

# Management Board Report on Santander Bank Polska Group Performance in the first half of 2021



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# I. Overview of Santander Bank Polska Group Performance in H1 2021

## 1. Key Achievements

### **EFFICIENCY AND SECURITY**

- Group's solid capital position confirmed by capital ratios as at 30 June 2021, including total capital ratio of 21.16%.
- Sound liquidity position. Net customer loans to deposits ratio at 82.0%. Supervisory liquidity ratios above the regulatory minimum.
- Close monitoring of risk associated with the pandemic, with a particular focus on credit risk.
- Cost of credit at a level of 0.99% recorded in Q1 2020.
- Continued focus on development of digital banking and cyber security.
- 5.1% YoY decrease in an aggregate of staff expenses and general and administrative expenses, including 12.1% YoY reduction in the latter component.
- Design and implementation of a target hybrid work model.

### **BUSINESS VOLUMES AND ASSET QUALITY**

- 4.4% YoY increase in total assets to PLN 231.4bn.
- Continued growth in deposits (+4.4% YoY) supported by an increase in current deposits from personal customers (+20.4% YoY) and from businesses and public sector (+29.0% YoY).
- Stable YoY level of gross loans and advances to customers (PLN 148.4bn), including a rise in mortgage loans (+1.2% YoY) and lease receivables (+9.8% YoY), and growing support for projects delivered by corporate customers.
- Increase in net fee and commission income from the majority of product lines, including debit card fees (+30.4% YoY), account maintenance and cash transactions (+25.1% YoY), brokerage services (+24.2% YoY), electronic and payment services (+19.8% YoY) and credit fees (+13.6% YoY).
- Higher net value of assets in investment funds managed by Santander TFI S.A. (+44.3% YoY to PLN 18.9bn).

### **CUSTOMERS AND COMMUNITIES**

- 7.0m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers.
- 15.6% YoY increase in the number of Accounts As I Want It opened with Santander Bank Polska S.A. to 2.3m.
- 3.0m digital customers of both banks, including 2.1m mobile banking customers.
- Automation and optimisation of operational processes and development of CRM tools.
- Continued focus on providing support to customers affected by Covid-19.
- Title of the best bank in four categories of Euromoney 2021 Awards: Best Private Bank Overall Services, Best Private Bank in ESG & Impact Investing, Best Private Bank for Technology and Best Private Bank for UHNW.
- Second position in the Golden Banker 2021 ranking for the best multichannel services.

## 2. Key Financial and Business Data on Santander Bank Polska Group

### Key financial data of Santander Bank Polska Group

Selected Income Statement data		H1 2021	H1 2020	YoY Change (2021 / 2020)
Total income	PLN m	4 393,5	4 330,5	1,5%
Total costs	PLN m	(2 713,0)	(2 229,1)	21,7%
Impairment losses on loans and advances	PLN m	(626,9)	(947,2)	-33,8%
Profit before tax	PLN m	792,4	889,9	-11,0%
Net profit attributable to Santander Bank Polska S.A.	PLN m	374,3	475,8	-21,3%
Selected Balance Sheet data		30.06.2021	30.06.2020	YoY Change (2021 / 2020)
Total assets	PLN m	231 378,5	221 609,2	4,4%
Total equity	PLN m	28 932,4	27 887,5	3,7%
Net loans and advances to customers	PLN m	141 990,0	142 622,1	-0,4%
Deposits from customers	PLN m	173 180,1	165 889,5	4,4%
Selected off-Balance Sheet data		30.06.2021	30.06.2020	YoY Change (2021 / 2020)
Net assets under management in investment funds <sup>1)</sup>	PLN bn	18,9	13,1	5,8
Selected ratios <sup>2)</sup>		30.06.2021	30.06.2020	YoY Change (2021 / 2020)
Total costs / Total income	%	61,7%	51,5%	10,2 p.p.
Total capital ratio	%	21,16%	18,89%	2,3 p.p.
ROE	%	3,8%	7,1%	-3,3 p.p.
NPL ratio	%	5,8%	5,6%	0,2 p.p.
Credit risk ratio	%	0,99%	1,06%	-0,1 p.p.
Customer net loans/customer deposits	%	82,0%	86,0%	-4 p.p.

### Key non-financial data of Santander Bank Polska Group

Selected non-financial data		30.06.2021	30.06.2020	YoY Change (2021 / 2020)
Electronic banking users <sup>3)</sup>	m	5,5	5,4	0,1
Digital (active) customers <sup>4)</sup>	m	3,0	2,8	0,2
Digital (active) mobile banking customers	m	2,1	1,8	0,3
Debit cards	m	4,3	4,2	0,1
Credit cards	m	1,1	1,2	-0,1
Customer base	m	7,0	7,2	-0,2
Branches	locations	470	584	-114
Off-site locations and Santander zones	locations	12	11	1
Partner outlets	locations	420	369	51
Employment	FTEs	11 636	13 135	-1 499

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

2) For definitions of ratios presented in the table above, see Section 3 "Selected Financial Ratios" of Chapter VII "Financial Performance of Santander Bank Polska Group after H1 2021".

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

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

### 3. Key External Factors

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

<b>Health situation</b>	<ul style="list-style-type: none"> <li>• Third wave of the Covid-19 pandemic in Poland significantly limiting economic activity in some sectors. Disruptions in vaccine supplies in Q1 2021 in Europe. In Q2 2021, a significant deceleration of the pandemic and a strong reopening of the economy.</li> </ul>
<b>Economic growth</b>	<ul style="list-style-type: none"> <li>• Domestic demand in Q1 2021 limited by sweeping pandemic restrictions; however, the rebound of investments was noted. A strong recovery in Q2 2021.</li> <li>• Clear improvement of business climate indicators in Europe, a pickup in international trade.</li> </ul>
<b>Labour market</b>	<ul style="list-style-type: none"> <li>• Continued stabilisation of the unemployment rate, wage growth still solid and accelerating. Improvement of consumer confidence indicators, difficulties with finding qualified labour force and rising wage pressure.</li> <li>• Inflow of foreign migrant workers to Poland confirmed by the rising registrations for social security.</li> </ul>
<b>Inflation</b>	<ul style="list-style-type: none"> <li>• Higher inflation rate in Poland due to oil and energy prices; persistently high core inflation. Higher inflation abroad and fears regarding its further rise in excess of the current forecasts (global reflation).</li> <li>• Strong increase in the PPI inflation.</li> <li>• Further increase in real estate prices.</li> </ul>
<b>Monetary policy</b>	<ul style="list-style-type: none"> <li>• MPC members determined to keep rates unchanged until the end of their term of office. Higher pace of QE purchases of government bonds since March. In Q2, a slower pace of purchases, a slow change of direction towards a more hawkish attitude.</li> </ul>
<b>Fiscal policy</b>	<ul style="list-style-type: none"> <li>• Extension of anti-crisis aid for companies, but limited to selected branches. Improved economic activity supporting tax inflows.</li> </ul>
<b>Credit market</b>	<ul style="list-style-type: none"> <li>• Persisting weak demand for credit, especially from the firms which could use the government's aid (PFR Financial Shield). Slight rebound in consumer loans.</li> </ul>
<b>Financial markets</b>	<ul style="list-style-type: none"> <li>• Stabilisation or even slight correction of bond yields and IRS on the global markets as a function of fears regarding the possible economic impact of new Covid-19 strains.</li> <li>• Changes of international investors' moods amid expectations regarding monetary policy outlook of main central banks (Federal Reserve, ECB), incoming economic data, worries about health situation.</li> <li>• Weakening of the zloty, strengthening of the US dollar because of doubts regarding the strength of the global economic rebound.</li> </ul>

### 4. Corporate Events

#### Major corporate events in the reporting period (until the approval of the half-yearly report for H1 2021)

<b>January 2021</b>	<ul style="list-style-type: none"> <li>• Letter received from the KNF (Polish Financial Supervision Authority) on 11 January 2021, including: <ul style="list-style-type: none"> <li>✓ a recommendation to suspend dividend payment in H1 2021 and refrain from taking any other measures going beyond the scope of the ordinary business and operational activity which could weaken the capital base, unless agreed with the supervisory authority;</li> <li>✓ information that the KNF's position on the policy of dividend payment by commercial banks will be presented in H2 2021 following an analysis of the situation of the banking sector in the first six months of 2021.</li> </ul> </li> </ul>
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**Major corporate events in the reporting period (continued)  
(until the approval of the half-yearly report for H1 2021)**

<b>February 2021</b>	<ul style="list-style-type: none"> <li>Decision of Gerry Byrne (22 February 2021), the Chairman of the Supervisory Board of Santander Bank Polska S.A., to retire and resign from the membership of the bank's Supervisory Board, effective as of adoption of a resolution by the Annual General Meeting (AGM) to approve the Report on Activities of the Supervisory Board in 2020.</li> <li>Adoption of a resolution by the bank's Management Board (23 February 2021) recommending that the entire profit for 2020 totalling PLN 738.4m be retained, with 50% to be allocated to the capital reserve and 50% to be left undistributed. The resolution was passed in accordance with the KNF recommendation, taking into account the prevailing macroeconomic conditions.</li> <li>Publication of notice (23 February 2021) of the Annual General Meeting (AGM) of Santander Bank Polska S.A. to be convened on 22 March 2021, together with draft resolutions and documents to be considered by the AGM.</li> </ul>
<b>March 2021</b>	<ul style="list-style-type: none"> <li>Nomination (8 March 2021) by a shareholder (Banco Santander S.A.) of Antonio Escámez Torres as a candidate for the position of the Chairman of the Supervisory Board.</li> <li>Affirmation by Fitch Ratings (16 March 2021) of Santander Bank Polska S.A. credit ratings at BBB+/ Negative Outlook/ bbb+ and SR of 2. For more information, see Chapter II, Section 6 "Rating of Santander Bank Polska S.A."</li> <li>Change (17 March 2021) of the Management Board's recommendation of 23 February 2021 regarding the proposed profit distribution for 2020, setting aside a dividend reserve (i.e. capital reserve earmarked for payment of dividend/ interim dividend), and allocating 50% of the net profit for 2020 to this dividend reserve (instead of leaving this portion undistributed as initially recommended). No changes were made to the recommended allocation of the remaining 50% of the net profit to the capital reserve.</li> <li>Decision of the Vice President of the bank's Management Board Michael McCarthy (18 March 2021) not to apply for a new term of office starting on 23 March 2021 and to act as an advisor to the President of the bank's Management Board for an interim period.</li> <li>Annual General Meeting of Santander Bank Polska S.A. (22 March 2021), which adopted standard resolutions, appointed a new member and the Chairman of the Supervisory Board (Antonio Escámez Torres) and determined his remuneration, informed the shareholders of the KNF Chairman's proposal regarding foreign currency mortgage loans and presented changes to the bank's Statutes and to the Policy on the suitability assessment of the Supervisory Board members. For more information see Chapter IX, Section "Annual General Meeting of Santander Bank Polska S.A."</li> <li>Appointment of the existing Management Board members for a new term of office by the Supervisory Board (22 March 2021), except for Michael McCarthy, who decided not to apply.</li> <li>Entering into a transaction (26 March 2021) involving the divestment of three Aviva Group companies from the bank's portfolio of investment financial assets (Aviva Towarzystwo Ubezpieczeń na Życie S.A., Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A.) and execution of agreements with Allianz Holding eins GMBH (Allianz) – the new majority shareholder of the bank's associates (Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Santander Aviva Towarzystwo Ubezpieczeń S.A.).</li> <li>For more information, see Chapter VI "Organisational and Infrastructure Development", Section 5.</li> </ul>
<b>April 2021</b>	<ul style="list-style-type: none"> <li>Adoption of a resolution (16 April 2021) by the Bank Guarantee Fund Council, setting the amount of resolution fund contributions payable by Santander Bank Polska S.A. and Santander Consumer Bank S.A. in 2021 at PLN 135.1m and PLN 19.0m, respectively.</li> <li>Registration of changes (21 April 2021) to the bank's Statutes approved by the bank's AGM of 22 March 2021, adjusting the document to KNF Recommendation Z.</li> </ul>

**Major corporate events in the reporting period (continued)  
(until the approval of the half-yearly report for H1 2021)**

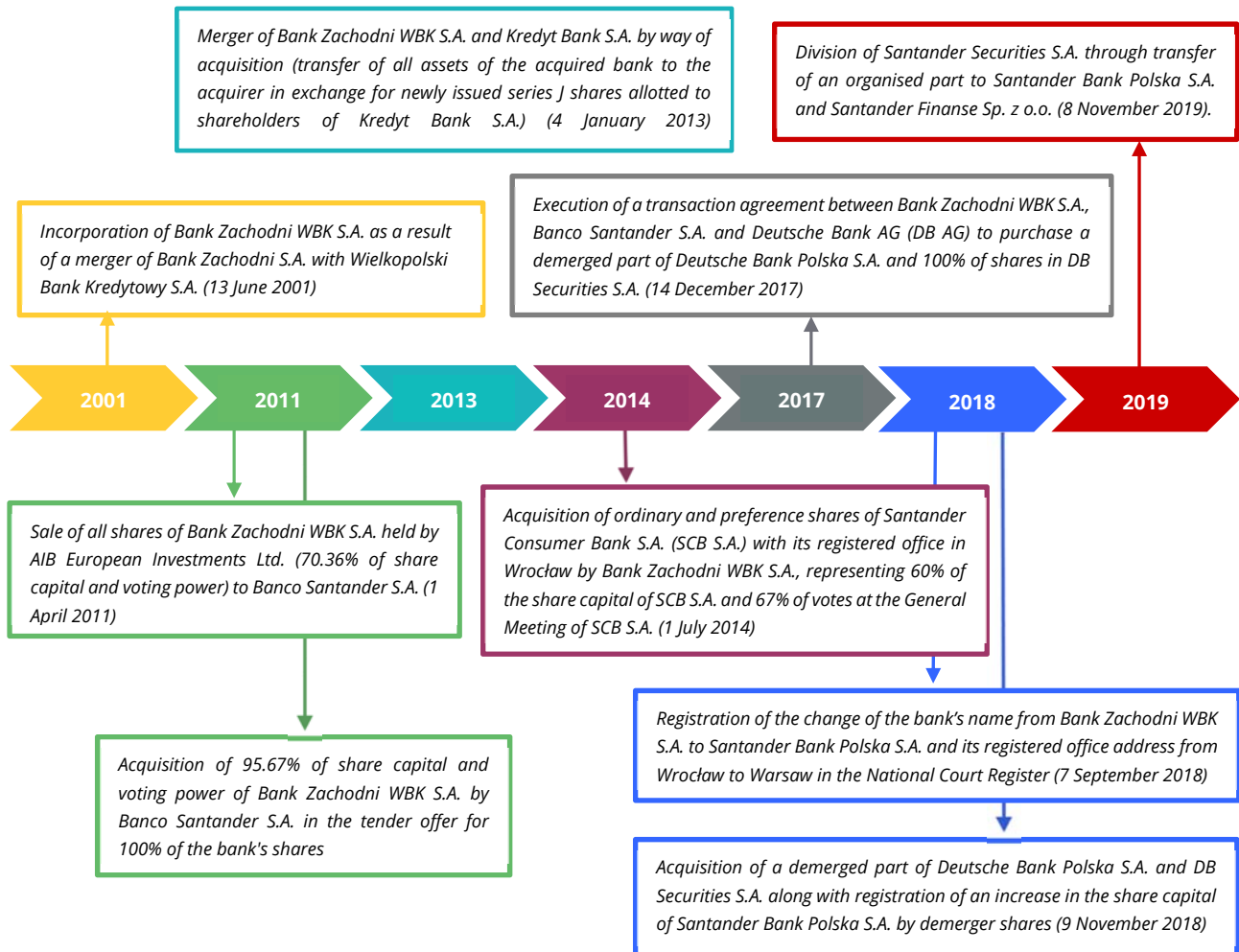
<b>May 2021</b>	<ul style="list-style-type: none"> <li>Adoption of a resolution by the Supervisory Board (26 May 2021) appointing Lech Gałkowski as the Management Board member in charge of the Business and Corporate Banking Division. Lech Gałkowski took up the position on 26 May 2021.</li> </ul>
<b>June 2021</b>	<ul style="list-style-type: none"> <li>Affirmation by Fitch Ratings (11 June 2021) of Santander Bank Polska S.A. IDR and VR at BBB+/ bbb+ and change of the outlook from negative to stable.</li> </ul>
<b>July 2021</b>	<ul style="list-style-type: none"> <li>Letter received from the KNF (2 July 2021) informing the bank that its Stress Test (ST) add-on (measuring the bank's sensitivity to an adverse macroeconomic scenario) is set at 1.73% (taking into account regulatory adjustments). The bank's sensitivity measure is the same for both the distribution of up to 75% and of 100% of the net profit.</li> <li>As at 31 March 2021, the bank met the basic dividend policy criteria for commercial banks to distribute up to 100% of the net profit earned between 1 January and 31 December 2020. Taking into consideration the additional criteria due to the bank's portfolio of foreign currency home mortgages, the maximum dividend yield is 30% of the profit earned in 2020.</li> <li>This KNF's position on the banks' dividend policy in H2 2021 concerns only the distribution of the profit earned in 2020. The stance on retained earnings (including the profit for 2019) will be presented at the end of 2021.</li> <li>Receipt of an individual recommendation from the KNF (20 July 2021) regarding the dividend policy of Santander Bank Polska S.A., confirming that the bank met the basic dividend policy criteria to pay up to 100% of dividend from the profit for 2020. Taking into consideration the additional criteria due to the portfolio of foreign currency home mortgages, the maximum dividend yield is 30% of the profit earned in 2020.</li> <li>The KNF recommended that the bank should not take any measures which could weaken the capital base (in particular if they go beyond the scope of the ordinary business and operational activity), unless such measures have been agreed with the supervisor.</li> </ul>



## II. Key Information on Santander Bank Polska Group

### 1. History, Corporate Structure and Profile

#### History of Santander Bank Polska S.A. (most important events)

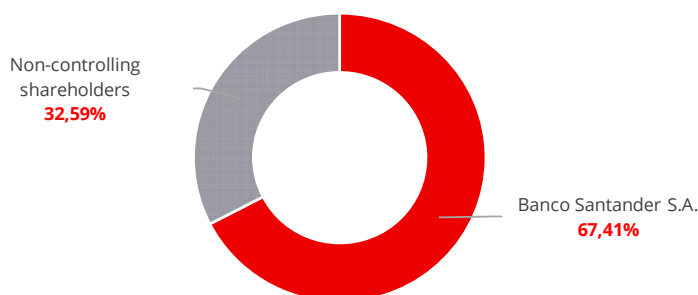


## 2. Ownership Structure

Shareholders with a stake of 5% and higher	Number of Shares and Voting Rights Held		% in the Share Capital and Voting Rights at AGM	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE <sup>1)</sup>	5 123 581	5 123 581	5,01%	5,01%
Other shareholders	28 184 959	28 184 959	27,58%	27,58%
<b>Total</b>	<b>102 189 314</b>	<b>102 189 314</b>	<b>100,00%</b>	<b>100,00%</b>

1) *Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) is an open pension fund managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne (PTE) S.A.*

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE EQUITY AS AT 30.06.2021



Santander Bank Polska S.A. is a subsidiary of Banco Santander S.A. with its registered office in Madrid, which held 67.41% share in the bank's registered capital and in the total number of votes at the bank's General Meeting as at 30 June 2021. The remaining shares were held by the minority shareholders, of which only the following funds: Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (DFE) jointly exceeded the 5% threshold according to the information held by the bank's Management Board. Both funds are managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne (PTE).

According to the information held by the Management Board, the ownership structure did not change in the period from the end of H1 2021 until the release of the Report of Santander Bank Polska Group for H1 2021.

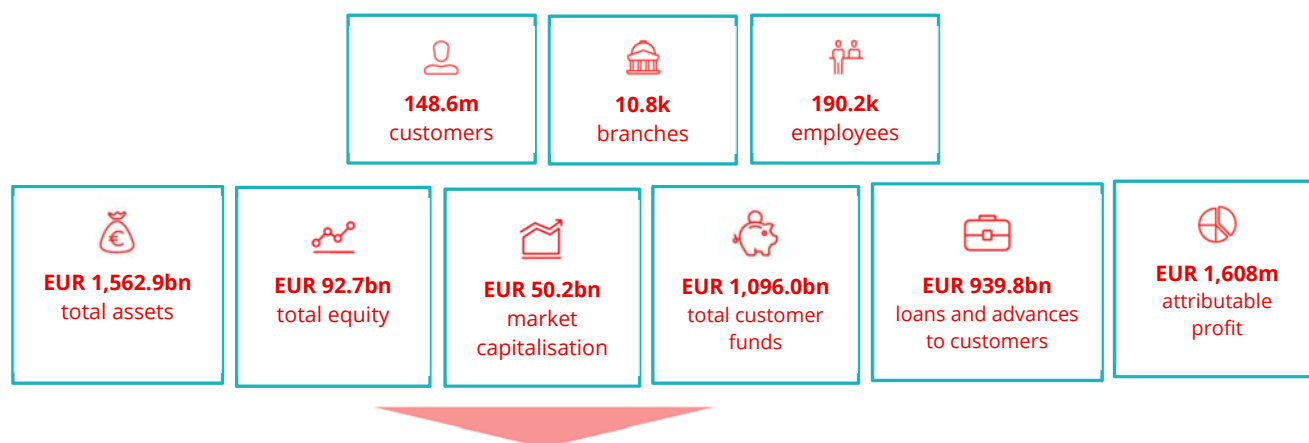
## 3. Majority Shareholder

Santander Bank Polska S.A. is a member of Santander Group, with Banco Santander S.A. as a parent entity.

Banco Santander S.A. having its registered office in Santander and operating headquarters in Madrid is one of the largest commercial banks in the world with a more than 165-year history. The bank specialises in retail banking services but it is also very active in the private banking and corporate banking, asset management and insurance markets.

The business of Banco Santander S.A. is geographically diversified, but it focuses on 10 core markets – both developed and emerging, including Spain, Poland, Portugal, Germany, the UK, Brazil, Argentina, Mexico, Chile and the USA. With geographic location as the primary criterion, the Group has identified four main operating segments: Europe, North America, South America, and the Santander Open Platform.

SANTANDER GROUP IN NUMBERS <sup>1)</sup>



**2nd largest bank in the eurozone and 31st largest bank in the world in terms of market capitalisation**

*(source: Financial Report of Banco Santander Group for Q1 2021)*

1) Data as at 31 March

## Business profile of Santander Bank Polska Group

Santander Bank Polska S.A. with its registered office in Warsaw is a universal bank which provides a full range of services for personal customers, SMEs, large companies, corporates and public sector institutions. The bank's offering is modern, comprehensive and satisfies diverse customer needs with regard to bank accounts, credit, savings, investment, settlement, insurance and card products. The financial services of Santander Bank Polska S.A. include cash management, payments, trade finance and transactions in the capital, money, FX and derivative markets, as well as underwriting and brokerage services.

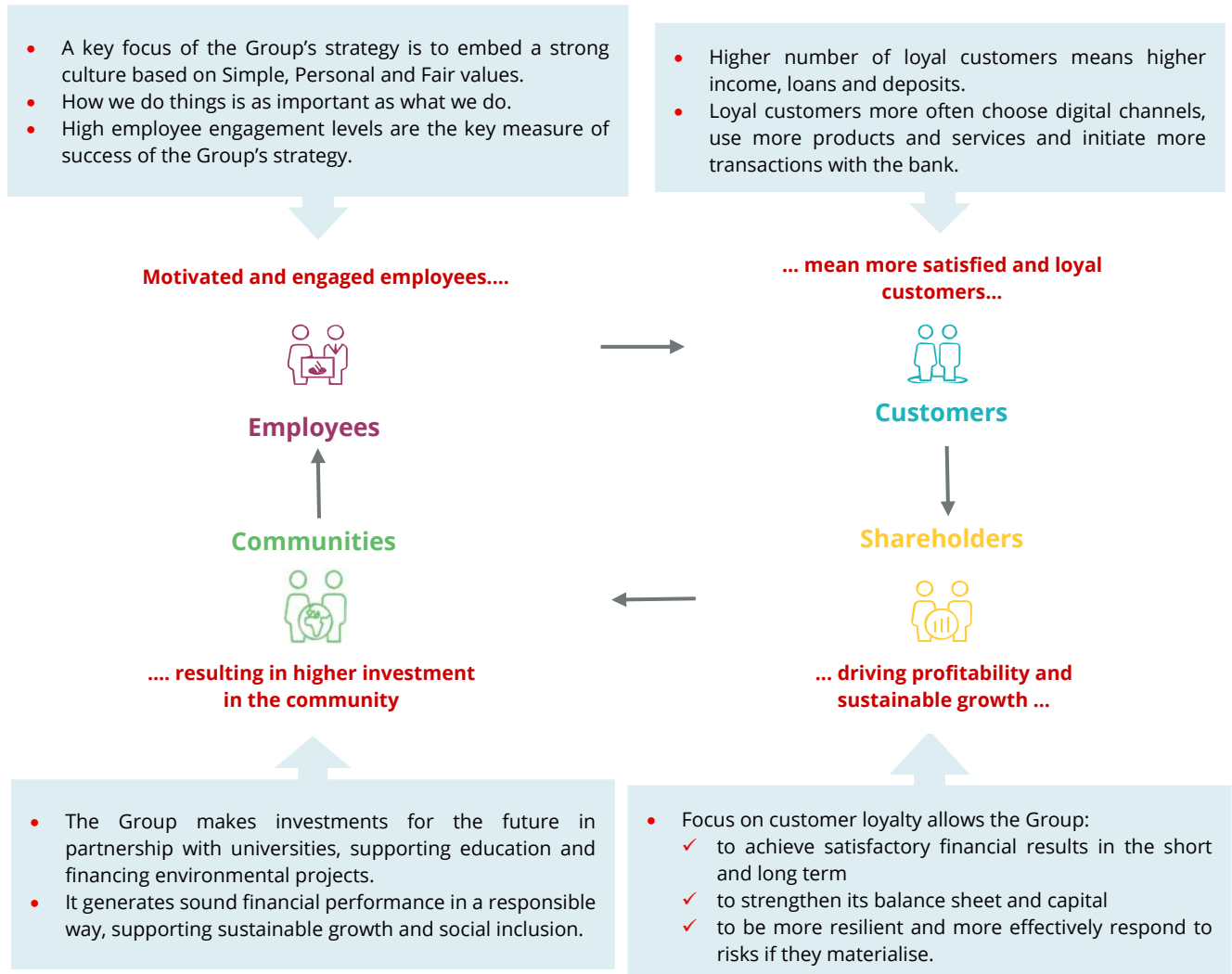
The bank's own product range is complemented by specialist products offered by its group of related companies, including: Santander Towarzystwo Funduszy Inwestycyjnych S.A., Santander Leasing S.A., Santander Factoring Sp. z o.o., Santander Aviva Towarzystwo Ubezpieczeń S.A. and Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. In cooperation with all these companies, the bank provides its customers with access to investment funds, asset portfolios, insurance, leasing and factoring products.

The bank continuously develops its product range to ensure that solutions offered to customers are transparent, simple, digital, flexible and available in self-service channels. It offers unique solutions which are developed within Santander Group based on its global presence, infrastructure and market potential. Customers are provided with comprehensive services in traditional sales channels and via remote channels.

Santander Consumer Bank S.A. and its subsidiaries form a separate business segment with its own customer base, offering and distribution channels. It provides credit facilities to households, mainly in the consumer finance and car finance sectors. It also offers financing to businesses, notably car dealers and importers. Santander Consumer Bank Group offers consumer loans, car finance through lease and factoring, credit facilities for car dealers, retail and business deposits and insurance products.

As at 30 June 2021, Santander Bank Polska Group provided services to 7.0m customers, including 1.7m customers of Santander Consumer Bank S.A.

## Value creation by Santander Bank Polska Group



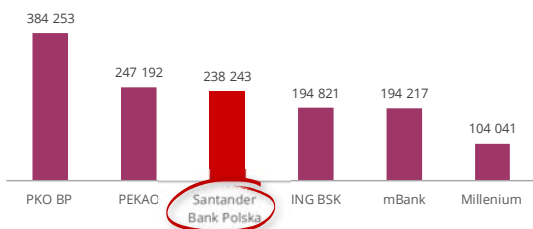
## Position of Santander Bank Polska S.A. and its Group in the Polish banking sector

### Position in the banking sector

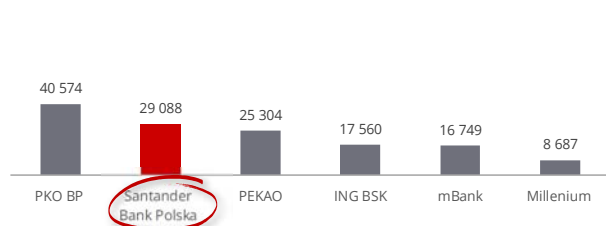
Santander Bank Polska S.A. is ranked among the top three banks in the Polish banking sector (together with PKO BP S.A. and Pekao S.A.) and is the largest private bank in Poland.

According to the financial statements for the quarter ended 31 March 2021, which at the date of approval of this Management Board report for publication (27 July 2021) were the most up-to-date source of comparable data on the performance of banks listed on the Warsaw Stock Exchange (WSE), Santander Bank Polska S.A. – including its subsidiaries and associates – was Poland's second largest banking group in terms of total equity and market capitalisation, and third largest one in terms of total asset, loans and deposit value.

