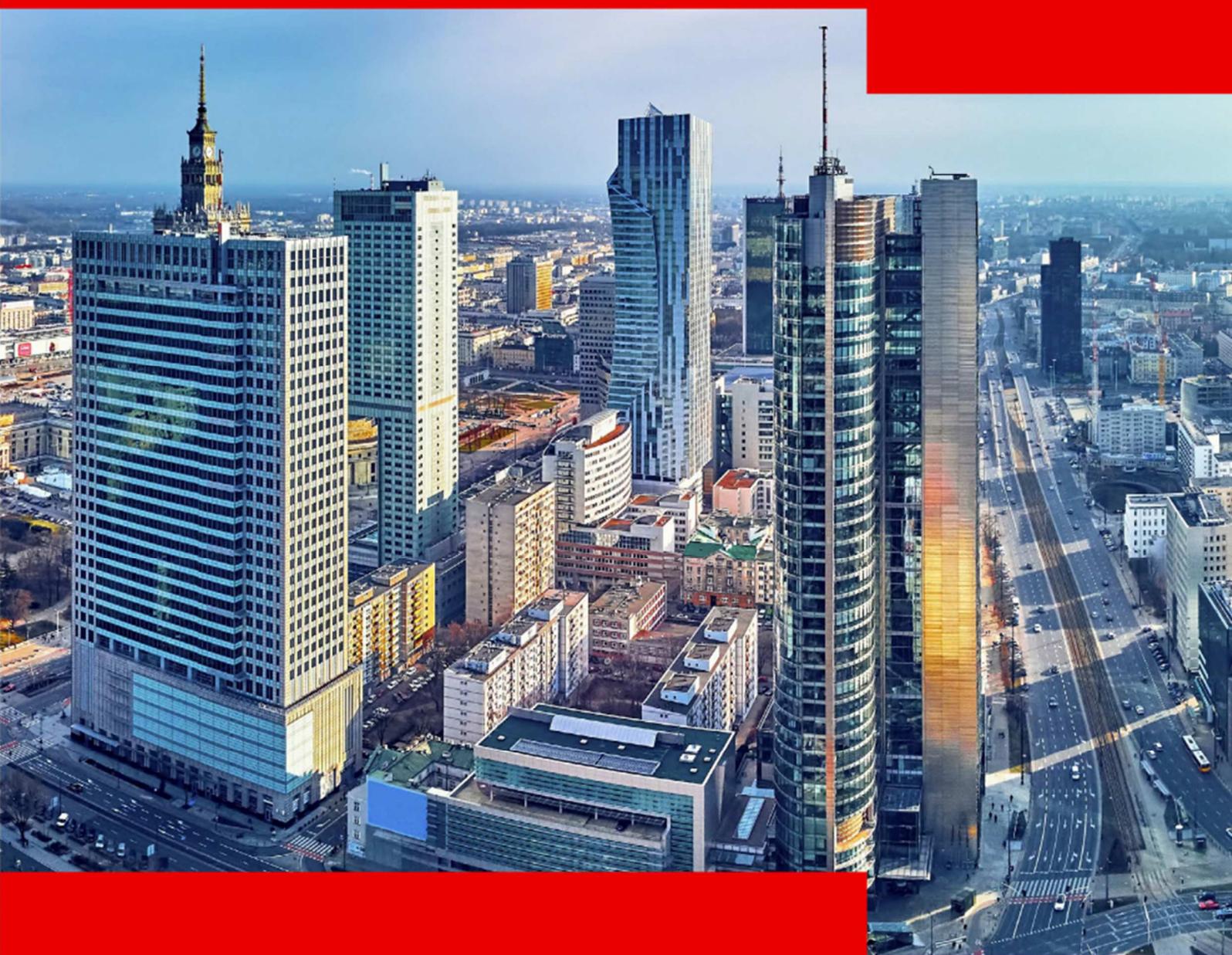


# Report of Santander Bank Polska Group for Quarter 3 2021



**FINANCIAL HIGHLIGHTS**

	PLN k		EUR k	
	1.01.2021-	1.01.2020-	1.01.2021-	1.01.2020-
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
<b>Consolidated financial statements of Santander Bank Polska Group</b>				
I Net interest income	4 231 941	4 477 430	928 363	1 007 976
II Net fee and commission income	1 846 207	1 582 805	405 003	356 327
III Profit before tax	1 609 898	1 619 301	353 164	364 543
IV Net profit attributable to owners of Santander Bank Polska SA	918 126	955 621	201 410	215 133
V Total net cash flows	(5 435 680)	(11 394 522)	(1 192 427)	(2 565 178)
VI Profit of the period attributable to non-controlling interests	125 085	164 365	27 440	37 002
VII Profit per share in PLN/EUR	8,98	9,36	1,97	2,11
VIII Diluted earnings per share in PLN/EUR	8,98	9,35	1,97	2,10
<b>Stand alone financial statements of Santander Bank Polska S.A.</b>				
I Net interest income	3 169 999	3 325 931	695 404	748 746
II Net fee and commission income	1 569 668	1 273 862	344 339	286 777
III Profit before tax	1 215 100	1 112 669	266 557	250 488
IV Profit for the period	772 783	735 551	169 526	165 590
V Total net cash flows	(5 214 524)	(11 419 185)	(1 143 912)	(2 570 731)
VI Profit per share in PLN/EUR	7,56	7,20	1,66	1,62
VII Diluted earnings per share in PLN/EUR	7,56	7,20	1,66	1,62

**FINANCIAL HIGHLIGHTS**

	PLN k		EUR k	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
	<b>Consolidated financial statements of Santander Bank Polska Group</b>			
I Total assets	233 653 251	229 311 309	50 433 476	49 690 411
II Deposits from banks	3 671 924	5 373 312	792 576	1 164 365
III Deposits from customers	177 320 494	171 522 255	38 274 190	37 167 863
IV Total liabilities	204 664 872	200 653 319	44 176 406	43 480 393
V Total equity	28 988 379	28 657 990	6 257 070	6 210 018
VI Non-controlling interests in equity	1 709 474	1 663 240	368 986	360 414
VII Number of shares	102 189 314	102 189 314		
VIII Net book value per share in PLN/EUR	283,67	280,44	61,23	60,77
IX Capital ratio	20,38%	20,42%*		
X Declared or Paid dividend per share in PLN/EUR	2,16**	-	0,47	-
<b>Stand alone financial statements of Santander Bank Polska S.A.</b>				
I Total assets	205 929 832	203 140 470	44 449 445	44 019 344
II Deposits from banks	1 588 163	2 993 349	342 801	648 641
III Deposits from customers	167 452 129	161 133 491	36 144 128	34 916 679
IV Total liabilities	180 377 142	177 717 626	38 933 960	38 510 364
V Total equity	25 552 690	25 422 844	5 515 485	5 508 981
VI Number of shares	102 189 314	102 189 314		
VII Net book value per share in PLN/EUR	250,05	248,78	53,97	53,91
VIII Capital ratio	23,45%	23,90%*		
IX Declared or Paid dividend per share in PLN/EUR	2,16**	-	0,47	-

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

\*\*Detailed information are described in Note 41.

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

- for balance sheet items – average NBP exchange rate as at 30.09.2021: EUR 1 = PLN 4,6329 and as at 31.12.2020: EUR 1 = PLN 4.6148
- for profit and loss items – as at 30.09.2021 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2021: EUR 1 = PLN 4,5585; as at 30.09.2020 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2020: EUR 1 = PLN 4.4420

As at 30.09.2021, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 190/A/NBP/2021 dd. 30.09.2021.



Overview of  
Santander Bank Polska Group  
Performance  
in Quarter 3 of 2021

## Table of Contents

<b>I. Basic Information about Santander Bank Polska Group and its Performance in Q3 2021 .....</b>	<b>4</b>
1. Key achievements	4
2. Financial and Business Highlights of Santander Bank Polska Group	5
3. Key External Factors	6
4. Corporate Events	7
5. Structure of Santander Bank Polska Group	8
6. Ownership Structure	9
7. Share Price vs. Indices	9
8. Rating of Santander Bank Polska S.A	10
<b>II. Macroeconomic Situation in Q3 2021 .....</b>	<b>11</b>
<b>III. Business Development in Q3 2021 .....</b>	<b>14</b>
1. Business Development of Santander Bank Polska S.A. and Non-Banking Subsidiaries	14
1.1. Retail Banking Segment	14
1.2. Business and Corporate Banking Division	18
1.3. Corporate and Investment Banking Division	20
2. Business Development of Santander Consumer Bank Group	22
3. Management of the Covid-19 Situation	24
<b>IV. Organisational and Infrastructure Development .....</b>	<b>25</b>
1. Human Resources	25
2. Distribution Channels	27
3. Digital Transformation	29
<b>V. Financial Performance until the end of Q3 2021 .....</b>	<b>31</b>
1. Income Statement	31
2. Statement of Financial Position	42
3. Selected Financial Ratios	47
4. Factors Which May Affect the Financial Results in the Next Period	48
<b>VI. Other Information .....</b>	<b>49</b>

# I. Basic Information about Santander Bank Polska Group and its Performance in Q3 2021

## 1. Key achievements

### **EFFICIENCY AND SECURITY**

- Group's solid capital position confirmed by capital ratios as at 30 September 2021, including total capital ratio of 20.38%.
- Sound liquidity position. Net customer loans to deposits ratio at 82.0%. Supervisory liquidity ratios well above the regulatory minimum.
- Close monitoring of risk and implementation of relevant prudential measures.
- Cost of credit at a pre-pandemic level of 0.89%. Decrease in NPL ratio to 5.4% as at 30 September 2021.
- 3.3% YoY decline in an aggregate of staff expenses and general and administrative expenses, including 8.3% YoY reduction in the latter component.
- Improved availability, reliability, performance and cyber security of the bank's systems.
- Design and implementation of a target hybrid work model.

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

- 4.9% YoY increase in total assets to PLN 233.7bn.
- Continued growth in deposits from customers by 6.4% YoY to 177.3bn supported by an increase in current account balances of individuals, businesses and the public sector (+19.9% YoY).
- 2.3% YoY increase in gross loans and advances to customers to PLN 151.7bn, including home loans (+3.7% YoY), leases (+10.7% YoY) and loans to business customers (+2% YoY).
- Upward trend in the quarterly net interest margin in 2021 (from 2.56% in Q1 to 2.64% in Q3).
- Increase in net fee and commission income from the majority of product lines, including account maintenance and cash transactions (+26.8% YoY), debit cards (+24.6% YoY), distribution and asset management (+19.3% YoY) and electronic and payment services (+16.3% YoY).
- Higher net value of assets in investment funds managed by Santander TFI S.A. (+33.1% YoY to PLN 19.3bn).

### **CUSTOMERS AND COMMUNITIES**

- 7.0m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers.
- 13.5% YoY increase in the number of Accounts As I Want It opened with Santander Bank Polska S.A. to 2.4m.
- 3.1m digital customers of both banks, including 2.2m mobile banking customers.
- Fast growth in the number of transactions routed via mobile banking (+45.1% YoY) and the channel's share in remote loan sales on a Ytd basis (33.9%).
- Further automation and optimisation of operational processes.
- Progress in the delivery of group IT projects aimed at improving experience of customers and employees (accelerated digitalisation of the retail business, single HR platform).
- Santander Bank Polska S.A. among the top three banks in Poland in the mass segment after the second stage of the NPS benchmark survey.

## 2. Financial and Business Highlights of Santander Bank Polska Group

### Key financial data of Santander Bank Polska Group

Selected Income Statement data		Q1-3 2021	Q1-3 2020	YoY Change (2021 / 2020)
Total income	PLN m	6 642,0	6 464,9	2,7%
Total costs	PLN m	(3 788,9)	(3 159,0)	19,9%
Impairment losses on loans and advances	PLN m	(850,5)	(1 306,1)	-34,9%
Profit before tax	PLN m	1 609,9	1 619,3	-0,6%
Net profit attributable to Santander Bank Polska S.A.	PLN m	918,1	955,6	-3,9%
Selected Balance Sheet data		30.09.2021	30.09.2020	YoY Change (2021 / 2020)
Total assets	PLN m	233 653,3	222 834,0	4,9%
Total equity	PLN m	28 988,4	28 456,0	1,9%
Net loans and advances to customers	PLN m	145 347,4	142 051,4	2,3%
Deposits from customers	PLN m	177 320,5	166 726,4	6,4%
Selected off-Balance Sheet data		30.09.2021	30.09.2020	YoY Change (2021 / 2020)
Net assets under management in investment funds <sup>1)</sup>	PLN bn	19,3	14,5	4,8
Selected ratios <sup>2)</sup>		30.09.2021	30.09.2020	YoY Change (2021 / 2020)
Total costs / Total income	%	57,0%	48,9%	8,1 p.p.
Total capital ratio	%	20,38%	18,84%	1,5 p.p.
ROE	%	4,1%	6,2%	-2,1 p.p.
NPL ratio	%	5,4%	5,7%	-0,3 p.p.
Credit risk ratio	%	0,89%	1,07%	-0,2 p.p.
Customer net loans/customer deposits	%	82,0%	85,2%	-3,2 p.p.

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

Selected non-financial data		30.09.2021	30.09.2020	YoY Change (2021 / 2020)
Electronic banking users <sup>3)</sup>	m	5,6	5,5	0,1
Digital (active) customers <sup>4)</sup>	m	3,1	2,9	0,2
Digital (active) mobile banking customers	m	2,2	1,9	0,3
Debit cards	m	4,4	4,2	0,2
Credit cards	m	1,1	1,2	-0,1
Customer base	m	7,0	7,2	-0,2
Branches	locations	457	566	-109
Off-site locations and Santander zones	locations	12	12	0
Partner outlets	locations	428	376	52
Employment	FTEs	11 440	12 788	-1 348

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

2) For definitions of ratios presented in the table above, see Section 3 "Selected Financial Ratios" of Chapter V "Financial Performance until the end of Q3 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 Q3 2021

<b>Health situation</b>	<ul style="list-style-type: none"> <li>Reopening of the economy continued. Throughout Q3, Poland had one of the lowest statistics of daily new cases of Covid-19 relative to the population size in Europe.</li> </ul>
<b>Economic growth</b>	<ul style="list-style-type: none"> <li>Polish GDP growth eased from strong 1.6% QoQ in Q2 to probably just below 1% QoQ in Q3 (no official data are available yet). Monthly data on industrial output signalled slowdown of upward trend in 3Q - supply shortages were most likely to blame. European business climate indicators peaked in Q3 and were already significantly lower in September.</li> </ul>
<b>Labour market</b>	<ul style="list-style-type: none"> <li>Continued stabilisation of the unemployment rate; wage growth still solid and much above inflation. Tight labour market with growing labour shortages. Consumer confidence indicators were marginally stronger.</li> <li>Continued 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>Highest inflation rate in 20 years, upside surprises continued, oil and energy prices on the rise, core inflation failed to ease.</li> <li>Strong increase in PPI inflation. Energy commodity price shock may weigh on real activity.</li> <li>Further increase in real estate prices.</li> </ul>
<b>Monetary policy</b>	<ul style="list-style-type: none"> <li>The MPC kept rates unchanged, albeit there was a motion for +15bp and +190bp increase in September. The NBP communication was being adjusted gradually to indicate the possibility of policy normalisation. QE purchases dwindled due to little interest from local banks.</li> <li>On 6 October 2021, the Monetary Policy Council increased the reference interest rate from 0.1% to 0.5%. The remaining interest rates were changed upwards as well, except for a deposit rate.</li> </ul>
<b>Fiscal policy</b>	<ul style="list-style-type: none"> <li>The 2021 budget was amended to reflect strong central budget condition (PLN 43.3bn worth of surplus after August). The planned deficit was reduced to PLN 40.4bn from PLN 82.3bn. Recipients of Financial Shield state aid were receiving decisions of partial cancellation of their loans. Repayments of the support also started.</li> </ul>
<b>Credit market</b>	<ul style="list-style-type: none"> <li>Growth of corporate lending coupled with higher repayments. Further gradual rebound in consumer loans and strong performance in mortgage loans segment.</li> </ul>
<b>Financial markets</b>	<ul style="list-style-type: none"> <li>Big rise in Polish bond yields and IRS as a function of accelerated inflation and the upcoming tapering by the Federal Reserve.</li> <li>Continued appreciation of USD.</li> <li>Elevated uncertainty still in place.</li> <li>Changes of international investors' moods amid expectations regarding monetary policy outlook of the main central banks (Federal Reserve, ECB), incoming economic data, worries about health situation and energy prices.</li> <li>Weakening of the zloty, strengthening of the US dollar because of the less accommodative policy of the Federal Reserve and higher core market yields.</li> </ul>

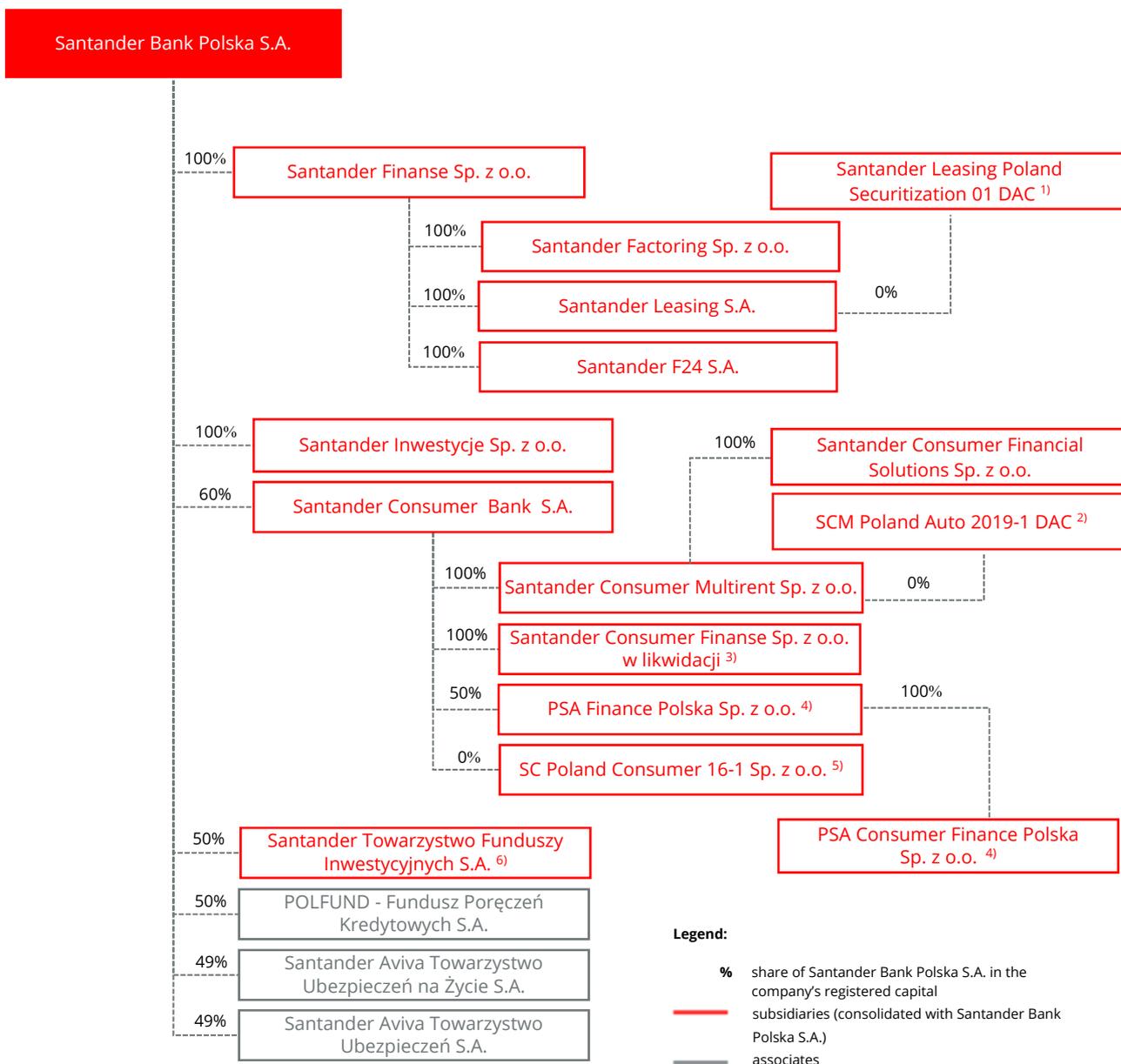
## 4. Corporate Events

### Major corporate events in the reporting period (until the release date of the interim report for Q3 2021)

<b>KNF's position on dividend policy in H2 2021 (concerning the net profit for 2020)</b>	<ul style="list-style-type: none"> <li>• Receipt of a letter from the KNF (2 July 2021) informing the bank that:               <ul style="list-style-type: none"> <li>✓ Stress Test (ST) add-on for Santander Bank Polska S.A. – measuring the bank's sensitivity to an adverse macroeconomic scenario – is set at 1.73%, taking into account regulatory adjustments (the bank's sensitivity is the same in the case of distribution of up to 75% and up to 100% of the net profit);</li> <li>✓ as at 31 March 2021, the bank met the basic dividend policy criteria for distribution of up to 100% of the net profit earned in 2020 but, taking into consideration the additional criteria due to the bank's portfolio of foreign currency home mortgages, the maximum dividend yield is 30%;</li> <li>✓ the KNF will present its position on retained earnings (including the profit for 2019) at the end of 2021 together with the dividend policy for 2022.</li> </ul> </li> <li>• Receipt of an individual recommendation from the KNF (20 July 2021) regarding the dividend policy of Santander Bank Polska S.A. in which the supervisor:               <ul style="list-style-type: none"> <li>✓ confirmed that the maximum dividend yield is 30% of the net profit for 2020 (taking into account the basic dividend policy criteria and additional criteria due to the portfolio of foreign currency home mortgages);</li> <li>✓ recommended that the bank should not take any other 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> </li> </ul>
<b>Payment of an interim dividend</b>	<ul style="list-style-type: none"> <li>• Decision by the Management Board of Santander Bank Polska S.A. (1 September 2021) to pay out an interim dividend for 2021 and to allocate PLN 220.7m for that purpose from the dividend reserve set aside by virtue of the resolution of the Annual General Meeting of 22 March 2021 (a component of the capital reserve made up of 50% of the bank's net profit for 2020, i.e. PLN 369.2m). Approval of the interim dividend payment by the Supervisory Board.</li> <li>• Details of the interim dividend:               <ul style="list-style-type: none"> <li>✓ amount: PLN 2.16 per share</li> <li>✓ eligible shares: 102,189,314 series A, B, C, D, E, F, G, H, I, J, K, L, M, N, O shares</li> <li>✓ record date: 8 October 2021; payment date: 15 October 2021.</li> </ul> </li> </ul>
<b>Ratings affirmation by Fitch Ratings</b>	<ul style="list-style-type: none"> <li>• Affirmation of the ratings of Santander Bank Polska S.A. by Fitch Ratings (23 September 2021), including IDR and VR at BBB+ with a stable outlook/F2/bbb+ and support rating at 2. For more information, see Section 8 below "Rating of Santander Bank Polska S.A."</li> </ul>
<b>Impact of an interest rate increase by the Monetary Policy Council on the financial performance</b>	<ul style="list-style-type: none"> <li>• Publication of information by the bank's Management Board about a positive impact of the decision taken by the Monetary Policy Council on 6 October 2021 to increase interest rates by 40 b.p. The impact on the consolidated net interest income has been estimated at PLN 335–395m over the next 12 months including:               <ul style="list-style-type: none"> <li>✓ PLN 300–350m in relation to Santander Bank Polska S.A.</li> <li>✓ PLN 35–45m in relation to Santander Consumer Bank S.A.</li> </ul> </li> <li>• The impact will gradually materialise in the coming quarters and its actual scale will depend on delivery of the business objectives and potential changes in the balance sheet items.</li> </ul>

## 5. Structure of Santander Bank Polska Group

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



1) Santander Leasing Poland Securitization 01 Designated Activity Company (DAC) with its registered office in Dublin is a special purpose vehicle incorporated on 30 August 2018 for the sole purpose of securitisation of a lease and credit portfolio. The company does not have any capital 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 SPV 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. w likwidacji 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 Sp. z o.o. is an SPV 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.

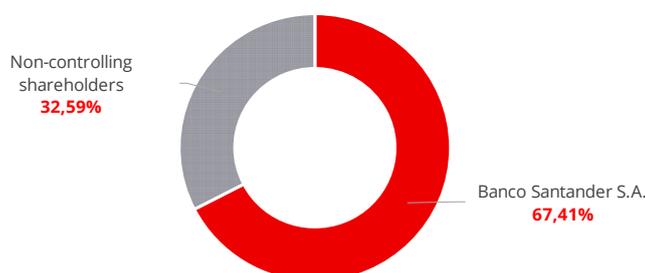
6) Both owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of Santander Group and hold an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska S.A. controls Santander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

## 6. 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	
	30.09.2021	31.12.2020	30.09.2021	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 managed by Nationale-Nederlanden Powszechno Towarzystwo Emerytalne (PTE) S.A.*

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE EQUITY  
AS AT 30.09.2021



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 September 2021. The remaining shares were held by the minority shareholders, of which, according to the information held by the bank's Management Board, only Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) exceeded the 5% threshold in terms of share capital and voting power.

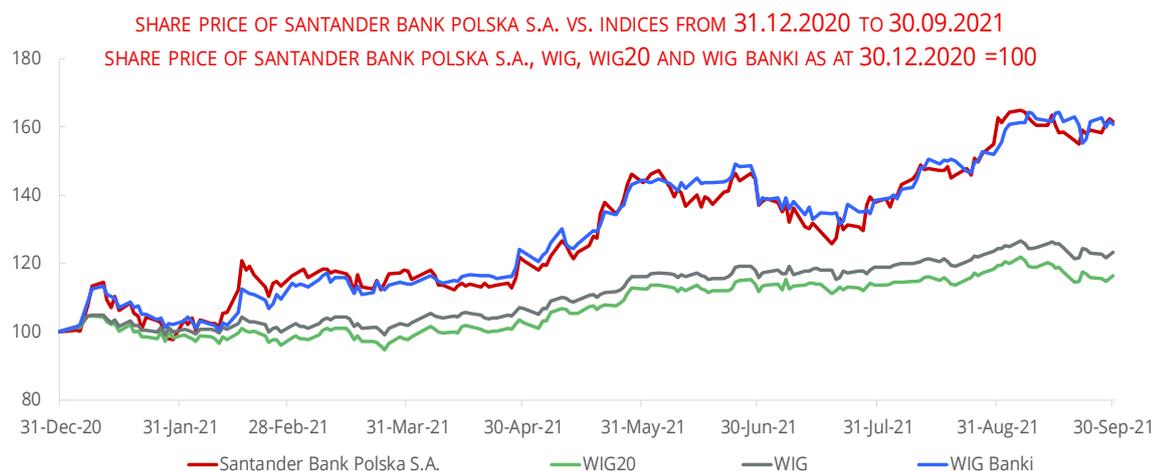
According to the information held by the Management Board, the ownership structure did not change in the period from the end of Q3 2021 until the release of the Report of Santander Bank Polska Group for Q3 2021.

## 7. Share Price vs. Indices

The third quarter of 2021 was the period of rising stock prices on the Warsaw Stock Exchange. After a relatively flat start of the summer, the main stock market indices saw sustained upward momentum over the next months. Banks' equities followed that trend: the share price of Santander Bank Polska S.A. gained 18% over the last three months, making up for the majority of losses caused by the pandemic-driven downturn. With this result, the bank outperformed not only WIG (6.5%) and WIG20 (4.1%) but also WIG Banks (17%).

Alongside a positive stimulus from global stock markets, it was the local market developments that shaped the bank's share price. A sharp increase in post-pandemic consumption supported by cheap loans visibly improved the Polish economy indicators. Still, the strong economic growth was accompanied with negative trends such as disruption of supply chains which could not be rebuilt fast enough to cope with high demand, resulting in price rises in many sectors. The inflationary processes were gaining momentum, sparking hopes for interest rate increases by the Monetary Policy Council. Discounting an increasing likelihood of a rise in the price of money, the share price of Santander Bank Polska S.A. reached its maximum of PLN 306.40 on 6 September. The lowest price in Q3 was recorded on 19 July (PLN 233.60).

In line with recommendations on the dividend policy issued by the KNF and resolutions adopted by the bank's Management Board and Supervisory Board, on 8 October the shareholders acquired the right to an interim dividend for 2021 at PLN 2.16 per share. It was paid out on 15 October 2021.



## 8. 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 changed/affirmed on 11.06.2021 and 23.09.2021 <sup>1)</sup>	Ratings affirmed on 29.09.2020 and 16.03.2021 <sup>2)</sup>
Long-term Issuer Default Rating (long-term IDR)	BBB+	BBB+
Outlook for the long-term IDR rating	stable	negative
Short-term Issuer Default Rating (short-term IDR)	F2	F2
Viability rating (VR)	bbb+	bbb+
Support rating	2	2
National long-term rating	AA(pol)	AA(pol)
Outlook for the national long-term rating	stable	negative
National short-term rating	F1+(pol)	F1+(pol)
Long-term senior unsecured debt rating (EMTN Programme)	BBB+	BBB+
Short-term senior unsecured debt rating (EMTN Programme)	F2	F2

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

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

In its announcement of 23 September 2021, Fitch Ratings affirmed the international, national and support ratings of Santander Bank Polska S.A. The affirmation of the ratings reflects the balanced credit risk profile of the bank and no changes to the assessment of support available to the bank from its parent, Banco Santander S.A. The stable outlook results from the review and assessment of risks connected with the operating environment of Polish banks. In the agency's view they were stable due to the limited impact of the pandemic on banks' credit profiles, sound economic recovery prospects and low likelihood of material contagion effect of banks' exposure to foreign currency mortgage loans for the broader sector.

The international ratings (IDR and VR) and senior debt rating are driven by the bank's intrinsic strength and potential parental support. The national ratings reflect the bank's creditworthiness relative to peers.

The bank's individual rating is substantiated by the established domestic franchise, conservative risk appetite, and solid capital and liquidity position. The bank's asset quality has remained resilient to the effects of the pandemic, as confirmed by average payment arrears and solid payment discipline among borrowers that have exited moratoria. However, the bank's profitability is still under pressure due to the slowdown caused by the pandemic, which affects both margins and lending growth. The bank's financial performance is also weighed down by the provisions for the legal risk connected with foreign currency mortgage loans. Their share in the credit portfolio is moderately high at 6% (as at 30 June 2021).

The support rating (SR) reflects 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, 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.

## 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 September 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 Deposit Rating	stable
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Long-term/Short-term Counterparty Risk Assessment	A1 (cr)/P-1 (cr)
Rating Assigned to Senior Unsecured EURO MTN Program	(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 September 2021.

On 14 September 2021, 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 and took into account the underlying methodology, recent internal and external developments, and a comparison of the financial and operating profile to similarly rated peers. The bank's baa2 BCA reflects a moderate quality of the credit portfolio, with the NPL ratio somewhat higher than the sector average and moderate exposure to CHF mortgage loans with higher legal risk. The bank has strong capital buffers (significantly above the regulatory minimum) and generally strong profitability, although the latter remains under pressure because of elevated cost of credit and weakened net interest margin. The BCA also reflects a good liquidity buffer and a moderate level of wholesale funding.

## II. Macroeconomic Situation in Q3 2021

### Economic growth

In Q3 2021, the economy was still recovering from the pandemic crisis, albeit most likely at a somewhat slower pace than in Q2 2021 (when it expanded 1.6% QoQ after seasonal adjustment). Epidemic situation was very favourable, with very low infection numbers and no major restrictions. At the same time, however, the vaccination rollout stalled, raising worries about possible resurgence of Covid-19 in the autumn. Polish economic growth was somewhat undermined by disruptions in supply chains and problems with raw materials and components as well as by rising costs. While companies and households were eager to invest, it seems that public sector investment was lagging behind. Labour market continued to be strong, with data suggesting healthy labour demand. Polish companies were facing increasing difficulties in finding staff, which was generating additional pressure on wages. Rising internal demand and prices pushed imports markedly up, outpacing exports, which led to a major deterioration of the current account, which is likely to be balanced at the end of the year after recording high surpluses in the previous quarters.

### 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. Unemployment was gradually going down, yet it was still slightly higher than before the pandemic. Nominal wages rose by about 9% YoY on average.

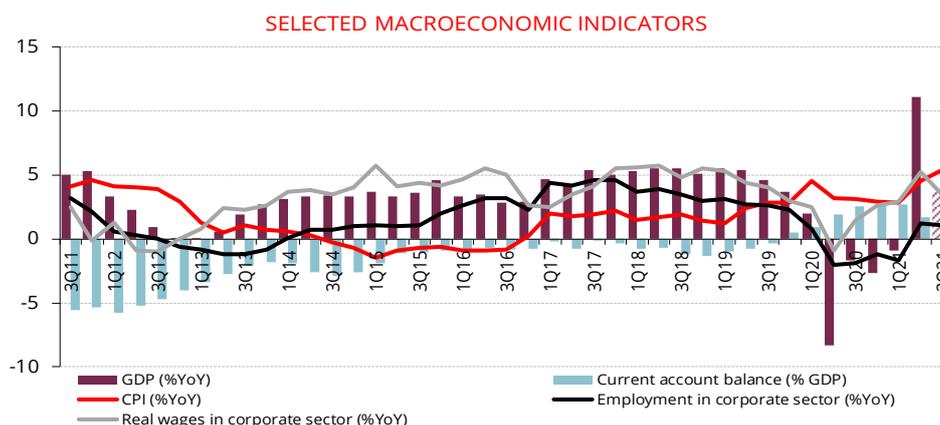
## Inflation

In Q3 2021, CPI inflation was clearly accelerating, supported by strong supply and demand shocks. CPI jumped to 5.9% YoY in September, the highest level in 20 years, and averaged 5.4% YoY in Q3 2021 compared to 4.5% in Q2 2021. Price growth was generally broad-based, but accelerated especially in the food, restaurants, hotels, housing, energy, furnishing and household equipment sectors. Core inflation remained elevated close to 4% YoY. PPI inflation accelerated markedly from 6.4% YoY in Q2 2021 to above 9% YoY on average in Q3 2021, partly due to rising cost pressures in companies.

## Monetary policy

The Monetary Policy Council maintained interest rates unchanged in Q3 2021 (with reference rate flat at 0.1%), even though it voted on the motions to hike rates, even to 2.0% in one move. Still, most of the MPC members did not follow that guidance and the NBP President Adam Glapiński argued that inflation was driven solely by supply shocks and interest rate hikes would be a mistake under such circumstances. According to the NBP President, the moment for policy normalisation was approaching, but it needed three conditions to be met: demand shocks in inflation, forecast showing CPI above 3.5% throughout the forecasting horizon and no worries about negative economic impact of the pandemic. New NBP forecasts prepared in July 2021 showed higher paths for expected inflation and GDP. NBP purchasing activity in the bond market almost ceased in Q3 2021.

