

Management Board Report on Santander Bank Polska Group Performance in H1 2022



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I. Overview of Activities of Santander Bank Polska Group in H1 2022

1. Key Achievements

EFFICIENCY AND SECURITY

- Group's solid capital position confirmed by capital ratios as at 30 June 2022, including total capital ratio of 19.18%.
- Sound liquidity position. Net customer loans to deposits ratio at 83.2%. Supervisory liquidity ratios well above the regulatory minimum.
- Close monitoring of risk and implementation of relevant prudential measures.
- Significant YoY improvement in the cost of credit risk from 0.99% in H1 2021 to 0.48% in the analysed period. Decrease in the NPL ratio to 4.7% as at 30 June 2022.
- Increase in cost efficiency supported by high income growth rate. Decline in the cost-to-income ratio to 38.9% from 44.8% in H1 2021.
- Improved availability, reliability, performance and cybersecurity of the Group's systems.

BUSINESS VOLUMES AND ACTIVITY

- 7.1% YoY increase in total assets to PLN 246.5bn.
- Continued growth in deposits from customers by 6.0% YoY to PLN 183.5bn supported by an increase in term deposits (+61.3% YoY).
- 7.6% YoY increase in gross loans and advances to customers to PLN 158.4bn, including home loans (+6.8% YoY), leases (+10.8% YoY) and loans to business customers (+10.9% YoY).
- Growth of quarterly net interest margin from 2.59% in Q2 2021 to 5.24% in Q2 2022 in line with interest rate movements, supported by an increase in business volumes.
- 5.8% YoY increase in net fee and commission income on account of FX fees (+40.5% YoY), account maintenance and cash transactions (+13.2% YoY) and insurance fees (+13.9% YoY).
- Dynamic growth in the number of transactions made via mobile banking (+25.2% YoY) and in the share of this channel in remote sales.

CUSTOMERS AND COMMUNITIES

- 7.3m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers.
- 17.3% YoY increase in the number of Accounts As I Want It opened with Santander Bank Polska S.A. to 2.7m.
- 3.5m digital customers of both banks, including 2.5m mobile banking customers.
- Further automation, robotisation, optimisation and simplification of operational processes.
- Launch of initiatives to support Ukrainians as a result of the Russian invasion.
- Continued delivery of IT projects aimed at improving experience of customers and employees (accelerated digitalisation of the retail business, development of the HR platform).
- Implementation of further measures to support sustainable development and promote cybersecurity culture.

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

Key financial data of Santander Bank Polska Group

Selected Income Statement data		H1 2022	H1 2021 restated data ¹⁾	YoY Change (2022 / 2021)
Total income	PLN m	6 513,2	4 379,2	48,7%
Total costs	PLN m	(2 532,1)	(1 962,1)	29,1%
Impairment losses on loans and advances	PLN m	(229,5)	(627,0)	-63,4%
Profit before tax	PLN m	2 472,7	792,4	212,1%
Net profit attributable to Santander Bank Polska S.A.	PLN m	1 616,4	374,3	331,8%
Selected Balance Sheet data		30.06.2022	30.06.2021 restated data ¹⁾	YoY Change (2022 / 2021)
Total assets	PLN m	246 504,6	230 210,6	7,1%
Total equity	PLN m	28 464,6	28 932,4	-1,6%
Net loans and advances to customers	PLN m	152 635,3	140 822,0	8,4%
Deposits from customers	PLN m	183 536,3	173 180,2	6,0%
Selected off-Balance Sheet data		30.06.2022	30.06.2021	YoY Change (2022 / 2021)
Net assets under management in investment funds ²⁾	PLN bn	12,7	18,9	-6,2
Selected ratios ³⁾		30.06.2022	30.06.2021	YoY Change (2022 / 2021)
Total costs / Total income	%	38,9%	44,8%	-5,9 p.p.
Total capital ratio	%	19,18%	21,16%	-1,98 p.p.
ROE	%	10,3%	3,8%	6,5 p.p.
NPL ratio	%	4,7%	5,8%	-1,1 p.p.
Credit risk ratio	%	0,48%	0,99%	-0,51 p.p.
Customer net loans/customer deposits	%	83,2%	81,3%	1,9 p.p.

Key non-financial data of Santander Bank Polska Group

Selected non-financial data		30.06.2022	30.06.2021	YoY Change (2022 / 2021)
Electronic banking users ⁴⁾	m	6,0	5,5	0,5
Digital (active) customers ⁵⁾	m	3,5	3,0	0,5
Digital (active) mobile banking customers	m	2,5	2,1	0,4
Debit cards	m	4,6	4,3	0,3
Credit cards	m	1,0	1,1	-0,1
Customer base	m	7,3	7,0	0,3
Branches	locations	406	470	-64
Off-site locations and Santander zones	locations	13	12	1
Partner outlets	locations	431	420	11
Employment	FTEs	11 349	11 636	-287

1) As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The total impact of the above risk on the Group's performance is presented in a separate line of the income statement. It includes provisions for legal risk and legal claims raised and released by the Bank. Those items were previously disclosed separately in other operating expenses and operating income.

2) Assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A.

3) For definitions of ratios presented in the table above, see Section 3 "Selected Financial Ratios" of Chapter VII "Financial Performance in H1 2022".

4) Registered users of electronic banking service of Santander Bank Polska S.A. and Santander Consumer Bank S.A.

5) Active users of electronic banking service of Santander Bank Polska S.A. and Santander Consumer Bank S.A. 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 H1 2022

Health situation	<ul style="list-style-type: none"> Another wave of the Covid-19 pandemic at the start of the year, but without any significant restrictions imposed. Since February, the number of new cases has declined markedly and the government has lifted the restrictions.
Economic growth	<ul style="list-style-type: none"> Strong momentum at the start of the year followed by deterioration of the outlook due to the war.
Labour market	<ul style="list-style-type: none"> Continued stabilisation of an unemployment rate at an all-time low and still solid wage growth. Strong migrant flows from and to Ukraine. Introduction of "Polish Deal".
Inflation	<ul style="list-style-type: none"> Further increase in prices, additionally amplified by war-related shock. Inflation reaching double-digit territory. Government lowered taxes on some products ("anti-inflation shield").
Monetary policy	<ul style="list-style-type: none"> Further interest rate hikes by 425 b.p. in total in H1 2022. A stronger response in March due to złoty weakening.
Fiscal policy	<ul style="list-style-type: none"> Cut of taxes under "Polish Deal" followed by suggestion of further cuts in PIT rates. Fiscal policy easing in response to the war.
Credit market	<ul style="list-style-type: none"> Gradual rise in demand for loans from companies and weaker demand from households (in particular those with home mortgage loans) due to rising interest rates and the war.
Financial markets	<ul style="list-style-type: none"> Significant decline in T-bond prices and rise in IRS rates. High volatility of the złoty – rapid and strong depreciation after the war followed by a relatively fast improvement.

4. Corporate Events

Major corporate events in the reporting period until the release date of the interim report for H1 2022

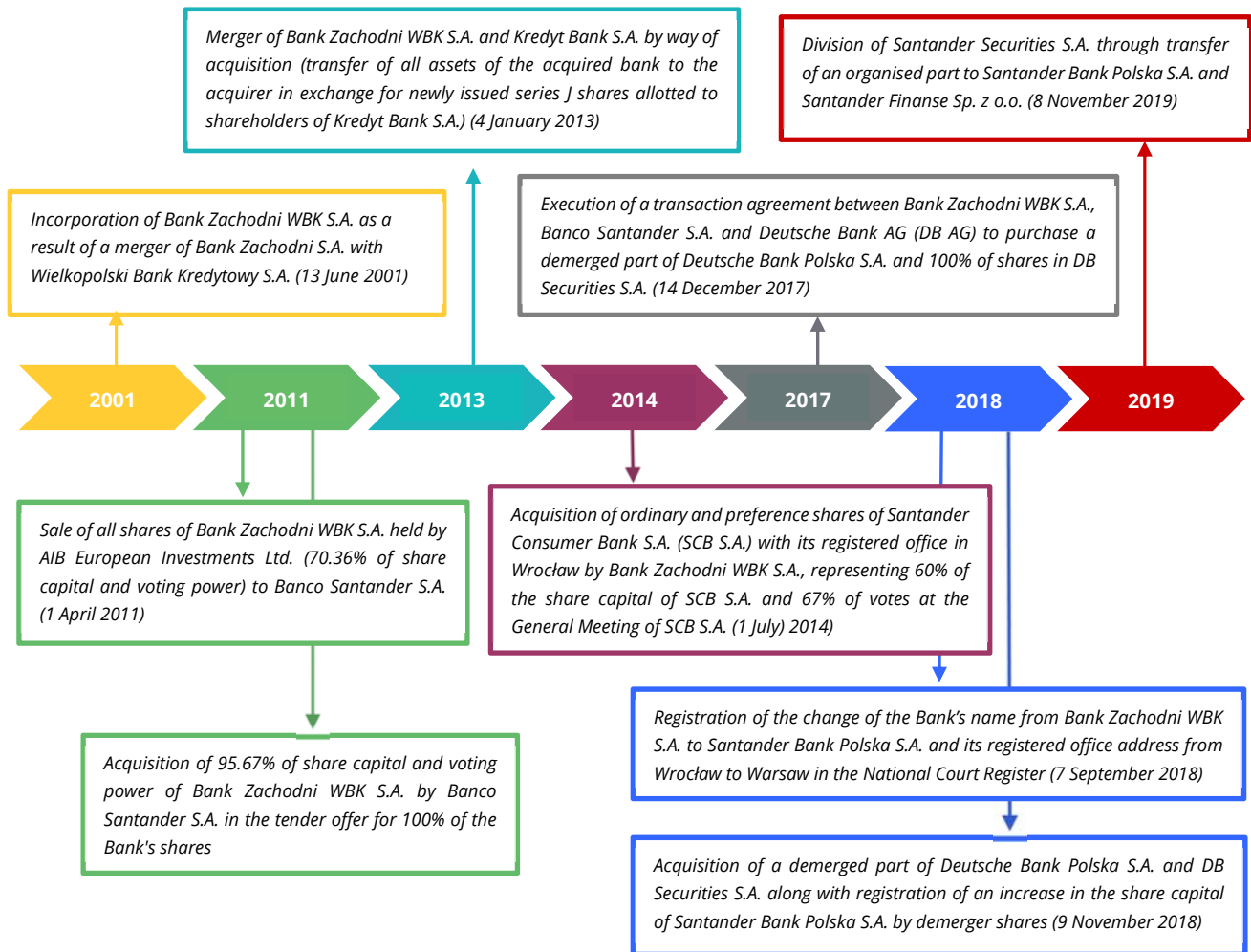
Pillar 2 capital add-on imposed by the KNF	<ul style="list-style-type: none"> Receipt of a recommendation (11 February 2022) from the Polish Financial Supervision Authority ("KNF") to maintain own funds on a standalone and consolidated level to cover an additional capital requirement in order to absorb potential losses resulting from materialisation of stress conditions. The recommended capital add-on is 0.31 p.p. over the total capital ratio and should consist entirely of Common Equity Tier 1 capital.
KNF recommendations on a dividend policy	<ul style="list-style-type: none"> Receipt of an individual recommendation from the KNF (23 February 2022) on the Bank's dividend policy: <ul style="list-style-type: none"> ✓ As at 31 December 2021, the Bank met the basic criteria defined by the KNF to distribute up to 100% of the net profit earned in 2021. ✓ Taking into consideration the additional criteria due to the Bank's sizeable portfolio of foreign currency mortgage loans for households, the dividend yield was adjusted by a total of 70 percentage points. Accordingly, the maximum dividend yield is 30%. ✓ The Bank was recommended not to take any other measures beyond the scope of the ordinary business and operational activity which could result in reduction of own funds, unless such measures have been agreed with the supervisor

Major corporate events in the reporting period until the release date of the interim report for H1 2022 (continued)

<p>Recommendation of the Bank's Management Board on profit distribution and dividend payment</p>	<ul style="list-style-type: none"> • Adoption of a resolution by the Bank's Management Board (31 March 2022) recommending (in accordance with the KNF recommendation) that: <ul style="list-style-type: none"> a) the profit of PLN 915.9m for 2021 be distributed as follows: <ul style="list-style-type: none"> ✓ 29.9% of the net profit to be allocated to a dividend for shareholders; ✓ 70.1% of the net profit to be retained, with 50% of that sum to be allocated to the capital reserve and 20.1% to be kept undistributed; b) the undistributed profit of PLN 1,056.8m for 2019 be distributed as follows: <ul style="list-style-type: none"> ✓ the entire amount to be allocated to the dividend reserve set aside from the capital reserve. • The above recommendation was endorsed by the Bank's Supervisory Board and approved by the Bank's Annual General Meeting (AGM) on 27 April 2022. • For more information about the dividend, see Chapter II "Key Information on Santander Bank Polska Group".
<p>Resolution of the Bank Guarantee Fund on resolution fund contribution</p>	<ul style="list-style-type: none"> • Adoption of a resolution (12 April 2022) by the Bank Guarantee Fund Council, setting the amount of resolution fund contributions payable by Santander Bank Polska S.A. and Santander Consumer Bank S.A. in 2022 at PLN 192.2m and PLN 16.8m, respectively. The amounts include the adjustments to the contributions calculated for 2020 and 2021.
<p>General Meeting</p>	<ul style="list-style-type: none"> • The Annual General Meeting (AGM) of Santander Bank Polska S.A. (27 April 2022), which adopted standard resolutions and Best Practice for GPW Listed Companies 2021, approved the amended remuneration policy for members of the Bank's Supervisory Board and Management Board, gave its consent to the application of a higher maximum ratio of variable remuneration components to fixed remuneration components for holders of managerial positions in Santander Bank Polska Group and presented changes to the Suitability Assessment Policy, the Nomination and Succession Planning Policy for Supervisory Board Members and the Terms of Reference of the Supervisory Board. The AGM distributed the profit for 2021 in accordance with the above-mentioned recommendation of the Management Board, allocating PLN 273.9m to dividend payment, i.e. PLN 2.68 per one share of series A–O.
<p>MREL for the Bank and the Group</p>	<ul style="list-style-type: none"> • Receipt of a letter from the Bank Guarantee Fund (6 May 2022) setting the minimum requirement for own funds and eligible liabilities (MREL): <ul style="list-style-type: none"> ✓ for Santander Bank Polska Group: at 15.41% of the total risk exposure amount (TREA) and 5.91% of the total exposure measure (TEM) calculated in accordance with Regulation (EU) No 575/2013; ✓ for the Bank: at 13.35% of TREA and 5.91% of TEM. • These targets should be met by 31 December 2023.
<p>Resignation of the Management Board member</p>	<ul style="list-style-type: none"> • Decision of Carlos Polaino Izquierdo (31 May 2022) to resign as a Management Board member, effective as of 1 January 2023, in relation to his planned return to the global structures of Banco Santander Group.
<p>Participation in the creation of the protection scheme</p>	<ul style="list-style-type: none"> • Adoption of resolutions by the Management and Supervisory Boards of Alior Bank S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A., PKO Bank Polski S.A. and Santander Bank Polska S.A. (announced on 7 June 2022) to apply to the KNF for approval of the protection scheme created by the above banks and of the draft agreement on the protection scheme. The objective of the protection scheme is to ensure liquidity and solvency of member banks on the terms and conditions defined in the agreement on the protection scheme, and to support the resolution procedure pursued by the Bank Guarantee Fund (BGF) or acquisition of banks being joint-stock companies. For more information, see Chapter X "Other Information".

II. Key Information on Santander Bank Polska Group

1. History of Santander Bank Polska S.A

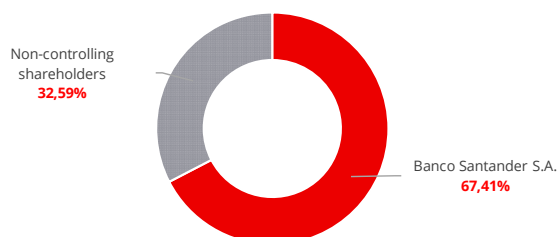


2. Ownership Structure

Shareholders with a stake of 5% and higher	Number of Shares and Voting Rights Held		% in the Share Capital and Voting Rights at AGM	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE ¹⁾	5 123 581	5 123 581	5,01%	5,01%
Other shareholders	28 184 959	28 184 959	27,58%	27,58%
Total	102 189 314	102 189 314	100,00%	100,00%

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

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE CAPITAL
AS AT 30.06.2022



Santander Bank Polska S.A. is a subsidiary of Banco Santander S.A. with its registered office in Madrid, which held 67.41% share in the Bank's registered capital and in the total number of votes at the Bank's General Meeting as at 30 June 2022. 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 H1 2022 until the approval of the Report of Santander Bank Polska Group for H1 2022 for publication.

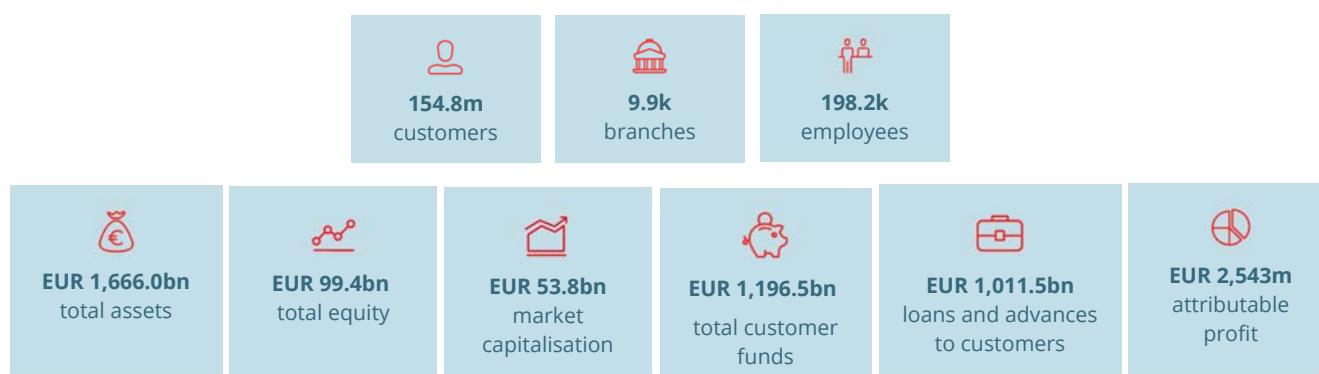
3. Majority Shareholder

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

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

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

SANTANDER GROUP IN NUMBERS (AS AT 31 MARCH 2022)



**2nd largest financial institution in the eurozone and 34th in the world
in terms of market capitalisation**

(source: Financial Report of Banco Santander Group for Q1 2022)

4. Profile of the Organisation

Legal form

Santander Bank Polska S.A. with its registered office in Warsaw started operations in 1989 as one of the first universal commercial banks in post-war Poland. Since 1993, it has been listed on the Warsaw Stock Exchange. After several ownership changes and more than 30-year presence on the Polish banking market, it was the second largest bank in terms of market capitalisation and third in terms of total assets as at 31 March 2022.

The Bank is a parent entity of Santander Bank Polska Group and forms a domestic bank holding group as defined in the Polish Banking Law Act together with its related entities, including Santander Consumer Bank S.A. (a domestic subsidiary bank). It is also registered as a foreign bank holding group with Spain-based Banco Santander S.A. as the ultimate parent entity. No financial support agreements referred to in Article 141t of the Polish Banking Law Act have been concluded as part of the above-mentioned holding groups.

Santander Bank Polska S.A. operates in Poland and has standard business and operational relationships with foreign banks and financial institutions. It also provides services to foreign customers and cooperates with Santander Group companies on a large scale. The Bank does not conduct active cross-border operations in other countries.