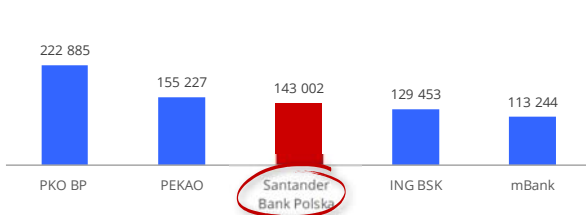
TOTAL ASSETS (PLN M) OF SANTANDER BANK POLSKA GROUP AS AT 31.03.2021 AGAINST THE PEER GROUP



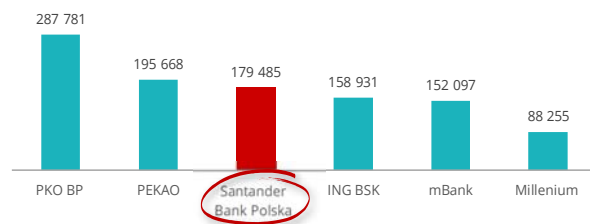
TOTAL EQUITY OF SANTANDER BANK POLSKA GROUP (IN PLN M) AS AT 31.03.2021 AGAINST THE PEER GROUP



CUSTOMER LOANS AND ADVANCES OF SANTANDER BANK POLSKA GROUP (PLN M) AS AT 31.03.2021 AGAINST THE PEER GROUP



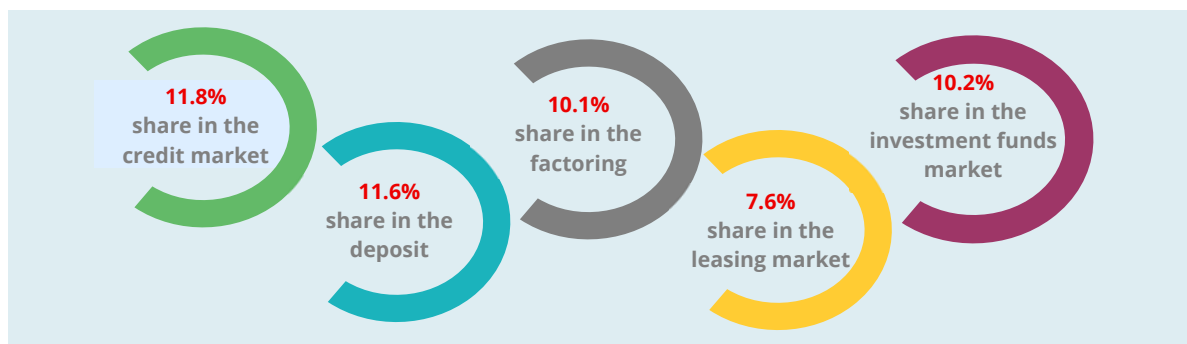
CUSTOMER DEPOSITS OF SANTANDER BANK POLSKA GROUP (PLN M) AS AT 31.03.2021 R. AGAINST THE PEER GROUP



### Share in key market segments

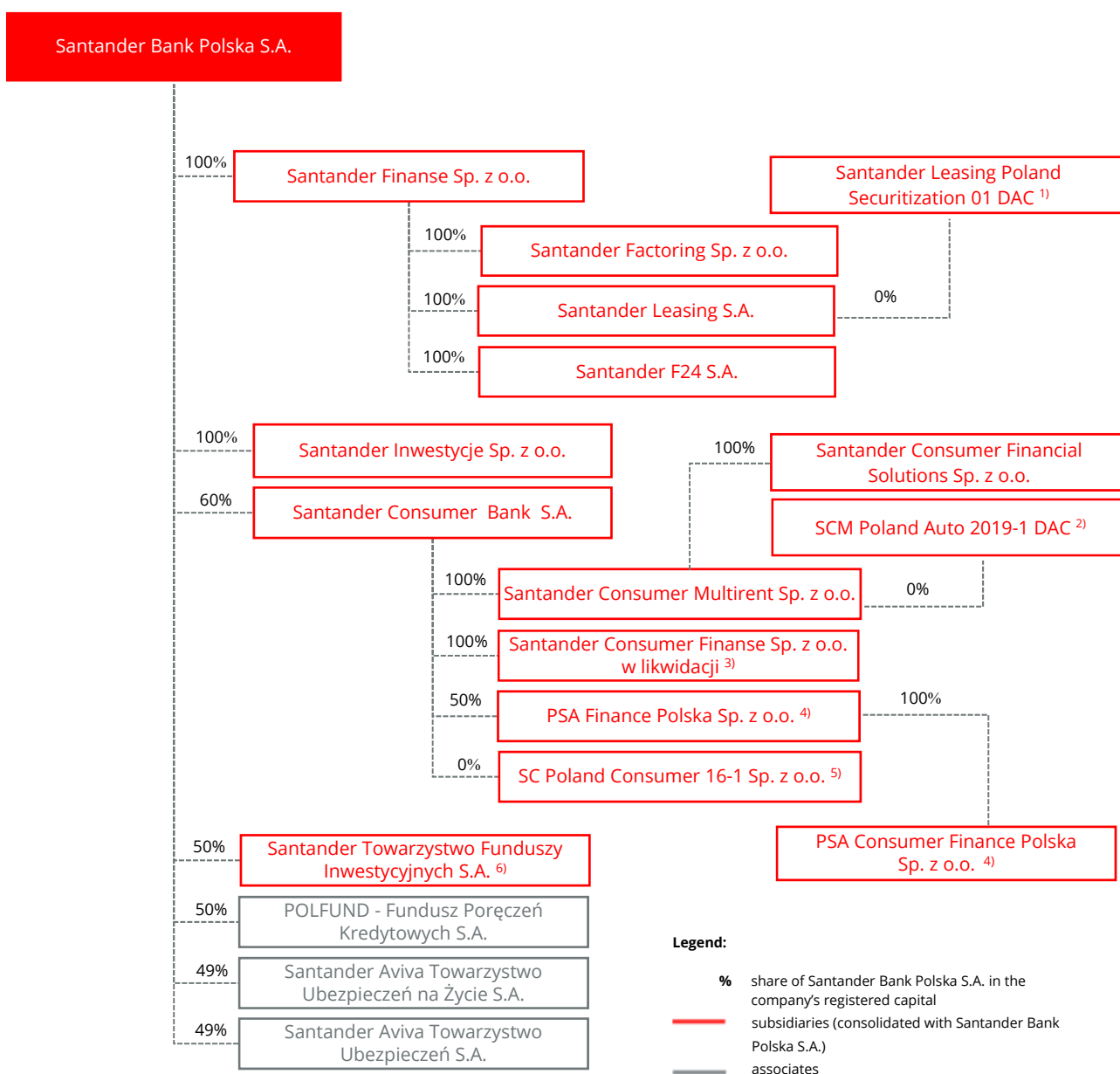
According to the NBP statistics, as at the end of March 2021 the market share of Santander Bank Polska Group was 11.8% for loans (11.8% as at 31 December 2020) and 11.6% for deposits (11.4% as at 31 December 2020).

The Group operates in the factoring and leasing markets via its subsidiaries, holding a market share of 10.1% and 7.6%, respectively, as at 31 March 2021 (according to the Polish Factors Association and the Polish Leasing Association). At the same time, the Group's share in the retail investment funds market was 10.2% (according to Anality Online) while in the stock exchange spot and futures markets it held 4.9% and 8.4%, respectively (according to the Warsaw Stock Exchange).



## 4. Structure of Santander Bank Polska Group

SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 30 JUNE 2021



1) Santander Leasing Poland Securitization 01 Designated Activity Company (DAC) with its registered office in Dublin is a special purpose entity (SPE) incorporated on 30 August 2018 for the sole purpose of securitisation of a lease and credit portfolio. The company does not have any capital connections with Santander Leasing S.A., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.

2) SCM Poland Auto 2019-1 Designated Activity Company with its registered office in Dublin was incorporated on 18 November 2019. Its shareholder is a legal person that is not connected with the Group. It is an SPE established to securitise a part of the lease portfolio of Santander Consumer Multirent Sp. z o.o., which is its controlling entity, in accordance with the conditions laid down in IFRS 10.7.

3) Santander Consumer Finanse Sp. z o.o. in liquidation was dissolved and put in liquidation as of 31 December 2020 by virtue of a resolution of the company's Extraordinary General Meeting of 23 December 2020.

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

5) SC Poland Consumer 16-1 is an SPE set up for the purpose of securitisation of part of SCB credit portfolio. The entity has no capital connections with Santander Consumer Bank S.A., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.

6) Both owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of Santander Group and hold an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska S.A. controls Santander Towarzystwo Funduszy Inwestycyjnych S.A., as the latter is it the company through which Banco Santander S.A. pursues its policy in Poland.

## Subsidiaries

As at 30 June 2021, Santander Bank Polska Group comprised Santander Bank Polska S.A. and the following subsidiaries:

1. Santander Consumer Bank S.A. (SCB S.A.)
2. Santander Consumer Finanse Sp. z o.o. in liquidation (subsidiary of SCB S.A.)
3. Santander Consumer Multirent Sp. z o.o. (SCM Sp. z o.o. – subsidiary of SCB S.A.)
4. Santander Consumer Financial Solutions Sp. z o.o. (subsidiary of SCM Sp. z o.o.)
5. SCM Poland Auto 2019-1 DAC (subsidiary of SCM Sp. z o.o.)
6. SC Poland Consumer 16-1 Sp. z o.o. (subsidiary of SCB S.A.)
7. PSA Finance Polska Sp. z o.o. (subsidiary of SCB S.A.)
8. PSA Consumer Finance Polska Sp. z o.o. (subsidiary of PSA Finance Polska Sp. z o.o.)
9. Santander Towarzystwo Funduszy Inwestycyjnych S.A.
10. Santander Finanse Sp. z o.o.
11. Santander Factoring Sp. z o.o. (subsidiary of Santander Finanse Sp. z o.o.)
12. Santander Leasing S.A. (subsidiary of Santander Finanse Sp. z o.o.)
13. Santander Leasing Poland Securitization 01 Designated Activity Company (subsidiary of Santander Leasing S.A.)
14. Santander F24 S.A. (subsidiary of Santander Finanse Sp. z o.o.)
15. Santander Inwestycje Sp. z o.o.

Compared to 31 December 2020, the list of members of Santander Bank Polska Group was reduced by one company: SC Poland Consumer 15-1 Sp. z o.o. Santander Consumer Bank S.A. ceased to control the entity after the latter had ended and settled its securitisation transaction on 17 June 2021.

As at 30 June 2021, all companies within Santander Bank Polska Group are consolidated with the bank in accordance with IFRS 10.

## Associates

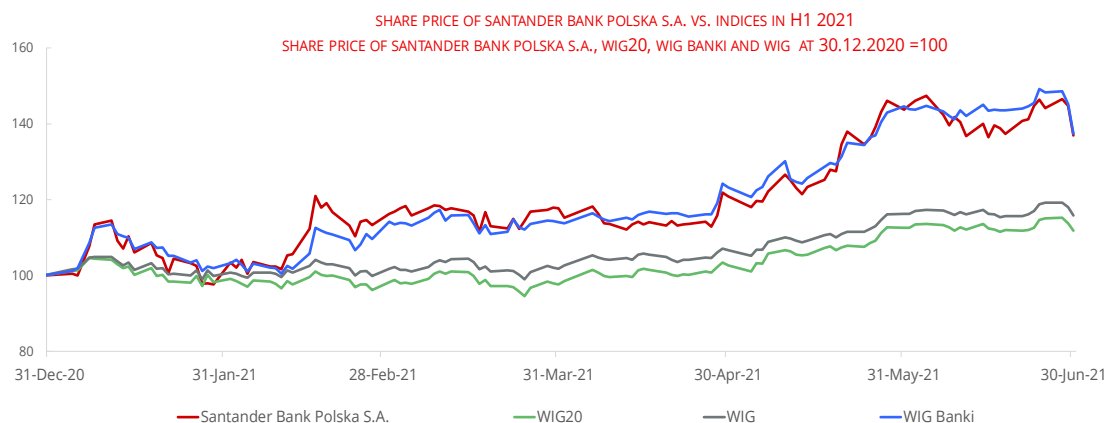
In the consolidated financial statements of Santander Bank Polska Group for the 6-month period ended 30 June 2021, the following companies are accounted for using the equity method in accordance with IAS 28:

1. Santander Aviva Towarzystwo Ubezpieczeń S.A. (Santander Aviva TU S.A.)
2. Santander Aviva Towarzystwo Ubezpieczeń na Życie S.A. (Santander Aviva TUnŻ S.A.)
3. POLFUND - Fundusz Poręczeń Kredytowych S.A.

Compared with 31 December 2020, the list of associates did not change.

## 5. Share Price vs Indices

The first half of 2021 saw a very strong performance of companies from the banking sector. WIG-Banks, an industry index, gained 38% and was one of the driving forces behind a rise in broad-based indices. After weak 2020, when bank stocks were among the biggest decliners, the trend reversed over the next six months. Until the end of June, stock indices were picking up on hopes for interest rate rise brought by growth and post-pandemic economic recovery. However, the latest data pointing to weakening inflationary pressure dampened investors' enthusiasm. Bank stocks also benefited from the publication of financial results, which in the majority of cases exceeded the market consensus. Shares of Santander Bank Polska S.A. performed well against this background, gaining 37% in H1 2021. The maximum closing share price was PLN 273.70 on 4 June and the minimum was PLN 181.40 on 29 January.



## 6. Rating of Santander Bank Polska S.A.

Santander Bank Polska S.A. has bilateral credit rating agreements with Fitch Ratings and Moody's Investors Service.

### Ratings by Fitch Ratings

The table below shows the latest rating actions taken by Fitch Ratings in relation to Santander Bank Polska S.A.

Rating Category of Fitch Ratings	Ratings affirmed/changed on 11.06.2021 <sup>1)</sup>	Ratings affirmed 16.03.2021	Ratings affirmed on 29.09.2020 <sup>2)</sup>
Long-term Issuer Default Rating (long-term IDR)	BBB+	BBB+	BBB+
Outlook for the long-term IDR rating	stable	negative	negative
Short-term Issuer Default Rating (short-term IDR)	F2	F2	F2
Viability rating (VR)	bbb+	bbb+	bbb+
Support rating	2	2	2
National long-term rating	AA(pol)	AA(pol)	AA(pol)
Outlook for the national long-term rating	stable	negative	negative
National short-term rating	F1+(pol)	F1+(pol)	F1+(pol)
Long-term senior unsecured debt rating (EMTN Programme)	BBB+	BBB+	BBB+
Short-term senior unsecured debt rating (EMTN Programme)	F2	F2	F2

1) Ratings of Santander Bank Polska S.A. applicable as at 30 June 2021

2) Ratings of Santander Bank Polska S.A. applicable as at 31 December 2020

In its announcement of 16 March 2021, Fitch Ratings affirmed the ratings of Santander Bank Polska S.A. at BBB+/ negative outlook/ bbb+ and SR of 2. The affirmation of the ratings reflected Fitch's view of a high probability of support from the majority shareholder, Banco Santander S.A., if need be, and a relatively low exposure to foreign currency mortgage loans. The negative outlook reflected possible increased pressure on the ratings from the negative impact of the prolonged pandemic and potential customers' claims regarding foreign currency mortgage loans.

On 11 June 2021, Fitch affirmed the ratings of Santander Bank Polska S.A., changing the outlook from negative to stable on long-term foreign currency issuer default rating (LT IDR), i.e. BBB+, and national long-term rating (Natl LT), i.e. AA(pol). The outlook revision followed the revision of the outlook on Banco Santander S.A. (A-/ Stable/ a-).

The bank's issuer default ratings (IDR), senior debt rating and support rating (SR) reflects Fitch's view of a high probability of support from Banco Santander S.A., if needed, given the strategic importance of the Polish market for the parent, the role of Santander Bank Polska S.A. in Santander Group (synergies, consistent delivery of common objectives) and an immaterial size of the potential support relative to the Group's ability to provide it and its credit profile.

The bank's short-term IDR of F2 results from long-term IDR of Santander Bank Polska S.A. and short-term IDR of Banco Santander S.A. The national ratings reflect the bank's creditworthiness relative to peers.



## Ratings by Moody's Investors Service

The table below sums up the ratings assigned by Moody's Investors Service to Santander Bank Polska S.A., which were applicable on 30 June 2021 and 31 December 2020.

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

In its announcement of 3 June 2019, Moody's Investors Service upgraded the ratings of Santander Bank Polska S.A. The ratings were kept unchanged until 30 June 2021.

On 30 September 2020, the agency published the results of the last periodic review of ratings of Santander Bank Polska S.A., which was not a rating action. It was conducted in the form of a portfolio review, taking into account the underlying methodology, recent internal and external developments, and a comparison of the financial and operating profile to similarly rated peers. The agency indicated that the NPL ratio was broadly in line with domestic peers and that exposure to legal risk of customer claims related to foreign currency mortgage loans was moderate. The bank has a strong capital and liquidity position and relies on market funding to a limited extent.

## III. Macroeconomic Situation in H1 2021

### Economic growth

In H1 2021, the economic situation was improving, despite a strong uptick in Covid-19 infections in the spring. Economic outlook improved thanks to an accelerating vaccination rollout, but it should also be noted that every single wave of Covid-19 has a lower impact on economic activity. In Q1 2021, the GDP declined by 0.9% in annual terms, but its seasonally-adjusted growth was 1.1% QoQ, even despite freezing temperatures (which limited the activity of the construction sector), and new social and economic restrictions. The rebound of investments, which grew by 1.3% YoY after remaining deep below zero for three quarters, was the biggest positive surprise of Q1 2021. It seems that the vaccinations increased Polish companies' optimism and encouraged them to invest. In Q2 2021, the economic rebound most probably continued and GDP growth could have hit a two-digit mark, but this was partially due to the very low economic base from Q2 2020. Still, most monthly indicators (including data from the labour market) on industrial and construction output, retail sales, exports and imports point to a gradual improvement in economic conditions. Nonetheless, companies were concerned about problems with access to some commodities and components, and about supply chain disruptions.

### Labour market

Economic recovery was positive for the labour demand, which reignited problems that were already visible before the pandemic: difficulties with finding qualified labour force and rising wage pressure. The registered unemployment rate was stable at slightly above 6% (after seasonal adjustment), while the LFS unemployment rate went up, but mostly due to methodological changes, which for the time being make the figures non-comparable with earlier data. Nominal wages rose by about 8% YoY on average.

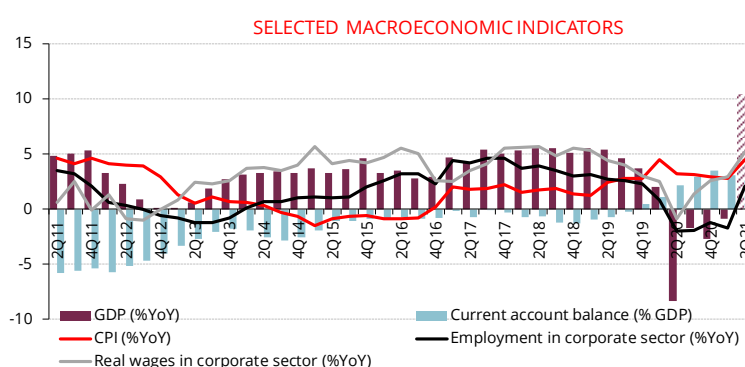
### Inflation

In H1 2021, CPI inflation climbed dynamically from 2.6% YoY in January to 4.7% YoY in May and 4.4% YoY in June. Accelerated price growth was observed primarily in relation to fuel (as global oil prices were rebounding from a deep trough caused by the pandemic), and food (supported by reviving demand in hotels and restaurants, and by supply shock, including due to bird flu). In January, electricity prices also increased as the capacity charge was added to electricity bills. Gas tariffs grew as well. Core inflation was

elevated at slightly below 4% YoY, and remained at this level until June, when it dropped to 3.5% YoY. PPI inflation accelerated markedly from 1.0% YoY in January to 6.5% YoY in May, partially due to rising cost pressure in companies.

## Monetary policy

After suggestions of NBP governor Adam Glapiński at the turn of 2020 and 2021, who stated that interest rate cuts were possible in the event of deterioration of economic outlook, the Monetary Policy Council's communications became more balanced. The March NBP economic forecasts with higher CPI and GDP paths and then upward surprise in March CPI data invigorated the interest rate market to price-in the monetary tightening in Poland. This was, however, countered by Glapiński, who stated strongly that interest rates would remain unchanged until the end of the current term of office of the MPC (almost all its members are to be replaced in Q1 2022). In the face of the rising yields of Polish T-bonds, the NBP stated that it would become more flexible in asset purchases. In consequence, in March its purchases rose fourfold compared to previous months. The NBP governor noted that the change in approach was permanent. However, in the following months NBP purchases declined markedly, sparking market worries that the programme was coming to an end. Economic recovery, rising inflation and another revision of forecast in July fuelled a gradual evolution of the views of MPC members, who started suggesting possible normalisation of the monetary policy. A 15 b.p. hike in interest rates was even put to a vote at the MPC meeting in June.



## Loan and deposit market

At the start of the year, the loan market remained muted, with the annual growth rate below zero. Demand for loans was undermined by lower economic activity and high uncertainty, and by another tranche of the government's financial support, even though it was limited to a few sectors. Mortgage loans were an exception as they were growing at 10% YoY throughout H1 2021. Consumer loans seem to have shown some revival in June, but business loans remained stagnant. In May, total loan growth was slightly negative (after correction for exchange rates), while loans for households advanced by 3.5% YoY, and loans for companies fell by 5.8% YoY. The growth rate of deposits decelerated due to lower money creation via government pandemic lifeline programmes (i.e. lower PFR and BGK issuances).

## Financial market situation

In H1 2021, the global pandemic situation started to gradually improve as the winter was passing and the vaccinations were progressing at a fast pace (especially in the United States), and economic restrictions could be lifted. Economic rebounds often surprised to the upside both in size and timing. The clash of the returning demand and lower supply resulted in supply chain disruptions, lack of components for manufacturing, and inflation pressure, aggravated by base effects. In June, both Fed and ECB significantly increased their GDP and inflation forecasts (at the same time not changing the main parameters of their respective monetary policies or even starting a discussion about tapering bond purchases). At the end of Q2 2021, the reflation trade lost steam due to significant one-way positioning and fears about new Covid-19 strains.

Global equity markets were rising steadily in H1 2021: S&P500 by 16%, DAX by 13%, more or less equally in each of the two quarters. In contrast, the Polish WIG20 did not change in Q1, but caught up in Q2 and increased by 12%.

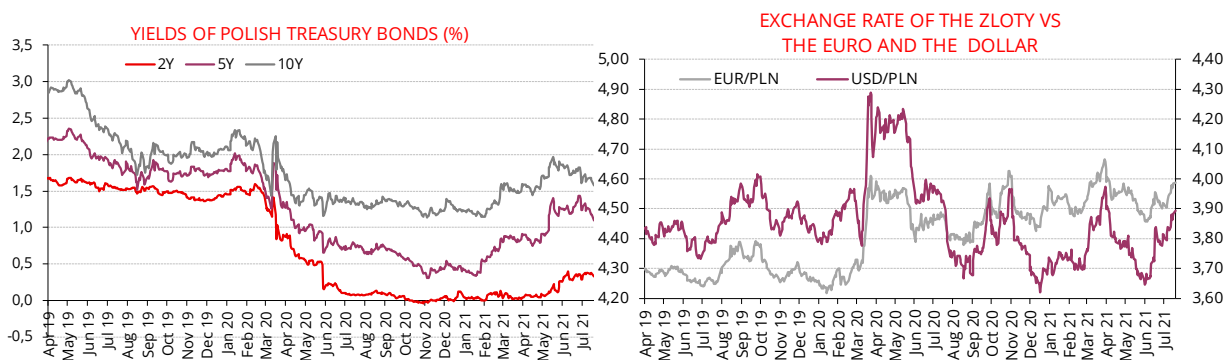
In H1 2021, yields of 10Y bonds on core market trended upwards. 10Y UST yields increased to 1.27% from 0.93% while Bund yields grew to -0.33% from -0.56%. Due to differences in the pace of vaccination rollouts, fiscal package launch timings and GDP dynamics – the maximum yields were reached in different months: in March for the US (nearly 1.70%), and in May for the Eurozone (Bund nearly -0.10%). This distinction is important from the perspective of Polish assets.

The EUR/PLN rate, which started the year at close to 4.58 (after NBP's currency interventions in December), reached a YTD maximum at 4.65 in March – exactly then when the UST 10Y yields were at their highest. In Q2 2021, the EUR/PLN rate fell significantly to 4.45

as the Polish economy reopened, while the inflation rates in the CEE region increased so high that markets started to anticipate the start of a hiking cycle in the region. In June, the central banks of Hungary and the Czech Republic indeed started hiking cycles. The NBP, however, did not follow suit. The relatively dovish NBP stance in the region resulted in the EUR/PLN rate returning to increases. At the end of Q2 2021, the rate was at 4.52. The USD/PLN rate moved higher significantly (by 4%, to 3.80, in June alone) as the uncertainty on equity markets increased investors' interest in the USD. In June, the CHF/PLN rate increased only by 1% to 4.12.

Polish bond yields, like those on the core market, were rising in H1 2021: 2Y to 0.36% from 0.06%, 10Y to 1.60% from 1.25%, while the yield maximum for 10Y bonds at 1.97% was reached in May – exactly when the Bund reached its highest yield in H1 2021. Bond yields at the short-end of the curve increased despite the still abundant liquidity in the banking sector. One of the measures – the size of the weekly NBP 7-day bill auction – permanently moved above the PLN 200bn mark, while the BGK continues issuance of its bonds (PLN 28bn worth of bonds have already been sold out of PLN 40bn scheduled for 2021).

The 10Y spread vs Bund has been widening since the start of the year (180 b.p.), reaching 190 b.p. in March and 200 b.p. in June.



## Stock market

H1 2021 saw a rebound of WSE stocks hit by the pandemic outbreak last year. The autumn wave of optimism from vaccinations continued in the first months of the year. Markets started to discount not only the end of the pandemic but also the acceleration of the economic growth observed after opening up of the major economies. The main WSE indices also followed an upward trend, posting impressive gains. Particularly noteworthy was WIG, which soared by 16% during the first six months of the year, hitting an all-time high at the end of June. mWIG40 and sWIG80 fared well too, picking up by 21% and 28%, respectively, and reaching record high levels over the last few years.

The improving economic parameters and the dovish monetary policy kept by the major central banks translated into inflationary pressure which had not been seen in a long time. Potential interest rate hikes will depend on the continuation of price rises, as will the developments in the investment assets market.

## Regulatory environment of the banking sector

The table below shows the selected legislation which came into effect in 2021 and has impact on the financial sector in Poland.

Act or regulation	Effective date	Selected regulations affecting the financial sector
<b>Act of 28 November 2020 amending the Corporate Income Tax Act (introducing the so-called Estonian CIT)</b>	1 January 2021	<ul style="list-style-type: none"> <li>The application of the Estonian CIT solution (whereby the company does not pay income tax until it distributes profit in the form of a dividend) is conditional upon achieving a specific investment growth rate over a two-year period.</li> <li>Generally, the act does not affect the operations of banks, but it requires that a dedicated settlement account be introduced for companies to make deposits equivalent to contributions to the fund set up for investment purposes.</li> <li>The above accounts are reported to the ICT system of the Clearing House (STIR), both records and lists of transactions.</li> </ul>
<b>Act of 27 November 2020 amending the VAT Act (Slim VAT) and the Banking Law Act</b>	1 January 2021	<ul style="list-style-type: none"> <li>The act extends the scope of entities whose settlement accounts must be reported to STIR. They include the entities which used to be exempt from the reporting obligation under the General Tax Code, i.e. cooperative banks, banks run by other banks, credit unions, State Treasury, National Health Fund (NFZ), Social Insurance Institution (ZUS), Bank Guarantee Fund (BFG).</li> <li>Banks are required to start reporting via STIR by 1 June 2021.</li> </ul>
<b>Act of 18 November 2020 on electronic delivery</b> <b>Act of 15 June 2021 amending the Act on electronic delivery</b>	5 October 2021 (Act) 5 July 2022 (all requirements)	<ul style="list-style-type: none"> <li>Banks will be required to register an electronic address and indicate it in agreements with customers as an address relevant for making complaints or statements on withdrawal from the agreement, among other things.</li> <li>The amended act postpones the deadline for implementing the public registered electronic delivery service and the public hybrid service (collection of electronic documents in paper format and vice versa).</li> </ul>
<b>Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain charges for cross-border payments in the Union and currency conversion charges</b>	19 April 2021 (part of provisions)	<ul style="list-style-type: none"> <li>Banks will be required to send information about card margins to customers who have provided their email addresses.</li> </ul>
<b>Act of 28 May 2021 amending the Act on the National Debtors Register and certain other acts</b>	1 December 2021 (except certain provisions)	<ul style="list-style-type: none"> <li>The act extends the validity of Shield 4.0 with regard to simplified restructuring proceedings until 30 November 2021 (originally: end of June 2021).</li> <li>Generally, the Act on the National Debtors Register and the amendments to the Bankruptcy Law and Restructuring Law (digitalisation of proceedings, arrangement approval proceedings similar to simplified restructuring proceedings) will come into force on 1 December 2021.</li> </ul>
<b>Act of 25 February 2021 amending the Banking Law Act and certain other acts</b>	28 April 2021 (majority of provisions)	<ul style="list-style-type: none"> <li>The main objective of the act is to transpose the following EU regulations on capital requirements for financial institutions into Polish law: <ul style="list-style-type: none"> <li>✓ Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V);</li> <li>✓ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (CRR II).</li> </ul> </li> </ul>




Act or regulation (continued)	Effective date	Selected regulations affecting the financial sector
<b>Regulation 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR)</b>	10 March 2021 (majority of provisions)	<ul style="list-style-type: none"> <li>The SFDR applies to investment products, advisory services and portfolio management services. It sets out information obligations of financial market entities and financial advisors. <ul style="list-style-type: none"> <li>✓ Pursuant to the SFDR, they are required to disclose information on the integration of sustainability risks and the consideration of adverse sustainability impacts.</li> <li>✓ The regulation sets out information obligations related to offering ESG-linked products to customers who intend to make responsible and sustainable investments.</li> </ul> </li> </ul>
<b>Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation)</b>	1 January 2022 (part of provisions) and 1 January 2023 (all provisions)	<ul style="list-style-type: none"> <li>The regulation introduces the EU taxonomy of environmentally sustainable economic activities and sets out reporting obligations for financial market entities as well as obligations directly applicable to companies publishing non-financial reports and indirectly to all other companies.</li> <li>The major part of the provisions will apply to annual reports for 2021 prepared starting from 1 January 2022.</li> </ul>
<b>Act of 30 March 2021 amending the Act on the prevention of money laundering and terrorist financing and certain other acts</b>	15 May 2021 (majority of provisions)	<ul style="list-style-type: none"> <li>The Act implements the provisions of Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU. The purpose of Directive (EU) 2018/843 was to modify the EU legal framework for the prevention of money laundering and terrorist financing in order to increase transparency of financial flows in the financial system.</li> <li>It supplements Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.</li> </ul>
<b>Act of 20 May 2021 on the protection of rights of buyers of residential units or detached houses and on the Development Guarantee Fund</b>	12 months from the publication date (majority of provisions).	<ul style="list-style-type: none"> <li>Security in the form of a bank guarantee or an insurance guarantee will no longer be required. The following two banking solutions will remain in place: an open residential escrow account and a closed residential escrow account.</li> <li>Rules have been defined for payment of buyer's funds to the developer after the successful completion of a given stage of the development project or investment.</li> <li>Once the last stage of the project is completed, the bank may pay the remaining buyer's funds to the developer only after it is provided with a copy of a notarised agreement transferring the right arising therefrom onto the buyer. The bank will also verify the occupancy permit or notification of the completion of construction works.</li> <li>The bank will be required to withhold payment of funds in the case of negative assessment of any element subject to control, including where restructuring or insolvency proceedings have been instigated against the developer. The funds may be paid once all irregularities are eliminated.</li> </ul>
<b>New Recommendation S on best practice in the management of mortgage-backed credit exposures</b>	30 June 2021	<ul style="list-style-type: none"> <li>Extension of the existing scope of the Recommendation to include rules for managing fixed-rate and adjustable fixed-rate home mortgages.</li> <li>Introduction of provisions on the "key-for-debt" option, stipulating that the borrowers' obligations will be considered discharged if the title to the financed property is transferred to the bank.</li> </ul>

Regulatory recommendations and guidelines	Effective date	Selected regulations affecting the financial sector
<b>Recommendation Z on corporate governance in banks</b>	9 October 2020	<ul style="list-style-type: none"> <li>• The regulation incorporates the guidelines issued by EBA and ESMA and by the KNF following inspections at banks</li> <li>• and includes recommendations on suitability assessment of supervisory and management board members and key function holders, term of office of supervisory and management board members, remuneration rules and an obligation to apply specific HR policies, incorporation of corporate governance practices in onboarding and training processes for the above-mentioned groups.</li> <li>• The recommendation specifies the roles and positions that should be verified in terms of a potential conflict of interest as part of relationship, agreement or transaction with the bank. It also requires banks to manage conflicts of interest and defines key control mechanisms.</li> </ul>
<b>Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system, the internal control system and remuneration policy at banks</b>	11 June 2021	<ul style="list-style-type: none"> <li>• The regulation defines the risk management system and the internal control system at banks and sets out the scope of the remuneration policy and the rules for its determination.</li> </ul>
<b>Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive</b>	14 June 2021	<ul style="list-style-type: none"> <li>• The regulation defines the criteria to identify staff members or categories of staff classified as Material Risk Takers (i.e. staff members whose professional activities have a significant impact on the risk profile). The criteria should: <ul style="list-style-type: none"> <li>✓ take into account the authority and responsibilities of such staff members, the institution's risk profile and performance indicators, the institution's internal organisation, and the nature, scope and complexity of the institution concerned;</li> <li>✓ enable institutions to set proper incentives in their remuneration policies to ensure that the staff members concerned act prudently when performing their tasks;</li> <li>✓ reflect the level of risk of different activities within the institution.</li> </ul> </li> <li>• The regulation also sets out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile.</li> </ul>
<b>Code of Best Practice for WSE Listed Companies of 2021</b>	1 July 2021	<ul style="list-style-type: none"> <li>• The Code of Best Practice for WSE Listed Companies of 2021 supersedes the existing Code of Best Practice of 2016.</li> <li>• The matters regulated by law have been excluded. The structure of the document has been changed (the recommendations and rules have been replaced with the general and specific rules) and ESG aspects have been included.</li> <li>• One of the key changes is the general obligation for WSE listed companies to inform relevant parties about the scope of application of best practice instead of informing them which rules do not apply.</li> </ul>