Just after the end of Q3 2021, on 6 October the MPC decided to hike interest rates: the main reference rate by 40bp, from 0.1% to 0.5% and the lombard rate from 0.5% to 1.0%, while keeping the deposit rate at 0.0%. Also, the reserve requirement rate was raised from 0.5% to 2.0%. As explained by the NBP President, it was triggered by the conclusion that inflation rise will be stronger and more persistent than expected, which required the quick removal of policy accommodation to avoid the second-round effects.



## Loan and deposit market

At the end of Q2 2021, the loan market finally managed to show positive annual growth rate after correction for exchange rate movements. During the third quarter, credit delivery recovered to around 2% YoY thanks to further acceleration of lending to households (from 3.5% YoY on average in Q2 to approx. 4.5% in Q3), while the corporate loans' pace of decline was reduced to 2.5% YoY in August from 5.4% in June. The growth rate of mortgage loans, the most dynamic part of the loan market, was moving up in Q3 and approached 12% YoY for PLN-denominated loans and 7% when taking into account repayments of FX mortgage loans. Strong economic activity and much lower worries about the detrimental effect of the next Covid-19 wave as well as the start of repayment of government financial support were acting towards stronger credit demand. Growth rate of deposits was back above 7% YoY, but lower money creation via PFR and BGK issuances (which provide funding for government pandemic counter-measures) is unlikely to let it return to strong double-digit levels seen in early 2021.

## Financial market situation

At the end of Q3 2021, the 2021 inflation forecasts of the main central banks were upgraded significantly (Federal Reserve PCE to 4.2% from 3.4%, ECB HICP to 2.2% from 1.9%), while the growth forecasts changed just a bit. On top of that, the Federal Reserve, still pretty far from interest rates increases, started to prepare the markets for an upcoming tapering of the bond purchases. The process is most likely to start in November 2021 and last till mid-2022 and will likely put an upward pressure on the global funding costs as well as limit the strength of EM FX assets.

The global equity markets' performance in the year to date was strong with S&P500 up 16%, EuroStoxx up 14%, DAX up 10% and WIG up over 20% in dollar terms.

Core market bond yields in Q3 2021 were pretty volatile. 10Y UST yields kept declining and fell from a yearly high in July by approx. 30bp to 1.20% (quarterly minimum), which was attributable to fears over Delta Covid-19 variant, worsening consumer confidence and US retail sales data as well as worse sentiment after withdrawal of US troops from Afghanistan. The upward yield trend started abruptly in late September as inflation fears and skyrocketing commodity prices took over, while the Federal Reserve made it clear that QE tapering was likely to start in November 2021. The 10Y UST yields did not change in Q3 2021 (masking the previously mentioned volatility) but since then they have increased further by 13bp to 1.61%.

Similar trends were observed in relation to 10Y Bund yields in Q3 2021: they fell to -0.30% from -0.20%, rebounded in late July/early August and closed the quarter at -0.20%. Since then, they have moved further up by 9bp to reach -0.11%.

Polish bond yields started Q3 2021 near 1.70% (10Y) and then stayed between 1.60-1.80% for the most part of July and August. Only in late September did they start to follow increasingly higher core market yields and finished the quarter at 2.40% (after which they increased by as much as 30bp over less than two weeks as after the October's rate hike markets increasingly expect the MPC to continue fast monetary tightening). The 10Y spread to Bund widened from 190bp to 280bp in Q3 2021.

On the front end of the curve, 2Y yields moved from 0.35% to 0.90% over Q3 2021 (and then to 1.60% in mid-October) as markets reacted to the surprise NBP rate hike and kept pricing in much more. The move happened despite the record liquidity remaining in the banking sector.

EURPLN started Q3 2021 at above 4.50, after which it moved to 4.60 where it remained for most of July and August. In early September, the currency moved back to 4.50 for a while, after which it rebounded to 4.60 at the end of the quarter. In early October, it increased to 4.64 amid fears relating to US tapering and escalating tensions with the EU on the rule of law grounds. The unexpected 40bp NBP interest rate hike in October briefly strengthened the zloty again but the Constitutional Tribunal's ruling that part of the EU law is incompatible with the Polish Constitution offset this move and EURPLN again neared 4.60.



## III. Business Development in Q3 2021

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

#### 1.1. Retail Banking Segment

##### Main development directions

The Retail Banking Division took measures to increase customers' satisfaction with the bank's products and services in accordance with the following strategic priorities:

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 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 Q3 2020.

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

#### Personal customers

Product line for personal customers	Activities of the Retail Banking Division in Q3 2021
Cash loans	<ul style="list-style-type: none"> <li>• In Q3 2021, further measures were taken to grow cash loan sales, including:                             <ul style="list-style-type: none"> <li>✓ increasing availability of loans following the change in the calculation of the maximum non-interest borrowing cost; extending the lending period above 96 months and increasing the loan amount threshold for submitting confirmation of separate property regime or separation;</li> <li>✓ implementing a new consolidation loan application process in internet and mobile banking.</li> </ul> </li> <li>• During the first nine months of 2021, cash loan sales of Santander Bank Polska S.A. totalled PLN 5.3bn, up 13.4% YoY. Sales generated via remote channels accounted for 44.1% vs 33.7% in the same period last year. The acceleration of sales resulted from the recovery of demand for consumer loans amid improved economic situation in Poland and expectations as to its further development.</li> </ul>

Product line for personal customers	Activities of the Retail Banking Division in Q3 2021 (cont.)
<b>Cash loans (cont.)</b>	<ul style="list-style-type: none"> <li>As at 30 September 2021, the cash loan portfolio of Santander Bank Polska S.A. was PLN 14.7bn and was broadly stable both YoY (+0.0%) and Ytd (+1.5%).</li> </ul>
<b>Mortgage loans</b>	<ul style="list-style-type: none"> <li>In August and September 2021, in response to the market conditions, the bank modified its pricing of adjustable fixed rate mortgages which accounted for 13% of the total mortgage sales as at 30 September 2021.</li> <li>As mortgage sales further accelerated in Q3 2021, the bank continued to generate record results in this business segment. In Q3 2021, the value of new mortgage loans was PLN 2.8bn, up 125.6% YoY. In the year to date, sales totalled PLN 6.4bn, an increase of 63.1% YoY. The gross mortgage portfolio of Santander Bank Polska S.A. grew by 4.2% YoY, reaching PLN 52.9bn at the end of September 2021. The value of PLN mortgage loans amounted to PLN 44.1bn, up 6.9% YoY.</li> <li>The bank achieved all-time growth in new mortgage sales and was ranked third in the mortgage and equity release market in August 2021 (fourth in terms of the value of the mortgage portfolio).</li> </ul>
<b>Personal accounts and bundled products, including:</b>	<ul style="list-style-type: none"> <li>The number of PLN personal accounts grew by 3.4% YoY and reached 4.1m as at 30 September 2021. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 2.4m, up 13.5% YoY. Together with FX accounts, the personal accounts base exceeded 5.0m.</li> <li>In Q3 2021, the bank took further measures to grow sales of personal accounts including: <ul style="list-style-type: none"> <li>✓ the 11th 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;</li> <li>✓ communication campaigns related to the return to school such as "PLN 50 of pocket money" ("50 zł kieszonkowego") promotion for teenagers opening a personal account.</li> </ul> </li> <li>Mobile app users were offered an option to sign up for Autopay service and have motorway tolls automatically debited from their current accounts once they enter the car registration details in the app. As at 30 September 2021, around 20 thousand users availed of this service.</li> <li>To promote the bank's products and services and increase their competitiveness, on 1 September 2021 all Santander internet users were provided access to Telemedi.co medical package. Customers who signed up for this service could use free consultations for three months.</li> <li>Personal account holders could avail of the "Network security package" ("Pakiet bezpieczeństwa w sieci") special offer and use the service for free for 12 months.</li> </ul>
➤ <b>Payment cards</b>	<ul style="list-style-type: none"> <li>As at 30 September 2021, the basic statistics 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. With 12,0% higher turnover YoY, the bank had 10% market share (measured by the volume of POS transactions). Including business cards, the total number of debit cards was 4.4m, up 2.8% YoY.</li> <li>✓ The credit card portfolio comprised 778.8k instruments, a decrease of 6.1% YoY. The bank generated 10.4% higher credit card turnover YoY and had 13% market share (measured by the volume of POS transactions).</li> </ul> </li> <li>As at 30 September 2021, credit card loans of Santander Bank Polska S.A. totalled PLN 1.7bn, up 7.4% YoY.</li> </ul>

Product line for personal customers	Activities of the Retail Banking Division in Q3 2021 (cont.)
<b>Deposit and investment products, including:</b>	<ul style="list-style-type: none"> <li>As deposit balances grew dynamically for a relatively long period and the official interest rates continued slightly above 0%, the bank's priority was to support the sales 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.) and 15 selected Polish and foreign funds.</li> <li>As a result of effective cooperation between the bank and Santander TFI S.A., in Q3 2021 an increase was reported in the number of Private Banking customers availing of investment advisory services related to investment funds.</li> </ul>
➤ <b>Deposits</b>	<ul style="list-style-type: none"> <li>In the reporting period, retail deposit balances went up due to higher inflows to personal accounts.</li> <li>As at 30 September 2021, retail deposits increased by 7.7% YoY (+1.6% QoQ) to PLN 96.8bn, of which current account balances were up 17.8% YoY (+2.3% QoQ) and totalled PLN 88.0bn, with a relatively stable YoY and QoQ level of balances in savings account (PLN 32.0bn). Term deposit balances fell by 42.5% YoY (-4.3% QoQ) to PLN 8.7bn.</li> <li>In Q3 2021, the bank offered two special deals: "Deposit with fund" ("Lokata z funduszem") paying 1% and "Mobile Deposit" ("Lokata Mobilna") with an interest rate of 0.5%.</li> <li>The mobile app users were offered a new service that makes it easier to save money in the low interest rate environment in accordance with their personal preferences. The new service is getting quite popular and attracted around 74 thousand users as at the end of September 2021.</li> </ul>
➤ <b>Investment funds</b>	<ul style="list-style-type: none"> <li>As at 30 September 2021, total net sales of the funds managed by Santander TFI S.A. were positive at PLN 2.6bn, including PLN 0.36bn generated in the third quarter.</li> <li>The decline in sales compared to the previous quarters was caused by the developments in the interest rate market and negative results of certain categories of debt investment funds.</li> <li>Mixed, equity and corporate bond sub-funds performed best in terms of net positive sales in the period under review.</li> <li>Santander Bank Polska S.A. had 94% share in the total gross sales of Santander TFI S.A. for the first nine months of the year. The majority of buyers were retail customers, but funds were also sold to institutional customers as part of an offer based on fully digital processes.</li> <li>As at 30 September 2021, the total net assets of investment funds managed by Santander TFI S.A. were PLN 19.3bn and increased by 19.7% Ytd and 33.1% YoY as a base effect related to the massive outflow of funds and fall in asset prices across financial markets in Q1 2020, as well as thanks to gradual business recovery in subsequent periods.</li> </ul>
➤ <b>Brokerage services</b>	<ul style="list-style-type: none"> <li>In August 2021, customers were provided with access to the upgraded Inwestor mobile app. The changes were aimed at improving user experience and included: <ul style="list-style-type: none"> <li>✓ easy access to the financial history, instruments, orders and transactions;</li> <li>✓ quicker way to add new instruments to own tabs;</li> <li>✓ a possibility to place an order directly as part of an offer to buy or sell;</li> <li>✓ more user-friendly layout of the "Quotations" and "Portfolio" tabs.</li> </ul> </li> <li>As the volatility in the equity market decelerated, the bank's customers were offered investments in structured certificates (14 issues in total in the year to date).</li> </ul>
<b>Bancassurance</b>	<ul style="list-style-type: none"> <li>During the first nine months of 2021, insurance premiums collected increased by 24.9% YoY, including by 23.8% YoY for related products. A YoY increase in sales of key related products (Spokojny Kredyt cash loan insurance and Spokojna Hipoteka mortgage loan insurance) is attributed to more dynamic growth in sales of cash and mortgage loans as well as improved market penetration rates. Insurance premiums from non-related products rose on a Ytd basis, but declined by 8.2% YoY in Q3 due to a high base effect and the prevailing market demand for related products.</li> </ul>

## SMEs

Product line for SMEs	Activities of the Retail Banking Division in Q3 2021
<b>Business accounts and bundled products</b>	<ul style="list-style-type: none"> <li>• In Q3 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>• The following features were made available:               <ul style="list-style-type: none"> <li>✓ Autopay – toll payment via a mobile app;</li> <li>✓ a possibility to update business details via the Mini Firma internet banking mailbox (an option available to all entities irrespective of their legal form).</li> </ul> </li> <li>• The complaint process in Mini Firma and Moja Firma Plus was simplified.</li> <li>• Customers were provided with a possibility to authorise cash deposits at branches using an SMS code.</li> <li>• A promotional campaign called “Set up your business and get a prize” (“Założ firmę z nagrodami”) was launched for customers planning to start their own business.</li> </ul>
<b>Loans</b>	<ul style="list-style-type: none"> <li>• To increase customer satisfaction with products and services, in Q3 2021 the bank introduced a number of new functionalities in SME processes:               <ul style="list-style-type: none"> <li>✓ Sale of business loans by the Multichannel Communication Centre in the Smart Loans application;</li> <li>✓ Simplification of the de minimis guarantee process;</li> </ul> </li> <li>• Expansion of a prelimit offer for existing customers of the bank and the leasing company as part of development of SME product proposition.</li> <li>• During the first nine months of 2021, SME loan sales grew by 10.3% YoY, translating into 6.0% increase in the value of the credit portfolio to PLN 16.0bn.</li> </ul>
<b>Leases</b>	<ul style="list-style-type: none"> <li>• During the first three quarters of 2021, Santander Leasing S.A. financed assets of PLN 5.0bn, up 34.0% YoY amid strong sales in the vehicles segment and machinery and equipment segment (+46.8% YoY and 20.3% YoY, respectively).</li> <li>• The company developed its remote sales channel Multisalon24.pl available to customers looking for car finance.</li> </ul>

## 1.2. Business and Corporate Banking Division

### Main development directions

The Business and Corporate Banking Division pursues the strategic goal of Santander Bank Polska S.A. which is to become the best business bank and to be among the top three banks in terms of the market share. The bank strives to ensure best-in-class customer experience (confirmed by top NPS ranking positions) by investing in new CRM platforms and processes. 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, observations and lessons learned from last year.

NPS	Lending	AAA
<ul style="list-style-type: none"> <li>Customer contact policy (NPS)</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>

Direction	Activities of the Business and Corporate Banking Division in Q3 2021
<b>Business trends</b>	<ul style="list-style-type: none"> <li>Q3 2021 saw further business growth, including a dynamic increase in the trade finance segment, both in terms of sales and use of product limits.</li> <li>The percentage of approved overdrafts and multilines secured by BGK went up in line with the business objective.</li> <li>The volume of e-guarantees was effectively increased to 58% of all guarantees approved by the Business and Corporate Banking Division.</li> <li>Several new global players (such as the Bank of China and Dubai Islamic Bank) joined the Trade Club Alliance, which improved business potential of Santander Trade Portal and increased its attractiveness for customers.</li> </ul>
<b>Cooperation with the Treasury Services Department</b>	<ul style="list-style-type: none"> <li>Positive trends and strong FX business performance, reflecting volumes generated by customers and growth of derivative instruments portfolio.</li> <li>Weaker QoQ performance in the interest rate market due to a slower customers' activity in the summer. Apart from lower credit volumes, a negative impact was also exerted by an increasing margin pressure.</li> <li>Focus on positive customer experience with treasury services.</li> </ul>

Direction	Activities of the Business and Corporate Banking Division in Q3 2021 (cont.)
<b>Support for foreign expansion of Polish businesses</b>	<ul style="list-style-type: none"> <li>• In Q3 2021, the International Banking and Development Office organised/ co-organised or participated in the following events: <ul style="list-style-type: none"> <li>✓ webinar for Polish exporters (September 2021) about upcoming regulatory changes in exports of food to the UK following Brexit (organised in liaison with the British-Polish Chamber of Commerce and sector analysts);</li> <li>✓ international webinar: “Bringing One Europe closer to China” (September 2021) organised by all Santander Group banks in Europe together with the Bank of Shanghai for customers interested in the Chinese market;</li> <li>✓ conference: “Poland and Greater Poland in the eyes of foreign investors” (September 2021) organised by the Polish–German Chamber of Commerce (AHK) and supported by Santander Bank Polska S.A. as one of the sponsors;</li> <li>✓ networking sessions with customers from various countries held during Octoberfest in Wrocław, BPCC meetings in Warsaw and Kraków and meetings organised by the Scandinavian-Polish Chamber of Commerce and the Netherlands-Polish Chamber of Commerce;</li> <li>✓ conference: “Automotive industry – and what’s next?” (September 2021) organised by the Polish-German Chamber of Commerce (AHK) together with International Business and Strategic Sectors and sponsored, <i>inter alia</i>, by Santander Bank Polska S.A., focusing on the impact of local and European business support programmes on the automotive sector;</li> <li>✓ conference: “Food exports to the UK after 1 October – how to get prepared” organised by International Business together with the British-Polish Chamber of Commerce, during which Santander Trade Portal was presented along with guidelines for exporters trading with the UK-based partners.</li> </ul> </li> </ul>
<b>Factoring business</b>	<ul style="list-style-type: none"> <li>• During the first nine months of 2021, the receivables purchased by Santander Factoring Sp. z o.o. totalled PLN 25.5bn (up 19.3% YoY), which gave the company the fourth position in the ranking of members of the Polish Association of Factoring Companies, with a market share of 9.9%.</li> <li>• The value of the company's credit portfolio increased by 23.3% YoY to PLN 6.4bn as at 30 September 2021.</li> </ul>

## 1.3. 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 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>• Providing career development opportunities in accordance with the Group's values, leveraging experience sharing in an international work environment.</li> </ul>

The Corporate and Investment Banking (CIB) Division provides end-to-end services to its customer base, which includes the largest companies and groups in Poland (around 250 as at 30 September 2021). The CIB Division also renders services to customers within the integrated international Corporate and Investment Banking structures of Santander Group and cooperates with Group units in terms of transactions in debt securities.

### Performance of selected areas

The table below presents the activities of individual units of the CIB Division in Q3 2021.

Unit	Key activities in Q3 2021
Credit Markets Department	<ul style="list-style-type: none"> <li>• In Q3 2021, the Credit Markets Department completed several major transactions in the sectors which are relatively resilient to the crisis (the renewable energy and TMT sectors).</li> <li>• The key activities are presented below.                             <ul style="list-style-type: none"> <li>✓ Completion of bond issues, including:                                     <ul style="list-style-type: none"> <li>▪ Acting as a joint bookrunner in relation to the issue of 10-year eurobonds of EUR 500m for a Bank Gospodarstwa Krajowego (BGK).</li> <li>▪ Acting as the sole arranger of issue of short-term bonds for financial sector entities totalling above PLN 1.6bn.</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 sectors such as renewable energy and TMT, notably as part of project finance and syndicated lending, including:                                     <ul style="list-style-type: none"> <li>▪ Conclusion of a loan agreement providing for PLN 242m worth of financing for the portfolio of photovoltaic power plants with the total power output of 91 MW.</li> <li>▪ Performing a leading role in major financing deals related to fibre optic cable infrastructure, including financial advisory services and active participation in arrangement of syndicated lending of several billion PLN.</li> <li>▪ Co-financing of a data centre.</li> </ul> </li> </ul> </li> </ul>

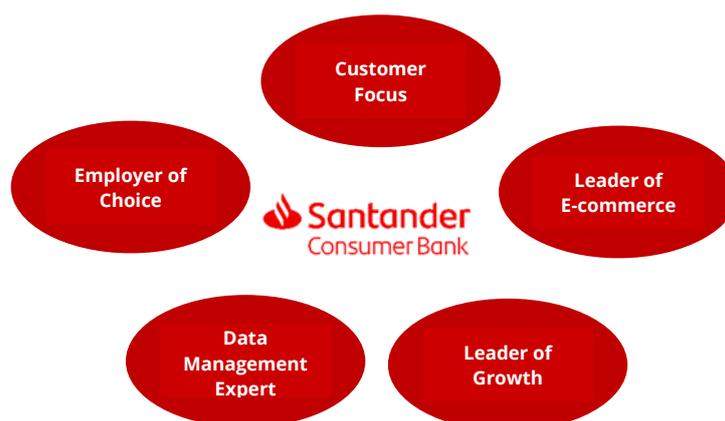
Unit	Key activities in Q3 2021 (cont.)
<b>Capital Markets Department</b>	<ul style="list-style-type: none"> <li>• The third quarter of the year is normally a period of subdued activity in the M&amp;A and ECM area. The Capital Markets Department concluded the following transactions:                             <ul style="list-style-type: none"> <li>✓ Advisory services for the Polish private equity fund in relation to the tender offer for shares of a manufacturer of heat transfer structures for the total amount of PLN 40m.</li> <li>✓ Advisory services for a group of entities with respect to PLN 16m worth of tender offer for shares of a business service provider.</li> </ul> </li> <li>• The above transactions ranked the bank's ECM Team as Poland's best ECM advisor in terms of the number of tender offers in Q3 2021.</li> </ul>
<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 continued at a relatively low level due to an outflow of funds and the lack of new transactions. The balance of current accounts is 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).</li> <li>✓ Preventive measures were 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>✓ Lower income from deposits was largely offset by increased sales of products generating income from transaction fees. The bank actively participated 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>✓ Stable use of supply chain finance by existing CIB customers (high increase in volumes recorded in July, followed by a seasonal drop in August).</li> <li>✓ Effective implementation of private debt mobilisation products in the supply chain finance portfolio enabling the bank to increase limits for existing customers.</li> <li>✓ Execution of a significant agreement to finance an investment in Poland supported by the German export credit agency – Euler Hermes.</li> <li>✓ Higher number 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>✓ Higher (up 4% in July–September 2021 compared to 30 June 2021) but still relatively low utilisation of credit limits, indicating a good liquidity position of CIB customers. The main increases were observed in the agricultural and pharmaceutical sectors due to seasonality.</li> <li>✓ The BGK aid programme (liquidity guarantees) was extended until the end of 2021, but only the limits secured in 2020 were renewed in Q3 2021 (no new exposures were secured). CIB customers did not avail of BGK guarantees or renewed the limits without further using the security granted under the aid programme, which was a positive trend.</li> <li>✓ Some banks have been increasingly active in providing new loans or refinancing. Pricing strategies are getting more aggressive.</li> </ul> </li> </ul>

Unit	Key activities in Q3 2021 (cont.)
<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>✓ Pilot sale of fixed-rate loans for SME customers.</li> <li>✓ Implementation of tools for corporate customers based on the credit workflow related to treasury limits (IR limit).</li> <li>✓ Design of currency exchange solutions for a new mobile app.</li> <li>✓ Implementation of improvements with respect to regulatory processes, including the IBOR reform.</li> <li>✓ Ensuring pre-trade transparency for liquid interest rate hedging instruments as part of obligations of systematic internalisers.</li> </ul> </li> <li>• Main activities in the equity research area: <ul style="list-style-type: none"> <li>✓ Publication of 50 recommendations with regard to CEE listed companies.</li> <li>✓ Increasing the scope of equity research to include a new company and relaunching recommendations for a computer game company.</li> <li>✓ Providing institutional investors with an opportunity to participate in investor conferences.</li> <li>✓ Organisation of an unprecedented event: “Santander Video Gaming Night”, bringing together 11 Polish computer game companies and 50 institutional investors.</li> </ul> </li> </ul>

## 2. Business Development of Santander Consumer Bank Group

### Strategic priorities

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



## Key business development directions

In Q3 2021, Santander Consumer Bank Group (SCB Group) focused on the following areas:

- Maintaining the volume of loans and leases for new cars and increasing finance for used cars, while ensuring the balance between the scale and profitability of business.
- Consolidating the leadership position in the durable goods market by maintaining a stable share in traditional sales, growing the share of 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-sell and up-sell opportunities.

## Development of selected business areas

Area	Business development of Santander Consumer Bank Group in Q3 2021
<b>Lending</b>	<ul style="list-style-type: none"> <li>• As at 30 September 2021, net loans and advances granted by SCB Group amounted to PLN 15.2bn and were 5.6% lower YoY as a combined effect of the pandemic and the related economic restrictions imposed in 2020 and 2021. Q3 2021 saw an upward trend in consumer loans and lease facilities. A decrease was reported in the value of the mortgage loans portfolio, which is being phased out. The value of w/c loans portfolio declined too, as a direct result of supply chain disruptions in the automotive market.</li> <li>• In Q3 2021, the bank increased the maximum available amount of a cash loan (up to PLN 100k) and extended the maximum lending period (up to 96 months).</li> <li>• To increase sales of new products supporting online transactions and to strengthen the position in the electronic channel (eCommerce), the bank expanded its product range to include a special-purpose loan and an Open Online Limit.</li> </ul>
<b>Deposits</b>	<ul style="list-style-type: none"> <li>• As at the end of September 2021, deposits from customers of SCB Group totalled PLN 9.0bn and decreased by 9.3% YoY, as term deposits became less and less attractive in a close-to-zero interest rate environment.</li> <li>• In September 2021, a promotional campaign of a savings account was launched to acquire new customers and increase the activity of existing ones. Customers were offered an increased interest rate of 0.7% until 31 January 2022.</li> </ul>
<b>Issue of securities</b>	<ul style="list-style-type: none"> <li>• In September 2021, Santander Consumer Multirent Sp. z o.o. issued the next tranche of short-term debt securities of PLN 500m as part of an issue programme.</li> </ul>

## 3. Management of the Covid-19 Situation

### Operational risk management

One of the key risks the bank continues to be exposed to due to Covid-19 is operational risk related to unavailability of human resources (of the Group and third party service providers) and buildings (both branches and headquarters). 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.

As the pandemic continues and the bank's business is increasingly dependent on electronic services, efforts have been taken to ensure optimum access to electronic channels by eliminating failures and minimising their impact and by implementing effective technological solutions.

The importance of cyber security has 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 keeps track of risks, taking mitigating measures on an ongoing basis in relation to both customers and employees. Security warnings are being released in response to cybercriminals' attempts to exploit the outbreak. The areas exposed to the risk of fraud are covered with increased surveillance.

Santander Bank Polska Group takes preventive measures, 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.

### Credit risk management

The Group continues to closely monitor the economic developments and trends in the credit portfolios (including risk indicators) resulting from the Covid-19 situation.

In Q3 2021, the risk associated with the personal customers portfolio (including that caused by the pandemic) was stable. Customers could still apply for temporary suspension of their loan agreements under the Anti-Crisis Shield 4.0. The bank monitored the situation of all customers who used the support available under the programmes aimed to contain the impact of Covid-19. At the same time, measures were taken to accelerate lending and ensure operational efficiency. Credit processes were further digitalised. The majority of pandemic-related restrictions connected with personal lending were removed.

Regular analyses were conducted to identify a potential increase in credit risk of corporate customers in connection with Covid-19. Special management reports were generated in this respect. In Q4 2021, the bank plans to review the situation of the sectors which were worst hit by the economic lockdown in H1 2021 (i.e. hotel, food and shopping centre sectors). Furthermore, risk management guidelines will be updated to properly reflect the current circumstances. In Q3 2021, the Group continued to offer solutions as part of the state aid programmes intended to support companies in financial distress caused by the pandemic. Such solutions were used by both business customers and non-borrowers. During the third quarter, customers could still apply for loans secured by BGK liquidity guarantees and subsidies from the Polish Development Fund (PFR) (available until August 2021).

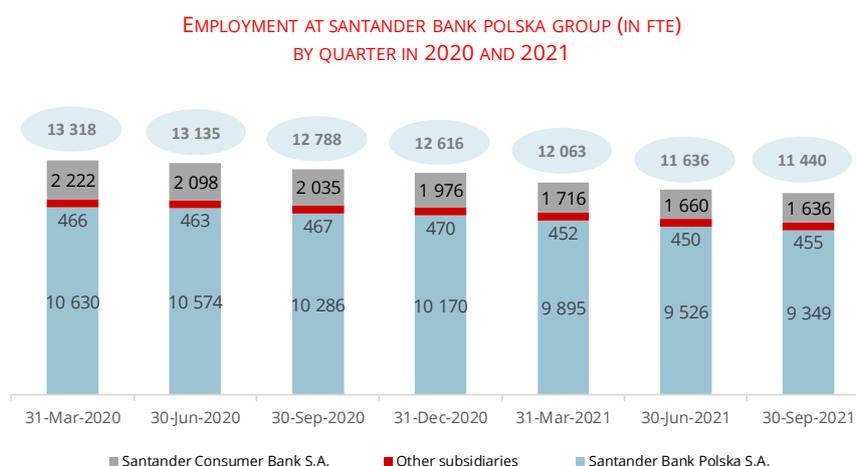
## IV. Organisational and Infrastructure Development

### 1. Human Resources

#### Employment

As at 30 September 2021, the number of FTEs in Santander Bank Polska Group was 11,440, including 9,349 FTEs of Santander Bank Polska S.A. and 1,636 FTEs of Santander Consumer Bank Group.

#### EMPLOYMENT OF SANTANDER BANK POLSKA GROUP



In Q3 2021, the employment in Santander Bank Polska Group decreased by 1.7% QoQ and 9.3% Ytd 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 skills matching the target profile for the organisation.

The HR processes take into account both present operational needs as well as 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 launched in Santander Bank Polska S.A. and Santander Consumer Bank S.A.

Pursuant to the resolution of the Management Board of Santander Bank Polska S.A. dated 29 October 2020, collective redundancies will cover up to two thousand employees and will be completed by 31 December 2022. 592 employees were made redundant in the year to 30 September 2021.

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 collective redundancy process, which will cover up to 340 employees and will be completed by 31 December 2021.

#### Remuneration policy

##### Changes to the remuneration policy

In accordance with the Management Board resolution of 21 July 2021, the bank adopted the updated Remuneration Policy of Santander Bank Polska Group, which was approved by the Supervisory Board on 27 July.

The document was amended to ensure compliance with new regulations: EU legislation (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 implementing 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 GPW Listed Companies of 2021, and principles of internal governance in banks specified in the KNF's Recommendation Z.

## Delivery of the remuneration policy

Pursuant to the Remuneration Policy of Santander Bank Polska Group an annual salary review took place. The process considered the latest market data on remuneration. Based on the results, measures will be taken in Q4 2021 to ensure that the bank's employees receive competitive remuneration compared with the market.

## Selected HR initiatives in Q3 2021

- The bank continued an employer branding campaign: "You are like...", presenting information about the development opportunities offered by the bank and the candidate profiles (e.g. IT, risk, data analysis and sales specialists). The campaign also shows employees as superheroes to recognise their everyday hard work, attitudes and challenges they face (including those posed by the pandemic). The concept of the campaign and its delivery make the bank stand out as an employer of choice and build positive associations with the brand.
- In relation to the planned launch of the OneHR (Workday) platform across Santander Group on 19 October 2021, a range of initiatives were undertaken as part of a comprehensive programme designed to provide support to employees during the first months of transition. It includes communication activities, training, user guides available in various forms and services of the HyperCare Team. The implementation of OneHR (Workday) is an important element of the OneSantander strategy that helps deliver such strategic priorities as simplification and employee focus.
- To promote an open dialogue and encourage employees to report their concerns via available whistleblowing channels, a set of videos were released: "Whistleblowing – is there anything to be afraid?". They presented everyday work of employees in charge of whistleblowing channels, explained the processes and responded to doubts and concerns voiced by employees.

## Work model and continued risk of Covid-19

In Q3 2021, as in the previous quarters, the employees of the Business Support Centre of Santander Bank Polska S.A. worked from home. Only critical employees and persons who requested so and got a formal consent could work at the office. As the risk of SARS-Cov2 infection continued, the bank's Management Board decided that employees of the Business Support Centre would work from home until the end of October. At the same time, steps were taken to prepare for the launch of a target hybrid work model across the organisation. The switch to the target model will depend on the development of the epidemic situation in Poland and introduction of the global rules of hybrid work at Santander Group.

Measures were still in place to prevent the spread of the pandemic, including basic safety rules (distance, disinfection and face masks), monitoring of employee traffic in office buildings, registration of Covid-19 cases and associated procedures (such as testing employees who had contact in the workplace with a person who tested positive for coronavirus and their relatives, disinfection of offices and branches).

## 2. Distribution Channels

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

#### Basic Statistics on Distribution Channels

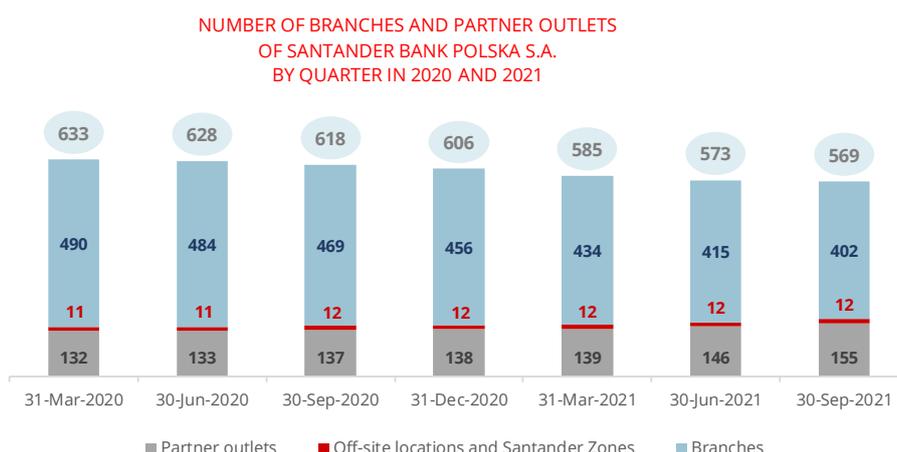
Santander Bank Polska S.A.	30.09.2021	31.12.2020	30.09.2020
Branches (location)	402	456	469
Off-site Locations	2	2	2
Santander Zones (acquisition stands)	10	10	10
Partner Outlets	155	138	137
Business and Corporate Banking Centres	6	19	19
ATMs and CDMs (unifunctional) <sup>1)</sup>	643	731	740
Dual Function Machines	912	930	934
Registered internet and mobile banking customers <sup>2)</sup> (in thousand)	4 406	4 179	4 139
Digital (active) internet and mobile banking customers <sup>3)</sup> (in thousand)	2 917	2 757	2 704
Digital (active) mobile banking customers <sup>4)</sup> (in thousands)	2 093	1 865	1 800
Registered iBiznes24 companies <sup>5)</sup> (in thousand)	24	21	19

- 1) The number of devices as at 30 September 2020 also included one single-function CDM.
- 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

As at 30 September 2021, Santander Bank Polska S.A. had 402 branches, 2 off-site locations, 10 Santander Zones and 155 partner outlets. In the third quarter of the year, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 13, and the number of partner outlets increased by 9.

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



Indirect distribution channels, whose main role is to acquire new customers, include agents, intermediaries, brokers and Santander Zones.

- In Q3 2021, the external network employed 240 people as the bank's tied agents on average per month. The bank used their services to offer cash loans, mortgage loans, SME loans, loan insurance, personal and business accounts, and leasing facilities.