Business profile of Santander Bank Polska Group

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

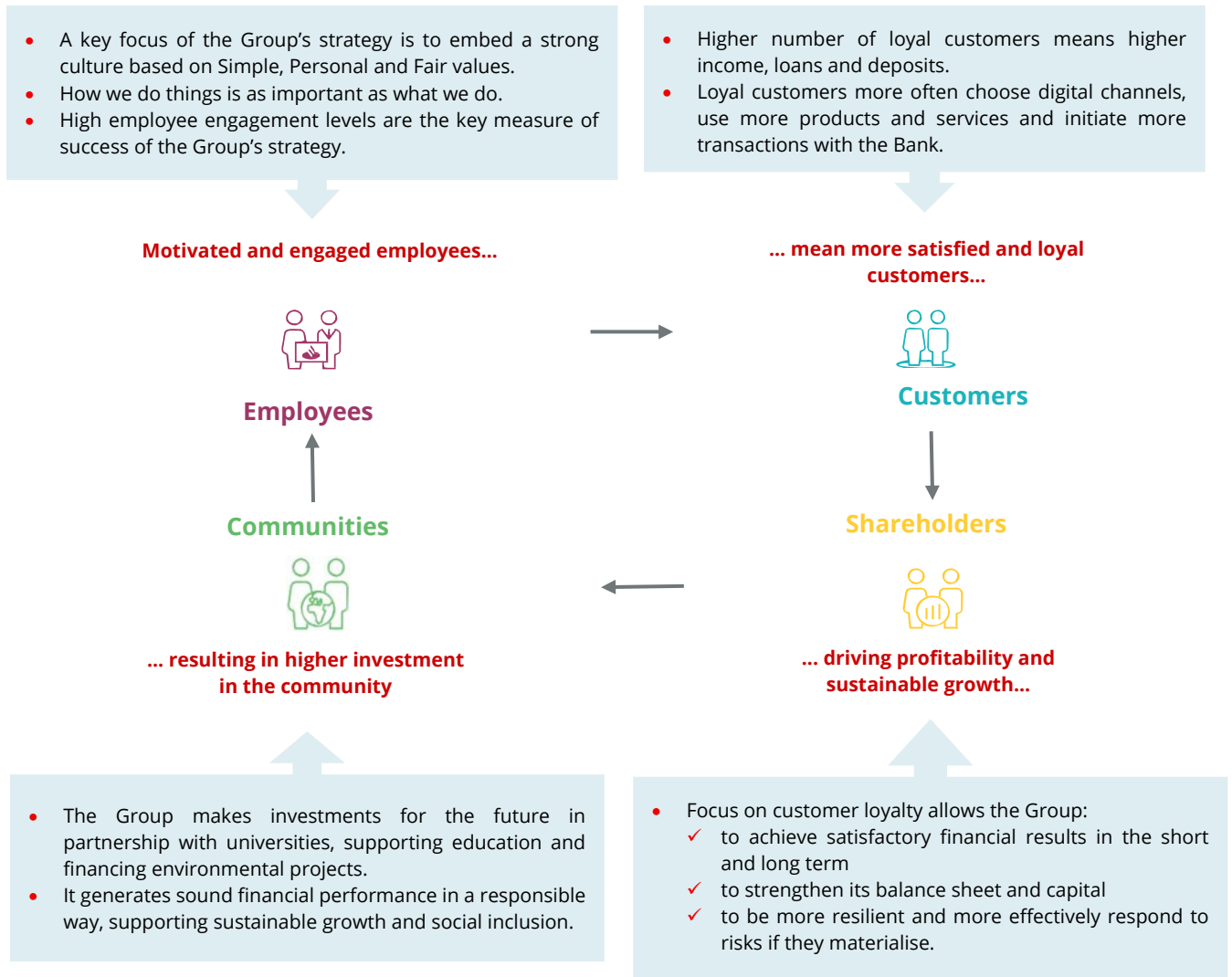
The Bank continuously develops its product range to ensure that solutions offered to customers are transparent, simple, digital, flexible and available in self-service channels. It offers unique solutions which are developed within Santander Group based on its global presence, infrastructure and market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

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

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

As at 30 June 2022, Santander Bank Polska Group provided services to 7.3m customers, including 1.7m customers of Santander Consumer Bank S.A.

Value creation at Santander Bank Polska Group



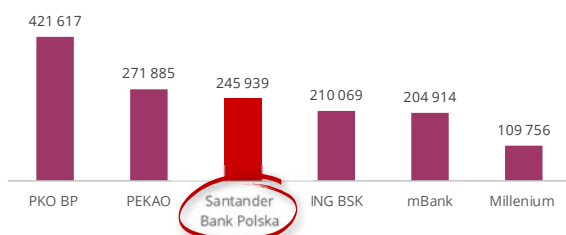
Position of Santander Bank Polska S.A. and its Group in the Polish banking sector

Position in the banking sector

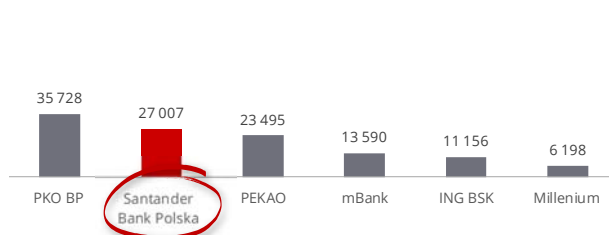
Santander Bank Polska S.A. is ranked among the top three banks in the Polish banking sector (together with PKO BP S.A. and Pekao S.A.) and is the largest private bank in Poland.

According to the interim reports for the quarter ended 31 March 2022, which at the date of approval of this Management Board report for publication were the most up-to-date source of comparable data on the performance of banks listed on the Warsaw Stock Exchange (WSE), Santander Bank Polska S.A. – including its subsidiaries and associates – was Poland's second largest banking group in terms of total equity and market capitalisation, and third largest one in terms of total assets, deposits and net loans (ex aequo with ING Bank Śląski Group in terms of credit volume).

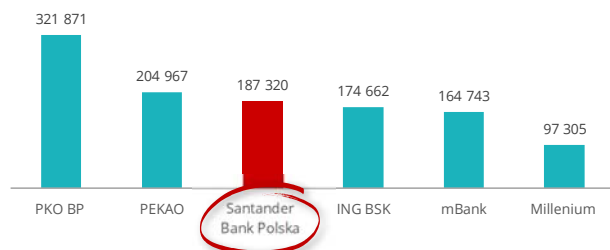
TOTAL ASSETS (PLN M) OF SANTANDER BANK POLSKA GROUP AS AT 31.03.2022 AGAINST THE PEER GROUP



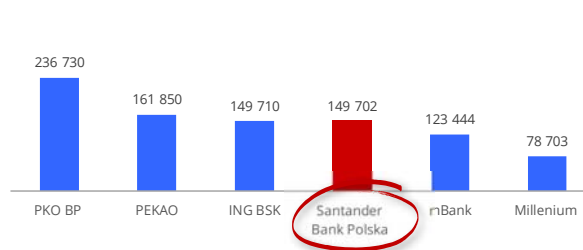
TOTAL EQUITY OF SANTANDER BANK POLSKA GROUP (IN PLN M) AS AT 31.03.2022 AGAINST THE PEER GROUP



CUSTOMER DEPOSITS OF SANTANDER BANK POLSKA GROUP (PLN M) AS AT 31.03.2022 AGAINST THE PEER GROUP



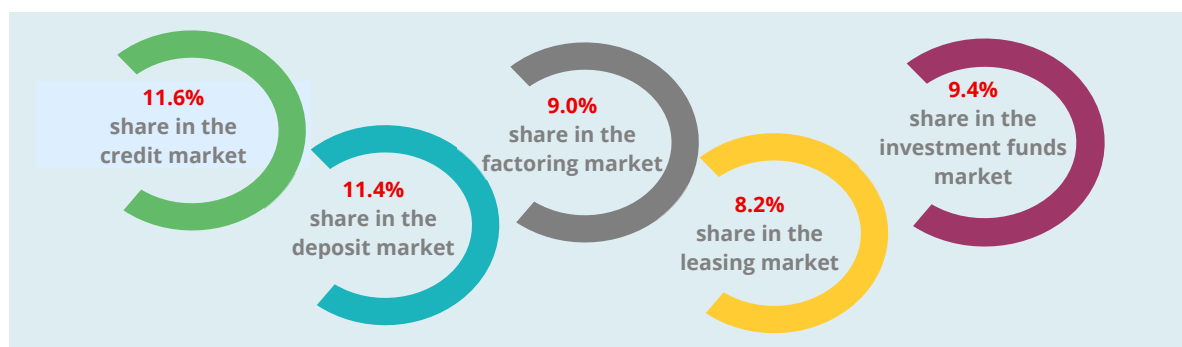
CUSTOMER LOANS AND ADVANCES OF SANTANDER BANK POLSKA GROUP (PLN M) AS AT 31.03.2022 AGAINST THE PEER GROUP



Share in key market segments

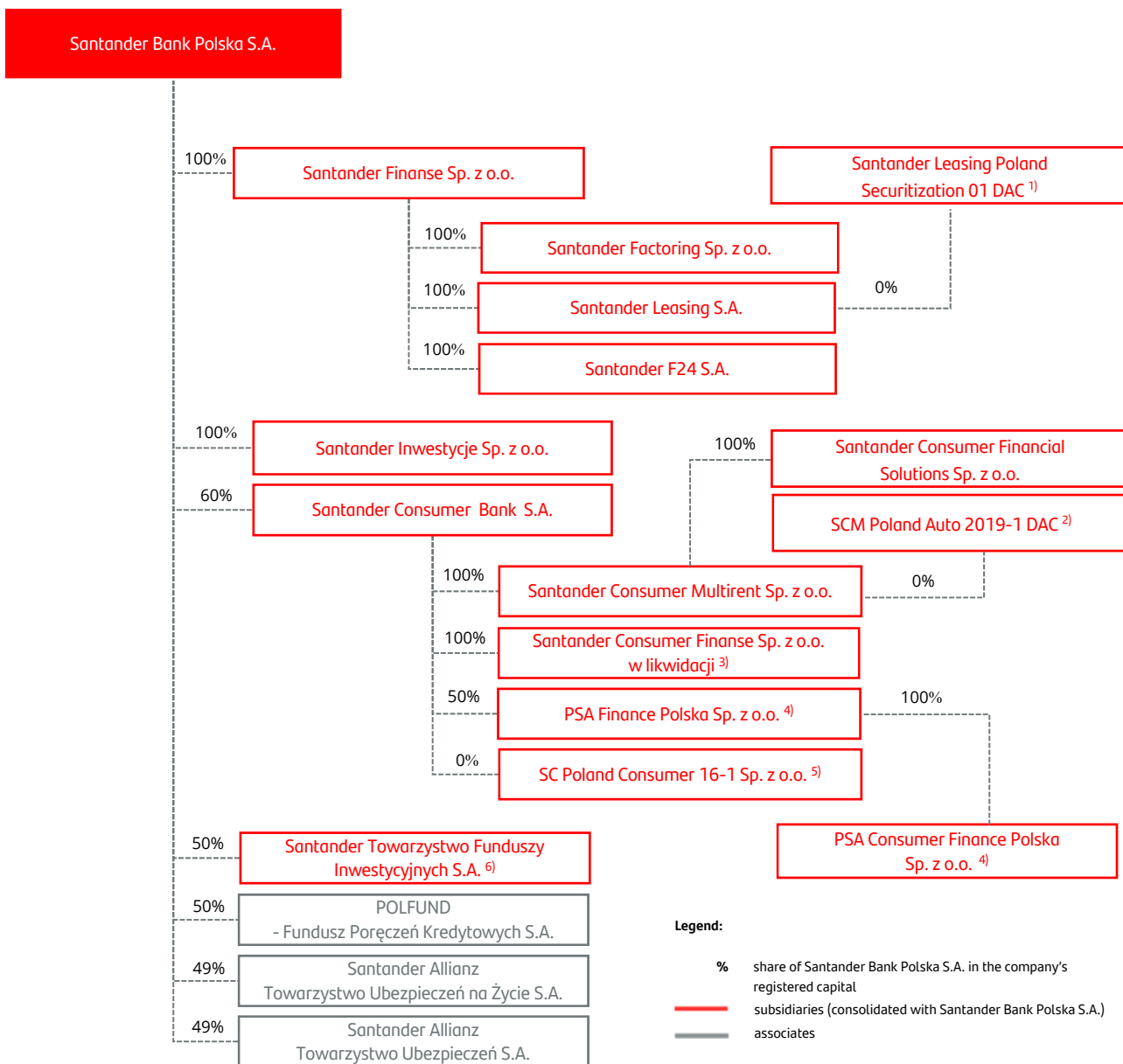
According to the NBP statistics on the banking market, as at the end of March 2022 the market share of Santander Bank Polska Group was 11.6% for loans (11.5% as at 31 December 2021) and 11.4% for deposits (11.3% as at 31 December 2021).

The Group operates in the factoring and leasing markets via its subsidiaries, holding a market share of 9.0% and 8.2%, respectively, as at 31 March 2022 (according to the Polish Factors Association and the Polish Leasing Association). In the same period, the Group's share in the retail investment funds market was 9.4% (according to Analityz Online), while its share in the spot and futures market was 4.9% and 6.1%, respectively (according to the Warsaw Stock Exchange).



5. Structure of Santander Bank Polska Group

SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 30 JUNE 2022



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 into 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 Towarzystwo Funduszy Inwestycyjnych S.A. is controlled by Santander Bank Polska S.A., through which Banco Santander S.A. pursues its policy in Poland.

Subsidiaries

As at 30 June 2022, Santander Bank Polska Group comprised Santander Bank Polska S.A. and the following subsidiaries:

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

Compared with 31 December 2021, no changes were made to the composition of the Bank's Group.

As at 30 June 2022, all companies within Santander Bank Polska Group were consolidated with the Bank in accordance with IFRS 10.

Associates

In the consolidated financial statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022, the following companies are accounted for using the equity method in accordance with IAS 28:

1. Santander Allianz Towarzystwo Ubezpieczeń S.A.
2. Santander Allianz Towarzystwo Ubezpieczeń na Życie S.A.
3. POLFUND – Fundusz Poręczeń Kredytowych S.A.

Compared with 31 December 2021, the list of associates did not change.

On 21 May 2022, following the purchase of shares held by Aviva International Holdings Limited by Allianz Group, Santander Aviva insurance companies were renamed Santander Allianz Towarzystwo Ubezpieczeń S.A. and Santander Allianz Towarzystwo Ubezpieczeń na Życie S.A.

6. Share Price vs. Indices

The first six months of 2022 were a challenging period for the Polish banking sector. Due to adverse developments, WIG-Banks, an industry index, lost 37%, and the share price of Santander Bank Polska S.A. fell by 33%. This was mainly the base effect of the 2021 upturn, although WIG-Banks was one of few sub-indices that were close to reach the autumn highs in January. However, the outbreak of the war in Ukraine exacerbated the negative economic trends, and subsequent interest rate hikes no longer support the valuation of bank stocks. Other risks emerged too, such as the bill on support for borrowers struggling with ever-increasing loan payments. The cost of payment holidays proposed by the government, which was conservatively estimated at PLN 20bn, adversely impacted the valuation of listed banks as profits from higher interest rates would be significantly limited by a gap in revenues. Another important factor influencing the sector outlook is the projected deterioration of the credit portfolio based on 3-month or 6-month WIBOR, as the effects of sharp interest rate increases are expected to be seen in autumn. In these circumstances, the share price of Santander Bank Polska S.A., which was under pressure for almost the entire period under review, could not maintain its peak levels reached at the beginning of the year (PLN 385 on 12 January 2022). The Bank's stocks traded at the lowest price on 13 June 2022 (PLN 222.20).

Key Data on Santander Bank Polska Shares		30.06.2022	31.12.2021
Number of shares at the period-end	items	102 189 314	102 189 314
Nominal share price	PLN	10,00	10,00
Closing share price at the period-end	PLN	233,00	348,50
Change in the share price on the preceding year-end	%	-33,1%	87,7%
Maximum closing share price in the year-to-date	PLN	385,00	382,30
Date of the maximum closing share price	-	12.01.2022	05.11.2021
Minimum closing share price in the year-to-date	PLN	222,20	181,40
Date of the minimum closing share price	-	13.06.2022	29.01.2021
Market capitalisation at the period-end	PLN m	23 810,11	35 612,98
Dividend per share ¹⁾	PLN	2,68	2,16
Dividend record date	-	25.05.2022	08.10.2021
Dividend payment date	-	01.06.2022	15.10.2021

1) In June 2022, a dividend of PLN 2.68 per share was paid from the net profit for 2021. In October 2021, an interim dividend of PLN 2.16 per share was paid out.

SHARE PRICE OF SANTANDER BANK POLSKA S.A. VS. INDICES IN 2022
SHARE PRICE OF SANTANDER BANK POLSKA S.A., WIG, WIG20 AND WIG BANKS AT 31.12.2021 = 100



7. Dividend

In accordance with the KNF letter of 23 February 2022, Santander Bank Polska S.A. met the basic criteria defined in the KNF position of 9 December 2021 on the dividend policy of commercial banks for 2022 to pay a dividend up to 100% of its profit for 2021. However, after applying the additional KNF criteria relating to the Bank's sizeable portfolio of foreign currency mortgage loans for households, the maximum dividend yield at standalone and consolidated level was revised down to 30%.

Accordingly, the KNF recommended that the dividend to be paid by the Bank should not exceed 30% of the profit for 2021 and that the Bank should not take any other measures beyond the scope of the ordinary business and operational activity which could result in reduction of own funds.

Taking into consideration the Bank's capital adequacy and the KNF recommendations on an appropriate level of own funds and a dividend policy, the Management Board recommended the distribution of the net profit for 2021, which was subsequently approved by the Bank's AGM of 27 April 2022.

The net profit of PLN 915.9m for 2021 was distributed as follows:

- PLN 273.9m (29.90% of the net profit) was allocated to a dividend for shareholders;
- PLN 457.9m (50% of the net profit) was allocated to capital reserve;
- PLN 184.1m (20.1% of the net profit) was left undistributed.

The total undistributed profit of PLN 1,056.8m for 2019 was allocated to the dividend reserve created by force of resolution no. 6 of the Bank's AGM of 22 March 2021.

The dividend payment from the profit earned in 2021 covered 102,189,314 series A, B, C, D, E, F, G, H, I, J, K, L, M, N, O shares. The dividend was PLN 2.68 per share. The dividend record date was 25 May 2022 and the dividend payment date was 1 June 2022.

Last year (15 October 2021) the Bank paid out an interim dividend of PLN 220.7m, i.e. PLN 2.16 per share.

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.

The tables below show the latest ratings assigned by the agencies to the Bank, which remained in effect on the date the Report of Santander Bank Polska Group for H1 2022 was approved for publication. The Bank's ratings were presented and justified in the annual report for 2021 and have not changed since then (according to the available information).

Ratings by Fitch Ratings

Rating Category of Fitch Ratings	Ratings changed/affirmed on 11.06.2021 and 23.09.2021 ¹⁾	Ratings affirmed on 29.09.2020 and 16.03.2021
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 31 December 2021 and 30 June 2022

Ratings by Moody's Investors Service

Category of Moody's Ratings	Ratings upgraded as at 3.06.2019 ¹⁾
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

1) Ratings of Santander Bank Polska S.A. applicable as at 31 December 2021 and 30 June 2022

III. Macroeconomic Situation in H1 2022 r.

Economic growth

The Polish economy entered the new year with high momentum and data on economic activity, especially on industrial and construction output, were better than expected. GDP expanded by 8.5% YoY and its real volume returned to the pre-pandemic trend. At the end of February, Russia invaded Ukraine and this factor undermined the economic outlook. Disruptions in trade, war-related destruction and sanctions mean that exports of Polish products to Ukraine, Belarus and Russia will go down and at the same time imports from these areas will drop, weighing on Polish companies' production capabilities. Moreover, global economic growth is likely to decrease given elevated commodity prices and problems with their supply, and so is Polish companies' willingness to invest. Higher inflation should also be expected. Global central banks responded to higher inflation with monetary policy tightening, which additionally undermined the economic outlook. In Q2 2022, the first signs of slowdown were already visible, but the GDP growth most likely remained high in annual terms (approx. 7% YoY). Rising prices of commodities, especially energy, and lower foreign demand translated into deeper current account deficit, which rose from 0.7% of GDP at the end of 2021 to above 4% of GDP at the end of H1 2022.

Labour market

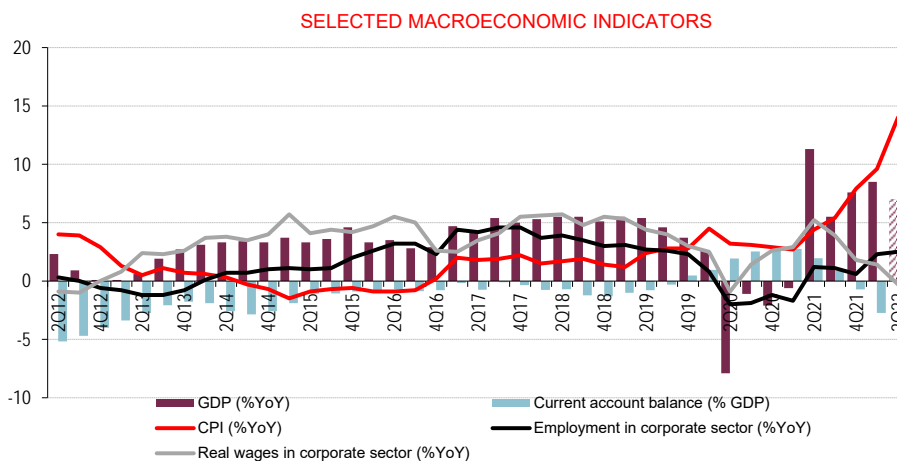
At the start of the year the labour market was in a good condition, unemployment was historically low and wages advanced at double-digit rate, staying above the inflation rate until June. However, the war in Ukraine caused massive migration flows, which can significantly affect the labour market. The number of foreigners in Poland rose by about 1.5m. Among them, there are many women who found employment in services. On the other hand, a large number of men left the country, many of whom had worked in construction, transport and agriculture. In the short run, we may see rising problems with availability of workers in some sectors, and declining in others.

