

Selected Financial Information on Santander Bank Polska Group for 2021

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

The financial information provided herein and concerning the quarter and the year ended 31 December 2021 includes the selected, preliminary, unaudited data which has been prepared for information purposes, in addition to the interim reporting obligations of Santander Bank Polska Group. The scope of disclosures does not meet the definition of an interim report required by the International Accounting Standard 34 Interim Financial Reporting or the Regulation of the Minister of Finance of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state. Some financial data may be subject to revision in the Group's Annual Report for 2021 to be published on 23 February 2022 along with an independent auditor's opinion.

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I. Consolidated income statement

	for the period:	1.10.2021- 31.12.2021	1.01.2021- 31.12.2021	1.10.2020- 31.12.2020	1.01.2020- 31.12.2020
Interest income and similar to interest		1 842 115	6 362 584	1 529 697	6 857 160
Interest income on financial assets measured at amortised cost		1 511 489	5 389 776	1 301 683	5 946 776
Interest income on financial assets measured at fair value through other comprehensive income		323 901	955 577	217 748	853 841
Income similar to interest on financial assets measured at fair value through profit or loss		6 725	17 231	10 266	56 543
Interest expense		(111 611)	(400 139)	(118 978)	(969 011)
Net interest income		1 730 504	5 962 445	1 410 719	5 888 149
Fee and commission income		776 395	2 972 591	704 582	2 638 807
Fee and commission expense		(135 479)	(485 468)	(135 281)	(486 701)
Net fee and commission income		640 916	2 487 123	569 301	2 152 106
Dividend income		8 632	112 848	387	22 883
Net trading income and revaluation		94 138	267 954	57 273	150 509
Gains (losses) from other financial securities		(24 688)	94 918	76 068	257 712
Other operating income		118 022	284 294	68 666	175 979
Impairment allowances for expected credit losses		(273 701)	(1 124 188)	(456 695)	(1 762 812)
Operating expenses incl.:		(1 698 245)	(5 487 196)	(1 328 984)	(4 487 986)
-Staff, operating expenses and management costs		(833 701)	(3 172 130)	(844 631)	(3 262 541)
-Amortisation of property, plant and equipment and Intangible assets		(112 406)	(411 399)	(112 306)	(405 263)
-Amortisation of right of use asset		(30 624)	(167 571)	(36 044)	(188 332)
-Other operating expenses		(721 514)	(1 736 096)	(336 003)	(631 850)
Share in net profits (loss) of entities accounted for by the equity method		16 696	74 068	17 901	86 360
Tax on financial institutions		(164 344)	(614 438)	(153 040)	(602 003)
Profit before tax		447 930	2 057 828	261 596	1 880 897
Corporate income tax		(238 735)	(805 422)	(144 408)	(643 723)
Consolidated profit for the period		209 195	1 252 406	117 188	1 237 174
of which:					
-attributable to owners of the parent entity		193 558	1 111 684	81 546	1 037 167
-attributable to non-controlling interests		15 637	140 722	35 642	200 007
Net earnings per share					
Basic earnings per share (PLN/share)		1,90	10,88	0,80	10,16
Diluted earnings per share (PLN/share)		1,90	10,88	0,80	10,15

II. Consolidated statement of comprehensive income

	1.10.2021- 31.12.2021	1.01.2021- 31.12.2021	1.10.2020- 31.12.2020	1.01.2020- 31.12.2020
for the period:				
Consolidated profit for the period	209 195	1 252 406	117 188	1 237 174
Items that will be reclassified subsequently to profit or loss:	(1 976 981)	(2 805 251)	39 939	541 358
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	(2 383 381)	(3 425 571)	53 246	649 030
Deferred tax	452 843	650 859	(10 117)	(123 316)
Revaluation of cash flow hedging instruments gross	(57 337)	(37 702)	(3 938)	19 314
Deferred tax	10 894	7 163	748	(3 670)
Items that will not be reclassified subsequently to profit or loss:	15 265	426 257	43 001	(23 342)
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	12 684	518 751	52 011	(26 655)
Deferred and current tax	(2 181)	(98 352)	(9 882)	4 874
Provision for retirement benefits – actuarial gains/losses gross	5 863	7 216	1 076	(1 927)
Deferred tax	(1 101)	(1 358)	(204)	366
Total other comprehensive income, net	(1 961 716)	(2 378 994)	82 940	518 016
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1 752 521)	(1 126 588)	200 128	1 755 190
Total comprehensive income attributable to:				
- owners of the parent entity	(1 732 443)	(1 220 899)	166 427	1 552 918
- non-controlling interests	(20 078)	94 311	33 701	202 272

III. Consolidated statement of financial position

	as at:	31.12.2021	30.09.2021	31.12.2020
ASSETS				
Cash and balances with central banks		8 438 275	2 774 695	5 489 303
Loans and advances to banks		2 690 252	3 139 913	2 926 522
Financial assets held for trading		4 020 117	3 173 110	3 182 769
Hedging derivatives		163 177	7 289	7 654
Loans and advances to customers incl.:		148 250 421	145 347 384	141 998 745
- measured at amortised cost		145 966 743	142 894 043	139 549 728
- measured at fair value through other comprehensive income		1 729 848	1 768 501	1 556 791
- measured at fair value through profit and loss		553 830	684 840	892 226
Buy-sell-back transactions		453 372	430 465	293 583
Investment securities incl.:		71 866 260	70 048 917	66 783 434
- debt securities measured at fair value through other comprehensive income		70 064 796	68 563 302	65 700 052
- debt securities measured at fair value through profit and loss		116 977	118 325	110 155
- debt investment securities measured at amortised cost		1 421 272	-	-
- equity securities measured at fair value through other comprehensive income		259 788	1 363 826	857 331
- equity securities measured at fair value through profit and loss		3 427	3 464	115 896
Assets pledged as collateral		534 437	544 553	657 664
Investments in associates		932 740	934 292	998 397
Intangible assets		692 802	637 320	708 356
Goodwill		1 712 056	1 712 056	1 712 056
Property, plant and equipment		732 909	719 636	803 429
Right of use asset		517 102	579 199	710 657
Current income tax assets		216 884	174 717	-
Net deferred tax assets		2 383 710	1 995 352	1 996 552
Fixed assets classified as held for sale		4 817	4 608	11 901
Other assets		1 267 009	1 429 745	1 030 287
Total assets		244 876 340	233 653 251	229 311 309
LIABILITIES AND EQUITY				
Deposits from banks		4 400 138	3 671 924	5 373 312
Hedging derivatives		1 762 334	1 524 296	1 775 098
Financial liabilities held for trading		3 878 081	2 493 406	3 030 340
Deposits from customers		185 373 443	177 320 494	171 522 255
Sell-buy-back transactions		510 277	512 342	653 687
Subordinated liabilities		2 750 440	2 765 158	2 754 605
Debt securities in issue		12 805 462	10 924 120	11 241 312
Lease liabilities		452 499	495 337	624 690
Current income tax liabilities		-	-	79 049
Provisions for off balance sheet credit facilities		60 811	58 139	64 541
Other provisions		2 358 989	1 711 765	952 115
Other liabilities		3 310 290	3 187 891	2 582 315
Total liabilities		217 662 764	204 664 872	200 653 319
Equity				
Equity attributable to owners of parent entity		25 531 680	27 278 905	26 994 750
Share capital		1 021 893	1 021 893	1 021 893
Other reserve capital		22 178 344	22 178 344	21 296 994
Revaluation reserve		(1 354 715)	1 426 190	1 839 292
Retained earnings		2 574 474	1 734 352	1 799 404
Profit for the period		1 111 684	918 126	1 037 167
Non-controlling interests in equity		1 681 896	1 709 474	1 663 240
Total equity		27 213 576	28 988 379	28 657 990
Total liabilities and equity		244 876 340	233 653 251	229 311 309