## IV. Development Strategy

### 1. Purpose, Aim, Values and Strategic Objectives for 2021–2023

The strategy of Santander Bank Polska Group for 2021–2023 is a continuation of the previous course of action and is based on the same values and assumptions as applied before. The Group’s purpose, aim and values have not changed for years:

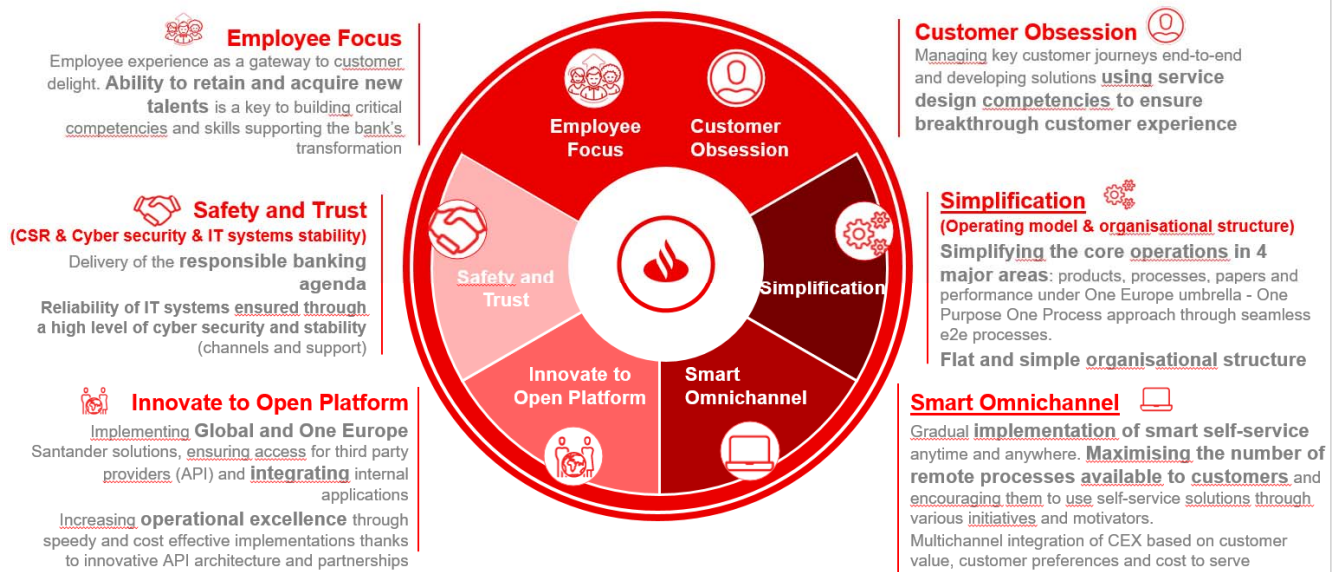
 <p><b>PURPOSE</b></p> <p><i>To help people and businesses prosper</i></p>	 <p><b>AIM</b></p> <p><i>To be the best open financial services platform by acting responsibly and earning the lasting loyalty of employees, customers, shareholders and communities.</i></p>	 <p><b>VALUES</b></p> <p><i>Simple   Personal   Fair</i></p>
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#### KEY STRATEGIC LEVELS FOR 2021–2023

 Our Purpose /Mission	Help people and businesses prosper					
 Our Aim /Vision	Be the Best Open Financial Services <b>PLATFORM</b> by acting <b>RESPONSIBLY</b> and earning the lasting <b>LOYALTY</b> of our people, customers, shareholders and communities					
 Values	Simple – Personal - Fair					
 Behaviours & Leadership Commitment	<ul style="list-style-type: none"> <li>Actively Collaborate</li> <li>Bring passion</li> <li>Embrace change</li> <li>Keep promises</li> <li>Show respect</li> <li>Support people</li> <li>Talk Straight</li> <li>Truly listen</li> </ul>	<ul style="list-style-type: none"> <li>Being open and inclusive</li> <li>Inspiring and executing transformation</li> <li>Leading by example</li> <li>Encouraging the team to prosper</li> </ul>	<b>risk pro</b>			
 Strategic Directions	 Customer Obsession	 Employee Focus	 Simplification	 Smart Omnichannel	 Open Platform	 Safety & Trust
 Initiatives	<ul style="list-style-type: none"> <li>Strategic programs</li> <li>Hotspots</li> </ul>		<ul style="list-style-type: none"> <li>Bets</li> <li>Group programs</li> </ul>			
 Metrics	<ul style="list-style-type: none"> <li>NPS</li> <li>Employee Engagement</li> </ul>	<ul style="list-style-type: none"> <li>Digital Customers</li> <li>Dividend Payout Ratio</li> </ul>	<ul style="list-style-type: none"> <li>Cost of Credit Rsk</li> <li>TCR</li> <li>C/I</li> </ul>			

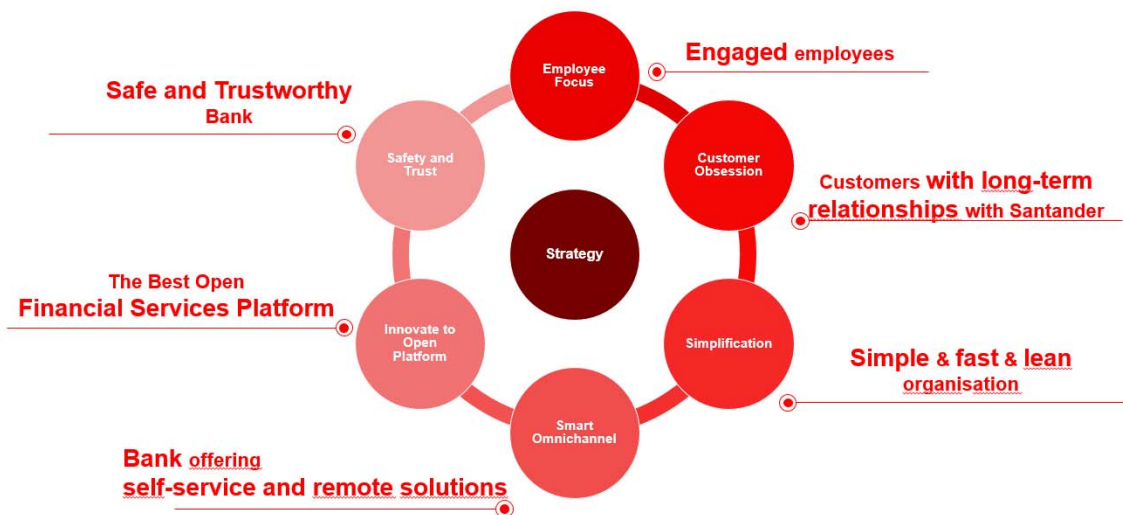
The strategy of Santander Bank Polska S.A. promotes a customer-centric approach to business management through continuous improvement of service quality and product range. A special focus is placed on digitalisation and simplification of processes from the customer’s perspective, which results in increased operational efficiency, simple solutions, and transparency of the offer. The strategy is also based on innovations, corporate culture that increases employee engagement and motivation, and social responsibility of the organisation. The pandemic, which started in 2020, confirmed that the bank had taken the right development direction.

SIX STRATEGIC DIRECTIONS FOR 2021–2023 AND THEIR “FOCUS TO ACCELERATE”



The overall goal has been divided into six strategic directions for 2021–2023: **customer obsession, employee focus, simplification, smart omnichannel, innovate to open platform, safety and trust**. Two of these, i.e. simplification and smart omnichannel have the strongest transformation potential. The above directions include specific objectives related to the key stakeholder groups: employees, customers, communities and shareholders.

STRATEGIC OBJECTIVES FOR 2021–2023



The strategy of Santander Bank Polska S.A. is delivered through strategic initiatives, such as strategic programmes, hot spots (initiatives focused on customers and employees), bets (initiatives in the Agile model) and group programmes. It is regularly monitored on the basis of qualitative and quantitative measures. The following are measures defining the Group's financial ambitions.



Our Ambition	
Cost /Income Ratio	<40%
Dividend Payout Ratio	50% of PAT
Total Capital Ratio	at the level allowing dividend payout
Cost of Credit Risk	at the average pre-pandemic (COVID 19) and through-the-cycle level

In view of dynamic and complex changes in the macroeconomic environment, the strategy of Santander Bank Polska S.A. is regularly verified, which helps take prompt action in response to market trends and other significant changes in the environment (e.g. pandemic situation). The new normal created by the Covid-19 pandemic has a strong impact on the bank's strategy and priorities. It also affects the bank's operating model, which is regularly adapted to the new circumstances in order to maximise the emerging opportunities (such as acceleration of digitalisation) and effectively mitigate risk.

## 2. Delivery of the Strategy and Ambitions for 2021-2023

When setting the strategic directions, the Group also defined strategic goals and key success measures to track the progress in strategy execution process.

### Strategic direction: **Employee Focus**

Strategic objective : Engaged **Employees**

#### **Our achievements:**

- Ensured safety and supported wellbeing of our employees during the Covid-19 pandemic
- Optimised many HR processes
- Continued development of a work model in accordance with the Agile methodology
- Promoted diversity, equal treatment and inclusion
- Supported talent development

#### **Key success measure:**

- Leading employer of choice in the banking sector (**Top Employer Polska 2020 certificate**)
- Implementation of a remote work culture and design of a hybrid work model
- Development of wellbeing programmes and promotion of healthy and sustainable lifestyle (BeHealthy, SantanderGO)
- High level of Agile maturity (ceremonies & tools)

#### **Our ambition:**

- Foster corporate culture based on the Simple, Personal and Fair values
- Increase employee engagement and retain the employer of choice title
- Attract and retain best talents
- Continue to develop key competencies (including leadership skills)

## Strategic direction: **Simplification**

Strategic objective : **Simpler, faster and lean** organisation

### **Our achievements:**

- Simplified the product range and a number of key customer service and post-sales processes
- Significantly reduced paper consumption in processes

### **Key success measure:**

- Reduction of paper consumption (**more than 3k trees saved in 2020**)
- Higher number of customers using e-communication channels
- Reduction in the number of products
- SMS-based authentication of payments and cash transactions at branches
- Implementation of a cloud-based CRM solution in the business and corporate banking segment: Salesforce

### **Our ambition:**

- Reduce paper documents and promote electronic communication
- Continue to simplify processes and products and optimise the organisational structure

## Strategic direction: **Customer Obsession**

Strategic objective : Customers with **long-term relationships** with Santander

### **Our achievements:**

- Accelerated process digitalisation and simplification
- Supported customers during the Covid-19 pandemic
- Introduced a plain language in communication with customers

### **Key success measure:**

- Increase in mass NPS vs 2019 (steady upward trend since the beginning of 2020)

### **Our ambition:**

- Build long-term customer relationships thanks to products created using service design competencies and feedback from customers from individual segments
- Increase loyalty and digitalisation of our customers
- Increase the customer satisfaction level (NPS)

## Strategic direction: **Smart Omnichannel**

Strategic objective : Bank offering **self-service** and remote solutions

### **Our achievements:**

- Accelerated process digitalisation
- Increased the number of processes available in remote channels
- Reduced the number of processes requiring a visit to a branch
- Aligned the customer experience standard across all channels

### **Key success measure:**

- **3m** digital customers of Santander Bank Polska S.A.
- Increase in the number of transactions made in remote channels
- Growth in product sales through self-service channels
- Higher number of paperless transactions and transactions without a traditional hand-written signature

### **Our ambition:**

- Maximise the use of self-service and remote channels in key sales and post-sales processes
- Increase the number of digital customers
- Improve customer experience in remote contact channels

## Strategic direction: **Innovate to Open Platform**

Strategic objective : The best **financial services platform**

### **Our achievements:**

- Supported evolution to an open platform in cooperation with Santander Group and external partners
- Developed open banking solutions via Santander Open

### **Key success measure:**

- Launch of GTS platform offering new digital services for corporate customers
- Extension of cooperation with external partners
- Growing number of customers using Santander Open (PSD2 aggregator)

### **Our ambition:**

- Further develop and improve the open financial services platform

## Strategic direction: **Safety and Trust**

Strategic objective: **Safe and trustworthy bank**

### **Our achievements:**

- Continued to deliver sponsorship projects in sports, culture and education
- Promoted cyber security awareness and culture
- Supported and provided aid to customers from all segments affected by Covid-19
- Improved IT system stability
- Supported development of Green Products and Services and the Green Bank project

### **Key success measure:**

- Coordination of Poland's first issue of ESG bonds of **EUR 1bn**
- **100%** of energy purchased from renewable sources
- Continued positive trend of system stability combined with a lower number of incidents
- Delivery and co-financing of several dozen projects by Santander Bank Polska Foundation

### **Our ambition:**

- Continue to develop leadership skills, focus on employees and promote diversity, equal treatment and inclusion in the workplace
- Extend the range of Green Products and Services
- Build the awareness of fraud risk among the bank's customers and employees as part of promotion of cyber security culture
- Focus on ensuring high stability of IT systems while reducing the number of incidents

## FINANCIAL AND NON-FINANCIAL MEASURES OF SANTANDER BANK POLSKA GROUP PERFORMANCE UNDER STRATEGY FOR 2021-2023 (AS AT 30 JUNE 2021)



\* In line with the Financial Supervisory Authority guidelines for Santander Bank Polska S.A. in H1 2021

## V. Business Development in H1 2021

### 1. Group's Business Management Structure

#### Operational structure

Santander Bank Polska S.A., together with its non-banking subsidiaries, conducts its operations through the following central units: Retail Banking Division, Business and Corporate Banking Division, and Corporate and Investment Banking Division.

Santander Consumer Bank Group (SCB Group), which specialises in consumer finance, forms a separate business segment with its own customer base, product range and distribution channels.

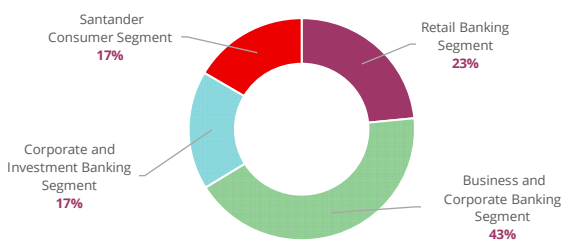
#### Segment reporting

The business management structure presented above corresponds to business segments identified as part of segment reporting (Note 3 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2021). They are complemented by the ALM and Central Operations segment, which covers funding, management of strategic investments and transactions which generate expenses/ revenues that cannot be allocated to individual segments.

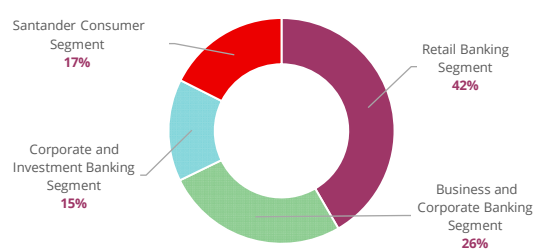


PROFIT BEFORE TAX GENERATED BY BUSINESS SEGMENTS OF SANTANDER BANK POLSKA S.A. IN H1 2021 (EXCLUDING ALM AND CENTRAL OPERATIONS)

CONTRIBUTION OF BUSINESS SEGMENTS TO PROFIT BEFORE TAX OF SANTANDER BANK POLSKA GROUP FOR H1 2021 (EXCL. ALM AND CENTRAL OPERATIONS)

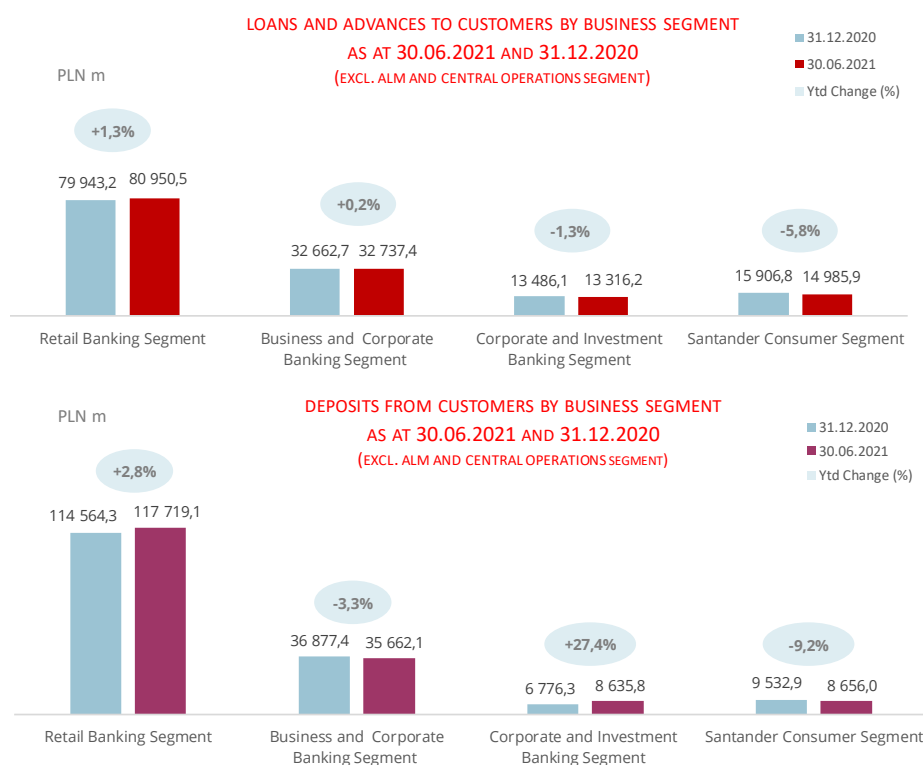


CONTRIBUTION OF BUSINESS SEGMENTS IN PROFIT BEFORE TAX OF SANTANDER BANK POLSKA GROUP FOR H1 2020 (EXCL. ALM AND CENTRAL OPERATIONS)



The year-on-year change in the segment structure of the profit before tax for the first half of 2021 is due to the high charge to the Retail Banking Segment from provisions made for disputed liabilities and legal risks in relation to foreign currency mortgages (for more information see Chapter VII "Financial Performance After H1 2021").

## LOANS AND ADVANCES TO CUSTOMERS AND DEPOSITS FROM CUSTOMERS BY BUSINESS SEGMENTS AS AT 31 DECEMBER 2020 AND 30 JUNE 2021 (EXCLUDING ALM AND CENTRAL OPERATIONS)



The table below presents the business segments of Santander Bank Polska Group in three dimensions: customer profile, key product lines and service model.

Segment	Area	Operating model
<b>RETAIL BANKING</b>	Customer profile	<ul style="list-style-type: none"> <li>Personal customers (divided into Standard, Premium, Select and Private Banking customer segments based on their diverse needs and expectations).</li> <li>Small and medium-sized companies (with annual turnover up to PLN 8m).</li> </ul>
	Key product lines	<ul style="list-style-type: none"> <li>Current and business accounts, savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, brokerage services, mobile phone top-ups, foreign payments, Western Union money transfers and services for high-net-worth customers, open banking services.</li> <li>Business loans, business deposits, cash management, leasing facilities, factoring, payment orders, letters of credit, collections and guarantees, payment terminals, additional services.</li> <li>Asset management services as part of investment funds.</li> </ul>
	Service model	<ul style="list-style-type: none"> <li>Relationship-building, sales and after-sales contacts with retail customers through the network of branches and partner outlets, phone banking (Multichannel Communication Centre) and electronic banking (Santander internet, Santander mobile in a mobile browser and Santander mobile application).</li> <li>Premium customers are serviced by dedicated advisors as part of their individual portfolios, based on a personalised approach and regular contacts aimed at strengthening relationships and customer loyalty.</li> <li>Private Banking and Select customers benefit from a personalised service model under which they can use the support of a specialised advisor and the Select Line operating as part of the Multichannel Communication Centre, which offers support via telephone. Private Banking customers have several dozens dedicated private bankers operating from 26 locations around Poland, including 4 Private Banking Centres.</li> <li>Firms with relatively low turnover are handled by SME advisors in branches and partner outlets. They can also use the services of the Multichannel Communication Centre and electronic channels (Santander mobile and dedicated services: Mini Firma, Moja Firma Plus and iBiznes24).</li> <li>Customers of Santander Brokerage Poland may invest via the Inwestor online system, Inwestor mobile application, the Multichannel Communication Centre and at the bank's branches providing brokerage services.</li> </ul>

<b>BUSINESS AND CORPORATE BANKING</b>	<ul style="list-style-type: none"> <li>Customer profile</li> </ul>	<ul style="list-style-type: none"> <li>Businesses and corporations with turnover of PLN 8m–PLN 1.2bn, local authorities and the public sector.</li> </ul>
	<ul style="list-style-type: none"> <li>Key product lines</li> </ul>	<ul style="list-style-type: none"> <li>Payment transactions, loans, deposits, cash management, leasing facilities, factoring, letters of credit and guarantees.</li> <li>Services to customers of other banks and financial institutions provided under agreements with those institutions.</li> </ul>
	<ul style="list-style-type: none"> <li>Service model</li> </ul>	<ul style="list-style-type: none"> <li>Business customers are managed by the Business Client Department and the Corporate Client Department. These units encompass six regional centres (three Business Banking Centres and three Corporate Banking Centres) divided into 29 offices located across Poland.</li> <li>The specialised Business and Corporate Banking Department – Premium provides services to the bank's largest customers, the public sector, and universities. It is also responsible for financing commercial properties.</li> <li>Customers have dedicated advisors who are responsible for the overall relationship. They are supported by units specialised in transaction structuring, lending and product development.</li> <li>Customers are provided with access to the bank's products and services via remote channels, including internet and mobile iBiznes24 platform (featuring such modules as currency exchange and trade finance) as well as call centres which handle a wide range of operating processes (Business Service Centre, SME Service Centre and Trade Finance Service Centre).</li> </ul>
<b>CORPORATE AND INVESTMENT BANKING</b>	<ul style="list-style-type: none"> <li>Customer profile</li> </ul>	<ul style="list-style-type: none"> <li>Largest corporate customers allocated to that segment based on their turnover (nearly 250 of the largest companies and groups).</li> <li>Corporations serviced within the international Santander Corporate and Investment Banking structures.</li> <li>Treasury, syndicated lending and advisory services for customers of other Divisions.</li> </ul>
	<ul style="list-style-type: none"> <li>Key product lines</li> </ul>	<ul style="list-style-type: none"> <li>Transactional banking (including cash management), deposits, w/c finance, mid- and long-term finance, leasing facilities, factoring, letters of credit, guarantees and trade finance.</li> <li>Project finance, syndicated loans, arranging and financing of securities issues, financial advisory services (including those related to mergers and acquisitions) and brokerage services for financial institutions.</li> <li>FX and interest rate risk hedging products (offered to all customers of the bank).</li> </ul>
	<ul style="list-style-type: none"> <li>Service model</li> </ul>	<ul style="list-style-type: none"> <li>Customers of the Corporate and Investment Banking Segment have dedicated product specialists and managers who are responsible for the overall relationship.</li> <li>They are provided with access to the bank's products and services via remote channels, including internet and mobile iBiznes24 platform, as well as dedicated call centres (Business Service Centre and Trade Finance Service Centre).</li> </ul>
<b>SANTANDER CONSUMER</b>	<ul style="list-style-type: none"> <li>Customer profile</li> </ul>	<ul style="list-style-type: none"> <li>Personal and business customers.</li> </ul>
	<ul style="list-style-type: none"> <li>Key product lines</li> </ul>	<ul style="list-style-type: none"> <li>Hire purchase loans, cash loans (including consolidation loans), credit cards, online renewable limits, special-purpose loans, car finance (refinance solutions, leasing facilities and lease loans), business loans, factoring and bank guarantees.</li> <li>Term deposits and insurance products (mainly related to credit facilities).</li> </ul>
	<ul style="list-style-type: none"> <li>Service model</li> </ul>	<ul style="list-style-type: none"> <li>The bank sells its products through:                             <ul style="list-style-type: none"> <li>✓ a network of own branches and franchise outlets, which offer cash loans, credit cards and retail deposits;</li> <li>✓ a structure for mobile sales of car loans and leasing facilities;</li> <li>✓ a structure for mobile sales of corporate deposits;</li> <li>✓ a structure for mobile sales of hire purchase loans;</li> <li>✓ remote channels, i.e. a call centre and internet and mobile banking used to sell cash loans, credit cards and hire purchase loans;</li> <li>✓ a network of partners offering the bank's car loans and leasing facilities (car dealers, second-hand car dealers and intermediaries) as well as hire purchase loans and credit cards (retail chains and stores);</li> <li>✓ a remote channel for car loans.</li> </ul> </li> </ul>

## 2. Business Development of Santander Bank Polska S.A. and Non-banking Subsidiaries

### 2.1. Retail Banking Segment

#### Main development directions

The Retail Banking Division sought to increase customers' satisfaction with the bank's products and services, focusing on the strategic priorities in accordance with the profile and expectations of the segments under its management.

Personal customers	SMEs
<ul style="list-style-type: none"> <li>• Providing the best customer experience by focusing on customer-centric solutions.</li> <li>• Simplification and digitalisation of products and processes.</li> <li>• Acquiring new customers and growing business, mainly in digital channels.</li> <li>• Cooperating with One Europe on Santander Group projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing the satisfaction of business customers with the offered products and services.</li> <li>• Developing remote and electronic banking processes for businesses.</li> <li>• Ensuring omnichannel service and simplifying the lending process for businesses.</li> </ul>

Other focus areas:

- Further optimisation of the brick-and-mortar franchise.
- Improving profitability of products.

Key achievements:

- Improving customer loyalty and being ranked among top 3 banks in terms of the NPS.
- Implementing new features to accelerate customer digitalisation and simplify products and processes.
- Increasing net customer acquisition and the volume of key product sales compared to H1 2020.

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

#### Personal customers

Product line for personal customers	Activities of the Retail Banking Division in H1 2021
Cash loans and overdrafts	<ul style="list-style-type: none"> <li>• In H1 2021, cash loan sales of Santander Bank Polska S.A. were PLN 3.4bn, up 3.2% YoY. Sales generated via remote channels accounted for 44% vs 29% in the same period last year. The slight uplift in sales resulted from recovery of demand for consumer loans amid improved expectations as to the further development of the economic situation in Poland.</li> <li>• As at 30 June 2021, the cash loan portfolio of Santander Bank Polska S.A. was PLN 14.5bn, and was broadly stable both year-on-year (-0.6%) and compared to the end of December 2020 (+0.2%).</li> </ul>

Product line for personal customers	Activities of the Retail Banking Division in H1 2021 (continued)
Mortgage loans	<ul style="list-style-type: none"> <li>• In January and March 2021, in response to the market conditions, the bank modified its pricing of variable and fixed rate mortgages for customers and non-customers.</li> <li>• Other significant changes in mortgage offering and management result from the following: <ul style="list-style-type: none"> <li>✓ Increasing the availability of mortgage loans (March 2021) with an LTV of up to 90% for non-customers buying houses or apartments in voivodship cities or satellite towns (previously the facilities were offered to the bank's customers only).</li> <li>✓ Modifying the rules of financing properties acquired from developers and expanding the possibility of financing properties at an early development stage (May 2021).</li> <li>✓ Implementing the KNF Recommendation S (June 2021), with respect to modification of creditworthiness assessment rules, provision of information about the interest rate type of the loan offered, changing the loan interest rate to fixed for a specified period, and extending the fixed rate for another period.</li> <li>✓ Continuing the development of after-sales processes for mortgage loans (for example, as of February 2021, notarial deeds of property purchase may be submitted via electronic banking).</li> </ul> </li> <li>• Mortgage sales were supported by marketing and CMR initiatives, including a social media campaign encouraging customers to learn about the bank's offer and a campaign motivating customers to use electronic and phone banking.</li> <li>• As sales accelerated in Q2, the value of new mortgage loans for H1 2021 was PLN 3.5bn, up 33.4% YoY. The gross mortgage portfolio of Santander Bank Polska S.A. grew by 1.8% YoY to PLN 51.4bn as at 30 June 2021, with the PLN mortgage portfolio increasing by 4.6% YoY to PLN 42.7bn.</li> <li>• Santander Bank Polska S.A. was ranked sixth in the mortgage loans and equity releases market in terms of new sales and seventh in terms of sales within the existing portfolio.</li> </ul>
Personal accounts and bundled products, including:	<ul style="list-style-type: none"> <li>• In January 2021, a simplified and more friendly sales process for the Account As I Want It was launched for adult customers at branches and partner outlets.</li> <li>• The bank continued to simplify its range of accounts to focus on a number of selected solutions.</li> <li>• Biometric payment confirmation was enabled for mobile authorisations.</li> <li>• Due to the increased demand for remote medical consultations in the new pandemic environment, holders of selected personal accounts with Santander Bank Polska S.A. were offered an additional, paid medical consultation service "Telemedico". A corresponding service was provided for the bank's customers by Visa Poland as part of the Visa Benefit Program.</li> <li>• Continued initiatives to support the sale of personal accounts of Santander Bank Polska S.A., including the 10th edition of the referrals programme "I recommend my bank" ("Polecam mój bank"), awarding both the person who recommended a personal account with Santander Bank Polska S.A. and the person who opened it; promoting the offer "Open an account for yourself and your child and get up to PLN 200 for shopping" („Zakupy do 200 zł za otwarcie Konta dla Ciebie i Twojego dziecka") and then "PLN 250 for active banking" („250 zł na aktywne bankowanie") for e-Commerce customers.</li> <li>• The number of PLN personal accounts grew by 3.6% YoY and reached 4.0m as at 30 June 2021. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 2.3m, up 15.6% YoY. Together with FX accounts, the personal accounts base was close to 5.0m.</li> </ul>