Inflation

In 2021, inflation accelerated markedly. The government responded with discretionary cuts in taxes to lower prices of some goods, like food, fuel, energy, natural gas and heat. However, strong upward price pressure was pushing prices higher and was additionally boosted by the Russian aggression, which triggered a massive spike in fuel prices and sent CPI inflation from 8.8% YoY in December 2021 to 15.5% YoY in June 2022 – the highest level in many years. Core inflation rose as well, yet not that dynamically: it was above 9% YoY in June. Producer prices also grew markedly at a rate close to 25% YoY in June.

Monetary policy

Since Q4 2021, the Monetary Policy Council has been increasing interest rates. In H1 2022, interest rates went up at each MPC meeting, as a result of which the reference rate totalled 6.00% in June 2022 compared to 1.75% at the end of December 2021. Following the Russian invasion of Ukraine, a major rise in market uncertainty and big PLN sell-off, the NBP decided to intervene on the FX market. The Council expressed its determination to fight inflation, but in June the NBP President suggested that the hiking cycle was coming to an end.



Loan and deposit market

At the start of the year the loan market was in revival started back in 2021. The strongest improvement was seen in short-term corporate loans. The growth rate of corporate investment credit was also going up but at a slower pace. Then, a major rise in interest rates coupled with war in Ukraine, decreased households' willingness to take up loans and volumes of mortgage loans even went down. Still, companies' demand for loans remained elevated, mainly due to the increased demand for working capital loans. Higher rates affected the deposit breakdown: in February 2022 term deposits recorded a positive annual growth rate for the first time in two years, and in the following months their growth rate exceeded 30% YoY. On the other hand, strong demand for cash after the war undermined growth rate of current deposits, so the total deposit momentum declined in comparison to December 2021.

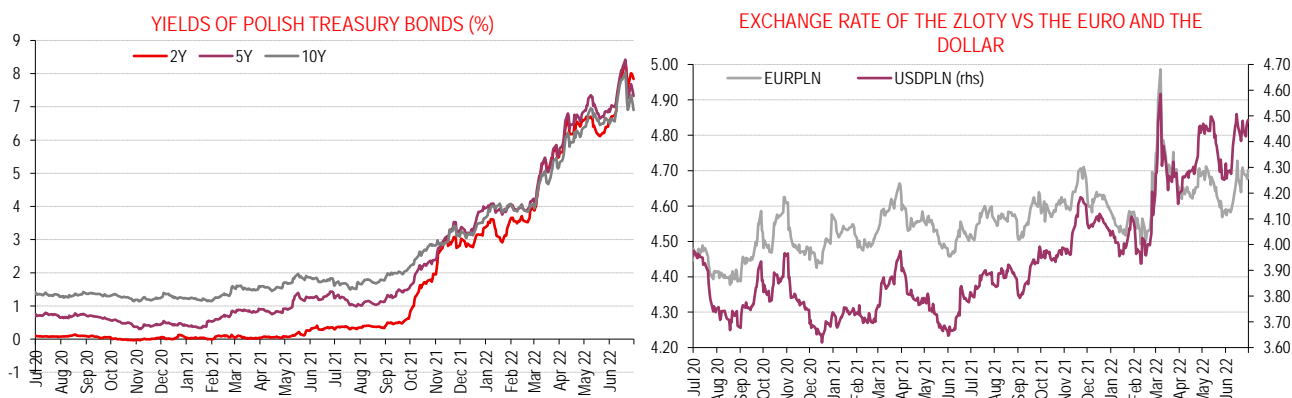
Financial market situation

The main factors which affected market behaviour in H1 2022 were inflation-driven market expectations for monetary tightening, which began to translate first into tighter rhetoric from major central banks and then into rate hikes, as well as a gradual increase in risk aversion - first due to the outbreak of the war in Ukraine in late February, and then as a result of rising global recessionary fears.

Due to the geographic proximity of the war conflict in Ukraine, the currencies and bonds of CEE countries, including Poland, suffered particularly heavy losses. Since the beginning of this year, the pandemic restrictions have been gradually lifted in most developed countries but not in Asia, which made the global supply problems stay for longer, putting upside pressure on inflation. The outbreak of the war in Ukraine and sanctions imposed on Russia intensified the global supply shock stemming from quickly rising prices of energy commodities, which additionally disrupted global supply chains and spurred market volatility. All these effects led to even bigger global problems with persistently high inflation. At the same time, the supply-side nature of the shock which struck the global economy made it more difficult for central banks to respond effectively to high inflation, as they faced the prospects of weakened economic growth. However, subsequent much higher-than-expected inflation readings forced central banks to increase interest rate more drastically, causing markets to grow increasingly concerned over possible global stagflation. These fears particularly intensified in the second half of June.

U.S. 10-year yields rose from 1.498% to 2.974% in the first half of the year, with yields peaking at 3.498% in mid-June. German 10-year yields rose from -0.179% to 1.367%, peaking at 1.926% a couple of days after US yields. Domestic bond yields rose in the first half of the year in a similar trend sequence to those in the underlying markets: 2Ys increased from 3.346% to 7.651%, 5Ys from 3.988% to 7.356%, and 10Ys from 3.705% to 6.936%, with the 10Y yield peaking at 8.165% in the second half of June. After that, as recessionary fears increased domestically and globally, Polish yields began to fall quite rapidly, and the slope of the yield curve, as measured by the 10Y-2Y yield differential, became sharply negative (-71.5 b.p.). The aforementioned increase in risk aversion in H1 2022 caused that domestic 10Y asset swap spread widened from about 16 bps to about 31 bps at the end of June. A few days after the outbreak of war in Ukraine, it temporarily widened to about 69 b.p., and in mid-April it reached a six-month maximum of 85 b.p.

The zloty's exchange rate against the euro weakened in H1 2022 from 4.60 to 4.68. Until the outbreak of the war in Ukraine, the zloty had been appreciating, with the peak close to 4.48 reached in mid-February. However, after the outbreak of the war, the zloty depreciated sharply, reaching its historic low at 5. By mid-April, it rebounded to around 4.60, supported by strong economic performance and interest rates hikes by NBP. What worked against its appreciation was the lack of Poland-EU compromise on the rule of law. The CJEU stated the legality of the conditionality mechanism linking payment of EU funds with a country's compliance with the EU values. The zloty strengthened to 4.56 in early June following a preliminary agreement on the Polish recovery plan, but the NBP's announcement of the approaching end of the rate hike cycle in Poland as well as rising global recessionary fears of accelerated rate hikes by major central banks pushed the zloty close to 4.68 at the end of June.



Stock market

The outbreak of the war in Ukraine in February was another blow for the world economy recovering from the Covid lockdown. Russia's invasion caused more turbulence in financial and commodities markets, which put a strain on the entire global economy. The global surge in inflation was driven by an unprecedented increase in prices of commodities and fuels worldwide.

In this local and global macroeconomic environment, the poor performance of the Warsaw floor in H1 2022 came as no surprise. WIG, a broad-based index, lost 22.7% in the year to date, and WIG20, a blue chip index, plunged 25.2%. mWIG40, a medium-sized companies index, declined significantly too (by 23.1%), while sWIG80 remained relatively resilient and was down only 13.8% in H1 2022. Given the losses in indices observed since autumn highs, which further extended in the reporting period, the WSE is now officially a bear market.

Legal environment of the banking sector

The table below shows the selected legislation which came into effect in 2022 and has impact on the financial sector in Poland.

Act or regulation	Effective date	Selected regulations affecting the financial sector
Act of 20 May 2021 on the protection of rights of buyers of residential units or detached houses and on the Development Guarantee Fund	1 July 2022 (majority of provisions)	<ul style="list-style-type: none"> Compared with the previous Development Act, the new legislation covers a broader range of agreements and modifies the catalogue of measures designed to protect payments made by buyers (an open residential escrow account with an insurance or bank guarantee is no longer included). Under the new regime, an open residential escrow account must be maintained until the transfer of ownership of the last residential unit/ detached house developed as part of the project. The Act also imposes an obligation on developers to make contributions to the Development Guarantee Fund through banks maintaining open residential escrow accounts.
Act on crowdfunding for business and support for borrowers	29 July 2022 (majority of provisions)	<ul style="list-style-type: none"> The Act provides an option for consumers to have their PLN mortgage payments suspended (except for mortgage loans indexed to or denominated in a foreign currency) in relation to one agreement concluded to buy a property for one's own housing needs. The payments may be suspended for two months in each quarter in the period from 1 August 2022 until the end of 2022 and for one month in each quarter in 2023. The new legislation sets out the rules for calculation of replacement for the main benchmark (WIBOR). Changes regarding support for borrowers: <ul style="list-style-type: none"> ✓ Wider access to solutions provided under the Borrowers Support Fund, including a possibility to apply for support via the lender's ICT system. ✓ Introduction of a more precise definition of a home loan based on the own housing needs criterion and identification of borrower groups which are not eligible for support. ✓ Increase in the value of the Borrowers Support Fund by PLN 1.4bn. ✓ Waiver of an obligation to make contributions to the Fund in the case of lenders which do not meet specific requirements regarding own funds (banks) or solvency ratio (credit unions).
Act of 18 November 2020 on electronic delivery Act of 15 June 2021 amending the Act on electronic delivery Act of 28 April 2022 amending certain acts in relation to development of public ICT systems	5 October 2021 (additional amendments introduced in 2022)	<ul style="list-style-type: none"> Banks will be required to register an electronic address and indicate it in agreements with customers as an address relevant for making complaints or statements on withdrawal from the agreement, among other things. Electronic addresses will need to be registered within three months of the date indicated in the announcement made by the minister responsible for digitalisation.




Act or regulation (cont.)	Effective date	Selected regulations affecting the financial sector (continued)
Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088	1 January 2022 (part of provisions) and 1 January 2023 (all provisions)	<ul style="list-style-type: none"> The regulation introduces the EU taxonomy of environmentally sustainable economic activities and sets out reporting obligations for financial market entities as well as obligations directly applicable to companies publishing non-financial reports and indirectly to all other companies. The regulation applies to banks (with respect to interim disclosures) as of 1 January 2022, starting from annual reports for 2021.
Act of 9 June 2022 amending the PIT Act and certain other acts (Polish Deal 2.0)	1 July 2022 (subject to exceptions)	<ul style="list-style-type: none"> Changes impacting the calculation of employees' remuneration: <ul style="list-style-type: none"> ✓ New tax rates – reduction of PIT rate in the first tax bracket from 17% to 12%. Change of the deductible amount (PLN 3,600 as of 1 July 2022). ✓ Elimination of the middle-class tax relief. ✓ Elimination of the mechanism for comparing personal income tax withholdings according to the rules of 2021 and Polish Deal 1.0.
Act of 13 April 2022 on special solutions to counteract support for aggression against Ukraine and to protect national security	16 April 2022	<ul style="list-style-type: none"> Pursuant to the Act, the Minister of the Interior and Administration may apply measures specified in sanction regulations no. 765/2006 and 269/2014 by way of an administrative decision. The Minister may also choose from the restrictive measures provided for in regulations. Accordingly, the Ministry's websites must be monitored on an ongoing basis to check what measures have been imposed and the Minister's decisions must be analysed in detail on a case-by-case basis. The Act provides for criminal penalties (imprisonment for min. three years) for the breach of sanction regulations and administrative fines of up to PLN 20,000.00, which generates additional legal risk in relation to application of sanction regulations.

Regulatory recommendations and guidelines	Effective date	Selected guidelines affecting the financial sector
New Recommendation R on rules for classification of credit exposures, estimation and recognition of expected credit losses and management of credit risk	1 January 2022	<ul style="list-style-type: none"> The amended Recommendation R was issued in connection with International Financial Reporting Standard 9 (IFRS 9) – Financial Instruments, which became effective in 2018. The Recommendation specifies 14 macroeconomic factors which must be analysed by banks as part of estimation of credit risk and expected credit losses. Banks must periodically (at least annually) review the quality of macroeconomic forecasts. Macroeconomic forecasts must be included in the individual analysis for both performing and non-performing exposures.














IV. Development Strategy

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

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

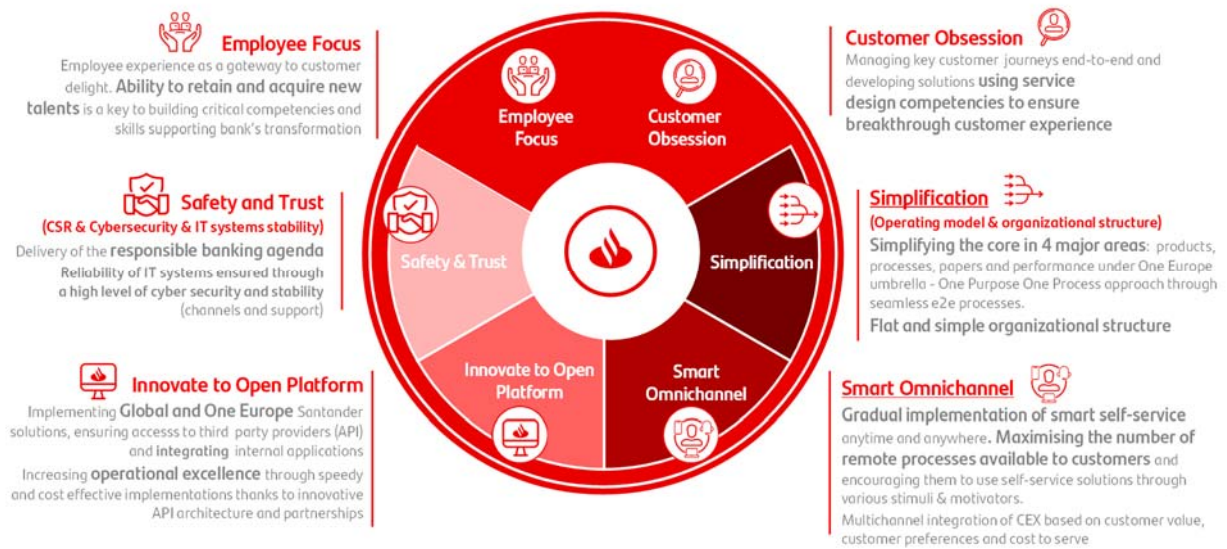
 <p>PURPOSE</p> <p><i>To help people and businesses prosper</i></p>	 <p>AIM</p> <p><i>To be the best open financial services platform by acting responsibly and earning the lasting loyalty of employees, customers, shareholders and communities.</i></p>	 <p>VALUES</p> <p><i>Simple Personal Fair</i></p>
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

 Our Purpose /Mission	Help people and businesses prosper					
 Our Aim /Vision	Be the Best Open Financial Services PLATFORM by acting RESPONSIBLY and earning the lasting LOYALTY of our people, customers, shareholders and communities					
 Values	Simple – Personal - Fair					
 Behaviours & Leadership Commitment	<ul style="list-style-type: none"> <li style="margin-right: 10px;">• Think customer <li style="margin-right: 10px;">• Embrace change <li style="margin-right: 10px;">• Act now <li style="margin-right: 10px;">• Move together <li style="margin-right: 10px;">• Speak up 					risk pro
 Strategic Directions	 Customer Obsession	 Employee Focus	 Simplification	 Omnichannel	 Open Platform	 Safety & Trust
 Initiatives	• Strategic programs		• Hotspots	• Bets	• Group programs	
 Metrics	• NPS	• Employee Engagement	• Digital Customers	• Dividend Payout Ratio	• Cost of Credit Rsk	• TCR
						• C/I

The strategy of Santander Bank Polska Group reflects a customer-centric approach to business management through continuous improvement of service quality and product range. A special focus is placed on digitalisation and simplification of processes from the perspective of customers, which helps to enhance their experience, increase operational efficiency and provide more simple and transparent products and services. The delivery of the Group’s strategy is underpinned by innovative solutions and the corporate culture which is focused on increasing engagement and motivation of employees as well as social responsibility of the organisation.

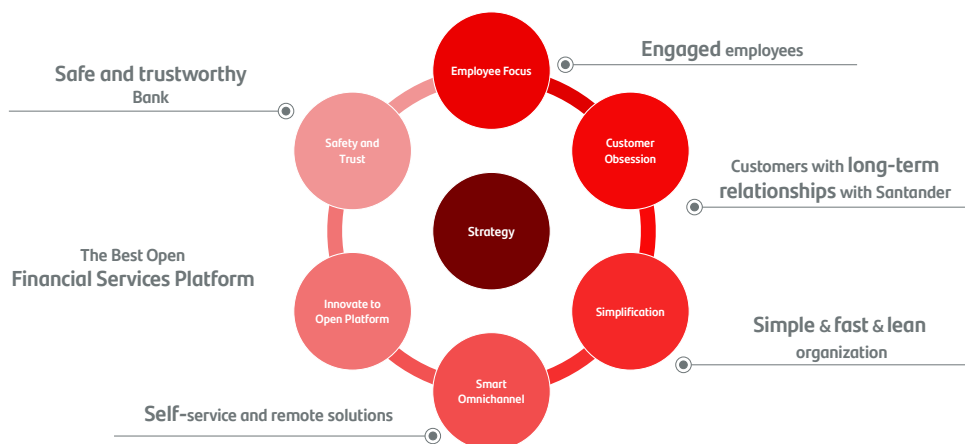
SIX STRATEGIC DIRECTIONS FOR 2021–2023: “FOCUS TO ACCELERATE”



As part of the strategy for 2021–2023, the following six strategic directions have been defined: **customer obsession, employee focus, simplification, smart omnichannel, innovate to open platform, safety and trust**. They are the key focus areas of the Group's transformation. The strategic directions set by the Group:

- consolidate specific objectives set to increase loyalty of individual stakeholder groups: employees (**employee focus**), customers (**customer obsession**), communities and shareholders (**safety and trust**);
- assign the highest transformational value to the objectives related to development of the Group's operating model: **simplification** and **smart omnichannel**;
- comply with the aim of Santander Group's regional strategic plan **One Europe**, emphasising the foundations for the development of the organisation (**safety and trust**), with a particular focus on responsible banking (**CSR/Corporate Social Responsibility**);
- indicate the Group's ambition to build competitive advantages through innovation to **open platform**.

STRATEGIC OBJECTIVES FOR 2021–2023



The activities undertaken as part of six strategic directions are based on strategic initiatives, such as strategic programmes, hot spots (initiatives focused on customers and employees), bets (initiatives in the Agile model) and group programmes. They are regularly monitored and their results are reviewed on the basis of qualitative and quantitative metrics. The following are measures defining the Group's financial ambitions.

AMBITIONS OF SANTANDER BANK POLSKA S.A. (FINANCIAL MEASURES) AS PART OF THE STRATEGY FOR 2021–2023

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

In view of dynamic and complex changes in the macroeconomic environment, the strategy of Santander Bank Polska S.A. is regularly verified, which helps take prompt action in response to market trends and other changes in the dynamic environment.

2. Ambitions for 2021–2023 and Delivery of the Strategy

Strategic directions

When setting strategic directions, the Group also defines strategic objectives and key success measures that let it track the progress in delivery of the strategy.

Strategic direction: Employee focus

Strategic objective: **Engaged** employees

Our achievements:

- Gradual implementation of the hybrid work model and provision of supporting tools
- Implementation of new tools for eNPS engagement survey
- Promotion of diversity, equal treatment and inclusion
- Support for talent development
- Continuous improvement of internal processes and implementation of one-click solutions for employees

Key success measure:

- Maintenance of high score in the eNPS employee engagement survey
- Leading employer of choice in the banking sector (Top Employer Poland 2021 certificate)
- Implementation of a remote work culture and design of a hybrid work model
- Development of wellbeing programmes and promotion of healthy and sustainable lifestyle (BeHealthy, SantanderGO)
- High level of Agile maturity (ceremonies and tools)

Our ambition:

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

Strategic direction: **Simplification**

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

Our achievements:

- Further measures taken to become a paperless bank
- Introduction of further changes to simplify processes (notably in the distribution network)

Key success measure:

- Reduction of paper consumption (16.3m sheets less by the end of May 2022)
- Increase in the number of customers using e-communication channels (currently approx. 70% of customers)
- Increase in the number of payments and cash transactions at branches authorised with a text message and gradual expansion of the scope of authorisation
- Reduction in the number of products
- Digitalisation of communication of changes in interest rates
- Centralisation of the mortgage release process (no need for the customer to visit the branch)

Our ambition:

- Further reduce paper documents and promote electronic communication
- Implement a wide-scale process of signing documents in advisor-based channels in electronic form
- Streamline further branch processes involving advisors
- Continue to simplify processes and products and optimise the organisational structure

Strategic direction: **Customer obsession**

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

Our achievements:

- Acceleration of process digitalisation and optimisation
- More extensive communication and measures taken in response to key issues concerning Poles
- Support for refugees from Ukraine – an offer for individuals and businesses
- Introduction of plain language in communication with customers
- Adaptation of communication (channels, language, message, offer) to the needs of specific customer groups

Key success measure:

- Increase in mass NPS vs 2021 (steady increase in customer satisfaction)
- 2.3m loyal customers of Santander Bank Polska S.A.