- Cooperation with financial and real estate brokers (network agents) generated a significant YoY increase in sales.
- In Q3 2021, Santander Zones located in shopping centres operated without any disruptions caused by the pandemic and successfully acquired new customers (+54.7% YoY).

As part of the Private Banking model, customers were served by 59 Private Bankers based in 26 outlets across Poland (4 Private Banking Centres and 22 other locations). In Q3 2021, optimisation and reorganisation processes were carried out with respect to the resources dedicated to telephone service of Private Banking customers.

Services to businesses and corporations are provided by two departments: the Business Clients Department and the Corporate Clients Department with their six Banking Centres (three Business Banking Centres and three Corporate Banking Centres) operating within three regional structures through 29 offices located Poland-wide.

Services to the bank's largest customers, the public sector and universities are rendered by the specialised Business and Corporate Banking Department – Premium, which is also responsible for financing commercial properties.

## ATMs

In Q3 2021, the bank continued the process of optimising its off-site machines, removing and relocating economically unviable, low-transaction ATMs. The number of active ATMs was reduced by 43 and the number of dual-chamber devices by 2. At the same time, the number of recyclers increased by 5.

As at 30 September 2021, the network of self-service devices of Santander Bank Polska S.A. comprised 1,555 units, including 643 ATMs and 912 dual function machines (435 recyclers).

## Remote channels

In the reporting period, the bank continued to improve the functionality and capacity of digital contact channels in line with its long-term strategy which is to increase the share of such channels in customer acquisition and sales. The activity in this area accelerated in response to the Covid-19 pandemic, as more and more customers preferred to communicate and transact with the bank remotely. The changes were intended to improve the user-friendliness of existing features and add new ones, while enhancing security of operations.

Electronic channel	Selected solutions and improvements introduced in Q3 2021
<b>Development of digital acquisition and sales</b>	<ul style="list-style-type: none"> <li>• Mass roll-out (after a successful pilot in Warsaw) of an innovative service: execution of agreements with new customers using a biometric tablet in the courier process.</li> <li>• A possibility to contact the branch advisor online (chat, video call) to get information about a mortgage loan.</li> </ul>
<b>Internet banking</b>	<ul style="list-style-type: none"> <li>• A possibility to set up a trusted profile for children above 13.</li> <li>• Simplification of the complaint process in Mini Firma and Moja Firma plus.</li> </ul>
<b>Santander mobile</b>	<ul style="list-style-type: none"> <li>• Change to the presentation of the transaction history (instant visibility), blocked cards, declined payments, inflows and outflows.</li> <li>• Introduction of the Autopay toll payment service.</li> </ul>
<b>Multichannel Communication Centre (MCC)</b>	<ul style="list-style-type: none"> <li>• Channel integration and expansion of the scope of service processes 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 September 2021:                             <ul style="list-style-type: none"> <li>✓ implementing an authentication code as a customer identification tool;</li> <li>✓ optimising SME account closure;</li> <li>✓ streamlining the fraud reporting process;</li> <li>✓ pilot of ScreenSharing with a customer;</li> <li>✓ assistance for the photo-based account opening process;</li> </ul> </li> <li>• Pilot of Call Steering at the Friends &amp; Family stage.</li> </ul>

## CRM solutions

In Q3 2021, CRM activities focused on development of tools and the lead management system to increase the efficiency of communication in digital channels. Below are the main initiatives undertaken in this respect:

- Implementation of a display model in the mobile app to diversify communication with customers based on their preferences and activity in digital channels.
- Personalisation of the offer in digital channels in terms of the product and form of communication using the new behavioural segmentation and channel capabilities.

## 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.	30.09.2021	31.12.2020	30.09.2020
Branches	55	94	97
Partner Outlets	273	242	239
Auto Loan lending Partners	1 041	754	667
Installment Loan Lending Partners	7 153	7 113	7 087
Registered internet and mobile banking customers <sup>1)</sup> (in thousand)	1 187	1 269	1 330
Digital (active) internet and mobile banking customers <sup>2)</sup> (in thousand)	202	177	177
Digital (active) mobile banking customers <sup>3)</sup> (in thousand)	133	102	60

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.

## 3. Digital Transformation

Initiative	Selected projects delivered in Q3 2021
<b>Improvement of availability, reliability and performance of the bank's systems</b>	<ul style="list-style-type: none"> <li>• The performance and stability of payment processing systems were enhanced: the time to process mortgage and credit card payments was reduced, as was the time to settle mass transactions and calculate fees.</li> <li>• A new AI-based monitoring tool was implemented to enable faster detection of events and incidents in systems and services and identification of root causes.</li> <li>• The key internet, mobile banking and card authorisation systems were migrated to a new platform ensuring high efficiency and scalability of services.</li> <li>• The efficiency of the Central Reconciliation System was improved in view of a steady increase in the number of customer transactions.</li> </ul>
<b>Enhancement of security of the bank's systems</b>	<ul style="list-style-type: none"> <li>• The tests of safe configuration of the bank's ATM network were completed and the rollout was launched.</li> <li>• As part of cooperation with BIK S.A., an interbank working group was set up to facilitate exchange of information about committed and attempted frauds.</li> <li>• Measures were taken to promote cybersecurity culture among employees and customers, including a regular educational campaign on social media and warnings about emerging cyber threats published in the bank's channels.</li> <li>• Active internet and mobile banking users were encouraged to sign up for the CyberRescue service to receive cyber threat alerts and expert support.</li> </ul>

Initiative	Selected projects delivered in Q3 2021 (cont.)
<b>Implementation of regulatory requirements</b>	<ul style="list-style-type: none"> <li>• New control requirements were incorporated in the new AML Policy for Trade Finance and Payments in line with the Santander Group Protocol.</li> <li>• As part of the IBOR programme, a module for distribution of bank and market rates from market information systems was deployed in the live environment.</li> </ul>
<b>Automation and optimisation of operational processes</b>	<ul style="list-style-type: none"> <li>• The Restructuring Portal was implemented in Santander mobile to enable customers to manage their debt remotely.</li> <li>• Alongside this, mobile banking users were provided with an MVP (Minimum Viable Product) of the My Goals (Moje Cele) service that helps to create and achieve savings goals based on three methods.</li> <li>• To further consolidate the bank's infrastructure, the central environment was developed to facilitate the exchange of messages and data between applications.</li> <li>• The following processes were automated:               <ul style="list-style-type: none"> <li>✓ consumer bankruptcy process for business owners and individuals;</li> <li>✓ renewal of overdrafts secured with de minimis guarantees for sole proprietors;</li> <li>✓ opening internal accounts for corporate customers with garnishee orders;</li> <li>✓ parameterisation of fees for iBiznes24 electronic banking and cross-border transfers in the Discount Register;</li> <li>✓ disbursement of mortgage loan tranches.</li> </ul> </li> <li>• Strategic customers were offered a range of new solutions.</li> <li>• A fast-track procedure was implemented for loans, credit cards and overdrafts with a pre-limit, reducing the lead time by 80%.</li> </ul>

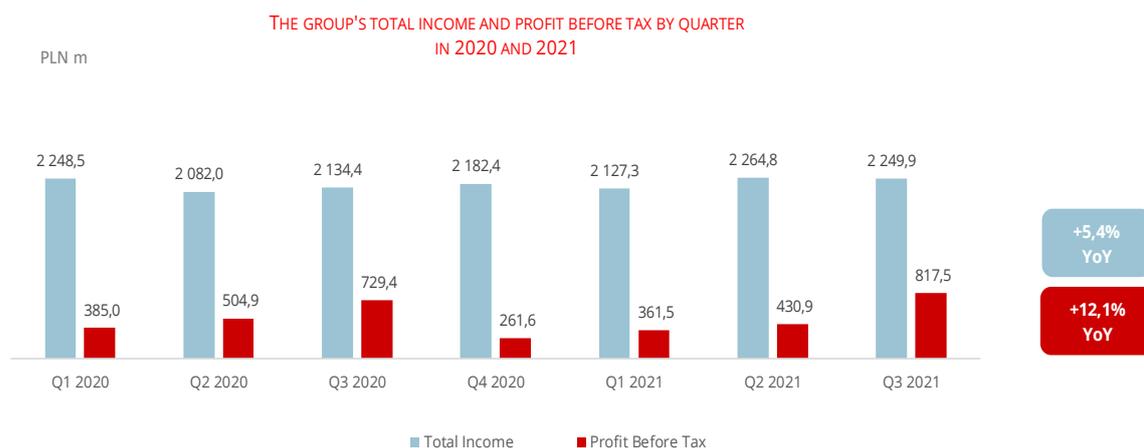
## V. Financial Performance until the end of Q3 2021

### 1. Income Statement

Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1-3 2021	Q1-3 2020	YoY Change
<b>Total income</b>	<b>6 642,0</b>	<b>6 464,9</b>	<b>2,7%</b>
- Net interest income	4 231,9	4 477,4	-5,5%
- Net fee & commission income	1 846,2	1 582,8	16,6%
- Other income <sup>1)</sup>	563,9	404,7	39,3%
<b>Total costs</b>	<b>(3 788,9)</b>	<b>(3 159,0)</b>	<b>19,9%</b>
- Staff, general and administrative expenses	(2 338,4)	(2 417,9)	-3,3%
- Depreciation/amortisation <sup>2)</sup>	(435,9)	(445,3)	-2,1%
- Other operating expenses	(1 014,6)	(295,8)	243,0%
<b>Impairment allowances for expected credit losses</b>	<b>(850,5)</b>	<b>(1 306,1)</b>	<b>-34,9%</b>
Profit/loss attributable to the entities accounted for using the equity method	57,4	68,5	-16,2%
Tax on financial institutions	(450,1)	(449,0)	0,2%
<b>Consolidated profit before tax</b>	<b>1 609,9</b>	<b>1 619,3</b>	<b>-0,6%</b>
Tax charges	(566,7)	(499,3)	13,5%
<b>Net profit for the period</b>	<b>1 043,2</b>	<b>1 120,0</b>	<b>-6,9%</b>
- Net profit attributable to Santander Bank Polska shareholders	<b>918,1</b>	<b>955,6</b>	<b>-3,9%</b>
- Net profit attributable to non-controlling shareholders	125,1	164,4	-23,9%

- 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 **profit before tax of Santander Bank Polska Group** for the 9-month period ended 30 September 2021 was PLN 1,609.9m, down 0.6% YoY. The profit attributable to the bank's shareholders declined by 3.9% YoY to PLN 918.1m.

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. Excluding income items and charges specified in that table from the periods in which they were generated or incurred and assuming a fixed level of contributions to the Bank Guarantee Fund:

- the **underlying profit before tax** increased by 13.9% YoY and
- the **underlying profit attributable to the shareholders of Santander Bank Polska S.A.** went up by 22.1% YoY.

## Comparability of periods

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

	Q1-Q3 2021	Q1-Q3 2020
<b>Provisions for legal claims and other assets</b> <i>(other operating expenses)</i>	<ul style="list-style-type: none"> <li>• PLN 728.0m, including PLN 672.6m with respect to claims related to foreign currency mortgage loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A. <i>(PLN 46.4m was released and recognised in other operating income; including PLN 35.3m related to foreign currency mortgage loans)</i></li> </ul>	<ul style="list-style-type: none"> <li>• PLN 101.4m <i>(PLN 22.3m was released and recognised in other operating income)</i></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 235.3m, including a contribution of PLN 81.2m to the bank guarantee fund and PLN 154.1m to the bank resolution fund</li> </ul>	<ul style="list-style-type: none"> <li>• PLN 369.5m, including a contribution of PLN 122.3m to the bank guarantee fund and PLN 247.2m to the bank resolution fund</li> </ul>
<b>Collective provision for legal risk</b> <i>(other operating expenses)</i>	<ul style="list-style-type: none"> <li>• 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. <i>(PLN 21.4m was released and recognised in other operating income)</i></li> </ul>	<ul style="list-style-type: none"> <li>• 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 104.2m, 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 22.5m, 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>• Derecognition of PLN 88.6m worth of allowances made in connection with Covid-19 as part of the 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>

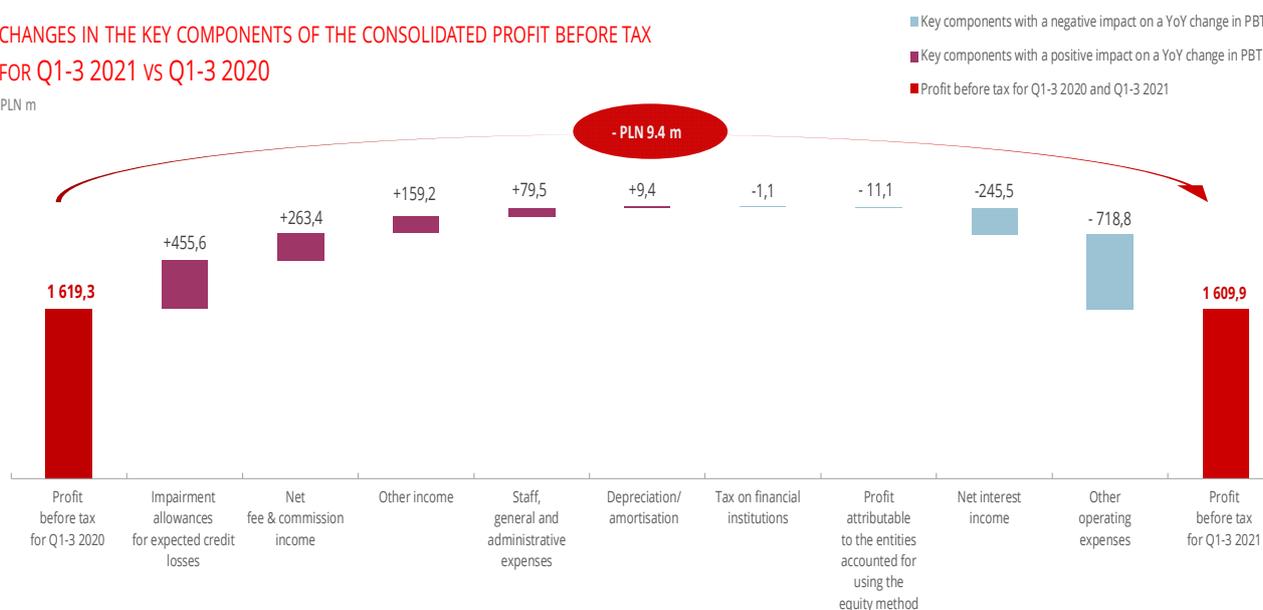
**Selected items of the income statement affecting the comparability of periods (cont.)**

	Q1-Q3 2021	Q1-Q3 2020
<b>Income of Santander Consumer Bank S.A. from revision of the model for calculation of provisions for insurance premium refunds</b> <i>(net interest income and net fee and commission income)</i>	<ul style="list-style-type: none"> <li>No corresponding one-off income</li> </ul>	<ul style="list-style-type: none"> <li>PLN 103m, including PLN 90m recognised in interest income and PLN 13m in fee and commission income</li> </ul>
<b>Negative 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 97.6m</li> </ul>	<ul style="list-style-type: none"> <li>PLN 129.0m</li> </ul>

**Determinants of the Group's profit during the first three quarters of 2021**

CHANGES IN THE KEY COMPONENTS OF THE CONSOLIDATED PROFIT BEFORE TAX FOR Q1-3 2021 VS Q1-3 2020

PLN m



During the first nine months of 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 16.6% YoY on account of considerably higher net income from the majority of product lines: account maintenance and cash transactions, debit cards, electronic, payment and guarantee services, distribution and asset management and brokerage services. This increase is attributable in part to the low base effect connected with the Covid-19 pandemic. More importantly, however, it is a sign of economic recovery and improved outlook, which translates into a higher number of banking operations made by customers.
- Other income** went up by 39.3% YoY on account of dividend income from the portfolio of equity 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. While the Group generated higher net trading income and revaluation (+PLN 80.6m YoY) amid favourable conditions in the financial markets, it posted lower gains on sale of bonds (-PLN 73.9m YoY). It also disclosed an increase in other operating income, mainly as a result of release of provisions for legal risk and legal claims relating to foreign currency loans.

- **Net impairment allowances** were down 34.9% YoY, reflecting a stable or lower cost of credit related to individual credit portfolios and partial derecognition of the management allowance in respect of Covid-19 (post-model adjustment) as the impact of such adjustment had been largely incorporated into the updated parameter values. The relevant allowance for the 9-month period of 2020 totalled PLN 151.3m.
- **Staff and general expenses** fell by 3.3% YoY due to a decrease in administrative expenses, notably fees payable to the BFG on account of bank resolution and guarantee funds (-PLN 134.2m YoY).

At the same time, the Group's consolidated profit before tax was under a strong pressure from:

- **Net interest income**, which was down 5.5% YoY due to lower market interest rates, demands of competition, and deceleration of credit delivery during the pandemic combined with relatively 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.
- **Other operating expenses**, which were up 243.0% YoY mainly on account of provisions for individual court cases and collectively assessed legal risk that increased in total by 336.3% YoY to PLN 923.6m, reflecting a growing scale of legal disputes concerning foreign currency mortgage loans.

## Profit before tax of Santander Bank Polska Group by contributing entities

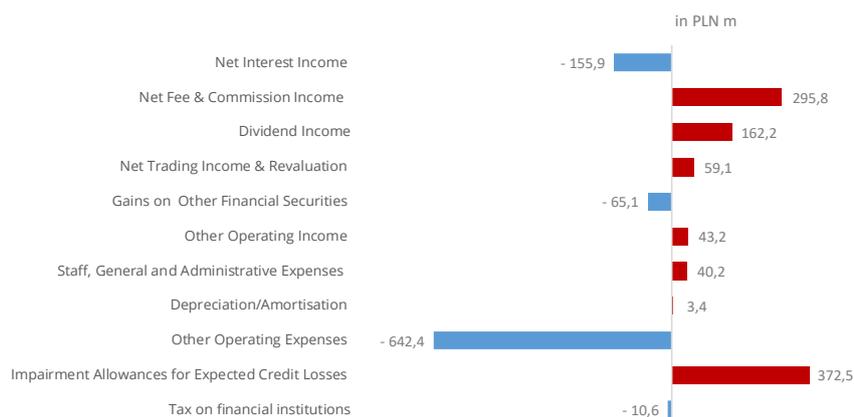
Components of Santander Bank Polska Group Profit Before Tax in PLN m (by contributing entities)	Q1-3 2021	Q1-3 2020	YoY Change
<b>Santander Bank Polska S.A.</b>	<b>1 215,1</b>	<b>1 112,7</b>	<b>9,2%</b>
<b>Subsidiary undertakings:</b>	<b>508,4</b>	<b>524,7</b>	<b>-3,1%</b>
Santander Consumer Bank S.A. and its subsidiaries <sup>1)</sup>	273,5	339,8	-19,5%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	109,8	128,6	-14,6%
Santander Finanse Sp. z o.o. and its subsidiaries <sup>2)</sup> (Santander Leasing S.A., Santander Leasing Poland Securitization 01 Designated Activity Company, Santander Factoring Sp. z o.o., Santander F24 S.A.)	120,6	55,5	117,3%
Santander Inwestycje Sp. z o.o.	4,5	0,8	462,5%
<b>Equity method valuation</b>	<b>57,4</b>	<b>68,5</b>	<b>-16,2%</b>
<b>Elimination of dividends received by Santander Bank Polska S.A. and consolidation adjustments</b>	<b>(171,0)</b>	<b>(86,6)</b>	<b>97,5%</b>
<b>Profit before tax</b>	<b>1 609,9</b>	<b>1 619,3</b>	<b>-0,6%</b>

<sup>1)</sup> 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 the first three quarters of 2021 was PLN 1,215.1m, up 9.2% YoY. Changes in the main components of the standalone profit follow trends identified in the discussion of 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 under 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 Q1-3 2021 IN ABSOLUTE NUMBERS



## Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a decline of 3.1% YoY in their total profit before tax.

### SCB Group

The contribution of Santander Consumer Bank Group to the consolidated **profit before tax** of Santander Bank Polska Group for the first nine months of 2021 was PLN 273.5m (excluding intercompany transactions and consolidation adjustments) and decreased by 19.5% YoY as a combined effect of the following:

- A decline of 12.2% YoY in **net interest income** to PLN 874.5m, reflecting an impact of the Covid-19 pandemic, including close-to-zero market interest rates (resulting from rate cuts in H1 2020), deceleration of lending and a lower value of the credit portfolio. The negative YoY change was additionally affected by one-off income of PLN 90m from the update of parameters as part of revision of the model for calculation of provisions for insurance premium refunds. The negative adjustment of interest income in respect of early repaid consumer loans was PLN 53.7m for three quarters of 2021 compared to PLN 49.0m for three quarters of 2020.
- A decrease of 16.3% YoY in **net fee and commission income** to PLN 101.7m, reflecting a decline in income from insurance and other products caused by decelerated sales resulting from the Covid-19 pandemic, which was only partially offset by lower costs of settlements with retail network partners of Santander Consumer Bank S.A.
- A drop of 29.1% YoY in **net expected credit loss allowances** to PLN 167.7m, resulting from a lower value and a good quality of the loan book. Furthermore, during the first nine months of 2021 Santander Consumer Bank Group posted a higher profit before tax on the sale of credit receivables (PLN 42.2m vs PLN 29.8m in the corresponding period last year).
- An increase of 42.9% YoY in **other non-interest and non-fee income** to PLN 45.5m, reflecting a rise of PLN 12.2m YoY 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 3.2% YoY in **operating expenses** to PLN 557.6m resulting from PLN 168.2m (PLN 106.7 for three quarters of 2020) worth of provisions raised for individual court cases, other liabilities and legal risk in view of a growing number of legal disputes connected with the portfolio of foreign currency mortgage loans. The above provisions were recognised in other operating expenses. At the same time, a drop of 11.6% YoY was reported in staff and general expenses thanks to a savings plan implemented in connection with the Covid-19 pandemic and a lower value of the restructuring provision (PLN 4.8m for three quarters of 2021 vs PLN 15.4m for three quarters of 2020). This was combined with a reduction in amortisation/ depreciation.

### Other subsidiaries

**Profit before tax of Santander TFI S.A.** for three quarters of 2021 decreased by 14.6% YoY to PLN 109.8m, mainly as a result of a 10.4% YoY decline in net fee and commission income caused by the costs associated with distributor services (a mechanism launched in H2 2020).

An increase in Ytd income from management fees and performance fees (defined below) did not offset the rise in the costs borne by the company.

- The income from management fees grew along with a rise in the average value of assets, yet it was capped by a lower margin shaped by the structure of assets and the third cut in the maximum management fee (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, performance fees were introduced with regard to the selected sub-funds.

**Total profit before tax posted by companies controlled by Santander Finanse Sp. z o.o.** increased by 117.3% YoY to PLN 120.6m.

- 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 105.0% YoY to PLN 71.6m. Record 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 30% YoY in net insurance income. The quality of the lease portfolio remained good, with NPL of 3.27%. The profit before tax was also positively affected by measurement of IRS and currency hedges, a reversal of trends observed in the comparative period.
- The profit before tax posted by Santander Factoring Sp. z o.o. was up 137.6% YoY and totalled PLN 49.0m. It resulted from an increase of 37.1% YoY and 16.9% YoY 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 three quarters of 2021 increased by 2.7% YoY to PLN 6,642.0m. On a comparative basis (i.e. excluding the charge in respect of early repaid consumer loans and dividend income, release of provisions for legal claims and legal risk, as well as the amount recognised by Santander Consumer Bank S.A. in the comparative period in relation to the revision of the model for calculation of provisions for insurance premium refunds), the underlying total income grew at a rate of 1.9% YoY.

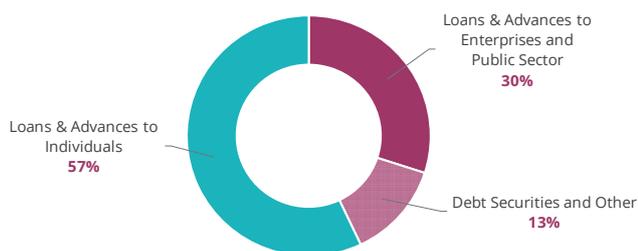
### Net interest income

Net interest income for the first nine months of 2021 was PLN 4,231.9m, down 5.5% YoY as a combined effect of the following factors:

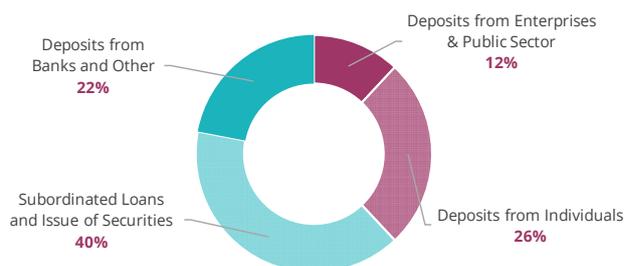
- Pressure on net interest margin from three NBP interest rate cuts in H1 2020, as a result of which the reference rate was reduced by 1.4 p.p. in total (to 0.1%).
- Flexible pricing management through gradual adjustments in line with the market conditions and the Group's objectives, such as support for credit delivery and optimisation of asset funding costs.
- Growth in lending (notably mortgage loans, cash loans, SME loans, lease and factoring facilities) coupled with a stable YoY balance of total credit receivables.
- Continuation of changes to the Group's balance sheet structure observed in 2020, including further decrease in term deposits and higher share of the portfolio of debt investment securities with relatively low yields.



STRUCTURE OF INTEREST REVENUE IN Q1-3 2021



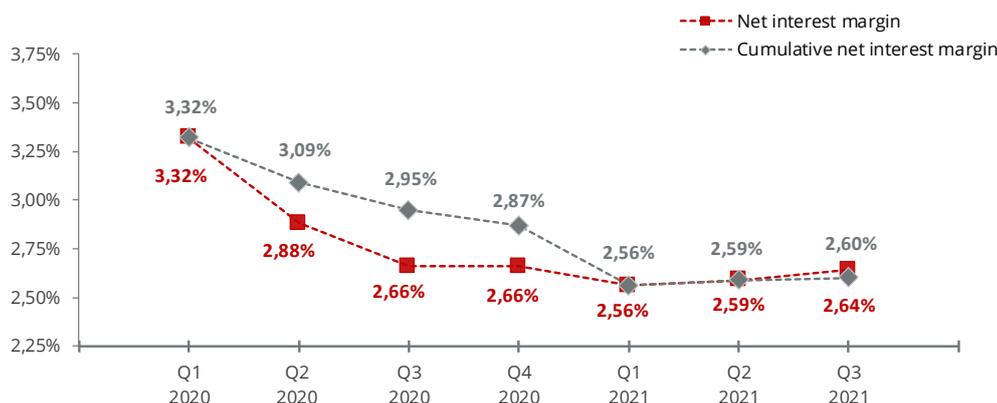
STRUCTURE OF INTEREST EXPENSE IN Q1-3 2021



The Group's interest income for three quarters of 2021 totalled PLN 4,520.5m and was down 15.1% YoY due to pressure from the main components, i.e. loans and advances to personal and business customers.

Interest expenses declined by 66.1% YoY to PLN 288.5m, i.e. four times faster than interest income, as customers were transferring funds from term deposit accounts to personal accounts and investment products. This trend observed in both analysed periods 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) Curve of net interest margin according to quarterly and cumulative annualization
- 2) Calculation of the net interest margin of Santander Bank Polska S.A. takes into account the allocation of swap points generated by derivative instruments used in the liquidity management process. It does not, however, include interest income from a trading portfolio of debt securities and other trade-related exposures

Net interest margin for the first nine months of 2021 (annualised on a Ytd basis) totalled 2.60% and was down 35 b.p. YoY. This decline reflects the stable low interest rate environment compared with 2020 (in which three rate cuts were made between March and May 2020), comparable YoY average credit volumes (resulting from the recovery of credit demand after pandemic-related deceleration in 2020) and YoY growth in average investments in debt securities (mainly bonds issued or guaranteed by the State Treasury).

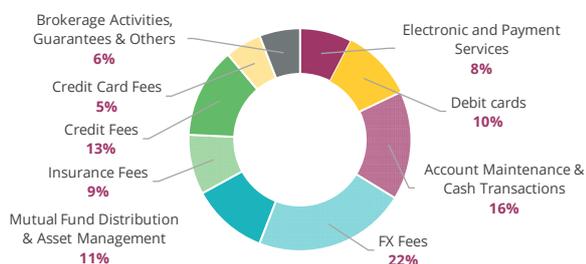
Between 1 July and 30 September 2021, the net interest margin (annualised on a quarterly basis) grew by 5 b.p. to 2.64%. Cash and mortgage sales accelerated in Q3 2021, resulting in a QoQ increase in the corresponding credit portfolios. A rise was also reported in the portfolio of the Corporate and Investment Banking segment. At the same time, deposit-related interest expenses decreased QoQ, as the volume of term deposits continued to decline. The value of investments in debt securities fell too, limiting the negative impact of this portfolio on the net interest margin.

## Net fee and commission income

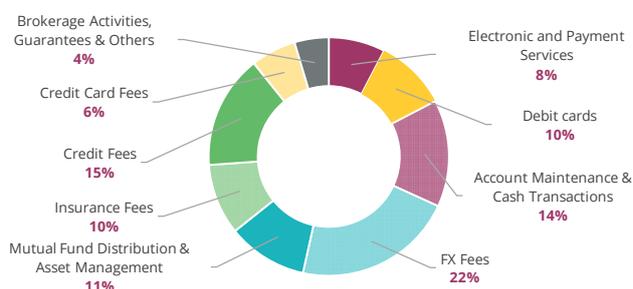
Net Fee and Commission Income (in PLN m)	Q1-3 2021	Q1-3 2020	YoY Change
FX fees	410,0	342,1	19,8%
Account maintenance and cash transactions <sup>1)</sup>	290,9	229,5	26,8%
Credit fees <sup>2)</sup>	241,0	244,0	-1,2%
Asset management and distribution	204,2	171,1	19,3%
Debit cards	191,1	153,4	24,6%
Insurance fees	161,1	152,6	5,6%
Electronic and payment services <sup>3)</sup>	140,5	120,8	16,3%
Credit cards	98,4	96,0	2,5%
Brokerage activities	85,6	76,0	12,6%
Guarantees and sureties <sup>4)</sup>	38,6	24,1	60,2%
Other <sup>5)</sup>	(15,2)	(26,8)	-43,3%
<b>Total</b>	<b>1 846,2</b>	<b>1 582,8</b>	<b>16,6%</b>

- 1) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2021 are included in the line item "Other" (PLN 4.2m for three quarters of 2021 vs PLN 2.3m for three quarters of 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 income from guarantees and sureties has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2021 are included in the line item "Other" (PLN 44.0m for three quarters of 2021 vs PLN 41.7m for three quarters of 2020).
- 5) Issue arrangement fees and other fees.

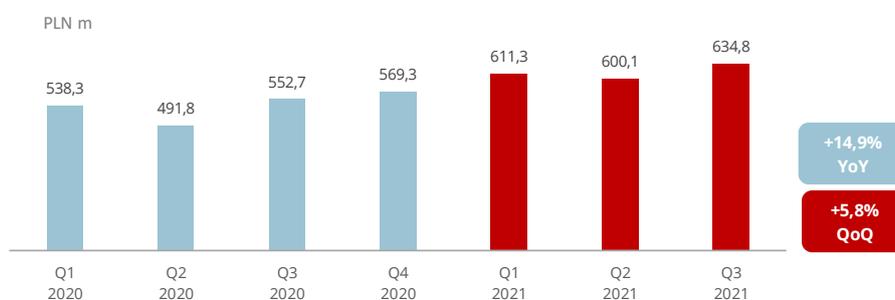
NET FEE & COMMISSION INCOME STRUCTURE IN Q1-3 2021



NET FEE & COMMISSION INCOME STRUCTURE IN Q1-3 2020



NET FEE & COMMISSION INCOME BY QUARTER IN 2020 AND 2021

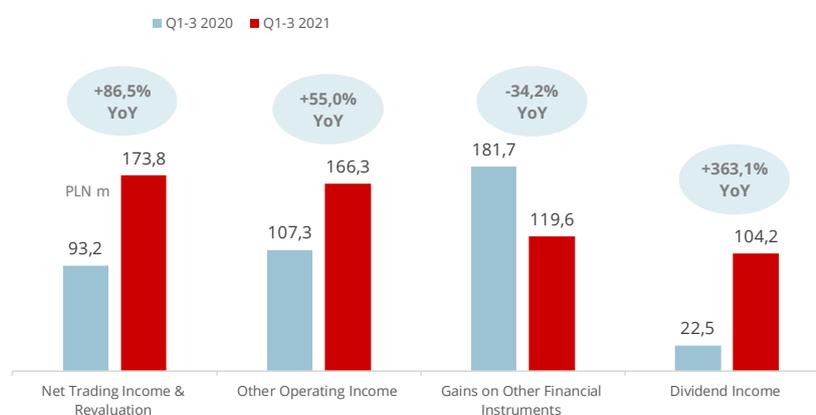


Net fee and commission income for the 9-month period ended 30 September 2021 was PLN 1,846.2m and increased by 16.6% YoY, driven by the performance of individual business lines of Santander Bank Polska S.A. and its subsidiaries. The key changes were as follows:

- FX fee income rose by 19.8% YoY on account of 19% 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 transactions increased by 26.8% 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 a defined number of transactions in the account. Furthermore, a YoY rise in income from cash management fees was reported in the business segment due to high liquidity of some of the companies (resulting from government support programmes, among other things).
- A drop of 1.2% YoY in net credit fee and commission income was attributed to higher agency costs incurred by Santander Bank Polska S.A. due to a growing share of this channel in the distribution of the bank's products. At the same time Santander Consumer Bank S.A. paid lower charges in respect of settlements with retail partners. On the income side, the Group reported 6.1% YoY increase in credit fees thanks to, among other things, participation in project finance for the sectors which were relatively resilient to the pandemic.
- Net fee and commission income from distribution and asset management grew by 19.3% 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 sub-funds. For more information, see section about Santander TFI S.A. in "Profit before tax of Santander Bank Polska Group by contributing entities".
- An increase of 24.6% YoY in net income from debit cards is a combined effect of many factors, including a growing number of cards, a higher value of non-cash transactions with such cards (+19% YoY) and higher income from currency exchange transactions made in the summer. Discounts for card issuance and processing offered by payment organisations cooperating with Santander Bank Polska S.A. were another contributing factor. 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.
- Net fee and commission income disclosed under the Group's electronic and payment services went up by 16.3% YoY driven by turnover from cross-border payments and trade finance transactions, as well as more active use of existing electronic channels.
- Net brokerage fee and commission income went up by 12.6% YoY due to high volatility of the capital markets observed until March 2021, resulting in an increased popularity of investment solutions. As the volatility decreased in the subsequent periods, retail customers were offered 14 issues of structured certificates, while business customers transferred their investments to foreign markets via services of Santander Brokerage Poland. The growth of revenues was additionally supported by an increased activity of Santander Brokerage Poland in terms of public offerings and brokerage services related to tender offers for shares.
- A 60.2% YoY increase in net fee and commission income from guarantees and sureties was attributed to higher income from guarantee services provided to customers using trade finance solutions.