IV. Consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2021 - 31.12.2021	Equity attributable to owners of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
As at the beginning of the period	1 021 893	21 296 994	1 839 292	2 836 571	26 994 750	1 663 240	28 657 990
Total comprehensive income	-	-	(2 332 583)	1 111 684	(1 220 899)	94 311	(1 126 588)
<i>Consolidated profit for the period</i>	-	-	-	1 111 684	1 111 684	140 722	1 252 406
<i>Other comprehensive income</i>	-	-	(2 332 583)	-	(2 332 583)	(46 411)	(2 378 994)
Profit allocation to other reserve capital	-	1 110 963	-	(1 110 963)	-	-	-
Interim dividend	-	(220 729)	-	-	(220 729)	-	(220 729)
Profit allocation to dividends	-	-	-	-	-	(75 655)	(75 655)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	(839 982)	839 982	-	-	-
Other changes	-	(8 884)	(21 442)	8 884	(21 442)	-	(21 442)
As at the end of the period	1 021 893	22 178 344	(1 354 715)	3 686 158	25 531 680	1 681 896	27 213 576

As at the end of the period revaluation reserve in the amount of PLN (1,354,715) k comprises: valuation of debt securities in the amount of PLN (1,500,819) k, valuation of equity securities in the amount of PLN 164,056 k, valuation of cash flow hedge activities in the amount of PLN (31,233) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,281 k.

Consolidated statement of changes in equity 1.01.2021 - 30.09.2021	Equity attributable to owners of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
As at the beginning of the period	1 021 893	21 296 994	1 839 292	2 836 571	26 994 750	1 663 240	28 657 990
Total comprehensive income	-	-	(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)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	140	(140)	-	-	-
Other changes	-	(8 884)	(6 660)	8 884	(6 660)	-	(6 660)
As at the end of the period	1 021 893	22 178 344	1 426 190	2 652 478	27 278 905	1 709 474	28 988 379

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.

Equity attributable to owners of parent entity							
Consolidated statement of changes in equity	Equity attributable to owners of parent entity				Non-controlling interests		
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	interests	Total equity
1.01.2020 - 31.12.2020							
As at the beginning of the period	1 020 883	20 141 925	1 316 061	2 953 118	25 431 987	1 547 523	26 979 510
Total comprehensive income	-	-	515 751	1 037 167	1 552 918	202 272	1 755 190
<i>Consolidated profit for the period</i>	-	-	-	1 037 167	1 037 167	200 007	1 237 174
<i>Other comprehensive income</i>	-	-	515 751	-	515 751	2 265	518 016
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
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	251	(251)	-	-	-
Other changes	-	-	7 229	-	7 229	-	7 229
As at the end of the period	1 021 893	21 296 994	1 839 292	2 836 571	26 994 750	1 663 240	28 657 990

As at the end of the period revaluation reserve in the amount of PLN 1,839,292 k comprises: valuation of debt securities in the amount of PLN 1,256,378 k, valuation of equity securities in the amount of PLN 583,639 k, valuation of cash flow hedge activities in the amount of PLN (8,572) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,847 k.

V. Consolidated statement of cash flows

	for the period	1.01.2021- 31.12.2021	1.01.2020- 31.12.2020
Cash flows from operating activities			
Profit before tax		2 057 828	1 880 897
Adjustments for:			
Share in net profits of entities accounted for by the equity method		(74 068)	(86 360)
Depreciation/amortisation		578 970	593 595
Profit from investing activities		(84 139)	(236 801)
Interest accrued excluded from operating activities		(666 017)	(480 479)
Dividends		(224 269)	(22 689)
Impairment losses (reversal)		64 941	48 740
Changes in:			
Provisions		1 403 144	504 932
Financial assets / liabilities held for trading		26 158	(110 894)
Assets pledged as collateral		123 227	431 894
Hedging derivatives		(128 911)	789 038
Loans and advances to banks		(32 369)	(9 989)
Loans and advances to customers		(11 676 576)	(4 669 195)
Deposits from banks		(1 618 367)	1 255 240
Deposits from customers		15 506 863	16 210 291
Buy-sell/ Sell-buy-back transactions		(274 182)	(151 958)
Other assets and liabilities		625 390	513 722
Interest received on operating activities		5 391 466	6 170 272
Interest paid on operating activities		(85 022)	(576 945)
Paid income tax		(925 151)	(1 180 644)
Net cash flows from operating activities		9 988 916	20 872 667
Cash flows from investing activities			
Inflows			
Sale/maturity of investment securities		14 424 187	7 049 099
Sale of intangible assets and property, plant and equipment		88 314	98 017
Dividends received		224 269	22 689
Interest received		1 050 573	1 011 051
Outflows			
Purchase of investment securities		(20 670 962)	(30 519 023)
Purchase of intangible assets and property, plant and equipment		(424 357)	(388 990)
Net cash flows from investing activities		(5 307 976)	(22 727 157)
Cash flows from financing activities			
Inflows			
Debt securities in issue		11 363 650	5 532 720
Proceeds from issuing/shares		-	1 010
Drawing of loans		6 447 223	4 575 200
Outflows			
Debt securities buy out		(9 706 612)	(5 185 553)
Repayment of loans and advances		(7 388 946)	(6 102 565)
Repayment of lease liability		(188 317)	(192 785)
Dividends to shareholders		(296 384)	(86 555)
Interest paid		(197 431)	(320 592)
Net cash flows from financing activities		33 183	(1 779 120)
Total net cash flows		4 714 123	(3 633 610)
Cash and cash equivalents at the beginning of the accounting period		13 632 245	17 265 855
Cash and cash equivalents at the end of the accounting period		18 346 368	13 632 245