Our ambition:

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

Strategic direction: **Smart omnichannel**

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

Our achievements:

- Acceleration of process digitalisation – launch of a new online cash loan process
- Increase in the availability of processes in remote channels
- Reduction in the number of processes requiring a visit to a branch
- Alignment of the customer experience standard across all channels

Key success measure:

- 3.2m digital customers of Santander Bank Polska S.A.
- Increase in the number of transactions made in remote channels
- Growth of product sales through self-service channels
- Increase in the number of paperless transactions and transactions without a traditional hand-written signature

Our ambition:

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

Strategic direction: Innovate to open platform

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

Our achievements:

- Support for further evolution to an open platform in cooperation with Santander Group and external partners
- Development of open banking solutions via Santander Open

Key success measure:

- Extension of cooperation with external partners (e.g. implementation of mojeID – a remote authentication process)
- Growing number of customers using Santander Open (PSD2 aggregator)

Our ambition:

- Further develop and improve the open financial services platform

Strategic direction: Safety and trust

Strategic objective: **Safe and trustworthy bank**

Our achievements:

- Development of the responsible banking agenda based on ESG metrics
- Further steps taken to meet the objectives of the Group's Net Zero strategy
- Implementation of a new Environmental, Social and Climate Change Risk Management Policy
- Introduction of a new model for managing the responsible banking agenda
- Set-up of the ESG Forum and appointment of 11 ESG Leads representing each division of the Bank
- Continued implementation of the corporate Sustainable Finance Classification System (SFCS)
- Climate Risk project – creating a map of climate-related risks and opportunities for the Bank
- Development of the ESG Materiality Matrix
- Expansion of the range of green products and services and support for customers in their green transformation and transition to a low- and zero-emission operating model
- Support for creation of a diverse and friendly working environment
- Completion of the second largest issuance of green bonds for a non-financial company with a total value of EUR 311m
- Green finance of EUR 186.3m in Q1 2022 (compliant with SFCS)
- First issuance of sustainability bonds of Santander Bank Polska S.A. with a total value of PLN 750m

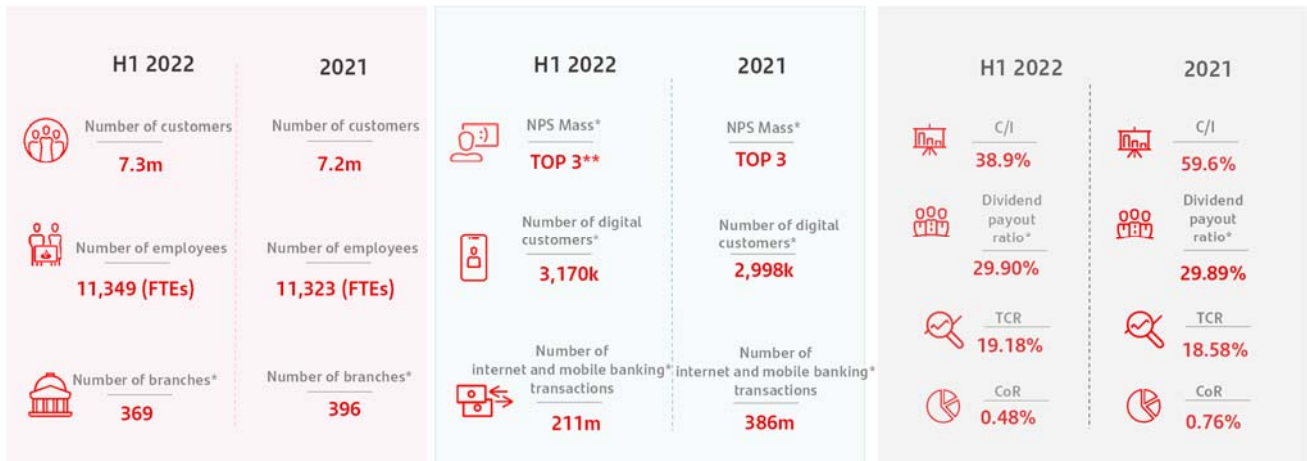
Key success measure:

- First card made of biodegradable plastic
- ECO Loan on offer
- Support for green transformation of corporate and investment banking customers
- 35% of women in managerial positions
- Minimisation of the EPG (Equal Pay Gap)
- Green finance in 2022 at EUR 400m

Our ambition:

- Extend the range of green products and services
- Continue to support transition to a low- or zero-emission economy
- Adapt our measures to meet the requirements of the TCFD (Task Force on Climate-related Financial Disclosures)
- Continue to develop leadership skills, focus on employees and promote diversity, equal treatment and inclusion in the workplace
- Build the awareness of fraud risk among the Bank's customers and employees as part of promotion of cybersecurity culture
- Ensure high stability and security of our systems and take measures to significantly reduce the number of system failures

DELIVERY OF THE STRATEGY FOR 2021–2023, FINANCIAL AND NON-FINANCIAL MEASURES OF SANTANDER BANK POLSKA GROUP (AS AT 30 JUNE 2022 AND 31 DECEMBER 2021)



* Only Santander Bank Polska S.A. (the number of branches also includes off-site locations and Santander Zones).

** Based on partial results of the ongoing NPS survey as at the closing of the report for H1 2022.

Key activities planned for H2 2022

In H2 2022, the Group will continue the course of action set out in the current strategy. Simplification and development of digital solutions and processes will be still the main priority so as to enable effective banking in remote channels, while ensuring positive experience. As part of simplification, the Bank will continue to streamline processes, products and system infrastructure, reduce paper documents and promote electronic communication as well as digitalise internal processes.

In accordance with the adopted approach, Santander Bank Polska S.A. will further develop solutions related to daily transactional banking as well as credit and insurance products in order to increase the number of satisfied and loyal customers that can use the Bank's solutions and processes anytime and anywhere. The Bank will further support the evolution and improvement of the open financial services platform in cooperation with Santander Group and external partners.

Equally important will also be the initiatives aimed to raise engagement and key competencies of employees (including leadership skills).

As the issues related to climate change and social responsibility are high on the Bank's agenda, it will continue to deliver the initiatives in this respect, with a particular focus on expanding the range of green products and projects.

V. Business Development in H1 2022

1. Group's Business Management Structure

Operating structure

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

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

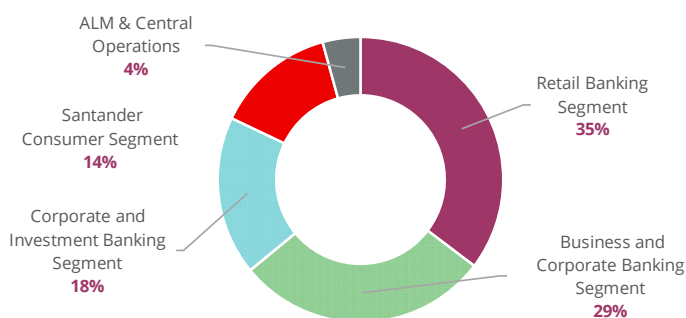
Segment reporting

The business management structure presented above corresponds to business segments identified as part of segment reporting (Note 3 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022). They are complemented by the ALM and Central Operations segment, which covers funding, management of strategic investments and transactions which generate expenses/revenues that cannot be allocated to individual segments.

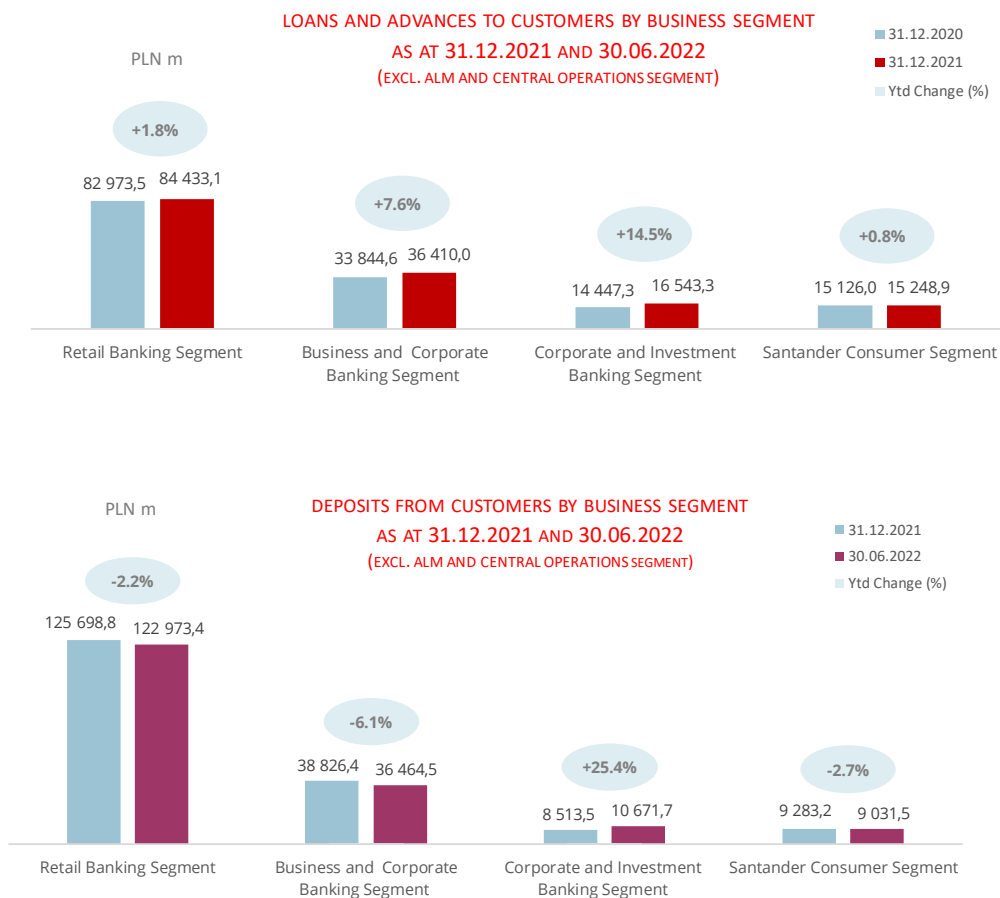


PROFIT BEFORE TAX GENERATED BY BUSINESS SEGMENTS OF SANTANDER BANK POLSKA GROUP IN H1 2022

CONTRIBUTION OF BUSINESS SEGMENTS TO
PROFIT BEFORE TAX FOR H1 2022



NET LOANS AND ADVANCES TO CUSTOMERS AND DEPOSITS FROM CUSTOMERS BY BUSINESS SEGMENTS
AS AT 31 DECEMBER 2021 AND 30 JUNE 2022 (EXCLUDING ALM AND CENTRAL OPERATIONS)



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

Segment	Area	Operating model
RETAIL BANKING	<ul style="list-style-type: none"> Customer profile 	<ul style="list-style-type: none"> Personal customers (divided into Standard, Premium, Select and Private Banking customer segments based on their diverse needs and expectations). Small and medium-sized companies (with annual turnover up to PLN 8m).
	<ul style="list-style-type: none"> Key product lines 	<ul style="list-style-type: none"> Current and business accounts, savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, brokerage services, mobile phone top-ups, foreign payments, Western Union money transfers and services for high-net-worth customers, open banking services. Business loans, business deposits, cash management, leasing facilities, factoring, payment orders, letters of credit, collections and guarantees, payment terminals, additional services. Asset management services as part of investment funds.
	<ul style="list-style-type: none"> Service model 	<ul style="list-style-type: none"> Relationship-building, sales and after-sales contacts with retail customers through the network of branches and partner outlets, phone banking (Multichannel Communication Centre) and electronic banking (Santander internet, Santander mobile in a mobile browser and Santander mobile application). Premium customers are serviced by dedicated advisors as part of their individual portfolios, based on a personalised approach and regular contacts aimed at strengthening relationships and customer loyalty. Private Banking and Select customers benefit from a personalised service model under which they can use the support of a specialised advisor and the Select Line operating as part of the Multichannel Communication Centre, which offers support via telephone. Private Banking customers have several dozen dedicated private bankers operating from 26 locations around Poland, including 4 Private Banking Centres. Firms with relatively low turnover are handled by SME advisors in branches and partner outlets. They can also use the services of the Multichannel Communication Centre and electronic channels (Santander mobile and dedicated services: Mini Firma, Moja Firma plus and iBiznes24). Customers of Santander Brokerage Poland may invest via the Inwestor online system, Inwestor mobile application, the Multichannel Communication Centre and at the Bank's branches providing brokerage services.
BUSINESS AND CORPORATE BANKING	<ul style="list-style-type: none"> Customer profile 	<ul style="list-style-type: none"> Businesses and corporations with turnover of PLN 8m–PLN 1.2bn, local authorities and the public sector
	<ul style="list-style-type: none"> Key product lines 	<ul style="list-style-type: none"> Payment transactions, loans, deposits, cash management, leasing facilities, factoring, letters of credit and guarantees Services to customers of other banks and financial institutions provided under agreements with those institutions
	<ul style="list-style-type: none"> Service model 	<ul style="list-style-type: none"> Business customers are managed by the Business Clients Department and the Corporate Clients Department. These units encompass six regional centres (three Business Banking Centres and three Corporate Banking Centres) divided into 29 offices located across Poland. The specialised Business and Corporate Banking Department – Premium provides services to the Bank's largest customers, the public sector, and universities. It is also responsible for financing commercial properties. Customers have dedicated advisors who are responsible for the overall relationship. They are supported by units specialised in transaction structuring, lending and product development. Customers are provided with access to the Bank's products and services via remote channels, including internet and mobile iBiznes24 platform (featuring such modules as currency exchange and trade finance) as well as call centres which handle a wide range of operating processes (Business Service Centre, SME Service Centre and Trade Finance Service Centre).

Segment	Area	Operating model
CORPORATE AND INVESTMENT BANKING	<ul style="list-style-type: none"> Customer profile 	<ul style="list-style-type: none"> Largest corporate customers allocated to that segment based on their turnover (nearly 250 of the largest companies and groups) Corporations serviced within the international Santander Corporate and Investment Banking structures Treasury, syndicated lending and advisory services for customers of other Divisions
	<ul style="list-style-type: none"> Key product lines 	<ul style="list-style-type: none"> Transactional banking (including cash management), deposits, working capital finance, mid- and long-term finance, leasing facilities, factoring, letters of credit, guarantees and trade finance Project finance, syndicated loans, arranging and financing of securities issues, financial advisory services (including those related to mergers and acquisitions) and brokerage services for financial institutions FX and interest rate risk hedging products (offered to all customers of the Bank)
	<ul style="list-style-type: none"> Service model 	<ul style="list-style-type: none"> Customers of the Corporate and Investment Banking Segment have dedicated product specialists and managers who are responsible for the overall relationship. They are provided with access to the Bank's products and services via remote channels, including internet and mobile iBiznes24 platform, as well as dedicated call centres (Business Service Centre and Trade Finance Service Centre).
SANTANDER CONSUMER	<ul style="list-style-type: none"> Customer profile 	<ul style="list-style-type: none"> Personal and business customers
	<ul style="list-style-type: none"> Key product lines 	<ul style="list-style-type: none"> Hire purchase loans, cash loans (including consolidation loans), credit cards, online renewable limits, special-purpose loans, car finance (refinance solutions, leasing facilities and leasing loans), business loans, factoring and bank guarantees. Term deposits and insurance products (mainly related to credit facilities)
	<ul style="list-style-type: none"> Service model 	<ul style="list-style-type: none"> The bank sells its products through: <ul style="list-style-type: none"> ✓ a network of own branches and franchise outlets, which offer cash loans, credit cards and retail deposits; ✓ a structure for mobile sales of car loans and leasing facilities; ✓ a structure for mobile sales of corporate deposits; ✓ a structure for mobile sales of hire purchase loans; ✓ remote channels, i.e. a call centre and internet and mobile banking used to sell cash loans, credit cards and hire purchase loans; ✓ a network of partners offering the bank's car loans and leasing facilities (car dealers, second-hand car dealers and intermediaries) as well as hire purchase loans and credit cards (retail chains and stores); ✓ a remote channel for car loans.

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

Main development directions

Santander Bank Polska S.A. is focused on the following strategic priorities:

- Ensuring unparalleled experience for customers and employees.
- Simplifying and digitalising products and processes.
- Acquiring new customers and growing business, mainly in digital channels.
- Strengthening the market position and image of the Bank as the best bank for business and retail customers.
- Cooperation as part of projects delivered by Santander Group.

Other focus areas:

- Further optimisation of the brick-and-mortar distribution network.
- Improving profitability of products and optimising asset structure.

The activities of individual Divisions are presented in the tables below.

2.1. Retail Banking Division

Personal customers

Product line for personal customers	Activities of the Retail Banking Division in H1 2022
Cash loans	<ul style="list-style-type: none"> • A new online cash loan process was launched on 29 March 2022 for all customers of Santander Bank Polska S.A. with assigned prelimit or handled under the fast-track procedure. • In view of interest rate hikes and customers' response to increasing loan repayments, in H1 2022 the Bank offered a promotional cash loan with a fixed rate for up to 60 months. • Customers seeking finance for eco-friendly solutions could apply for ECO cash loan. • In H1 2022, cash loan sales of Santander Bank Polska S.A. were PLN 4.6bn, i.e. up 35.3% YoY and 10.7% QoQ. Sales generated via remote channels accounted for 52.7% vs 45.5% in the same period last year. As at 30 June 2022, the cash loan portfolio of Santander Bank Polska S.A. totalled PLN 14.8bn and was broadly stable QoQ and up 2.0% YoY.
Mortgage loans	<ul style="list-style-type: none"> • In June 2022, the mortgage loan of Santander Bank Polska S.A. was ranked second in the Golden Banker ranking. • As part of marketing activities, in H1 2022 the Bank: <ul style="list-style-type: none"> ✓ Ran campaigns for customers with variable-rate mortgage loans to inform them about a possibility to switch to a fixed interest rate for the period of five years (February and May 2022); ✓ Extended the marketing information on mortgage loans published on santander.pl; ✓ Launched a new website with information about services for mortgage loan borrowers. • The Bank implemented new solutions for customers to facilitate services related to mortgage loans: <ul style="list-style-type: none"> ✓ A three-month moratorium on principal and interest payments was offered to Ukrainian borrowers; ✓ Further processes were optimised and simplified, including processing of mortgage loan applications, build cost estimates and applications for switching from variable to fixed rate for five years, as well as dispatch of documents to customers upon loan repayment.

Product line for personal customers	Activities of the Retail Banking Division in H1 2022 (continued)
Mortgage loans (continued)	<ul style="list-style-type: none"> All customers who make a 10% deposit can take out a mortgage loan to finance the purchase of a property on the primary or secondary market, irrespective of the location. In H1 2022, the pricing of mortgage loans was modified several times. The margin on variable-rate loans and the bridge margin (collected until the mortgage is entered in the land and mortgage register) were reduced and fixed interest rates were changed. In H1 2022, the value of new mortgage loans totalled PLN 5.3bn, up 48.4% YoY. Compared with the record levels reported in Q4 2021, sales in Q2 2022 decreased by 26.6%. The gross mortgage loan portfolio of Santander Bank Polska S.A. grew by 3.6% YoY to PLN 53.3bn as at 30 June 2022. The value of PLN mortgage loans was PLN 46.8bn, up 9.6% YoY. The Bank is ranked first in the mortgage loans market with a share of 17.2% in terms of new mortgage loans and equity releases extended in H1 2022 and fourth with a share of 10.5% in terms of the value of the portfolio (data published by the Polish Bank Association as at the end of May 2022).
Personal accounts and bundled products, including:	<ul style="list-style-type: none"> The number of PLN personal accounts grew by 7.0% YoY and reached 4.3m as at 30 June 2022. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 2.7m, up 17.3% YoY. Together with FX accounts, the personal accounts base exceeded 5.4m. In Q1 2022, the Bank offered a new application in Santander internet with a new edition of the "I recommend my Bank" ("Polecam mój Bank") referral programme (March 2022) to support sales of personal accounts. Since April 2022, it has been available in Santander mobile. Customers can use the application to sign up for and monitor the referrals programme, which awards both the person who recommends a personal account with Santander Bank Polska S.A. and the person who opens it. The buy-by-click process for opening personal accounts for minors was simplified: now a parent only needs to complete a simple electronic form (video-verification is not required). The Bank implemented a dedicated personal accounts offer for Ukrainian refugees, waiving account maintenance fees, card fees and fees for transfers to Ukraine.
➤ Payment cards	<ul style="list-style-type: none"> In H1 2022, the Bank focused on promotional, sales and relationship-building activities to increase payment card turnover. The card plastic recycling process was also continued to support sustainable development. Measures were taken to offer a debit card linked to a payment account for refugees from Ukraine. As at 30 June 2022, the personal debit card portfolio comprised nearly 4.6m cards and increased by 4.8% YoY, generating 23% higher turnover YoY. The credit card portfolio of Santander Bank Polska S.A. included 699.9k instruments and decreased by 13.5% YoY while the turnover and utilised credit limits related to them went slightly up.
Deposit and investment products	<ul style="list-style-type: none"> Following the dynamic growth of deposit balances in the previous two years (driven by government support programmes, among other things), in H1 2022 the Bank's priority in terms of management of deposit and investment products amid increasing interest rates and soaring inflation was to maintain the existing portfolio. The outbreak of the war in Ukraine changed savers' behaviours in Q1 2022, mainly due to increased risk aversion. At the turn of February and March, the transfer of funds from investment products to bank accounts accelerated, coupled with increased foreign currency purchases (USD, EUR) and cash withdrawals. The above trends were temporary. In Q2 2022, customers were more interested in deposit products due to rising interest rates and inflation, which resulted in increased deposit flows in the Polish banking market. However, as customers' expenses grew considerably the total deposit balance was lower. The most popular products in the reporting period were term deposits (including Mobile Term Deposit/ Lokata Mobilna and negotiated deposits), savings accounts (Max Savings Account/ Konto Max oszczędnościowe with a special deal for depositors of new funds, and Select Savings Account/ Konto Oszczędnościowe Select) and investment products with capital protection (structured deposits) or low risk ones (short-term debt funds). The Bank's investment offer consisted mainly of brokerage services and investment funds, including funds managed by the Bank's subsidiary Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) and selected Polish (11) and foreign (3) funds.