## Non-interest and non-fee income

COMPONENTS OF OTHER INCOME FOR Q1-3 2021 vs. Q1-3 2020



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 563.9m and went up by 39.3% YoY on account of an increase in the following components:

- Net trading income and revaluation grew by 86.5% YoY to PLN 173.8m amid the volatility of financial markets, including:
  - ✓ Total gain of PLN 146.5m on derivatives, interbank FX transactions and FX trading transactions, up 41.0% YoY.
  - ✓ A positive change of PLN 3.6m in the fair value of credit card receivables measured through profit or loss for nine months of 2021 vs a negative change of PLN 18.0m in the comparative period.
  - ✓ Total gain of PLN 23.6m on trading in equity and debt securities measured at fair value through profit or loss, up PLN 16.4m YoY.
- Dividend income totalled PLN 104.2m and increased by PLN 81.7m 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 166.3m and grew by 55.0% YoY, mainly on account of the release of high-value provisions for legal claims and other assets, recognition by Santander Consumer Bank S.A. of an award from an external institution in respect of long-standing business partnership, and higher income generated by the Group from modification of lease contracts.

The above increases more than offset a decrease of 34.2% YoY in gain on other financial instruments to PLN 119.6m due to a lower gain on sale of bonds (-PLN 73.9m YoY) and a lower positive change of the fair value of Visa Inc. shares (PLN 5.6m vs PLN 15.0m for three quarters of 2020, excluding FX differences) and despite a higher gain on hedging and hedged instruments (+PLN 8.5m YoY) and a profit of PLN 8.1m from five transactions involving conversion and sale of series A convertible preference shares of Visa Inc.

## Expected credit loss allowances

Impairment allowances for expected credit losses on loans and advances measured at amortised cost (in PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	Q1-3 2021	Q1-3 2020	Q1-3 2021	Q1-3 2020	Q1-3 2021	Q1-3 2020	Q1-3 2021	Q1-3 2020	Q1-3 2021	Q1-3 2020
Charge on loans and advances to customers	(125,7)	(55,5)	(25,5)	(562,7)	(751,1)	(701,6)	37,6	9,0	(864,7)	(1 310,8)
Recoveries of loans previously written off	-	-	-	-	7,7	(2,6)	-	-	7,7	(2,6)
Off-balance sheet credit related facilities	(7,3)	4,8	3,0	(2,2)	10,8	4,7	-	-	6,5	7,3
<b>Total</b>	<b>(133,0)</b>	<b>(50,7)</b>	<b>(22,5)</b>	<b>(564,9)</b>	<b>(732,6)</b>	<b>(699,5)</b>	<b>37,6</b>	<b>9,0</b>	<b>(850,5)</b>	<b>(1 306,1)</b>

During the first nine months of 2021, the charge made by Santander Bank Polska Group to the income statement on account of expected credit loss allowances was PLN 850.5m, down 34.9% YoY. This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 167.7m and decreased by 29.1% YoY.

The YoY decrease in impairment allowances on loans to the Group's customers (from PLN 1,310.8m for Q1–Q3 2020 to PLN 864.7m for Q1–Q3 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.
- Decision to derecognise the major portion of the management allowance for expected credit losses due to Covid-19 (post-model adjustment) as a consequence of the revision of the parameters and models reflecting pandemic-related risks, among other things. Accordingly, out of the entire Group's balance of additional management allowances in respect of Covid-19 totalling PLN 121.4m at the end of Q1 2021, the amount of PLN 88.6m pertaining to Santander Bank Polska S.A. was derecognised in Q2 2021. The respective allowance for the nine months of 2020 was PLN 151.3m.
- Stable level of credit risk or its decrease coupled with low level of payment arrears, particularly in the portfolio of personal and SME loans. Return of the cost of credit to the pre-pandemic level since Q2 2021.
- Close monitoring of the corporate loans portfolio, with changes in risk reflected in credit ratings and classification of exposures to individual stages (taking into account the risk connected with Covid-19). In the period under review, single allowances were made for non-performing credit exposures towards particular customers.
- Sale of credit receivables from personal and business customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 1,910.9m at a profit before tax of PLN 76.6m (last year, receivables of PLN 1,055.2m were sold at a profit before tax of PLN 20.2m).

During the first nine months of 2021, there were a few downgrades of corporate customers to NPLs. Downgrades in the mortgage and cash loan portfolios concerned selected personal customers applying for state aid under the Anti-Crisis Shield 4.0 and were decreasing.

During the reporting period, the cost of credit of Santander Bank Polska Group was 0.89% vs 1.07% in the corresponding period last year, with a higher value of the credit portfolio measured at amortised cost (+2.1% YoY).

## Total costs

Total costs (in PLN m)	Q1-3 2021	Q1-3 2020	YoY Change
<b>Staff, general and administrative expenses, of which:</b>	<b>(2 338,4)</b>	<b>(2 417,9)</b>	<b>-3,3%</b>
- Staff expenses	(1 221,2)	(1 199,4)	1,8%
- General and administrative expenses	(1 117,2)	(1 218,5)	-8,3%
<b>Depreciation/amortisation</b>	<b>(435,9)</b>	<b>(445,3)</b>	<b>-2,1%</b>
- Depreciation/amortisation of PP&E and intangible assets	(299,0)	(293,0)	2,0%
- Depreciation of right-of-use assets	(136,9)	(152,3)	-10,1%
<b>Other operating expenses</b>	<b>(1 014,6)</b>	<b>(295,8)</b>	<b>243,0%</b>
<b>Total costs</b>	<b>(3 788,9)</b>	<b>(3 159,0)</b>	<b>19,9%</b>

After the first nine months of 2021, total operating expenses of Santander Bank Polska Group increased by 19.9% YoY to PLN 3,788.9m due to other operating expenses, which went up by 243.0% 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 provisions after three quarters of 2021 was PLN 923.6m (+336.3% YoY), 94% of which concerned foreign currency mortgage loans. The balance of provisions for foreign currency mortgage loans results from update and recalibration of model parameters in view of new legal claims and continued uncertainty in the Polish legal environment regarding mortgage loans denominated in or indexed to a foreign currency (inconsistent court rulings).

The increase in total cost base was offset in part by reduction of 8.3% YoY in the Group's general and administrative expenses resulting from lower contributions to the BFG resolution and guarantee funds (-36.3% YoY to PLN 235.3m).

On a comparative basis, i.e. assuming the fixed level of fees payable to the BFG and excluding provisions for legal risk and legal claims from both analysed periods, the underlying total operating expenses were up 1.8% YoY, reflecting an increase in underlying general and administrative expenses and staff expenses.

The Group's cost to income ratio increased to 57.0% from 48.9% for three quarters of 2020. Adjusting for the above-mentioned cost and income items, the underlying cost to income ratio was 45.7% and stable YoY.

## Staff expenses

Staff expenses increased by 1.8% YoY to PLN 1,221.2m, reflecting higher accruals for employee bonuses. In the comparative period, the above accruals included only bonuses for sales staff, while in 2021 all bonus schemes have been launched. At the same time, 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 4.7m related to Santander Consumer Bank S.A., which is PLN 10.7m lower compared to the last year.

## General and administrative expenses

General and administrative expenses of Santander Bank Polska Group went down by 8.3% YoY to PLN 1,117.2m. 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 259.5m and decreased by 33.3% YoY because of lower contributions paid by banks to the BFG in 2021 due to an unprecedented economic situation. During the first nine months of 2021, the charge to the Group's income statement on account of these contributions decreased by 36.3% YoY to PLN 235.3m (an annual contribution to the bank resolution fund was down 37.7% YoY to PLN 154.1m and a quarterly contribution to the bank guarantee fund was down 33.6% YoY to PLN 81.2m). If the above-mentioned contributions remained at the last year's level, the Group's general and administrative expenses would have increased by 2.7% 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 (-10.8% YoY), as did the total cost of short-term leases and leases of low-value assets (-16.0% YoY). Due to the reduction of employment as a result of optimisation processes and introduction of the remote work and customer service model, a decline was reported in the cost of consumables, printouts, cards and cheques (-9.6% YoY) and in the cost of third party services (-6.8% YoY).

Lower telecommunication charges for selected services and development of CRM tools resulted in a decrease of 17.8% YoY in postal fees and telecommunication fees, while renegotiation of maintenance costs associated with telecommunication links led to a reduction of 13.1% YoY in cost of data transmission. Due to a lower demand for cash, costs associated with car fleet, transport and CIT services went down by 4.4% YoY.

At the same time, a significant increase was reported under marketing and entertainment (+38.6% YoY) as a result of a low base effect as well as promotional and advertising activities connected with the project of accelerated digitalisation of retail customer services, including promotion of mobile banking.

The cost of IT usage also went up (+15.3% YoY) in connection with delivery of various IT projects within Santander Group (e.g. implementation of a group platform – Office 365, a common RPA platform, an HR platform, a global transactional system, the first functionalities of GTS One Trade portal, initiatives related to cyber security and digitalisation of retail services) and locally (e.g. migration of existing Data Centres) as well as support and maintenance of the infrastructure used for day-to-day operations.

## Taxes

The tax on financial institutions for nine months of 2021 was PLN 450.1m and was stable (+0.2% YoY), with a comparable value of taxable assets.

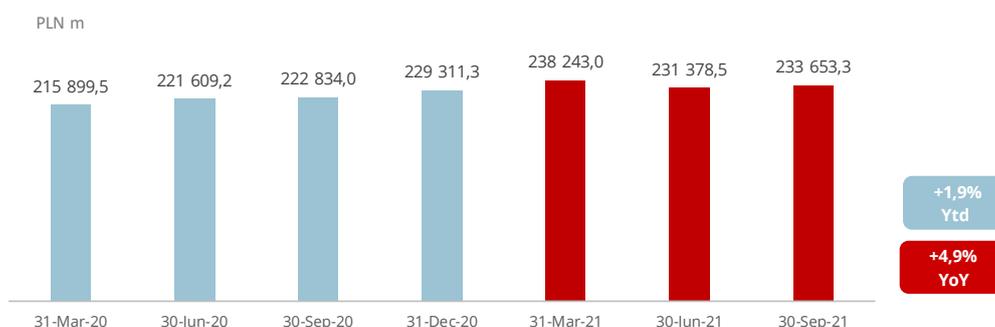
Income tax was PLN 566.7m and effectively higher compared to the last year (the effective tax rate increased from 30.8% for three quarters of 2020 to 35.2% for three quarters of 2021), mainly on account of higher provisions for claims related to foreign currency mortgage loans.

## 2. Statement of Financial Position

### Consolidated assets

As at 30 September 2021, total assets of Santander Bank Polska Group were PLN 233,653.3m and increased by 4.9% YoY and by 1.9% 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 88.3% as at the end of September 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 30.09.2021		Structure 31.12.2020		Structure 30.09.2020		Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers <sup>1)</sup>	145 347,4	62,2%	141 998,8	61,9%	142 051,4	63,8%	2,4%	2,3%
Investment financial assets <sup>2)</sup>	70 048,9	30,0%	66 783,4	29,1%	61 210,0	27,5%	4,9%	14,4%
Cash and operations with Central Banks	2 774,7	1,2%	5 489,3	2,4%	2 907,8	1,3%	-49,5%	-4,6%
Fixed assets, intangibles, goodwill and right-of-use assets	3 648,2	1,6%	3 934,5	1,7%	3 920,8	1,8%	-7,3%	-7,0%
Loans and advances to banks	3 139,9	1,3%	2 926,5	1,3%	2 971,3	1,3%	7,3%	5,7%
Financial assets held for trading and hedging derivatives	3 180,4	1,4%	3 190,4	1,4%	4 730,3	2,1%	-0,3%	-32,8%
Buy-sell-back transactions and assets pledged as collateral	975,0	0,4%	951,2	0,4%	954,5	0,4%	2,5%	2,1%
Other assets <sup>3)</sup>	4 538,8	1,9%	4 037,2	1,8%	4 087,9	1,8%	12,4%	11,0%
<b>Total</b>	<b>233 653,3</b>	<b>100,0%</b>	<b>229 311,3</b>	<b>100,0%</b>	<b>222 834,0</b>	<b>100,0%</b>	<b>1,9%</b>	<b>4,9%</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 September 2021, net loans and advances to customers were the key item of the consolidated assets (62.2%). They totalled PLN 145,347.4m and increased by 2.4% compared to the end of December 2020 along with a rise in the key portfolios of the Group: loans for personal customers, loans for business customers and the public sector and lease receivables.

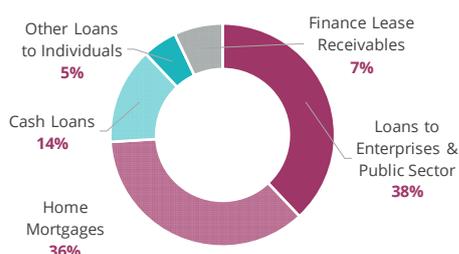
As part of the ongoing management of liquidity, the Group limited the value of cash and balances at central banks (-49.5% Ytd), notably term deposits and current accounts, and increased the value of loans and advances to banks (+7.3% Ytd), mainly current account balances. Financial assets held for trading and hedging derivatives remained stable compared to December 2020.

The balance of investment securities continued to grow (+4.9% Ytd), though at a much lower rate. This was particularly the case of debt securities measured at fair value through other comprehensive income, including government bonds, the NBP bills, the BGK, PFR and EIB bonds.

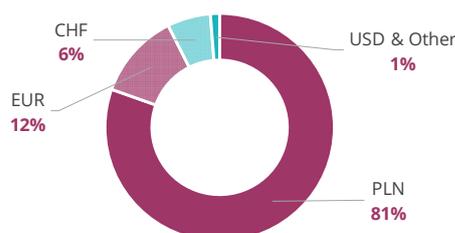
## Credit portfolio

Gross Loans and Advances to Customers (in PLN m)	30.09.2021	31.12.2020	30.09.2020	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Loans and advances to individuals	83 106,2	81 387,9	81 778,8	2,1%	1,6%
Loans and advances to enterprises and public sector customers	57 848,3	57 121,1	56 737,3	1,3%	2,0%
Finance lease receivables	10 654,3	9 783,4	9 628,7	8,9%	10,7%
Other	50,1	33,6	38,8	49,1%	29,1%
<b>Total</b>	<b>151 658,9</b>	<b>148 326,0</b>	<b>148 183,6</b>	<b>2,2%</b>	<b>2,3%</b>

PRODUCT STRUCTURE OF CONSOLIDATED  
LOANS & ADVANCES TO CUSTOMERS AS AT 30.09.2021



FX STRUCTURE OF CONSOLIDATED  
LOANS AND ADVANCES TO CUSTOMERS AS AT 30.09.2021

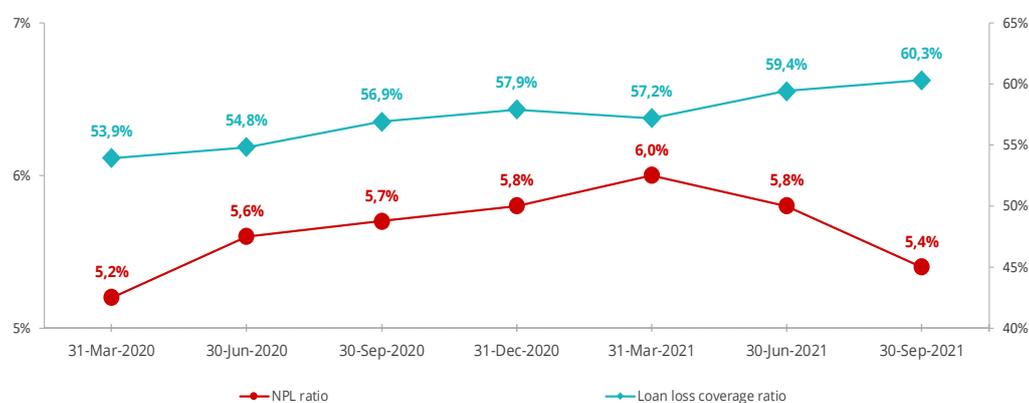


As at 30 September 2021, consolidated gross loans and advances to customers were PLN 151,658.9m and increased by 2.2% vs 31 December 2020. The portfolio includes loans and advances to customers measured at amortised cost totalling PLN 149,027.0m (+2.2% Ytd), loans and advances to customers measured at fair value through other comprehensive income amounting to PLN 1,947.1m (+21.1% Ytd) and loans and advances to customers measured at fair value through profit or loss at PLN 684.8m (-23.2% Ytd).

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

- Loans and advances to individuals decreased by 2.1% Ytd to PLN 83,106.2m. Housing loans, which were the main contributor to this figure, totalled PLN 54,464.8m (+3.2% Ytd), hitting all-time high in 2021. The second largest constituent item was cash loans which totalled PLN 20,943.8m and were relatively stable compared to the end of 2020 despite accelerated YoY growth of sales.
- Loans and advances to enterprises and the public sector went up by 1.3% Ytd to PLN 57,848.3m as a result of a growth of term loans portfolio of the Corporate and Investment Banking segment. This increase was achieved due to participation in large projects including syndicate lending and corporate finance for companies from sectors which are relatively resilient to the crisis.
- Finance lease receivables of subsidiaries of Santander Bank Polska S.A. rose by 8.9% Ytd to PLN 10,654.3m, supported by dynamic sales of machines and equipment and of vehicles.

#### CREDIT QUALITY RATIOS BY QUARTER IN 2020 AND 2021



The NPL ratio was 5.4% as at 30 September 2021 compared with 5.8% nine months before and 5.7% twelve months before. The provision coverage ratio for non-performing loans was 60.3% compared with 57.9% as at 31 December 2020 and 56.9% as at 30 September 2020.

## Structure of consolidated equity and liabilities

Liabilities & Equity in PLN m (condensed presentation for analytical purposes)	Structure		Structure		Structure		Ytd Change	YoY Change
	30.09.2021	30.09.2021	31.12.2020	31.12.2020	30.09.2020	30.09.2020		
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	177 320,5	75,9%	171 522,3	74,8%	166 726,4	74,8%	3,4%	6,4%
Subordinated liabilities and debt securities in issue	13 689,3	5,9%	13 995,9	6,1%	13 044,5	5,8%	-2,2%	4,9%
Deposits from banks	3 671,9	1,6%	5 373,3	2,3%	5 188,9	2,3%	-31,7%	-29,2%
Financial liabilities held for trading and hedging derivatives	4 017,7	1,7%	4 805,4	2,1%	4 568,5	2,1%	-16,4%	-12,1%
Sell-buy-back transactions	512,4	0,2%	653,7	0,3%	826,8	0,4%	-21,6%	-38,0%
Other liabilities <sup>1)</sup>	5 453,1	2,3%	4 302,7	1,9%	4 022,9	1,8%	26,7%	35,6%
Total equity	28 988,4	12,4%	28 658,0	12,5%	28 456,0	12,8%	1,2%	1,9%
<b>Total</b>	<b>233 653,3</b>	<b>100,0%</b>	<b>229 311,3</b>	<b>100,0%</b>	<b>222 834,0</b>	<b>100,0%</b>	<b>1,9%</b>	<b>4,9%</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 September 2021, deposits from customers totalled PLN 177,320.5m and were the largest constituent item of the Group's total equity and liabilities (75.9%) disclosed in its consolidated statement of financial position and the main source of funding for the Group's assets.

Subordinated liabilities and liabilities in respect of debt securities in issue decreased by 2.2% Ytd as a combined effect of the issue of debt instruments with a total nominal value of PLN 6,870,0m and redemption of PLN 7,176.6m worth of securities on their maturity date. During the first three quarters of 2021, the Group completed the following issues:

- Santander Factoring Sp. z o.o. issued 3 series of variable-rate bonds (based on 1M WIBOR) with a maturity of six months and a total nominal value of PLN 1,740m, and 2 series of fixed-rate bonds with a maturity of three months, a total nominal value of PLN 2,000m and a put option.
- Santander Leasing S.A. issued 2 series 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.
- Santander Consumer Bank S.A. and Santander Multirent S.A. made six issues of bonds as part of a revised issue programme, with the total nominal value of PLN 1,180m.

At the same time, a decrease was reported in deposits from banks (-31.7% Ytd), financial liabilities held for trading and hedging derivatives (-16.4% Ytd) and liabilities in respect of repo transactions (-21.6% Ytd).

Compared to 31 December 2020, total equity increased by 1.2% to PLN 28,988.4m as a combined effect of the following: retention of the current period profit, negative impact of net comprehensive income (-PLN 417.3m), which was under pressure from valuation and sale of debt securities measured at fair value through other comprehensive income, and an allowance of PLN 220.7m for an interim dividend payment made against a dividend reserve pursuant to the decision of the Management Board and the Supervisory Board of 1 September 2021.

## Deposit base

Deposits by entities

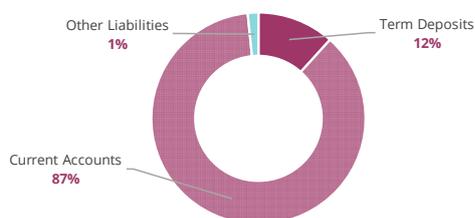
	30.09.2021	31.12.2020	30.09.2020	Ytd Change	YoY Change
Deposits from Customers in PLN m	1	2	3	1/2	1/3
Deposits from individuals	102 072,6	98 213,4	96 204,8	3,9%	6,1%
Deposits from enterprises and public sector customers	75 247,9	73 308,9	70 521,6	2,6%	6,7%
<b>Total</b>	<b>177 320,5</b>	<b>171 522,3</b>	<b>166 726,4</b>	<b>3,4%</b>	<b>6,4%</b>

As at 30 September 2021, consolidated deposits from customers totalled PLN 177,320.5m and increased by 3.4% Ytd despite a high base fuelled by funds received by customers in 2020 under state aid programmes aimed to contain the economic impact of the Covid-19 pandemic.

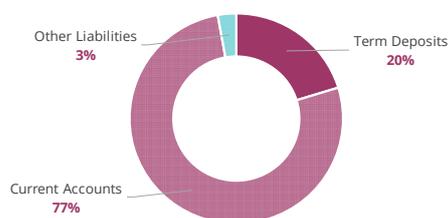
- The Group's retail deposit base was up 3.9% Ytd to PLN 102,072.6m, driven by an increase of 10.9% in current deposits. This included savings account balances, which grew by 1.7% Ytd to PLN 32.2bn. Current account balances increased mainly due to a transfer of funds from term deposits, which paid low interest due to prevailing market conditions and dropped by 25.9% 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 rose by 2.6% Ytd to PLN 75,247.9m as a consequence of an increase of 6.1% in current account balances, partly caused by inflows from business term deposits (-8.6% Ytd) which are becoming less and less attractive and are being gradually withdrawn from the offer.

## Deposits by tenors

STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 30.09.2021



STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 30.09.2020

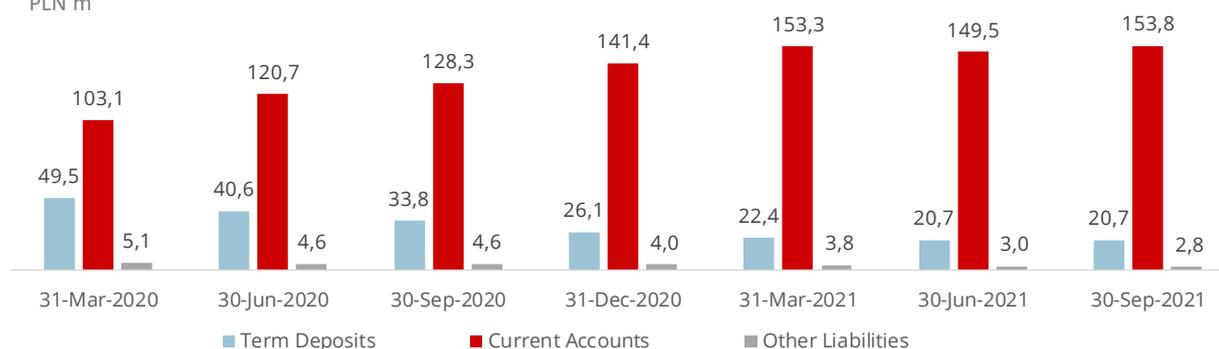


The Group's total term deposits from customers amounted to PLN 20,683.0m and fell by 20.8% during the first nine months of 2021. Current account balances rose by 8.8% Ytd to PLN 153,803.1m, and other liabilities were PLN 2,834.5m, down 29.5% Ytd.

Loans and advances from financial institutions (PLN 1,504.3m vs PLN 3,013.7m as at 31 December 2020) were the largest component 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 taken out by Santander Bank Polska S.A. with the EIB. At the same time, the second tranche of EUR 30m was disbursed under an agreement signed in December 2019 by Santander Leasing S.A. and the EBRD providing for EUR 80m worth of lending.

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

PLN m



\* including savings accounts

### 3. Selected Financial Ratios

Selected financial ratios of Santander Bank Polska Group	Q1-3 2021	Q1-3 2020
Total costs / Total income	57,0%	48,9%
Net interest income / Total income	63,7%	69,3%
Net interest margin <sup>1)</sup>	2,60%	2,95%
Net commission income / Total income	27,8%	24,5%
Customer net loans / Customer deposits	82,0%	85,2%
NPL ratio <sup>2)</sup>	5,4%	5,7%
NPL coverage ratio <sup>3)</sup>	60,3%	56,9%
Credit risk ratio <sup>4)</sup>	0,89%	1,07%
ROE <sup>5)</sup>	4,1%	6,2%
ROTE <sup>6)</sup>	4,9%	7,5%
ROA <sup>7)</sup>	0,4%	0,7%
Capital ratio <sup>8)</sup>	20,38%	18,84%
Tier I ratio <sup>9)</sup>	18,38%	16,89%
Book value per share (in PLN)	283,67	278,46
Earnings per share (in PLN) <sup>10)</sup>	8,98	9,36

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, 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 divided by the average weighted number of ordinary shares.

### Capital ratios

The table below presents the total capital ratio and Tier 1 capital ratio of Santander Bank Polska Group as at 30 September 2021, 31 December 2020 and 30 December 2020.

Capital Ratios of Santander Bank Polska Group	30.09.2021	31.12.2020 <sup>1)</sup>	30.09.2020 <sup>1)</sup>
I Total capital requirement	10 688,5	10 819,4	11 276,1
II Own funds after reductions <sup>1)</sup>	27 231,2	27 610,4	26 552,7
<b>Total Capital Ratio [II/(I*12.5)]</b>	<b>20,38%</b>	<b>20,42%</b>	<b>18,84%</b>
<b>Tier I Ratio</b>	<b>18,38%</b>	<b>18,38%</b>	<b>16,89%</b>

1) Including profits allocated to own funds pursuant to the KNF's decision and the EBA's applicable guidelines.

The table below shows the total capital ratio and Tier 1 capital ratio of Santander Bank Polska S.A. and Santander Consumer Bank S.A. as at 30 September 2021, 31 December 2020 and 30 September 2020.

<b>Santander Bank Polska Capital Ratios</b>	<b>30.09.2021</b>	<b>31.12.2020 <sup>1)</sup></b>	<b>30.09.2020 <sup>1)</sup></b>
Total Capital Ratio	23,45%	23,90%	21,69%
Tier I Ratio	21,08%	21,50%	19,42%
<b>Santander Consumer Bank Capital Ratios</b>	<b>30.09.2021</b>	<b>31.12.2020 <sup>1)</sup></b>	<b>30.09.2020 <sup>1)</sup></b>
Total Capital Ratio	28,00%	24,36%	24,21%
Tier I Ratio	26,44%	22,89%	22,75%

1) Including profits allocated to own funds pursuant to the KNF's decision and the EBA's applicable guidelines.

## 4. 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 quarter:

- The Monetary Policy Council surprised markets by raising interest rates in October and the most likely scenario is that it will continue the withdrawal of monetary policy accommodation. However, the pace of this withdrawal remains uncertain, and will depend on the new data and information, as well as the market situation.
- The Quantitative Easing (QE) programme remained in the NBP toolbox, but is not likely to be used extensively.
- Potential further changes in the monetary policy of the ECB, the Federal Reserve and other main central banks aimed at limiting the accommodation of the monetary policy introduced during the pandemic; their level of tolerance to the global rise of yields and the extended period of high inflation.
- Evolution of the conflict about the rule of law between the Polish government and the European institutions.
- Further development of the Covid-19 pandemic and new strains of the virus in light of the slowdown of the vaccination pace. The reintroduction of economic and social restrictions seems not very likely, but cannot be ruled out in a negative scenario.
- Supreme Court and CJEU rulings regarding foreign currency mortgages, which might impact banks' decisions about settlements with customers and ruling practice going forward.
- Fluctuation in credit risk pricing on the financial markets, including the impact of geopolitical factors and real estate problems in China.
- Bond yields changes, which are a function of monetary and fiscal policy expectations, changes in banking sector's liquidity and the global reflation trend.
- Changes in the demand for loans 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.

## VI. Other Information

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

As at the release date of this report (Report of Santander Bank Polska Group for Q3 2021) and the previous report (Report of Santander Bank Polska Group for H1 2021), none of the members of the Supervisory Board held any shares or conditional rights to shares of Santander Bank Polska S.A.

The table below shows shares of Santander Bank Polska S.A. held by the Management Board members as at the aforementioned release dates.

	27.10.2021	28.07.2021
Management Board Members	Number of Santander Bank Polska shares	
Michał Gajewski	4 795	4 795
Andrzej Burliga	3 884	3 884
Lech Gałkowski <sup>1)</sup>	951	951
Patryk Nowakowski	1 055	1 055
Carlos Polaino Izquierdo	3 126	3 126
Juan de Porras Aguirre	3 379	3 379
Arkadiusz Przybył	2 999	2 999
Maciej Reluga	2 301	2 301
Dorota Strojowska	2 732	2 732
<b>Total</b>	<b>25 222</b>	<b>25 222</b>

1) Lech Gałkowski was appointed as the Management Board member and took up his role on 26 May 2021.

Condensed Interim Consolidated  
Financial Statements of  
Santander Bank Polska Group  
for the 9-month period ended  
30 September 2021

I. Condensed consolidated income statement .....	6
II. Condensed consolidated statement of comprehensive income .....	7
III. Condensed consolidated statement of financial position .....	8
IV. Condensed consolidated statement of changes in equity .....	9
V. Condensed consolidated statement of cash flows .....	10
VI. Condensed income statement .....	11
VII. Condensed statement of comprehensive income .....	12
VIII. Condensed statement of financial position .....	13
IX. Condensed statement of changes in equity .....	14
X. Condensed statement of cash flows .....	15
XI. Additional notes to condensed interim consolidated financial statements .....	16
1. General information about issuer .....	16
2. Basis of preparation of condensed interim consolidated financial statements .....	18
3. Operating segments reporting .....	30
4. Net interest income .....	36
5. Net fee and commission income .....	37
6. Net trading income and revaluation .....	37
7. Gains (losses) from other financial securities .....	38
8. Other operating income .....	38
9. Impairment allowances for expected credit losses .....	39
10. Employee costs .....	39
11. General and administrative expenses .....	40
12. Other operating expenses .....	40
13. Corporate income tax .....	41
14. Cash and balances with central banks .....	41
15. Loans and advances to banks .....	42
16. Financial assets and liabilities held for trading .....	42
17. Loans and advances to customers .....	42
18. Investment securities .....	44
19. Investments in associates .....	44
20. Deposits from banks .....	44

21. Deposits from customers	45
22. Subordinated liabilities	45
23. Debt securities in issue	46
24. Provisions for off balance sheet credit facilities	47
25. Other provisions	48
26. Other liabilities	48
27. Fair value	49
28. Contingent liabilities	54
29. Shareholders with min. 5% voting power	58
30. Capital Adequacy	58
31. Impact of IFRS 9 on capital adequacy and leverage ratio	62
32. Liquidity measures	64
33. Related parties	66
34. Changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognized at fair value or amortised costs	67
35. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period	68
36. Character and amounts of items which are extraordinary due to their nature, volume or occurrence	68
37. Information concerning issuing loan and guarantees by an issuer or its subsidiary	68
38. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets	69
39. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets	69
40. Acquisitions and disposals of investments in subsidiaries and associates	69
41. Dividend per share	69
42. Events which occurred subsequently to the end of the reporting period	71

## I. Condensed consolidated income statement

<b>for the period:</b>	<b>1.07.2021- 30.09.2021</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.07.2020- 30.09.2020</b>	<b>1.01.2020- 30.09.2020</b>
<b>Interest income and similar to income</b>	<b>1 533 008</b>	<b>4 520 469</b>	<b>1 538 368</b>	<b>5 327 463</b>
Interest income on financial assets measured at amortised cost	1 328 142	3 878 287	1 312 827	4 645 093
Interest income on financial assets measured at fair value through other comprehensive income	201 680	631 676	219 908	636 093
Income similar to interest on financial assets measured at fair value through profit or loss	3 186	10 506	5 633	46 277
Interest expense	( 89 113)	( 288 528)	( 155 686)	( 850 033)
<b>Net interest income</b> Note 4	<b>1 443 895</b>	<b>4 231 941</b>	<b>1 382 682</b>	<b>4 477 430</b>
Fee and commission income	758 226	2 196 196	668 754	1 934 225
Fee and commission expense	( 123 373)	( 349 989)	( 116 024)	( 351 420)
<b>Net fee and commission income</b> Note 5	<b>634 853</b>	<b>1 846 207</b>	<b>552 730</b>	<b>1 582 805</b>
Dividend income	1 392	104 216	1 825	22 496
Net trading income and revaluation Note 6	45 044	173 816	28 321	93 236
Gains (losses) from other financial securities Note 7	55 240	119 606	128 102	181 644
Other operating income Note 8	69 468	166 272	40 773	107 313
Impairment allowances for expected credit losses Note 9	( 223 561)	( 850 487)	( 358 898)	(1 306 117)
Operating expenses incl.:	(1 077 349)	(3 788 951)	( 929 893)	(3 159 002)
-Staff, operating expenses and management costs Note 10 and 11	( 735 577)	(2 338 429)	( 729 211)	(2 417 910)
-Amortisation of property, plant and equipment and Intangible assets	( 100 045)	( 298 993)	( 98 185)	( 292 957)
-Amortisation of right of use asset	( 44 210)	( 136 947)	( 48 048)	( 152 288)
-Other operating expenses Note 12	( 197 517)	(1 014 582)	( 54 449)	( 295 847)
Share in net profits (loss) of entities accounted for by the equity method	18 096	57 372	31 620	68 459
Tax on financial institutions	( 149 590)	( 450 094)	( 147 835)	( 448 963)
<b>Profit before tax</b>	<b>817 488</b>	<b>1 609 898</b>	<b>729 427</b>	<b>1 619 301</b>
Corporate income tax Note 13	( 212 657)	( 566 687)	( 189 459)	( 499 315)
<b>Consolidated profit for the period</b>	<b>604 831</b>	<b>1 043 211</b>	<b>539 968</b>	<b>1 119 986</b>
of which:				
-attributable to owners of Santander Bank Polska SA	543 829	918 126	479 834	955 621
-attributable to non-controlling interests	61 002	125 085	60 134	164 365
<b>Net earnings per share</b>				
Basic earnings per share (PLN/share)	5,32	8,98	4,70	9,36
Diluted earnings per share (PLN/share)	5,32	8,98	4,69	9,35

Notes presented on pages 16 – 71 constitute an integral part of these Financial Statements.

