelihood of claims being made by borrowers based on the existing claims against the Bank and the estimated growth in their number (using a model for predicting the number of potential court cases). The model is based on a range of behavioural characteristics related to the loan and the customer. The Bank assumes that claims have been or will be made against the ank in relation to approx. 18.9% of loans (active and repaid). These assumptions are highly sensitive to a number of external factors, including but not limited to the ruling practice of Polish courts, the level of publicity around individual rulings, measures taken by the mediating law firms and the cost of proceedings. The Bank expects that most of the cases will be filed by the end of 2022, and then the number of new claims will drop as the legal environment will become more structured

The Bank also estimated the likelihood of negative rulings in relation to existing and potential claims. The estimated likelihoods differ between indexed loans and denominated loans. The Bank used the support of external law firms when assessing these likelihoods.

As the current case law is not uniform, the bank considered the following scenarios of possible negative court rulings:

- Invalidating the loan agreement clauses identified as unfair, which causes the loan to be converted into PLN, with the CHF LIBOR-based interest rate being maintained;
- Invalidating the whole loan agreement as it contains unfair clauses, with no cost of capital to be reimbursed by the borrower;
- Court decisions leading to settlement of the cost of capital by the borrower (invalidating the whole loan agreement as it contains unfair clauses, with the cost of capital to be reimbursed by the borrower, or converting the loan to PLN with an interest rate based on WIBOR).
- Invalidating the loan agreement clauses identified as unfair with respect to the FX differences determination mechanism, which causes the average NBP rate to be applied.

The likelihoods of these scenarios also vary depending on whether the loan is indexed or denominated, and are based on a relatively small and thus statistically unrepresentative sample of rulings, and were estimated with the support of external law firms independent from the Bank. Each of these scenarios has a statistically estimated expected loss level based on the available historical data.

In the Bank's opinion, the value of estimated provisions is also affected by the duration of court cases (also estimated based on a relatively short time horizon of available statistics, which does not meet the conditions for application of quantitative methods) and the growing costs related to the instigation and continuation of court proceedings.

The Bank will continue to monitor and evaluate the adequacy of the above-mentioned provisions in subsequent reporting periods.

Due to the high uncertainty around both individual assumptions and their total impact, the bank carried out the following sensitivity analysis of the estimated provision by estimating the impact of variability of individual parameters on the provision value.

The estimates are based on a univariate analysis of provision value sensitivity.

Taking into account the different scenarios outlined below, the impact on the collective provision for legal risk estimated as at 30 June 2021 is as follows:

In thousands of PLN

Scenario	Change in the collective provision
Tripling the number of customers filing a lawsuit	651
Doubling the number of customers filing a lawsuit	326
50% reduction in the number of customers filing a lawsuit	-163
Relative increase of 50% in likelihood of losing the case	101
Relative decrease of 50% in likelihood of losing the case	-146

For all the parameters, the variability range in the sensitivity analysis was estimated taking into account the existing market conditions. The adopted variability ranges may change depending on market developments, which may significantly affect the results of the sensitivity analysis.

Taking into account the different scenarios outlined below, the impact on the provision for individual legal claims as at 30 June 2021 is estimated as follows:

Scenario	Change in the individual provision
Relative increase of 50% in likelihood of losing the case	235
Relative decrease of 50% in likelihood of losing the case	-343

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 is now conducting tests to assess potential effects of those settlements. Depending on the test results, further steps will be considered, including a pilot on a selected sample of borrowers. The overall outcome will be a significant factor for the Bank to decide whether or not to roll out the settlement process. As the decision to commence the process of entering into settlements might have a high impact on the Group's financial position, approval of the General Meeting will be required. If the Group decides to go ahead with the roll-out, it will take into account additional scenarios in the models for calculation of provisions for legal risk and will reflect the estimated impact of settlements on the level of those provisions.

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

As at 30.06.2021, Santander Bank Polska S.A was sued in 678 cases concerning partial refund of an arrangement fee on consumer loans. For these proceedings Santander Bank Polska S.A raised provisions in the amount of PLN 122 k.

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

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

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

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

In thousands of PLN

During the first six 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 Bank had the following impact on its P&L:

Santander Bank Polska S.A recognized the total amount of PLN 28,268 k in the financial result, which decreased the net interest income (during the first six months of 2020 the Bank's P&L was charged of PLN 62,378k to net interest income and PLN 17,600k to other operating expenses).