Product line for personal customers	Activities of the Retail Banking Division in H1 2022 (continued)
<p>➤ Deposits</p>	<ul style="list-style-type: none"> • Due to interest rate hikes, in H1 2022 the Bank's deposit offer was modified on an ongoing basis in line with market conditions and customers' expectations. <ul style="list-style-type: none"> ✓ The most extensive changes were introduced on 28 April and concerned PLN and USD term deposits as well as savings accounts. ✓ The key changes in H1 2022 included: three increases in interest rates on the Mobile Deposit (up to 5% since 26 May 2022), rise in interest rates on Max Select and Private Banking savings accounts and launch of a special deal for depositors of new funds on 26 May (4% on deposits up to PLN 300k). • The Bank's share in the deposit market increased in the reporting period. The structure of deposits changed too due to outflows from savings accounts and growing balances in term deposits. • As at 30 June 2022, total deposits from retail customers were PLN 99.6bn, up 4.6% YoY and down 1.5% Ytd. In line with the market trends, term deposit balances grew by 71.1% YoY to PLN 15.6bn, while current account balances decreased by 2.4% YoY to PLN 84.0bn due to a 17.3% YoY decline in savings account balances.
<p>➤ Investment funds</p>	<ul style="list-style-type: none"> • In H1 2022, net sales of investment funds managed by Santander TFI S.A were negative at -PLN 3.3bn. It was initially attributed to customers' response to materialisation of interest rate risk (monthly interest rate hikes started in October 2021) and performance of debt funds driven by higher bond yields. Since 24 February 2022, the war in Ukraine has been another risk factor. • Outflows were reported for all categories of investment funds (except for Santander PPK SFIO), notably bond subfunds. • As at 30 June 2022, the total net assets of investment funds managed by Santander TFI S.A. were PLN 12.7bn, down 32.9% YoY and down 27.9% Ytd. • In response to external developments, Santander TFI S.A. took a range of measures to support sales, including extensive communication with market participants (98 commentaries).
<p>➤ Brokerage services</p>	<ul style="list-style-type: none"> • Secondary market transactions are the main business line of Santander Brokerage Poland. Structured products become increasingly important too, as do private market-related services such as maintenance of shareholder registers. • Since the beginning of the year, 14 issues of structured deposits have been arranged, including 4 for Select customers, who could use this offer for the first time in March 2022 (previously structured deposits were issued to Private Banking customers). • Santander Brokerage Poland communicated with customers mainly via electronic channels, which helped lower the cost of paper correspondence and increase data security. • New solutions were implemented for customers investing in forwards and futures. They may check information on daily market settlements in Inwestor online and effectively monitor the current status of investments. • Santander Bank Polska S.A. was ranked third in the combined classification of equity research and brokerage teams and second among brokerage teams in the local equity funds ranking published by <i>Parkiet</i> daily. On an individual basis, the Bank's analysts were among Top 10 in Poland in the overall ranking and took the third position in the retail sector, second position in the energy sector and third position in the financial sector. • Santander Brokerage Poland was hailed "Market Maker of 2021 – spot market" for the highest number of different types of financial instruments subject to market making and for comprehensiveness of services offered.
<p>Bancassurance</p>	<ul style="list-style-type: none"> • On 21 May 2022, Santander Aviva insurance companies were renamed Santander Allianz following the acquisition of Aviva companies in Poland by Allianz Group. • In H1 2022, insurance premiums collected increased by 44.3% YoY, including 51.9% YoY growth in credit-related insurance. A YoY increase in sales of key related products – Worry-Free Loan (Spokojny Kredyt) and Worry-Free Mortgage (Spokojna Hipoteka) – is attributed to still dynamic credit delivery as well as improved YoY cross-sell rates. 66% YoY growth was reported in sales of Locum Comfort, a non-related insurance product, as part of a bundled offer with a mortgage loan. During the first six months of 2022, 96% of customers opted for mortgage loans bundled with life insurance.

Product line for personal customers	Activities of the Retail Banking Division in H1 2022 (continued)
Temporary solutions related to the war in Ukraine	<ul style="list-style-type: none"> • Santander Bank Polska S.A. introduced solutions dedicated to Ukrainians: <ul style="list-style-type: none"> ✓ waiver of an account maintenance fee and a monthly card fee until 30 September 2022; ✓ simplification of the onboarding process in terms of the required documents and extension of the list of identity documents; • All customers were offered the following concessions: <ul style="list-style-type: none"> ✓ waiver of fees for transfers from and to Ukraine until 30 September 2022. • Restrictions were put in place with regard to opening personal, savings and term deposit accounts for non-residents from Russia. • The Bank offered a 3-month moratorium on principal and interest payments and started to develop a current account and card offer. • The number of foreign customers increased significantly. In H1 2022, the Bank acquired around 111k foreign customers, of which approx. 76% were Ukrainians (vs 35k foreign customers in H1 2021). • As part of development of self-service channels, in June 2022 the Bank launched ATM and CDM services in Ukrainian. The new language option is available in the majority of devices for all types of transactions to ensure convenient and hassle-free banking services for Ukrainian citizens.

SMEs

Product line for SMEs	Activities of the Retail Banking Division in H1 2022
Business accounts and bundled products	<ul style="list-style-type: none"> • In H1 2022, the Bank offered a number of special offers: <ul style="list-style-type: none"> ✓ another edition of the special offer of the Business Account Worth Recommending (Konto Firmowe Godne Polecenia) available online (including bonuses for specific banking operations and use of selected products and a waiver of selected fees and charges for an indefinite period); ✓ special offers related to the business account: benefits with fixly (a package of additional services available for customers who open the business account on special offer); eShop with Santander (a benefit package for customers running online business and using the business account); ✓ special deal on POS terminals; ✓ promotion of additional services: <ul style="list-style-type: none"> ▪ eBidSecurity (eWadia): bid guarantees; ▪ eLeasing: leaseback up to PLN 20k; ▪ eHealth (eZdrowie): private healthcare packages; ▪ eAccounting (eKsięgowość); ▪ eAgreements (eUmowy). • In May 2022, the Bank launched "EmPOWERed in business" ("MOCne w biznesie"), a series of workshops and competitions for women looking to start or expand their business. • Two term deposits were reintroduced: Business Impet Deposit24 (Lokata24 Biznes Impet) and Business Impet Deposit (Lokata Biznes Impet).
Loans	<ul style="list-style-type: none"> • To increase customer satisfaction with products and services, the Bank introduced a number of new functionalities in SME processes in the reporting period: <ul style="list-style-type: none"> ✓ Offered online loans to first-time borrowers; ✓ Simplified the statements submission process; ✓ Streamlined the overdraft extension process; • Prepared a prelimit offer for existing customers of the Bank and the leasing company. • SME loan sales in H1 2022 increased by 7.4 compared to the same period last year and 7.6% compared to H2 2021, mainly on account of overdrafts.

Product line for SMEs	Activities of the Retail Banking Division in H1 2022
Leasing	<ul style="list-style-type: none"> In H1 2022, Santander Leasing S.A. financed fixed assets of PLN 3.3bn, down 2.7% YoY. Higher sales growth rate was recorded in the machinery and equipment segment, while sales in the vehicles segment decelerated YoY (due to limited supply in the automotive market arising from supply chain disruptions caused by the pandemic and the war in Ukraine). As part of the offer for retail customers, the list of leased assets was extended to include eco-friendly products, among other things (heat pumps, chargers for electric cars, energy reservoirs). Access to finance was increased, as new sources of income were accepted (professionals, remuneration paid in cash, etc.). The car finance offer presented on the Multisalon24.pl platform was extended to include second-hand cars and long-term rental for SMEs. The platform was upgraded and car presentation was improved. Santander Leasing S.A. signed a cooperation agreement with Bank Ochrony Środowiska with regard to the "My electric car" ("Mój elektryk") programme of the National Fund for Environmental Protection and Water Management (NFOŚiGW), with subsidies for the lease of zero-emission cars available as part of the programme. As part of the Innovations and Development operational programme, Santander Leasing S.A. distributes low-interest loans for SME customers affected by the Covid-19 pandemic as a financial intermediary of Bank Gospodarstwa Krajowego. Customers were provided with an option to sign agreements with a BioSignature (a digital signature placed using a stylus and a touchscreen electronic device). The Company implemented the bySMS signature functionality in the eBOK24 portal to enable customers to sign consumer loan agreements using a text message.
Temporary solutions related to the war in Ukraine	<ul style="list-style-type: none"> The Bank waived selected fees for business customers from Ukraine (until 30 September 2022), including a business account maintenance fee (PLN and FX accounts) and fees for new and existing company debit cards (excluding charge cards) issued to PLN or FX accounts (such as a monthly card fee and fees for the list of card transactions, the balance check at ATMs and card renewal). Fees for transfers from and to Ukraine were suspended (until 30 June 2022). The following operational changes were introduced in relation to the situation in Ukraine: <ul style="list-style-type: none"> ✓ The Bank no longer executes transactions with banks banned from the SWIFT clearing system by the European Union, the United Kingdom and the United States. ✓ Rouble exchange has been discontinued. No business accounts are offered to Russian non-residents due to the current geopolitical situation and increased risk of money laundering and terrorist financing.

2.2. Business and Corporate Banking Division

Direction	Activities of the Business and Corporate Banking (BCB) Division in H1 2022
Business developments	<ul style="list-style-type: none"> The Business and Corporate Banking Division continues to deliver its growth strategy, with a focus on best customer and employee experience, simplification and digitalisation of key products and processes and dynamic business growth, notably in remote channels. In H1 2022, the Division reported a substantial rise in income (+59.3% YoY) supported by increased activity of customers and high quality of services (confirmed by a position among the top three banks in terms of NPS). The key drivers of growth included: transactional banking (+165.0% YoY) supported by market rates and deposit management fees; currency exchange (+41.9% YoY); trade finance (+25.3% YoY) and factoring (+14.8% YoY). Sales continued to grow dynamically in the majority of business lines, particularly loans (+30.9% YoY), trade finance limits (+26.0% YoY) and factoring (+23.4% YoY). Loans and advances to customers increased by 10.4% YoY, mainly on account of factoring (+39.3% YoY) and credit facilities (+9.5% YoY).

Direction	Activities of the Business and Corporate Banking Division in H1 2022 (continued)
NPS	<ul style="list-style-type: none"> • Further measures were taken to enhance customer experience and improve NPS including: <ul style="list-style-type: none"> ✓ faster execution of customers' instructions thanks to automated solutions (including bots); ✓ introduction of changes in iBiznes24 electronic banking; ✓ development of advisors' skills and enhancement of the remote channels functionality. • In H1 2022, NPS for iBiznes24 electronic banking was on the rise and NPS for factoring services hit an all-time high.
Development of processes and products	<ul style="list-style-type: none"> • As part of simplification of iBiznes24 electronic banking offer, selected fees and charges were waived. This change is expected to improve NPS and optimise the Bank's operations. • The process of setting charge card limits for existing customers was simplified and is now based on an account history for the last six months. • Changes were introduced to streamline execution of SmartLease agreements with insurance. • The value of factoring limits secured with a liquidity guarantee from Bank Gospodarstwa Krajowego (BGK) exceeded PLN 1bn, which is the highest level in the sector. • Leveraging Santander Group's global footprint, the Bank continued to support foreign expansion of Polish exporters and companies with foreign capital doing business in Poland through: <ul style="list-style-type: none"> ✓ organisation of online B2B meeting providing customers with an opportunity to share their knowledge and experience and establish relationships with new business partners; ✓ participation in online events to reach out to foreign investors planning to enter the Polish market and representatives of Polish companies with foreign capital.
Digitalisation, automation and simplification (in accordance with the agile methodology)	<ul style="list-style-type: none"> • Simplification of processes: <ul style="list-style-type: none"> ✓ A remote process was implemented to enable commercial representatives who have personal accounts with Santander Bank Polska S.A. and access to Santander internet to buy a qualified signature via eID service used to verify the customer's identity in electronic banking. ✓ The treasury agreement generator (e-Documentation) was further developed by adding new features and agreement templates and increasing the number of users. The key advantages include digitalised and faster preparation of documents, reduction of workload of the dealer and the banker and mitigation of operational risk. ✓ Changes were introduced in central systems in cooperation with Santander Group with respect to credit service. • New features were added to iBiznes24 to enable customers to bank in a safe and simple way, allow greater independence and provide an option to customise the mobile application: <ul style="list-style-type: none"> ✓ The scope of services available as part of new iBiznes24 was extended to include the Trade Finance module which facilitates registration, modification and review of trade transactions, including management of guarantees issued and received by the Bank, counter-guarantees, standby letters of credit, import and export letters of credit and import and export collection. ✓ The availability of iBiznes24 Connect service was improved as a result of partnership with another ERP software developer and facilitation of service implementation by customers. Thanks to a new plug-in, customers may order transfers and check account balances directly from their financial and accounting program. The service ensures highest data security standards and saves customers' time due to limitation of tasks related to finance management. • Changes were implemented as part of continuous upgrade of iBiznes24 mobile (simplified home screen layout, side menu and notification screen) based on the feedback from application users in order to enhance their experience from the first click. • Development of strategic processes on the Corporate Lending Platform (CLP): <ul style="list-style-type: none"> ✓ The amount of the automatically assigned limit in CLP was increased to PLN 5m, which makes the credit decision-making process much simpler and faster. ✓ New functionalities were introduced, including a multi-currency credit line and leasing limit as well as other changes extending eligibility for the new process.

Direction	Activities of the Business and Corporate Banking Division in H1 2022 (continued)
Digitalisation, automation and simplification (in accordance with the agile methodology) (continued)	<ul style="list-style-type: none"> At this year's Cashless Fintech Evening, the Bank received the main award in the category of the "fintech project delivered by financial institutions" in recognition of BLIK for UNHCR, a solution facilitating distribution of financial aid to Ukrainian refugees via the BLIK system. This option is available to registered refugees, who can instantly withdraw cash from ATMs located across Poland. Santander Bank Polska S.A. is the key partner for the Polish government and the United Nations Refugee Agency (UNHCR) with regard to distribution of financial support for refugees coming from Ukraine to Poland.

Direction	Activities of the Business and Corporate Banking Division in H1 2022 (continued)
Activities of Santander Factoring Sp. z o.o.	<ul style="list-style-type: none"> The credit portfolio of Santander Factoring Sp. z o.o. grew by 18.4% YoY to PLN 8.0bn as at 30 June 2022 (including an increase of 33% YoY to PLN 1.5bn in the corporate segment). The receivables purchased by the company increased by 17.2% YoY in H1 2022 to PLN 19.7bn, which ranks the company fourth in the factoring market. Santander Factoring Sp. z o.o. continued its cooperation with BGK in respect of factoring programmes – the company is the market leader in terms of the value of BGK guarantees issued. In January 2022, the first ESG-linked factoring agreement was signed. The transaction was based on factoring combined with a credit facility for one of the largest retailers in Poland. Santander Factoring Sp. z o.o. supports customers in developing their business not only through financing but also through educational initiatives.

2.3. Corporate and Investment Banking Division

Performance of selected areas

The Corporate and Investment Banking (CIB) Division provides an end-to-end support to the largest corporate customers of Santander Bank Polska S.A. As at 30 June 2022, the active CIB customer base included nearly 250 of the largest companies and groups in Poland (allocated to that segment based on the turnover) representing all economic sectors.

Leveraging the global presence of Santander Group, the CIB Division renders services to corporations within international structures of Santander Corporate and Investment Banking and cooperates with Santander Group units.

The table below presents the activities of individual units of the CIB Division in H1 2022.

Unit	Key activities in H1 2022
Credit Markets Department	<ul style="list-style-type: none"> Funding (loans and corporate bonds issues) towards medium- and long-term investments of CIB customers provided by the Division single-handedly and in cooperation with other units. Execution of deals in the sectors which are relatively resilient to the crisis (such as renewable energy), notably as part of project finance and syndicated lending, including: <ul style="list-style-type: none"> ✓ Co-financing of a portfolio of wind farms with a capacity of 149 MW as part of cooperation with the Global Transactional Banking Department, Banco Santander S.A. and an export credit agency. ✓ Co-financing of portfolios of solar farms with a capacity of 299 MW and 35 MW and a portfolio of wind farms with a capacity of 108 MW. ✓ Co-financing of transactions in the buy-to-let property sector.

Unit	Key activities in H1 2022 (continued)
Credit Markets Department (continued)	<ul style="list-style-type: none"> • Co-financing of acquisitions in the TMT and e-commerce sectors. • Active communication with key customers and expert and/or operational support in terms of acquisitions, project finance, infrastructure finance, and debt and rating advisory services, notably in the retail, TMT and renewable energy sectors. • Good performance in terms of asset turnover and underwriting: <ul style="list-style-type: none"> ◦ Successful arrangement of syndicated financing of several billion PLN for a customer from the telecommunications sector; • Stable activity in the bank debt market in Q2 2022 (notably transactions in the renewable energy and logistics sector) despite considerably higher uncertainty caused by the geopolitical situation. • Continuation of a service development strategy in terms of bond issue arrangement (DCM) in Poland and abroad in spite of great volatility of the bond market and substantial outflows from debt funds. First position in the Bloomberg's League Table in terms of the value of bond deals in Poland in H1 2022 (≥ 1 year) thanks to participation in the issuance of 10-year eurobonds of EUR 2bn for the State Treasury, 7-year eurobonds of EUR 500m for Bank Gospodarstwa Krajowego (National Road Fund) and several deals for financial sector companies (issuance of 6-year bonds of PLN 350m, 2-year bonds of PLN 200m and 12-month bonds of PLN 235m), in which the Bank acted as a sole or joint book runner.
Capital Markets Department	<ul style="list-style-type: none"> • Advisory services in connection with acquisition of one of the largest photovoltaic platforms in Poland, supporting transition to renewable energy and delivery of the Bank's green agenda. • Advisory services in connection with acquisition of Poland's largest company specialising in glass recycling. It is yet another initiative of the Bank supporting customers in their transition to a circular economy. • Advisory services in relation to sale of one of Poland's largest aluminium processing companies (measures are underway to meet the conditions precedent, including to obtain consents for concentration). • Investors' concerns over the prevailing situation and potential geopolitical risks for the entire region are not as considerable as before. The majority of transactional processes suspended in March 2022 have already been resumed or will be resumed after summer. Investors and customers are getting used to the new political situation and are ready to make new transactions.
Global Transactional Banking Department	<ul style="list-style-type: none"> • Business trends in transactional banking: <ul style="list-style-type: none"> ✓ Deposit balances of CIB customers decreased over the last few weeks of Q2 2022 as banks competed fiercely for corporate deposits. Customers that bank with several institutions may easily reallocate their funds to the bank offering the most attractive terms. Measures were taken by the Division to support deposit retention, including reduction of balance subject to quotation. ✓ Net fee and commission income was stable and is expected to grow in H2 2022 due to changes to the selected products and their increased sales (e.g. a significantly higher number of open escrow accounts following the amendment of the Development Act). • Business trends in trade finance: <ul style="list-style-type: none"> ✓ Satisfactory and stable utilisation of working capital finance limits and documentary instruments by customers. ✓ Limited direct impact of Russia's invasion of Ukraine on CIB customers and indirect impact of the economic environment (including higher prices and shortage of commodities, higher cost of energy, disrupted or extended supply chains) on the financial standing of borrowers, demand for working capital finance and limitation or deferral of investment plans. • Business trends in other areas: <ul style="list-style-type: none"> ✓ Maintenance of an upward trend in drawdown of overdrafts observed since Q1 2022 (up more than 20% QoQ and 30% YoY). ✓ No significant direct exposure of GTB Lending customers to the Russian, Ukrainian or Belarusian markets (a several percent share in total revenue). In some instances, however, the financial standing of borrowers, demand for credit, and repayment capacity are indirectly affected by the geopolitical and economic situation. While the repayment capacity of GTB Lending customers has not deteriorated significantly to date, their situation is monitored on an ongoing basis, including due to an increase in interest rates and cost of finance.