Product line for personal customers	Activities of the Retail Banking Division in H1 2021 (continued)
<p>➤ <b>Payment cards</b></p>	<ul style="list-style-type: none"> <li>At the end of January 2021, the bank introduced strong authentication for online card payments, based on logon credentials used for internet banking. This is another phase of implementation of a strong authentication mechanism designed to increase the security of online card transactions in accordance with PSD2.</li> <li>As at 30 June 2021, the volumes of key payment cards offered by Santander Bank Polska S.A. were as follows: <ul style="list-style-type: none"> <li>✓ The personal debit card portfolio comprised nearly 4.0m cards and increased by 2.0% YoY. Including business cards, the total number of debit cards was 4.3m, up 2.8% YoY.</li> <li>✓ The credit card portfolio comprised 809.5k instruments, a decrease of 0.8% YoY.</li> </ul> </li> <li>Over the first six months of 2021, cash turnover generated by individual users of debit cards of Santander Bank Polska S.A. increased by about 20.8% YoY.</li> </ul>
<p><b>Deposit and investment products</b></p>	<ul style="list-style-type: none"> <li>Following a strong increase in deposit balances observed in the banking sector in 2020 and maintained in H1 2021 (in particular in the retail segment), the bank's priority in terms of management of deposit and investment products base was to improve its structure in favour of a greater share of investment solutions.</li> <li>The bank's investment proposition mainly comprised brokerage services and investment funds, including funds managed by the bank's subsidiary Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) as well as selected Polish and foreign funds.</li> <li>In order to diversify the savings base, customers were offered the possibility of earning higher returns as part of a special deal combining deposit and investment products (the "Deposit with a fund" ["Lokata z funduszem"]) promotion). The bank also continued communication and educational activities to support the sales process (including regular webinars on investment solutions).</li> </ul>
<p>➤ <b>Deposits</b></p>	<ul style="list-style-type: none"> <li>As a result of optimisations implemented in 2020, in H1 2021, the bank's deposit offering became more transparent and comprised: PLN savings accounts, negotiable term deposits for some Select and Private Banking customers (available depending on the length of relationship with the bank), the mobile deposit (offered each time to new mobile banking customers), the e-Deposit (available in Santander internet and mobile), and a promotional 3-month deposit with an interest rate of 1% p.a. for buyers of investment products (promotion of the "Investor deposit" („Lokata dla Inwestora”), and the then "Deposit with a fund") ("Lokata z funduszem").</li> <li>The bank launched subscription of a structured deposits for US dollars.</li> <li>The low interest rate environment caused transfer of funds to personal accounts and investment products, notably open-end investment fund units. The high increase in balances in non-interest bearing personal accounts was accompanied by a further strong decline in term deposits.</li> <li>As at 30 June 2021, retail deposits went up by 6.1% YoY to PLN 95.2bn. Current account balances were PLN 86.1bn (up 20.2%), with savings account balances falling by 4.1% YoY to PLN 31.9bn, and personal account balances increasing by 41.2% YoY to PLN 54.2bn. Term deposit balances fell by 49.8% YoY to PLN 9.1bn.</li> </ul>
<p>➤ <b>Investment funds</b></p>	<ul style="list-style-type: none"> <li>Total net sales of the funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A. were positive at PLN 2.2bn, placing the company among top market players (no. 2 in Poland). This result was achieved on the back of continued growth trend from last year, helped by attractive yields compared to deposits, a fact regularly communicated to customers.</li> <li>Positive net sales were reported for nearly all asset classes, but short-term debt sub-funds, equity sub-funds and Santander Prestiż Alfa enjoyed the highest popularity. The lowest net sales were reported by treasury bond funds, which experienced transitory losses after the Monetary Policy Council had pointed to possible interest rate increases in Poland.</li> <li>Most buyers were retail customers, but funds were also sold to institutional customers as part of an offer developed jointly by Santander TFI S.A. and Santander Bank Polska S.A. using a fully digital service process.</li> <li>In H1 2021, the company strengthened communication to customers regarding its investment products on offer, releasing new education materials and market situation updates, and organising online meetings. In addition, customers could use promotional products, i.e. "Investor deposit" which was later superseded by the "Deposit with a fund".</li> </ul>

Product line for personal customers	Activities of the Retail Banking Division in H1 2021 (continued)
<p>➤ <b>Investment funds (continued)</b></p>	<ul style="list-style-type: none"> <li>• Furthermore, implementation continued of the new fund-based investment advisory service for Private Banking customers launched in Q4 2020.</li> <li>• As at 30 June 2021, the total net assets of investment funds managed by Santander TFI S.A. were PLN 18.9bn and increased by 16.6% Ytd and 44.3% YoY as a base effect related to the massive outflow of funds and fall in asset prices across financial markets in March 2020, and due to business recovery in subsequent periods.</li> </ul>
<p>➤ <b>Brokerage services</b></p>	<ul style="list-style-type: none"> <li>• Retail customers holding accounts with Santander Brokerage Poland obtained direct access to the Inwestor online system from the bank's Santander internet platform (via "Brokerage Account" from the main menu), with no extra logging in required. Those bank's customers who have no brokerage account yet can open it there in a fully remote process.</li> <li>• At the beginning of March 2021, a new service was launched: a register of shareholders, which must be maintained by all non-public joint stock companies, limited joint-stock partnerships and their shareholders. The offer includes set-up and maintenance of the register, including electronic and phone services, with online access via a website (Online Register). The register of Santander Brokerage Poland is used by about 500 companies and 24k their shareholders.</li> <li>• As of May 2021, customers can use a new information system underpinned by the latest UX technologies and trends.</li> <li>• The recovery in the IPO market observed in H2 2020 gathered momentum this year. In H1 2021, Santander Brokerage Poland took part in three IPOs, including an IPO for PLN 4.6bn. On the equity capital market Santander Brokerage was also involved in a number of tender offers for shares.</li> <li>• In H1 2021, the number of newly opened retail deposits remained high and comparable to the last year's figure. This is owed to the growing demand for brokerage services amid the global situation in capital markets, recovery in the IPO market and low attractiveness of deposits due to the record low interest rates.</li> <li>• In 2021, the bank and Santander Brokerage Poland received a number of awards: <ul style="list-style-type: none"> <li>✓ Santander Brokerage Poland was awarded for the seventh time as the capital market leader in recognition of the highest share in the volume of trading in index options, without market making transactions, on the Warsaw Stock Exchange in 2020.</li> <li>✓ The Stock Exchange Analysis Team took the third place in the annual ranking of Parkiet daily. Classified individually, Santander's analysts stood on the podium in five sectors.</li> <li>✓ The bank was awarded (by structuredretailproducts.com) as Poland's best distributor of structured products. The ranking took into account structured deposits from the bank's product range, and structured bonds bundled with the investment advisory service provided by the brokerage unit. The award criteria included the volume of sales of those products and the yields generated for customers (determined on the maturity date).</li> </ul> </li> </ul>
<p><b>Bancassurance</b></p>	<ul style="list-style-type: none"> <li>• In H1 2021, the bank modified its insurance offering: <ul style="list-style-type: none"> <li>✓ Provided the Life and Health ("Życie i zdrowie") insurance (the first product in the market offering such as extensive cover), distributed via partner outlets and the mobile application.</li> <li>✓ Extended the scope of cover of the Locum Comfort (household insurance) and harmonised the sales process across all distribution channels.</li> <li>✓ Optimised the sales of the Worry-Free Loan (Spokojny Kredyt) insurance in Santander internet.</li> </ul> </li> <li>• In H1 2021, insurance premiums obtained increased by 13% YoY, including by 6% YoY for related products, a sign of recovery in Q2 in this business segment following the slowdown. Non-linked products grew by 66% YoY on account of higher sales of the Life and Health insurance, among other things.</li> <li>• Income from bancassurance was generated mainly on the basis of individual life and unemployment insurance packages for cash loan borrowers (Życie, Życie+ and Praca), life insurance package for business loan borrowers (Biznes Gwarant) and non-related life and health insurance (Życie i zdrowie).</li> </ul>

Product line for personal customers	Activities of the Retail Banking Division in H1 2021 (continued)
<b>Bancassurance (continued)</b>	<ul style="list-style-type: none"> <li>In Q1 2021, Santander Aviva Towarzystwo Ubezpieczeń S.A. received first award as a Friendly Insurance Company 2020 in the category of life and property insurance (except motor insurance). This award is testament to high customer service standards and confirms that the insurer was attentive to customers during the pandemic.</li> </ul>

## SMEs

Product line for SMEs	Activities of the Retail Banking Division in H1 2021
<b>Business accounts and bundled products</b>	<ul style="list-style-type: none"> <li>In H1 2021, the bank continued the next edition of the special offer of the Business Account Worth Recommending (Konto Firmowe Godne Polecenia), which customers could open online.</li> <li>Additional services were made available via Mini Firma internet, including: <ul style="list-style-type: none"> <li>✓ eWadia, i.e. bid bonds (one of the possible forms of a bid security required in a tender process);</li> <li>✓ eLeasing (possibility of a leaseback up to PLN 20k);</li> <li>✓ eZdrowie (LUX MED private healthcare packages).</li> </ul> </li> <li>A new identity check method for customers opening business accounts was launched – photo-based account opening process.</li> </ul>
<b>Loans</b>	<ul style="list-style-type: none"> <li>To increase customer satisfaction with products and services, in H1 2021 the bank introduced a number of new functionalities in SME processes: <ul style="list-style-type: none"> <li>✓ Enabled remote exchange of customer documentation with the bank, offered business loans available via the mobile application, and ensured an omnichannel credit process (subject to compliance with specified parameters).</li> <li>✓ Streamlined the sale of loans for customers and allowed them to access all communications via the Mini Firma internet banking without having to meet any additional formal or legal requirements.</li> <li>✓ Simplified the process of issuing de minimis guarantees.</li> </ul> </li> <li>As part of the SME offer: <ul style="list-style-type: none"> <li>✓ Expanded its product range to include a portfolio guarantee from Polfund.</li> <li>✓ Prepared a prelimit offer for existing customers of the bank and the leasing company.</li> </ul> </li> <li>The value of the SME credit portfolio declined YoY due to overliquidity in customers' accounts, which limited the use of overdrafts. In turn, the leasing portfolio increased.</li> <li>Loan sales to SMEs in H1 2021 increased by 3.7% YoY, and by 21.8% compared to H2 2020.</li> </ul>

Product line for SMEs	Activities of the Retail Banking Division in H1 2021 (continued)
Leases	<ul style="list-style-type: none"> <li>• In H1 2021, Santander Leasing S.A. continued development of its offering and remote service processes:                             <ul style="list-style-type: none"> <li>✓ Launched a new product – Leasing24 for sole traders and users of the business account and the Mini Firma electronic banking with Santander Bank Polska S.A. This micro-finance facility can be used to purchase low-value assets (up to PLN 20k), and is available in the remote channel only. The process is fully digital, from application to disbursement of funds.</li> <li>✓ As part of consumer leasing, a loan was offered to finance vehicles (passenger cars, motorcycles and mopeds), and photovoltaic installations.</li> <li>✓ New features were made available in the eBOK24 portal: an eInvoice (providing customers with 24/7 access to invoices and reducing cyber risk) and online payments (whereby lease obligations can be paid directly in the portal without having to specify additional data for the transfer).</li> <li>✓ In February 2021, companies from the sectors indicated in Moratorium 2.0 were offered a possibility to defer principal payments for three or six months on specific conditions. The application process is fully automated and can be completed via the eBOK24 portal.</li> <li>✓ The company began offering its financing solutions to manufacturers of farming machines: a leader in the sale of agricultural trailers in Poland and one of the world’s leading manufacturers of slurry tankers and fertiliser spreaders.</li> </ul> </li> <li>• In H1 2021, Santander Leasing S.A. financed fixed assets of PLN 3,347.4m, up 47.7% YoY amid strong sales in the vehicles segment and machinery and equipment segments (+71.7% YoY and 23.7% YoY, respectively).</li> </ul>

## 2.2. Business and Corporate Banking Division

### Main development directions

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

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

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

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

In H1 2021, the Business and Corporate Banking Division modified its sales network for a better fit with market evolution and the progressing digitalisation of tools and products. The new distribution system is primarily based on a division into segments (with three departments: the Business Clients Department, the Corporate Clients Department, and the Corporate Clients Department – Premium), with the geographical division playing a secondary role (the former two departments include three Business Banking Centres and three Corporate Banking Centres operating within regions through 29 offices located across Poland).

Direction	Activities of the Business and Corporate Banking Division in H1 2021
<b>Business trends</b>	<ul style="list-style-type: none"> <li>• Strong business growth in H1 2021, including an increase in trade finance, leasing and cash management transactions.</li> </ul>
<b>Helping businesses prosper</b>	<ul style="list-style-type: none"> <li>• Financing investments made by customers of One Core and Premium segments.</li> <li>• 1st place in terms of sale of loans with Biznesmax guarantees from BGK in March 2021.</li> <li>• 3rd place in terms of the value of subsidies in the form of technology bonuses supported by a letter of promise of a loan for technological innovation from Santander Bank Polska S.A. (an option available to SMEs applying for BGK subsidies under the EU Smart Growth Operational Programme, Sub-measure 3.2.2 Loan for technological innovation) granted in response to the applications filed from June 2020 to January 2021.</li> <li>• Continuation of development projects (e.g. digitalisation) which are key to ensuring customer excellence.</li> <li>• Development of customer centricity through: the quality of customer contact and customer service, iBiznes24, simplification of the credit process, procedures, product range and the language of communication with customers.</li> <li>• Achieving progress in activities designed to improve customer experience. <ul style="list-style-type: none"> <li>✓ Improvement of customer satisfaction (Net Promoter Score) in all customer groups covered by the survey in Q2 2021 as a result of continuation of the intensive customer engagement campaigns. Close and frequent contacts between the banker and the customers are the driving force for the NPS in Business and Corporate Banking – the strongest NPS growth was reported among the customers who have the strongest ties with the Bank (borrowers and customers for whom Santander Bank Polska S.A. is the main bank).</li> <li>✓ One in three customers is happy to recommend the bank's corporate banking due to satisfactory cooperation with the banker (31%).</li> <li>✓ The quality of contact with customers is confirmed by the high rating of customers' satisfaction with the meeting (87%).</li> <li>✓ A 17% increase in the percentage of customers who recommend the bank's corporate banking due to remote channels, i.e. electronic banking.</li> </ul> </li> </ul>
<b>Consolidating the bank's position in the public sector market</b>	<ul style="list-style-type: none"> <li>• Consolidating the bank's position in the market of banking services for the public sector. In Q2 2021, cooperation was started with three new local authorities (pruszkowski powiat, bełchatowski powiat and starachowicki powiat), and 300 accounts were opened (including as a result of successful tender organised by the zachodniopomorskie province, which positioned Santander Bank Polska S.A. number one bank with a 40% share).</li> </ul>
<b>Cross-segment activities</b>	<ul style="list-style-type: none"> <li>• Webinars on the furniture market (in cooperation with Treasury) and the cosmetics market (in partnership with Trade).</li> <li>• Sector updates through a series of reports on various industries (including agri, e-commerce, automotive, cosmetics, bakery, furniture) and customer surveys combined with a report (automotive).</li> <li>• PR activities, constant presence in traditional media (press releases about the latest developments in different sectors), social media (LinkedIn, Twitter) and online (wnp.pl).</li> <li>• Educational support for employees by organising sector reviews and webinars, where bankers and credit partners can learn about the bank's approach to various sectors (automotive, bakery, agri).</li> </ul>

Direction	Activities of the Business and Corporate Banking Division in H1 2021
<b>Support for foreign expansion of Polish businesses</b>	<ul style="list-style-type: none"> <li>• In H1 2021, units of the Business and Corporate Banking Division (the International Banking and Development Office/ the Foreign Trade Office) organised or co-organised the following events: <ul style="list-style-type: none"> <li>✓ Go Poland (January) – a webinar organised in partnership with the Polish Portuguese Chamber of Commerce and Polish Investment and Trade Agency (PAIH) to promote Poland among Portuguese companies, present legal and tax aspects of investing in Poland and facilitate networking between Polish and Portuguese companies;</li> <li>✓ Meet the Expert Event (January, February) – a series of meetings organised in cooperation with the British Polish Chamber of Commerce, with the participation of experts from Santander Bank Polska S.A. and Santander UK – to present the consequences of Brexit and its impact on business;</li> <li>✓ “Food and Drink” – a virtual trade mission arranged in partnership with the British Embassy for over 15 UK manufacturers looking to establish relationships with Polish companies;</li> <li>✓ “Vamos a Chile” – a webinar held in March in cooperation with the Polish Latin American Business Council, Ministry of Foreign Affairs, Ministry of Economic Development, Labour and Technology, National Chamber of Commerce (KIG), Regional Pomeranian Chamber of Commerce (RIGP) and PAIH to promote Chile among Polish companies and present business opportunities of that country;</li> <li>✓ A webinar for Polish companies interested in finding a business partner in Italy (May) – as part of the Trade Club Alliance (organised with Banco BPM, Google Poland and the Polish Business Chamber in Italy) – during which reputable customers of the bank shared their experience of cooperation with Italian companies;</li> <li>✓ 3rd webinar in the series of SantanderTrade.com and e-commerce (June) on foreign trade in the new reality (Kalimera Ellada!).</li> </ul> </li> <li>• Presentation of Santander Trade Portal and solutions for financing and securing trade finance transactions at external events organised by the International Cooperation Office and the Strategic Sectors Department together with partner chambers of commerce (Vamos a Mexico, Doing Business in Portugal, Spain, Brazil; Vamos a Argentina y Uruguay; International Poznań Fair/ Furniture Poland).</li> <li>• Participation of the Bank’s representatives in the following external events: <ul style="list-style-type: none"> <li>✓ “VIP Sustainability Knowledge Circle” (March) and “VIP Agriculture Knowledge Circle” (March) – meetings with Dutch and Polish companies organised by the Dutch Polish Chamber of Commerce to give an overview of the initiatives undertaken under the Green Deal in Poland along with the presentation “Future of supply and demand for proteins: strategies and objectives of growing high-protein vegetables for food and fodder”.</li> <li>✓ “Global Food Forum” (March) – an event organised by Santander UK to present the Polish F&amp;D market.</li> </ul> </li> </ul>
<b>Focus on development of platforms and processes</b>	<ul style="list-style-type: none"> <li>• Launch of an electronic banking helpline for users of Salesforce (a CRM solution). Support for non-credit instructions from all operating units available via a single tool.</li> <li>• Activities which help improve NPS: <ul style="list-style-type: none"> <li>✓ Start of periodic customer surveys on FCR (First Contact Resolution) and satisfaction with services relating to non-credit instructions.</li> <li>✓ Implementation of customer contact standards with respect to non-credit instructions.</li> </ul> </li> <li>• Actions connected with determination of new reference rates for deposit products offered to corporate customers in relation with the IBOR reform.</li> <li>• Mobile iBiznes24: <ul style="list-style-type: none"> <li>✓ Encouraging customers to make more operations via the self-service module in iBiznes24 electronic banking.</li> <li>✓ Launch of an upgraded iBiznes24 electronic banking platform for 61 customers (176 users).</li> <li>✓ Introduction of new features in iBiznes24 (progress bars, payroll transfers, eFX module).</li> <li>✓ Implementation of eRequest for PFR 2.0 subsidy in iBiznes24.</li> <li>✓ New filters on the list of unbundled transactions.</li> </ul> </li> </ul>
<b>Factoring business</b>	<ul style="list-style-type: none"> <li>• In H1 2021, the receivables purchased by Santander Factoring Sp. z o.o. increased by 22.1% YoY to PLN 16.8bn, which gave the company the fourth position in the ranking of members of the Polish Association of Factoring Companies, with a market share of 10%.</li> <li>• The value of the company’s credit portfolio grew by 27.4% YoY to PLN 6.8bn as at 30 June 2021.</li> </ul>

## 2.3. Corporate and Investment Banking Division

### Main directions

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

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

### Key achievements of the Corporate and Investment Banking Division

In H1 2021, the CIB Division strengthened its market position and was ranked:

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

Selected deals closed by the CIB Division in H1 2021:

- Acting as a joint bookrunner in PLN 4.6bn worth of IPO of one of the leading companies from the non-food retail sector, the largest IPO on the WSE this year and the second largest IPO in the history of the WSE that was not related to privatisation.
- Acting as an intermediary in tender offers for shares of a leading company from the renewable energy sector and a company from the food and agri sector.
- Advisory services for the sellers of shares in companies from the telecommunications infrastructure sector (PLN 7.1bn) and the housing development sector (PLN 1.5bn).
- Advisory services for the buyer of shares in a company from the food and agri sector.

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

- Acting as an intermediary and a lender in a tender offer for shares of a leading company from the Polish renewable energy sector.
- Participation in syndicated lending of PLN 500m for a wind and solar power plants project.
- Participation in syndicated lending of PLN 550m for a wind farms project secured by an export credit agency.
- Advisory services for a Polish private equity fund in relation to the sale of a wind and solar farm operator to one of the biggest European energy groups for PLN 440m.

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

- Participation in the state aid programme through the purchase and distribution of bonds issued under the Covid-19 Response Fund.
- Since the start of the programme, the bank has concluded 17 lending agreements and 6 supply chain finance agreements for the total amount of PLN 1,281m. They are secured by BGK guarantees of PLN 895m.
- In H1 2021, four supply chain finance transactions of PLN 690m were concluded, with BGK guarantees of PLN 462m. Further to this, the bank closed five financing transactions of PLN 335m, secured by BGK guarantees of PLN 228m. In Q2, one supply chain finance transaction with a BGK guarantee was renewed.

## Performance of selected areas

The table below presents the activities of individual units of the CIB Division in H1 2021.

Unit	Key activities in H1 2021
<b>Credit Markets Department</b>	<ul style="list-style-type: none"> <li>• Although the business activity in H1 2021 was still largely affected by the Covid-19 pandemic, the CIB Division participated in several major debt market transactions, notably in the TMT sector. The key activities in particular areas are presented below.</li> <li>• Completion of bond issues, including:               <ul style="list-style-type: none"> <li>✓ Acting as a joint bookrunner in the issue of PLN 1bn worth of euro bonds for an international financial institution, EUR 600m worth of 7Y euro bonds for a chemical company and issues of bonds for lease companies totalling PLN 300m.</li> <li>✓ Acting as a co-manager in the issue of EUR 500m worth of 5-year green euro bonds for a company from the property development sector.</li> <li>✓ Acting as a coordinator and a joint bookrunner in the issues of bonds for lease companies totalling PLN 310m.</li> <li>✓ Acting as a sole bookrunner in connection with the issue of PLN 600m worth of bonds for an international financial institution and in the issue of bonds of PLN 100m for an entity from the banking sector.</li> <li>✓ Issues of short-term bonds for financial sector entities totalling around PLN 4bn.</li> </ul> </li> <li>• Mid- and long-term funding (loans and corporate bond issues) for investments and acquisitions made by CIB customers provided by the Department single-handedly and in cooperation with other units.</li> <li>• Execution of deals in the sectors which are relatively resilient to the crisis (such as renewable energy), notably as part of project finance and syndicated lending, including:               <ul style="list-style-type: none"> <li>✓ Participation in syndicated lending of PLN 500m for a wind and solar power plants project and in syndicated lending of PLN 550m for a wind farms portfolio (in partnership with the Global Transactional Banking Department).</li> <li>✓ Syndicated lending for customers from the energy, manufacturing and distribution, logistic property and IT sectors.</li> </ul> </li> <li>• Leading role in major syndicated lending deals, including large-volume underwriting transactions in the TMT and retail sectors.</li> <li>• Receipt of an advisory mandate with respect to transactions in the renewable energy sector.</li> </ul>
<b>Capital Markets Department</b>	<ul style="list-style-type: none"> <li>• In H1 2021, the CIB Division was Poland's best M&amp;A advisor in terms of the volume of transactions and Poland's best ECM advisor in terms of the value of tender offers, with some of the major transactions including:               <ul style="list-style-type: none"> <li>✓ Acting as a joint bookrunner in PLN 4.6bn worth of IPO of one of the leading companies from the non-food retail sector, the largest transaction on the WSE in the year to date.</li> <li>✓ Acting as an intermediary and security provider in PLN 653m worth of tender offer for shares of a leading company from the Polish renewable energy sector, the largest transaction of this kind concluded in Q1 2021.</li> <li>✓ Advisory services for:                   <ul style="list-style-type: none"> <li>▪ Polish private equity fund in relation to the sale of a wind and solar farm operator to one of the biggest European energy groups for PLN 440m;</li> <li>▪ the seller of an operator and owner of telecommunications towers in the transaction totalling PLN 7.1bn;</li> <li>▪ a company from the construction and assembly sector in connection with the sale of its subsidiary (one of the largest housing development companies in Poland) for PLN 1.5bn;</li> <li>▪ a Dutch company from the food and agri sector and intermediation in PLN 510m worth of tender offer for shares of a manufacturer of vegetable fats;</li> <li>▪ a US company from the food sector in relation to the acquisition of a Slovakian food manufacturer – the first M&amp;A transaction executed by Santander Bank Polska S.A. abroad as part of the CEE Coverage initiative aimed to support Banco Santander S.A. customers that operate in the CEE region.</li> </ul> </li> </ul> </li> <li>• The Capital Markets Department observes a growing popularity of M&amp;A and ECM transactions due to access to capital in the global markets and positive economic outlook as part of post-pandemic recovery.</li> </ul>



Unit	Key activities in H1 2021 (continued)
<b>Global Transactional Banking Department</b>	<ul style="list-style-type: none"> <li>• Business trends in transactional banking:                             <ul style="list-style-type: none"> <li>✓ Term deposits volume continuing at a relatively low level due to an outflow of funds and the lack of new transactions. The balance of current accounts predicted to remain stable, with a potential to fluctuate due to the bank's participation in large transactions (e.g. in the M&amp;A market) and to decline in mid- and long-term as CIB customers generally do not use state aid.</li> <li>✓ Preventive measures implemented to limit any unpredicted high deposit balances of a very short-term nature which are not connected with operations of CIB customers.</li> <li>✓ Slowdown in the bank's deposit activity and lower income from that business area largely offset by increased sales generating income from transaction fees. The bank's active participation in tenders for banking services, with the record high number of bids made.</li> </ul> </li> <li>• Business trends in trade finance:                             <ul style="list-style-type: none"> <li>✓ Relatively high use of supply chain finance by existing CIB customers (a volume increase in May).</li> <li>✓ Execution of the first syndicated factoring agreement in the Polish market.</li> <li>✓ Conclusion of a significant project finance agreement providing lending towards a wind farms project. The transaction is secured by an export credit agency and was conducted in cooperation with the Credit Markets Department.</li> <li>✓ Increased popularity of documentary letters of credit and collections based on the risk of financial institutions (IFI Trade).</li> </ul> </li> <li>• Business trends in other areas:                             <ul style="list-style-type: none"> <li>✓ Relatively low drawdown of credit limits in Q2 2021, indicating a good liquidity position of CIB customers.</li> <li>✓ Active management of credit exposure risk (completed or about to be completed in relation to the major exposures), including financing transactions secured with BGK guarantees under a state aid programme and arrangements made with the Polish Development Fund (PFR) as regards funding under a support programme for large corporates.</li> <li>✓ Growing popularity of guarantees and w/c finance, mainly among customers from the energy, manufacturing and construction sectors.</li> </ul> </li> </ul>
<b>Financial Markets Area</b>	<ul style="list-style-type: none"> <li>• In accordance with its strategy, the Financial Markets Area focused on process effectiveness, automation, digitalisation, new technologies and innovations, ecosystems and 24/7 access.</li> <li>• The main initiatives designed to increase process effectiveness, automation and digitalisation included:                             <ul style="list-style-type: none"> <li>✓ A new feature of the Kantor Santander currency exchange platform: presentation of customers' and dealers' transactions.</li> <li>✓ A new sales process for SME loans with the interest rate cap functionality.</li> <li>✓ Tools based on the credit workflow for treasury transactions (FX limit).</li> <li>✓ New solutions to support management of currency risk (Window Forward).</li> </ul> </li> <li>• Main activities in the equity research area:                             <ul style="list-style-type: none"> <li>✓ Third position of the Stock Market Analysis Team of Santander Brokerage Poland in an annual ranking of stock market analysts organised by Parkiet daily.</li> <li>✓ Around 140 analyst recommendations published in relation to CEE listed companies.</li> <li>✓ Providing institutional investors with an opportunity to participate in several dozen conferences.</li> <li>✓ Partnership with Santander Group units to launch a new single-platform portal for the bank's analytical products, providing business customers with access to products of all regions in which Santander Group operates.</li> </ul> </li> <li>• Business trends observed:                             <ul style="list-style-type: none"> <li>✓ Distribution of PLN and EUR bonds for international financial institutions.</li> <li>✓ Increased volatility caused by dynamic changes in the macroeconomic environment, resulting in considerably higher volumes of transactions.</li> </ul> </li> </ul>

### 3. Business Development of Santander Consumer Bank Group

#### Strategic priorities

Santander Consumer Bank S.A. has defined five strategic priorities to increase its competitive advantage in terms of product range, notably in electronic channels.

Priority	Objective	Action	Outcome
<b>Customer focus</b>	<ul style="list-style-type: none"> <li>To strengthen relationships with customers and increase their satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>To gather customer feedback about new products and processes</li> <li>To improve products and processes based on customer feedback</li> <li>To use advanced customer analytics tools</li> </ul>	<ul style="list-style-type: none"> <li>NPS=54%</li> </ul>
<b>Leader of e-commerce</b>	<ul style="list-style-type: none"> <li>To develop and implement solutions which will position the bank as a strategic provider of financing in the electronic channel</li> <li>To grow the share of sales via the electronic channel</li> </ul>	<ul style="list-style-type: none"> <li>To develop processes and financial products aligned to e-commerce requirements</li> <li>To build partnerships with entities from the e-commerce sector</li> </ul>	<ul style="list-style-type: none"> <li>Share of the remote channel in the sale of hire purchase loans in H1 2021: 22%</li> <li>Share of the remote channel in the sale of cash loans in H1 2021: 19%</li> </ul>
<b>Leader of growth</b>	<ul style="list-style-type: none"> <li>To increase the share in the consumer finance market (to maintain at least the existing customer acquisition levels in the credit area)</li> </ul>	<ul style="list-style-type: none"> <li>To launch new products.</li> <li>To develop sales tools</li> <li>To establish and strengthen relationships with business partners</li> </ul>	<ul style="list-style-type: none"> <li>Share in the consumer loans market: 6.2% (April 2021)</li> </ul>
<b>Data management expert</b>	<ul style="list-style-type: none"> <li>To improve technological and data management capabilities of the bank</li> </ul>	<ul style="list-style-type: none"> <li>To raise employees' knowledge about the latest analytical methods</li> <li>To automate processes</li> <li>To improve existing and implement new technological solutions</li> </ul>	<ul style="list-style-type: none"> <li>Process automation level: 25% (May 2021)</li> </ul>
<b>Employer of choice</b>	<ul style="list-style-type: none"> <li>To develop talents and corporate culture and attract highly-qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>To improve work conditions.</li> <li>To foster the corporate culture.</li> <li>To build the employer brand, support upskilling</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened image of the bank as an attractive employer</li> </ul>

#### Key business development directions

In H1 2021, Santander Consumer Bank Group focused on the following areas:

- Maintaining the loans and leases financing new cars, and increasing efforts to promote the sales of used cars, while ensuring balance between the scale and profitability of business.
- Consolidating the leadership position in the durable goods market, with a stable share in traditional sales and a growing share in online sales, implementing new forms of financing (special-purpose loans, credit limits), and maintaining the profitability of collaboration with trade partners.
- Acquiring customers by financing the sale of durable goods, and leveraging cross-selling and up-selling opportunities.

- Changing the organisational structure due to implementation of the agile methodology, modifying the business model of the retail and partnership network, and continuing the process of transforming own branches into partner outlets.