VI. Income statement

	1.10.2021- 31.12.2021	1.01.2021- 31.12.2021	1.10.2020- 31.12.2020	1.01.2020- 31.12.2020
For the period:				
Interest income and similar to interest	1 406 636	4 745 525	1 109 607	5 002 557
Interest income on financial assets measured at amortised cost	1 084 204	3 791 645	891 742	4 146 469
Interest income on financial assets measured at fair value through other comprehensive income	317 149	940 407	211 843	816 253
Income similar to interest on financial assets measured at fair value through profit or loss	5 283	13 473	6 022	39 835
Interest expense	(62 334)	(231 224)	(67 236)	(634 255)
Net interest income	1 344 302	4 514 301	1 042 371	4 368 302
Fee and commission income	638 735	2 432 555	582 366	2 089 039
Fee and commission expense	(88 956)	(313 108)	(90 721)	(323 532)
Net fee and commission income	549 779	2 119 447	491 645	1 765 507
Dividend income	6 955	277 498	384	108 679
Net trading income and revaluation	86 528	251 800	48 402	154 588
Gains (losses) from other financial securities	(23 480)	91 428	62 846	242 885
Other operating income	95 854	196 317	48 765	106 064
Impairment allowances for expected credit losses	(200 295)	(841 012)	(348 406)	(1 361 577)
Operating expenses incl.:	(1 369 405)	(4 477 231)	(1 086 745)	(3 595 940)
-Staff, operating expenses and management costs	(679 934)	(2 594 814)	(694 861)	(2 649 985)
-Amortisation of property, plant and equipment and Intangible assets	(88 701)	(358 721)	(91 255)	(357 396)
-Amortisation of right of use asset	(33 987)	(145 726)	(38 364)	(157 471)
-Other operating expenses	(566 783)	(1 377 970)	(262 265)	(431 088)
Tax on financial institutions	(156 584)	(583 794)	(144 204)	(560 781)
Profit before tax	333 654	1 548 754	115 058	1 227 727
Corporate income tax	(190 559)	(632 876)	(112 197)	(489 315)
Profit for the period	143 095	915 878	2 861	738 412
Net earnings per share				
Basic earnings per share (PLN/share)	1,40	8,96	0,03	7,23
Diluted earnings per share (PLN/share)	1,40	8,96	0,02	7,22

VII. Statement of comprehensive income

	1.10.2021- 31.12.2021	1.01.2021- 31.12.2021	1.10.2020- 31.12.2020	1.01.2020- 31.12.2020
for the period:				
Profit for the period	143 095	915 878	2 861	738 412
Items that will be reclassified subsequently to profit or loss:	(1 886 719)	(2 688 163)	45 991	536 610
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	(2 291 861)	(3 305 330)	59 953	642 520
Deferred tax	435 454	628 013	(11 391)	(122 079)
Revaluation of cash flow hedging instruments gross	(37 422)	(13 390)	(3 174)	19 962
Deferred tax	7 110	2 544	603	(3 793)
Items that will not be reclassified subsequently to profit or loss:	18 286	397 522	36 750	(32 380)
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	17 684	484 653	45 813	(36 711)
Deferred and current tax	(3 131)	(91 874)	(8 704)	6 785
Provision for retirement benefits – actuarial gains/losses gross	4 609	5 856	(442)	(3 029)
Deferred tax	(876)	(1 113)	83	575
Total other comprehensive income, net	(1 868 433)	(2 290 641)	82 741	504 230
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1 725 338)	(1 374 763)	85 602	1 242 642

VIII. Statement of financial position

	as at:	31.12.2021	30.09.2021	31.12.2020
ASSETS				
Cash and balances with central banks		8 167 900	2 760 415	5 369 638
Loans and advances to banks		2 743 994	3 168 975	2 918 962
Financial assets held for trading		4 020 966	3 176 534	3 218 460
Hedging derivatives		163 043	6 967	6 901
Loans and advances to customers incl.:		125 449 130	121 206 692	119 077 346
- measured at amortised cost		123 268 726	118 878 692	116 786 037
- measured at fair value through other comprehensive income		1 729 848	1 768 501	1 556 791
- measured at fair value through profit and loss		450 556	559 499	734 518
Buy-sell-back transactions		453 372	430 465	293 583
Investment securities incl.:		68 865 411	67 262 310	64 355 667
- debt securities measured at fair value through other comprehensive income		67 138 415	65 856 237	63 312 701
- debt securities measured at fair value through profit and loss		113 733	115 043	106 639
- debt investment securities measured at amortised cost		1 421 272	-	-
- equity securities measured at fair value through other comprehensive income		191 991	1 291 030	823 633
- equity securities measured at fair value through profit and loss		-	-	112 694
Assets pledged as collateral		21 462	-	14 392
Investments in subsidiaries and associates		2 377 407	2 377 407	2 377 407
Intangible assets		590 959	540 879	628 643
Goodwill		1 688 516	1 688 516	1 688 516
Property, plant and equipment		545 431	535 781	576 975
Right of use asset		460 682	514 559	642 396
Current income tax assets		212 204	158 996	-
Net deferred tax assets		1 568 080	1 185 388	1 199 689
Fixed assets classified as held for sale		4 308	4 308	4 308
Other assets		852 009	911 640	767 587
Total assets		218 184 874	205 929 832	203 140 470
LIABILITIES AND EQUITY				
Deposits from banks		1 337 573	1 588 163	2 993 349
Hedging derivatives		1 641 824	1 460 530	1 686 042
Financial liabilities held for trading		3 880 926	2 492 940	3 053 416
Deposits from customers		175 354 581	167 452 129	161 133 491
Sell-buy-back transactions		21 448	-	14 387
Subordinated liabilities		2 649 991	2 664 413	2 654 394
Debt securities in issue		4 660 882	463 882	2 772 351
Lease liabilities		556 169	590 889	712 304
Current income tax liabilities		-	-	138 782
Provisions for off balance sheet credit facilities		73 130	71 445	74 436
Other provisions		1 809 635	1 304 568	670 645
Other liabilities		2 371 363	2 288 183	1 814 029
Total liabilities		194 357 522	180 377 142	177 717 626
Equity				
Share capital		1 021 893	1 021 893	1 021 893
Other reserve capital		20 790 808	20 790 808	20 273 125
Revaluation reserve		(1 311 047)	1 397 553	1 819 661
Retained earnings		2 409 820	1 569 653	1 569 753
Profit for the period		915 878	772 783	738 412
Total equity		23 827 352	25 552 690	25 422 844
Total liabilities and equity		218 184 874	205 929 832	203 140 470