3. Business Development of Santander Consumer Bank Group

Strategic priorities

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

Priority	Objective	Action
Customer focus	<ul style="list-style-type: none"> To strengthen relationships with customers and increase their satisfaction. 	<ul style="list-style-type: none"> To gather customer feedback about new products and processes. To improve products and processes to provide seamless customer experience. To use advanced customer analytics tools.
Leader of e-commerce	<ul style="list-style-type: none"> To develop and implement solutions which will position the bank as a strategic provider of financing in the electronic channel. To grow the share of sales via the electronic channel. 	<ul style="list-style-type: none"> To develop processes and financial products aligned to e-commerce requirements. To build partnerships with entities from the e-commerce sector.
Leader of growth	<ul style="list-style-type: none"> To increase the share in the consumer finance market (to maintain at least the existing customer acquisition levels in the credit area). 	<ul style="list-style-type: none"> To launch new products. To develop sales tools. To establish and strengthen relationships with business partners.
Data management expert	<ul style="list-style-type: none"> To improve the bank's technological and data management capabilities. 	<ul style="list-style-type: none"> To raise employees' knowledge about the latest analytical methods. To automate processes. To improve existing and implement new technological solutions.
Employer of choice	<ul style="list-style-type: none"> To develop talents and corporate culture and attract highly-qualified staff. 	<ul style="list-style-type: none"> To improve working conditions. To foster the corporate culture. To build the employer brand and support upskilling.

Key business development directions

In H1 2022, Santander Consumer Bank Group focused on:

- Maintaining the existing volume of loans and leases for new cars and increasing the financing of used cars, while ensuring the balance between the scale and profitability of business.
- Increasing the share in the cash loan market while ensuring satisfactory profitability.
- Strengthening the leadership position in the hire purchase market through stable share in traditional sales, continued cooperation with large retailers, further growth of online sales as well as identification of new sales growth opportunities and maintenance of profitability of collaboration with trade partners.
- Modifying the deposit offer in response to dynamic changes in market environment.
- Increasing the scope of marketing activities, notably in the online channel.

Development of selected business areas

Area	Activities of Santander Consumer Bank Group in H1 2022
Lending	<ul style="list-style-type: none"> • As at 30 June 2022, net loans and advances granted by SCB Group amounted to PLN 15.2bn and were relatively stable Ytd (+0.8%) as a combined effect of a lower value of the maturing mortgage loans portfolio (no new sales). • Growth was reported in both the gross consumer loan portfolio and the value of business loans (up 2.1% YoY and 11.4% YoY, respectively). The decreasing volume of working capital loans in the latter category of loans was more than offset by increasing leasing receivables. • In H1 2022, SCB S.A. adjusted its lending proposition in response to growing interest rates and strengthened its position in the electronic channel (eCommerce) by increasing sales of new products financing online transactions (special-purpose loan and Open Online Limit). • In June, the bank introduced a variable rate on hire purchase loans (which normally bear a fixed interest rate) for the renewable energy sector and agreements with at least 60-month lending period. The maximum tenor of a cash loan was extended from 96 to 120 months. • In H1 2022, the range of credit facilities was expanded to include: <ul style="list-style-type: none"> ✓ a Clean Air (Czyste Powietrze) cash loan of PLN 10k to PLN 100k secured with a guarantee from Bank Gospodarstwa Krajowego enabling borrowers to receive a subsidy up to PLN 37k from the Regional Fund for Environmental Protection and Water Management (WFOŚGW) for replacement of old inefficient heating devices and for thermomodernisation purposes; ✓ a Comfort Plus credit card with a fixed monthly payment for customers looking for safety and stability in the dynamically changing interest rate environment; ✓ a co-branded card for a partner (re-launch of sales). • Communication campaigns were developed and run in relation to cash loans and car loans with a fixed interest rate and credit cards with a fixed monthly payment.
Deposits	<ul style="list-style-type: none"> • As at 30 June 2022, deposits from customers of SCB Group totalled PLN 9.0bn and increased by 4.3% YoY and decreased by 2.7% Ytd. During the first six months, the retail deposit portfolio was stable, while the balance of corporate deposits declined in accordance with the objectives of the deposit base modelling. • To reverse the downward trend in retail deposit balances, SCB S.A. launched special offers and adjusted deposit interest rates to market conditions and peer behaviour.
Other products	<ul style="list-style-type: none"> • In May 2022, the branches of SCB S.A. started to sell new types of insurance policies which are not related to banking products: My Home (Mój Dom), My Health (Moje Zdrowie) and Safe Finance (Bezpieczne Finanse). The above products will start to be sold in partner outlets in mid-July 2022.
Sources of funding	<ul style="list-style-type: none"> • In H1 2022, neither SCB S.A. nor its subsidiaries issued any securities as part of the issuance programme due to the downturn in the Polish debt market. • Maturing instruments were replaced by other sources of funding, mainly loans from financial institutions (a renewed revolving loan of PLN 600m from Santander Bank Polska S.A., a credit line of PLN 200m from BGK granted to Santander Consumer Multirent Sp. z o.o. for SME lending). • In Q2 2022, Santander Consumer Multirent Sp. z o.o. concluded agreements under which the revolving period of the securitisation transaction executed in 2020 in respect of the leasing portfolio was extended by three years. The financing amount was increased by PLN 151m to PLN 891m. The transaction was classified as simple, transparent and standardised (STS) securitisation. The funds raised were used to finance the company's working capital needs.
Other	<ul style="list-style-type: none"> • In H1 2022, SCB S.A. extended the cooperation with the key partners from the household appliance and DIY sectors. • During the first six months of 2022, SCB S.A. sold the written-off portfolio of cash loans, hire purchase loans and car loans, as well as the written-off and active portfolios of mortgage loans totalling PLN 318.8m, with a P&L impact of PLN 63.6m gross (PLN 51.7m net).

VI. Organisational and Infrastructure Development

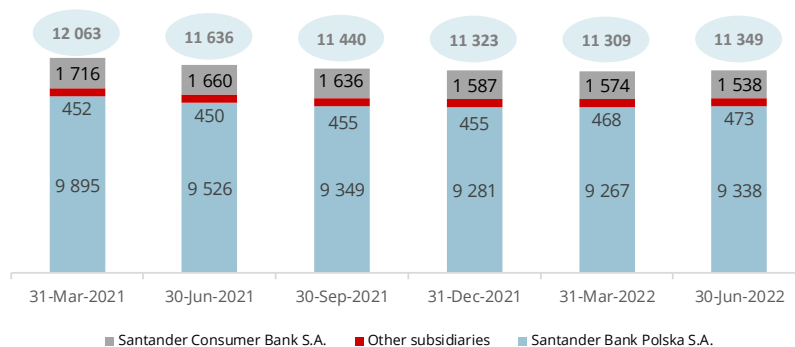
1. Human Resources Management

Employment

As at 30 June 2022, the number of FTEs in Santander Bank Polska Group was 11,349, including 9,338 FTEs of Santander Bank Polska S.A. and 1,538 FTEs of Santander Consumer Bank Group.

EMPLOYMENT OF SANTANDER BANK POLSKA GROUP

EMPLOYMENT AT SANTANDER BANK POLSKA GROUP (IN FTE)
BY QUARTER IN 2021 AND 2022



The employment in Santander Bank Polska Group increased by 0.2% Ytd and decreased by 2.5% YoY as a result of ongoing transformation of the business model 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. They are based on natural employee attrition as well as collective redundancies continued at Santander Bank Polska 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. So far, 839 employees have been made redundant. At Santander Consumer Bank S.A., the last collective redundancies programme was completed on 31 December 2021.

Remuneration policy

Changes to the remuneration policy

In accordance with the Management Board's resolution of 16 February 2022, the Bank adopted the revised Remuneration Policy of Santander Bank Polska Group, which was approved by the Supervisory Board on 23 February 2022.

The updates were required due to amendments to general laws and internal regulations and included:

- alignment of the general rules with EBA guidelines;
- introduction of the principle of equal pay and rules for measurement and analysis of Equal Pay Gap (EPG) and Gender Pay Gap (GPG);
- refinement of the rules regarding severance payments and non-competition agreements;
- introduction of general rules on discretionary pension benefits;
- update of the definition of control functions.

Changes were also introduced to the Remuneration Policy for members of the Supervisory Board of Santander Bank Polska S.A. and the Remuneration Policy for members of the Management Board of Santander Bank Polska S.A. to take into account the provisions of the remuneration policy of the parent entity as well as new regulations arising from the transposition of CRD V as well as the KNF Recommendation Z on internal governance in banks. Both regulations were approved by the Annual General Meeting (AGM) on 27 April 2022

Incentive Plan VII

The AGM of 27 April 2022 established Incentive Plan VII for 2022–2026, implementing share-based variable remuneration mechanisms in Santander Bank Polska Group. The Incentive Plan is to combine individual interests of its participants, sustainable performance of Santander Group and interests of shareholders. Its purpose is to motivate employees to achieve business and qualitative goals in line with the long-term strategy of the organisation, retain key employees and build awareness of how day-to-day work impacts the Bank's long-term value and share price.

The Incentive Plan will cover up to 1,200 selected employees of the Bank and its subsidiaries (including Management Board members, material risk takers and other key function holders). Shares bought back by the Bank will be awarded to the participants for individual years of the Plan provided they meet certain criteria defined in the terms and conditions of the Plan. The award will be deferred in the case of material risk takers.

It is estimated that between 2023 and 2033 the Bank will buy back up to 2,331k shares under Incentive Plan VII. The variable remuneration paid in shares (including discretionary awards) has been conservatively estimated, taking into account current remuneration of the key employees of the Bank and its subsidiaries and assuming the annual salary growth rate of 6% as well as the delivery of the Bank's targets at 105%.

The final number of shares to be taken up under the buyback programme will be known in 2033 once the Bank repurchases shares for payments due to participants, taking into account the deferral periods (up to five years) and the actual amount of remuneration granted for individual years.

The Bank intends to offer the participants of Incentive Plan VII an additional benefit after 31 December 2026 in the form of an award paid in the Bank's shares provided that specific business targets are met and the participant continues to be employed with the Bank or its subsidiary between 1 January 2025 and 31 December 2026.

The share buyback will be done on a periodical basis. The Bank's shares will be repurchased pursuant to and to the extent specified in the authorisation granted by the General Meeting (GM), subject to the KNF consent. The GM will set aside a capital reserve for buyback of the Bank's shares in each year of Incentive Plan VII.

Training policy

On 15 March 2022, the Management Board of Santander Bank Polska S.A. approved changes to the training policy, implementing a new effective training organisation process (from identification of needs to measurement of outcome) and a training standard based on the customer-centricity diamond.

To facilitate delivery of the above-mentioned policy, an interdisciplinary team was set up to coordinate and supervise the organisation of training.

Selected HR initiatives

HR projects	Activities in H1 2022
Hybrid work model	<ul style="list-style-type: none"> Following the announcement of the end of the epidemic state in Poland, Santander Bank Polska S.A. started the gradual transition from the remote work model to the hybrid work model. The hybrid work is organised by individual teams and managers in a way that ensures business effectiveness and employee engagement and promotes corporate behaviours in accordance with #TheSantanderWay. The solutions are implemented in line with the concept of a self-learning organisation (test & learn) that listens to an employee's voice, is open to feedback and revises its assumptions and plans on an ongoing basis.
Creation of an employee-focused corporate culture	<ul style="list-style-type: none"> To promote the culture of openness, communication campaigns continued to be run in H1 2022 to encourage employees to speak up and report their concerns. The Bank uses the results of quarterly employee surveys to create a working environment which increases employee engagement.
Digitalising processes and ensuring flexible work environment	<ul style="list-style-type: none"> Workday 2.0 initiative was started to increase the effectiveness of global OneHR (Workday) platform and further develop its functionality. An application for electronic exchange of HR documents using a qualified signature (paperless HR) was designed and is ready for pilot implementation in the self-service HR platform for employees and managers. The new process will simplify, accelerate and fully digitalise the submission and confirmation of HR documents. Another project implemented by the Bank as an innovative employer is the multi-stage digitalisation of employee files.
Leadership	<ul style="list-style-type: none"> In H1 2022, further measures were taken as part of development of human-to-human leadership where leaders play a key role in building employee experience. Development initiatives for senior management focused on empathy, knowledge and skills required to support mental well-being of employees and creation of safe working conditions that enhance teams' efficiency. These managerial skills were considered to be particularly important in the face of current challenges (remote and hybrid work, geopolitical crisis). Further focus was placed on developing the culture of feedback, recognition and dialogue with employees, as well as on increasing trust as the foundation for building successful and effective teams. Succession planning processes were underway to ensure business continuity and develop action plans for individuals to assume the key positions at the Bank.
Differently-abled project	<ul style="list-style-type: none"> As part of the Differently-abled project, a range of initiatives were undertaken to increase the awareness of the needs and rights of people with disabilities among employees and managers, including communication campaigns run in cooperation with TAKpełnosprawni Foundation and actions taken to make employees comfortable with sharing information about their disability with the employer.

Modification of corporate behaviours

For many years now, Santander Bank Polska S.A. has been doing things The Santander Way. This concept sets out the Bank's purpose, aim and how it wants to do business: by being Simple, Personal and Fair. To that end, a list of behaviours is promoted to guide employees on a day-to-day basis.

Based on the results of employee and customer surveys across all geographies and businesses of Santander Group, the list of corporate behaviours was updated in 2022 to speed up transformation of the organisation and make it more attractive for customers. The new corporate behaviours form an acronym: "T.E.A.M.S.", emphasising that people, teams and customers are the top priority for the Group.



2. Response to the Next Wave of the Pandemic and the War in Ukraine

War in Ukraine

Following the outbreak of the war, Santander Bank Polska S.A. took prompt actions to support people from Ukraine.

Financial support for Ukrainian employees and citizens	Non-financial support for Ukrainian employees and citizens
<ul style="list-style-type: none"> • Support for employees and contractors: <ul style="list-style-type: none"> ✓ Assistance Fund – financial aid for employees and contractors from Ukraine (PLN 4,900 per person). ✓ Advance payment of remuneration for up to three months (available on request). ✓ A possibility to apply for non-returnable financial aid or low-interest loan from the Employee Benefit Fund. • “We will double your impact” – a fundraiser as part of which the Bank doubled every donation made to Santander Bank Polska Foundation. The total of PLN 4.25m was raised and donated for humanitarian and medical aid in Poland and Ukraine. • Santander Group’s support: the Bank, together with Santander Group banks in Europe, donated over PLN 4.5m to the International Committee of the Red Cross (including PLN 500k to the Polish Red Cross) and to the UN Refugee Agency – UNHCR. • “Kilometers for Ukraine” – a fundraiser for children from Ukraine staying at three children’s homes in Poland. 	<ul style="list-style-type: none"> • Support for employees and contractors: <ul style="list-style-type: none"> ✓ Additional paid days off – up to 5 days. ✓ Ongoing psychological support. ✓ Support in finding job for family members – a dedicated mailbox for job inquiries, advice regarding vacancies and career at the Bank and legal advice regarding recruitment. ✓ Flexible working hours for those in need. ✓ Guarantee of employment (on return) for people going to Ukraine. ✓ Support for employees and managers (webinars and materials on crisis management and psychological support; counselling). ✓ Providing accommodation to Ukrainian refugees using the Bank’s infrastructure. ✓ Launch of a website with information about aid for people from Ukraine and the “Helping to help” platform where employees can ask for or offer support for Ukrainian citizens. • WAW-MAD humanitarian corridor – Santander Group chartered a plane to transfer 180 Ukrainian refugees to Spain.

Covid-19

The fifth wave of the Covid-19 pandemic, which hit in Q1 2022, was the most severe one in terms of the number of confirmed cases among the Bank’s staff. During that period, employees were recommended to work from home if possible, and meetings in person, both internal and external ones, were suspended.

Measures were still in place to prevent the spread of the pandemic, including:

- basic safety regime (distance, disinfection and face masks);
- monitoring of employee traffic in office buildings;
- registration of Covid-19 cases and associated procedures (such as disinfection of offices and branches in the case of confirmed infections);
- testing of employees who had contact with a person tested positive for coronavirus;
- antigen tests for self-testing by employees who had Covid-19 symptoms and/or felt worse at work.

As the pandemic-related limits were removed by the Ministry of Health at the beginning of March, the Bank’s employees are allowed to return to the office. In-person meetings can now be organised.

In the last week of March, the majority of Covid-19 restrictions were lifted (such as face masks, isolation and quarantine) but people are still recommended to take precautions.

The Bank closely monitors the pandemic and the procedure implemented in case of Covid-19 cases at work still applies.

3. Digital Transformation of Santander Bank Polska Group

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

- Continues to implement the DevOps culture, which will ensure uninterrupted delivery of changes in production systems (in response to customer needs) while reducing the time-to-market.
- Keeps expanding the scope of the project aimed at reducing the number of production incidents and accelerating change implementation by placing emphasis on quality at early stages of the development process and increasing its automation.
- Continues to deliver the strategic programme aimed at increasing organisational, process and cost efficiency, reducing paper-based documents (80% of communications to customers are sent in electronic format), simplifying branch processes (e.g. electronic authorisation and signature) and launching centralisation, and ensuring remote access to a range of post-sales processes.
- Offered the mojID service to enable customers to confirm their identity and use a variety of online services provided by entities from different sectors. Increased the number of banks whose accounts can be aggregated as part of open banking and used to order transfers (currently: eight banks).
- Continues to streamline, upgrade, reduce the total cost of maintenance and development and enhance security of IT architecture (APO – Application Portfolio Optimizations) in accordance with the long-term redesign plan.

Initiative	Key projects delivered in H1 2022
Improvement of availability, reliability and performance of the Bank's systems	<ul style="list-style-type: none"> • Continued migration of existing Data Centres (relocation of the backup server room and start of migration of the Primary Data Centre). • Further implementation of a new architecture of back-end IT systems. • Enhancement of capacity and reliability of one of the key customer service systems used by branches owing to optimised configuration of the database.
Participation in global optimisation initiatives of Santander Group	<ul style="list-style-type: none"> • Participation in the group project implementing the new AML Sanctions Policy: <ul style="list-style-type: none"> ✓ implementation of new types of SWIFT messages for sanctions screening; ✓ completion of the second stage of the project aimed to ensure compliance with control requirements for trade finance and payment processes.
Enhancement of security of the Bank's systems	<ul style="list-style-type: none"> • Ensuring high quality of authentication and data security programs on employee laptops and desktops. • Continued promotion of cybersecurity culture among the Bank's customers and employees through: <ul style="list-style-type: none"> ✓ an ongoing social media campaign for customers: "Don't believe in fairy tales for adults" ("Nie wierz w bajki dla dorosłych"); ✓ publication of warnings about emerging cyberthreats on the Bank's home page and on the internet banking login site; ✓ update of the Bank's websites on safe banking to reflect emerging threats; ✓ educational initiatives via internet banking communication channels and text messages.
Implementation of regulatory requirements	<ul style="list-style-type: none"> • Launch of end-to-end management of Santander TFI funds offered in New E-Platform. • Delivery of the last stage of changes in relation to the 5th AML Directive. • Implementation of a debt cancellation process as part of support solutions for borrowers affected by the pandemic in connection with the PFR Financial Shield 2.0. • Rebranding of products and documents of Santander AVIVA to Santander Allianz. • Delivery of project in connection with requirements related to the Act on Financial Information System (STIR/SInF). • Finalisation of the work on the Autorates system for automatic publication of market rates and bank reference rates as part of the Financial Markets Platform.

Initiative	Key projects delivered in H1 2022 (continued)
Automation and optimisation of operational processes	<ul style="list-style-type: none"> • Replacement of the printing and scanning system in the Bank's headquarters to enhance user experience and save paper. • Automation of the processes related to: <ul style="list-style-type: none"> ✓ cash loans – digitalisation of repayment schedule communication; ✓ mortgage loans – providing customers with a possibility to submit post-sales instructions using the video or chat channel and implementing central release of collateral following full loan repayment; ✓ the system for central management of enforcement titles – implementation of functionality for monitoring of payments and blockades connected with debt enforcement proceedings; ✓ overdue payments – robotic automation of repayment of personal and SME loans in PLN. • Optimisation of preparation and storage of property valuation reports thanks to implementation of an application for exchanging information with third parties cooperating with the Bank as part of the credit process.