As at 31.12.2020 the value of all litigation amounts to PLN 1,655,652 k. This amount includes PLN 554,698 k claimed by the Bank, PLN 1,100,954 k in claims against the Bank.

As at 31.12.2020 the amount of all court proceedings which had been completed amounted to PLN 81,618 k.

As at 31.12.2020, the value of provisions for legal claims was PLN 309,658 k. In 229 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), as at the balance sheet date, the amount of provision was PLN 70,373 k.

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

Off-balance sheet liabilities

The 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.

	30.06.2021			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities sanctioned	**44 271 153**	**964 357**	**53 908**	**45 289 418**
- financial	**30 200 469**	**651 278**	**62 857**	**30 914 604**
- credit lines	25 185 506	559 817	52 940	25 798 263
- credit cards debits	3 342 098	63 854	7 933	3 413 885
- import letters of credit	1 491 532	27 607	1 984	1 521 123
- term deposits with future commencement term	181 333	-	-	181 333
- guarantees	**14 095 118**	**322 397**	**24 634**	**14 442 149**
Provision for off-balance sheet liabilities	**(24 434)**	**(9 318)**	**(33 583)**	**(67 335)**
Liabilities received				**48 304 378**
- financial				**-**
- guarantees				**48 304 378**
Total	**44 271 153**	**964 357**	**53 908**	**93 593 796**

	31.12.2020			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities sanctioned	**43 502 229**	**677 479**	**75 172**	**44 254 880**
- financial	**30 406 076**	**439 385**	**77 660**	**30 923 121**
- credit lines	25 726 812	397 835	67 504	26 192 151
- credit cards debits	3 444 271	32 871	8 369	3 485 511
- import letters of credit	1 214 503	8 679	1 787	1 224 969
- term deposits with future commencement term	20 490	-	-	20 490
- guarantees	**13 118 779**	**248 608**	**38 808**	**13 406 195**
Provision for off-balance sheet liabilities	**(22 626)**	**(10 514)**	**(41 296)**	**(74 436)**
Liabilities received				**54 051 659**
- financial				**14 675**
- guarantees				**54 036 984**
Total	**43 502 229**	**677 479**	**75 172**	**98 306 539**

In thousands of PLN

33. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	28.07.2021	28.04.2021	28.07.2021	28.04.2021	28.07.2021	28.04.2021	28.07.2021	28.04.2021
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%
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
Total	**102 189 314**	**102 189 314**	**100%**	**100%**	**102 189 314**	**102 189 314**	**100%**	**100%**

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

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total numer of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim report for 1H 2021 /28.07.2021/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

34. Related parties

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

Transactions with subsidiaries	30.06.2021	31.12.2020
Assets	**8 232 890**	**9 422 233**
Loans and advances to banks	222 496	105 602
Financial assets held for trading	22 062	35 840
Loans and advances to customers	7 952 635	9 253 547
Other assets	35 697	27 244
Liabilities	**591 391**	**843 605**
Deposits from banks	61 821	27 654
Financial liabilities held for trading	805	928
Deposits from customers	348 199	622 398
Lease liabilities	180 493	192 553
Other liabilities	73	72
Contingent Liabilities	**8 919 671**	**8 638 893**
Sanctioned:	8 169 671	7 388 893
financial	*1 929 638*	*1 567 575*
guarantees	*6 240 033*	*5 821 318*
Received:	750 000	1 250 000
guarantees	*750 000*	*1 250 000*

In thousands of PLN

Transactions with subsidiaries	1.01.2021-30.06.2021	1.01.2020-30.06.2020
Income	**86 012**	**95 483**
Interest income	45 437	67 426
Fee and commission income	36 910	3 084
Other operating income	3 665	2 900
Net trading income and revaluation	-	22 073
Expenses	**18 709**	**5 014**
Interest expenses	1 445	4 253
Fee and commission expenses	178	274
Net trading income and revaluation	12 533	-
Operating expenses incl.:	4 553	487
Bank's staff, operating expenses and management costs	*330*	*291*
Other	*4 223*	*196*

Transactions with associates	30.06.2021	31.12.2020
Assets	**113 254**	**-**
Other assets	113 254	-
Liabilities	**111 139**	**87 998**
Deposits from customers	111 139	87 998