IX. Statement of changes in equity

Statement of changes in equity 1.01.2021 - 31.12.2021	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	1 021 893	20 273 125	1 819 661	2 308 165	25 422 844
Total comprehensive income	-	-	(2 290 641)	915 878	(1 374 763)
Profit for the period	-	-	-	915 878	915 878
Other comprehensive income	-	-	(2 290 641)	-	(2 290 641)
Profit allocation to other reserve capital	-	738 412	-	(738 412)	-
Interim dividend	-	(220 729)	-	-	(220 729)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	(840 067)	840 067	-
As at the end of the period	1 021 893	20 790 808	(1 311 047)	3 325 698	23 827 352

As at the end of the period revaluation reserve in the amount of PLN (1,311,047) k comprises: valuation of debt securities in the amount of PLN (1,436,375) k, valuation of equity securities in the amount of PLN 134,885 k, valuation of cash flow hedge activities in the amount of PLN (21,694) k and accumulated actuarial gains - provision for retirement allowances of PLN 12,137 k.

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

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.

Statement of changes in equity				Retained earnings and profit for the period	
1.01.2020 - 31.12.2020	Share capital	Other reserve capital	Revaluation reserve		Total
As at the beginning of the period	1 020 883	19 214 757	1 315 180	2 626 766	24 177 586
Total comprehensive income	-	-	504 230	738 412	1 242 642
<i>Profit for the period</i>	-	-	-	738 412	738 412
<i>Other comprehensive income</i>	-	-	504 230	-	504 230
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
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	251	(251)	-
As at the end of the period	1 021 893	20 273 125	1 819 661	2 308 165	25 422 844

As at the end of the period revaluation reserve in the amount of PLN 1,819,661 k comprises: valuation of debt securities in the amount of PLN 1,240,942 k, valuation of equity securities in the amount of PLN 582,173 k, valuation of cash flow hedge activities in the amount of PLN (10,848) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,394 k.

X. Statement of cash flows

	for the period	1.01.2021- 31.12.2021	1.01.2020- 31.12.2020
Cash flows from operating activities			
Profit before tax		1 548 754	1 227 727
Adjustments for:			
Depreciation/amortisation		504 447	514 867
Profit from investing activities		(77 903)	(221 593)
Interest accrued excluded from operating activities		(735 547)	(583 589)
Dividends		(275 665)	(108 485)
Impairment losses (reversal)		64 938	46 860
Changes in:			
Provisions		1 137 684	432 509
Financial assets / liabilities held for trading		43 481	(116 425)
Assets pledged as collateral		(7 070)	16 345
Hedging derivatives		(147 152)	730 688
Loans and advances to banks		(34 455)	(7 099)
Loans and advances to customers		(10 194 482)	(4 919 567)
Deposits from banks		(1 644 201)	1 481 425
Deposits from customers		15 516 029	17 028 627
Buy-sell/ Sell-buy-back transactions		(122 009)	171 015
Other assets and liabilities		514 745	342 865
Interest received on operating activities		3 782 707	4 271 983
Interests paid on operating activities		(80 158)	(391 287)
Paid income tax		(814 683)	(984 378)
Net cash flows from operating activities		8 979 460	18 932 488
Cash flows from investing activities			
Inflows		14 868 031	7 016 008
Sale/maturity of investment securities		13 515 618	5 878 063
Sale of intangible assets and property, plant and equipment		41 598	35 831
Dividends received		275 665	108 485
Interest received		1 035 150	993 629
Outflows		(19 462 508)	(28 975 510)
Purchase of investment securities		(19 129 239)	(28 712 488)
Purchase of intangible assets and property, plant and equipment		(333 269)	(263 022)
Net cash flows from investing activities		(4 594 477)	(21 959 502)
Cash flows from financing activities			
Inflows		4 273 650	462 190
Debt securities in issue		4 273 650	444 930
Proceeds from issuing/shares		-	1 010
Drawing of loans		-	16 250
Outflows		(4 039 854)	(1 180 844)
Debt securities buy out		(2 294 798)	(550 000)
Repayment of loans and advances		(1 255 804)	(311 359)
Repayment of lease liability		(160 236)	(169 799)
Dividends to shareholders		(220 729)	-
Interest paid		(108 287)	(149 686)
Net cash flows from financing activities		233 796	(718 654)
Total net cash flows		4 618 779	(3 745 668)
Cash and cash equivalents at the beginning of the accounting period		13 411 198	17 156 866
Cash and cash equivalents at the end of the accounting period		18 029 977	13 411 198

XI. Credit exposures with assistance tools due to COVID-19

In connection with the crisis caused by the COVID-19 pandemic, Santander Bank Polska S.A. Group offered its clients a number of assistance tools aimed at temporarily reducing their financial liabilities.

The range of tools included:

- 1) debt moratoria resulting from the banks' position regarding the unification of the rules for offering aid tools to clients of the banking sector (i.e. non-legislative moratorium within the meaning of the guidelines of the European Banking Authority (EBA)),
- 2) Anti-Crisis Shield 4.0.(legislative moratoria)
- 3) financing to stabilize the liquidity situation, under which BGK collaterals were used (BGK guarantees for loan repayment and payment of factoring limits)

The table below presents data on the assistance tools provided by the Group.