4. Distribution Channels

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

Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	30.06.2022	31.12.2021	30.06.2021
Branches (location)	356	383	415
Off-site Locations	2	2	2
Santander Zones (acquisition stands)	11	11	10
Partner Outlets	165	164	146
Business and Corporate Banking Centres	6	6	6
ATMs and CDMs (unifunctional)	562	610	686
Dual Function Machines	917	914	909
Registered internet and mobile banking customers ¹⁾ (in thousand)	4 714	4 492	4 323
Digital (active) internet and mobile banking customers ²⁾ (in thousand)	3 170	2 998	2 850
Digital (active) mobile banking customers ³⁾ (in thousands)	2 280	2 194	2 002
Registered iBiznes24 companies ⁴⁾ (in thousand)	24	25	24

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

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

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

4) 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 June 2022, Santander Bank Polska S.A. had 356 branches, 2 off-site locations, 11 Santander Zones and 165 partner outlets. During the first six months of 2022, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 27, and the number of partner outlets increased by 1.

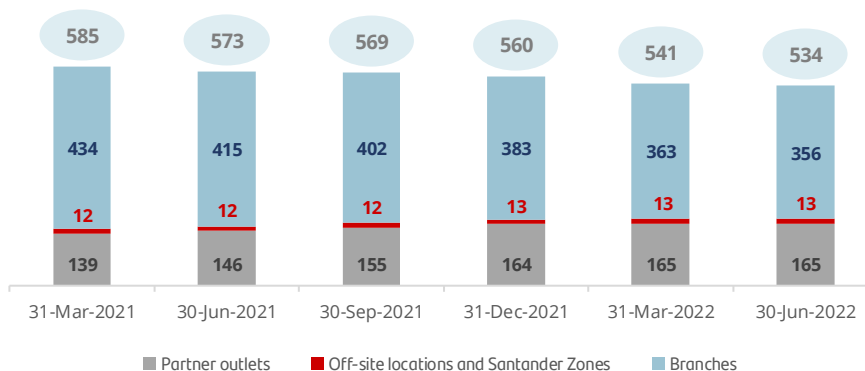
The Bank continued to deliver its branch network development strategy focusing on:

- optimisation;
- transformation of branches into partner outlets;
- modernisation of outlets (relocation, upgrade, downsizing);
- pilot launch of cashless branches.

In H1 2022, 7 branches were remodelled, increasing the total number of branches covered by the modernisation project to 187 (more than half of the network). A pilot transformation of branches under a cashless service model is underway in various locations in Poland. The project has been already implemented in Gdańsk and Legnica, where branches providing cash services operate next to cashless branches. Customers may also use self-service devices (ATMs/CDMs), which are available 24/7. As part of the pilot, the Bank encourages customers to use cards and BLIK payments, and promotes the mobile application as an easy, safe and convenient way of banking.

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

NUMBER OF BRANCHES AND PARTNER OUTLETS OF SANTANDER BANK POLSKA S.A.
BY QUARTER IN 2021 AND 2022



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

- In H1 2022, the external network employed 254 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. During the first six months of 2022, credit sales in this channel increased by 52% YoY.
- Cooperation with financial and real estate brokers (network agents) was centrally managed under the agreements signed and generated a significantly higher sales (+106% YoY).
- In H1 2022, Santander Zones located in shopping centres operated without any disruptions caused by the pandemic and successfully acquired new customers. The new customer base increased by 168% YoY and credit sales were up 39% YoY.

As part of the Private Banking model, customers were served by 58 Private Bankers based in 25 outlets across Poland (4 Private Banking Centres and 21 other locations).

Services to businesses and corporations are provided by two departments: the Business Clients Department and the Corporate Clients Department with their 6 Banking Centres (3 Business Banking Centres and 3 Corporate Banking Centres) operating within three regional structures through 29 offices located Poland-wide. Premium customers and entities from the public and commercial properties sector are handled by three dedicated offices.

ATMs

In H1 2022, Santander Bank Polska S.A. continued to review and optimise the configuration of cassettes, instal recyclers (dual function ATMs enabling withdrawal of cash that has been previously deposited by other customers) and optimise its off-site machines, removing and relocating economically unviable, low-transaction ATMs. The number of recyclers increased by 21 Ytd. 66 ATMs and dual-chamber devices were removed.

Since June 2022, the majority of the Bank's ATMs and CDMs have offered services in Ukrainian, enabling customers from Ukraine to make all types of transactions in a convenient and hassle-free way.

As at 30 June 2022, the network of self-service devices of Santander Bank Polska S.A. comprised 1,479 units, including 562 ATMs and 917 dual function machines (including 461 recyclers), giving the Bank second position among Polish banks in terms of the number of CDMs and third in terms of the number of ATMs.

Remote channels

In the reporting period, Santander Bank Polska S.A. 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. It also took measures in response to external developments (accelerated acquisition of Ukrainian customers).

Electronic channel	Selected solutions and improvements introduced in H1 2022
Santander.pl	<ul style="list-style-type: none"> • A revamped version of santander.pl was launched and information about products and sales was refined to increase the number of transactions in digital channels. • A cash loan calculator was implemented, shortening the sales cycle. • Performance of the web application was optimised, including a faster download speed and twice as high capacity to handle website traffic. • New sales sites were launched and solutions were put in place to enhance user experience. The click-through rate (CTR) increased 70-fold.
Internet and mobile banking	<ul style="list-style-type: none"> • A new version of Santander mobile app was made available to users of Android and iOS devices (March 2022), with a modern design and descriptions ensuring best possible digital banking experience (including easier and faster navigation and application for products). • A new online cash loan process was launched in March 2022 for all customers assigned a prelimit or handled under the fast-track procedure. • New features were added: welcome screens (lightbox) in English, Russian, Ukrainian and Spanish, and reminders about the approaching expiry date of the identity document in a new format. • An option was provided to apply for a kindergarten allowance (in cooperation with its originator – the Social Insurance Institution), 300+ benefit (“Good Start” government programme) and 500+ child benefit for Ukrainian refugees. • The price guide was further developed, increasing the transparency of the Bank’s prices and helping customers to avoid unnecessary costs. • The process of adding accounts from other banks was optimised (PSD2). • The eID service was offered to Santander internet users enabling them to remotely confirm their identity, including as part of application for a qualified electronic signature. • The contents of text messages, push messages and emails concerning cash deposits and withdrawals at ATMs were refined.
Multichannel Communication Centre (MCC)	<ul style="list-style-type: none"> • Service and sales processes were further optimised. • A helpline was set up for refugees making cash withdrawals under the UNHCR Cash Assistance Programme. Additional employees were hired as interpreters for Ukrainian customers and branch advisors. A helpline in Ukrainian was further developed in response to an increased traffic. • Call Steering (voice IVR), a technology that recognises and interprets speech, was started to be implemented as part of the 19999 helpline. Selected customers can choose whether to communicate via IVR through the use of voice or tone input. The customer’s intentions are recognised on the basis of the subject indicated by them. The call is then forwarded to a relevant advisor. The effectiveness of the customer’s intention recognition model exceeds 90%. The tool is being developed in cooperation with customers.

Development of distribution channels of Santander Consumer Bank S.A.

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

Basic Statistics on Distribution Channels

Santander Consumer Bank S.A.	30.06.2022	31.12.2021	30.06.2021
Branches	50	54	55
Partner Outlets	266	271	274
Auto Loan lending Partners	1 215	1 161	989
Installment Loan Lending Partners	6 526	7 028	7 080
Registered internet and mobile banking customers ¹⁾ (in thousand)	1 314	1 257	1 133
Digital (active) internet and mobile banking customers ²⁾ (in thousand)	282	237	181
Digital (active) mobile banking customers ³⁾ (in thousand)	209	165	111

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 or checked their balance without logging in the last month of the reporting period.

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

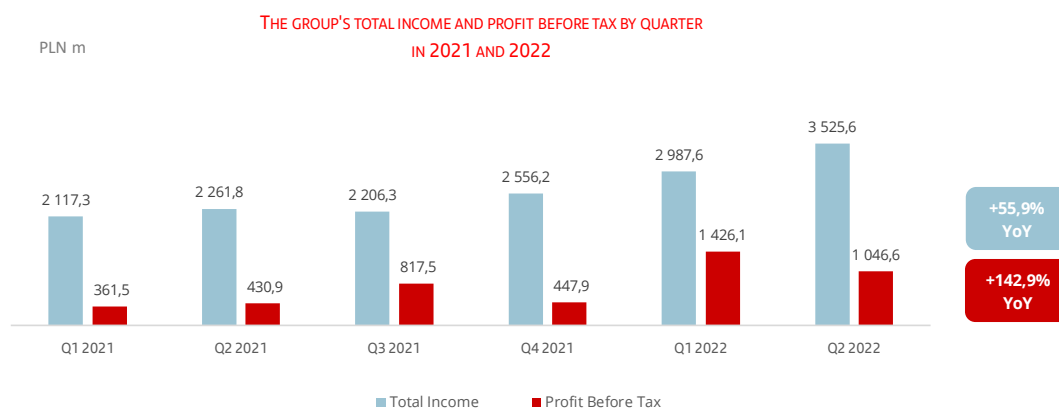
VII. Financial Performance after H1 2022

1. Income Statement

Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	H1 2022	H1 2021 ⁴⁾ restated data	YoY Change
Total income	6 513,2	4 379,2	48,7%
- Net interest income	5 178,8	2 786,5	85,9%
- Net fee & commission income	1 281,4	1 211,4	5,8%
- Other income ¹⁾	53,0	381,3	-86,1%
Total costs	(2 532,1)	(1 962,1)	29,1%
- Staff, general and administrative expenses	(2 189,3)	(1 602,9)	36,6%
- Depreciation/amortisation ²⁾	(263,7)	(291,7)	-9,6%
- Other operating expenses	(79,1)	(67,5)	17,2%
Impairment allowances for expected credit losses	(229,5)	(627,0)	-63,4%
Cost of legal risk associated with foreign currency mortgage loans³⁾	(947,4)	(736,5)	28,6%
Profit/loss attributable to the entities accounted for using the equity method	36,1	39,3	-8,1%
Tax on financial institutions	(367,6)	(300,5)	22,3%
Consolidated profit before tax	2 472,7	792,4	212,1%
Tax charges	(732,4)	(354,0)	106,9%
Net profit for the period	1 740,3	438,4	297,0%
- Net profit attributable to the shareholders of the parent bank	1 616,4	374,3	331,8%
- Net profit attributable to non-controlling shareholders	123,9	64,1	93,3%

- 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, gain/loss on derecognition of financial instruments measured at amortised cost 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.
- 3) As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The total impact of the above risk on the Group's performance is presented in a separate line of the income statement. It includes provisions for legal risk and legal claims raised and released by the Bank. Those items were previously disclosed separately in other operating expenses and operating income.
- 4) As a result of the above-mentioned change to the accounting policy as well as changes to the presentation of the selected items of the full income statement (i.e. introduction of the following lines: "Income similar to interest on finance leases" and "Gain/loss on derecognition of financial instruments measured at amortised cost"), the comparative data for H1 2021 needed to be restated.



The **profit before tax of Santander Bank Polska Group** for the 6-month period ended 30 June 2022 was PLN 2,472.7m, up 212.1% YoY. The profit attributable to the Bank's shareholders increased by 331.8% YoY to PLN 1,616.4m.

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. After the relevant adjustments:

- the **underlying profit before tax** increased by 149.9% YoY and
- the **underlying profit attributable to the shareholders of Santander Bank Polska S.A.** went up by 158.8% YoY.

Comparability of periods

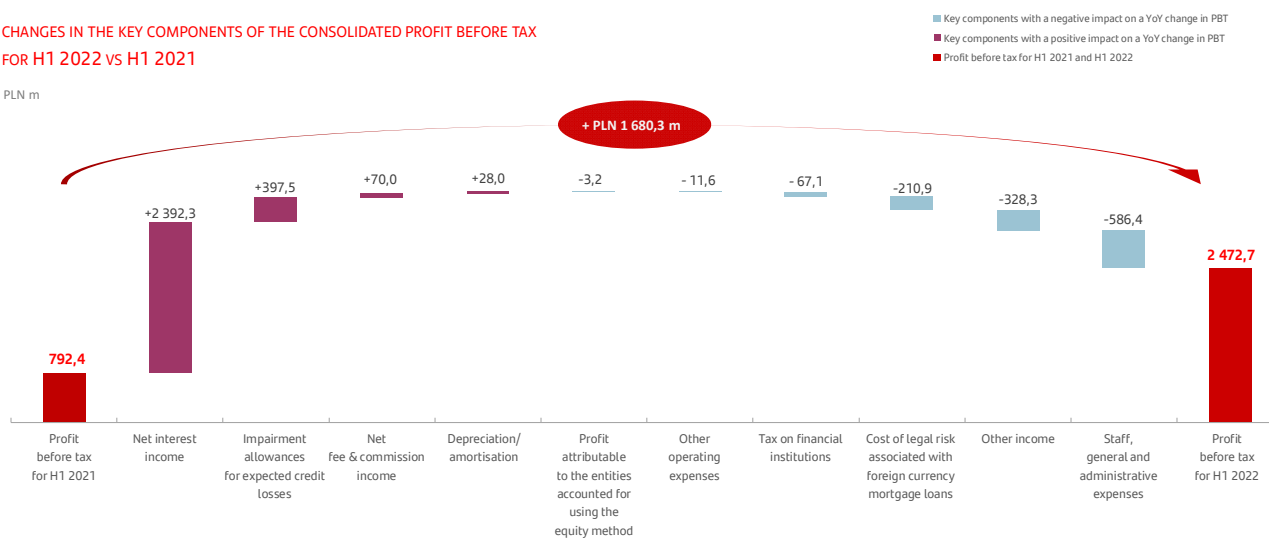
Selected items of the income statement affecting the comparability of periods

	H1 2022	H1 2021
Cost of legal risk connected with foreign currency mortgage loans <i>(income statement line)</i>	• PLN 947.4m	• PLN 736.5m
Cost related to the protection scheme (IPS) <i>(component of general and administrative expenses)</i>	• PLN 407.3m – a contribution made by Santander Bank Polska S.A. to the aid fund established as part of the protection scheme recognised in the profit and loss account for Q2 2022	• No such costs
Contributions to the Bank Guarantee Fund made by Santander Bank Polska Group <i>(component of general and administrative expenses)</i>	• PLN 266.7m, including a contribution of PLN 57.7m to the bank guarantee fund and PLN 209.0m to the bank resolution fund	• PLN 208.4m, including a contribution of PLN 54.3m to the bank guarantee fund and PLN 154.1m to the bank resolution fund
Dividend income <i>(income statement line)</i>	• PLN 8.9m	• PLN 102.8m, including PLN 89.0m from companies which were part of the former Aviva Group

Determinants of the Group's profit for H1 2022

CHANGES IN THE KEY COMPONENTS OF THE CONSOLIDATED PROFIT BEFORE TAX FOR H1 2022 VS H1 2021

PLN m



The profit before tax for H1 2022 was driven by high net interest income resulting from a series of unprecedented NBP interest rate hikes and robust growth of the Group's key credit portfolios. At the same time, however, strong interest rate increases eroded net trading income and revaluation and gains on other financial instruments due to higher yield of debt securities, downward revaluation of equity instruments and lower gains on derivatives.

The consolidated profit was also positively affected by lower expected credit loss allowances reflecting stable financial standing of customers in H1 2022 despite worsening macroeconomic environment and outlook. It was also supported by net fee and commission income, notably from currency exchange, account maintenance, cash transactions, loans, insurance, and debit cards.

In H1 2022, the profit before tax was weighed down mainly by lower cost of legal risk connected with foreign currency mortgage loans and by staff and general expenses due to contribution of PLN 407.3m made by the Bank to the aid fund established by member banks of the institutional protection scheme as well as higher contributions to the BFG resolution fund. This was coupled with an increase in tax on financial institutions fueled by the growth in taxable assets. At the same time, dividend income (a component of other income presented in the graph above) was lower due to the divestment of three insurance companies from Aviva Group in 2021, which used to be classified to the portfolio of investment financial assets of Santander Bank Polska S.A.

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)	H1 2022	H1 2021	YoY Change
Santander Bank Polska S.A.	2 120,1	630,9	236,0%
Subsidiary undertakings:	478,4	293,1	63,2%
Santander Consumer Bank S.A. and its subsidiaries ¹⁾	336,8	134,2	151,0%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	46,1	69,3	-33,5%
Santander Finanse Sp. z o.o. and its subsidiaries ²⁾			
(Santander Leasing S.A., Santander Leasing Poland Securitization 01 Designated Activity Company, Santander Factoring Sp. z o.o., Santander F24 S.A.)	95,4	85,2	12,0%
Santander Inwestycje Sp. z o.o.	0,1	4,4	-97,7%
Equity method valuation	36,1	39,3	-8,1%
Elimination of dividends received by Santander Bank Polska S.A. and consolidation	(161,9)	(170,9)	-5,3%
Profit before tax	2 472,7	792,4	212,1%

¹⁾ In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o. w likwidacji (a company in liquidation), SC Poland Consumer 16-1 Sp. z o.o., PSA Finance Polska Sp. z o.o., PSA Consumer Finance Polska Sp. z o.o., Santander Consumer Financial Solutions Sp. z o.o. and SCM Poland Auto 2019-1 DAC. The amounts provided above represent profit before tax (after intercompany transactions and consolidation adjustments) of SCB Group for the periods indicated.

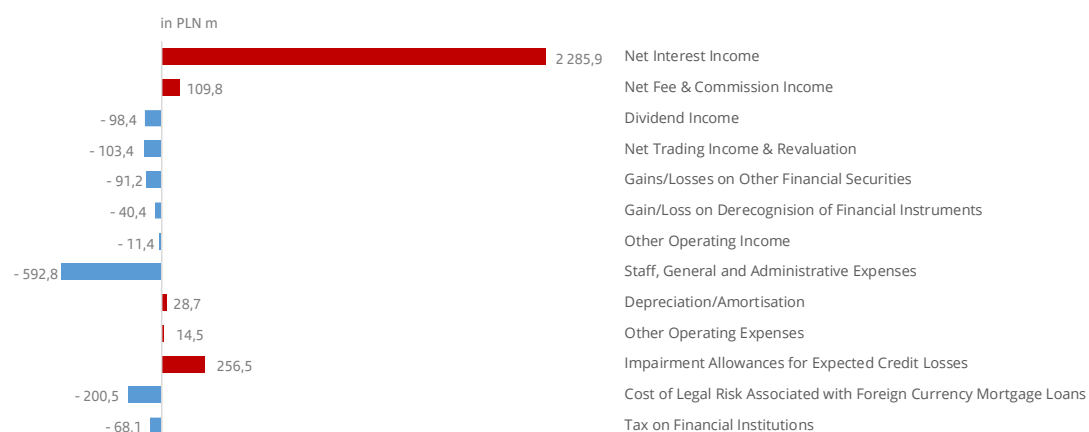
Santander Bank Polska S.A. (parent entity of Santander Bank Polska Group)

The **profit before tax** of Santander Bank Polska S.A. was PLN 2,120.1m, up 236.0% YoY.

Changes in the main components of the standalone profit reflect the trends relating to the consolidated profit. Similarly to the Group, the Bank's profit before tax was positively affected by net interest income, net fee and commission income and net expected credit loss allowances. The increase attributed to the above-mentioned items was offset in part by a rise in staff expenses, general and administrative expenses, cost of legal risk connected with foreign currency mortgage loans and tax on financial institutions, as well as a decrease in dividend income and gains on trading and investment financial instruments.

Changes to the components of the profit before tax earned by the Bank are presented below.

YEAR-ON-YEAR CHANGES IN THE MAIN ITEMS OF THE INCOME STATEMENT OF SANTANDER BANK POLSKA S.A. FOR H1 2022 IN ABSOLUTE NUMBERS



Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported an increase of 63.2% YoY in their total profit before tax.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated **profit before tax** of Santander Bank Polska Group for H1 2022 was PLN 336.8m (after intercompany transactions and consolidation adjustments) and went up by 151.0% YoY as a combined effect of the following:

- A rise of 14.1% YoY in **net interest income** to PLN 651.3m, supported by interest rates growing steadily since Q4 2021.
- A decrease of 16.1% YoY in **net fee and commission income** to PLN 57.0m on account of lower fee and commission income from credit cards.
- A positive **balance of net expected credit loss allowances** of PLN 32.0m vs a negative balance of -PLN 115.1m in the comparative period, owing to a higher gain on the sale of overdue receivables, updated risk parameters and a revised approach to recognition of legal risk associated with CHF mortgage loans (in accordance with IFRS 9) resulting in the release of credit provisions.
- A decline of 34.8% YoY in **other non-interest and non-fee income** to PLN 27.5m as a consequence of a lower gain on transactions in financial instruments as part of trading and investment activities amid prevailing market conditions, and also on account of a decrease in other operating income.
- A reduction of 4.9% YoY in **operating expenses** to PLN 267.5m for H1 2022 due to reduction in general and administrative expenses resulting from optimisation measures.
- Cost of legal risk connected with foreign currency mortgage loans was PLN 149.0m vs PLN 134.7m in the corresponding period of 2021.