Transactions with associates	1.01.2021-30.06.2021	1.01.2020-30.06.2020
Income	**24 468**	**19 750**
Fee and commission income	24 468	19 750
Expenses	**1**	**486**
Interest expense	1	486

	with the parent company		with other entities	
Transactions with Santander Group	**30.06.2021**	**31.12.2020**	**30.06.2021**	**31.12.2020**
Assets	**1 335 502**	**1 874 598**	**4 465**	**9 068**
Loans and advances to banks, incl:	413 094	766 201	4 465	8 184
Current accounts	*413 094*	*766 201*	*4 465*	*8 184*
Financial assets held for trading	921 707	1 107 257	-	4
Other assets	701	1 140	-	880
Liabilities	**2 155 094**	**2 511 456**	**143 061**	**555 259**
Deposits from banks incl.:	771 803	490 838	14 612	448 183
Current accounts	*771 803*	*490 838*	*14 612*	*448 183*
Financial liabilities held for trading	913 384	1 556 881	-	-
Deposits from customers	-	-	88 059	84 596
Lease liabilities	-	-	25	25
Debt securities in issue	452 472	461 509	-	-
Other liabilities	17 435	2 228	40 365	22 455
Contingent liabilities	**5 322 722**	**5 015 774**	**64 446**	**64 329**
Sanctioned:	34	-	32 473	32 505
financial	*34*	-	-	-
guarantees	-	-	*32 473*	*32 505*
Received:	5 322 688	5 015 774	31 973	31 824
guarantees	*5 322 688*	*5 015 774*	*31 973*	*31 824*

In thousands of PLN

	with the parent company		with other entities	
Transactions with Santander Group	**1.01.2021-30.06.2021**	**1.01.2020-30.06.2020**	**1.01.2021-30.06.2021**	**1.01.2020-30.06.2020**
Income	**296 583**	**141 256**	**451**	**472**
Interest income	(1 149)	915	9	5
Fee and commission income	3 462	830	66	142
Other operating income	1	3	376	21
Net trading income and revaluation	294 269	139 508	-	304
Expenses	**28 561**	**27 167**	**47 562**	**34 893**
Interest expense	6 298	6 528	-	81
Fee and commission expense	4 663	2 263	97	6
Net trading income and revaluation	-	-	102	-
Operating expenses incl.:	17 600	18 376	47 363	34 806
Staff,Operating expenses and management costs	*17 535*	*18 376*	*47 363*	*34 806*
Other operating expenses	*65*	-	-	-

Transactions with key management personnel

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

Loans and advances granted to key management personnel

As at 30.06.2021, 31.12.2020 and 30.06.2020 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

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

Remuneration of Management Board Members and Key Management Personnel	**Management Board Members**		**Key Management Personnel**	
	1.01.2021-30.06.2021	**1.01.2020-30.06.2020**	**1.01.2021-30.06.2021**	**1.01.2020-30.06.2020**
Fixed renumeration	6 590	6 286	12 692	13 031
Additional benefits (e.g among others, life insurance cover without pension option, medical cover, travel expenses and school fees)	878	587	544	515
The awards paid in 2021 and 2020*	7 069	8 826	6 323	14 526
Additional compensation for termination of the contract and the non-competition clause	396	-	-	-
Provisions for retirement benefits and provision for unused holidays	1 396	1 728	4 511	3 819
The number of conditional rights to shares	-	22 260	-	29 597

	Management Board Members		**Key Management Personnel**	
	30.06.2021	**31.12.2020**	**30.06.2021**	**31.12.2020**
Loans and advances made by the Bank to the Members of the Management Board/Key Management and to their relatives	5 193	6 528	23 275	27 041
Deposits from The Management Board/Key management and their relatives	15 227	18 351	24 463	23 134

* included part of the award for 2020, 2019, 2018, 2017 and 2016 which was conditional and deferred in time

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

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

Persons holding managerial positions are paid variable remuneration once a year following the end of the settlement period and release of the bank's results. Variable remuneration is awarded in accordance with applicable bonus regulations and paid in cash and in the form of shares or related financial instruments - phantom shares. The latter shall represent min. 50% of the total amount of variable remuneration. Payment of min. 40% of variable remuneration referred to above is conditional and deferred for the period of three years with the possibility of extending the period to 5 years. Variable remuneration is paid in arrears in equal annual instalments depending on individual performance in the period subject to assessment and the value of the shares or related financial instrument.

In H1 2021, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 1,042 k. Mr John Power received remuneration of PLN 47.5 k from subsidiaries for his membership in their Supervisory Boards.

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

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

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

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

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

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

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 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.