Type of assistance tool	Number of clients with granted assistance tools	Gross carrying amount of granted assistance tools (in k PLN)
non-legislative moratoria	146 809	16 110 055
legislative moratoria	3 681	250 187
Moratoria	150 490	16 360 242
liquidity BGK	20 670	5 103 184
All assistance tools	171 160	21 463 426

The table below shows the size of the provided assistance tools in the form of statutory and non-statutory moratoria as at 31 December 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	
Loans and advances subject to moratorium	16 360 242	16 360 240	2	15 151 134	1 225 689	2 407 265	1 209 108	576 487	688 955
of which: Households	7 150 734	7 150 732	2	6 402 190	168 711	483 166	748 544	368 709	420 210
<i>Santander Bank Polska</i>	6 421 603	6 421 603	-	5 826 145	168 533	367 330	595 458	358 109	373 526
<i>Santander Consumer Bank</i>	729 126	729 124	2	576 040	178	115 836	153 086	10 600	46 684
<i>Santander Leasing</i>	5	5	-	5	-	-	-	-	-
Collateralised by residential immovable property	5 368 497	5 368 497	-	5 065 225	123 915	309 739	303 272	224 539	258 512
<i>Santander Bank Polska</i>	5 099 241	5 099 241	-	4 822 221	123 915	275 643	277 020	222 849	240 899
<i>Santander Consumer Bank</i>	269 256	269 256	-	243 004	-	34 096	26 252	1 690	17 613
Consumer loans	1 782 237	1 782 235	2	1 336 965	44 796	173 427	445 272	144 170	161 698
<i>Santander Bank Polska</i>	1 322 362	1 322 362	-	1 003 924	44 618	91 687	318 438	135 260	132 627
<i>Santander Consumer Bank</i>	459 870	459 868	2	333 036	178	81 740	126 834	8 910	29 071
<i>Santander Leasing</i>	5	5	-	5	-	-	-	-	-
of which: Non-financial corporations	9 209 508	9 209 508	-	8 748 944	1 056 977	1 924 099	460 564	207 778	268 745
<i>Santander Bank Polska</i>	7 784 261	7 784 261	-	7 405 030	1 056 977	1 700 619	379 231	207 778	224 343
<i>Santander Consumer Bank</i>	301 169	301 169	-	297 298	-	5 267	3 871	-	659
<i>Santander Leasing</i>	1 124 078	1 124 078	-	1 046 616	-	218 213	77 462	-	43 743
SME loans	2 065 106	2 065 106	-	1 803 814	83 099	256 835	261 292	95 651	119 251
<i>Santander Bank Polska</i>	1 765 638	1 765 638	-	1 518 019	83 099	239 495	247 619	95 651	112 877
<i>Santander Consumer Bank</i>	223 621	223 621	-	219 907	-	5 267	3 714	-	502
<i>Santander Leasing</i>	75 847	75 847	-	65 888	-	12 073	9 959	-	5 872
Corporate loans	7 144 402	7 144 402	-	6 945 130	973 878	1 667 264	199 272	112 127	149 494
<i>Santander Bank Polska</i>	6 018 623	6 018 623	-	5 887 011	973 878	1 461 124	131 612	112 127	111 466
<i>Santander Consumer Bank</i>	77 548	77 548	-	77 391	-	-	157	-	157
<i>Santander Leasing</i>	1 048 231	1 048 231	-	980 728	-	206 140	67 503	-	37 871

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 or past-due <= 90 days
Loans and advances subject to moratorium	16 360 242	(857 099)	(233 594)	(85 106)	(160 932)	(623 505)	(257 956)	(292 420)
of which: Households	7 150 734	(485 599)	(86 713)	(9 919)	(46 742)	(398 886)	(167 652)	(185 897)
Santander Bank Polska	6 421 603	(355 133)	(56 641)	(9 918)	(25 545)	(298 492)	(160 931)	(158 749)
Santander Consumer Bank	729 126	(130 466)	(30 072)	(1)	(21 197)	(100 394)	(6 721)	(27 148)
Santander Leasing	5	-	-	-	-	-	-	-
Collateralised by residential immovable property	5 368 497	(122 316)	(19 623)	(3 634)	(12 188)	(102 693)	(73 757)	(86 198)
Santander Bank Polska	5 099 241	(104 151)	(15 886)	(3 634)	(9 161)	(88 265)	(72 976)	(76 866)
Santander Consumer Bank	269 256	(18 165)	(3 737)	-	(3 027)	(14 428)	(781)	(9 332)
Consumer loans	1 782 237	(363 283)	(67 090)	(6 285)	(34 554)	(296 193)	(93 895)	(99 699)
Santander Bank Polska	1 322 362	(250 982)	(40 755)	(6 284)	(16 384)	(210 227)	(87 955)	(81 883)
Santander Consumer Bank	459 870	(112 301)	(26 335)	(1)	(18 170)	(85 966)	(5 940)	(17 816)
Santander Leasing	5	-	-	-	-	-	-	-
of which: Non-financial corporations	9 209 508	(371 500)	(146 881)	(75 187)	(114 190)	(224 619)	(90 304)	(106 523)
Santander Bank Polska	7 784 261	(335 320)	(140 066)	(75 187)	(110 211)	(195 254)	(90 304)	(95 244)
Santander Consumer Bank	301 169	(3 769)	(1 426)	-	(131)	(2 343)	-	(427)
Santander Leasing	1 124 078	(32 411)	(5 389)	-	(3 848)	(27 022)	-	(10 852)
SME loans	2 065 106	(224 220)	(52 743)	(13 181)	(33 688)	(171 477)	(66 723)	(73 067)
Santander Bank Polska	1 765 638	(216 594)	(51 203)	(13 181)	(33 316)	(165 391)	(66 723)	(71 311)
Santander Consumer Bank	223 621	(3 476)	(1 160)	-	(131)	(2 316)	-	(400)
Santander Leasing	75 847	(4 150)	(380)	-	(241)	(3 770)	-	(1 356)
Corporate loans	7 144 402	(147 280)	(94 138)	(62 006)	(80 502)	(53 142)	(23 581)	(33 456)
Santander Bank Polska	6 018 623	(118 726)	(88 863)	(62 006)	(76 895)	(29 863)	(23 581)	(23 933)
Santander Consumer Bank	77 548	(293)	(266)	-	-	(27)	-	(27)
Santander Leasing	1 048 231	(28 261)	(5 009)	-	(3 607)	(23 252)	-	(9 496)

Data for Santander Consumer Bank concern whole SCB Group

Debt moratoria resulting from COVID-19 do not automatically result in the derecognition of financial instruments. Modifications resulting from the support provided to clients under the statutory and non-statutory programs resulting from COVID-19 were assessed in accordance with the qualitative and quantitative criteria applied by the Group.