## Development of selected business areas

Area	Business development of Santander Consumer Bank Group in H1 2021
<b>Lending</b>	<ul style="list-style-type: none"> <li>• As at 30 June 2021, net loans and advances granted by SCB Group amounted to PLN 15bn and were 8.2% lower YoY due to a decrease in the balance of the main consumer loan portfolios, except for car loans.</li> <li>• The restrictions related to the third wave of the pandemic, and the subdued consumer sentiment adversely affected sales of cash loans and credit cards in the traditional channel. Hire purchase decreased each time shops such as retail parks, furniture and DIY stores were closed because of the pandemic.</li> <li>• Meanwhile, the lease portfolio continued to grow owing to the distribution of finance products for business customers, the main buyers of new vehicles for the time being.</li> <li>• Q2 2021 saw the launch of online sales of new products: the special-purpose loan and the Open Online Limit (ILO), which strengthened the bank's position in the electronic (eCommerce) channel.</li> <li>• A variable interest rate product was added to the cash loans offer.</li> <li>• In 2021, Santander Consumer Bank S.A. extended cooperation with three key partners from the household appliances sector and started cooperation with a key partner from the eCommerce sector, thus reinforcing its leadership position in the consumer finance market.</li> </ul>
<b>Deposits</b>	<ul style="list-style-type: none"> <li>• As at 30 June 2021, deposits from customers of SCB Group totalled PLN 8.7bn and decreased by 14.3% YoY.</li> <li>• In March 2021, a promotional interest rate was offered on the online savings account in order to attract new funds and customers.</li> <li>• The bank successfully promotes the online channel for the distribution of deposits and savings accounts. More than 50% of all deposits are sold online.</li> </ul>
<b>Issue of securities</b>	<ul style="list-style-type: none"> <li>• In Q1 2021, the debt securities issue agreement of SCB S.A. was joined by Santander Consumer Multirent Sp. z o.o. as a co-issuer. The two companies started the issue of securities as part of a new programme. The issues of Santander Consumer Bank S.A. are not underwritten, while the issues of Consumer Multirent Sp z o.o. are underwritten by Santander Consumer Bank (as a direct parent).</li> <li>• In H1 2021, the two companies issued securities with a total nominal value of PLN 680m as part of the programme.</li> </ul>
<b>Debt sale</b>	<ul style="list-style-type: none"> <li>• In March 2021, Santander Consumer Bank S.A. sold the written-off portfolio of cash loans and hire purchase loans of PLN 208.2m, with a P&amp;L impact of PLN 34.6m gross (PLN 28.1m net).</li> <li>• In June 2021, Santander Consumer Bank S.A. sold a mortgage loans portfolio of PLN 29.4m in total, with a P&amp;L impact of PLN 7.6m gross (PLN 6.2m net).</li> </ul>
<b>Network, risk and personnel management</b>	<ul style="list-style-type: none"> <li>• The implementation of the agile methodology influenced changes in the organisational structure of Santander Consumer Bank S.A., which included liquidation of divisions and setting up units with comprehensive skills and expertise (centres of excellence) to deliver development projects relating to products, processes, and technology.</li> <li>• To improve efficiency and increase access to the products and services offered by the bank, its subsidiaries and partners, changes were introduced to the retail and partnership network by outsourcing a range of tasks previously carried out by a dedicated in-house team.</li> <li>• The bank completed the transformation of own branches into partner outlets to optimise the cost structure. At the end of February, 32 own branches were integrated with the network of partner outlets, increasing their total number to 274.</li> <li>• Due to the Covid-19 pandemic and its possible scenarios for the coming months, the bank focused on risks related to new operating conditions, including cyber risk. Information processing outside the bank, health and safety at work, and business continuity management were focal areas for the bank.</li> <li>• The bank is working on solutions to ensure smooth and effective implementation of the hybrid work model (combining in-office and remote work) after the end of the pandemic.</li> </ul>

## VI. Organisational and Infrastructure Development

### 1. Human Resources

#### Employment

As at 30 June 2021, the number of FTEs in Santander Bank Polska Group was 11,636 vs 12,616 as at 31 December 2020. These headcount figures include 9,526 FTEs of Santander Bank Polska S.A. (10,170 as at 31 December 2020) and 1,660 FTEs of Santander Consumer Bank Group (1,976 as at 31 December 2020).

During the first six months of 2021, the employment in Santander Bank Polska Group decreased by 7.8% as a result of ongoing transformation of the business models of both banks through digitalisation, optimisation of the branch network, continued migration of products and services to remote distribution channels and gradual implementation of technological and organisational solutions increasing operational efficiency of the organisation. The objective is to allocate the maximum resources to strengthen customer relationships, grow business and build competencies in accordance with the target profile.

The HR processes take into account the present business needs and market conditions, such as economic slowdown and other macroeconomic effects of the pandemic. They are based on natural employee attrition as well as collective redundancies. In the reporting period, staff reduction at Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalled 644 FTEs of and 318 FTEs, respectively.

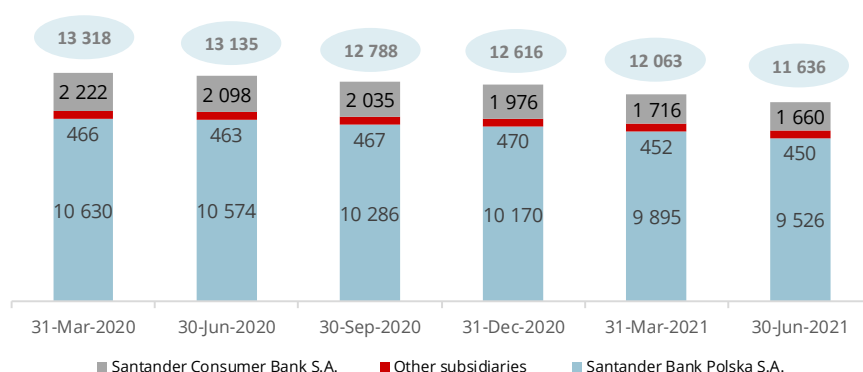
The collective redundancy process at Santander Consumer Bank S.A. was started in Q2 2020 and was to cover around 430 people by mid-2021. In December 2020, Santander Consumer Bank S.A. decided to launch another process, which will cover up to 340 employees and will be completed by 31 December 2021.

Collective redundancies were started in Santander Bank Polska S.A. pursuant to the Management Board resolution of 29 October 2020. It will cover up to two thousand employees of the bank's head office and distribution network and will be completed by 31 December 2022.

Santander Bank Polska S.A. prepared a comprehensive support programme for employees to be made redundant (reStart), which is focused on re-employment assistance and skills development. A dedicated internet site was made available to them with detailed information about collective redundancies, the outplacement programme and counselling support. Furthermore, the employees who are made redundant have access to private medical care package financed by the bank during six months after termination of employment.

#### EMPLOYMENT OF SANTANDER BANK POLSKA GROUP

EMPLOYMENT AT SANTANDER BANK POLSKA GROUP (IN FTE)  
BY QUARTER IN 2020 AND 2021



## 2. Remuneration Policy

### Delivery of remuneration policy (variable remuneration)

As the criteria laid down in the bonus regulations were not met, an annual employee bonus for 2020 was not paid. However, pursuant to the Remuneration Policy of Santander Bank Polska Group, the discretionary awards were granted to top performers to:

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

The awards were paid in March 2021.

### Changes to the remuneration policy

In H1 2021, work was underway to update the Remuneration Policy of Santander Bank Polska Group in accordance with EU regulations (including the CRD V/ CRR II package, ESG Regulation, Regulation supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards), amended Banking Law Act and its secondary legislation on the risk management system, the internal control system and remuneration policy at banks, the latest version of the Code of Best Practice for WSE Listed Companies of 2021, and principles of corporate governance in banks specified in KNF Recommendation Z. The update will be completed in H2 2021.

### Reporting

Pursuant to Article 90g of the Polish Public Offering Act, in Q1 2021 the report on remuneration of the Management Board and Supervisory Board members for 2019 and 2020 was prepared, audited and published. The document included an overview of the internal remuneration regulations of Santander Bank Polska S.A. and provided details about fixed and variable remuneration paid to the Management Board and Supervisory Board members.

The total remuneration package for 2020 (including available benefits) was presented to employees in the form of a TRS report called "Here I work - here I gain" to build their awareness and increase their satisfaction with the scope and value of total remuneration offered by the bank.

### Selected HR initiatives

Initiative	Activities in H1 2021
<b>Building positive employee experience</b>	<ul style="list-style-type: none"> <li>• As part of strategic activities aimed to enhance employee experience, in H1 2021 the bank identified the key areas for improvement and launched two new initiatives:                             <ul style="list-style-type: none"> <li>✓ fostering the culture of recognition at work and developing a perception of employees that their contribution is valued;</li> <li>✓ building and recommending the Santander brand through an active use of the bank's products and services.</li> </ul> </li> <li>• The results of the internal eNPS survey and the engagement survey conducted in H1 2021 will be used to further improve employee experience and create an attractive work place.</li> </ul>
<b>Workday system</b>	<ul style="list-style-type: none"> <li>• Work is in progress to implement Workday – a single advanced HR platform that will help build an engaging work environment in accordance with the group strategy of One Santander and One HR. The last months of H1 2021 were devoted to testing. The bank developed and implemented a user support model and set up the HyperCare Team. It also started an internal communication campaign addressed to individual groups of recipients (Management Board members, managers, employees). During the next months, more communication activities will be undertaken and training will be provided on the system and culture aspects (new responsibilities).</li> </ul>

Initiative	Activities in H1 2021
<b>Employer branding</b>	<ul style="list-style-type: none"> <li>The bank launched an employer branding campaign under the slogan: "You are like...". It presents information about the development opportunities offered by the bank and the candidate profiles (e.g. IT, risk, data analysis and sales specialists). The campaign shows employees as superheroes to recognise their everyday hard work and attitude that helped overcome the challenges posed by the pandemic. The concept of the campaign and its delivery is intended to make the bank stand out as an employer of choice and build positive associations with the brand.</li> </ul>
<b>Comprehensive development initiatives</b>	<ul style="list-style-type: none"> <li>In H1 2021, the bank continued to deliver development initiatives, including: <ul style="list-style-type: none"> <li>✓ Santander YOUiversity: a mentoring and tutoring programme designed to facilitate sharing best practice across the bank and create a self-learning organisation; during the YOUiversity Week, 840 participants were taught by 20 tutors (employees of Santander Bank Polska S.A.);</li> <li>✓ Futuro: a programme for all bank's managers (excluding senior executives) focusing on development of soft skills such as empathy;</li> <li>✓ Development Elixir: inspirational online sessions with internal and external experts about such issues as recognition, stress management, emotional intelligence, etc.</li> <li>✓ BRIDGE: an internal internship programme, enabling employees to take active part in project work delivered by other organisational units and develop their skills;</li> <li>✓ IT from female perspective &amp; Santander Women: initiatives promoting women's development and equal opportunities in accordance with the strategic HR direction focused on Diversity and Inclusion.</li> </ul> </li> </ul>
<b>Wellbeing &amp; Mental Health</b>	<ul style="list-style-type: none"> <li>As part of the Wellbeing &amp; Mental Health strategy based on four pillars (physical health, mental health, good relationships, financial education), quarterly initiatives are undertaken and each month is dedicated to a different theme. The 2021 programme includes periodical activities and WELLbinars depending on the current needs.</li> </ul>
<b>Management of the Covid-19 situation</b>	<ul style="list-style-type: none"> <li>During the pandemic, HR activities focused on ensuring a safe and hygienic working environment and adjusting the tools and skills of employees and managers to the new normal, while promoting cooperation and strengthening relationships under the remote work culture. Alongside this, measures were taken to prepare for the launch of the target hybrid work model: the organisation of work was agreed, the HR policies were revised and the working environment was changed in accordance with the new model.</li> </ul>

### 3. Changes in the Organisational Structure and in Business Management

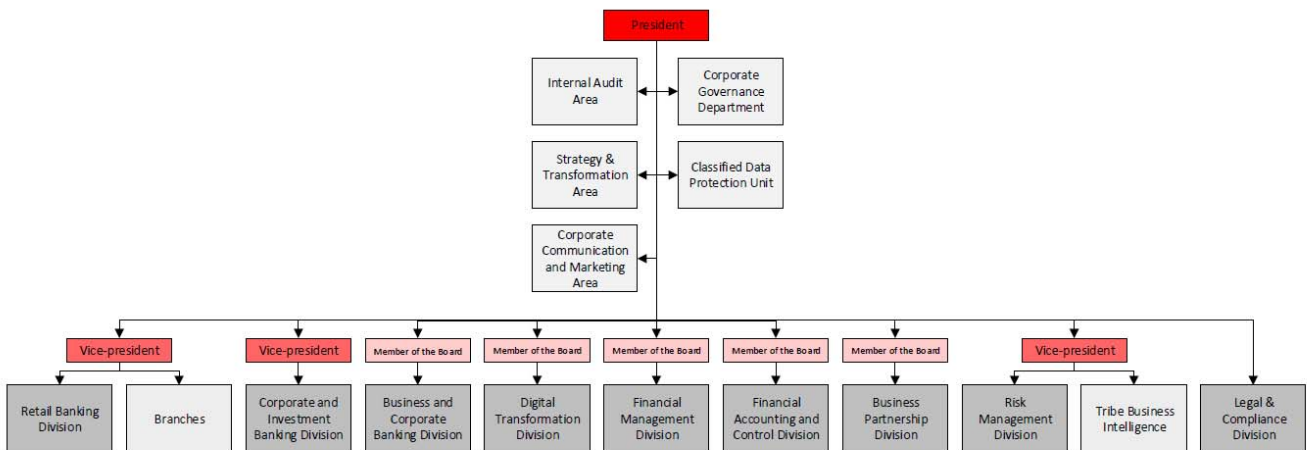
#### Santander Bank Polska S.A.

In the first half of 2021, a number of optimisation changes were introduced in the bank's organizational structure:

- The Sales and Support Area in the Retail Banking Division was liquidated. The Area's units (Santander Universidades Office, the Partner Outlets Development Office, and the Indirect Distribution Department) were transferred to the Bank's Branch Network. Additionally, an independent position was established in the Retail Banking Division: Santander Digital-Retail & SME Director reporting directly to the Head of the Division. The holder of this position is in charge of the Omnichannel Area, the Multichannel Communication Centre and the e-Commerce and Online Acquisition Office.
- A stand-alone position of Distribution Director was established in the Bank's Branch Network. The holder of this position reports directly to the Head of the Division, and is in charge of four macroregions and the Select Customer Relations Office (which previously reported to the Head of the Division).
- These actions resulted from the bank's entering the next phase of the retail transformation strategy for 2021–2023, which is designed to reduce the share of sales in traditional channels in favour of remote ones.
- In the Business and Corporate Banking Division, the Business and Corporate Banking Area was merged with the Business and Corporate Banking Products and Services Area to create the Business Clients Department and the Corporate Clients Department, whose offices – based in three regions – are responsible for building relations with customers from relevant segments. They are supported by product units and agile units responsible for corporate finance and transaction banking.

- In the Digital Transformation Division, the IT Areas dedicated to retail business were consolidated within the CIO (Chief Information Officer) area after they had been transferred from the CTO (Chief Technology Officer) area and the Retail Banking Division. At the same time, IT Area Daily Banking, IT Area Effective Distribution and IT Area Savings and Investments were merged into one unit: IT Area Everyday Banking & Effective Distribution. In addition, the functions of manual and automatic tests were centralised by creating two dedicated centres of excellence within the Implementation and IT Quality Assurance Department.
- In the Risk Management Division, the organisational structure of credit risk was adapted to the new portfolio approach and the division of risks by creating the Large Exposures Credit Area to replace the Wholesale Risk Department and the Corporate Credit Department – Premium. Thus the new unit consolidates risk management of the global portfolio, property portfolio and premium portfolio.
- The Credit Area was remanded as the Standardised Credit Area. As part of the Area, the One and Core Corporate Credit Departments were created in place of the North and South Corporate Credit Departments. The change reflects the new strategy and organisational structure of the Business and Corporate Banking Division.
- The three Departments responsible for Cost Management, Work Environment Management and Contract and Procurement Management were transferred from the Strategy and Business Model Transformation Area to the Accounting and Financial Control Division. The Customer Excellence Centre, which focuses on building a customer-centric organisational culture, was moved to the Strategy and Business Model Transformation Area, renamed as the Strategy and Transformation Area.
- The Group Legal Standards Department in the Legal and Compliance Division was liquidated, and most of its tasks were transferred to the Corporate Governance Department (formerly the Corporate Governance Office).

DIVISIONAL STRUCTURE OF SANTANDER BANK POLSKA S.A.



Santander Consumer Bank S.A.

In April 2021, a new organisational structure was announced at Santander Consumer Bank S.A. The new structure results from implementation of an agile model in the whole organisation. Organisational divisions were liquidated, and agile Tribes (Development Centres) were set up. Implementation of the Kanban method began in other parts of the head office.

4. Digital Transformation of Santander Bank Polska Group

Santander Bank Polska Group is focused on building competitive edge based on state-of-the-art technologies, digital processes and simple rules. As part of such endeavours:

- The bank continues implementation of the DevOps culture, which will ensure uninterrupted delivery of changes in production systems (in response to customer needs) while reducing the time-to-market.
- It keeps expanding the scope of the project aimed at reducing the number of production incidents and accelerating change implementation by placing emphasis on quality at early stages of the development process and increasing its automation.

- The bank carries out its activities as part of the strategic programme, which is designed to boost organisational, process and cost efficiencies. In accordance with the long-term plan of redesigning the organisation's IT architecture, work is under way to streamline, upgrade, reduce the total cost of ownership and enhance security of the applications portfolio. Technological change is being implemented smoothly to eliminate technological debt. In the Operations area, work was started to develop a new post-sale model for retail customers (process centralisation).
- In response to changing market conditions and customer expectations, intensive efforts are being made to increase accessibility of products and services in electronic channels. This is expected to ensure that customers receive end-to-end solutions and can enjoy improved service processes (e.g. related to credit and insurance products).

## 5. Changes in the Equity Investment Portfolio

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

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

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

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

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

After closing the transaction, the bank will be entitled to an additional payment of EUR 10m.

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.

### Sale of series A preference shares of Visa Inc.

As a result of the settlement of acquisition of Visa Europe Ltd. by Visa Inc. on 21 June 2016 and acquisition of assets of Deutsche Bank Polska S.A., Santander Bank Polska S.A. received 21,032 series C preference shares of Visa Inc. entitling it to acquire series A ordinary shares during the next 12 years starting from the fourth year.

On 24 September 2020, i.e. four years after the foregoing acquisition, series C preference shares of Visa Inc. were partially converted, thereby the bank still holds 21,032 series C shares whose value decreased as the ratio of conversion of series C shares into series A ordinary shares was reduced from 13.722 to 6.861. The bank's portfolio also includes 1,443 series A preference shares (convertible to 144,300 series A ordinary shares).



Between April and June 2021, the bank completed five conversions of 1,443 series A preference shares into 144,300 series A ordinary shares, which were subsequently sold at a net profit of PLN 8.1m.

As a consequence, the portfolio of Santander Bank Polska S.A. now includes 21,032 series C preference shares.

## 6. Distribution Channels

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

#### Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	30.06.2021	31.12.2020	30.06.2020
Branches (location)	415	456	484
Off-site Locations	2	2	2
Santander Zones (acquisition stands)	10	10	9
Partner Outlets	146	138	133
Business and Corporate Banking Centres	6	19	19
ATMs and CDMs (unifunctional) <sup>1)</sup>	686	731	748
Dual Function Machines	909	930	934
Registered internet and mobile banking customers <sup>2)</sup> (in thousand)	4 323	4 179	4 056
Digital (active) internet and mobile banking customers <sup>3)</sup> (in thousand)	2 850	2 757	2 635
Digital (active) mobile banking customers <sup>4)</sup> (in thousands)	2 002	1 865	1 703
Registered iBiznes24 companies <sup>5)</sup> (in thousand)	24	21	19

1) The number of devices as at 30 June 2020 also included two single-function CDMs.

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

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

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

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

### Traditional distribution channels

#### Branch network

In H1 2021, Santander Bank Polska S.A. continued optimisation of its traditional distribution network by ensuring effective layout of branches, reducing their post-sale and cash handling activities, and upgrading their standard.

The branch modernisation process was continued, with three transformations standing out by their scale, location or conceptual framework:

- Completing the largest-ever upgrade of a banking outlet, namely Branch 1 in Wrocław, which provides service to more than 6,000 SMEs and 35,000 individuals, including Select and Private Banking customers, and mortgage borrowers.
- Making available the a hub outlet – Branch 4 in Lublin, combining two Lublin-based branches migrated to a new location, and providing service to individuals (Select, Private Banking and mortgage customers), business, and corporate banking customers. The hub is designed to integrate business by providing space shared by Branch Banking and the Business Support Centre.
- Relocating and opening a modern outlet in the heart of Kraków, namely Branch 3 in Kraków with a Private Banking zone.

As at 30 June 2021, Santander Bank Polska S.A. had 415 branches, 2 off-site locations, 10 Santander Zones and 146 partner outlets. In H1 2021, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 41, and the number of partner outlets increased by 8.

#### Intermediaries network

Apart from branches and partner outlets, Santander Bank Polska S.A. also used indirect distribution channels. In H1 2021, the external network employed 326 people as the bank's tied agents on average per month. The bank used the services of agents to offer cash loans, mortgage loans, SME loans, loan insurance, personal and business accounts, and leasing facilities. The key role of the agents is to acquire new retail customers (including SMEs). In addition, the bank cooperates with the largest financial brokers in Poland.

## Private Banking

In the reporting period, the regional structure of the Private Banking Department was streamlined by reducing the number of regions from five to four. Private Banking customers can use the services of 59 private bankers operating from 26 Private Banking locations (4 Private Banking Centres – Warsaw, Poznań, Katowice and Wrocław, and 22 other locations), in addition to having access to the bank's ATM and branch network.

### ATMs

At the beginning of 2021, the bank started the process of optimising its off-site machines, removing and relocating economically unviable, low-transaction ATMs.

As at 30 June 2021, the network of self-service devices of Santander Bank Polska S.A. comprised 1,595 units, including 686 ATMs and 909 dual function machines (430 recyclers). The bank's network was ranked second in the Polish banking sector in terms of the number of ATMs and CDMs (according to the data at the end of March 2021).

### Remote channels

In the reporting period, the bank continued to improve the functionality and capacity of digital contact channels in line with its long-term strategy which is to increase the share of such channels in customer acquisition and sales. The Group's activity in this area accelerated in response to the Covid-19 pandemic, as customers definitely preferred to communicate and transact with the bank remotely.

The changes were intended to improve the user-friendliness of existing features and processes, and add new ones, while enhancing security of operations. Furthermore, channel integration was continued, harmonising customer service across the bank.

Electronic channel	Selected solutions and improvements introduced in H1 2021
Development of digital acquisition and sales	<ul style="list-style-type: none"> <li>• Pilot of an innovative service: execution of agreements with new customers using a biometric tablet in the courier process.</li> <li>• Implementation of optimisation changes in the online account application, including solutions reducing the rejection rate due to errors in NIP and REGON numbers, and increasing correctness of contact details.</li> <li>• Launch of a new identity check method for customers opening business accounts: photo-based account opening process.</li> </ul>
Internet Banking	<ul style="list-style-type: none"> <li>• A possibility for users of Mini Firma, Moja Firma plus and iBiznes24 to apply for a subsidy under PFR Financial Shield 2.0.</li> <li>• Providing access to partners' services via Mini Firma internet: eBidBonds (eWadia), eHealth (eZdrowie) and eLeasing.</li> <li>• Providing all businesses with a possibility to update their details via the Mini Firma internet banking mailbox.</li> <li>• Implementation (1 February 2021) of a request for the 500+ child benefit for the next settlement period.</li> <li>• Launch of new versions of Santander internet (in February, April and June 2021), enhanced with the following features:               <ul style="list-style-type: none"> <li>✓ new layout of requests for a business account for sole traders and for a salary transfer;</li> <li>✓ a possibility to make a claim on an insurance policy;</li> <li>✓ a new "Brokerage account" tab (customers can go from their internet banking account to the Investor online service without the need to log in again);</li> <li>✓ improved navigation and functionality (e.g. tax transfer form, the page with accounts and cards);</li> <li>✓ a new tile for Private Banking customers in the "Your activities" tab (where they can arrange a meeting or connect with the advisor for a scheduled meeting);</li> <li>✓ refreshed process of adding accounts from other banks.</li> </ul> </li> <li>• Implementation of a solution to facilitate giving or withdrawing consent for direct marketing in internet banking.</li> <li>• Presentation of charging orders relating to personal customers in Santander internet.</li> </ul>

Electronic channel	Selected solutions and improvements introduced in H1 2021
Santander mobile	<ul style="list-style-type: none"> <li>• Launch of new versions of Santander mobile (in March, May and June 2021), enhanced with the following features:               <ul style="list-style-type: none"> <li>✓ a possibility to order payments from accounts with other banks and make changes in personal details and correspondence delivery methods;</li> <li>✓ a new starting screen for customers without a registered device;</li> <li>✓ biometric mobile authorisation (customers can confirm online transactions up to PLN 10k with a fingerprint; Face ID can be used for devices with iOS system);</li> <li>✓ changes in the presentation of transaction history;</li> <li>✓ refreshed look of the tabs (modified in accordance with users' suggestions),</li> <li>✓ application for a business loan.</li> </ul> </li> </ul>
Santander.pl	<ul style="list-style-type: none"> <li>• Launch of a new Santander TFI portal (migrated to the bank's domain), a new Investor Relations portal (easier-to-navigate and intuitive layout and presentation of content and documents), a Career portal and a new Santander Factoring service at <a href="http://www.santander.pl/factoring">www.santander.pl/factoring</a>.</li> <li>• Change in the method of marking closed branches in the branch, ATM and CDM search engine.</li> <li>• Personalisation of the main message at <a href="http://www.santander.pl/klient-indywidualny">www.santander.pl/klient-indywidualny</a> – rather than seeing one main banner, customers can see six banners displayed depending on their behaviour on the bank's website.</li> </ul>
Multichannel Communication Centre	<ul style="list-style-type: none"> <li>• Channel integration and expansion of the scope of service process and tools.</li> <li>• Delivery of projects that facilitate advisors' work and harmonise customer service across the bank (multi-dimensional/ cross-product standardisation of processes; identification of processes for migration to self-service, etc.).</li> <li>• Example processes introduced in the Multichannel Communication Centre from January to June 2021:               <ul style="list-style-type: none"> <li>✓ Modifying the customer agreement whereby customers can process orders on their own and buy banking products.</li> <li>✓ Providing service to potential customers who tried to open an account in remote channels.</li> <li>✓ Optimising processes, including contact with customers in the Multichannel Communication Centre, account conversion, and execution of loan agreements (for a credit card, overdraft or cash loan).</li> <li>✓ Assigning new discretions to the manager for dealing with complaints in the fast-track process.</li> <li>✓ Introducing the Ratio 0% offer for credit cards (a new retention offer).</li> <li>✓ Expanding the process of obtaining consents for contact via e-channels and consents for sending marketing communications via those channels.</li> <li>✓ Simplifying the process of opening a personal/ savings account for Select customers.</li> </ul> </li> <li>• Ongoing implementation of changes in the IVR to optimise call routing to relevant advisor groups.</li> <li>• Continuation of the IVR Project for Senior Customers - by choosing the appropriate option, seniors connect directly with a consultant who provides them with the required information.</li> <li>• A YoY increase in the number of calls (notably video and audio), as well as email and chat communication, indicative of a change in customers' preferences towards remote channels.</li> </ul>

## CRM solutions

In H1 2021, CRM activities focused on development of tools and the lead management system to increase the efficiency of communication in digital channels. The key initiatives included:

- Implementation of a two-way SMS gateway enabling the bank to send text messages and receive replies from customers. The gateway is designed to collect marketing consents, update phone and address data, generate sales leads for helpline staff and conduct customer preference and NPS surveys.
- Running the first campaigns using native advertising in the mobile application (integrated with the CRM environment).
- Based on the signals from the source systems, new real-time activities were put in place to support delivery of the bank's business objectives.
- Solutions were prepared in remote channels to diversify communication with customers based on their preferences and activity in digital channels.

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

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

### Basic Statistics on Distribution Channels

Santander Consumer Bank S.A.	30.06.2021	31.12.2020	30.06.2020
Branches	55	94	100
Partner Outlets	274	242	236
Auto Loan lending Partners	989	754	658
Installment Loan Lending Partners	7 080	7 113	6 975
Registered internet and mobile banking customers <sup>1)</sup> (in thousand)	1 133	1 269	1 295
Digital (active) internet and mobile banking customers <sup>2)</sup> (in thousand)	181	177	168
Digital (active) mobile banking customers <sup>3)</sup> (in thousand)	111	102	80

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

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

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

In H1 2021, Santander Consumer Bank S.A. transformed its 32 branches into partner outlets, which ended another phase of the branch network optimisation.

## VII. Financial Performance after H1 2021

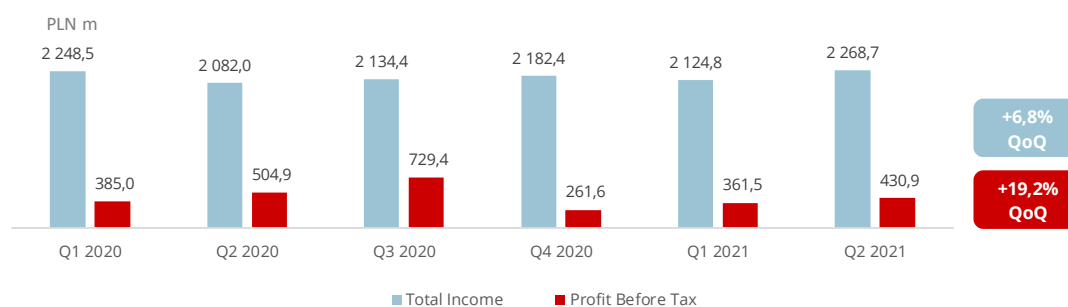
### 1. Income Statement

Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	H1 2021	H1 2020	YoY Change
<b>Total income</b>	<b>4 393,5</b>	<b>4 330,5</b>	<b>1,5%</b>
- Net interest income	2 788,0	3 094,7	-9,9%
- Net fee & commission income	1 211,4	1 030,1	17,6%
- Other income <sup>1)</sup>	394,1	205,7	91,6%
<b>Total costs</b>	<b>(2 713,0)</b>	<b>(2 229,1)</b>	<b>21,7%</b>
- Staff, general and administrative expenses	(1 602,9)	(1 688,7)	-5,1%
- Depreciation/amortisation <sup>2)</sup>	(291,7)	(299,0)	-2,4%
- Other operating expenses	(818,4)	(241,4)	239,0%
<b>Impairment allowances for expected credit losses</b>	<b>(626,9)</b>	<b>(947,2)</b>	<b>-33,8%</b>
Profit/loss attributable to the entities accounted for using the equity method	39,3	36,8	6,8%
Tax on financial institutions	(300,5)	(301,1)	-0,2%
<b>Consolidated profit before tax</b>	<b>792,4</b>	<b>889,9</b>	<b>-11,0%</b>
Tax charges	(354,0)	(309,9)	14,2%
<b>Net profit for the period</b>	<b>438,4</b>	<b>580,0</b>	<b>-24,4%</b>
- Net profit attributable to Santander Bank Polska shareholders	<b>374,3</b>	<b>475,8</b>	<b>-21,3%</b>
- Net profit attributable to non-controlling shareholders	64,1	104,2	-38,5%

- 1) Other income includes total non-interest and non-fee income of the Group. It comprises in particular the following items of the full income statement: dividend income, net trading income and revaluation, gain/ loss on other financial instruments and other operating income.
- 2) Amortisation/ depreciation includes depreciation of property, plant and equipment, amortisation of intangible assets and depreciation of the right-of-use asset.

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



The **profit before tax of Santander Bank Polska Group** for the 6-month period ended 30 June 2021 was PLN 792.4m, down 11.0% YoY. The profit attributable to the bank's shareholders declined by 21.3% YoY to PLN 374.3m.