## II. Condensed consolidated statement of comprehensive income

for the period:	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Consolidated profit for the period</b>	<b>604 831</b>	<b>1 043 211</b>	<b>539 968</b>	<b>1 119 986</b>
<b>Items that will be reclassified subsequently to profit or loss:</b>				
Revaluation and sales of debt securities measured at fair value through other comprehensive income gross	(417 265)	(1 042 190)	44 945	595 784
Deferred tax	79 280	198 016	(8 540)	(113 199)
Revaluation of cash flow hedging instruments gross	(22 115)	19 635	(14 205)	23 252
Deferred tax	4 201	(3 731)	2 699	(4 418)
<b>Items that will not be reclassified subsequently to profit or loss:</b>	<b>28 548</b>	<b>410 992</b>	<b>3 702</b>	<b>(66 343)</b>
Revaluation and sales of equity securities measured at fair value through other comprehensive income gross	33 890	506 067	4 806	(78 666)
Deferred and current tax	(6 438)	(96 171)	(1 104)	14 756
Provision for retirement benefits – actuarial gains/losses	1 353	1 353	-	(3 003)
Deferred tax	( 257)	( 257)	-	570
<b>Total other comprehensive income, net</b>	<b>(327 351)</b>	<b>(417 278)</b>	<b>28 601</b>	<b>435 076</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>277 480</b>	<b>625 933</b>	<b>568 569</b>	<b>1 555 062</b>
Total comprehensive income attributable to:				
Owners of the parent entity	216 153	511 544	508 697	1 386 491
Non-controlling interests	61 327	114 389	59 872	168 571

### III. Condensed consolidated statement of financial position

	as at:	30.09.2021	31.12.2020
<b>ASSETS</b>			
Cash and balances with central banks	Note 14	2 774 695	5 489 303
Loans and advances to banks	Note 15	3 139 913	2 926 522
Financial assets held for trading	Note 16	3 173 110	3 182 769
Hedging derivatives		7 289	7 654
Loans and advances to customers incl.:	Note 17	145 347 384	141 998 745
- measured at amortised cost		142 894 043	139 549 728
- measured at fair value through other comprehensive income		1 768 501	1 556 791
- measured at fair value through profit or loss		684 840	892 226
Buy-sell-back transactions		430 465	293 583
Investment securities incl.:	Note 18	70 048 917	66 783 434
- debt investment securities measured at fair value through other comprehensive income		68 563 302	65 700 052
- debt investment securities measured at fair value through profit and loss		118 325	110 155
- equity investment securities measured at fair value through other comprehensive income		1 363 826	857 331
- equity investment securities measured at fair value through profit and loss		3 464	115 896
Assets pledged as collateral		544 553	657 664
Investments in associates	Note 19	934 292	998 397
Intangible assets		637 320	708 356
Goodwill		1 712 056	1 712 056
Property, plant and equipment		719 636	803 429
Right of use assets		579 199	710 657
Current income tax assets		174 717	-
Net deferred tax assets		1 995 352	1 996 552
Assets classified as held for sale		4 608	11 901
Other assets		1 429 745	1 030 287
<b>Total assets</b>		<b>233 653 251</b>	<b>229 311 309</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from banks	Note 20	3 671 924	5 373 312
Hedging derivatives		1 524 296	1 775 098
Financial liabilities held for trading	Note 16	2 493 406	3 030 340
Deposits from customers	Note 21	177 320 494	171 522 255
Sell-buy-back transactions		512 342	653 687
Subordinated liabilities	Note 22	2 765 158	2 754 605
Debt securities in issue	Note 23	10 924 120	11 241 312
Lease liabilities		495 337	624 690
Current income tax liabilities		-	79 049
Provisions for off balance sheet credit facilities	Note 24	58 139	64 541
Other provisions	Note 25	1 711 765	952 115
Other liabilities	Note 26	3 187 891	2 582 315
<b>Total liabilities</b>		<b>204 664 872</b>	<b>200 653 319</b>
<b>Equity</b>			
<b>Equity attributable to owners of Santander Bank Polska S.A.</b>		<b>27 278 905</b>	<b>26 994 750</b>
Share capital		1 021 893	1 021 893
Other reserve capital		22 178 344	21 296 994
Revaluation reserve		1 426 190	1 839 292
Retained earnings		1 734 352	1 799 404
Profit for the period		918 126	1 037 167
<b>Non-controlling interests in equity</b>		<b>1 709 474</b>	<b>1 663 240</b>
<b>Total equity</b>		<b>28 988 379</b>	<b>28 657 990</b>
<b>Total liabilities and equity</b>		<b>233 653 251</b>	<b>229 311 309</b>

Notes presented on pages 16 – 71 constitute an integral part of these Financial Statements.

## IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2021 - 30.09.2021	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
<b>As at the beginning of the period</b>	<b>1 021 893</b>	<b>21 296 994</b>	<b>1 839 292</b>	<b>2 836 571</b>	<b>26 994 750</b>	<b>1 663 240</b>	<b>28 657 990</b>
Total comprehensive income	-	-	(406 582)	918 126	511 544	114 389	625 933
<i>Consolidated profit for the period</i>	-	-	-	918 126	918 126	125 085	1 043 211
<i>Other comprehensive income</i>	-	-	(406 582)	-	(406 582)	(10 696)	(417 278)
Profit allocation to other reserve capital	-	1 110 963	-	(1 110 963)	-	-	-
Interim dividend*	-	(220 729)	-	-	(220 729)	-	(220 729)
Profit allocation to dividends	-	-	-	-	-	(68 155)	(68 155)
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	140	(140)	-	-	-
Other changes	-	(8 884)	(6 660)	8 884	(6 660)	-	(6 660)
<b>As at the end of the period</b>	<b>1 021 893</b>	<b>22 178 344</b>	<b>1 426 190</b>	<b>2 652 478</b>	<b>27 278 905</b>	<b>1 709 474</b>	<b>28 988 379</b>

\*details in Note 41

As at the end of the period revaluation reserve in the amount of PLN 1,426,190 k comprises: valuation of debt securities in the amount of PLN 414,848 k, valuation of equity securities in the amount of PLN 993,675 k, valuation of cash flow hedge activities in the amount of PLN 8,758 k and accumulated actuarial gains - provision for retirement allowances of PLN 8,909 k.

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

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

## V. Condensed consolidated statement of cash flows

	for the period	1.01.2021- 30.09.2021	1.01.2020- 30.09.2020
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>1 609 898</b>	<b>1 619 301</b>
<b>Adjustments for:</b>			
Share in net profits of entities accounted for by the equity method		( 57 372)	( 68 459)
Depreciation/amortisation		435 941	445 245
Profit from investing activities		( 98 536)	( 177 449)
Interest accrued excluded from operating activities		( 392 205)	( 315 497)
Dividends		( 215 718)	( 22 335)
Impairment losses (reversal)		31 396	42 937
<b>Changes in:</b>			
Provisions		753 248	55 240
Financial assets / liabilities held for trading		( 507 945)	(1 783 632)
Assets pledged as collateral		113 111	260 869
Hedging derivatives		( 193 163)	720 055
Loans and advances to banks		( 76 992)	( 10 947)
Loans and advances to customers		(7 295 995)	(3 341 593)
Deposits from banks		(1 256 798)	1 424 784
Deposits from customers		7 332 289	11 177 434
Buy-sell/ Sell-buy-back transactions		( 135 498)	( 33 755)
Other assets and liabilities		84 614	385 736
Interest received on operating activities		3 924 457	4 774 264
Interest paid on operating activities		( 93 072)	( 557 949)
Paid income tax		( 719 834)	( 972 867)
<b>Net cash flows from operating activities</b>		<b>3 241 826</b>	<b>13 621 382</b>
<b>Cash flows from investing activities</b>			
<b>Inflows</b>		<b>12 396 386</b>	<b>6 245 832</b>
Sale/maturity of investment securities		11 289 902	5 458 983
Sale of intangible assets and property, plant and equipment		74 790	55 585
Dividends received		215 718	21 643
Interest received		815 976	709 621
<b>Outflows</b>		<b>(18 476 487)</b>	<b>(28 586 600)</b>
Purchase of investment securities		(18 236 256)	(28 358 533)
Purchase of intangible assets and property, plant and equipment		( 240 231)	( 228 067)
<b>Net cash flows from investing activities</b>		<b>(6 080 101)</b>	<b>(22 340 768)</b>
<b>Cash flows from financing activities</b>			
<b>Inflows</b>		<b>11 126 675</b>	<b>7 321 999</b>
Debt securities in issue		6 870 000	3 702 790
Proceeds from issuing/shares		-	1 010
Drawing of loans		4 256 675	3 618 199
<b>Outflows</b>		<b>(13 724 080)</b>	<b>(9 997 135)</b>
Debt securities buy out		(7 176 644)	(4 194 229)
Repayment of loans and advances		(6 191 286)	(5 306 325)
Repayment of lease liability		( 143 697)	( 148 480)
Dividends to shareholders		( 68 155)	( 86 555)
Interest paid		( 144 298)	( 261 546)
<b>Net cash flows from financing activities</b>		<b>(2 597 405)</b>	<b>(2 675 136)</b>
<b>Total net cash flows</b>		<b>(5 435 680)</b>	<b>(11 394 522)</b>
<b>Cash and cash equivalents at the beginning of the accounting period</b>		<b>13 632 245</b>	<b>17 265 855</b>
<b>Cash and cash equivalents at the end of the accounting period</b>		<b>8 196 565</b>	<b>5 871 333</b>

Notes presented on pages 16 – 71 constitute an integral part of these Financial Statements.

## VI. Condensed income statement

	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Interest income and similar to interest</b>	<b>1 126 557</b>	<b>3 338 889</b>	<b>1 124 079</b>	<b>3 892 950</b>
Interest income on financial assets measured at amortised cost	925 295	2 707 441	907 438	3 254 727
Interest income on financial assets measured at fair value through other comprehensive income	198 857	623 258	212 531	604 410
Income similar to interest - financial assets measured at fair value through profit or loss	2 405	8 190	4 110	33 813
<b>Interest expenses</b>	<b>( 51 701)</b>	<b>( 168 890)</b>	<b>( 88 294)</b>	<b>( 567 019)</b>
<b>Net interest income</b>	<b>1 074 856</b>	<b>3 169 999</b>	<b>1 035 785</b>	<b>3 325 931</b>
Fee and commission income	616 858	1 793 820	522 901	1 506 673
Fee and commission expenses	( 80 239)	( 224 152)	( 84 713)	( 232 811)
<b>Net fee and commission income</b>	<b>536 619</b>	<b>1 569 668</b>	<b>438 188</b>	<b>1 273 862</b>
Dividend income	1 316	270 543	1 083	108 295
Net trading income and revaluation	43 057	165 272	27 374	106 186
Gains (losses) from other financial securities	56 726	114 908	126 162	180 039
Other operating income	51 985	100 463	26 367	57 299
Impairment allowances for expected credit losses	( 148 331)	( 640 717)	( 276 109)	( 1 013 171)
Operating expenses incl.:	( 889 713)	( 3 107 826)	( 748 587)	( 2 509 195)
-Staff, Operating expenses and management costs	( 603 611)	( 1 914 880)	( 593 250)	( 1 955 124)
-Amortisation of property, plant and equipment and Intangible assets	( 89 675)	( 270 020)	( 89 663)	( 266 141)
-Amortisation of right of use asset	( 36 527)	( 111 739)	( 38 387)	( 119 107)
-Other operating expenses	( 159 900)	( 811 187)	( 27 287)	( 168 823)
Tax on financial institutions	( 142 331)	( 427 210)	( 138 915)	( 416 577)
<b>Profit before tax</b>	<b>584 184</b>	<b>1 215 100</b>	<b>491 348</b>	<b>1 112 669</b>
Corporate income tax	( 158 486)	( 442 317)	( 140 658)	( 377 118)
<b>Profit for the period</b>	<b>425 698</b>	<b>772 783</b>	<b>350 690</b>	<b>735 551</b>
<b>Net earnings per share (PLN/share)</b>				
Basic earnings per share	4,16	7,56	3,43	7,20
Diluted earnings per share	4,16	7,56	3,43	7,2

## VII. Condensed statement of comprehensive income

for the period:	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Profit for the period</b>	<b>425 698</b>	<b>772 783</b>	<b>350 690</b>	<b>735 551</b>
<b>Items that will be reclassified subsequently to profit or loss:</b>				
Revaluation and sales of debt securities measured at fair value through other comprehensive income gross	(419 710)	(1 013 469)	44 880	582 567
Deferred tax	79 745	192 559	(8 527)	(110 688)
Revaluation of cash flow hedging instruments gross	(20 568)	24 032	(13 265)	23 136
Deferred tax	3 908	(4 566)	2 520	(4 396)
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Revaluation and sales of equity securities measured at fair value through other comprehensive income gross	27 519	466 969	948	(82 524)
Deferred and current tax	(5 228)	(88 743)	( 371)	15 489
Provision for retirement benefits – actuarial gains/losses gross	1 247	1 247	-	(2 587)
Deferred tax	( 237)	( 237)	-	492
<b>Total other comprehensive income, net</b>	<b>(333 324)</b>	<b>(422 208)</b>	<b>26 185</b>	<b>421 489</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>92 374</b>	<b>350 575</b>	<b>376 875</b>	<b>1 157 040</b>

## VIII. Condensed statement of financial position

	as at:	30.09.2021	31.12.2020
<b>ASSETS</b>			
Cash and balances with central banks		2 760 415	5 369 638
Loans and advances to banks		3 168 975	2 918 962
Financial assets held for trading		3 176 534	3 218 460
Hedging derivatives		6 967	6 901
Loans and advances to customers incl.:		121 206 692	119 077 346
- measured at amortised cost		118 878 692	116 786 037
- measured at fair value through other comprehensive income		1 768 501	1 556 791
- measured at fair value through profit or loss		559 499	734 518
Buy-sell-back transactions		430 465	293 583
Investment securities incl.:		67 262 310	64 355 667
- debt investment securities measured at fair value through other comprehensive income		65 856 237	63 312 701
- debt investment securities measured at fair value through profit and loss		115 043	106 639
- equity investment securities measured at fair value through other comprehensive income		1 291 030	823 633
- equity investment securities measured at fair value through profit and loss		-	112 694
Assets pledged as collateral		-	14 392
Investments in subsidiaries and associates		2 377 407	2 377 407
Intangible assets		540 879	628 643
Goodwill		1 688 516	1 688 516
Property, plant and equipment		535 781	576 975
Right of use asset		514 559	642 396
Current income tax assets		158 996	-
Net deferred tax assets		1 185 388	1 199 689
Assets classified as held for sale		4 308	4 308
Other assets		911 640	767 587
<b>Total assets</b>		<b>205 929 832</b>	<b>203 140 470</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from banks		1 588 163	2 993 349
Hedging derivatives		1 460 530	1 686 042
Financial liabilities held for trading		2 492 940	3 053 416
Deposits from customers		167 452 129	161 133 491
Sell-buy-back transactions		-	14 387
Subordinated liabilities		2 664 413	2 654 394
Debt securities in issue		463 882	2 772 351
Lease liabilities		590 889	712 304
Current income tax liabilities		-	138 782
Provisions for off balance sheet credit facilities		71 445	74 436
Other provisions		1 304 568	670 645
Other liabilities		2 288 183	1 814 029
<b>Total liabilities</b>		<b>180 377 142</b>	<b>177 717 626</b>
<b>Equity</b>			
Share capital		1 021 893	1 021 893
Other reserve capital		20 790 808	20 273 125
Revaluation reserve		1 397 553	1 819 661
Retained earnings		1 569 653	1 569 753
Profit for the period		772 783	738 412
<b>Total equity</b>		<b>25 552 690</b>	<b>25 422 844</b>
<b>Total liabilities and equity</b>		<b>205 929 832</b>	<b>203 140 470</b>

Notes presented on pages 16 – 71 constitute an integral part of these Financial Statements.

## IX. Condensed statement of changes in equity

<b>Statement of changes in equity</b>		<b>Other reserve</b>	<b>Revaluation</b>	<b>Retained earnings and profit for the period</b>	<b>Total</b>
<b>1.01.2021 - 30.09.2021</b>	<b>Share capital</b>	<b>capital</b>	<b>reserve</b>		
<b>As at the beginning of the period</b>	<b>1 021 893</b>	<b>20 273 125</b>	<b>1 819 661</b>	<b>2 308 165</b>	<b>25 422 844</b>
Total comprehensive income	-	-	( 422 208)	772 783	350 575
<i>Profit for the period</i>	-	-	-	772 783	772 783
<i>Other comprehensive income</i>	-	-	( 422 208)	-	( 422 208)
Profit allocation to other reserve capital	-	738 412	-	( 738 412)	-
Interim dividend*	-	( 220 729)	-	-	( 220 729)
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	100	( 100)	-
<b>As at the end of the period</b>	<b>1 021 893</b>	<b>20 790 808</b>	<b>1 397 553</b>	<b>2 342 436</b>	<b>25 552 690</b>

\*details in Note 41

As at the end of the period revaluation reserve in the amount of PLN 1,397,553 k comprises: valuation of debt securities in the amount of PLN 420,032 k, valuation of equity securities in the amount of PLN 960,500 k, valuation of cash flow hedge activities in the amount of PLN 8,617 k and accumulated actuarial gains - provision for retirement allowances of PLN 8,404 k.

<b>Statement of changes in equity</b>		<b>Other reserve</b>	<b>Revaluation</b>	<b>Retained earnings and profit for the period</b>	<b>Total</b>
<b>1.01.2020 - 30.09.2020</b>	<b>Share capital</b>	<b>capital</b>	<b>reserve</b>		
<b>As at the beginning of the period</b>	<b>1 020 883</b>	<b>19 214 757</b>	<b>1 315 180</b>	<b>2 626 766</b>	<b>24 177 586</b>
Total comprehensive income	-	-	421 489	735 551	1 157 040
<i>Profit for the period</i>	-	-	-	735 551	735 551
<i>Other comprehensive income</i>	-	-	421 489	-	421 489
Issue of shares	1 010	-	-	-	1 010
Profit allocation to other reserve capital	-	1 056 762	-	( 1 056 762)	-
Share-based payment	-	1 606	-	-	1 606
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	251	( 251)	-
<b>As at the end of the period</b>	<b>1 021 893</b>	<b>20 273 125</b>	<b>1 736 920</b>	<b>2 305 304</b>	<b>25 337 242</b>

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

## X. Condensed statement of cash flows

	for the period	1.01.2021- 30.09.2021	1.01.2020- 30.09.2020
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>1 215 100</b>	<b>1 112 669</b>
<b>Adjustments for:</b>			
Depreciation/amortisation		381 759	385 248
Profit from investing activities		( 89 651)	( 175 138)
Interest accrued excluded from operating activities		( 439 138)	( 437 589)
Dividends		( 268 791)	( 108 134)
Impairment losses (reversal)		31 395	41 275
<b>Changes in:</b>			
Provisions		630 932	81 847
Financial assets / liabilities held for trading		( 499 220)	(1 787 389)
Assets pledged as collateral		14 392	( 147 424)
Hedging derivatives		( 158 058)	667 418
Loans and advances to banks		4 232	( 9 547)
Loans and advances to customers		(4 899 420)	(4 278 300)
Deposits from banks		(1 395 945)	1 446 128
Deposits from customers		7 562 504	11 513 436
Buy-sell/ Sell-buy-back transactions		( 7 172)	279 214
Other assets and liabilities		80 476	270 844
Interest received on operating activities		2 745 024	3 328 670
Interests paid on operating activities		( 88 151)	( 388 664)
Paid income tax		( 626 782)	( 806 992)
<b>Net cash flows from operating activities</b>		<b>4 193 486</b>	<b>10 987 572</b>
<b>Cash flows from investing activities</b>			
<b>Inflows</b>			
Sale/maturity of investment securities		10 354 450	4 041 104
Sale of intangible assets and property, plant and equipment		33 315	13 135
Dividends received		268 791	108 109
Interest received		808 005	682 705
<b>Outflows</b>			
Purchase of investment securities		(16 969 534)	(26 072 665)
Purchase of intangible assets and property, plant and equipment		( 174 200)	( 142 576)
<b>Net cash flows from investing activities</b>		<b>(5 679 173)</b>	<b>(21 370 188)</b>
<b>Cash flows from financing activities</b>			
<b>Inflows</b>			
Proceeds from issuing/shares		-	1 010
<b>Outflows</b>			
Debt securities buy out		(2 294 798)	( 550 000)
Repayment of loans and advances		(1 229 510)	( 240 059)
Repayment of lease liability		( 121 792)	( 130 716)
Interest paid		( 82 737)	( 116 804)
<b>Net cash flows from financing activities</b>		<b>(3 728 837)</b>	<b>(1 036 569)</b>
<b>Total net cash flows</b>		<b>(5 214 524)</b>	<b>(11 419 185)</b>
<b>Cash and cash equivalents at the beginning of the accounting period</b>		<b>13 411 198</b>	<b>17 156 866</b>
<b>Cash and cash equivalents at the end of the accounting period</b>		<b>8 196 674</b>	<b>5 737 681</b>

## XI. Additional notes to condensed interim consolidated financial statements

### 1. General information about issuer

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

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 9-month period ended 30 September 2021 includes Bank's financial information as well as information from its subsidiaries and shares in associated entities (all together called Group).

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

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

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

## Santander Bank Polska Group consists of the following entities:

### Subsidiaries:

Subsidiaries	Registered office	[%] of votes on AGM at 30.09.2021	[%] of votes on AGM at 30.09.2020
1. Santander Finanse sp. z o.o.	Poznań	100%	100%
2. Santander Factoring sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3. Santander Leasing S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4. Santander Leasing Poland Securitization 01	Dublin	subsidary of Santander Leasing S.A.	subsidary of Santander Leasing S.A.
5. Santander Inwestycje sp. z o.o.	Warszawa	100%	100%
6. Santander F24 S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
7. Santander Towarzystwo Funduszy Inwestycyjnych S.A. <sup>1)</sup>	Poznań	50%	50%
8. Santander Consumer Bank S.A.	Wrocław	60%	60%
9. Santander Consumer Finanse sp. z o.o. <sup>2)</sup>	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A. 50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.	100% of AGM votes are held by Santander Consumer Bank S.A. 50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.
10. PSA Finance Polska sp. z o.o. <sup>3)</sup>	Warszawa	100% of AGM votes are held by PSA Finance Polska sp. z o.o.	100% of AGM votes are held by PSA Finance Polska sp. z o.o.
11. PSA Consumer Finance Polska sp. z o.o. <sup>3)</sup>	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
12. Santander Consumer Multirent sp. z o.o.	Wrocław	subsidary of Santander Consumer Multirent S.A.	-
13. SCM POLAND AUTO 2019-1 DAC <sup>4)</sup>	Dublin	subsidary of Santander Consumer Multirent S.A.	-
14. Santander Consumer Financial Solutions Sp. z o.o. <sup>5)</sup>	Wrocław	subsidary of Santander Consumer Bank S.A.	-
15. S.C. Poland Consumer 15-1 sp.z o.o. <sup>6)</sup>	Warszawa	-	subsidary of Santander Consumer Bank S.A.
16. S.C. Poland Consumer 16-1 sp.z o.o. <sup>6)</sup>	Warszawa	subsidary of Santander Consumer Bank S.A.	subsidary of Santander Consumer Bank S.A.

1. As at 30.09.2021, Santander Bank Polska was a co-owner of Santander Towarzystwo Funduszy Inwestycyjnych SA, together with Banco Santander SA. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska exercises control over the subsidiary Santander Towarzystwo Funduszy Inwestycyjnych SA because though it, Banco Santander implements its policy in Poland. Consequently, the company is treated as a subsidiary.

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

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

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

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

6. SC Poland Consumer 15-1 sp. z o.o. and SC Poland Consumer 16-1 sp. z o.o. were set up for the purpose of securitisation of a part of the loan portfolio; their shareholder is polish legal entity who has no ties with the Group; the companies are controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7. On 18 June 2021, a resolution was adopted at SC Poland Consumer 15-1 Sp. z o.o. to dissolve the company and start the liquidation process. The Group lost control over the company.

**Associates:**

Associates	Registered office	[%] of votes on AGM at 30.09.2021	[%] of votes on AGM at 30.09.2020
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2. Santander - Aviva Towarzystwo Ubezpieczeń S.A.	Warszawa	49%	49%
3. Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Warszawa	49%	49%

## 2. Basis of preparation of condensed interim consolidated financial statements

### 2.1 Statement of compliance

Santander Bank Polska S.A. Group applied accounting rules in accordance with the International Financial Reporting Standards Accounting (IFRS) adopted by the European Union, which are applied on a consistent basis and, in the case of matters not governed by the above Standards, in accordance with the provisions of the Accounting Act of 29 September 1994 (consolidated text: Journal of Law 2021, item 217) and related implementing acts as well as the requirements imposed on issuers whose securities are admitted to trading on regulated markets or issuers who have applied to have securities admitted to trading on regulated markets outlined in the Act of 29 July 2005 on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies.

The accounting policies have been applied consistently by Santander Bank Polska S.A. Group entities. The same accounting principles were applied as in the case of the consolidated financial statements for the period ending 31 December 2020, except for income tax, which is charged under IAS 34.30c.

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

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Annual improvements to IFRS standards 2018-2020	As a result of annual improvements project, amendments to four IFRSs were introduced (IFRS1, IFRS9, IFRS16, IAS 41). Amendments to IFRS 9 clarify which fees an entity applies when "10% test" is performed for derecognition of financial asset. For IFRS 16 an illustrative example for lease incentives treatments was changed, not to cause confusion.	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.
Amendments to IAS 37 Provisions	The changes concern the clarification of the scope of costs that should be taken into account in assessing whether the contract is a onerous contract	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.
Amendments to IAS 16 Property, Plant and Equipment	The changes indicate, i.a, that revenues from the sale of goods produced in the course of bringing an asset to the desired location and condition, cannot be deducted from the costs associated with this asset. Instead, such revenues should be recognized in the profit and loss account along with the costs of manufacturing these products	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.
Amendments to IFRS 3 Business combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	1 January 2022	The amendment will not have a significant impact on consolidated financial statements.
IFRS 17 Insurance Contracts	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts have on the financial position, financial performance and cash flows of the entity. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: aggregation levels at which the calculations are made, methods for the valuation of insurance liabilities, recognition a profit or loss over the period, reinsurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2023	The standard will not have a significant impact on consolidated financial statements.*
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments to IAS 8 include definition of accounting estimates, which should help to distinguish between accounting policies and accounting estimates.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 12	Amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 1	There are two amendments to IAS 1. The first one affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current. The second one concern accounting policy disclosures with regard to the scope of such disclosures.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*

\* not yet endorsed by EU

## 2.3 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2021

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Amendments to IFRS 16 Leasing-extension	The amendments provide the possibility of exempting lessees from recognizing rental concessions as modifications in accordance with IFRS 16, if they meet certain conditions and result from COVID-19. Extension by one year for rent concessions beyond 30 June 2021 ( May 2020 amendment)	1 April 2021	The amendment does not have a significant impact on consolidated financial statements.*
IBOR reform -Phase 2 (amendments to IFRS 9, IAS 39,IFRS 7,IFRS 4, IFRS 16)	The amendments complement the changes introduced in Phase 1 and relate to the following areas: changes in cash flows, hedge accounting and disclosures. The change in cash flows resulting from reform will only require updating the EIR , without affecting the gross carrying amount of the financial instrument or the need to derecognise it.	1 January 2021	Assessment of IFRS changes impact on consolidated financial statements, is not possible as long as process of change in interest rates ( IBOR reform) is not completed.

\* not yet endorsed by EU

## 2.4 Basis of preparation of consolidated financial statements

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

Companies within Santander Bank Polska S.A. Group are able to continue as a going concern in unchanged form in a foreseeable future i.e.12 months from the date of this financial statement.

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

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

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

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

## 2.5 Changes in estimated values

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

The estimates and assumptions are made based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and assumptions are reviewed on an ongoing basis. Changes to estimates are recognised in the period in which the estimate is changed if the change affects only that period, or in the period of the change and future periods if the change affects both current and future periods.

## Key estimates made by Santander Bank Polska S.A. Group

Key estimates include:

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

## Allowances for expected credit losses in respect of financial assets and risk management including COVID-19 impact

The concept of modification

Santander Bank Polska S.A. Group assesses changes in cash flows resulting from annexes according to IFRS 9. If a modification does not result in derecognition of that asset (the so called minor modification), the gross carrying amount of the financial asset is recalculated and modification gain or loss is recognized in profit or loss. Change in gross carrying amount is amortised into interest income/cost using effective interest rate method.

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

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

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

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

The tables below present the value of exposure and expected credit loss for instruments subject to statutory and non-statutory moratoria according as at 30 September 2021.

	Gross carrying amount								
	Granted	Expired	Active	Performing			Non performing		
					Of which: exposures with forbearance measures	Of which: Instruments with SICR but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
<b>Loans and advances subject to moratorium</b>	<b>17 788 319</b>	<b>17 381 788</b>	<b>406 531</b>	<b>16 521 180</b>	<b>1 035 247</b>	<b>2 607 133</b>	<b>1 267 139</b>	<b>637 827</b>	<b>752 149</b>
<b>of which: Households</b>	<b>7 566 504</b>	<b>7 484 420</b>	<b>82 084</b>	<b>6 723 961</b>	<b>151 125</b>	<b>563 386</b>	<b>842 543</b>	<b>457 196</b>	<b>533 943</b>
<i>Santander Bank Polska</i>	6 773 718	6 691 878	81 840	6 084 213	151 125	434 011	689 505	457 196	477 573
<i>Santander Consumer Bank</i>	792 778	792 534	244	639 740	-	129 375	153 038	-	56 370
<i>Santander Leasing</i>	8	8	-	8	-	-	-	-	-
Collateralised by residential immovable property	5 529 154	5 469 222	59 932	5 168 569	104 994	348 119	360 585	285 664	321 397
<i>Santander Bank Polska</i>	5 262 140	5 202 208	59 932	4 926 676	104 994	315 945	335 464	285 664	303 023
<i>Santander Consumer Bank</i>	267 014	267 014	-	241 893	-	32 174	25 121	-	18 374
Consumer loans	2 037 350	2 015 198	22 152	1 555 392	46 131	215 267	481 958	171 532	212 546
<i>Santander Bank Polska</i>	1 511 578	1 489 670	21 908	1 157 537	46 131	118 066	354 041	171 532	174 550
<i>Santander Consumer Bank</i>	525 764	525 520	244	397 847	-	97 201	127 917	-	37 996
<i>Santander Leasing</i>	8	8	-	8	-	-	-	-	-
<b>of which: Non-financial corporations</b>	<b>10 221 815</b>	<b>9 897 368</b>	<b>324 447</b>	<b>9 797 219</b>	<b>884 122</b>	<b>2 043 747</b>	<b>424 596</b>	<b>180 631</b>	<b>218 206</b>
<i>Santander Bank Polska</i>	8 320 892	8 000 765	320 127	7 977 164	884 122	1 772 358	343 728	180 631	168 149
<i>Santander Consumer Bank</i>	433 085	433 085	-	430 022	-	7 212	3 063	-	703
<i>Santander Leasing</i>	1 467 477	1 463 157	4 320	1 389 672	-	264 177	77 805	-	49 354
<i>Santander Factoring</i>	361	361	-	361	-	-	-	-	-
SME loans	2 419 411	2 409 708	9 703	2 159 430	110 144	336 988	259 981	97 710	121 274
<i>Santander Bank Polska</i>	1 963 547	1 954 756	8 791	1 719 299	110 144	307 261	244 248	97 710	112 397
<i>Santander Consumer Bank</i>	329 924	329 924	-	327 031	-	7 212	2 893	-	535
<i>Santander Leasing</i>	125 940	125 028	912	113 100	-	22 515	12 840	-	8 342
Corporate loans	7 802 404	7 487 660	314 744	7 637 789	773 978	1 706 759	164 615	82 921	96 932
<i>Santander Bank Polska</i>	6 357 345	6 046 009	311 336	6 257 865	773 978	1 465 097	99 480	82 921	55 752
<i>Santander Consumer Bank</i>	103 161	103 161	-	102 991	-	-	170	-	168
<i>Santander Leasing</i>	1 341 537	1 338 129	3 408	1 276 572	-	241 662	64 965	-	41 012
<i>Santander Factoring</i>	361	361	-	361	-	-	-	-	-

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

	Gross carrying amount of granted moratoria	Accumulated impairment	Performing			Non performing		
			Of which: exposures with forbearance measures	Of which: Instruments with SICR but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due <= 90 days		
<b>Loans and advances subject to moratorium</b>	<b>17 788 319</b>	<b>( 872 064)</b>	<b>( 245 786)</b>	<b>( 54 570)</b>	<b>( 163 410)</b>	<b>( 626 278)</b>	<b>( 278 144)</b>	<b>( 324 776)</b>
<b>of which: Households</b>	<b>7 566 504</b>	<b>( 524 397)</b>	<b>( 100 928)</b>	<b>( 8 945)</b>	<b>( 56 969)</b>	<b>( 423 469)</b>	<b>( 197 539)</b>	<b>( 232 166)</b>
Santander Bank Polska	6 773 718	( 390 175)	( 65 711)	( 8 945)	( 31 676)	( 324 464)	( 197 539)	( 198 898)
Santander Consumer Bank	792 778	( 134 222)	( 35 217)	-	( 25 293)	( 99 005)	-	( 33 268)
Santander Leasing	8	-	-	-	-	-	-	-
Collateralised by residential immovable property	5 529 154	( 142 280)	( 20 647)	( 2 695)	( 13 810)	( 121 633)	( 93 697)	( 106 892)
Santander Bank Polska	5 262 140	( 125 435)	( 16 578)	( 2 695)	( 10 212)	( 106 857)	( 93 697)	( 96 451)
Santander Consumer Bank	267 014	( 16 845)	( 4 069)	-	( 3 598)	( 14 776)	-	( 10 441)
Consumer loans	2 037 350	( 382 117)	( 80 281)	( 6 250)	( 43 159)	( 301 836)	( 103 842)	( 125 274)
Santander Bank Polska	1 511 578	( 264 740)	( 49 133)	( 6 250)	( 21 464)	( 217 607)	( 103 842)	( 102 447)
Santander Consumer Bank	525 764	( 117 377)	( 31 148)	-	( 21 695)	( 84 229)	-	( 22 827)
Santander Leasing	8	-	-	-	-	-	-	-
<b>of which: Non-financial corporations</b>	<b>10 221 815</b>	<b>( 347 667)</b>	<b>( 144 858)</b>	<b>( 45 625)</b>	<b>( 106 441)</b>	<b>( 202 809)</b>	<b>( 80 605)</b>	<b>( 92 610)</b>
Santander Bank Polska	8 320 892	( 313 072)	( 135 241)	( 45 625)	( 100 782)	( 177 831)	( 80 605)	( 81 861)
Santander Consumer Bank	433 085	( 3 098)	( 1 840)	-	( 191)	( 1 258)	-	( 174)
Santander Leasing	1 467 477	( 31 497)	( 7 777)	-	( 5 468)	( 23 720)	-	( 10 575)
Santander Factoring	361	-	-	-	-	-	-	-
SME loans	2 419 411	( 229 103)	( 66 525)	( 17 455)	( 43 432)	( 162 578)	( 65 607)	( 72 282)
Santander Bank Polska	1 963 547	( 221 570)	( 64 136)	( 17 455)	( 42 654)	( 157 434)	( 65 607)	( 70 195)
Santander Consumer Bank	329 924	( 2 774)	( 1 554)	-	( 191)	( 1 220)	-	( 155)
Santander Leasing	125 940	( 4 759)	( 835)	-	( 587)	( 3 924)	-	( 1 932)
Corporate loans	7 802 404	( 118 564)	( 78 333)	( 28 170)	( 63 009)	( 40 231)	( 14 998)	( 20 328)
Santander Bank Polska	6 357 345	( 91 502)	( 71 105)	( 28 170)	( 58 128)	( 20 397)	( 14 998)	( 11 666)
Santander Consumer Bank	103 161	( 324)	( 286)	-	-	( 38)	-	( 19)
Santander Leasing	1 341 537	( 26 738)	( 6 942)	-	( 4 881)	( 19 796)	-	( 8 643)
Santander Factoring	361	-	-	-	-	-	-	-