XII. Overview of financial performance of Santander Bank Polska Group in 2021

Group's profitability

The **profit before tax of Santander Bank Polska Group** for the 12-month period ended 31 December 2021 was PLN 2,057.8m, up 9.4% YoY. The **profit attributable to the shareholders of the parent entity** increased by 7.2% YoY to PLN 1,111.7m.

These results were achieved along with a 6.5% YoY rise in **total income** to PLN 9,209.5m, a 36.2% YoY decrease in **net expected credit loss allowances** to PLN 1,124.2m and a 22.3% YoY increase in **total operating expenses** to PLN 5,487.2m on account of provisions for legal claims, other assets and legal risk recognised under other operating expenses.

Despite a number of adverse macroeconomic developments, such as a high inflation rate or disrupted supply chains, in 2021 the business environment in Poland was more favourable compared to the previous year and as a society we learned to live with the pandemic.

While the economy was recovering from the shock of 2020, Santander Bank Polska Group reported growth in its key business volumes, including an increase of 3.9% YoY in gross loans and advances to customers and a rise of 8.1% YoY in deposits from customers (in value terms). This was mainly attributed to the Group's flexible and transparent offering available through multichannel distribution as well as extensive and steady improvement of customer experience. The growth in the core business was combined with a rise in popularity of a number of products, including trade finance products, cross-border payments and investments solutions. The number of transactions made by customers and their activity in remote channels increased too. Good and closely monitored credit risk profile of customers and improved macroeconomic prospects limited the value of expected credit loss allowances made by the Group.

The situation connected with the Covid-19 pandemic had lower impact on the performance of Santander Bank Polska Group than a year before. It influenced the Group's results mainly to the extent it affected the monetary policy of the central bank, the dividend policy of the financial market regulator, trends in the financial markets, the public mood and the situation of the sectors worst hit by the pandemic.

*The above external factors and the systemic measures taken by the Group were reflected in the following changes to the income statement: a decline in **net expected credit loss allowances** (-36.2% YoY), an increase in **dividend income** (+393.2% YoY), a rise in **net fee and commission income** (+15.6% YoY) as well as an improvement in **net trading income and revaluation** (+78.1% YoY) and in **net interest income** (+1.3% YoY) supported by three NBP interest rates hikes introduced in Q4 2021 in response to growing inflation. Due to higher official interest rates, the yield of debt securities went up, reducing pricing and gains on sale disclosed under **gains on other financial instruments** (-63.2% YoY).*

*The most significant factor affecting the Group's results for 2021 was the **ruling practice of courts adjudicating on cases regarding foreign currency mortgage loans**, whose evolution encouraged a growing number of borrowers to file lawsuits. With the higher number of new court cases and changes in the estimated likelihood of negative rulings, total net **provisions** recognised in the income statement **for legal claims, other assets and legal risk** increased by PLN 989.3m YoY to PLN 1,468.6m.*

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.

On a comparative basis, i.e. adjusting the financial results for income items and charges specified in the table provided below:

- the **underlying profit before tax** increased by 23.9% YoY and
- the **underlying profit attributable to the shareholders of the parent entity** went up by 36.0% YoY.

Comparability of periods

Selected items of the income statement affecting the comparability of periods

	2021	2020
• Provisions and additional expected credit loss allowances		
Top-ups of provisions for legal claims and other assets <i>(other operating expenses)</i>	<ul style="list-style-type: none"> • PLN 1,005.6m, including PLN 894.4m with respect to claims related to foreign currency mortgage loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • PLN 322.1m, including PLN 233.1m with respect to claims related to foreign currency mortgage loans
Releases of provisions for legal claims and other assets <i>(other operating income)</i>	<ul style="list-style-type: none"> • PLN 65.7m released and recognised under other operating income, including PLN 46.6m with respect to foreign currency mortgage loans 	<ul style="list-style-type: none"> • PLN 44.0m released and recognised under other operating income, including PLN 16.3m with respect to foreign currency mortgage loans
Top-ups of provisions for legal risk <i>(other operating expenses)</i>	<ul style="list-style-type: none"> • PLN 550.0m for legal risk connected with the portfolio of foreign currency mortgage loans of Santander Bank Polska S.A. and Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • PLN 201.2m, including PLN 85.3m 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 115.9m for legal risk related to consumer loans
Releases of provisions for legal risk <i>(other operating income)</i>	<ul style="list-style-type: none"> • PLN 21.4m released and recognised under other operating income 	<ul style="list-style-type: none"> • No corresponding releases
Additional expected credit loss allowance connected with the Covid-19 pandemic (post-model adjustment) <i>(net expected credit loss allowances)</i>	<ul style="list-style-type: none"> • Reversal of PLN 121.4m worth of allowance made in connection with Covid-19 following the review of the models taking into account the latest macroeconomic forecasts 	<ul style="list-style-type: none"> • PLN 121.4m – an additional allowance made in connection with Covid-19 in excess of the values arising from the models
• Expenses		
Contributions to the Bank Guarantee Fund made by Santander Bank Polska Group <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> • PLN 262.6m, including a contribution of PLN 108.5m to the bank guarantee fund and PLN 154.1m to the bank resolution fund 	<ul style="list-style-type: none"> • PLN 410.9m, including a contribution of PLN 163.8m to the bank guarantee fund and PLN 247.2m to the bank resolution fund
Provision for employment restructuring <i>(staff expenses)</i>	<ul style="list-style-type: none"> • PLN 12.8m for employment restructuring at Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • PLN 153.6m, including PLN 121.0m and PLN 32.6m for severance pay for employees selected for collective redundancies at Santander Bank Polska S.A. and Santander Consumer Bank S.A., respectively

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

	2021	2020
Income and income adjustments		
Dividend income	<ul style="list-style-type: none"> • PLN 112.8m, including PLN 95.6m from Aviva Group (Aviva Towarzystwo Ubezpieczeń na Życie S.A., Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A.) 	<ul style="list-style-type: none"> • PLN 22.9m, including PLN 11.0m from Aviva Group (Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A.)
Additional payment by Aviva Group <i>(other operating income)</i>	<ul style="list-style-type: none"> • PLN 46.8m – an additional payment by Aviva Group in connection with the completed divestment of the foregoing three Aviva Group companies under separate contractual arrangements 	<ul style="list-style-type: none"> • No corresponding transaction in the capital market
One-off item resulting from revision of the model for calculation of provisions for insurance premium refunds <i>(mainly net interest income)</i>	<ul style="list-style-type: none"> • No corresponding one-offs 	<ul style="list-style-type: none"> • PLN 103m – income of Santander Consumer Bank S.A. from revision of the model for calculation of provisions for insurance premium refunds, including PLN 90m recognised in interest income and PLN 13m in fee and commission income