Pursuant to the share purchase agreement, PLN 89m worth of dividends paid to the bank by Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. in June 2021 will be deducted from the amount to be paid to the bank by Allianz at the time of closing the transaction.

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

As at 30.06.2021 and 31.12.2020 Santander Bank Polska SA and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Note 14.

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

As at 30.06.2021 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.

41. 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.

Both of the above-mentioned amounts are presented in the financial statements under "Other reserve capital".

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.

The following information and recommendation received after the balance sheet date:

-Polish Financial Supervision Authority information in respect on dividend policy in the second half of 2021 and the individual stress test add-on used in the dividend policy.

-Individual recommendation of the Polish Financial Supervision Authority regarding the fulfillment of the criteria for the payment of dividends from the net profit generated in 2020

described are in Note 42.

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

Polish Financial Supervision Authority information in respect on dividend policy in the second half of 2021 and the individual stress test add-on used in the dividend policy.

The Management Board of Santander Bank Polska S.A announced that on 2 July 2021 the Bank received a letter from the Polish Financial Supervision Authority regarding the dividend policy of commercial banks for H2 2021, providing for the conditions to be satisfied by banks for dividend payout in the amount of up to 50%, 75% and 100% of net profit respectively adopted by PFSA on June 24, 2021.

In their letter, the PFSA also communicated the individual add-on ST for the Bank. The add-on ST measures the Bank's sensitivity to an adverse macroeconomic scenario. It is defined as the difference between the total capital ratio (TCR) in the baseline scenario and the TCR in the stress scenario as at the end of the forecast period (2021), considering the supervisory adjustments. As a result of analyses made during the stress tests conducted by the PFSA , the individual add-on ST for the Bank was set, considering the supervisory adjustments, at 1.73%. The PFSA stated that the Bank's sensitivity is identical for both the payout from up to 75% and 100% of net profit.

As at 31st March 2021 the Bank meets the criteria to pay a dividend up to 100% of the Bank's net profit for the period from 1st January 2020 to 31st December 2020. After applying additional criteria regarding exposure arising from foreign currency home loans the dividend payout is adjusted by 70 p.p. As a consequence, the maximum dividend payout, after applying additional criteria, can reach up to 30% of profit for 2020.

Furthermore, the PFSA stated that their stance on the dividend policy applied only to the payout from the 2020 profit and that they would present an additional stance on the retained earnings (including the 2019 profit) at the 2021 yearend along with the 2022 dividend policy.

Individual recommendation of the Polish Financial Supervision Authority regarding the fulfillment of the criteria for the payment of dividends from the net profit generated in 2020

With reference to the current report of July 2, 2021, the Management Board of Santander Bank Polska S.A. announced that on July 20, 2021, it received an individual recommendation of the Polish Financial Supervision Authority regarding the Bank's dividend policy.

In accordance with the PFSA Recommendation, the Bank, as at 31 March 2021 Bank's quarterly data on own funds and as at 31 May 2021 the Bank's monthly data on the receivables portfolio, in terms of the basic criteria of the dividend policy, met the requirements qualifying for the payment of up to 100% of the dividend from the Bank's profit generated in the period from 1 January 2020 to 31 December 2020.

After applying additional criteria specified by the Polish Financial Supervision Authority in the dividend policy for the portfolio of foreign currency housing loans for households held by the Bank, the dividend rate at the individual and consolidated level was adjusted by a total of 70 p.p. Consequently, the maximum dividend yield after applying additional criteria may amount up to 30% of the profit generated in 2020.

In addition, the Polish Financial Supervision Authority recommended the Bank not to take other actions, in particular those outside the scope of current business and operating activities, which could result in a reduction of the capital base, including possible dividend payments from undistributed profit from previous year i.e. from 2019 and previous years and share buybacks.

Signatures of the persons representing the entity

Date	Name	Function	Signature
27.07.2021	Michał Gajewski	President	
27.07.2021	Andrzej Burliga	Vice-President	
27.07.2021	Juan de Porras Aguirre	Vice-President	
27.07.2021	Arkadiusz Przybył	Vice-President	
27.07.2021	Lech Gałkowski	Member	
27.07.2021	Patryk Nowakowski	Member	
27.07.2021	Carlos Polaino Izquierdo	Member	
27.07.2021	Maciej Reluga	Member	
27.07.2021	Dorota Strojkowska	Member	

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

Date	Name	Function	Signature
27.07.2021	Wojciech Skalski	Financial Accounting Area Director	