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

	Gross carrying amount								
	Granted	Expired	Active	Performing			Non performing		
					Of which: exposures with forbearance measures	Of which: Instruments with SICR but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
<b>Loans and advances subject to moratorium</b>	<b>21 896 331</b>	<b>19 282 432</b>	<b>2 613 899</b>	<b>21 258 960</b>	<b>493 075</b>	<b>3 098 158</b>	<b>637 371</b>	<b>346 112</b>	<b>465 928</b>
<b>of which: Households</b>	<b>8 587 007</b>	<b>8 112 769</b>	<b>474 238</b>	<b>8 124 623</b>	<b>74 930</b>	<b>915 711</b>	<b>462 384</b>	<b>279 133</b>	<b>353 588</b>
Santander Bank Polska	7 537 027	7 096 516	440 511	7 147 624	74 930	562 757	389 403	279 133	311 172
Santander Consumer Bank	1 049 966	1 016 239	33 727	976 985	-	352 940	72 981	-	42 416
Santander Leasing	14	14	-	14	-	14	-	-	-
Collateralised by residential immovable property	5 888 091	5 579 090	309 001	5 652 832	50 223	475 551	235 259	186 989	216 015
Santander Bank Polska	5 599 602	5 295 090	304 512	5 379 603	50 223	394 492	219 999	186 989	202 607
Santander Consumer Bank	288 489	284 000	4 489	273 229	-	81 059	15 260	-	13 408
Consumer loans	2 698 916	2 533 679	165 237	2 471 792	24 707	440 160	227 124	92 144	137 573
Santander Bank Polska	1 937 425	1 801 426	135 999	1 768 021	24 707	168 265	169 404	92 144	108 565
Santander Consumer Bank	761 477	732 239	29 238	703 757	-	271 881	57 720	-	29 009
<b>of which: Non-financial corporations</b>	<b>13 309 324</b>	<b>11 169 663</b>	<b>2 139 661</b>	<b>13 134 337</b>	<b>418 145</b>	<b>2 182 447</b>	<b>174 987</b>	<b>66 980</b>	<b>112 340</b>
Santander Bank Polska	9 360 687	8 606 808	753 879	9 215 763	418 145	1 826 982	144 924	65 882	94 272
Santander Consumer Bank	536 250	524 130	12 120	534 374	-	12 389	1 876	-	240
Santander Leasing	2 106 758	2 026 261	80 497	2 080 097	-	332 695	26 661	-	16 301
Santander Factoring	1 305 629	12 464	1 293 165	1 304 103	-	10 381	1 526	1 098	1 527
SME loans	2 831 579	2 761 124	70 455	2 748 689	88 681	391 852	82 890	14 703	40 231
Santander Bank Polska	2 244 697	2 193 985	50 712	2 168 848	88 681	346 351	75 849	14 703	37 089
Santander Consumer Bank	390 759	385 465	5 294	389 009	-	11 160	1 750	-	144
Santander Leasing	196 123	181 674	14 449	190 832	-	34 341	5 291	-	2 999
Corporate loans	10 477 746	8 408 539	2 069 206	10 385 648	329 464	1 790 595	92 098	52 276	72 108
Santander Bank Polska	7 115 990	6 412 823	703 167	7 046 915	329 464	1 480 631	69 075	51 179	57 184
Santander Consumer Bank	145 491	138 665	6 826	145 365	-	1 229	126	-	96
Santander Leasing	1 910 635	1 844 587	66 048	1 889 265	-	298 354	21 370	-	13 302
Santander Factoring	1 305 629	12 464	1 293 165	1 304 103	-	10 381	1 526	1 098	1 527

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

	Gross carrying amount of granted moratoria	Accumulated impairment	Performing			Non performing		
				Of which: exposures with forbearance measures	Of which: Instruments with SICR but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due <= 90 days	
<b>Loans and advances subject to moratorium</b>	<b>21 896 331</b>	<b>( 626 073)</b>	<b>( 340 617)</b>	<b>( 38 834)</b>	<b>( 200 578)</b>	<b>( 285 456)</b>	<b>( 132 263)</b>	<b>( 189 903)</b>
<b>of which: Households</b>	<b>8 587 007</b>	<b>( 358 430)</b>	<b>( 144 416)</b>	<b>( 3 456)</b>	<b>( 93 964)</b>	<b>( 214 014)</b>	<b>( 112 517)</b>	<b>( 151 233)</b>
Santander Bank Polska	7 537 027	( 244 768)	( 76 325)	( 3 456)	( 37 936)	( 168 443)	( 112 517)	( 125 732)
Santander Consumer Bank	1 049 966	( 113 662)	( 68 091)	-	( 56 028)	( 45 571)	-	( 25 500)
Santander Leasing	14	-	-	-	-	-	-	-
Collateralised by residential immovable property	5 888 091	( 110 510)	( 30 244)	( 1 334)	( 24 369)	( 80 267)	( 63 116)	( 73 804)
Santander Bank Polska	5 599 602	( 92 142)	( 19 118)	( 1 334)	( 13 624)	( 73 024)	( 63 116)	( 67 264)
Santander Consumer Bank	288 489	( 18 368)	( 11 126)	-	( 10 745)	( 7 242)	-	( 6 540)
Consumer loans	2 698 916	( 247 919)	( 114 172)	( 2 122)	( 69 595)	( 133 747)	( 49 401)	( 77 429)
Santander Bank Polska	1 937 425	( 152 626)	( 57 208)	( 2 122)	( 24 312)	( 95 418)	( 49 401)	( 58 469)
Santander Consumer Bank	761 477	( 95 293)	( 56 964)	-	( 45 283)	( 38 329)	-	( 18 960)
<b>of which: Non-financial corporations</b>	<b>13 309 324</b>	<b>( 267 644)</b>	<b>( 196 201)</b>	<b>( 35 378)</b>	<b>( 106 614)</b>	<b>( 71 442)</b>	<b>( 19 746)</b>	<b>( 38 671)</b>
Santander Bank Polska	9 360 687	( 238 920)	( 175 491)	( 35 378)	( 93 922)	( 63 429)	( 19 698)	( 34 644)
Santander Consumer Bank	536 250	( 4 903)	( 4 043)	-	( 962)	( 860)	-	( 192)
Santander Leasing	2 106 758	( 21 873)	( 14 822)	-	( 11 091)	( 7 051)	-	( 3 732)
Santander Factoring	1 305 629	( 1 947)	( 1 845)	-	( 639)	( 102)	( 48)	( 102)
SME loans	2 831 579	( 150 116)	( 99 581)	( 17 062)	( 45 756)	( 50 536)	( 10 418)	( 24 447)
Santander Bank Polska	2 244 697	( 142 780)	( 94 340)	( 17 062)	( 43 193)	( 48 440)	( 10 418)	( 23 647)
Santander Consumer Bank	390 759	( 3 949)	( 3 134)	-	( 917)	( 814)	-	( 154)
Santander Leasing	196 123	( 3 388)	( 2 106)	-	( 1 646)	( 1 282)	-	( 646)
Corporate loans	10 477 746	( 117 527)	( 96 621)	( 18 316)	( 60 857)	( 20 906)	( 9 328)	( 14 223)
Santander Bank Polska	7 115 990	( 96 140)	( 81 151)	( 18 316)	( 50 729)	( 14 989)	( 9 280)	( 10 997)
Santander Consumer Bank	145 491	( 954)	( 909)	-	( 44)	( 46)	-	( 38)
Santander Leasing	1 910 635	( 18 485)	( 12 716)	-	( 9 445)	( 5 769)	-	( 3 086)
Santander Factoring	1 305 629	( 1 947)	( 1 845)	-	( 639)	( 102)	( 48)	( 102)

Type of assistance tool	Number of clients with granted assistance tools	Gross carrying amount of granted assistance tools (in kPLN)
non-legislative moratoria	150 128	18 542 892
legislative moratoria	3 729	319 522
<b>Moratoria</b>	<b>153 857</b>	<b>18 862 414</b>
liquidity BGK	20 733	5 844 532
<b>All assistance tools</b>	<b>172 338</b>	<b>24 706 946</b>

**Expected credit loss calculation ( ECL)**

The IFRS 9 approach is based on estimation of the expected credit loss (ECL). ECL allowances reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at an amount equal to a 12-month ECL or the lifetime ECL, when it is deemed there has been a significant increase in credit risk since initial recognition ( Stage 2) or impairment (Stage 3). Accordingly, the ECL model gives rise to measurement uncertainty, especially in relation to:

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

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

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

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

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

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

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

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

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

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

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

#### **A credit-impaired assets**

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

- significant financial difficulty of the issuer or debtor;

- a breach of contract, e.g. delay in repayment of interest or principal over 90 days in an amount exceeding the materiality threshold (PLN 400 for individual and small and medium-sized enterprises and PLN 2,000 for business and corporate clients) and at the same time relative thresholds (above 1% of the amount past due in relation to the balance sheet amount);
- the Santander Bank Polska S.A. Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Santander Bank Polska S.A. Group would not otherwise consider, which fulfill below criteria:
  - (1) contingent restructuring transactions that meet the criteria for reclassification into basket 3 (quantitative and / or qualitative),
  - (2) contingent restructuring transactions previously classified as non-performing, which have been refinanced or restructured, or are more than 30 days past due to the customer's with observed financial difficulties,
  - (3) restructured transactions, where contractual clauses have been applied that defer payments through a grace period for repayment of the principal for a period longer than two years,
  - (4) restructured transactions including debt write-off, interest grace periods or repaid in installments without contractual interest,
  - (5) restructured transactions, where there was a change in the net present value of cash flows (NPV) of at least 1% compared to the NPV before the application of the forbearance measures,
  - (6) transactions where:
    - inadequate repayment schedules (initial or later, if used) were applied, which are related to, inter alia, repeated situations of non-compliance with the schedule, changes in the repayment schedule in order to avoid situations of non-compliance with it, or
    - a repayment schedule that is based on expectations, unsupported by macroeconomic forecasts or credible assumptions about the borrower's ability or willingness to repay was applied.
  - (7) transactions for which the Group has reasonable doubts as to the probability of payment by the customer.
- it becoming probable that the debtor will enter bankruptcy, recovery proceedings, arrangement or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- exposures subject to the statutory moratorium, the so-called Shield 4.0 (Act of 19 June 2020 on interest subsidies for bank loans granted to entrepreneurs affected by COVID-19) - application of a moratorium on the basis of a declaration of loss of source of income.

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

- In the case of individual customers, the probation period is 180 days.
- In the case of SME customers, the probation period is 180 days, and assessment of the customer's financial standing and repayment capacity is required in some cases. However, the exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, client's death, discontinuation of business, bankruptcy, or pending restructuring/ liquidation proceedings.
- In the case of business and corporate customers, the probation period is 92 days, and positive assessment of the financial standing is required (the Group assesses all remaining payments as likely to be repaid as scheduled in the agreement). The exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, discontinuation of business, or pending restructuring/ insolvency/ liquidation proceedings.
- Additionally, if the customer is in Stage 3 and subject to the forbearance process, they may be reclassified to Stage 2 not earlier than after 365 days (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) of regular payments, repayment by the client of the amount previously overdue / written off (if

any) and after finding that there are no concerns as to the further repayment of the entire debt in accordance with the agreed terms of restructuring.

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

### A significant increases in credit risk (SICR)

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

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

cure scenario realization, the probabilities of the realization of operational cash flows as well as the expected recovery from the sale of tangible collateral.

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

### **ECL measurement**

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

### **Determination of forward-looking events and their likelihood**

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

### **Management provision covering risk resulting from COVID-19 pandemic**

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

The Group analyzed risks associated with COVID-19 and, based on observations from recent periods as well as expectations regarding the future behaviour of the portfolio and the impact of COVID-19, adequately included these factors in the estimated parameters of credit losses. Therefore partial release of additional allowance for expected credit losses in the form of post-model adjustments to the values resulting from the models was possible.

Therefore, the value of the additional allowance for expected credit losses in the form of post-model adjustments to the values resulting from the models at the end of September 2021 amounts to PLN 32 814k and did not change in the third quarter of 2021.

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

### **Estimates for legal claims**

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

The provisions have been estimated considering the likelihood of payment.

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

Details on the value of the provisions and the assumptions made for their calculation are provided in Notes 25 and 28.

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

In connection with the CJEU's ruling described in Note 28, there is an increased risk that clauses in agreements from the portfolio of mortgage loans denominated in or indexed to foreign currencies may be effectively challenged by customers. The Management Board considered the risk that the scheduled cash flows may not be fully recoverable and/or a liability may arise resulting in a future cash outflow. The Group decided to maintain additional collective provision for legal risk, in addition to provisions for individual court cases.

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

The Group, based on observed data, has changed portfolio provision for mortgage loans in foreign currencies as at 30 September 2021, and will carry on with monitoring of the risk in subsequent reporting periods. As at 30 September 2021 collective provision amounts to PLN 464 785k ( PLN 470 061k as at 30 June 2021).

Details on the value of the provisions and the assumptions made for their calculation are provided in Notes 25 and 28.

### Estimates regarding reimbursement of fees related to early repaid consumer loans

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

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

## 2.6 Judgements that affect the amounts recognised in financial statements

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

## 2.7 Changes to accounting principles

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

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

## 3. Operating segments reporting

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

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

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

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

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

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

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

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

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

In 2021 introduced the following changes:

- customer resegmentation between business segments; Once a year, Santander Bank Polska Group carries out the resegmentation / migration of customers between operating segments which results from the fact that customer meets the criteria of assignment for different operating segment than before. This change is intended to provide services at the highest level of quality and tailored to individual needs or the scale of customer operations.
- Transfer of Investments in associates of Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander – Aviva Towarzystwo Ubezpieczeń na Życie S.A. from Segment ALM and Centre to Segment Retail Banking as an effect of presentation change in reporting to the chief operating decision maker in Santander Bank Polska S.A. Group
- Transfer of Share in net profits of entities accounted for by the equity method of Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander – Aviva Towarzystwo Ubezpieczeń na Życie S.A. from Segment ALM and Centre to Segment Retail Banking as an effect of presentation change in reporting to the chief operating decision maker in Santander Bank Polska S.A. Group

Comparable data are adjusted accordingly.

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

Additional write-off for expected credit losses in the form of so-called adjustments to values resulting from post model adjustments in the amount of PLN 151 262 thousand (stage 2) was estimated and presented in the results of particular business segments in comparable data for 30 September 2020 while release of described provision in the amount of PLN 88 600 thousand was presented in data for 30 September 2021. The adjustment was also described in notes 2.5 and 9 of these Financial Statements.

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

## Retail Banking

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

## Business & Corporate Banking

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

## Corporate & Investment Banking

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

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

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

## ALM and Centre

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

## Santander Consumer

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

## Consolidated income statement by business segments

1.01.2021-30.09.2021	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>Net interest income</b>	<b>2 208 385</b>	<b>564 194</b>	<b>188 651</b>	<b>396 700</b>	<b>874 011</b>	<b>4 231 941</b>
incl. internal transactions	( 2 711)	( 2 714)	5 580	7 281	( 7 436)	-
<b>Net fee and commission income</b>	<b>1 078 744</b>	<b>398 991</b>	<b>281 211</b>	<b>( 15 293)</b>	<b>102 554</b>	<b>1 846 207</b>
incl. internal transactions	135 332	87 342	( 218 641)	( 1 742)	( 2 291)	-
<b>Other income</b>	<b>37 533</b>	<b>35 939</b>	<b>119 425</b>	<b>216 050</b>	<b>50 747</b>	<b>459 694</b>
incl. internal transactions	( 1 058)	37 941	( 36 622)	115	( 376)	-
<b>Dividend income</b>	-	-	<b>1 752</b>	<b>102 454</b>	<b>10</b>	<b>104 216</b>
<b>Operating costs</b>	<b>(2 109 466)</b>	<b>( 304 863)</b>	<b>( 201 332)</b>	<b>( 216 568)</b>	<b>( 520 782)</b>	<b>(3 353 011)</b>
incl. internal transactions	-	-	-	2 011	( 2 011)	-
<b>Depreciation/amortisation</b>	<b>( 259 178)</b>	<b>( 48 571)</b>	<b>( 17 582)</b>	<b>( 69 598)</b>	<b>( 41 011)</b>	<b>( 435 940)</b>
<b>Impairment losses on loans and advances</b>	<b>( 445 949)</b>	<b>( 124 103)</b>	<b>( 112 473)</b>	<b>95</b>	<b>( 168 057)</b>	<b>( 850 487)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>57 277</b>	-	-	<b>95</b>	-	<b>57 372</b>
<b>Tax on financial institutions</b>	-	-	-	<b>( 427 210)</b>	<b>( 22 884)</b>	<b>( 450 094)</b>
<b>Profit before tax</b>	<b>567 346</b>	<b>521 587</b>	<b>259 652</b>	<b>( 13 275)</b>	<b>274 588</b>	<b>1 609 898</b>
Corporate income tax						<b>( 566 687)</b>
<b>Consolidated profit for the</b>						<b>1 043 211</b>
of which:						
attributable to owners of Santander Bank Polska SA						<b>918 126</b>
attributable to non-controlling interests						<b>125 085</b>

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

<b>1.07.2021-30.09.2021</b>	<b>Segment Retail Banking *</b>	<b>Segment Business and Corporate Banking</b>	<b>Segment Corporate &amp; Investment Banking</b>	<b>Segment ALM and Centre</b>	<b>Segment Santander Consumer</b>	<b>Total</b>
<b>Net interest income</b>	<b>761 600</b>	<b>189 835</b>	<b>59 857</b>	<b>129 260</b>	<b>303 343</b>	<b>1 443 895</b>
incl. internal transactions	( 946)	( 960)	1 946	2 142	( 2 182)	-
<b>Net fee and commission income</b>	<b>375 182</b>	<b>141 017</b>	<b>88 089</b>	<b>( 3 556)</b>	<b>34 121</b>	<b>634 853</b>
incl. internal transactions	52 416	31 303	( 82 159)	( 813)	( 747)	-
<b>Other income</b>	<b>7 954</b>	<b>8 250</b>	<b>40 140</b>	<b>106 447</b>	<b>6 961</b>	<b>169 752</b>
incl. internal transactions	( 413)	12 225	( 11 728)	10	( 94)	-
<b>Dividend income</b>	-	-	<b>1 137</b>	<b>252</b>	<b>3</b>	<b>1 392</b>
<b>Operating costs</b>	<b>( 577 005)</b>	<b>( 101 788)</b>	<b>( 64 142)</b>	<b>( 59 029)</b>	<b>( 131 130)</b>	<b>( 933 094)</b>
incl. internal transactions	-	-	-	793	( 793)	-
<b>Depreciation/amortisation</b>	<b>( 85 785)</b>	<b>( 16 308)</b>	<b>( 5 921)</b>	<b>( 22 578)</b>	<b>( 13 663)</b>	<b>( 144 255)</b>
<b>Impairment losses on loans and advances</b>	<b>( 123 556)</b>	<b>( 48 126)</b>	<b>( 424)</b>	<b>944</b>	<b>( 52 399)</b>	<b>( 223 561)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>18 119</b>	-	-	<b>( 23)</b>	-	<b>18 096</b>
<b>Tax on financial institutions</b>	-	-	-	<b>( 142 331)</b>	<b>( 7 259)</b>	<b>( 149 590)</b>
<b>Profit before tax</b>	<b>376 509</b>	<b>172 880</b>	<b>118 736</b>	<b>9 386</b>	<b>139 977</b>	<b>817 488</b>
Corporate income tax						<b>( 212 657)</b>
<b>Consolidated profit for the</b>						<b>604 831</b>
of which:						
attributable to owners of Santander Bank Polska SA						<b>543 829</b>
attributable to non-controlling interests						<b>61 002</b>

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

## Consolidated statement of financial position by business segments

<b>30.09.2021</b>	<b>Segment Retail Banking *</b>	<b>Segment Business and Corporate Banking</b>	<b>Segment Corporate &amp; Investment Banking</b>	<b>Segment ALM and Centre</b>	<b>Segment Santander Consumer</b>	<b>Total</b>
Loans and advances to customers	82 917 697	32 671 219	14 557 012	-	15 201 456	<b>145 347 384</b>
Investments in associates	888 486	-	-	45 806	-	<b>934 292</b>
Other assets	5 019 458	766 056	4 019 309	73 088 691	4 478 061	<b>87 371 575</b>
<b>Total assets</b>	<b>88 825 641</b>	<b>33 437 275</b>	<b>18 576 321</b>	<b>73 134 497</b>	<b>19 679 517</b>	<b>233 653 251</b>
Deposits from customers	119 875 043	37 622 054	8 417 499	2 413 134	8 992 764	<b>177 320 494</b>
Other liabilities	1 043 035	433 331	2 985 871	16 117 209	6 764 932	<b>27 344 378</b>
Equity	5 986 519	3 030 130	1 882 853	14 167 056	3 921 821	<b>28 988 379</b>
<b>Total equity and liabilities</b>	<b>126 904 597</b>	<b>41 085 515</b>	<b>13 286 223</b>	<b>32 697 399</b>	<b>19 679 517</b>	<b>233 653 251</b>

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

## Consolidated income statement by business segments

1.01.2020-30.09.2020	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
<b>Net interest income</b>	<b>2 404 710</b>	<b>659 703</b>	<b>220 193</b>	<b>196 815</b>	<b>996 009</b>	<b>4 477 430</b>
incl. internal transactions	( 1 435)	( 2 071)	3 706	7 302	( 7 502)	-
<b>Net fee and commission income</b>	<b>947 170</b>	<b>321 488</b>	<b>214 815</b>	<b>( 22 301)</b>	<b>121 633</b>	<b>1 582 805</b>
incl. internal transactions	120 544	69 487	( 188 459)	766	( 2 338)	-
<b>Other income</b>	<b>19 772</b>	<b>28 333</b>	<b>95 066</b>	<b>204 751</b>	<b>34 271</b>	<b>382 193</b>
incl. internal transactions	3 125	32 954	( 35 147)	( 1 128)	196	-
<b>Dividend income</b>	-	-	<b>161</b>	<b>22 303</b>	<b>32</b>	<b>22 496</b>
<b>Operating costs</b>	<b>(1 476 384)</b>	<b>( 307 821)</b>	<b>( 169 505)</b>	<b>( 265 606)</b>	<b>( 494 441)</b>	<b>(2 713 757)</b>
incl. internal transactions	-	-	-	1 848	( 1 848)	-
<b>Depreciation/amortisation</b>	<b>( 255 583)</b>	<b>( 41 672)</b>	<b>( 16 679)</b>	<b>( 83 501)</b>	<b>( 47 810)</b>	<b>( 445 245)</b>
<b>Impairment losses on loans and advances</b>	<b>( 736 032)</b>	<b>( 241 621)</b>	<b>( 71 043)</b>	<b>( 19 864)</b>	<b>( 237 557)</b>	<b>(1 306 117)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>67 773</b>	-	-	<b>686</b>	-	<b>68 459</b>
<b>Tax on financial institutions</b>	-	-	-	<b>( 416 578)</b>	<b>( 32 385)</b>	<b>( 448 963)</b>
<b>Profit before tax</b>	<b>971 426</b>	<b>418 410</b>	<b>273 008</b>	<b>( 383 295)</b>	<b>339 752</b>	<b>1 619 301</b>
Corporate income tax						<b>( 499 315)</b>
<b>Consolidated profit for the</b>						<b>1 119 986</b>
of which:						
attributable to owners of Santander Bank Polska SA						<b>955 621</b>
attributable to non-controlling interests						<b>164 365</b>

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

<b>1.07.2020-30.09.2020</b>	<b>Segment Retail Banking *</b>	<b>Segment Business and Corporate Banking</b>	<b>Segment Corporate &amp; Investment Banking</b>	<b>Segment ALM and Centre</b>	<b>Segment Santander Consumer</b>	<b>Total</b>
<b>Net interest income</b>	<b>834 137</b>	<b>238 889</b>	<b>69 372</b>	<b>(47 828)</b>	<b>288 112</b>	<b>1 382 682</b>
incl. internal transactions	( 570)	( 640)	1 261	2 989	( 3 040)	-
<b>Net fee and commission income</b>	<b>326 037</b>	<b>108 066</b>	<b>74 028</b>	<b>( 9 075)</b>	<b>53 674</b>	<b>552 730</b>
incl. internal transactions	42 316	25 076	( 67 002)	391	( 781)	-
<b>Other income</b>	<b>4 555</b>	<b>10 197</b>	<b>27 284</b>	<b>138 638</b>	<b>16 522</b>	<b>197 196</b>
incl. internal transactions	1 140	9 319	( 10 166)	( 180)	( 113)	-
<b>Dividend income</b>	-	-	<b>131</b>	<b>1 676</b>	<b>18</b>	<b>1 825</b>
<b>Operating costs</b>	<b>( 491 136)</b>	<b>( 100 658)</b>	<b>( 55 135)</b>	<b>( 5 044)</b>	<b>( 131 687)</b>	<b>( 783 660)</b>
incl. internal transactions	-	-	-	1 336	( 1 336)	-
<b>Depreciation/amortisation</b>	<b>( 85 455)</b>	<b>( 14 527)</b>	<b>( 5 618)</b>	<b>( 26 440)</b>	<b>( 14 193)</b>	<b>( 146 233)</b>
<b>Impairment losses on loans and advances</b>	<b>( 137 805)</b>	<b>( 131 545)</b>	<b>( 9 173)</b>	<b>( 9 484)</b>	<b>( 70 891)</b>	<b>( 358 898)</b>
<b>Share in net profits (loss) of entities accounted for by the equity method</b>	<b>31 312</b>	-	-	<b>308</b>	-	<b>31 620</b>
<b>Tax on financial institutions</b>	-	-	-	<b>( 138 917)</b>	<b>( 8 918)</b>	<b>( 147 835)</b>
<b>Profit before tax</b>	<b>481 645</b>	<b>110 422</b>	<b>100 889</b>	<b>( 96 166)</b>	<b>132 637</b>	<b>729 427</b>
Corporate income tax						<b>( 189 459)</b>
<b>Consolidated profit for the</b>						<b>539 968</b>
of which:						
attributable to owners of Santander Bank Polska SA						<b>479 834</b>
attributable to non-controlling interests						<b>60 134</b>

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

## Consolidated statement of financial position by business segments

<b>31.12.2020</b>	<b>Segment Retail Banking*</b>	<b>Segment Business and Corporate Banking</b>	<b>Segment Corporate &amp; Investment Banking</b>	<b>Segment ALM and Centre</b>	<b>Segment Santander Consumer</b>	<b>Total</b>
Loans and advances to customers	79 943 150	32 662 656	13 486 099	-	15 906 840	<b>141 998 745</b>
Investments in associates	952 686	-	-	45 711	-	<b>998 397</b>
Other assets	5 836 621	1 052 307	3 467 155	71 482 558	4 475 526	<b>86 314 167</b>
<b>Total assets</b>	<b>86 732 457</b>	<b>33 714 963</b>	<b>16 953 254</b>	<b>71 528 269</b>	<b>20 382 366</b>	<b>229 311 309</b>
Deposits from customers	114 564 280	36 877 378	6 776 275	3 771 434	9 532 888	<b>171 522 255</b>
Other liabilities	632 986	606 003	3 926 625	16 889 133	7 076 317	<b>29 131 064</b>
Equity	5 845 825	3 333 447	1 992 303	13 713 254	3 773 161	<b>28 657 990</b>
<b>Total equity and liabilities</b>	<b>121 043 091</b>	<b>40 816 828</b>	<b>12 695 203</b>	<b>34 373 821</b>	<b>20 382 366</b>	<b>229 311 309</b>

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

## 4. Net interest income

	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Interest income and similar to interest</b>				
<b>Interest income on financial assets measured at amortised cost</b>	<b>1 328 142</b>	<b>3 878 287</b>	<b>1 312 827</b>	<b>4 645 093</b>
Loans and advances to enterprises and leasing agreements	435 947	1 295 936	443 828	1 557 137
Loans and advances to individuals, of which:*	892 469	2 580 371	863 626	2 995 274
<i>Home mortgage loans</i>	291 994	844 567	286 950	1 070 343
Loans and advances to banks	( 1 776)	( 2 780)	228	12 421
Loans and advances to public sector	1 602	4 417	1 514	6 647
Reverse repo transactions	( 100)	343	454	15 788
Interest recorded on hedging IRS	-	-	3 177	57 826
<b>Interest income on financial assets measured at fair value through other comprehensive income</b>	<b>201 680</b>	<b>631 676</b>	<b>219 908</b>	<b>636 093</b>
Loans and advances to enterprises	11 034	35 183	7 521	27 945
Debt securities	190 646	596 493	212 387	608 148
<b>Income similar to interest - financial assets measured at fair value through profit or loss</b>	<b>3 186</b>	<b>10 506</b>	<b>5 633</b>	<b>46 277</b>
Loans and advances to enterprises	215	629	223	1 127
Loans and advances to individuals	2 971	9 877	4 388	35 219
Debt securities	-	-	1 022	9 931
<b>Total income</b>	<b>1 533 008</b>	<b>4 520 469</b>	<b>1 538 368</b>	<b>5 327 463</b>
<b>Interest expenses</b>				
Liabilities to individuals	( 16 288)	( 75 074)	( 68 976)	( 399 080)
Liabilities to enterprises	( 8 747)	( 31 112)	( 28 993)	( 199 800)
Repo transactions	758	2 219	329	( 7 869)
Liabilities to public sector	( 3 634)	( 4 425)	( 2 077)	( 19 636)
Liabilities to banks	( 4 807)	( 17 051)	( 8 907)	( 48 143)
Lease liabilities	( 3 477)	( 11 414)	( 4 568)	( 14 859)
Subordinated liabilities and issue of securities	( 41 379)	( 116 376)	( 42 494)	( 160 646)
Interest recorded on hedging IRS	( 11 539)	( 35 295)	-	-
<b>Total costs</b>	<b>( 89 113)</b>	<b>( 288 528)</b>	<b>( 155 686)</b>	<b>( 850 033)</b>
<b>Net interest income</b>	<b>1 443 895</b>	<b>4 231 941</b>	<b>1 382 682</b>	<b>4 477 430</b>

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

## 5. Net fee and commission income

	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Fee and commission income</b>				
Electronic and payment services	63 547	182 320	57 203	160 434
Current accounts and money transfer	102 230	295 108	78 479	231 744
Asset management fees	77 947	216 035	60 320	183 358
Foreign exchange commissions	153 602	410 049	116 339	342 052
Credit commissions incl. factoring commissions and other	110 256	319 085	109 844	300 820
Insurance commissions	63 822	174 198	57 028	165 788
Commissions from brokerage activities	23 110	97 760	27 202	89 603
Credit cards	37 211	108 217	36 757	110 787
Card fees (debit cards)	83 503	255 746	91 268	246 002
Off-balance sheet guarantee commissions	30 028	82 666	23 531	65 793
Finance lease commissions	6 188	18 410	5 750	17 287
Issue arrangement fees	1 385	22 125	638	8 819
Distribution fees	5 397	14 477	4 395	11 738
<b>Total</b>	<b>758 226</b>	<b>2 196 196</b>	<b>668 754</b>	<b>1 934 225</b>
<b>Fee and commission expenses</b>				
Electronic and payment services	( 15 491)	( 41 790)	( 13 627)	( 39 643)
Distribution fees	( 3 159)	( 9 701)	( 3 445)	( 7 891)
Commissions from brokerage activities	( 3 253)	( 12 170)	( 4 043)	( 13 557)
Credit cards	( 3 347)	( 9 777)	( 6 302)	( 14 807)
Card fees (debit cards)	( 19 049)	( 64 650)	( 34 972)	( 92 605)
Credit commissions paid	( 30 695)	( 72 354)	( 8 599)	( 53 512)
Insurance commissions	( 4 461)	( 13 100)	( 4 233)	( 13 162)
Finance lease commissions	( 8 142)	( 24 179)	( 6 760)	( 20 579)
Asset management fees and other costs	( 5 524)	( 16 647)	( 5 055)	( 16 140)
Other	( 30 252)	( 85 621)	( 28 988)	( 79 524)
<b>Total</b>	<b>( 123 373)</b>	<b>( 349 989)</b>	<b>( 116 024)</b>	<b>( 351 420)</b>
<b>Net fee and commission income</b>	<b>634 853</b>	<b>1 846 207</b>	<b>552 730</b>	<b>1 582 805</b>

## 6. Net trading income and revaluation

	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Net trading income and revaluation</b>				
Derivative instruments	( 274 769)	64 652	( 7 513)	( 441 636)
Interbank FX transactions and other FX related income	308 478	81 887	34 900	545 582
Profit on equity securities measured at fair value through profit or loss	4 916	34 457	( 1 696)	( 11 049)
Profit on debt securities measured at fair value through profit or loss	4 172	( 10 808)	3 913	18 330
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	2 247	3 628	( 1 283)	( 17 991)
<b>Total</b>	<b>45 044</b>	<b>173 816</b>	<b>28 321</b>	<b>93 236</b>

The above amounts included CVA and DVA adjustments in the amount of PLN 4,371 k for 1-3Q 2021, PLN (754) k for 3Q 2021 and PLN (7 189) k for 1-3Q 2020, PLN 2 564 k for 3Q 2020.