Profit structure

Key aggregates and components of the income statement of Santander Bank Polska Group for 2021

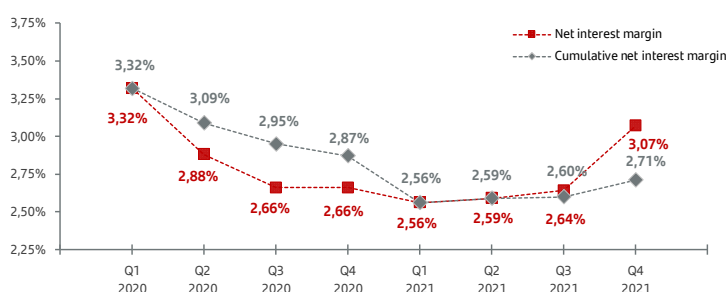
Total income	<ul style="list-style-type: none"> • Total income of Santander Bank Polska Group for 2021 increased by 6.5% YoY to PLN 9,209.5m. • Excluding from the respective periods the income items presented in the table "Selected items of the income statement affecting the comparability of periods", which affects net interest income, net fee and commission income, dividend income and other operating income, the underlying total income was up 5.7% YoY on account of an increase in net interest income, net fee and commission income and net trading income and revaluation.
Net interest income	<ul style="list-style-type: none"> • The increase of 1.3% YoY in net interest income of Santander Bank Polska Group to PLN 5,962.4m is an effect of changes in the structure of deposits (a steady decrease in term deposits in favour of current deposits), higher loan sales growth rate in H2 2021, three NBP interest rate hikes in Q4 2021 (up 1.65 p.p. in total) and higher returns on the securities portfolio resulting from the monetary policy tightening started by the NBP. • Excluding the impact of the one-off item arising in 2020 (presented in the table "Selected items of the income statement affecting the comparability of periods"), the underlying net interest income increased by 2.8% YoY.

Key aggregates and components of the income statement of Santander Bank Polska Group for 2021 (cont.)

Net interest income

- The **cumulated net interest margin** (annualised on a year-to-date basis) went down to 2.71% in 2021 from 2.87% in 2020 due to historically low interest rates prevailing from May 2020 to October 2021, when the NBP started a series of interest rate hikes whose impact will be visible to a larger extent in 2022. The decrease in the margin annualised on a year-to-date basis is also an effect of a growing share of investments in debt instruments in the Group's assets due to continuing overliquidity of the Polish banking sector. Given the relatively low yields of debt securities (until Q3 2021), this portfolio weighed down on the cumulated net interest margin.
- Net interest margin** (annualised on a quarterly basis) totalled 3.07% in Q4 2021 and increased by 43 b.p. QoQ and by 41 b.p. YoY in line with movements in interest rates. It was combined with accelerated mortgage and business loan sales, resulting in a QoQ increase in the corresponding credit portfolios. The value of investments in debt securities went up too, which positively affected the net interest margin given higher returns on these instruments.

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



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

Net fee and commission income

- Net fee and commission income** for 2021 totalled PLN 2,487.1m and increased by 15.6% YoY on account of higher net income from the majority of product lines, including currency exchange, account maintenance and cash transactions, debit cards, electronic and payment services, distribution and asset management and credit services. This growth is a sign of economic recovery and improved outlook, which translated into increased business activity and a higher number of banking operations made by customers. It was also supported by an upturn in the financial markets observed for the greater part of the year, notably in the equity and securities markets, as well as flexible pricing management in line with market developments.

Other income

- Other income**, which includes the Group's total non-interest and non-fee income, went up by 25.2% YoY to PLN 760.0m as a combined effect of the following changes:
 - ✓ Increase of 78.1% YoY in **net trading income and revaluation** to PLN 268.0m, reflecting higher total gains on derivatives and FX transactions, higher gains on transactions in equity and debt financial assets and a positive change in the fair value of credit card receivables vs a negative change a year before.
 - ✓ Rise of 61.5% YoY in **other operating income** to PLN 284.3m, resulting primarily from recognition of an additional payment of PLN 46.8m received from Aviva Group (not included in the sale price) in connection with the completed divestment of three companies from that Group (Aviva Towarzystwo Ubezpieczeń na Życie S.A., Aviva Towarzystwo Ubezpieczeń Ogólnych S.A. and Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A.).
 - ✓ Increase of 392.6% YoY in **dividend income** to PLN 112.8m, resulting from recognition in the current reporting period of PLN 89.0m worth of dividend income from Aviva insurance companies which in 2020 retained the entire profit in line with the supervisory guidelines for the insurance sector.
 - ✓ The positive impact of the above-mentioned components was partially offset by a decline in **gains on other financial instruments** (down 63.2% YoY to PLN 94.9m) on account of significantly lower gains on the sale of bonds (down PLN 137m YoY) and a lower positive change in the fair value of investment financial assets (down PLN 31.0m YoY) in line with the financial market development.

Key aggregates and components of the income statement of Santander Bank Polska Group for 2021 (cont.)