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

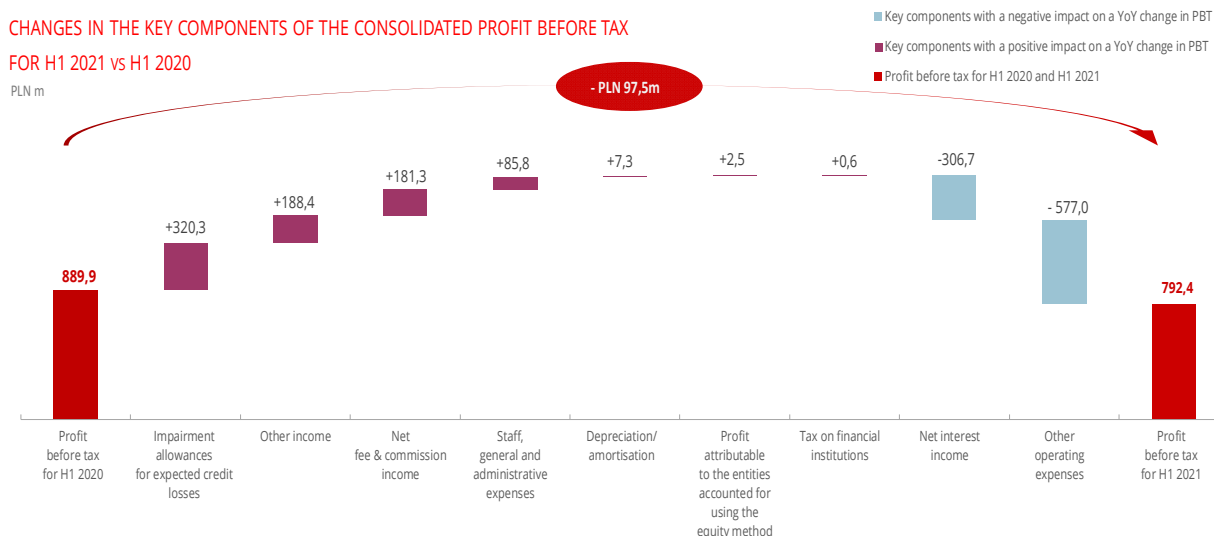
- the **underlying profit before tax** increased by 0.9% YoY and
- the **underlying profit attributable to the shareholders of Santander Bank Polska S.A.** went up by 8.7% YoY.

## Comparability of periods

### Selected items of the income statement affecting the comparability of periods

	H1 2021	H1 2020
<b>Provisions for legal claims and other assets</b> <i>(other operating expense)</i>	<ul style="list-style-type: none"> <li>• PLN 566.6m, including PLN 530.6m with respect to claims related to foreign currency mortgage loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A.</li> </ul>	<ul style="list-style-type: none"> <li>• PLN 68.0m</li> </ul>
<b>Contributions to the Bank Guarantee Fund made by Santander Bank Polska Group</b> <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> <li>• PLN 208.4m, including a contribution of PLN 54.3m to the bank guarantee fund and PLN 154.1m to the bank resolution fund</li> </ul>	<ul style="list-style-type: none"> <li>• PLN 328.0m, including a contribution of PLN 80.8m to the bank guarantee fund and a contribution of PLN 247.2m to the bank resolution fund</li> </ul>
<b>Collective provision for legal risk</b> <i>(other operating expense)</i>	<ul style="list-style-type: none"> <li>• Provision of PLN 195.6m for legal risk connected with the portfolio of foreign currency mortgage loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A.</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of PLN 110.3m, including PLN 63.2m for legal risk connected with the portfolio of foreign currency mortgage loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A., and PLN 47.1m for legal risk related to consumer loans</li> </ul>
<b>Dividend income</b>	<ul style="list-style-type: none"> <li>• PLN 102.8m, including PLN 89m from Aviva Group (Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.)</li> </ul>	<ul style="list-style-type: none"> <li>• PLN 20.7m, including PLN 11.0m from Aviva Group (Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A.)</li> </ul>
<b>Additional expected credit loss allowance connected with the Covid-19 pandemic (post-model adjustment)</b> <i>(net expected credit loss allowances)</i>	<ul style="list-style-type: none"> <li>• No new allowances made</li> <li>• Derecognition of PLN 88.6m worth of allowance made in 2020 in connection with Covid-19 as part of post-model adjustment</li> <li>• Update of the models, taking into account the latest macroeconomic forecasts</li> </ul>	<ul style="list-style-type: none"> <li>• PLN 151.3m – an additional allowance made in connection with Covid-19 in excess of the values arising from the models</li> </ul>
<b>Adjustment to net interest income in respect of an obligation to reimburse a part of fees related to early repaid consumer loans</b> <i>(net interest income)</i>	<ul style="list-style-type: none"> <li>• PLN 58.9m</li> </ul>	<ul style="list-style-type: none"> <li>• PLN 92.6m</li> </ul>

## Determinants of the Group's profit for H1 2021



In H1 2021, the following components of Santander Bank Polska Group's profit before tax improved significantly year-on-year:

- **Net fee and commission income** increased by 17.6% YoY on account of considerably higher net income from the majority of product lines: account maintenance and cash transactions, loans, currency exchange, debit cards, electronic and payment services, and brokerage services. This increase is partly attributed to a low base connected with the economic shock resulting from the first wave of the pandemic in Poland, but is also due to an economic recovery and an improved market sentiment, translating into an increased use of banking products and services by customers.
- **Other income** went up by 91.6% YoY on account of dividend income from the portfolio of investment securities, including PLN 89m worth of dividends from insurance companies which did not distribute profits to shareholders last year due to the supervisory restrictions connected with Covid-19. The Group also generated higher net trading income and revaluation (+PLN 63.9m YoY) owing to favourable conditions in the financial markets.
- **Net impairment allowances** were down 33.8% YoY, reflecting a stable or lower cost of credit in individual credit portfolios and a decision not to maintain an allowance in respect of Covid-19 (above the values arising from the models), as it was mostly incorporated in the current level of parameters. In H1 2020, the corresponding allowance totalled PLN 151.3m.
- **Staff and general expenses** fell by 5.1% YoY due to a decrease in administrative expenses, notably fees payable to the BFG on account of bank resolution and guarantee funds recognised in H1 2021 (-PLN 119.6m).

At the same time, the Group's consolidated profit before tax was under a pressure from **net interest income**, which was down 9.9% YoY due to lower market interest rates, increased competition, and deceleration of credit delivery during the pandemic (notably high-margin loans for personal and SME customers) combined with low returns on investments in debt instruments and their growing share in the Group's asset structure given the continuing overliquidity of the Polish banking sector.

The financial result for H1 2021 was weighed down by provisions for individual court cases and collective legal risk, which increased by 327.4% YoY to PLN 762.2m reflecting a growing scale of legal disputes about foreign currency mortgage loans. The above provisions were recognised under **other operating expenses** and were the key components that contributed to an increase of 239.0% YoY in this line item.

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

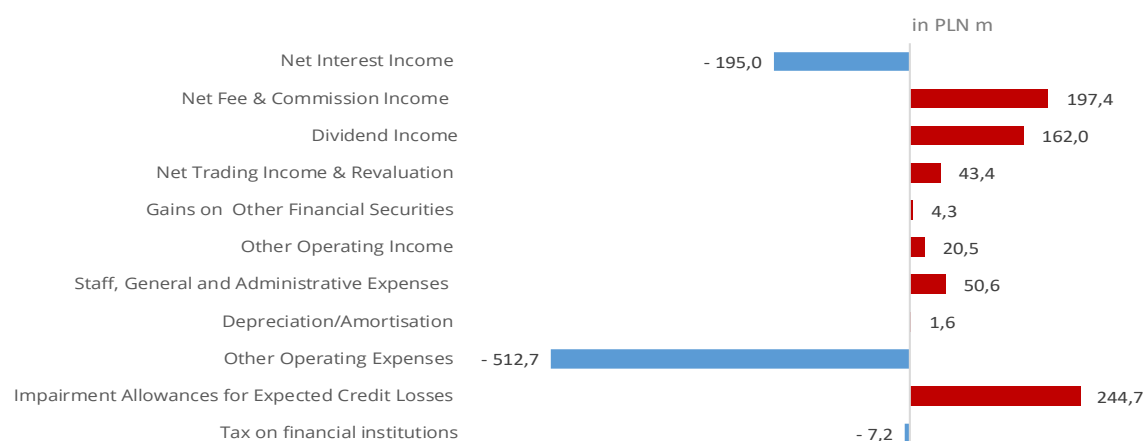
Components of Santander Bank Polska Group Profit Before Tax in PLN m (by contributing entities)	H1 2021	H1 2020	YoY Change
<b>Santander Bank Polska S.A.</b>	<b>630,9</b>	<b>621,3</b>	<b>1,5%</b>
<b>Subsidiary undertakings:</b>	<b>293,1</b>	<b>318,3</b>	<b>-7,9%</b>
Santander Consumer Bank S.A. and its subsidiaries <sup>1)</sup>	134,2	207,1	-35,2%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	69,3	88,0	-21,3%
Santander Finanse Sp. z o.o. and its subsidiaries (Santander Leasing S.A., Santander Leasing Poland Securitization 01 Designated Activity Company, Santander Factoring Sp. z o.o., Santander F24 S.A.)	85,2	23,1	268,8%
Santander Inwestycje Sp. z o.o.	4,4	0,1	4300,0%
<b>Equity method valuation</b>	<b>39,3</b>	<b>36,8</b>	<b>6,8%</b>
<b>Elimination of dividends received by Santander Bank Polska S.A. and consolidation adjustments</b>	<b>(170,9)</b>	<b>(86,5)</b>	<b>97,6%</b>
<b>Profit before tax</b>	<b>792,4</b>	<b>889,9</b>	<b>-11,0%</b>

1) In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o. w likwidacji (a company in liquidation), SC Poland Consumer 16-1 Sp. z o.o., PSA Finance Polska Sp. z o.o. and PSA Consumer Finance Polska Sp. z o.o. In Q3 2020, two new companies joined the Group: Santander Consumer Financial Solutions Sp. z o.o. and SCM Poland Auto 2019-1 DAC. In Q2 2021, SCB S.A. lost the control over SC Poland Consumer 15-1 Sp. z o.o. due to settlement of the securitisation transaction and start of liquidation of that company. The amounts provided above represent profit before tax (after intercompany and consolidation adjustments) of SCB Group for the periods indicated.

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

The profit before tax of Santander Bank Polska S.A. for H1 2021 was PLN 630.9m, up 1.5% YoY. Changes in the main components of the standalone profit reflect the trends relating to the consolidated profit. Similarly to the Group, the bank's profit before tax was positively affected by net fee and commission income, net trading income and revaluation, dividend income, staff and general expenses and net expected credit loss allowances. The increases in the above line items were partially offset by lower net interest income and higher provisions for financial risk connected with foreign currency mortgage loans (recognised under other operating expenses).

### YEAR-ON-YEAR CHANGES IN THE MAIN ITEMS OF THE INCOME STATEMENT OF SANTANDER BANK POLSKA S.A. FOR H1 2021 IN ABSOLUTE NUMBERS





## Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a drop of 7.9% YoY in their total profit before tax.

### SCB Group

The contribution of Santander Consumer Bank Group to the consolidated **profit before tax** of Santander Bank Polska Group for H1 2021 was PLN 134.2m (after intercompany transactions and consolidation adjustments) and decreased by 35.2% YoY as a combined effect of the following:

- A decline of 18.9% YoY in **net interest income** to PLN 571.0m, reflecting a negative impact of the Covid-19 pandemic, including lower official interest rates (resulting from three interest rate cuts in H1 2020), deceleration of lending and a lower value of the credit portfolio. In the period under review, the negative adjustment of interest income in respect of early repaid consumer loans was PLN 30.6m compared to PLN 30.2m in H1 2020.
- A stable level of **net fee and commission income** of PLN 67.9m (-0.1% YoY), thanks to higher gains on settlements with retail network partners of Santander Consumer Bank S.A., which offset a decrease in insurance proceeds caused by decelerated sales resulting from the Covid-19 pandemic.
- A decrease of 30.7% YoY in **net expected credit loss allowances** to PLN 115.1m, resulting from a lower value and a good quality of the loan book, and a decision not to make in 2021 an additional management allowance due to Covid-19 (post-model adjustment) in 2021. In the corresponding period last year, this allowance totalled PLN 33m. Furthermore, in H1 2021 Santander Consumer Bank Group posted a higher profit before tax on the sale of credit receivables (PLN 42.2m vs PLN 28.7m in H1 2020).
- An increase of 101.2% YoY in **other non-interest and non-fee income** to PLN 40.6m, reflecting a rise of PLN 16.0m in the total net trading income and gain on financial instruments resulting from the sale of securities and revaluation of a part of the credit cards portfolio measured at fair value.
- A growth of 4.8% YoY in **operating expenses** to PLN 414.5m driven by PLN 137.8m worth of provisions for legal claims and other assets and for legal risk resulting from a growing number of legal disputes (and recognised under other operating expenses). H1 2021 also witnessed a reduction of 13.6% YoY in staff and general expenses, attributed to a savings plan implemented in connection with the Covid-19 pandemic, and lower values of amortisation/ depreciation and restructuring provision (PLN 4.6m in H1 2021 vs PLN 11.1m in H1 2020).

### Other subsidiaries

**Profit before tax of Santander TFI S.A.** for H1 2021 decreased by 21.3% YoY to PLN 69.3m, as a result of a 15.4% YoY decline in net fee and commission income due to costs associated with distributor services, which were not incurred in the corresponding period last year (mechanism launched in H2 2020). An increase in income from management fees and performance fees recognised in the reporting period did not fully offset the rise in the fee expense.

- The income from management fees grew along with a rise in the average value of assets, but it was limited by a lower margin arising from a change in the structure of assets and the third cut in the maximum management fee rate (up to 2.5% starting from January 2021, as stipulated in the Regulation of the Minister of Finance on the maximum amount of fixed remuneration for investment fund companies for managing open-end investment funds or specialised open-end investment funds).
- At the beginning of 2021, the company introduced performance fees in the selected subfunds of open-end investment funds and the specialised open-end investment fund (Santander Prestiż SFIO).

**Total profit before tax posted by companies controlled by Santander Finanse Sp. z o.o.** increased by 268.8% YoY to PLN 85.2m.

- Total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o., Santander Leasing Poland Securitization 01 Designated Activity Company and Santander F24 S.A. grew by PLN 38.9m YoY to PLN 50.1m. This was mainly attributed to lower expected credit loss allowances and a positive impact of measurement of IRS and currency hedges, a reversal of trends observed in H1 2020. High sales generated in the reporting period triggered an increase of 9% YoY in the lease portfolio, a growth of 17% YoY in net interest income and a rise of 27% YoY in net insurance income. The quality of the lease portfolio remains good, with NPL ratio at 3.26%.
- The profit before tax posted by Santander Factoring Sp. z o.o. was up 194.4% YoY and totalled PLN 35.1m. It was impacted by an increase of 41.8% YoY and 32.6% in net interest income and net fee and commission income, respectively, and a positive change in the balance of expected credit loss allowances in respect of the factoring portfolio.

## Structure of Santander Bank Polska Group's profit before tax

### Total income

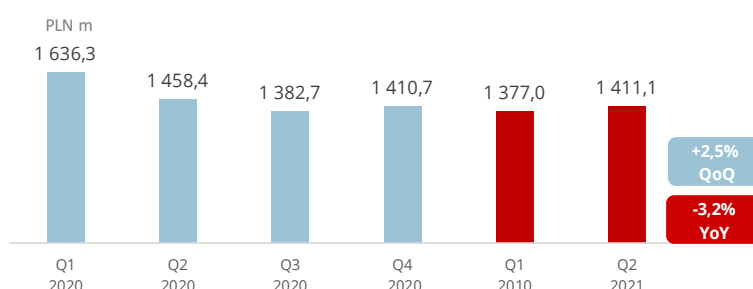
Total income of Santander Bank Polska Group for H1 2021 increased by 1.5% YoY to PLN 4,393.5m. Excluding the charge in respect of early repaid consumer loans and dividend income, the underlying total income went down by 1.2% YoY.

### Net interest income

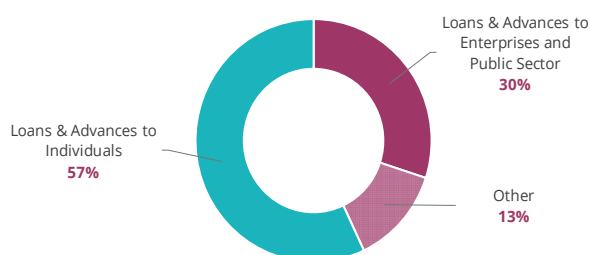
Net interest income for the first six months of 2021 was PLN 2,788.0m, down 9.9% YoY. The decrease was a combined effect of the following:

- Pressure on net interest margin from three NBP interest rate cuts in H1 2020, as a result of which the reference rate was reduced by 1.4 p.p. in total (to 0.1%).
- Pricing management through gradual adjustments (in line with the market conditions), optimising asset funding costs and supporting the credit policy and other objectives of the Group.
- A moderate YoY decrease in the average value of high-margin credit portfolios (e.g. cash loans, SME loans) due to several months of deceleration in credit delivery as a result of Covid-19 and a gradual recovery of credit demand in selected market segments in the reporting period.
- Changes to the Group's balance sheet structure, notably growth of the portfolio of debt investment securities with relatively low yields.

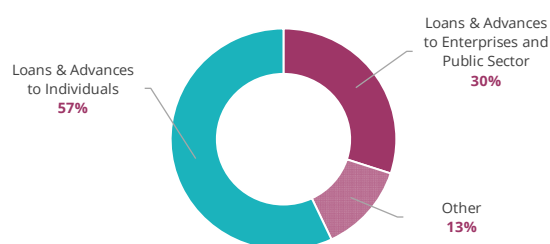
NET INTEREST INCOME BY QUARTER IN 2020 AND 2021



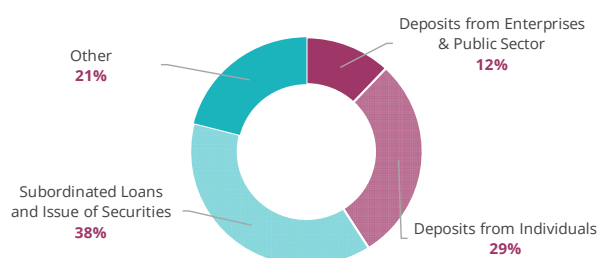
STRUCTURE OF INTEREST REVENUE IN H1 2021



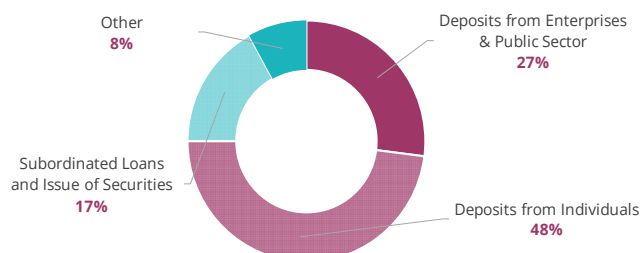
STRUCTURE OF INTEREST REVENUES IN H1 2020



STRUCTURE OF INTEREST EXPENSE IN H1 2021



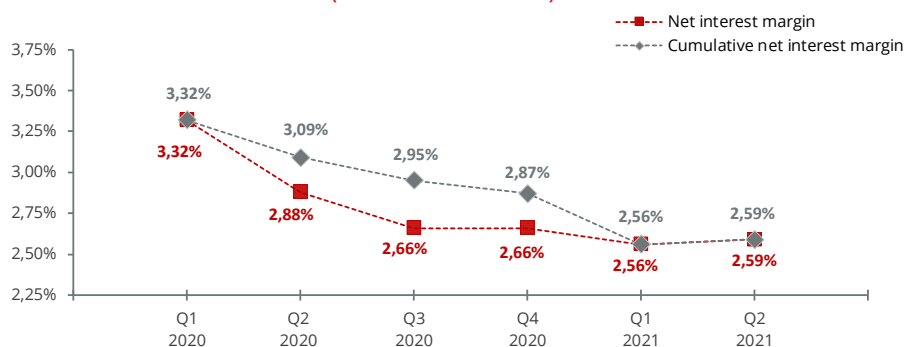
STRUCTURE OF INTEREST EXPENSE IN H1 2020



The Group's interest income for H1 2021 totalled PLN 2,987.6m and was down 21.2% YoY due to pressure from the main components, i.e. loans and advances to personal and business customers.

Interest expenses declined by 71.3% YoY to PLN 199.5m, i.e. three times faster than interest income, as customers were transferring funds from term deposit accounts to personal accounts and investment products. This trend observed in 2020 and 2021 was supported by changes to the pricing and range of the Group's term deposits, as well as developments in the financial markets, including in the stock and investment funds markets.

NET INTEREST MARGIN<sup>1)</sup> BY QUARTER IN THE YEARS 2020 AND 2021  
(INCLUDING SWAP POINTS)<sup>2)</sup>



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

Net interest margin for H1 2021 (annualised on a Ytd basis) totalled 2.59% and was down 50 b.p. YoY. This decline reflects the interest rate cuts between March and May 2020 and business trends strengthened by the Covid-19 pandemic such as low credit demand and growing investments of free cash in debt securities (in particular: bonds issued or guaranteed by the State Treasury). The slowdown in credit delivery observed since March 2020 translated into a YoY stability or decrease in the value of the majority of personal and business loan portfolios. The increased portfolio of investment securities did not offset the deficit in interest income from the lending business.

Between 1 April and 30 June 2021, the net interest margin (annualised on a quarterly basis) grew by 3 b.p. to 2.59%. In Q2 2021, the sale of consumer and SME loans accelerated as a result of an economic recovery in 2021 and a more positive economic outlook. Meanwhile, deposit-related interest expenses decreased QoQ, as the volume of term deposits continued to decline. The net interest margin was still adversely affected by a growing portfolio of debt securities.

## Net fee and commission income

Net Fee and Commission Income (in PLN m)	H1 2021	H1 2020	YoY Change
FX fees	256,4	225,7	13,6%
Account maintenance and cash transactions <sup>1)</sup>	190,2	152,0	25,1%
Credit fees <sup>2)</sup>	163,4	143,8	13,6%
Asset management and distribution	129,5	114,9	12,7%
Debit cards	126,6	97,1	30,4%
Insurance fees	101,7	99,8	1,9%
Electronic and payment services <sup>3)</sup>	92,5	77,2	19,8%
Brokerage activities	65,7	52,9	24,2%
Credit cards	64,6	65,5	-1,4%
Guarantees and sureties <sup>4)</sup>	23,3	16,3	42,9%
Other <sup>5)</sup>	(2,5)	(15,1)	-83,4%
<b>Total</b>	<b>1 211,4</b>	<b>1 030,1</b>	<b>17,6%</b>

1) Fee and commission income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 7 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2021 are included in the line item "Other" (PLN 2.7m for H1 2021 and PLN 1.2m for H1 2020).

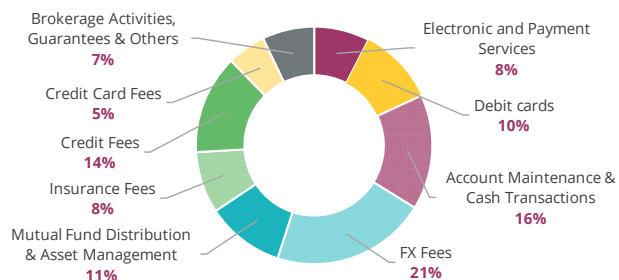
2) Fee and commission income from lending, factoring and lease activities which is not amortised to net interest income. This line item includes inter alia the cost of credit agency fees.

3) Fees for payments (foreign and mass payments, Western Union transfers), trade finance, services for third party institutions as well as other electronic and telecommunications services.

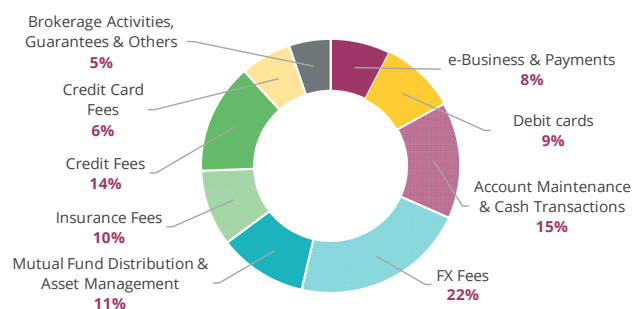
4) Fee and commission income from guarantees and sureties has been reduced by the corresponding expenses which in Note 7 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2021 are included in the line item "Other" (PLN 29.4m for H1 2021 and PLN 25.9m for H1 2020).

5) Issue arrangement fees and others.

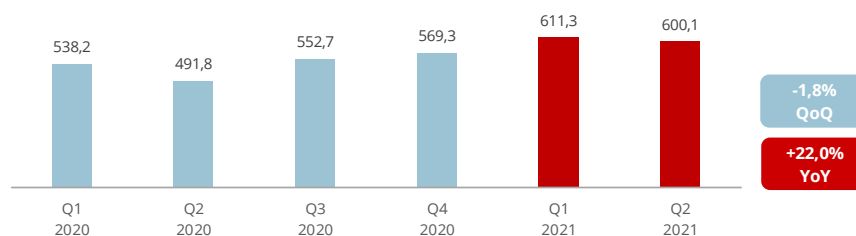
NET FEE & COMMISSION INCOME STRUCTURE IN H1 2021



NET FEE & COMMISSION INCOME STRUCTURE IN H1 2020



PLN m NET FEE & COMMISSION INCOME BY QUARTER IN 2020 AND 2021

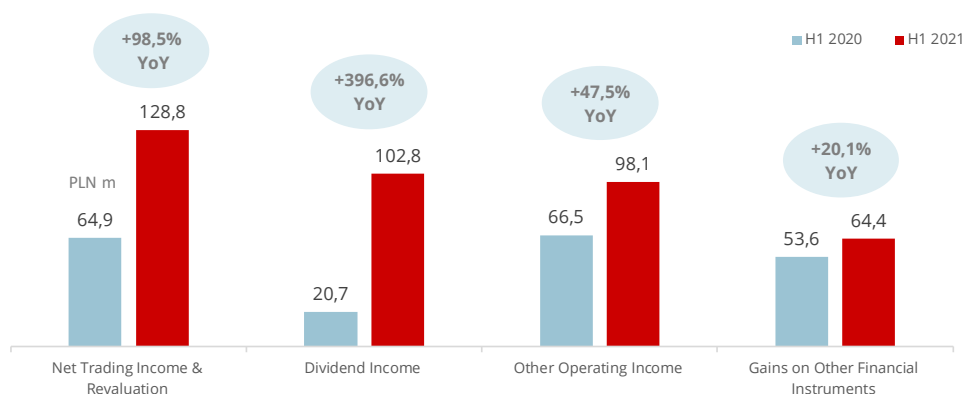


Net fee and commission income for the 6-month period ended 30 June 2021 amounted to PLN 1,211.4m and increased by 17.6% YoY, driven by the performance of individual business lines of Santander Bank Polska S.A. and its subsidiaries. The key changes were as follows:

- FX fee income rose by 13.6% YoY on account of 12% YoY increase in FX turnover, accompanied by a slight drop in average quotations. The growth in the above-mentioned income was driven by transactions in electronic currency exchange platforms, i.e. e-FX (iBiznes24 module) and Kantor Santander (available in Santander online and Santander mobile). The share of traditional channels has been decreasing.
- Net fee and commission income from account maintenance and cash transaction increased by 25.1% YoY on account of a YoY growth in the portfolio of Accounts As I Want It (a flagship personal account of Santander Bank Polska S.A.) and introduction of a conditional maintenance fee for that account which can only be avoided if the customer makes specific operations in the account. Alongside this, higher income was generated from management of funds held by business customers as a result of high liquidity of some of the companies (resulting from government support programmes, among other things).
- Net credit fee and commission income went up by 13.6% YoY, as the Corporate and Investment Banking actively participated in project finance for the sectors which were relatively resilient to the pandemic. This line item includes costs of credit agency, which decreased due to lower amounts paid as part of settlements between Santander Consumer Bank S.A. and its retail partners.
- Net fee and commission income from distribution and asset management grew by 12.7% YoY on account of higher income from management fees reflecting an increase in the average value of assets managed by Santander TFI S.A., and performance fees introduced at the start of the year in relation to selected subfunds. For more information, see section about Santander TFI S.A. in the Structure of profit before tax earned by Santander Bank Polska Group by contributing entities above.
- An increase of 30.4% YoY in income from debit cards is a combined effect of a number of factors, including a growing number of cards and a higher value of non-cash transactions made with such cards (+20,8% YoY). Another contributor was discounts for card issuance and processing offered by payment organisations cooperating with Santander Bank Polska S.A. In the period under review, discounts for 2020 were settled in March and April 2021 along with discounts for 2021 settled on an ongoing basis.
- Fee and commission income disclosed under Group's electronic and payment services went up by 19.8% YoY as a consequence of higher turnover from cross-border payments and trade finance transactions, as well as more active use of existing electronic channels by customers.
- Net brokerage fee and commission income went up by 24.2% YoY due to high volatility of the capital markets observed since March 2020, resulting in an increased investment activity among individuals and businesses. The growth in the number of new retail investors was largely driven by an online brokerage account opening process available to customers of Santander Bank Polska S.A. More transactions were also made in the IPO market.
- A 42.9% YoY increase in net fee and commission income from guarantees and sureties was due to higher income from guarantee services provided to customers using trade finance solutions.

## Non-interest and non-fee income

COMPONENTS OF OTHER INCOME FOR H1 2021 vs. H1 2020



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 394.1m and went up by 91.6% YoY on account of an increase in all the components:

- Net trading income and revaluation grew by 98.5% YoY to PLN 128.8m amid the volatility of financial markets. This line item was affected by the following developments:
  - ✓ Total gain on derivatives, interbank FX transactions and FX trading transactions was PLN 112.8m, up 47.4% YoY.
  - ✓ A positive change of PLN 1.4m was reported in the fair value of credit card receivables measured through profit or loss in H1 2021 vs a negative change of PLN 16.7m in the comparative period.
  - ✓ Total gain on trading in equity and debt securities measured at fair value through profit or loss was PLN 14.6m, up PLN 9.5m YoY.
- Gain on other financial instruments totalled PLN 64.4m and increased by 20.1% YoY. A decrease of PLN 22.3m YoY in gain on sale of government bonds was more than offset by other components, including gain on hedging and hedged instruments (+PLN 12.1m YoY), and a change of the fair value of Visa Inc. shares (PLN 11.6m vs PLN 3.3m in H1 2020, excluding FX differences) and gain of PLN 8.1m on five transactions involving conversion and sale of series A convertible preference shares of Visa Inc. (for more information, see Chapter VII, part 4, section "Sale of series A preference shares of Visa Inc.").
- Dividend income totalled PLN 102.8m and increased by PLN 82.1m YoY due to recognition of PLN 89m worth of dividends from two insurance companies (Aviva Towarzystwo Ubezpieczeń na Życie S.A. and Aviva Towarzystwo Ubezpieczeń Ogólnych S.A.), which did not distribute profits to shareholders last year in accordance with the regulatory recommendation to strengthen the capital base. In the comparative period, only one Aviva Group company – Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A. – paid dividend of PLN 11m to Santander Bank Polska S.A.
- Other operating income was PLN 98.1m and grew by 47.5% YoY, mainly on account of the release of higher provisions for legal claims and other assets, recognition by Santander Consumer Bank S.A. of a donation from an external institution in respect of long-standing business partnership, and higher income generated by the Group from modification of lease contracts.

## Expected credit loss allowances

Impairment allowances for expected credit losses on loans and advances measured at amortised cost (in PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
Charge on loans and advances to customers	(86,6)	(56,0)	10,5	(464,8)	(602,7)	(444,6)	24,1	5,1	(654,7)	(960,3)
Recoveries of loans previously written off	-	-	-	-	17,1	7,1	-	-	17,1	7,1
Off-balance sheet credit related facilities	(2,7)	3,6	2,9	(3,7)	10,5	6,1	-	-	10,7	6,0
<b>Total</b>	<b>(89,3)</b>	<b>(52,4)</b>	<b>13,4</b>	<b>(468,5)</b>	<b>(575,1)</b>	<b>(431,4)</b>	<b>24,1</b>	<b>5,1</b>	<b>(626,9)</b>	<b>(947,2)</b>

In H1 2021, the charge made by Santander Bank Polska Group to the income statement on account of expected credit loss allowances was PLN 626.9m, down 33.8% YoY. This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 115.1m and decreased by 30.7% YoY.