## 7. Gains (losses) from other financial securities

	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Gains (losses) from other financial securities</b>				
Profit on sale of debt securities measured at fair value through other comprehensive income	57 985	96 167	109 596	170 072
Profit (loss) on sale of debt securities mandatorily measured at fair value through profit or loss	-	8	-	( 85)
Profit on sale of equity securities measured at fair value through profit and loss	-	8 148	-	-
Change in fair value of financial securities mandatorily measured at fair value through profit or loss	( 5 949)	5 628	11 755	15 030
Impairment losses on securities	-	( 4 015)	-	( 8 535)
<b>Total profit (losses) on financial instruments</b>	<b>52 036</b>	<b>105 936</b>	<b>121 351</b>	<b>176 482</b>
Change in fair value of hedging instruments	75 953	240 708	22 906	( 206 020)
Change in fair value of underlying hedged positions	( 72 749)	( 227 038)	( 16 155)	211 182
<b>Total profit (losses) on hedging and hedged instruments</b>	<b>3 204</b>	<b>13 670</b>	<b>6 751</b>	<b>5 162</b>
<b>Total</b>	<b>55 240</b>	<b>119 606</b>	<b>128 102</b>	<b>181 644</b>

## 8. Other operating income

	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Other operating income</b>				
Income on sale of services	4 724	15 569	6 631	18 100
Release of provisions for legal cases and other assets	23 639	46 384	3 970	22 324
Release of provisions for legal risk*	21 386	21 386	-	-
Settlements of leasing agreements	999	3 408	-	-
Recovery of other receivables (expired, cancelled and uncollectable)	111	183	848	2 763
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	-	-	21	329
Received compensations, penalties and fines	645	1 137	5 535	7 744
Received donation	-	-	230	626
Profit on lease modifications	10	12 286	2 225	6 957
Other	17 954	65 919	21 313	48 470
<b>Total</b>	<b>69 468</b>	<b>166 272</b>	<b>40 773</b>	<b>107 313</b>

\*Additional information in Note 25

## 9. Impairment allowances for expected credit losses

<b>Impairment allowances for expected credit losses on loans and advances measured at amortised cost</b>	<b>1.07.2021- 30.09.2021</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.07.2020- 30.09.2020</b>	<b>1.01.2020- 30.09.2020</b>
<b>Charge for loans and advances to banks</b>	<b>( 3)</b>	<b>12</b>	<b>3</b>	<b>( 4)</b>
Stage 1	( 3)	12	3	( 4)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
<b>Charge for loans and advances to customers</b>	<b>( 210 013)</b>	<b>( 864 710)</b>	<b>( 350 509)</b>	<b>( 1 310 825)</b>
Stage 1	( 39 021)	( 125 671)	513	( 55 510)
Stage 2	( 35 995)	( 25 524)	( 97 955)	( 562 715)
Stage 3	( 148 473)	( 751 137)	( 256 963)	( 701 563)
POCI	13 476	37 622	3 896	8 963
<b>Recoveries of loans previously written off</b>	<b>( 9 395)</b>	<b>7 688</b>	<b>( 9 680)</b>	<b>( 2 594)</b>
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	( 9 395)	7 688	( 9 680)	( 2 594)
POCI	-	-	-	-
<b>Off-balance sheet credit related facilities</b>	<b>( 4 150)</b>	<b>6 523</b>	<b>1 288</b>	<b>7 306</b>
Stage 1	( 4 571)	( 7 288)	1 227	4 856
Stage 2	127	3 043	1 522	( 2 216)
Stage 3	294	10 768	( 1 461)	4 666
POCI	-	-	-	-
<b>Total</b>	<b>( 223 561)</b>	<b>( 850 487)</b>	<b>( 358 898)</b>	<b>( 1 306 117)</b>

As at 30.09.2021 management provision accounting for the risk related to the COVID-19 situation was released in the amount PLN 88,600 k. As at 30.09.2020, the corresponding provision totalled PLN 151,262 k and was classified in stage 2.

## 10. Employee costs

<b>Employee costs</b>	<b>1.07.2021- 30.09.2021</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.07.2020- 30.09.2020</b>	<b>1.01.2020- 30.09.2020</b>
Salaries and bonuses	( 333 584)	( 996 829)	( 330 755)	( 969 278)
Salary related costs	( 57 802)	( 181 190)	( 57 115)	( 175 678)
Cost of contributions to Employee Capital Plans	( 2 193)	( 6 595)	( 2 274)	( 7 029)
Staff benefits costs	( 9 416)	( 26 477)	( 9 122)	( 26 864)
Professional trainings	( 1 575)	( 5 193)	( 2 080)	( 4 562)
Retirement fund, holiday provisions and other employee costs	( 152)	( 162)	( 4)	( 553)
Restructuring provision	( 172)	( 4 772)	( 4 313)	( 15 425)
<b>Total</b>	<b>( 404 894)</b>	<b>( 1 221 218)</b>	<b>( 405 663)</b>	<b>( 1 199 389)</b>

## 11. General and administrative expenses

<b>General and administrative expenses</b>	<b>1.07.2021- 30.09.2021</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.07.2020- 30.09.2020</b>	<b>1.01.2020- 30.09.2020</b>
Maintenance of premises	( 34 379)	( 88 696)	( 31 078)	( 99 413)
Short-term lease costs	( 2 153)	( 6 614)	( 2 575)	( 7 305)
Low-value assets lease costs	( 364)	( 1 122)	( 377)	( 1 904)
Costs of variable lease payments not included in the measurement of the lease liability	1	( 125)	( 30)	( 154)
Non-tax deductible VAT	( 12 453)	( 34 258)	( 11 189)	( 33 319)
Marketing and representation	( 33 086)	( 93 423)	( 23 300)	( 67 408)
IT systems costs	( 97 184)	( 286 814)	( 81 851)	( 248 802)
Cost of BFG, KNF and KDPW	( 34 341)	( 259 451)	( 49 562)	( 388 891)
Postal and telecommunication costs	( 13 002)	( 40 499)	( 15 476)	( 49 275)
Consulting and advisory fees	( 16 204)	( 55 021)	( 22 874)	( 59 372)
Cars, transport expenses, carriage of cash	( 14 394)	( 41 283)	( 14 678)	( 43 197)
Other external services	( 34 600)	( 100 766)	( 35 076)	( 108 172)
Stationery, cards, cheques etc.	( 5 176)	( 15 164)	( 5 476)	( 16 774)
Sundry taxes and charges	( 11 395)	( 31 527)	( 10 036)	( 30 606)
Data transmission	( 2 208)	( 7 333)	( 2 808)	( 8 437)
KIR, SWIFT settlements	( 6 790)	( 20 811)	( 7 362)	( 19 761)
Security costs	( 6 772)	( 18 582)	( 6 187)	( 18 695)
Costs of repairs	( 2 503)	( 5 775)	( 1 194)	( 5 461)
Other	( 3 680)	( 9 947)	( 2 419)	( 11 575)
<b>Total</b>	<b>( 330 683)</b>	<b>( 1 117 211)</b>	<b>( 323 548)</b>	<b>( 1 218 521)</b>

## 12. Other operating expenses

<b>Other operating expenses</b>	<b>1.07.2021- 30.09.2021</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.07.2020- 30.09.2020</b>	<b>1.01.2020- 30.09.2020</b>
Charge of provisions for legal cases and other assets*	( 161 424)	( 728 005)	( 33 361)	( 101 372)
Charge of provisions for legal risk*	-	( 195 596)	-	( 110 333)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	( 15 696)	( 27 388)	( 3 925)	( 36 591)
Costs of purchased services	( 953)	( 2 937)	( 786)	( 2 456)
Other membership fees	( 260)	( 834)	( 275)	( 895)
Paid compensations, penalties and fines	( 447)	( 1 339)	( 280)	( 1 355)
Donations paid	( 14)	( 5 778)	( 682)	( 6 661)
Costs of lease modifications	-	-	( 9)	( 69)
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	( 7 080)	( 5 787)	-	-
Other	( 11 643)	( 46 918)	( 15 131)	( 36 115)
<b>Total</b>	<b>( 197 517)</b>	<b>( 1 014 582)</b>	<b>( 54 449)</b>	<b>( 295 847)</b>

\*Details in Note 25

### 13. Corporate income tax

	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Corporate income tax</b>				
Current tax charge in the income statement	( 208 217)	( 479 530)	( 250 154)	( 713 200)
Deferred tax charge in the income statement	( 4 440)	( 89 470)	60 695	211 200
Adjustments from previous years	-	2 313	-	2 685
<b>Total tax on gross profit</b>	<b>( 212 657)</b>	<b>( 566 687)</b>	<b>( 189 459)</b>	<b>( 499 315)</b>

	1.07.2021- 30.09.2021	1.01.2021- 30.09.2021	1.07.2020- 30.09.2020	1.01.2020- 30.09.2020
<b>Corporate total tax charge information</b>				
Profit before tax	817 488	1 609 898	729 427	1 619 301
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	( 155 323)	( 305 881)	( 138 591)	( 307 667)
Non-tax-deductible expenses	( 4 603)	( 10 593)	( 5 205)	( 10 930)
Provisions for legal claims regarding fx loans	( 23 211)	( 150 425)	( 3 432)	( 12 125)
The fee to the Bank Guarantee Fund	( 5 112)	( 44 703)	( 7 882)	( 70 204)
Tax on financial institutions	( 28 423)	( 85 518)	( 28 089)	( 85 303)
Non-tax deductible bad debt provisions	609	( 5 890)	( 459)	( 21 809)
Non-taxable income	325	25 439	412	7 853
Adjustment of prior years tax	-	2 313	-	2 685
Other	3 081	8 571	( 6 213)	( 1 815)
<b>Total tax on gross profit</b>	<b>( 212 657)</b>	<b>( 566 687)</b>	<b>( 189 459)</b>	<b>( 499 315)</b>

	30.09.2021	31.12.2020
<b>Deferred tax recognised in other comprehensive income</b>		
Relating to valuation of debt investments measured at fair value through other comprehensive income	( 95 517)	( 293 533)
Relating to valuation of equity investments measured at fair value through other comprehensive income	( 232 943)	( 136 762)
Relating to cash flow hedging activity	( 1 898)	1 832
Relating to valuation of defined benefit plans	( 2 172)	( 1 914)
<b>Total</b>	<b>( 332 530)</b>	<b>( 430 377)</b>

### 14. Cash and balances with central banks

	30.09.2021	31.12.2020
<b>Cash and balances with central banks</b>		
Cash	2 379 529	2 761 280
Current accounts in central banks	395 166	1 128 023
Term deposits	-	1 600 000
<b>Total</b>	<b>2 774 695</b>	<b>5 489 303</b>

Santander Bank Polska SA and Santander Consumer Bank SA hold an obligatory reserve in a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of minimal statutory reserve of the monthly average balance of the customers' deposits, which in the reporting period and at the balance sheet date was 0.5%.

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

## 15. Loans and advances to banks

<b>Loans and advances to banks</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
Loans and advances	13 926	87 351
Current accounts	3 126 081	2 839 277
<b>Gross receivables</b>	<b>3 140 007</b>	<b>2 926 628</b>
Allowance for expected credit losses	( 94)	( 106)
<b>Total</b>	<b>3 139 913</b>	<b>2 926 522</b>

## 16. Financial assets and liabilities held for trading

<b>Financial assets and liabilities held for trading</b>	<b>30.09.2021</b>		<b>31.12.2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Trading derivatives</b>	<b>2 319 324</b>	<b>2 206 685</b>	<b>3 003 970</b>	<b>2 963 339</b>
Interest rate operations	959 510	1 010 443	1 526 067	1 593 606
FX operations	1 359 814	1 196 242	1 477 903	1 369 733
<b>Debt and equity securities</b>	<b>853 786</b>	<b>-</b>	<b>178 799</b>	<b>-</b>
<b>Debt securities</b>	<b>823 089</b>	<b>-</b>	<b>147 405</b>	<b>-</b>
Government securities:	808 055	-	132 109	-
- bonds	808 055	-	132 109	-
Other securities:	15 034	-	15 296	-
- bonds	15 034	-	15 296	-
<b>Equity securities</b>	<b>30 697</b>	<b>-</b>	<b>31 394</b>	<b>-</b>
<b>Short sale</b>	<b>-</b>	<b>286 721</b>	<b>-</b>	<b>67 001</b>
<b>Total</b>	<b>3 173 110</b>	<b>2 493 406</b>	<b>3 182 769</b>	<b>3 030 340</b>

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (10,073) k as at 30.09.2021 and PLN (10,708) k as at 31.12.2020.

## 17. Loans and advances to customers

<b>Loans and advances to customers</b>	<b>30.09.2021</b>			<b>Total</b>
	<b>Measured at amortised cost</b>	<b>Measured at fair value through other comprehensive income</b>	<b>Measured at fair value through profit or loss</b>	
Loans and advances to enterprises	55 564 148	1 947 069	52 803	57 564 020
Loans and advances to individuals, of which:	82 474 130	-	632 037	83 106 167
<i>Home mortgage loans</i>	54 464 819	-	-	54 464 819
Finance lease receivables	10 654 324	-	-	10 654 324
Loans and advances to public sector	284 286	-	-	284 286
Other receivables	50 136	-	-	50 136
<b>Gross receivables</b>	<b>149 027 024</b>	<b>1 947 069</b>	<b>684 840</b>	<b>151 658 933</b>
Allowance for expected credit losses	(6 132 981)	( 178 568)	-	(6 311 549)
<b>Total</b>	<b>142 894 043</b>	<b>1 768 501</b>	<b>684 840</b>	<b>145 347 384</b>

31.12.2020

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

Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2021-30.09.2021	1.01.2020-30.09.2020
<b>Balance at the beginning of the period</b>	<b>(6 275 778)</b>	<b>(5 244 364)</b>
<b>Charge/write back of current period</b>	<b>( 781 000)</b>	<b>(1 322 658)</b>
Stage 1	( 124 275)	( 56 363)
Stage 2	( 25 525)	( 546 604)
Stage 3	( 631 049)	( 701 563)
POCI	( 151)	( 18 128)
<b>Write off/Sale of receivables</b>	<b>874 275</b>	<b>448 097</b>
Stage 1	-	1 177
Stage 2	-	-
Stage 3	874 275	446 750
POCI	-	170
<b>Transfer</b>	<b>54 519</b>	<b>12 407</b>
Stage 1	27 256	68 724
Stage 2	259 874	313 935
Stage 3	( 232 031)	( 369 688)
POCI	( 580)	( 564)
<b>FX differences</b>	<b>( 4 997)</b>	<b>( 25 639)</b>
Stage 1	( 237)	( 1 740)
Stage 2	541	( 4 316)
Stage 3	( 5 292)	( 19 396)
POCI	( 9)	( 187)
<b>Balance at the end of the period</b>	<b>(6 132 981)</b>	<b>(6 132 157)</b>

## 18. Investment securities

<b>Investment securities</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
<b>Debt investment securities measured at fair value through other comprehensive income</b>	<b>68 563 302</b>	<b>65 700 052</b>
Government securities:	51 550 560	46 149 191
- bills	-	1 415 983
- bonds	51 550 560	44 733 208
Central Bank securities:	2 000 000	4 999 904
- bills	2 000 000	4 999 904
Other securities:	15 012 742	14 550 957
-bonds	15 012 742	14 550 957
<b>Debt investment securities measured at fair value through profit and loss</b>	<b>118 325</b>	<b>110 155</b>
<b>Equity investment securities measured at fair value through other comprehensive income</b>	<b>1 363 826</b>	<b>857 331</b>
- listed	69 319	30 594
- unlisted	1 294 507	826 737
<b>Equity investment securities measured at fair value through profit and loss</b>	<b>3 464</b>	<b>115 896</b>
- unlisted	3 464	115 896
<b>Total</b>	<b>70 048 917</b>	<b>66 783 434</b>

## 19. Investments in associates

<b>Balance sheet value of associates</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
Polfund - Fundusz Poręczeń Kredytowych S.A.	45 806	45 712
Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	888 486	952 685
<b>Total</b>	<b>934 292</b>	<b>998 397</b>

<b>Movements on investments in associates</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.01.2020- 30.09.2020</b>
<b>As at the beginning of the period</b>	<b>998 397</b>	<b>903 113</b>
Share of profits/(losses)	57 372	68 459
Dividends	( 113 254)	-
Other	( 8 223)	6 662
<b>As at the end of the period</b>	<b>934 292</b>	<b>978 234</b>

## 20. Deposits from banks

<b>Deposits from banks</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
Term deposits	461 096	433 629
Loans received from banks	1 889 823	2 302 496
Current accounts	1 321 005	2 637 187
<b>Total</b>	<b>3 671 924</b>	<b>5 373 312</b>

## 21. Deposits from customers

<b>Deposits from customers</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
<b>Deposits from individuals</b>	<b>102 072 645</b>	<b>98 213 401</b>
Term deposits	13 668 912	18 443 221
Current accounts	88 216 603	79 562 177
Other	187 130	208 003
<b>Deposits from enterprises</b>	<b>67 148 269</b>	<b>67 954 371</b>
Term deposits	6 142 182	7 393 581
Current accounts	58 358 858	56 745 875
Loans received from financial institution	1 504 341	3 013 707
Other	1 142 888	801 208
<b>Deposits from public sector</b>	<b>8 099 580</b>	<b>5 354 483</b>
Term deposits	871 865	281 162
Current accounts	7 227 601	5 073 320
Other	114	1
<b>Total</b>	<b>177 320 494</b>	<b>171 522 255</b>

## 22. Subordinated liabilities

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

<b>Movements in subordinated liabilities</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.01.2020- 30.09.2020</b>
<b>As at the beginning of the period</b>	<b>2 754 605</b>	<b>2 630 271</b>
<b>Additions from:</b>	<b>58 893</b>	<b>157 906</b>
- interest on subordinated loans	51 640	61 762
- FX differences	7 253	96 144
<b>Disposals from:</b>	<b>( 48 340)</b>	<b>( 56 520)</b>
- interest repayment	( 48 340)	( 56 520)
<b>As at the end of the period</b>	<b>2 765 158</b>	<b>2 731 657</b>
Short-term	16 525	21 837
Long-term (over 1 year)	2 748 633	2 709 820

## 23. Debt securities in issue

Debt securities in issue on 30.09.2021

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Book Value	
					Redemption date	(In thousands of PLN)
Santander Bank Polska S.A.	Bonds	100 000	EUR	18.12.2020	18.12.2023	463 882
Santander Factoring Sp. z o.o.	Bonds	430 000	PLN	20.05.2021	22.11.2021	429 815
Santander Factoring Sp. z o.o.	Bonds	655 000	PLN	03.08.2021	03.02.2022	654 339
Santander Factoring Sp. z o.o.	Bonds	1 000 000	PLN	31.08.2021	30.11.2021	1 000 173
Santander Leasing S.A.	Bonds	715 000	PLN	08.12.2020	08.12.2021	714 944
Santander Leasing S.A.	Bonds	1 100 000	PLN	11.03.2021	11.03.2022	1 099 243
Santander Leasing S.A.	Bonds	850 000	PLN	23.06.2021	23.06.2022	847 890
Santander Leasing Poland Securitization 01	Bonds	330 000	EUR	25.03.2020	20.03.2036	1 528 857
Santander Consumer Bank S.A.	Bonds	261 400	PLN	06.10.2017	07.10.2022	262 774
Santander Consumer Bank S.A.	Bonds	60 000	PLN	07.12.2017	07.10.2022	60 315
Santander Consumer Bank S.A.	Bonds	60 000	PLN	29.03.2018	29.03.2022	59 992
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	100 310
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	160 151
Santander Consumer Multirent sp. z o.o.	Bonds	300 000	PLN	25.06.2021	28.10.2021	300 250
Santander Consumer Multirent sp. z o.o.	Bonds	250 000	PLN	27.09.2021	25.02.2022	250 010
Santander Consumer Multirent sp. z o.o.	Bonds	250 000	PLN	27.09.2021	28.03.2022	250 010
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	800 000	PLN	25.07.2019	16.07.2030	800 372
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	1 200 000	PLN	25.07.2019	16.07.2030	1 200 557
SCM POLAND AUTO 2019-1 DAC	Bonds	740 000	PLN	20.07.2020	31.07.2028	740 236
<b>Total</b>						<b>10 924 120</b>

Debt securities in issue on 31.12.2020

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Book Value	
					Redemption date	(In thousands of PLN)
Santander Bank Polska S.A.	Bonds	500 000	EUR	10.09.2018	20.09.2021	2 310 842
Santander Bank Polska S.A.	Bonds	100 000	EUR	18.12.2020	18.12.2023	461 509
Santander Factoring Sp. z o.o.	Bonds	445 000	PLN	30.07.2020	29.01.2021	445 013
Santander Factoring Sp. z o.o.	Bonds	670 000	PLN	19.11.2020	19.05.2021	669 469
Santander Leasing S.A.	Bonds	440 000	PLN	10.03.2020	10.03.2021	76 690
Santander Leasing S.A.	Bonds	450 000	PLN	22.09.2020	22.06.2021	449 630
Santander Leasing S.A.	Bonds	715 000	PLN	08.12.2020	08.12.2021	714 583
Santander Leasing Poland Securitization 01	Bonds	1 202 500	PLN	24.05.2019	20.02.2035	774 173
Santander Leasing Poland Securitization 01	Bonds	330 000	EUR	25.03.2020	20.03.2036	1 522 884
Santander Consumer Bank S.A.	Bonds	300 000	PLN	04.08.2017	09.08.2021	301 441
Santander Consumer Bank S.A.	Bonds	261 400	PLN	06.10.2017	07.10.2022	261 967
Santander Consumer Bank S.A.	Bonds	60 000	PLN	07.12.2017	07.10.2022	60 129
Santander Consumer Bank S.A.	Bonds	100 000	PLN	02.03.2018	05.03.2021	100 274
Santander Consumer Bank S.A.	Bonds	60 000	PLN	29.03.2018	29.03.2022	60 126
Santander Consumer Bank S.A.	Bonds	156 000	PLN	15.05.2018	14.05.2021	156 150
Santander Consumer Bank S.A.	Bonds	90 000	PLN	17.05.2018	18.05.2021	90 078
Santander Consumer Bank S.A.	Bonds	45 000	PLN	17.05.2018	18.05.2021	45 039
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	800 000	PLN	25.07.2019	16.07.2030	800 403
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	1 200 000	PLN	25.07.2019	16.07.2030	1 200 605
SCM POLAND AUTO 2019-1 DAC	Bonds	740 000	PLN	20.07.2020	31.07.2028	740 307
<b>Total</b>						<b>11 241 312</b>

	<b>1.01.2021- 30.09.2021</b>	<b>1.01.2020- 30.09.2020</b>
<b>Movements in debt securities in issue</b>		
<b>As at the beginning of the period</b>	<b>11 241 312</b>	<b>10 629 516</b>
<b>Increase (due to):</b>	<b>6 928 971</b>	<b>5 042 340</b>
- debt securities in issue	6 870 000	4 755 707
- interest on debt securities in issue	58 232	95 475
- FX differences	739	191 112
- other changes	-	46
<b>Decrease (due to):</b>	<b>(7 246 163)</b>	<b>(5 359 061)</b>
- debt securities repurchase	(7 176 644)	(4 194 229)
- debt securities redemption	-	(1 052 917)
- interest repayment	( 58 419)	( 111 915)
- other changes	( 11 100)	-
<b>As at the end of the period</b>	<b>10 924 120</b>	<b>10 312 795</b>

## 24. Provisions for off balance sheet credit facilities

<b>Provisions for off balance sheet credit facilities</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
Provisions for financial liabilities to grant loans and credit lines	40 723	45 146
Provisions for financial guarantees	16 756	18 733
Other provisions	660	662
<b>Total</b>	<b>58 139</b>	<b>64 541</b>

<b>Change in provisions for off balance sheet credit facilities</b>	<b>1.01.2021- 30.09.2021</b>
<b>As at the beginning of the period</b>	<b>64 541</b>
Provision charge	96 059
Write back	( 102 581)
Other changes	120
<b>As at the end of the period</b>	<b>58 139</b>
Short-term	37 937
Long-term	20 202

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

## 25. Other provisions

<b>Other provisions</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
Provisions for legal claims*	1 069 416	408 485
Provisions for legal risk**	552 291	395 968
Provisions for restructuring	90 058	147 662
<b>Total</b>	<b>1 711 765</b>	<b>952 115</b>

\*As at 30.09.2021, the Group's provisions inter alia for disputes over contractual clauses in mortgage loan agreements indexed to and denominated in foreign currencies totalled PLN 979 506k (PLN 324,920k as at 31.12.2020).

\*\*As at 30.09.2021, the Group's collective provisions for legal risk totalled PLN 464,785k (PLN 278,247k as at 31.12.2020) inter alia for disputes over contractual clauses in mortgage loan agreements indexed to and denominated in foreign currencies. The above provisions for Santander Bank Polska S.A. was PLN 315,026k and for Santander Consumer Bank S.A. was PLN 149 759k (PLN 191,900k and 86,347k, respectively, as at 31.12.2020).

<b>Change in other provisions for the period 1.01.2021 - 30.09.2021</b>	<b>Provisions for legal claims</b>	<b>Provisions for legal risk</b>	<b>Provisions for restructuring</b>	<b>Total</b>
<b>As at the beginning of the period</b>	<b>408 485</b>	<b>395 968</b>	<b>147 662</b>	<b>952 115</b>
Provision charge	723 536	207 973	4 600	936 109
Utilization	( 23 985)	( 30 105)	( 62 204)	( 116 294)
Write back	( 38 620)	( 21 545)	-	( 60 165)
<b>As at the end of the period</b>	<b>1 069 416</b>	<b>552 291</b>	<b>90 058</b>	<b>1 711 765</b>

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

## 26. Other liabilities

<b>Other liabilities</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
Settlements of stock exchange transactions	76 120	126 778
Interbank and interbranch settlements	563 114	500 973
Employee provisions	304 532	266 220
Sundry creditors	1 120 493	904 997
Interim dividend	220 729	-
Liabilities from contracts with customers	196 899	243 738
Public and law settlements	96 553	98 280
Accrued liabilities	468 906	297 787
Finance lease related settlements	120 919	131 781
Other	19 626	11 761
<b>Total</b>	<b>3 187 891</b>	<b>2 582 315</b>
of which financial liabilities *	2 874 813	2 228 536

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

		<i>of which: Provisions for retirement allowances</i>
<b>Change in employee provisions</b>		
<b>1.01.2021 - 30.09.2021</b>		
<b>As at the beginning of the period</b>	<b>266 220</b>	<b>48 266</b>
Provision charge	214 938	1 092
Utilization	( 142 945)	( 24)
Release of provisions	( 33 681)	( 1 378)
<b>As at the end of the period</b>	<b>304 532</b>	<b>47 956</b>
Short-term	256 576	-
Long-term	47 956	47 956

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

## 27. Fair value

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

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

	30.09.2021		31.12.2020	
	Book Value	Fair value	Book Value	Fair value
<b>ASSETS</b>				
Cash and balances with central banks	2 774 695	2 774 695	5 489 303	5 489 303
Loans and advances to banks	3 139 913	3 139 913	2 926 522	2 926 522
Loans and advances to customers measured at amortised cost	142 894 043	144 265 424	139 549 728	138 836 783
<b>LIABILITIES</b>				
Deposits from banks	3 671 924	3 671 924	5 373 312	5 373 312
Deposits from customers	177 320 494	177 318 809	171 522 255	171 554 319
Subordinated liabilities	2 765 158	2 746 148	2 754 605	2 736 671

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

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

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

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

business with depositors. Loans and advances to banks were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

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

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

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

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

As at 30.09.2021 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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

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

Valuation of major capital investments classified to Level III:

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

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

Details are presented in Note 36.

### Level 3: Other valuation techniques

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

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method	Effective margin on loans
C-SERIES PREFERENCE SHARES OF VISA INC.	Estimating the fair value based on the current market value of the listed ordinary shares (A-series) of Visa Inc., including a discount which takes into account the limited liquidity of C-series preferential shares.	Discount taking into account the limited liquidity of C-series preferential shares.
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company
SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company; selection of peer group
SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION	Estimation of the fair value based on the net assets value of the company and average FX	Net asset value of the company
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA	Estimation of the fair value based on the net assets value of the company	Net asset value of the company
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK” SP Z O.O.	Estimation of the fair value based on the net assets value of the company	Net asset value of the company
SHARES IN AVIVA POWSZECHNE TOWARZYSTWO EMERYTALNE AVIVA SANTANDER SA	Estimation of the fair value based on the provisions of conditional sales contracts concluded on March 2021.	Price components included in sales contracts
AVIVA TOWARZYSTWO UBEZPIECZEŃ NA ŻYCIE SA	Estimation of the fair value based on the provisions of conditional sales contracts concluded on March 2021.	Price components included in sales contracts
AVIVA TOWARZYSTWO UBEZPIECZEŃ OGÓLNYCH SA	Estimation of the fair value based on the provisions of conditional sales contracts concluded on March 2021.	Price components included in sales contracts
LEGNICKA SPECJALNA STREFA EKONOMICZNA SA	Current valuation based on estimated transactional value due to planned sale	Not applicable
POLSKI HOLDING OBRONNY SP. Z O.O. BUMAR	Current valuation based on estimated transactional value due to planned sale	Not applicable

As at 30.09.2021 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

<b>30.09.2021</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading	853 786	2 317 436	1 888	3 173 110
Hedging derivatives	-	7 289	-	7 289
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 768 501	1 768 501
Loans and advances to customers measured at fair value through profit and loss	-	-	684 840	684 840
Debt securities measured at fair value through other comprehensive income	56 299 924	12 259 902	3 476	68 563 302
Debt securities measured at fair value through profit and loss	-	-	118 325	118 325
Equity securities measured at fair value through other comprehensive income	-	-	3 464	3 464
Equity securities measured at fair value through other comprehensive income	69 319	-	1 294 507	1 363 826
<b>Total</b>	<b>57 223 029</b>	<b>14 584 627</b>	<b>3 875 001</b>	<b>75 682 657</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading	286 721	2 206 474	211	2 493 406
Hedging derivatives	-	1 524 296	-	1 524 296
<b>Total</b>	<b>286 721</b>	<b>3 730 770</b>	<b>211</b>	<b>4 017 702</b>

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

The tables below show reconciliation of changes in the balance of financial instruments whose fair value is established by means of the valuation methods using material non-market parameters.

Level III	Financial assets						
		Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
<b>30.09.2021</b>							
<b>As at the beginning of the period</b>	<b>2 064</b>	<b>892 226</b>	<b>1 556 791</b>	<b>110 155</b>	<b>7 492</b>	<b>826 737</b>	<b>115 896</b>
Profit or losses							
<i>recognised in income statement</i>	( 789)	12 572	-	7 141	-	-	4 271
<i>recognised in equity (OCI)</i>	-	-	35 183	-	-	467 770	-
Purchase/granting	783	265 864	1 718 775	-	-	-	-
Sale	-	( 284)	( 845 276)	-	-	-	( 116 422)
Matured	-	( 482 888)	( 587 040)	-	-	-	-
Transfer	( 170)	-	-	-	-	-	-
Other	-	( 2 650)	( 109 932)	1 029	( 4 016)	-	( 281)
<b>As at the end of the period</b>	<b>1 888</b>	<b>684 840</b>	<b>1 768 501</b>	<b>118 325</b>	<b>3 476</b>	<b>1 294 507</b>	<b>3 464</b>

Level III	Financial assets						
		Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
<b>31.12.2020</b>							
<b>As at the beginning of the period</b>	<b>-</b>	<b>1 196 447</b>	<b>923 811</b>	<b>194 285</b>	<b>16 027</b>	<b>864 916</b>	<b>-</b>
Profit or losses							
<i>recognised in income statement</i>	( 24)	9 378	-	15 957	-	-	17 245
<i>recognised in equity (OCI)</i>	-	-	40 498	-	-	( 37 254)	-
Purchase/granting	1 379	419 520	1 181 483	-	-	-	101 550
Sale	-	( 3)	( 275 370)	( 102 550)	-	( 925)	-
Matured	-	( 591 551)	( 278 668)	-	-	-	-
Transfer	709	( 132 614)	-	-	-	-	-
Other	-	( 8 951)	( 34 963)	2 463	( 8 535)	-	( 2 899)
<b>As at the end of the period</b>	<b>2 064</b>	<b>892 226</b>	<b>1 556 791</b>	<b>110 155</b>	<b>7 492</b>	<b>826 737</b>	<b>115 896</b>

## 28. Contingent liabilities

### Significant court proceedings

**As at 30.09.2021** the value of all litigation amounts to PLN 3,465,349 k. This amount includes PLN 1,167,709 k claimed by the Group, PLN 2,240,169 k in claims against the Group and PLN 57,471 k of the Group's receivables due to bankruptcy or arrangement cases.

The amount of all court proceedings which had been completed in the period from 1.01.2021 to 30.09.2021 amounted to PLN 230,444 k.

As at 30.09.2021, the value of provisions for legal claims was PLN 1,069,415 k. In 556 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), as at the balance sheet date, the amount of provision was PLN 240,068 k.

### Court proceedings on CHF mortgage loans

As at 30.09.2021, the Group's CHF retail mortgage loan exposure totalled PLN 9,158,907 k (as at 31.12.2020 – PLN 9,853,480k).. The portfolio included both denominated and indexed loans.

There are significant differences in court rulings on CHF loan cases:

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

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

The CJEU ruling did not resolve the doubts as to the consequences of potentially unfair terms in foreign currency loan agreements. Most court decisions taken after the CJEU ruling of 3 October 2019 are not favourable for the Group, but the case law has not become consistent yet. Some courts have requested preliminary rulings from the CJEU, which may affect future court verdicts.

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

On 2 September 2021 the CJEU issued another important ruling on loans based on foreign currencies (the case of the Hungarian bank OTP Jelzalogbank and others), in which it was confirmed that in light of Directive 93/13/EEC, the primacy is to maintain the validity of the contract and restore the contractual balance of the parties, and the situation of only one of the parties cannot be the criterion for the court to decide the fate of the contract. Although the CJEU jurisprudence indicates the primacy of the resolution under which an agreement should continue in existence and the balance between the

contractual parties should be restored, most court decisions continue to be unfavourable for the Group. It is still difficult to assess the potential impact of the CJUE ruling on judgments of Polish courts in cases regarding foreign currency loans.

The established opinion of the Supreme Court may be of importance here.

In terms of abusiveness of FX rate clauses, the Supreme Court previously was of the opinion that indexed loan agreements are permissible and compliant with the law and that they continue to be indexed loan agreements. In 2019, the Supreme Court in some cases invalidated the indexation and decided that the loan should be considered as a PLN loan with LIBOR-based interest rate, which was an exception given the Court's previous decisions.