Net allowances	<ul style="list-style-type: none"> • Net expected credit loss allowances totalled PLN 1,124.2m and were down 36.2% YoY amid a 3.9% YoY growth in gross loans and advances, reflecting a stable or lower cost of credit related to individual credit portfolios and reversal of a management allowance in respect of Covid-19 (above the values arising from the models) after the impact of the majority of existing adjustments had been reflected in the current parameter values. In the comparative period, the above additional allowance totalled PLN 121.4m. • In 2021, single allowances were made for non-performing credit exposures of individual customers, but significant repayments were observed too. • The level of net allowances was also positively affected by the sale of credit receivables from personal and business customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 2,474.0m at a profit before tax of PLN 120.9m (last year, credit receivables of PLN 1,664.7m were sold at a profit before tax of PLN 30.8m).
Total operating expenses	<ul style="list-style-type: none"> • Total operating expenses increased by 22.3% YoY to PLN 5,487.2m. • Adjusting for fees payable to the Bank Guarantee Fund, the restructuring provision and provisions for legal risk and legal claims, the underlying total operating expenses were up 6.7% YoY, reflecting an increase in selected general and administrative expenses and cost of salaries. • Given the significant rise in provisions for legal claims, other assets and legal risk, the cost to income ratio grew from 51.9% in 2020 to 59.6% in 2021. On a comparative basis, the cost to income ratio for 2021 was 45.4% (45.0% in 2020).
Staff and general expenses	<ul style="list-style-type: none"> • Staff and general expenses declined by 2.8% YoY, to PLN 3,172.1m, of which: <ul style="list-style-type: none"> ✓ Staff expenses fell by 2.9% YoY to PLN 1,694.2m as an effect of high base in the comparative period including PLN 153.6m worth of provision for severance pay for employees selected for collective redundancies in Santander Bank Polska S.A. and Santander Consumer Bank S.A. (PLN 12.8m in 2021). The main component of this cost item, i.e. the cost of salaries went up due to the launch of all bonus schemes in 2021 and periodic review of salaries in relation to market rates. Cost of training increased too along with a number of initiatives delivered by the Group. ✓ General and administrative expenses went down by 2.7% YoY to PLN 1,477.9m, mainly due to a 36.1% YoY decrease in fees payable to the Bank Guarantee Fund as contributions to the bank resolution fund and guarantee fund which totalled PLN 262.6m for 2021. Adjusting for the charges related to the Bank Guarantee Fund, general and administrative expenses were 7.1% higher YoY due to the cost of marketing initiatives, IT usage and maintenance of premises, among other things.
Other operating expenses	<ul style="list-style-type: none"> • Other operating expenses went up by 174.7% YoY to PLN 1,736.1m on account of significant increases in provisions for legal claims and other assets and for legal risk totalling PLN 1,555.6m in 2021 (+197.3% YoY), of which 96% concerned foreign currency mortgage loans.
Taxes	<ul style="list-style-type: none"> • Tax on financial institutions totalled PLN 614.4m (+2.1% YoY), reflecting an increase in loans and advances to customers. • Corporate income tax was PLN 805.4m and effectively higher compared to the year before (the effective tax rate increased from 34.2% for 2020 to 39.1% for 2021), mainly on account of higher provisions for claims related to foreign currency mortgage loans.

Key business volumes and selected efficiency ratios

Key business data of Santander Bank Polska Group for 2021

Loans and advances to customers	<ul style="list-style-type: none"> • Gross loans and advances to customers totalled PLN 154,110.8m and were up 3.9% YoY as a result of growth in the main portfolios: <ul style="list-style-type: none"> ✓ portfolio of personal loans, which increased by 4.3% YoY to PLN 84,898.3m supported by dynamic sales of mortgage loans; ✓ portfolio of finance lease receivables, which went up by 11.8% YoY to PLN 10,937.9m on account of strong sales of vehicles, machines and equipment; ✓ portfolio of loans and advances to enterprises and the public sector, which went up by 1.9% YoY to PLN 58,216.2m.
Credit quality	<ul style="list-style-type: none"> • NPL ratio was 5.0% as at 31 December 2021 (5.8% as at 31 December 2020), while the ratio of impairment allowances to average gross loans and advances measured at amortised cost was 0.76% (1.21% the year before). • The provision coverage ratio for impaired loans was 60.4% compared with 57.9% as at 31 December 2020.
Deposits from customers	<ul style="list-style-type: none"> • Deposits from customers grew by 8.1% to PLN 185,373.4m as a result of an increase of 8.2% YoY in personal deposits to PLN 106,267.8m and a rise of 7.9% YoY in deposits from enterprises and the public sector to PLN 79,105.6m. • The growth in deposits from customers in 2021 was still supported by current account balances of personal customers as well as business entities and the public sector.
Liquidity	<ul style="list-style-type: none"> • Net customer loans to deposits ratio was 80.0% as at 31 December 2021 compared with 82.8% as at 31 December 2020.
Capital adequacy	<ul style="list-style-type: none"> • The total capital ratio was 18.58% (20.42% as at 31 December 2020), that is much above the regulatory minimum, ensuring security of operations and stable growth. • Tier 1 capital ratio was 16.63% vs 18.38% as at 31 December 2020.
Return on equity	<ul style="list-style-type: none"> • ROE totalled 4.7% (4.4% as at 31 December 2020).
Assets under management	<ul style="list-style-type: none"> • Net value of assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A. was PLN 17.6bn, up 8.6% YoY. • Net sales of the above-mentioned funds were positive until September 2021, but in Q4 redemptions exceeded sales by PLN 1.3bn. The decrease in net sales was attributed to the performance of debt funds, which declined due to materialisation of interest rate risk following the Monetary Policy Council's decisions to increase interest rates.
Customer base	<ul style="list-style-type: none"> • The customer base of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalled nearly 7.2m, including 5.4m customers of the parent entity. As at the end of December 2021, the number of loyal customers of both banks totalled 3.5m. • The number of PLN personal accounts of Santander Bank Polska S.A. was 4.1m (+4.7% YoY), including 2.5m Accounts As I Want It. Together with FX accounts, the personal accounts base exceeded 5.1m (+5.2% YoY).
Electronic banking	<ul style="list-style-type: none"> • The number of customers with access to electronic banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A. was 5.7m (+5.5% YoY). • The number of active electronic banking customers, i.e. digital customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. (those who at least once used the internet or mobile banking in the last month of the year) exceeded 3.2m (+10.3% YoY), including over 2.4m active mobile customers (+19.9% YoY). • The payment card base of Santander Bank Polska Group included nearly 4.4m debit cards (+2.7% YoY) and 1.1m credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. (-11.0% YoY).

Selected ratios

Selected financial ratios of Santander Bank Polska Group	2021	2020
Total costs/Total income	59,6%	51,9%
Net interest income/Total income	64,7%	68,1%
Net interest margin ¹⁾	2,71%	2,87%
Net commission income/Total income	27,0%	24,9%
Customer net loans/Customer deposits	80,0%	82,8%
NPL ratio ²⁾	5,0%	5,8%
NPL coverage ratio ³⁾	60,4%	57,9%
Credit risk ratio ⁴⁾	0,76%	1,21%
ROE ⁵⁾	4,7%	4,4%
ROTE ⁶⁾	5,3%	5,3%
ROA ⁷⁾	0,5%	0,5%
Capital ratio ⁸⁾	18,58%	20,42%
Tier I ratio ⁹⁾	16,63%	18,38%
Book value per share (in PLN)	266,31	280,44
Earnings per share (in PLN) ¹⁰⁾	10,88	10,16

- 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.