The YoY decrease in impairment allowances on loans to the Group's customers (from PLN 960.3m for H1 2020 to PLN 654.7m for H1 2021) is attributed to:

- Update of model parameters and macroeconomic scenarios at the end of Q2 2021 as part of a half-yearly review (taking into account the latest economic forecasts in accordance with IFRS 9), resulting in an increase in allowances.
- Discontinuation of recognition of the major part of an additional management allowance (post-model adjustment) in respect of Covid-19 following the revision of the parameters and models. Derecognition of PLN 88.6m worth of management allowances in respect of Covid-19 made in 2020 (this allowance totalled PLN 151.3m in H1 2020).
- Stable level of credit risk or its reduction, particularly in the portfolio of personal and SME loans. Return of the quarterly cost of credit in Q2 2021 to the pre-pandemic level.
- Close monitoring of the corporate loans portfolio and reflecting changes in risk in credit ratings and classification of exposures to individual stages (taking into account the risk connected with Covid-19). In March 2021, the bank made a significant allowance in respect of a non-performing exposure towards a single customer.
- Sale of credit receivables from personal and business customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 1,556.6m at a profit before tax of PLN 58.7m (last year, receivables of PLN 894.2m were sold at a profit before tax of PLN 18.7m).

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

During the reporting period, the cost of credit of Santander Bank Polska Group was 0.99% vs 1.06% in H1 2020, with a comparable value of the credit portfolio measured at amortised cost (-0.6% YoY).

## Total costs

Total costs (in PLN m)	H1 2021	H1 2020	YoY Change
<b>Staff, general and administrative expenses, of which:</b>	<b>(1 602,9)</b>	<b>(1 688,7)</b>	<b>-5,1%</b>
- Staff expenses	(816,3)	(793,7)	2,8%
- General and administrative expenses	(786,6)	(895,0)	-12,1%
<b>Depreciation/amortisation</b>	<b>(291,7)</b>	<b>(299,0)</b>	<b>-2,4%</b>
- Depreciation/amortisation of PP&E and intangible assets	(199,0)	(194,8)	2,2%
- Depreciation of right-of-use assets	(92,7)	(104,2)	-11,0%
<b>Other operating expenses</b>	<b>(818,4)</b>	<b>(241,4)</b>	<b>239,0%</b>
<b>Total costs</b>	<b>(2 713,0)</b>	<b>(2 229,1)</b>	<b>21,7%</b>

After the first six months of 2021, total operating expenses of Santander Bank Polska Group increased by 21.7% YoY to PLN 2,713.0m due to other operating expenses, which went up by 239.0% YoY on account of provisions for legal claims and other assets (i.e. individual court cases) and provisions for legal risk (expected claims estimated under a collective approach). The total value of the above-mentioned line items was PLN 762.2m (+327.4% YoY), more than 95% of which concerned foreign currency mortgage loans. The balance of provisions for foreign currency mortgage loans results from update and recalibration of model parameters and continued uncertainty in the Polish legal environment regarding mortgage loans denominated in or indexed to a foreign currency.

The increase in total cost base was partially offset by reduction of 12.1% YoY in the Group's general and administrative expenses resulting from lower contributions to the BFG resolution and guarantee funds (-36.5% YoY to PLN 208.4m).

On a comparative basis, i.e. assuming the constant level of fees payable to the Bank Guarantee Fund and excluding provisions for legal risk and legal claims from both analysed periods, the underlying total operating expenses were up 1.0% YoY, reflecting an increase in underlying general and administrative expenses and staff expenses.

The Group's cost to income ratio increased to 61.7% from 51.5% in H1 2020. Adjusting for the above-mentioned cost and income items, the underlying cost to income ratio was 47.6% vs 46.6% a year before.

## Staff expenses

Staff expenses increased by 2.8% YoY to PLN 816.3m, reflecting higher provisions for employee bonuses. In the comparative period, the above provision included only bonus schemes for sales staff, while in 2021 all bonus schemes have been launched. Alongside this, an increase was reported in statutory deductions from salaries and cost of training due to a higher number of initiatives delivered by the Group. The staff expenses include a restructuring provision of PLN 4.6m related to Santander Consumer Bank S.A., which is PLN 6.5m lower compared to the last year.

## General and administrative expenses

General and administrative expenses of Santander Bank Polska Group went down by 12.1% YoY to PLN 786.6m. The largest constituent items were fees payable to the Bank Guarantee Fund, the Polish Financial Supervision Authority and the Central Securities Depository of Poland, which totalled PLN 225.1m and decreased by 33.7% YoY due to lower contributions paid by banks to the Bank Guarantee Fund in 2021 in view of an unprecedented economic situation. In H1 2021, the charge to the Group's income statement on account of these contributions decreased by 36.5% YoY to PLN 208.4m (an annual contribution to the bank resolution fund declined by 37.7% YoY to PLN 154.1m and a quarterly contribution to the bank guarantee fund dropped by 32.9% YoY to PLN 54.3m). If the above-mentioned contributions had not changed compared to the last year, the Group's general and administrative expenses would have increased by 1.3% YoY.

Due to the ongoing optimisation of the branch network and limited occupancy of the head office buildings, the cost of maintenance of premises went down (-20.5% YoY), as did the cost of purchase and repair of equipment (-23.3% YoY).

Lower telecommunication charges for selected services and development of CRM tools resulted in a decrease of 18.6% YoY in postal fees and telecommunications fees. As a result of a lower demand for cash, costs associated with car fleet, transport and CIT services went down by 5.7% YoY.

Due to the restrictions connected with the coronavirus crisis and introduction of the remote work and customer service model, a decline was reported in the cost of consumables, printouts, cards and cheques (-11.6% YoY) and in the cost of third party services (-9.5% YoY), as the bank abandoned a number of relationship-building initiatives involving physical presence of participants.

Meanwhile, a significant increase was reported under marketing and entertainment (+36.8% YoY) as a low base effect and the result of the Account As I Want It campaign and marketing activities relating to mobile banking.

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

## Taxes

In H1 2021, the tax on financial institutions was PLN 300.5m and was stable (-0.2% YoY), with a comparable value of taxable assets.

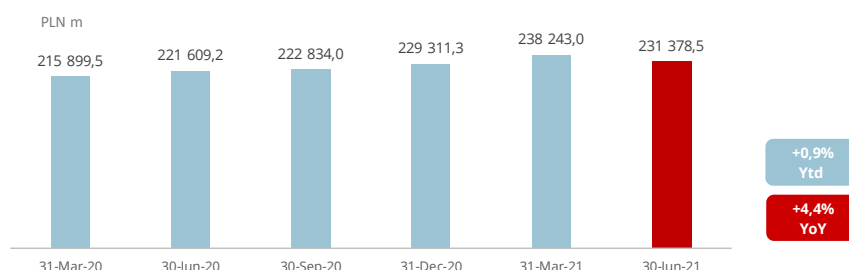
Income tax was PLN 354.0m and effectively higher compared to the last year (the effective tax rate was up from 34.8% in H1 2020 to 44.7% in H1 2021), mainly on account of lower profit before tax recognised in the reporting period and higher provisions for claims related to foreign currency mortgage loans.

## 2. Statement of Financial Position

### Consolidated assets

As at 30 June 2021, the total assets of Santander Bank Polska Group were PLN 231,378.5m, up 4.4% YoY and 0.9% Ytd. The value and structure of the Group's financial position is determined by the parent entity, which held 88.1% of the consolidated total assets vs 88.6% as at the end of December 2020 and 87.7% as at the end of June 2020.

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



### Structure of consolidated assets

Assets in PLN m (condensed presentation for analytical purposes)	Structure 30.06.2021		Structure 31.12.2020		Structure 30.06.2020		Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers <sup>1)</sup>	141 990,0	61,4%	141 998,8	61,9%	142 622,1	64,4%	0,0%	-0,4%
Investment financial assets <sup>2)</sup>	71 165,4	30,8%	66 783,4	29,1%	56 806,9	25,6%	6,6%	25,3%
Cash and operations with Central Banks	3 165,6	1,4%	5 489,3	2,4%	4 211,9	1,9%	-42,3%	-24,8%
Fixed assets, intangibles, goodwill and right-of-use assets	3 760,5	1,6%	3 934,5	1,7%	3 956,5	1,8%	-4,4%	-5,0%
Loans and advances to banks	2 935,5	1,3%	2 926,5	1,3%	3 987,6	1,8%	0,3%	-26,4%
Financial assets held for trading and hedging derivatives	2 874,7	1,2%	3 190,4	1,4%	2 750,9	1,2%	-9,9%	4,5%
Buy-sell-back transactions and assets pledged as collateral	1 129,4	0,4%	951,2	0,4%	3 299,8	1,5%	18,7%	-65,8%
Other assets <sup>3)</sup>	4 357,4	1,9%	4 037,2	1,8%	3 973,5	1,8%	7,9%	9,7%
<b>Total</b>	<b>231 378,5</b>	<b>100,0%</b>	<b>229 311,3</b>	<b>100,0%</b>	<b>221 609,2</b>	<b>100,0%</b>	<b>0,9%</b>	<b>4,4%</b>

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

2) Investment securities include debt and equity investment securities measured at fair value through other comprehensive income and other debt and equity investment securities measured at fair value through profit or loss.

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



In the above condensed statement of financial position as at 30 June 2021, net loans and advances to customers were the key item of the consolidated assets (61.4%). They totalled PLN 141,990.0m and held steady compared to the end of December 2020 due to the stable value of the key portfolios of loans for business and personal customers. Lease receivables, on the other hand, increased significantly by 5.4% Ytd.

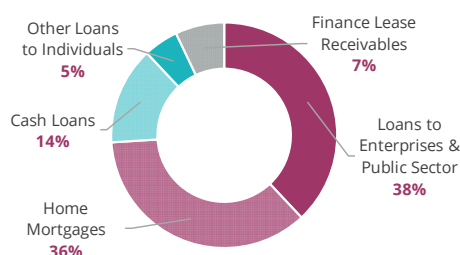
As part of the ongoing management of liquidity, the Group limited the value of cash and balances at central banks (-42.3% Ytd), notably term placements, and kept the value of loans and advances to banks at the level reported in December 2020 (+0.3% Ytd). The value of financial assets held for trading and hedging derivatives dropped by 9.9% Ytd on account of currency and interest rate hedges.

The balance of investment securities continued to grow (+6.6% Ytd), notably debt securities measured at fair value through other comprehensive income, including government bonds, NBP bills, BFG, PFR and EIB bonds.

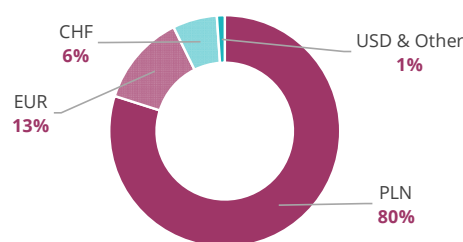
## Credit portfolio

Gross Loans and Advances to Customers (in PLN m)	30.06.2021	31.12.2020	30.06.2020	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Loans and advances to individuals	81 054,4	81 387,9	81 390,3	-0,4%	-0,4%
Loans and advances to enterprises and public sector customers	56 973,3	57 121,1	57 699,8	-0,3%	-1,3%
Finance lease receivables	10 307,3	9 783,4	9 389,6	5,4%	9,8%
Other	45,1	33,6	36,4	34,2%	23,9%
<b>Total</b>	<b>148 380,1</b>	<b>148 326,0</b>	<b>148 516,1</b>	<b>0,0%</b>	<b>-0,1%</b>

PRODUCT STRUCTURE OF CONSOLIDATED  
LOANS & ADVANCES TO CUSTOMERS AS AT 30.06.2021



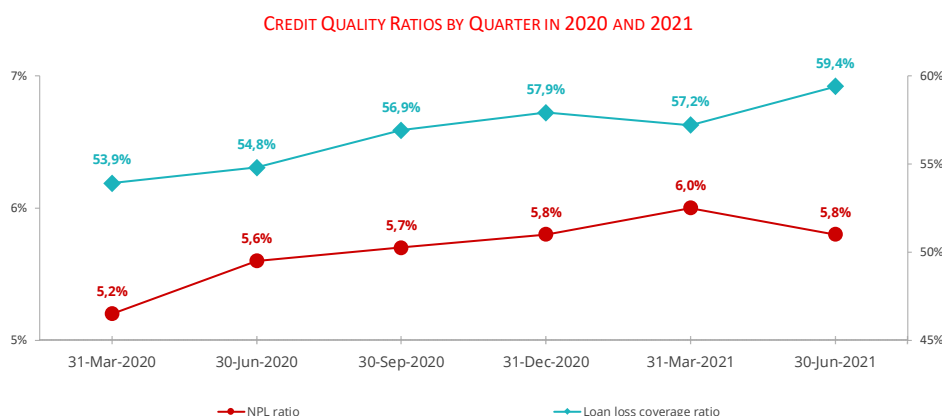
FX STRUCTURE OF CONSOLIDATED  
LOANS AND ADVANCES TO CUSTOMERS AS AT 30.06.2021



As at 30 June 2021, consolidated gross loans and advances to customers were PLN 148,380.1m and were stable compared to the end of December 2020. The portfolio includes loans and advances to customers measured at amortised cost totalling PLN 145,449.5m (-0.3% Ytd), loans and advances to customers measured at fair value through other comprehensive income amounting to PLN 2,151.6m (+33.8% Ytd) and loans and advances to customers measured at fair value through profit or loss at PLN 779.0m (-12.7% Ytd).

The section below presents the Group's credit exposures by key portfolios:

- Loans and advances to individuals decreased by 0.4% Ytd to PLN 81,054.4m. Housing loans, which were the main contributor to this figure, totalled PLN 52,975.4m (+0.4% Ytd). The second largest constituent item, i.e. cash loans, decreased by 1.0% Ytd to PLN 20,645.3m despite accelerated growth of sales in H1 2021.
- Loans and advances to enterprises and the public sector went down by 0.3% Ytd to PLN 56,973.3m as a result of a lower value of the term loans portfolios of Business and Corporate Banking and Corporate and Investment Banking resulting from a subdued demand during the coronavirus pandemic. At the same time, during the reporting period the Group was actively engaged (in various roles) in major projects including syndicated lending, debt securities issues, financing for sectors which were relatively resilient to the crisis and support for mergers and acquisitions.
- Finance lease portfolios of subsidiaries of Santander Bank Polska S.A. rose by 5.4% Ytd to PLN 10,307.3m, supported by dynamic sales of machines and equipment and of vehicles.



The NPL ratio was 5.8% as at 30 June 2021 compared with 5.8% six months before and 5.6% twelve months before. The provision coverage ratio for impaired loans was 59.4% compared with 57.9% as at 31 December 2020 and 54.8% as at 30 June 2020.

## Structure of consolidated equity and liabilities

Liabilities & Equity in PLN m (condensed presentation for analytical purposes)	Structure		Structure		Structure		Ytd Change	YoY Change
	30.06.2021	30.06.2021	31.12.2020	31.12.2020	30.06.2020	30.06.2020		
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	173 180,1	74,8%	171 522,3	74,8%	165 889,5	74,9%	1,0%	4,4%
Subordinated liabilities and debt securities in issue	15 789,7	6,8%	13 995,9	6,1%	12 670,3	5,7%	12,8%	24,6%
Deposits from banks	4 213,0	1,8%	5 373,3	2,3%	5 370,7	2,4%	-21,6%	-21,6%
Financial liabilities held for trading and hedging derivatives	3 464,6	1,5%	4 805,4	2,1%	4 510,0	2,0%	-27,9%	-23,2%
Sell-buy-back transactions	504,7	0,2%	653,7	0,3%	1 084,2	0,5%	-22,8%	-53,4%
Other liabilities <sup>1)</sup>	5 294,0	2,4%	4 302,7	1,9%	4 197,0	1,9%	23,0%	26,1%
Total equity	28 932,4	12,5%	28 658,0	12,5%	27 887,5	12,6%	1,0%	3,7%
<b>Total</b>	<b>231 378,5</b>	<b>100,0%</b>	<b>229 311,3</b>	<b>100,0%</b>	<b>221 609,2</b>	<b>100,0%</b>	<b>0,9%</b>	<b>4,4%</b>

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

As at 30 June 2021, deposits from customers totalled PLN 173,180.1m and were the largest constituent item of the Group's total equity and liabilities (74.8%) disclosed in the consolidated financial statements and the main source of funding for the Group's assets.

Subordinated liabilities and liabilities in respect of debt securities went up by 12.8% Ytd in connection with the issue of debt instruments with a total nominal value of PLN 4,715.0m and redemption of PLN 2,806.8m worth of securities on their maturity date. In H1 2021, the Group completed the following issues:

- Santander Factoring Sp. z o.o. made two issues of series J and K variable-rate bonds (based on 1M WIBOR) with a maturity of six months and a total nominal value of PLN 1,085m, and issue of series L fixed-rate bonds with a maturity of three months, a nominal value of PLN 1,000m and a put option.
- Santander Leasing S.A. issued series H and I of variable-rate bonds (based on 3M WIBOR) with a total nominal value of PLN 1,950.0m, a maturity of up to one year and a put option.
- As part of a revised issue programme of Santander Consumer Bank S.A. and Santander Consumer Multirent Sp. z o.o. four bond issues for a total nominal value of PLN 680m were carried out.

In the same period, a drop was reported in deposits from banks (-21.6% Ytd), financial liabilities held for trading and hedging derivatives (-27.9% Ytd) and liabilities due to repo transactions (-22.8% Ytd).

Compared to 31 December 2020, total equity increased by 1.0% to PLN 28,932.4m under the resolution of the Annual General Meeting of Santander Bank Polska S.A. of 22 March 2021 to retain the entire profit of PLN 738.4m for 2020. Of this amount, 50% was set aside as a capital reserve and 50% as a dividend reserve (i.e. capital reserve allocated for payment of dividends or interim dividends).

## Deposit base

### Deposits by entities

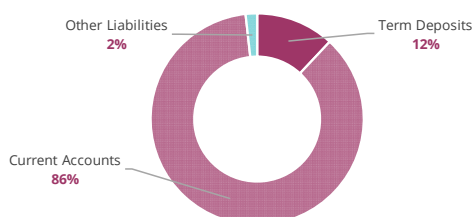
	30.06.2021	31.12.2020	30.06.2020	Ytd Change	YoY Change
Deposits from Customers in PLN m	1	2	3	1/2	1/3
Deposits from individuals	100 772,3	98 213,4	96 477,0	2,6%	4,5%
Deposits from enterprises and public sector customers	72 407,8	73 308,9	69 412,5	-1,2%	4,3%
<b>Total</b>	<b>173 180,1</b>	<b>171 522,3</b>	<b>165 889,5</b>	<b>1,0%</b>	<b>4,4%</b>

As at 30 June 2021, consolidated deposits from customers totalled PLN 173,180.1m and increased by 1.0% Ytd as an effect of high base comprising funds received by customers in 2020 from state aid programmes aimed to contain the economic impact of the Covid-19 pandemic.

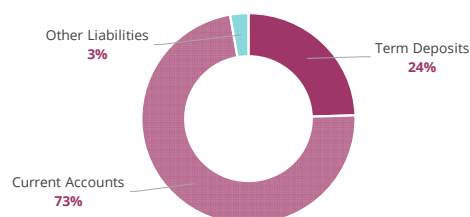
- The Group's retail deposit base was up 2.6% Ytd at PLN 100,772.3m, driven by an increase of 8.4% in current deposits. This included savings account balances, which grew by 1.2% Ytd to PLN 32.0bn. Current account balances increased mainly due to a transfer of funds from term deposits, which paid low interest due to prevailing market conditions and dropped by 22.4% Ytd. The volume of term deposits was also affected by an outflow of customers' money to investment funds, supported by promotional and educational activities of Santander Bank Polska S.A.
- Deposits from enterprises and the public sector decreased by 1.2% Ytd to PLN 72,407.8m as a consequence of a decline in term deposits from business customers (-17.2% Ytd) due to less attractive and gradually withdrawn term deposit accounts. Current account balances grew by 2.3% Ytd, including as a result of transfers from term deposit accounts.

### Deposits by tenors

STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 30.06.2021



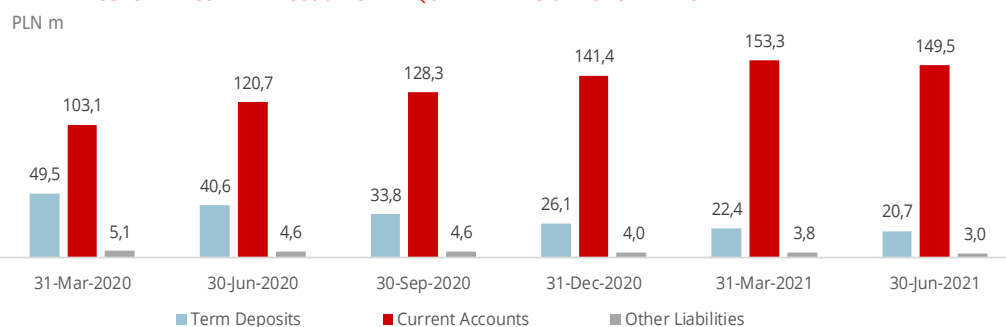
STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 30.06.2020



The Group's total term deposits from customers amounted to PLN 20,656.5m and dropped by 20.9% during the first six months of 2021. Current account balances rose by 5.8% Ytd to PLN 149,511.5m, and other liabilities were PLN 3,012.2m, down 25.1% Ytd.

Loans and advances from financial institutions (PLN 1,691.4m vs PLN 3,013.7m as at 31 December 2020) were the largest constituent item of other liabilities and were disclosed under deposits from enterprises, which included loans granted by international financial organisations (the European Investment Bank/ EIB, the European Bank for Reconstruction and Development/ EBRD and the Council of Europe Development Bank/ CEB) to finance the lending activity of the bank and its subsidiaries. The decrease in the value of these liabilities is attributed to, among other things, the repayment of four loans from the EIB. At the same time, a EUR 80m worth of loan was disbursed under an agreement signed in December 2019 by Santander Leasing S.A. and the EBRD.

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



\* including savings accounts

### 3. Selected Financial Ratios

Selected financial ratios of Santander Bank Polska Group	H1 2021	H1 2020
Total costs / Total income	61,7%	51,5%
Net interest income / Total income	63,5%	71,5%
Net interest margin <sup>1)</sup>	2,59%	3,09%
Net commission income / Total income	27,6%	23,8%
Customer net loans / Customer deposits	82,0%	86,0%
NPL ratio <sup>2)</sup>	5,8%	5,6%
NPL coverage ratio <sup>3)</sup>	59,4%	54,8%
Credit risk ratio <sup>4)</sup>	0,99%	1,06%
ROE <sup>5)</sup>	3,8%	7,1%
ROTE <sup>6)</sup>	4,6%	8,6%
ROA <sup>7)</sup>	0,4%	0,8%
Capital ratio <sup>8)</sup>	21,16%	18,89%
Tier I ratio <sup>9)</sup>	19,14%	16,94%
Book value per share (in PLN)	283,13	273,17
Earnings per share (in PLN) <sup>10)</sup>	3,66	4,66

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

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

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

4) Net expected credit loss allowance (for four consecutive quarters) to average gross loans and advances to customers measured at amortised cost (as at the end of the current reporting period and the end of the last year).

5) Profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the current reporting period and the end of the last year), net of non-controlling interests, current period profit, undistributed portion of the profit and dividend reserve.

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

7) Profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the current reporting period and the end of the last year).

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

9) Tier 1 capital ratio calculated as a quotient of Tier 1 capital and risk-weighted assets for credit, market and operational risk.

10) Net profit for the period attributable to shareholders of the parent entity divided by the average weighted number of ordinary shares.

### 4. Additional Financial Information

#### Key intercompany transactions with subsidiaries

Transactions between Santander Bank Polska S.A. 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.

As at 30 June 2021, the bank's total exposure in respect of loans granted to banking and non-banking subsidiaries (including Santander Factoring Sp. z o.o., Santander Leasing S.A. and Santander Consumer Multirent Sp. z o.o., Santander Consumer Bank S.A.) amounted to PLN 8,175.1m compared with PLN 9,359.1m as at 31 December 2020.

The deposits held with the bank by its subsidiaries (including Santander Finanse Sp. z o.o., Santander Factoring Sp. z o.o., Santander TFI S.A., Santander Leasing Poland Securitization 01, Santander Inwestycje Sp. z o.o., Santander Consumer Multirent Sp. z o.o., Santander Consumer Bank S.A.) totalled PLN 410.0m vs PLN 650.1m as at 31 December 2020.

Contingent financial liabilities (issued) were PLN 8,169.7m compared with PLN 7,388.9m as at 31 December 2020. Guarantees to subsidiaries amounted to PLN 6,240.0m vs PLN 5,821.3m as at 31 December 2020.

The above transactions are excluded from the consolidated financial statements.

## Intercompany transactions with the parent entity

The bank's receivables from the parent entity (Banco Santander S.A.) were PLN 413.1m (PLN 766.2m as at 31 December 2020), while liabilities were PLN 771.8m (PLN 490.8m as at 31 December 2020).

A full disclosure on related party transactions is available in Note 34 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2021 and in Note 34 to the Condensed Interim Financial Statements of Santander Bank Polska S.A. for the 6-month period ended 30 June 2021.

## Contingent liabilities and court proceedings

### Guarantees

The tables below present contingent liabilities of Santander Bank Polska Group (granted and received) and pending court proceedings.

Contingent liabilities (granted)	30.06.2021	31.12.2020
<b>Financial:</b>	<b>34 645,4</b>	<b>34 725,0</b>
- credit lines	29 194,2	29 393,6
- credit cards	3 934,6	4 106,4
- import letters of credit	1 516,6	1 204,5
- term deposits with future commencement term	-	20,5
<b>Guarantees</b>	<b>8 202,5</b>	<b>7 585,9</b>
<b>Provision for off-balance sheet liabilities</b>	<b>(53,6)</b>	<b>(64,5)</b>
<b>Total</b>	<b>42 794,3</b>	<b>42 246,4</b>

Contingent liabilities (received)	30.06.2021	31.12.2020
<b>Financial</b>	<b>6,7</b>	<b>153,1</b>
<b>Guarantees</b>	<b>54 627,5</b>	<b>60 657,2</b>
<b>Total</b>	<b>54 634,2</b>	<b>60 810,3</b>

### Pending court proceedings

Court Proceedings with Santander Bank Polska Group as a Party (in PLN m)	30.06.2021	31.12.2020
Amounts claimed by the Group	1 030,5	1 004,7
Claims against the Group <sup>1)</sup>	1 872,9	1 261,6
Receivables due to bankruptcy or arrangement cases	55,9	51,6
<b>Value of all litigation</b>	<b>2 959,3</b>	<b>2 317,9</b>
Completed court proceedings	226,3	735,2

- 1) As at 30 June 2021, there were 6.5k pending lawsuits against the Group over loans indexed to or denominated in CHF, with a disputed amount of PLN 1,472.4m. This included two class actions filed under the Class Action Act. The legal circumstances in respect of foreign currency mortgage loans are described in Note 32 "Contingent liabilities" to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2021.

## 5. Factors Which May Affect the Financial Results in the Next Period

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

- Further development of the Covid-19 pandemic and new strains of the virus in the light of the slower vaccination rollout. Possible reintroduction of economic and social restrictions.
- Potential further changes in the monetary policy of the ECB, the Federal Reserve and other main central banks aimed at limiting the depth of the global recession; their level of tolerance to the global rise in yields.
- The most likely scenario is that of NBP keeping rates on hold; however, if inflation, and its outlook, continues to grow, interest rate hikes and the end of the QE programme will be possible.
- Evolution of the conflict about the rule of law between the Polish government and the European institutions.
- Supreme Court and CJEU rulings regarding currency mortgages, which might impact the ruling practice going forward.
- Fluctuation in credit risk prices on the financial markets, including the impact of geopolitical factors.
- Bond yields changes, which are a function of monetary and fiscal policy expectations, changes in banking sector's liquidity and the global deflation trend.
- Changes in the demand for credit in the context of fluctuations in liquidity and changed expectations, and taking into account the phasing out of government support.
- Changes in households' financial situation due to labour market trends.
- Changes in customers' savings allocation decisions, which are impacted by expected yields from different asset classes; changes in savings and spending behaviours as a result of increasing or decreasing concerns about the pandemic.
- Evolution of the global equity markets and its impact on the demand for investment funds and equities.

## VIII. Risk and Capital Management

### 1. Risk Management Principles and Structure in the Bank and in Santander Bank Polska Group

#### Key Risk Management Principles

Both the bank and other members of Santander Bank Polska Group are exposed to various risks within their day-to-day activities which adversely affect the delivery of strategic priorities of the organisation. The main types of risks include: credit risk, concentration risk, market risk (in the banking book and in the trading book), liquidity risk, operational risk (including technological risk), compliance risk and reputational risk.

The main objective of risk management in the bank and Santander Bank Polska Group is to ensure safe and effective operations to generate profit and growth within the approved risk parameters. Risk management practice is defined in keeping with the industry benchmark, regulatory guidance and recommendations from banking supervision authorities.

Risk management in the bank and Santander Bank Polska Group is consistent with the risk profile which corresponds to the general risk appetite defined by the bank. Risk appetite is expressed as quantitative limits and captured in the Risk Appetite Statement approved by the Management Board and the Supervisory Board. The limits are set using stress tests and scenario analyses to ensure stability of the bank's position even if highly adverse circumstances materialise. The approved limits are used to set watch limits and define risk management policies.

The integrated risk management structure contains dedicated organisational units responsible for identification, measurement, monitoring and mitigation of risks in a way that ensures independence of risk management functions from risk-taking units. The responsibilities of the former units are defined by the risk management framework that governs the process of identifying, measuring and reporting the risks taken. Furthermore, limits are set on a regular basis to mitigate exposure to individual risks.

A detailed description of the principles of managing the key risk types identified in Santander Bank Polska Group together with selected results of their measurement is presented in the Annual Report of Santander Bank Polska Group for 2020.

## Risk management structure

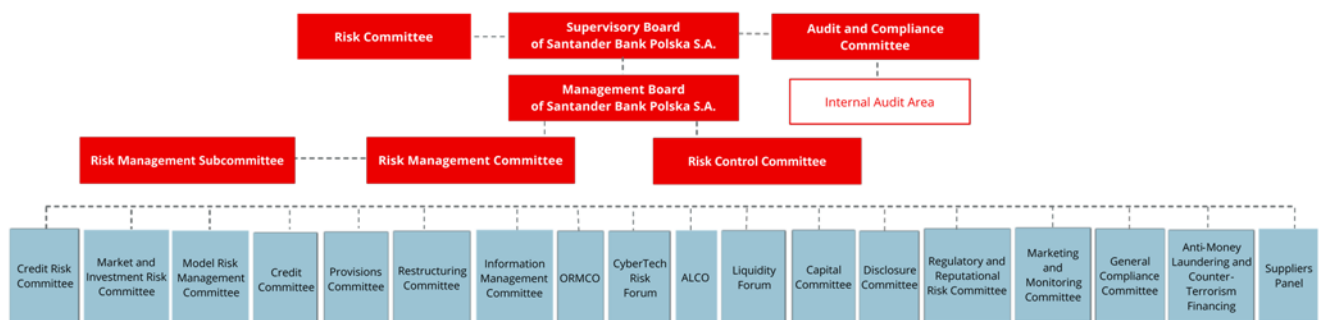
The bank's Supervisory Board, supported by the Audit and Compliance Committee and the Risk Committee, is responsible for ongoing supervision of the risk management system in Santander Bank Polska S.A. The Supervisory Board approves the strategy, key risk management policies and risk appetite, and monitors the use of internal limits from the perspective of current business strategy and the macroeconomic environment. It conducts the reviews of the key risk areas, the identification of threats and the process of defining and monitoring remedial actions. The Supervisory Board also assesses the effectiveness of measures taken by the Management Board.