In April 2020, the Supreme Court published justification of the decision of 11 December 2019 given in the case against Santander Bank Polska S.A. The Supreme Court decided that invalidation of indexation and continuation of the agreement as a PLN loan with LIBOR-based interest rate is not permissible because indexation clauses are the element of main contractual obligations of the parties, so their unfairness and elimination from the agreement makes the loan agreement invalid. This triggers the need for mutual settlements between the parties due to unjust enrichment; at the same time, the Supreme Court stated that the previous rulings of the CJEU do not rule out the possibility for the bank to demand compensation for unjustified (i.e. without an agreement) use of the loan principal as a result of invalidation of the agreement. In its ruling of 16 February 2021, the Supreme Court stated that the borrower whose loan agreement is declared invalid may claim reimbursement of the sums paid to the bank irrespective of whether and to what extent they owe the amounts to the bank in respect of unduly received loan proceeds (the "two separate claims theory"). At the same time, the Supreme Court held that there are legal instruments in place, such as set-off and the right of retention, which make it possible to concurrently account for mutual settlements in relation to unjust enrichment following the invalidation of the loan agreement. In its resolution of 7 May 2021 adopted by a bench of seven judges (and having the force of a legal rule), the Supreme Court stated that the parties may make unjust enrichment claims in the event of annulment of the loan agreement, with the settlement being made in accordance with the two separate claims theory (confirming the position expressed in the ruling of 16 February 2021). The Supreme Court also pointed out that the limitation of the bank's claims for return of unjust enrichment may not commence until the contract is considered permanently ineffective, i.e. until the consumer's informed decision as to invalidity of the contract, taken after he has been duly informed about the abusiveness of contractual provisions and the related effects.

On 11 May 2021, at the request of the First President of the Supreme Court, the Supreme Court was expected to take a position (in the form of a resolution of the entire Civil Chamber) on the key aspects of court cases concerning foreign currency loans (i.e. the possibility to keep a loan agreement after removing unfair clauses, as well as the consequences of possible invalidation of the entire agreement, including the basic principles of settlements between the borrower and the bank in this regard). The position of the Supreme Court is to clarify the discrepancies and harmonise the case law with respect to loans based on a foreign currency. Due to the fact that the position is to be formally presented as a resolution of the entire Civil Chamber (and as such will have the force of a legal rule), it may have a significant influence on the ruling practice. The resolution was not adopted - on 11 May 2021 the Supreme Court stayed the case and approached the Polish Financial Supervision Authority (KNF), the Commissioner of Human Rights, the Financial Ombudsman and the Children's Ombudsman for opinion. The next nearing of the Supreme Court was held on 2 September 2021, however, the resolution was still not adopted and the Supreme Court has applied to the CJEU with preliminary questions on the constitutional issues. Currently, the date of the resolution is not known. The model used by the Group to raise provisions for legal risk associated with the portfolio of loans indexed to or denominated in a foreign currency takes into account different possible judgments which are the subject of the request for the above-mentioned resolution. The Supreme Court's expected position may trigger revision of the model assumptions, and lead to potentially significant changes in the estimated collective and individual provisions for legal risk. As it is not possible to predict the Supreme Court's decisions on individual cases, the Management Board believes that the impact of those decisions on the level of provisions recognised as at 30 September 2021 cannot be reliably estimated at the time of preparation of these financial statements.

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

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

As at 30.09.2021, there were 7,603 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 1,812,106k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 534 CHF-indexed loans, with the disputed amount of PLN 50,283k;

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

As at 30.09.2021, the Group's provisions for disputes over contractual clauses in mortgage loan agreements indexed to and denominated in foreign currencies totalled PLN 979 506k (PLN 324,920k as at 31.12.2020).

As at 30.09.2021, the Group's collective provisions for legal risk totalled PLN 464,785k (PLN 278,247k as at 31.12.2020). The above provisions for Santander Bank Polska S.A. was PLN 315,026k and for Santander Consumer Bank S.A. was PLN 149 759k (PLN 191,900k and 86,347k, respectively, as at 31.12.2020).

The total provisions for legal claims and collective provisions account for 15.8% of the active portfolio of CHF loans.

The increase in the above provisions in 2021 is mainly due to new court cases (+3,414 compared to December 2020) and a change in total loss on credit exposure should the Group lose the case resulting from changes to the level of the likelihood of claims being resolved in favour of customers.

The Group estimated the likelihood of claims being made by borrowers based on the existing claims against the Group and the estimated growth in their number (using a model for predicting the number of potential court cases). The model is based on a range of behavioural characteristics related to the loan and the customer. The Group assumes that claims have been or will be made against the Group in relation to approx. 19.2% of loans (active and repaid). These assumptions are highly sensitive to a number of external factors, including but not limited to the ruling practice of Polish courts, the level of publicity around individual rulings, measures taken by the mediating law firms and the cost of proceedings. The Group expects that most of the cases will be filed by the end of 2022, and then the number of new claims will drop as the legal environment will become more structured.

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

As at 30.09.2021, Santander Bank Polska Group was sued in 953 cases concerning partial refund of an arrangement fee on consumer loans, including 258 cases against Santander Consumer Bank S.A. and 675 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Polska Group raised provisions in the total amount of PLN 124k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 17k and provisions raised by Santander Bank Polska S.A. in the amount of PLN 107k.

On 11.09.2019, the CJEU issued a ruling in case C 383/18, in which it held that pursuant to Directive 2008/48/EC of the European Parliament and of the Council in the event of early repayment of the loan, consumer is entitled to an equitable reduction in the total cost of the credit, irrespective of whether such costs are linked to the lending period.

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

When assessing legal risk associated with Article 49 of the Consumer Credit Act, the Santander Bank Polska Group raises provisions for legal risks related to disputes regarding art. 49 of the Consumer Credit Act taking in to account interpretation differences.

During the first nine months of 2021, the provisions for expected partial reimbursements of fees on early repaid loans (calculated on a straight-line basis) and the associated liabilities recognised by the Group had the following impact on its P&L:

The total amount taken by the Group to its P&L was PLN 97,590k, that decreased the Group's net interest income (during the first nine months of 2020 the Group's P&L was charged of PLN 128,961k to net interest income and PLN 47,105k to other operating expenses). The above amount for the Santander Bank Polska was PLN 43,940k. The remaining amount charged to the Group's profit or loss represent the amount recognized in the result of the subsidiary Santander Consumer Bank.

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

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

As at 31.12.2020, the value of provisions for legal claims was PLN 408,485 k. In 229 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), as at the balance sheet date, the amount of provision was PLN 70,373 k.

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

### Off-balance sheet liabilities

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

Contingent liabilities	30.09.2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Liabilities sanctioned</b>	<b>42 658 833</b>	<b>916 700</b>	<b>78 076</b>	<b>43 653 609</b>
<b>- financial</b>	<b>34 139 550</b>	<b>689 465</b>	<b>69 890</b>	<b>34 898 905</b>
- credit lines	29 654 804	597 603	60 388	30 312 795
- credit cards debits	3 748 083	66 787	7 543	3 822 413
- import letters of credit	736 663	25 075	1 959	763 697
- term deposits with future commencement term	32 245	-	-	32 245
<b>- guarantees</b>	<b>8 551 352</b>	<b>237 177</b>	<b>24 314</b>	<b>8 812 843</b>
<b>Provision for off-balance sheet liabilities</b>	<b>( 32 069)</b>	<b>( 9 942)</b>	<b>( 16 128)</b>	<b>( 58 139)</b>
<b>Liabilities received</b>				<b>54 972 385</b>
<b>- financial</b>				<b>204 518</b>
<b>- guarantees</b>				<b>54 767 867</b>
<b>Total</b>	<b>42 658 833</b>	<b>916 700</b>	<b>78 076</b>	<b>98 625 994</b>

Contingent liabilities	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Liabilities sanctioned</b>	<b>41 296 843</b>	<b>853 890</b>	<b>95 625</b>	<b>42 246 358</b>
<b>- financial</b>	<b>34 006 951</b>	<b>634 428</b>	<b>83 603</b>	<b>34 724 982</b>
- credit lines	28 831 615	494 054	67 902	29 393 571
- credit cards debits	3 960 832	131 695	13 914	4 106 441
- import letters of credit	1 194 014	8 679	1 787	1 204 480
- term deposits with future commencement term	20 490	-	-	20 490
<b>- guarantees</b>	<b>7 315 501</b>	<b>231 608</b>	<b>38 808</b>	<b>7 585 917</b>
<b>Provision for off-balance sheet liabilities</b>	<b>( 25 609)</b>	<b>( 12 146)</b>	<b>( 26 786)</b>	<b>( 64 541)</b>
<b>Liabilities received</b>				<b>60 810 347</b>
<b>- financial</b>				<b>153 119</b>
<b>- guarantees</b>				<b>60 657 228</b>
<b>Total</b>	<b>41 296 843</b>	<b>853 890</b>	<b>95 625</b>	<b>103 056 705</b>

## 29. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	27.10.2021	28.07.2021	27.10.2021	28.07.2021	27.10.2021	28.07.2021	27.10.2021	28.07.2021
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,01%	5 123 581	5 123 581	5,01%	5,01%
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
<b>Total</b>	<b>102 189 314</b>	<b>102 189 314</b>	<b>100%</b>	<b>100%</b>	<b>102 189 314</b>	<b>102 189 314</b>	<b>100%</b>	<b>100%</b>

\* Nationale-Nederlanden OFE is managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne SA

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 3Q 2021 /27.10.2021/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne SA.

## 30. Capital Adequacy

The capital requirements of Santander Bank Polska Capital Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), as amended, inter alia, by CRR II, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, which was the official legal basis as at 30.09.2021.

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

Below the most important metrics in accordance with Article 447 CRR.

	a	b	c	d	e
	30.09.2021	30.06.2021	31.03.2021	31.12.2020*	30.09.2020*
<b>Available own funds (amounts)</b>					
1 Common Equity Tier 1 (CET1) capital	24 555 302	25 127 766	25 411 155	24 862 392	23 812 776
2 Tier 1 capital	24 555 302	25 127 766	25 411 155	24 862 392	23 812 776
3 Total capital	27 231 229	27 787 749	28 143 290	27 610 413	26 552 685
<b>Risk-weighted exposure amounts</b>					
4 Total risk exposure amount	133 605 850	131 302 855	134 692 447	135 242 155	140 950 963
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5 Common Equity Tier 1 ratio (%)	18,38%	19,14%	18,87%	18,38%	16,89%
6 Tier 1 ratio (%)	18,38%	19,14%	18,87%	18,38%	16,89%
7 Total capital ratio (%)	20,38%	21,16%	20,89%	20,42%	18,84%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>					
EU 7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,02%	0,02%	0,02%	0,02%	0,02%
EU 7b of which: to be made up of CET1 capital (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 7c of which: to be made up of Tier 1 capital (%)	0,00%	0,00%	0,00%	0,00%	0,01%
EU 7d Total SREP own funds requirements (%)	8,03%	8,03%	8,03%	8,03%	8,04%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>					
8 Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9 Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,01%	0,00%	0,00%
EU 9a Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10 Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a Other Systemically Important Institution buffer (%)	0,75%	0,75%	0,75%	0,75%	0,75%
11 Combined buffer requirement (%)	3,26%	3,26%	3,26%	3,25%	3,25%
EU 11a Overall capital requirements (%)	11,29%	11,29%	11,29%	11,29%	11,29%
12 CET1 available after meeting the total SREP own funds requirements (%)	14 167 790	14 919 021	14 939 167	14 351 052	12 857 216
<b>Leverage ratio</b>					
13 Total exposure measure	247 729 473	239 903 946	245 850 785	235 734 749	231 543 185
14 Leverage ratio (%)	9,91%	10,47%	10,34%	10,55%	10,28%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>					
EU 14a Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c Total SREP leverage ratio requirements (%)	3,00%	3,00%	na	na	na
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>					
EU 14d Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e Overall leverage ratio requirement (%)	3,00%	3,00%	na	na	na
<b>Liquidity Coverage Ratio</b>					
15 Total high-quality liquid assets (HQLA) (Weighted value -average)	68 378 215	66 061 005	61 851 300	55 119 687	49 232 052
EU 16a Cash outflows - Total weighted value	39 068 606	38 428 389	37 430 609	35 740 205	33 903 213
EU 16b Cash inflows - Total weighted value	6 934 581	6 760 679	7 013 594	6 686 688	7 021 382
16 Total net cash outflows (adjusted value)	32 134 025	31 667 711	30 407 306	29 053 517	26 881 831
17 Liquidity coverage ratio (%)	212,79%	208,61%	203,41%	188,64%	181,92%
<b>Net Stable Funding Ratio</b>					
18 Total available stable funding	175 779 608	175 235 797	-	-	-
19 Total required stable funding	118 662 479	115 161 547	-	-	-
20 NSFR ratio (%)	148,13%	152,17%	-	-	-

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

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

		Minimum requirement for own funds and eligible liabilities (MREL)		G-SII Requirement for own funds and eligible liabilities (TLAC)			
		a	b	c	d	e	f
		30.09.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020*	30.09.2020*
<b>Own funds and eligible liabilities, ratios and components</b>							
1	Own funds and eligible liabilities	27 819 189	27 782 617	28 339 137	28 705 770	28 145 005	26 620 131
EU-1a	Of which own funds and subordinated liabilities	27 338 045					
2	Total risk exposure amount of the resolution group (TREA)	133 605 850	133 605 850	131 302 855	134 692 447	135 242 155	140 950 963
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	20,82%	20,79%	21,58%	21,31%	20,81%	18,89%
EU-3a	Of which own funds and subordinated liabilities	20,46%					
4	Total exposure measure of the resolution group	247 729 473	247 729 473	239 903 946	245 850 785	235 734 749	231 543 185
5	Own funds and eligible liabilities as percentage of the total exposure measure	11,23%	11,21%	11,81%	11,68%	11,94%	11,50%
EU-5a	Of which own funds or subordinated liabilities	11,04%					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		no	no	no	no	no
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		481 144	469 934	501 738	497 188	53 563
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		n/a	n/a	n/a	n/a	n/a
<b>Minimum requirement for own funds and eligible</b>							
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	-					
EU-8	Of which to be met with own funds or subordinated liabilities	-					
EU-9	MREL requirement expressed as percentage of the total exposure measure	-					
EU-10	Of which to be met with own funds or subordinated liabilities	-					

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

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

	Total risk exposure amounts (TREA)		Total own funds requirements
	a	b	c
	30.09.2021	30.06.2021	30.09.2021
<b>1 Credit risk (excluding CCR)</b>	<b>113 202 141</b>	<b>111 580 003</b>	<b>9 056 171</b>
2 Of which the standardised approach	113 202 141	111 580 003	9 056 171
3 Of which the Foundation IRB (F-IRB) approach	-	-	-
4 Of which slotting approach	-	-	-
EU 4a Of which equities under the simple risk weighted approach	-	-	-
5 Of which the Advanced IRB (A-IRB) approach	-	-	-
<b>6 Counterparty credit risk - CCR</b>	<b>2 682 242</b>	<b>2 413 595</b>	<b>214 579</b>
7 Of which the standardised approach	2 203 375	1 953 787	176 270
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	37 536	34 771	3 003
EU 8b Of which credit valuation adjustment - CVA	307 029	319 448	24 562
9 Of which other CCR	134 302	105 590	10 744
<b>15 Settlement risk</b>	-	-	-
<b>16 Securitisation exposures in the non-trading book (after the cap)</b>	-	-	-
17 Of which SEC-IRBA approach	-	-	-
18 Of which SEC-ERBA (including IAA)	-	-	-
19 Of which SEC-SA approach	-	-	-
EU 19a Of which 1250% / deduction *	211 007	227 574	16 881
<b>20 Position, foreign exchange and commodities risks (Market risk)</b>	<b>2 094 338</b>	<b>1 682 128</b>	<b>167 547</b>
21 Of which the standardised approach	2 094 338	1 682 128	167 547
22 Of which IMA	-	-	-
<b>EU 22a Large exposures</b>	-	-	-
<b>23 Operational risk</b>	<b>15 627 129</b>	<b>15 627 129</b>	<b>1 250 170</b>
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	15 627 129	15 627 129	1 250 170
EU 23c Of which advanced measurement approach	-	-	-
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	7 768 173	7 541 133	621 454
<b>29 Total</b>	<b>133 605 850</b>	<b>131 302 855</b>	<b>10 688 468</b>

\* In row EU 19a institution disclose the own funds requirement for securitisation exposures on the non-trading book deducted from own funds in accordance with Chapter 5 of Title II of Part Three CRR. This own funds requirement is deducted from own funds and does not generate risk-weighted assets (RWAs) with risk-weight at 1 250 %.

## 31. Impact of IFRS 9 on capital adequacy and leverage ratio

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

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

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

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

	<b>Available capital (amounts)</b>	<b>30.09.2021</b>	<b>30.06.2021</b>	<b>31.03.2021</b>	<b>31.12.2020*</b>	<b>30.09.2020*</b>
1	Common Equity Tier 1 (CET1) capital	24 555 302	25 127 766	25 411 155	24 862 392	23 812 776
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 267 432	24 839 896	25 123 285	24 518 170	23 615 532
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	24 555 302	25 127 766	25 411 155	24 862 392	23 812 776
3	Tier 1 capital	24 555 302	25 127 766	25 411 155	24 862 392	23 812 776
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 267 432	24 839 896	25 123 285	24 518 170	23 615 532
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	24 555 302	25 127 766	25 411 155	24 862 392	23 812 776
5	Total capital	27 231 229	27 787 749	28 143 290	27 610 413	26 552 685
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 943 093	27 499 612	27 855 152	27 265 816	26 355 066
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	27 231 229	27 787 749	28 143 290	27 610 413	26 552 685
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	133 605 850	131 302 855	134 692 447	135 242 155	140 950 963
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	133 481 966	131 178 972	134 568 563	135 055 858	140 862 634
<b>Capital ratios</b>						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	18,38%	19,14%	18,87%	18,38%	16,89%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,18%	18,94%	18,67%	18,15%	16,76%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18,38%	19,14%	18,87%	18,38%	16,89%
11	Tier 1 (as a percentage of risk exposure amount)	18,38%	19,14%	18,87%	18,38%	16,89%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,18%	18,94%	18,67%	18,15%	16,76%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18,38%	19,14%	18,87%	18,38%	16,89%
13	Total capital (as a percentage of risk exposure amount)	20,38%	21,16%	20,89%	20,42%	18,84%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,18%	20,96%	20,70%	20,19%	18,71%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	20,38%	21,16%	20,89%	20,42%	18,84%
<b>Leverage ratio</b>						
15	Leverage ratio total exposure measure	247 729 473	239 903 946	245 850 785	235 734 749	231 543 185
16	Leverage ratio	9,91%	10,47%	10,34%	10,55%	10,28%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,81%	10,36%	10,23%	10,41%	10,21%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9,91%	10,47%	10,34%	10,55%	10,28%

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

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

## 32. Liquidity measures

The table below presents the liquidity coverage ratio information.

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	30.09.2021	30.06.2021	31.03.2021	31.12.2020
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>					
<b>1</b>	<b>Total high-quality liquid assets (HQLA)</b>				
<b>CASH - OUTFLOWS</b>					
	<b>Retail deposits and deposits from small business customers, of which:</b>	<b>126 080 865</b>	<b>124 256 634</b>	<b>122 392 028</b>	<b>113 672 670</b>
2					
3	Stable deposits	78 961 475	76 330 470	70 607 318	64 004 379
4	Less stable deposits	41 779 189	41 069 411	41 463 108	40 734 002
5	<b>Unsecured wholesale funding</b>	<b>46 383 905</b>	<b>44 631 079</b>	<b>42 201 016</b>	<b>39 708 272</b>
	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	0	1 779 556
6					
7	Non-operational deposits (all counterparties)	45 824 456	44 299 569	41 967 128	37 611 216
8	Unsecured debt	559 449	331 510	233 888	317 500
9	<b>Secured wholesale funding</b>				
10	<b>Additional requirements</b>	<b>28 429 740</b>	<b>28 227 266</b>	<b>27 927 972</b>	<b>27 709 811</b>
	Outflows related to derivative exposures and other collateral requirements	2 632 893	2 808 670	3 097 520	3 377 664
11					
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	25 796 848	25 418 596	24 830 453	24 332 148
14	<b>Other contractual funding obligations</b>	<b>1 370 713</b>	<b>1 592 788</b>	<b>1 693 967</b>	<b>1 530 273</b>
15	<b>Other contingent funding obligations</b>	<b>14 615 329</b>	<b>14 140 740</b>	<b>13 561 506</b>	<b>12 797 694</b>
16	<b>TOTAL CASH OUTFLOWS</b>				
<b>CASH - INFLOWS</b>					
17	<b>Secured lending (e.g. reverse repos)</b>	<b>434 214</b>	<b>327 853</b>	<b>519 991</b>	<b>712 990</b>
18	<b>Inflows from fully performing exposures</b>	<b>7 360 701</b>	<b>7 161 291</b>	<b>7 338 155</b>	<b>6 807 610</b>
19	<b>Other cash inflows</b>	<b>683 301</b>	<b>726 386</b>	<b>868 417</b>	<b>1 117 542</b>
	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19a					
EU-19b	(Excess inflows from a related specialised credit institution)				
20	<b>TOTAL CASH INFLOWS</b>	<b>8 478 216</b>	<b>8 215 530</b>	<b>8 726 563</b>	<b>8 638 142</b>
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	8 478 216	8 215 530	8 726 563	8 638 142
<b>TOTAL ADJUSTED VALUE</b>					
EU-21	<b>LIQUIDITY BUFFER</b>				
22	<b>TOTAL NET CASH OUTFLOWS</b>				
23	<b>LIQUIDITY COVERAGE RATIO</b>				

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2021	30.06.2021	31.03.2021	31.12.2020
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>					
<b>1</b>	<b>Total high-quality liquid assets (HQLA)</b>	<b>68 378 215</b>	<b>66 061 005</b>	<b>61 851 300</b>	<b>55 119 687</b>
<b>CASH - OUTFLOWS</b>					
<b>2</b>	<b>Retail deposits and deposits from small business customers, of which:</b>	<b>9 858 735</b>	<b>9 618 573</b>	<b>9 360 502</b>	<b>8 909 840</b>
3	Stable deposits	3 948 074	3 816 524	3 530 366	3 200 219
4	Less stable deposits	5 910 661	5 802 049	5 830 136	5 709 621
<b>5</b>	<b>Unsecured wholesale funding</b>	<b>22 508 154</b>	<b>21 775 291</b>	<b>20 732 243</b>	<b>19 551 483</b>
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	0	444 482
7	Non-operational deposits (all counterparties)	21 948 705	21 443 782	20 498 355	18 789 501
8	Unsecured debt	559 449	331 510	233 888	317 500
<b>9</b>	<b>Secured wholesale funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10</b>	<b>Additional requirements</b>	<b>5 002 672</b>	<b>5 117 553</b>	<b>5 339 353</b>	<b>5 469 781</b>
11	Outflows related to derivative exposures and other collateral requirements	2 632 893	2 808 670	3 097 520	3 377 664
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	2 369 779	2 308 884	2 241 834	2 092 117
<b>14</b>	<b>Other contractual funding obligations</b>	<b>1 033 978</b>	<b>1 263 530</b>	<b>1 396 690</b>	<b>1 244 942</b>
<b>15</b>	<b>Other contingent funding obligations</b>	<b>665 068</b>	<b>653 442</b>	<b>601 821</b>	<b>564 159</b>
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>	<b>39 068 606</b>	<b>38 428 389</b>	<b>37 430 609</b>	<b>35 740 205</b>
<b>CASH - INFLOWS</b>					
<b>17</b>	<b>Secured lending (e.g. reverse repos)</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>38</b>
<b>18</b>	<b>Inflows from fully performing exposures</b>	<b>6 251 280</b>	<b>6 034 293</b>	<b>6 145 178</b>	<b>5 569 108</b>
<b>19</b>	<b>Other cash inflows</b>	<b>683 301</b>	<b>726 386</b>	<b>868 417</b>	<b>1 117 542</b>
	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
<b>EU-19a</b>					
<b>EU-19b</b>	(Excess inflows from a related specialised credit institution)	-	-	-	-
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>6 934 581</b>	<b>6 760 679</b>	<b>7 013 594</b>	<b>6 686 688</b>
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	6 934 581	6 760 679	7 013 594	6 686 688
<b>TOTAL ADJUSTED VALUE</b>					
<b>EU-21</b>	<b>LIQUIDITY BUFFER</b>	<b>68 378 215</b>	<b>66 061 005</b>	<b>61 851 300</b>	<b>55 119 687</b>
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>	<b>32 134 025</b>	<b>31 667 711</b>	<b>30 407 306</b>	<b>29 053 517</b>
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO</b>	<b>212,79%</b>	<b>208,61%</b>	<b>203,41%</b>	<b>188,64%</b>

Main factors impacted on Liquid Coverage Ratio (LCR) are:

- on the side of outflows subsequently: retail deposits, non-operational deposits from corporates, additional outflows due to the impact of an adverse market scenario on derivatives transactions, credit committed facilities and outflows from trade finance off-balance sheet related products;

- on the side of inflows: monies from financial institutions (interbank loans and loans to central bank);

- on the side of liquid assets subsequently: Treasury Bonds or bonds fully guaranteed by Central Government (including those issued by state-owned institutions within anti-crisis programmes during the pandemic of COVID-19), central bank's bills, cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve.

The above factors maintain stable in time. However it should be emphasized that the share of retail deposits in total outflows have raised during the pandemic of COVID-19.

Disclosed LCR in September 2021 remains on stable and historical high level, much above both the regulatory and internal Group's limits. The crucial factor is still increase in customers' current accounts (especially in 'stable retail deposits' category), allocated mainly in high quality liquid assets.

The sources of funding - under conditions of zero-percent interest rates - concentrate on current accounts from retail customers and non-financial corporates. Own issues, both in the form of subordinated debt and other debt, are important source of activity financing, however to much less extent than funds from current accounts. It is worthy of note that the Bank repaid (without rolling over) EUR 500m of EMTN issue. The Group attempts to reduce financing from secured lending transactions.

General description of the institution's liquidity buffer structure:

High quality liquid assets (HQLAs) consists of: extremely liquid securities (mainly Treasury Bonds or bonds fully guaranteed by Central Government), central bank assets (including NBP bills), cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve. As of September 2021, 30th the above mentioned categories accounted for 93.4%, 3.2%, 3.4% and 0%, respectively, of the liquid buffer. All components of liquid buffer are recognized as level 1 of liquid assets.

The main derivatives exposures of Group come from cross currency and fx swaps transactions. These transactions are aimed at obtaining funding in foreign currency (eg. CHF for financing of mortgages) from one side, and are the form of managing of liquidity surplus in currencies (eg. EUR) from the other hand.

LCR calculation include derivatives payables and receivables during the next 30 days, posted and received collaterals (margin calls) due to valuation of derivatives contracts and additional outflows due to impact of an adverse market scenario on derivatives transactions (calculated with the usage of regulatory method of 'historical look back approach').

As a rule, the Group maintains LCR ratio above 100% for all significant currencies (in the sense of provisions of CRR), i.e. PLN and EUR. In case the LCR for EUR position fell below 100% the Bank is able to regulate its liquidity position in EUR via interbank market by obtaining liquid assets using (among others) FX swap transactions with maturities beyond the LCR horizon (30 days).

The Group finances its activities to a limited extent using secured lending instruments. However, based on existing provisions in the agreements with suppliers of such the funding, the potential maximum amount of additional collaterals in the event of rating downgrade by 1 notch (to BBB) would be PLN 34m as of September 2021, 30th.

It should be emphasized that the aforementioned potential liability is not unconditional and its final amount would depend on the result of negotiations between the Bank and the suppliers of the above-mentioned funding.

### 33. Related parties

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

<b>Transactions with associates</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
<b>Assets</b>	<b>65</b>	<b>77</b>
Other assets	65	77
<b>Liabilities</b>	<b>68 699</b>	<b>88 102</b>
Deposits from customers	68 699	87 998
Other liabilities	-	104

<b>Transactions with associates</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.01.2020- 30.09.2020</b>
<b>Income</b>	<b>41 891</b>	<b>32 343</b>
Fee and commission income	41 891	32 343
<b>Expenses</b>	<b>2</b>	<b>1 430</b>
Interest expense	2	544
Fee and commission expense	-	886

<b>Transactions with Santander Group</b>	<b>with the parent company</b>		<b>with other entities</b>	
	<b>30.09.2021</b>	<b>31.12.2020</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
<b>Assets</b>	<b>1 470 121</b>	<b>1 874 598</b>	<b>11 173</b>	<b>9 068</b>
Loans and advances to banks, incl:	483 556	766 201	11 173	8 184
<i>Current accounts</i>	483 556	766 201	11 173	8 184
Financial assets held for trading	986 564	1 107 257	-	4
Other assets	1	1 140	-	880
<b>Liabilities</b>	<b>3 667 373</b>	<b>3 542 443</b>	<b>142 541</b>	<b>555 327</b>
Deposits from banks incl.:	2 013 502	1 521 825	8 315	448 183
<i>Current accounts</i>	327 435	490 902	8 315	448 183
<i>Loans from other banks</i>	1 686 067	1 030 923	-	-
Financial liabilities held for trading	1 013 703	1 556 881	-	-
Deposits from customers	-	-	81 814	84 596
Lease liabilities	-	-	25	25
Debt securities in issue	463 882	461 509	-	-
Other liabilities	176 286	2 228	52 387	22 523
<b>Contingent liabilities</b>	<b>5 227 499</b>	<b>5 120 775</b>	<b>65 845</b>	<b>64 329</b>
Sanctioned:	-	-	33 834	32 505
<i>guarantees</i>	-	-	33 834	32 505
Received:	5 227 499	5 120 775	32 011	31 824
<i>guarantees</i>	5 227 499	5 120 775	32 011	31 824

<b>Transactions with Santander Group</b>	<b>with the parent company</b>		<b>with other entities</b>	
	<b>1.01.2021- 30.09.2021</b>	<b>1.01.2020- 30.09.2020</b>	<b>1.01.2021- 30.09.2021</b>	<b>1.01.2020- 30.09.2020</b>
<b>Income</b>	<b>385 821</b>	<b>49 887</b>	<b>778</b>	<b>1 921</b>
Interest income	( 2 066)	638	12	4
Fee and commission income	4 729	1 117	242	208
Other operating income	1	27	524	1 709
Net trading income and revaluation	383 157	48 105	-	-
<b>Expenses</b>	<b>48 878</b>	<b>55 387</b>	<b>73 196</b>	<b>53 777</b>
Interest expense	15 441	21 553	1	82
Fee and commission expense	6 750	6 260	395	97
Net trading income and revaluation	-	-	246	386
Operating expenses incl.:	26 687	27 574	72 554	53 212
<i>Staff, Operating expenses and management costs</i>	26 622	27 574	72 554	53 212
<i>Other operating expenses</i>	65	-	-	-

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

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

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

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

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

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

On 26 March 2021:

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

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

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

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

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

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

As at 30.09.2021 and 31.12.2020 Santander Bank Polska and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Notes 8 and 12.

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

As at 30.09.2021 and 31.12.2020 or Santander Bank Polska S.A. or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

### 40. Acquisitions and disposals of investments in subsidiaries and associates

#### Start of liquidation of SC Poland Consumer 15-1 Sp. z o.o.

On 18 June 2021, a resolution was adopted at SC Poland Consumer 15-1 Sp. z o.o. to dissolve the company and start the liquidation process. The Group lost control over the company.

### 41. Dividend per share

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

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

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

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

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

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

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

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

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

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

In their letter, the PFSA also communicated the individual add-on ST for the Bank. The add-on ST measures the Bank's sensitivity to an adverse macroeconomic scenario. It is defined as the difference between the total capital ratio (TCR) in the baseline scenario and the TCR in the stress scenario as at the end of the forecast period (2021), considering the supervisory

adjustments. As a result of analyses made during the stress tests conducted by the PFSA, the individual add-on ST for the Bank was set, considering the supervisory adjustments, at 1.73%. The PFSA stated that the Bank's sensitivity is identical for both the payout from up to 75% and 100% of net profit.

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

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

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

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

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

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

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

### Decision of Santander Bank Polska S.A. Management Board on the payout of an interim dividend for the accounting year from 1 January 2021 to 31 December 2021.

The Management Board of Santander Bank Polska S.A. informed that pursuant to Article 349 of the Code of Commercial Companies and § 50(4) of the Bank's Statutes on 1 September 2021 it decided to pay out an interim dividend for the accounting year from 1 January 2021 to 31 December 2021 ("Interim Dividend") and to allocate PLN 220,728,918.24 to that payment.

The Interim Dividend has been paid of the capital reserve created for dividend payment, including interim dividends ("Dividend Reserve") by force of resolution no. 6 of the Annual General Meeting of 22 March 2021. Under Resolution no. 6 of 22 March 2021 referred to above, the Annual General Meeting allocated to the Dividend Reserve 50% of the net profit earned by the Bank in the accounting year from 1 January 2020 to 31 December 2020 (i.e. PLN 369,205,859.36).

On 1 September 2021, the Bank's Management Board received the Supervisory Board's approval for paying out an interim dividend.

102,189,314 (one hundred and two million, one hundred eighty nine thousand and three hundred fourteen) A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares give entitlement to the interim dividend.

The interim dividend per share is: PLN 2.16.

The ex-dividend date for the interim dividend is: 8 October 2021.

The date of the interim dividend payment is: 15 October 2021.

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

### Impact of the Monetary Policy Council's decision to increase interest rates on the financial performance of Santander Bank Polska Group

The Management Board of Santander Bank Polska S.A. informed about the impact of the Monetary Policy Council decision of 6 October 2021 to increase interest rates on the financial performance of Santander Bank Polska Group .

On 8 October 2021, based on its calculations, the Bank reported that the MPC's decision to increase interest rates by 40 basis points will have a positive impact on the Bank's net interest income of approximately PLN 300 - 350 million over the next 12 months. The net interest income of Santander Consumer Bank S.A., the Bank's subsidiary, will be impacted likewise - by PLN 35 - 45 million.

Therefore, the positive impact on the Group's net interest income over the next 12 months will total approximately PLN 335 - 395 million.

The impact will materialise gradually in the coming quarters, whilst its actual scale will depend on the shape of the yield curve, performance against business assumptions and potential changes in the balance sheet.

Both the provided figures and assumptions might change.

### Payment of an interim dividend for the financial year from 1 January 2021 to 31 December 2021

Pursuant to the decision of the Management Board of Santander Bank Polska S.A. dated 1 September 2021 (details in Note 41), an interim dividend of PLN 220,728,918.24 was paid on 15 October 2021 for the financial year from 1 January 2021 to 31 December 2021.

### LIBOR CHF transition

The European Commission, in the regulation of October 14, 2021, established SARON benchmarks as substitute for the CHF LIBOR indexes starting from January 1, 2022. This decision allows to maintain the continuity of concluded contracts, mainly for mortgage loans, and to minimize legal risk related to a change in the interest rate.

## Signatures of the persons representing the entity

Date	Name	Function	Signature
26.10.2021	Michał Gajewski	President	
26.10.2021	Andrzej Burliga	Vice-President	
26.10.2021	Juan de Porras Aguirre	Vice-President	
26.10.2021	Arkadiusz Przybył	Vice-President	
26.10.2021	Lech Gałkowski	Member	
26.10.2021	Patryk Nowakowski	Member	
26.10.2021	Carlos Polaino Izquierdo	Member	
26.10.2021	Maciej Reluga	Member	
26.10.2021	Dorota Strojowska	Member	

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

Date	Name	Function	Signature
26.10.2021	Wojciech Skalski	Financial Accounting Area Director	