The bank's Management Board is responsible for implementing an effective risk management system compliant with the bank's regulatory obligations and internal regulations. Specifically, the bank's role in this regard is to set up an organisational structure tailored to the size and profile of the risks taken, to segregate responsibilities in order that risk measurement and control functions remain independent of operational functions, to introduce and update the risk management strategy and ensure an adequate information policy.

The Management Board fulfils its risk management role through the following two committees:

- The Risk Management Committee, which ratifies the key credit decisions taken by the Credit Committee (above specified thresholds);
- The Risk Control Committee, which monitors the risk level across different areas of the bank's operations and supervises the activities of lower-level risk management committees set up by the Management Board.

### CORPORATE GOVERNANCE STRUCTURE FOR RISK SUPERVISION AND MANAGEMENT



The Risk Control Committee supervises the following committees responsible for risk management in the Group:

- Credit Risk Committee
- Market and Investment Risk Committee
- Model Risk Management Committee
- Credit Committee
- Provisions Committee
- Restructuring Committee
- Information Management Committee
- Operational Risk Management Committee/ ORMCO
- Suppliers Panel
- CyberTechRisk Forum
- Assets and Liabilities Committee/ ALCO
- Liquidity Forum
- Capital Committee
- Disclosure Committee
- Local Marketing and Monitoring Committee

- General Compliance Committee
- Regulatory and Reputational Risk Committee
- Anti-Money Laundering and Counter-Terrorism Financing Committee

In H1 2021, the structure of the committees was changed following the dissolution of the Risk Management Forum in May 2021 and transformation of its three panels (Credit Risk Panel, Market and Investment Risk Panel and Models and Methodology Panel) into independent committees with corresponding powers (Credit Risk Committee, Market and Investment Risk Committee and Model Risk Management Committee).

All the above committees, acting within the respective remits defined by the Management Board, are directly responsible for developing risk management methods and monitoring risk levels in specific areas. Through these committees, the bank also supervises the risk attached to the operations of its subsidiaries.

The subsidiaries implement risk management policies and procedures that reflect the approach adopted by Santander Bank Polska S.A., which ensures the consistency of risk management processes across the Group. The bank's representatives sitting on the supervisory boards of the subsidiaries monitor if the risk management system complies with the rules established by the bank. Risks involved in the activities of the subsidiaries are operationally monitored by respective departments of the bank.

In addition, the subsidiaries are subject to regular reviews carried out by the Risk Committee of the bank's Supervisory Board and by the Supervisory Board itself.

In the case of Santander Consumer Bank S.A. (SCB S.A.), the bank exercises oversight of risk management under the applicable law and in line with the same oversight rules as applied to other Santander Bank Polska Group companies. The representatives of Santander Bank Polska S.A. on the Supervisory Board of SCB S.A. are two Vice Presidents of the bank's Management Board in charge of the Risk Management Division and the Retail Banking Division. Pursuant to the Santander Bank Polska S.A. strategy of investments in capital market instruments, they are responsible, together with other members of the Supervisory Board of SCB S.A., for supervision over SCB S.A., ensuring that the company operates in line with the adopted plans and operational security procedures. The bank monitors the profile and level of SCB S.A. risk via risk management committees of Santander Bank Polska S.A.

## 2. Risk Management Priorities in 2021

### Further development of risk management processes and tools

The Group's main risk management priority is to undertake initiatives to enable secure operations of the organisation (in accordance with the banking supervision requirements), while supporting business growth and profit generation for the shareholders. The Group continues to develop innovative risk management solutions, including advanced risk assessment models and tools that help automate banking processes and reduce human errors. Another rapidly developing area is data management, analysis and use in tools and reports to support prompt, accurate and secure decision-making leading to sustainable growth of business volumes.

### Dealing with threats posed by Covid-19

In the context of the pandemic, the operational risk related to unavailability of human resources (Group and third party service providers) and buildings (both branches and headquarters) continued to be one of the key risks for the Group. If the above generic risks materialised, the continuity of the Group's critical processes could be disrupted, which might cause an increase in other bank risks, including credit risk, liquidity risk, market risk, reputational risk and regulatory risk.

During the pandemic, the importance of cyber security has also increased significantly due to mass telecommuting (covering almost all processes) and the dynamically growing use of remote channels by customers in sales and after-sales processes. The Group kept track of risks, taking mitigating measures on an ongoing basis in relation to both customers and employees. Security warnings were being released in response to cybercriminals' attempts to exploit the outbreak. The areas exposed to the risk of fraud were covered with increased surveillance.

Moreover, preventive measures were arranged, including campaigns addressed to customers and employees (e.g. educational campaigns in social media) to increase their awareness of cyber risks and build cybersecurity culture.

An increased focus was placed on risk trends in credit portfolios amid the pandemic and the lockdown of many economic activities. Dedicated management reports continued to be prepared, alongside the portfolio reviews with a particular focus on the impact of Covid-19.



In H1 2021, the Group took further measures as part of the government support programmes for customers in financial distress due to the Covid-19 pandemic (aid granted by the Polish Development Fund (PFR), guarantees issued by BGK, etc.). At the same time, it contributed to and adopted the second moratorium developed by the banking sector under the auspices of the Polish Bank Association, which laid down uniform rules for offering tools to aid those customers.

At the end of Q2 2021, the bank decided not to recognise the additional post-model adjustment in respect of the Covid-19 impact. The decision was based on the results of the half-yearly review of risk parameters used for calculation of expected credit losses, which included an update of the models and macroeconomic scenarios and a revision of the economic outlook in accordance with IFRS 9. Santander Bank Polska Group continues to closely monitor the economic developments and trends in credit portfolios resulting from the Covid-19 situation.

In view of the uncertainty around the further development of the pandemic, the bank continues to closely monitor the liquidity situation. The monitoring has not identified any additional liquidity threats connected with Covid-19. The bank's liquidity position is at a safe level, with the LCR comfortably above regulatory minimums. As at 30 June 2021, the consolidated LCR was 224% vs 207% as at 31 December 2020. The LCR increased in H1 2021 mainly on the back of growth of stable retail deposits. The funds obtained in this way were mainly invested in liquid assets, which strengthened the bank's secure liquidity position.

Due to the entry into force of Regulation (EU) No 2019/876 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the net stable funding ratio (NSFR), the bank is no longer required to calculate the local regulatory liquidity measures in relation to M3 and M4. Nonetheless, the bank calculated these measures as at 30 June 2021 and they totalled as follows: 4.51 for M3 and 1.43 for M4.

## Adaptation to regulatory requirements

During the reporting period, the Group also focused on implementation of credit practices consistent with EBA Guidelines on loan origination and monitoring EBA/GL/2020/06. These guidelines set out standards for credit risk taking, management and monitoring, and require that institutions apply appropriate practices in relation to consumer protection and prevention of money laundering.

Alongside this, the bank implemented changes to credit processes to make sure they comply with KNF Recommendation S on best practice in the management of mortgage-backed credit exposures. While the recommendation covers only mortgage-backed loans, changes also indirectly affected credit processes related to unsecured loans. The operational and management reports were adjusted to include the elements introduced by the recommendation.

## Managing the portfolio of currency mortgage loans

The recent years have seen an increased legal risk related to the portfolio of currency mortgage loans, causing a growth in the number of legal cases and disputes around contractual clauses, triggered by the ruling of 3 October 2019 of the Court of Justice of the European Union (CJEU) regarding the consequences of potentially unfair terms of a CHF-indexed loan agreement signed by Raiffeisen Bank Polska S.A. Most of the rulings are favourable for borrowers, but no consistent ruling practice has been established yet, which causes uncertainty in the legal environment. 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 resolution has not been adopted, and the case has been adjourned. The ruling of the Civil Chamber of the Supreme Court and the national courts' decisions derived from that ruling will have an impact on the value of future financial obligations of banks.

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

The Group's model of provisions for legal risk associated with the portfolio of loans indexed to or denominated in a foreign currency takes into account different scenarios with regard to potential court rulings and the supreme court resolution.

As at 31 June 2021, the Group raised provisions of PLN 834.0m for disputes over contractual clauses in mortgage loan agreements expressed in foreign currencies. In addition, collective legal risk provisions of PLN 470.1m were raised to reflect the higher number of cases related to contractual clauses in agreements on loans expressed in foreign currencies.

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

## Interest Rate Benchmark reform

In H1 2021, Santander Bank Polska Group continued work as part of the IBOR Programme to prepare the organisation for the transition to new benchmarks once the ICE Benchmark Administration Limited (IBA) ceases publication of LIBOR settings after 31 December 2021. In the reporting period, focus was placed on:

- adaptation of IT systems to the new benchmarks;
- review of transactions/ agreements concluded before the entry into force of the Benchmarks Regulation (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds).

As part of the review of agreements concluded before the entry into force of the Benchmarks Regulation, the bank particularly focused on provisions relating to the indices used and interest calculation formulas, as well as on provisions applicable in the case of a material change or unavailability of interest rate benchmarks. In the first place, the review covered large corporate transactions. In June, a campaign was started to sign annexes to EUR mortgage agreements originated before 1 January 2018.

Due to the continued legal uncertainty as to the possibility of implementing a benchmark to replace CHF LIBOR in agreements, the Group put on hold corresponding measures relating to CHF loan agreements. The Group expects that a decision on how the CHF LIBOR will be replaced will be taken towards the end of Q3, following receipt of the necessary legal opinions, which will allow it to propose changes to customer agreements in Q4 2021.

Work is underway to develop and implement alternative benchmarks in existing contracts in accordance with the requirements arising from the Benchmarks Regulation (BMR). Proposed substitutes for LIBOR, which is to be discontinued on 31 December 2021, are still being discussed. In particular, in accordance with market expectations, the European Commission should define how LIBOR CHF is to be replaced by an alternative benchmark or benchmarks. The above work may have a significant impact on the assessment of risk of changes to the effectiveness of hedging relationships established by the Group. It will be possible to present in detail reliable estimates of a potential impact of changes in hedging relationships after the European Commission publishes relevant information in this respect.

## 3. Material Risk Factors Expected in H2 2021

The downward trends reversed as the third wave of the Covid-19 pandemic subsided. The latest economic indicators are getting more optimistic and show that the economic scenario may be better than initially predicted. Against this background, no significant deterioration of the credit portfolio quality is expected. Nonetheless, the Group continues to closely monitor the portfolio and market conditions to adjust the credit policy to the pandemic and economic developments.

The Group also expects the banking regulator to issue numerous new guidelines, which will require adaptation of the bank's practices while ensuring appropriate risk assessment and asset classification.

The Group will continue to monitor court decisions in cases relating to loans indexed to or denominated in foreign currency, and will regularly assess the adequacy of provisions raised for individual disputed cases and collective legal risk.

The rising inflation in Poland may force the Monetary Policy Council to increase interest rates. This would positively affect the Group's net interest income.

Cyber risk will remain one of the key risks to the banking and financial sector. This relates both to human behaviour and technological aspects. The key threats include the loss or theft of sensitive data, disruption of key services, attacks against customer assets and fraudulent transactions in the wake of the dynamic growth of modern IT technologies, digital transformation and globalisation.

Cyber attacks have become more sophisticated and specialised. Particularly popular are attacks based on new technologies offered by cybercriminals under a service model. In response to those threats, the 2019–2021 Cybersecurity and Financial Crime Prevention Strategy of Santander Bank Polska Group was put in place, and specific mitigants were included in the Cybersecurity Transformation Plan.

## 4. Management of the Covid-19 Situation in H1 2021

### Epidemic situation in H1 2021

The bank manages the Covid-19 situation in accordance with general law and the internal Procedure for managing suspected and confirmed cases of coronavirus in the workplace. Pursuant to the adopted rules, the bank monitors and reports on the pandemic, and prevents the transmission of SARS-CoV-2 among employees.

In H1 2021, the bank coped with the third wave of coronavirus, whose peak was recorded in March. Due to the confirmed Covid-19 cases, 109 branches were closed at that time for several days to contain the spread of the virus. During the first half of the year, 262 branches were closed and 842 cases were reported compared with 591 cases in 2020.

In the reporting period, the bank continued to ensure safety for branch banking employees and customers through the following ongoing processes, among other things:

- supplying protective equipment to branches;
- disinfecting branches and their ATMs;
- limiting the number of customers that could be in a branch at a time;
- reporting on availability of branches and presenting relevant information online, including in social media and on a dedicated website: [www.santander.pl/koronawirus](http://www.santander.pl/koronawirus);
- providing updates to customer advisors as part of coordinated communication activities directed at the sales network to inform them about changes to the organisation of work during the pandemic (using a system for prompt response to the needs reported by employees and a dedicated website with key information for branch staff);
- using the “Our Health” app to get information from employees who returned from abroad or had contacts with persons tested positive for Covid-19;
- assessing occupational risk connected with SARS-CoV-2 to identify threats and define preventive actions.

Further to this, employees who had contact in the workplace with a person who tested positive for coronavirus could take a free test for Covid-19. A workplace vaccination programme was launched in 11 locations across Poland for employees of Santander Bank Polska S.A., its subsidiaries and their relatives. Lastly, recuperators were switched off in the Business Support Centre ventilation systems to ensure 100% of fresh air.

### New work model

Due to the continuing sanitary and epidemic situation in Q1 2021, the bank’s Management Board decided that employees of the Business Support Centre would work from home until the end of summer holidays. To ensure that they have appropriate conditions to continue effective and uninterrupted teleworking, the bank purchased and replaced another set of laptops. Meanwhile, measures were taken to prepare the organisation for implementation of a hybrid work model combining remote and in-office working. As the number of Covid-19 cases was decreasing, the National Vaccination Programme was gathering pace and certain restrictions were lifted, a transitional period was started in June before the launch of the target hybrid work model. Guidelines and procedures were developed to support employees’ return to office. The transition to the target work model depends on the development of the situation in Poland.

### Support for customers

As part of measures taken to support customers exposed to COVID-19 threats, the bank focused on management of available and expiring solutions and on further implementation and automation of the related processes.

In H1 2021, the bank offered the following instruments and automated solutions:

Selected instruments for customers aimed to contain the impact of Covid-19	Automated solutions
<ul style="list-style-type: none"> <li>EBA non-legislative moratoria enabling deferral of principal or principal and interest payments for three or six months in relation to loans granted between 18 January 2021 and 31 March 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Bots for management of moratoria for SME customers.</li> </ul>
<ul style="list-style-type: none"> <li>Moratoria available under Shield 4.0 for personal customers who may suspend their loan agreements for up to three months.</li> </ul>	<ul style="list-style-type: none"> <li>Zero interest rates on credit accounts and suspension of loan payments.</li> </ul>
<ul style="list-style-type: none"> <li>Cancellation of subsidies under PFR Shield 1.0.</li> </ul>	<ul style="list-style-type: none"> <li>Option to request cancellation of subsidies via electronic banking.</li> <li>Reporting and handling of complaints and powers of attorney.</li> <li>Preparation for automation of settlement and cancellation of subsidies, posting of repayments, monitoring and reporting.</li> </ul>
<ul style="list-style-type: none"> <li>Option to request subsidies under PFR Shield 2.0 for selected sectors available until 28 February 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Adaptation of existing tools to support new industry subsidies.</li> </ul>

The bank facilitated access to funding for business customers through participation in guarantee programmes of the Polish Development Fund (PFR) (liquidity guarantees for small and medium-sized businesses offered as part of the portfolio guarantee line of the Liquidity Guarantee Fund) and BGK (loan repayment guarantees offered under the portfolio de minimis guarantee line).

It also provided ad-hoc support for customers under a personalised approach (e.g. bridge financing, short-term liquidity support, suspension of fees).

The table below presents the scope of support provided to customers of Santander Bank Polska Group as part of legislative and non-legislative measures aimed to contain the impact of Covid-19 as at 30 June 2021.

### Support for customers of Santander Bank Polska Group provided as part of selected aid measures to mitigate the impact of the Covid-19 pandemic

<b>153,787</b>	Number of customers who used legislative and non-legislative moratoria (i.e. deferral of principal or principal and interest payments or suspension of loan agreements)
<b>PLN 18,669.4m</b>	Carrying amount of loans and advances subject to moratoria
<b>18,551</b>	Number of customers who were granted BGK guarantees
<b>PLN 4,930.6m</b>	Value of BGK guarantees granted

## 5. Capital Management

### Introduction

Santander Bank Polska Group maintains a level of capital adequate to the type and scale of operations and the level of risk.

The level of own funds required to ensure safe operations of the bank and Santander Bank Polska Group and capital requirements estimated for unexpected losses is determined in accordance with the provisions of the CRD IV/CRR package, regulations of the European Parliament and of the Council (EU) (including 2020/873), and the Macroprudential Supervision Act, taking into account KNF's recommendations.

The Management Board is accountable for capital management, calculation and maintenance processes, including the assessment of capital adequacy in different economic conditions and the evaluation of stress test results and their impact on internal capital and capital adequacy. Responsibility for the general oversight of internal capital estimation rests with the bank's Supervisory Board.

The Management Board has delegated ongoing capital management to the Capital Committee which regularly assesses the capital adequacy of the bank and Santander Bank Polska Group (including in stressed conditions), monitors the actual and required capital levels and takes actions affecting own funds (e.g. by recommending the amount of the dividend to be paid). The Capital Committee is the first body that defines the capital policy, principles of capital management and principles of internal capital adequacy assessment.

All decisions regarding any increase or decrease in capital are taken by relevant authorities within the bank in accordance with the applicable law and the bank's Statutes.

### Capital requirements

Below are the minimum levels of capital ratios as at 30 June 2021 which meet the provisions of the CRR and the Macroprudential Supervision Act as well as the regulatory recommendations regarding additional own funds requirements under Pillar 2 at the level of Santander Bank Polska S.A. and Santander Bank Polska Group.

To mitigate the risk of credit crunch arising from the Covid-19 pandemic, on 18 March 2020 the Minister of Finance, issued a regulation based on the recommendation of the Financial Stability Committee removing banks' obligation to keep the systemic risk buffer of 3%. The released funds may be used by banks to support their lending activity and cover potential losses in the upcoming quarters.

Moreover, the Financial Stability Committee kept the countercyclical capital buffer at 0%.

The decrease in the systemic risk buffer results in the reduction of the total capital ratio from 14.29% to 11.284% for the Group, and from 14.25% to 11.25% for the bank.

Minimum capital ratio levels as at 30 June 2021	Tier 1	Total capital ratio
Santander Bank Polska S.A.	9.25%	11.25%
Santander Bank Polska Group	9.276%	11.284%

In H1 2021, the bank and Santander Bank Polska Group met all regulatory requirements regarding capital management.

### Regulatory Capital

Santander Bank Polska Group uses the standardised approach to calculate the capital requirement for credit risk, market risk and operational risk. According to this approach, the total capital requirement for credit risk is calculated as the sum of risk-weighted exposures multiplied by 8%. Risk-weighted exposures are calculated by applying risk weights to all exposures in accordance with the CRR.

Due to the Covid-19 pandemic, the KNF, similarly to other EU supervisory authorities, took measures to enhance resilience of the financial sector entities by imposing restrictions on profit distribution. In the letter of 26 March 2020, Polish banks were informed that they were expected to retain the entire profit earned in the previous years.

Accordingly, on 22 March 2021 the AGM of Santander Bank Polska S.A. approved the distribution of net profit of PLN 738.4m for 2020, allocating PLN 369.2m to the capital reserve PLN 369.2m to the dividend reserve.

Under AGM resolution of 18 March 2021, Santander Consumer Bank S.A. allocated all its net profit of PLN 284.3m for 2020 to the capital reserve.

CAPITAL RATIOS OF SANTANDER BANK POLSKA GROUP  
AS AT 30 JUNE 2021, 31 DECEMBER 2020 AND 30 JUNE 2020

Capital Ratios of Santander Bank Polska Group	30.06.2021 <sup>1)</sup>	31.12.2020	30.06.2020
I Total capital requirement	10 504,2	10 819,4	11 215,6
II Own funds after reductions <sup>1)</sup>	27 787,7	27 610,4	26 486,5
<b>Total Capital Ratio [II/(I*12.5)]</b>	<b>21,16%</b>	<b>20,42%</b>	<b>18,89%</b>
<b>Tier I Ratio</b>	<b>19,14%</b>	<b>18,38%</b>	<b>16,94%</b>

1) Own funds as at 30 June 2021 take account of the distribution of the net profit earned by Santander Bank Polska S.A. for 2020.

CAPITAL RATIOS OF SANTANDER BANK POLSKA S.A. AND SANTANDER CONSUMER BANK S.A.  
AS AT 30 JUNE 2021, 31 DECEMBER 2020 AND 30 JUNE 2020

Santander Bank Polska Capital Ratios	30.06.2021 <sup>1)</sup>	31.12.2020	30.06.2020
Total Capital Ratio	24,41%	23,90%	21,69%
Tier I Ratio	22,02%	21,50%	19,42%

1) Own funds as at 30 June 2021 take account of the distribution of the net profit earned by Santander Bank Polska S.A. for 2020.

Santander Consumer Bank Capital Ratios	30.06.2021 <sup>1)</sup>	31.12.2020	30.06.2020
Total Capital Ratio	28,71%	24,36%	24,42%
Tier I Ratio	27,10%	22,89%	22,96%

1) Own funds as at 30 June 2021 take account of the distribution of the net profit earned by Santander Consumer Polska S.A. for 2020.

As at 30 June 2021, the total capital ratio (TCR) and the Tier 1 capital ratio of Santander Bank Polska Group were 21.16% and 19.14%, respectively. Compared to Q1 2021, both TCR and Tier 1 capital ratio increased by 27 b.p. As at 30 June 2021, the capital adequacy of the bank and the Group was assessed in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 May 2013 (CRR) as amended by Regulation (EU) 2019/876 of May 20, 2019 (CRR 2) as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

The level of own funds was additionally affected by the provisions of Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures.

Changes in the regulations concerning the calculation of capital requirements in respect of counterparty credit risk and own funds in relation to the minimum loss coverage for non-performing exposures resulted in the reduction of TCR by 4 b.p. in total.

Pursuant to the bank's information strategy, details about the level of own funds and capital requirements are presented in a separate report on capital adequacy of Santander Bank Polska Group as at 30 June 2021 entitled ("Information on capital adequacy of Santander Bank Polska Group as at 30 June 2021").

## IX. Governing Bodies

### Annual General Meetings of Santander Bank Polska S.A.

On 22 March 2021, the Annual General Meeting (AGM) of Santander Bank Polska S.A. was held. It approved all the reports, statements and annual assessments required by law (including the report of the bank's Supervisory Board on remuneration paid to members of the Management Board and the Supervisory Board in 2019 and 2020), granted discharge to the members of the Management Board and Supervisory Board, and appointed a new member and the Chairman of the Supervisory Board (Antonio Escámez Torres) and determined his remuneration.

The AGM set aside a dividend reserve for payment of dividend (including interim dividend) and authorised the Management Board to use this reserve to pay interim dividend. It also adopted a resolution on the distribution of profit for 2020 totalling PLN 738.4m, with 50% to be allocated to the capital reserve and 50% to be left undistributed, as recommended by the bank's Management Board.

Furthermore, the AGM informed the shareholders of KNF Chairman's proposal for conversion and retrospective settlement of CHF mortgage loans as PLN loans under voluntary settlements between banks and borrowers. Finally, the AGM approved changes to the policy on suitability assessment of Supervisory Board members and amendments to the bank's Statutes, adjusting the document to the provisions of KNF Recommendation Z. The amendments to the Statutes were registered in the National Court Register on 21 April 2021.

### Supervisory Board

The table below presents the composition of the Supervisory Board of Santander Bank Polska S.A. as at 30 June 2021 and 31 December 2020.

<b>Role in the Supervisory Board</b>	<b>Ref.</b>	<b>Composition as at 30.06.2021</b>	<b>Ref.</b>	<b>Composition as at 31.12.2020</b>
Chairman of the Supervisory Board:	1.	Antonio Escámez Torres	1.	Gerry Byrne
Vice Chairman of the Supervisory Board:	2.	José Luís de Mora	2.	José Luís de Mora
Members of the Supervisory Board:	3.	Dominika Bettman	3.	Dominika Bettman
	4.	José García Cantera	4.	José García Cantera
	5.	Danuta Dąbrowska	5.	Danuta Dąbrowska
	6.	Isabel Guerreiro	6.	Isabel Guerreiro
	7.	David Hexter	7.	David Hexter
	8.	John Power	8.	John Power
	9.	Jerzy Surma	9.	Jerzy Surma
	10.	Marynika Woroszyńska-Sapieha	10.	Marynika Woroszyńska-Sapieha

In view of the decision announced on 22 February 2021 by the Chairman of the Supervisory Board of Santander Bank Polska S.A. Gerry Byrne to retire and resign from his membership in the Supervisory Board of the bank, effective as of adoption of a resolution by the AGM to approve the Report on activities of the Supervisory Board in 2020, the controlling shareholder, Banco Santander S.A., nominated Antonio Escámez Torres as a candidate for the position of the Chairman of the Supervisory Board, which was approved by the AGM of Santander Bank Polska S.A. on 22 March 2021.

Other members of the bank's Supervisory Board, in its composition as at 30 June 2021, were appointed for a joint three-year term of office by the AGM held on 22 June 2020.

Details about the academic background and professional experience of the bank's Supervisory Board members are published on the bank's website at <https://www.santander.pl/en/investor-relations/about-company/authorities>.

As at 30 June 2021, the following members of the Supervisory Board held independent status: Dominika Bettman, Danuta Dąbrowska, David Hexter, Jerzy Surma and Marynika Woroszyńska-Sapieha.

As at 30 June 2021 and 31 December 2020, the Supervisory Board members sat on the following committees:

			Supervisory Board Committees as at 30.06.2021 and 31.12.2020							
Role in the Supervisory Board	Ref.	Composition as at 30.06.2020	Audit and Compliance Committee		Risk Committee		Nominations Committee		Remuneration Committee	
			30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Chairman of the Supervisory Board:	1.	Antonio Escámez Torres		-		-		-		-
Vice Chairman of the Supervisory Board:	2.	José Luis de Mora								
Members of the Supervisory Board:	3.	Dominika Bettman								
	4.	José Garcia Cantera								
	5.	Danuta Dąbrowska							●	●
	6.	Isabel Guerreiro								
	7.	David Hexter	●	●						
	8.	John Power								
	9.	Jerzy Surma			●	●				
	10.	Marynika Woroszyńska-Sapieha					●	●		

● Chairman  
 Member

## Management Board

The table below presents the composition of the Management Board of Santander Bank Polska S.A. as at 30 June 2021 and 31 December 2020, and the roles and responsibilities of its members.

Role in the Management Board	Ref.	Composition as at 30.06.2021	Reporting Areas as at 30.06.2021	Ref.	Composition as at 31.12.2020	Reporting Areas as at 31.12.2020
President:	1.	Michał Gajewski	Units reporting directly to the President: 1) Legal & Compliance Division 2) units outside of the divisional structure: Internal Audit Area, Corporate Communications and Marketing Area, Strategy and Business Model Transformation Area, Corporate Governance Office, Classified Data Protection Unit	1.	Michał Gajewski	Units reporting directly to the President: 1) Legal & Compliance Division, 2) units outside of the divisional structure: Internal Audit Area, Corporate Communications and Marketing Area, Strategy and Business Model Transformation Area, Customer Excellence Centre, Classified Data Protection Unit, Corporate Governance Office
Vice Presidents:	2.	Andrzej Burliga	1) Risk Management Division, 2) Business Intelligence Area (unit outside of the divisional structure)	2.	Andrzej Burliga	1) Risk Management Division, 2) Business Intelligence Area (unit outside of the divisional structure)
	-	-	-	3.	Michael McCarthy	Business & Corporate Banking Division
	3.	Juan de Porras Aguirre	Corporate & Investment Banking Division	4.	Juan de Porras Aguirre	Corporate & Investment Banking Division
	4.	Arkadiusz Przybył	Retail Banking Division	5.	Arkadiusz Przybył	Retail Banking Division
Board Members:	5.	Lech Gałkowski	Business & Corporate Banking Division	-	-	-
	6.	Patryk Nowakowski	Digital Transformation Division	6.	Patryk Nowakowski	Digital Transformation Division
	7.	Maciej Reluga	Financial Management Division	7.	Maciej Reluga	Financial Management Division
	8.	Carlos Polaino Izquierdo	Financial Accounting & Control Division	8.	Carlos Polaino Izquierdo	Financial Accounting & Control Division
	9.	Dorota Strojowska	Business Partnership Division	9.	Dorota Strojowska	Business Partnership Division

On 22 March 2021, the Supervisory Board of Santander Bank Polska S.A. appointed existing members of the bank's Management Board for a new term of office, except for Michael McCarthy, who had announced his decision not to apply on 18 March 2021.

Pursuant to the decision taken by the Supervisory Board Adoption on 26 May 2021, Lech Gałkowski was appointed as the Management Board member in charge of the Business and Corporate Banking Division and took up his duties on that date.



Details about the academic background and professional experience of the bank's Management Board members are available on the bank's website at: <https://www.santander.pl/en/investor-relations/about-company/authorities>.

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

As at the release date of this report (Report of Santander Bank Polska Group for H1 2021) and the two previous reports (Report of Santander Bank Polska Group for Q1 2021 and Annual Report of Santander Bank Polska Group for 2020), none of the members of the Supervisory Board held any shares of Santander Bank Polska S.A.

The table below shows shares of Santander Bank Polska S.A. held by Management Board members as at the release dates of the above-mentioned reports for the periods ended 30 June 2021, 31 March 2021 and 31 December 2020.

Management Board Members	28.07.2021	28.04.2021	23.02.2021
	Number of Santander Bank Polska shares		
Michał Gajewski	4 795	4 795	4 795
Andrzej Burliga	3 884	3 884	3 884
Michael McCarthy <sup>1)</sup>	n/a	n/a	4 403
Lech Gałkowski <sup>2)</sup>	951	n/a	n/a
Patryk Nowakowski	1 055	1 055	1 055
Carlos Polaino Izquierdo	3 126	3 126	3 126
Juan de Porras Aguirre	3 379	3 379	3 379
Arkadiusz Przybył	2 999	2 999	2 999
Maciej Reluga	2 301	2 301	2 301
Dorota Strojowska	2 732	2 732	2 732
<b>Total</b>	<b>25 222</b>	<b>24 271</b>	<b>28 674</b>

1) On 18 March 2021, Michael McCarthy announced his decision not to apply for a new term of office starting on 23 March 2021. Accordingly, the table does not present the information about the shares held by Michael McCarthy as at 28 April 2021 and 28 July 2021.

2) On 26 May 2021, Lech Gałkowski was appointed as the Management Board member and took up his duties on that date.

## X. Statement of the Management Board

### True and fair presentation of the financial statements

To the best of the Management Board's knowledge, the financial figures and the comparable data presented in the financial statements incorporated in the Condensed Interim Financial Statements of Santander Bank Polska S.A. for the 6-month period ended 30 June 2021 and the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2021 were prepared in keeping with the applicable accounting policies and give a true and fair view of the state of affairs and earnings of Santander Bank Polska S.A. and Santander Bank Polska Group.

The half-yearly Management Board's report contained in this document gives a true picture of the development, achievements and position of Santander Bank Polska S.A. and Santander Bank Polska Group (including the underlying risks) in the first half of 2021.

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 Strojowska	Member	