Other subsidiaries

Profit before tax of Santander TFI S.A. for H1 2022 decreased by 33.5% YoY to PLN 46.1m, as a result of market-driven decline in net fee and commission income, mainly in relation to income from management and success fees. The outflow of assets from the investment funds market observed since October 2021 was additionally worsened by Russia's invasion of Ukraine, high inflation and monetary policy tightening by central banks. During the first six months of 2022, customers pulled out their money from all categories of funds, but bond funds were hit most severely due to substantial repricing. Apart from a decrease in the average net asset value, investment fund management fees were also adversely affected by the reduction of the maximum annual management fee to 2% as of 1 January 2022 in accordance with the Regulation of the Minister of Finance of 13 December 2018 on the maximum amount of fixed remuneration for an investment fund company for managing an open-end investment fund or a specialised open-end investment fund. At the same time, the company's income from success fees went down and the underlying fee calculation model was changed.

Total profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. went up by 12.0% YoY to PLN 95.4m.

- 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 1.0% YoY to PLN 50.6m. In the reporting period, Santander Leasing S.A. paid higher fees and commissions related to synthetic securitisation due to the launch of a new project. Excluding the cost of securitisation, profit before tax of leasing companies was up PLN 10.5m (+22.0% YoY), supported by growth of net interest income (+8.7% YoY) and net insurance income (+12.0% YoY). Despite deteriorating business conditions (limited availability of assets to be financed), higher YoY sales were reported in the machines and equipment segment in H1 2022, along with an increase of 9.0% YoY in the leasing portfolio. Although net expected credit loss allowances were up 5.0% YoY, the quality of the leasing portfolio remained very good, with the NPL ratio of 3.5% (+0.16 p.p. YoY).
- The profit before tax posted by Santander Factoring Sp. z o.o. increased by 27.7% YoY to PLN 44.8m. It resulted from a dynamic rise of 45.6% YoY in net interest income driven by growth of factoring exposure by 18.4% YoY. Meanwhile, the company's cost base went up and the positive impact of net expected credit loss allowances for the factoring portfolio was lower than before.

Structure of Santander Bank Polska Group's profit before tax

Total income

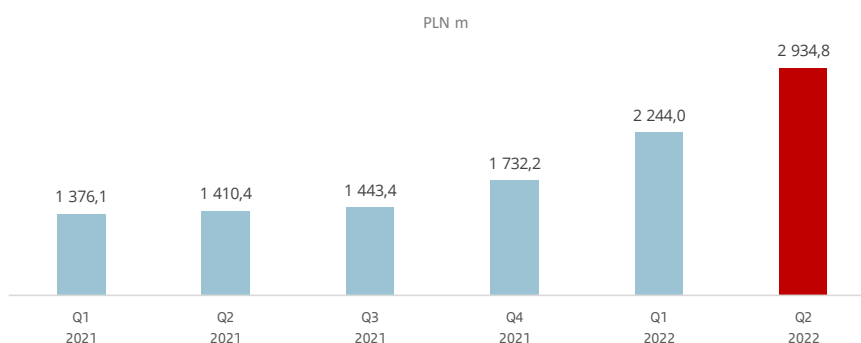
During the first six months of 2022, total income of Santander Bank Polska Group increased by 48.7% YoY to PLN 6,513.2m.

Net interest income

Net interest income for H1 2022 was PLN 5,178.8m and grew by 85.9% YoY as an effect of a series of unprecedented monthly increases in NBP interest rates started in Q4 2021 (three hikes by 1.65 p.p. in total in 2021) and continued throughout H1 2022 (six hikes by 4.25 p.p. in total) aimed at tightening the monetary policy and curbing soaring inflation.

In these circumstances, the Group flexibly managed its pricing and successfully acquired and retained business. The pricing of deposit and credit products was regularly adjusted to market rates and the Group's objectives in terms of competitive position, balance sheet structure, liquidity and profitability. A considerable YoY growth was reported in balance sheet items, both in loans and advances to customers and deposits from customers. Loans and advances to enterprises and the public sector grew by 11.6% YoY, lease receivables increased by 10.8% YoY, and home loans went up by 6.8% YoY. At the same time, deposits from enterprises and the public sector grew by 8.4% YoY and retail deposit balances increased by 4.3% YoY. Due to the dramatically rising interest rates customers turned to term deposits, which was reflected in the transfer of funds from current accounts (including savings accounts) to term bank deposits. Deposits increased as investors backed out of investment funds amid uncertainties around the geopolitical situation, volatility of equity and commodity markets and considerable decreases in the bond market.

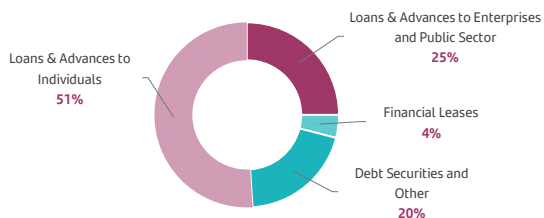
NET INTEREST INCOME BY QUARTER IN 2021 AND 2022



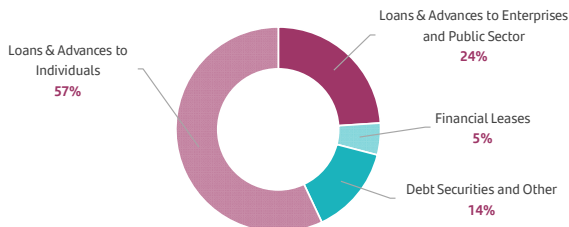
Interest income for H1 2022 totalled PLN 5,901.6m and was up 97.6% YoY, mainly due to loans and advances to personal and business customers, debt securities, lease receivables and loans and advances to banks.

Interest expenses grew by 262.4% YoY to PLN 722.8m mainly on the back of deposits from enterprises and the public sector, deposits from personal customers and deposits from banks, as well as liabilities in respect of debt securities in issue and repurchase transactions.

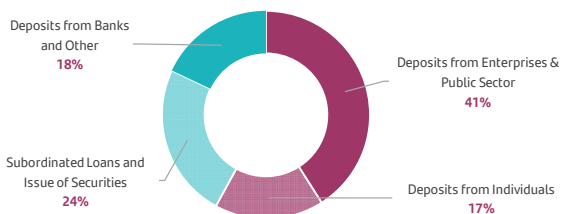
STRUCTURE OF INTEREST REVENUE IN H1 2022



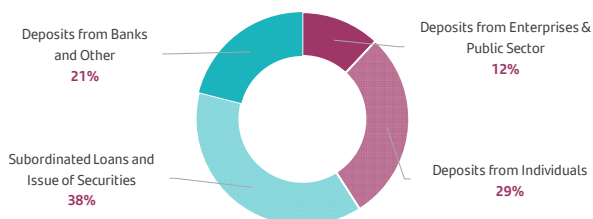
STRUCTURE OF INTEREST REVENUE IN H1 2021



STRUCTURE OF INTEREST EXPENSE IN H1 2022



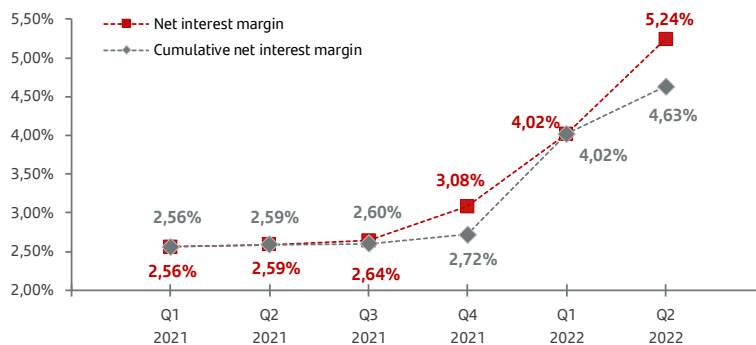
STRUCTURE OF INTEREST EXPENSE IN H1 2021



In H1 2022, the **net interest margin** (annualised on a Ytd basis) went up to 4.63% from 2.59% in the corresponding period of 2021. The margin increase was driven by developments in the money market and good growth and performance of assets generating net interest income, notably loans and advances to individuals and businesses as well as lease and factoring receivables. The margin growth was also supported by the debt securities in which the Group invests its liquidity surplus. While the value of that portfolio decreased, interest income generated by it continued to grow.

In Q2 2022, the **net interest margin** (annualised on a quarterly basis) increased to 5.24% from 4.02% in Q1 2022 and 2.59% in Q2 2021. The margin increase was driven by the same factors as those that helped the year-on-year growth in net interest income.

**NET INTEREST MARGIN¹⁾ BY QUARTER IN THE YEARS 2021 AND 2022
(INCLUDING SWAP POINTS)²⁾**



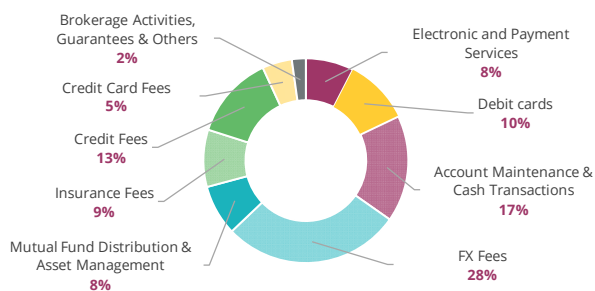
- 1) Net interest margin in consecutive quarters, annualised on a quarterly and year-to-date basis. The data for 2021 have been restated to reflect the new accounting treatment of legal risk related to the FX mortgage loan-book, which is now compliant with IFRS 9.
- 2) The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading.

Net fee and commission income

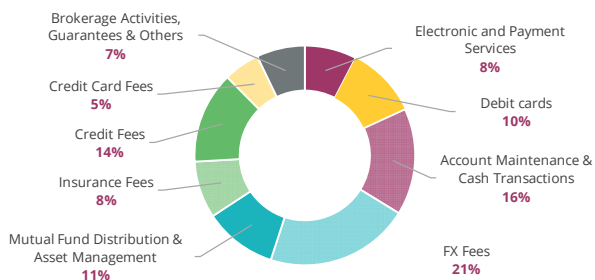
Net Fee and Commission Income (in PLN m)	H1 2022	H1 2021	YoY Change
FX fees	360,4	256,5	40,5%
Account maintenance and cash transactions ¹⁾	215,4	190,2	13,2%
Credit fees ²⁾	168,8	163,4	3,3%
Debit cards	132,5	126,6	4,7%
Insurance fees	115,8	101,7	13,9%
Asset management and distribution	102,9	129,5	-20,5%
Electronic and payment services ³⁾	97,2	92,5	5,1%
Brokerage activities	64,3	65,7	-2,1%
Credit cards	59,7	64,6	-7,6%
Guarantees and sureties ⁴⁾	11,4	23,3	-51,1%
Other ⁵⁾	(47,0)	(2,6)	1707,7%
Total	1 281,4	1 211,4	5,8%

- 1) Fee and commission income from account maintenance and cash transactions has been reduced by the corresponding expenses, which in Note 7 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022 are included in the line item "Other" (PLN 9.8m for H1 2022 and PLN 2.7m for H1 2021).
- 2) Fee and commission income from lending, factoring and leasing activities which is not amortised to net interest income. This line item includes inter alia the cost of credit agency fees.
- 3) Fees for payments (foreign and mass payments, Western Union transfers), trade finance, services for third party institutions as well as other electronic and telecommunications services.
- 4) Fee and commission income from guarantees and sureties has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022 are included in the line item "Other" (PLN 41.0m for H1 2022 and PLN 29.4m for H1 2021).
- 5) Issue arrangement fees and other fees.

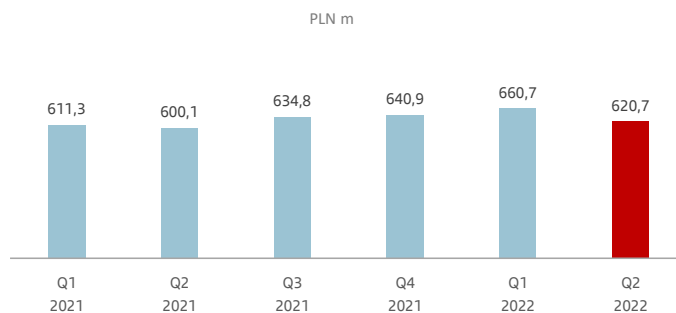
NET FEE & COMMISSION INCOME STRUCTURE IN H1 2022



NET FEE & COMMISSION INCOME STRUCTURE IN H1 2021



NET FEE & COMMISSION INCOME BY QUARTER IN 2021 AND 2022

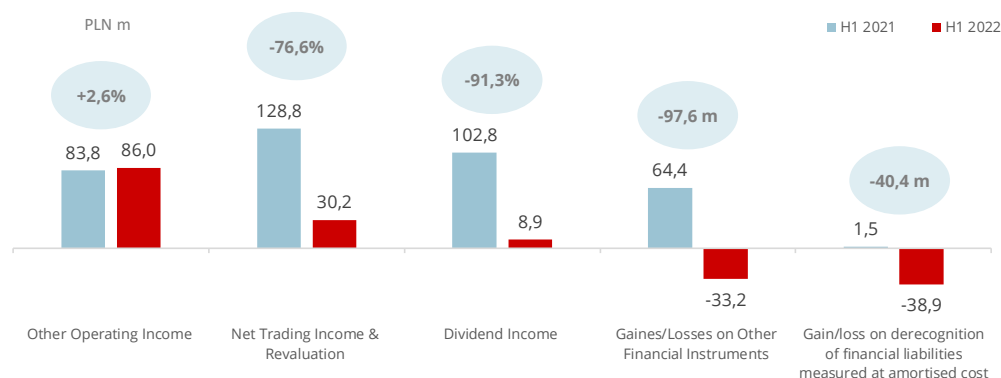


Net fee and commission income for the 6-month period ended 30 June 2022 totalled PLN 1,281.4m and increased by 5.8% YoY, driven by the performance of individual business lines of Santander Bank Polska S.A. and its subsidiaries. The key changes were as follows:

- FX fee income rose by 40.5% YoY on account of higher FX turnover, accompanied by a slight drop in average quotations. The growth in the above mentioned income was generated both by the traditional and electronic channels. Nevertheless, it was most strongly driven by electronic currency exchange platforms such as e-FX (iBiznes24 module) and Kantor Santander (available in Santander online and Santander mobile), and transactions initiated by customers from business segments.
- An increase of 13.2% YoY in net fee and commission income from account maintenance and cash transactions reflects higher income from fees on cash management services provided to business entities with high liquidity (resulting from government support programmes, among other things). The base of current and personal accounts operated by the Bank grew considerably in H1 2022. The most pronounced increase (+17.3% YoY) was reported in the portfolio of Accounts As I Want It, which grew to 2.7m, supported by the special offer with preferential terms for Ukrainian citizens. The higher number of accounts translated into a higher number of transactions, as reflected in the “debt cards” and “electronic and payment services” line items.
- Higher net fee and commission income from insurance (+13.9% YoY) was generated by insurance policies linked to bank products of Santander Bank Polska S.A., notably mortgage and cash loans, as well as insurance policies offered by Santander Leasing S.A. and Santander Consumer Bank S.A.
- An increase of 4.7% YoY in net income from debit cards is a combined effect of a growing number of cards (+4.8% YoY), higher value of non-cash transactions with such cards (+32% YoY) and higher income from currency exchange transactions with the start of summer.
- Net fee and commission income disclosed under the Group's electronic and payment services went up by 5.1% YoY as a consequence of higher turnover from international payments and more active use of existing electronic channels.
- A rise of 3.3% YoY in net credit fee income is a combined effect of the Group's services related to overdrafts and project finance for corporate customers, modification of fees in line with market trends (growing interest rates) and higher cost of agency services.
- A decrease of 2.1% YoY in net fee and commission income from brokerage activities results from slowdown in investor activity towards the end of H1 2022 amid surging inflation and deteriorating economic prospects after a period of more active trading at the beginning of the year driven by increased market volatility as spurred by the Russia's aggression against Ukraine.
- Net fee and commission income from distribution and asset management declined by 20.5% YoY on account of lower income from management fees and success fees collected by funds managed by Santander TFI S.A. Lower income from management fees is attributed to lower average net value of assets following eight months of negative net sales and statutory reduction of the maximum management fee to 2% as of 1 January 2022. At the same time, developments in the financial markets reflecting macroeconomic and geopolitical uncertainty put pressure on the performance of investment funds, notably debt funds.
- Net fee and commission income from issuance and management of a combined portfolio of credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. decreased by 7.6% YoY due to lower fee and commission income generated by the portfolio of the latter bank.
- Net fee and commission income from guarantees and sureties was down 51.1% YoY as a result of higher cost of guarantee services coupled with a broadly stable level of income.

Non-interest and non-fee income

COMPONENTS OF OTHER INCOME FOR H1 2021 VS. H1 2022



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 53.0m and was down 86.1% YoY on account of changes in the following components:

- Net trading income and revaluation decreased by PLN 98.6m YoY to PLN 30.2m amid the prevailing financial market trends: rising bond yields and IRS spreads and pressure on the zloty. This line item was affected by the following portfolios and actions:
 - ✓ A gain of PLN 4.1m on derivatives, interbank FX transactions and FX trading transactions, down PLN 108.7m YoY.
 - ✓ A positive change of PLN 3.2m in the fair value of credit card receivables measured at fair value through profit or loss for 6 months of 2022, up PLN 1.8m YoY.
 - ✓ Total gain on trading in equity and debt securities measured at fair value through profit or loss of PLN 22.9m, up PLN 8.4m YoY.
- Loss on other financial instruments of PLN 33.2m (-PLN 97.6m YoY) due to a worse result on the sale of bonds (-PLN 38.0m YoY) and on hedging and hedged instruments (-PLN 30.4m YoY). Negative impact of the valuation of Visa Inc. shares resulting from decline in the share price, among other things (negative fair value adjustment of Visa Inc. shares of PLN 12.4m vs a positive adjustment of PLN 11.6m in the comparative period).
- A decrease of 91.3% in consolidated dividend income following the divestment of three insurance companies from Aviva Group included in the portfolio of investment financial assets of Santander Bank Polska S.A. closed in November 2021. In the comparative period, two of the above-mentioned companies paid a dividend of PLN 89.0m in total to the Bank.
- A loss of PLN 38.9m on derecognition of financial instruments measured at amortised cost vs a gain of PLN 1.5m in the comparative period.
- Other operating income totalled PLN 86.0m and was broadly stable YoY (+2.6%).

Expected credit loss allowances

Impairment allowances for expected credit losses on loans and advances measured at amortised cost (in PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Charge on loans and advances to customers	(45,2)	(86,7)	(148,5)	10,5	(142,5)	(602,7)	60,4	24,1	(275,8)	(654,8)
Recoveries of loans previously written off	-	-	-	-	42,1	17,1	-	-	42,1	17,1
Off-balance sheet credit related facilities	4,2	(2,7)	1,4	2,9	(1,4)	10,5	-	-	4,2	10,7
Total	(41,0)	(89,4)	(147,1)	13,4	(101,8)	(575,1)	60,4	24,1	(229,5)	(627,0)

In H1 2022, the charge made by Santander Bank Polska Group to the income statement on account of net expected credit loss allowances was PLN 229.5m, down 63.4% YoY. This figure includes positive net allowances of Santander Consumer Bank Group, which totalled PLN 32.0m and decreased by PLN 147.1m YoY.

The YoY decrease in allowances on loans and advances to the Group's customers (from PLN 654.8m in H1 2021 to PLN 275.8m in H1 2022) is a combined effect of the following:

- Stabilisation or a decrease in credit risk in retail, SME and corporate portfolios due to stable or lower level of arrears and non-performing exposures. In addition in the corporate loan portfolio several major repayments were posted.
- Change of the accounting policy of Santander Bank Polska Group as of 1 January 2022, as a result of which the impact of legal risk associated with active foreign currency mortgage loans is recognised as adjustment to the gross carrying amount of the portfolio in accordance with IFRS 9 Financial Instruments.
- Review and update of model parameters and macroeconomic scenarios (taking into account forecasts) as part of a half-yearly review in accordance with IFRS 9, which resulted in withdrawal of the management adjustments of PLN 134.8m in total, including PLN 59.4m raised in Q1 2022 for expected credit losses in individual customer segments (post-model adjustment) to account for uncertainty about the geopolitical situation (Russian invasion of Ukraine) and possible deterioration of the macroeconomic conditions.
- Sale of credit receivables from retail and business customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 902.1m at a profit before tax of PLN 107.8m (last year, receivables of PLN 1,556.6m were sold at a profit before tax of PLN 58.7m).

During the reporting period, the cost of credit risk of Santander Bank Polska Group was 0.48% vs 0.99% in H1 2021, with a higher value of the credit portfolio measured at amortised cost (+8.0% YoY including finance lease receivables).

The Group closely monitors its loan portfolio, and promptly responds to changes in risk by adjusting credit ratings and classifying exposures to individual stages (taking into account the risk connected with Covid-19 and the war in Ukraine).

Total costs

Total costs (in PLN m)	H1 2022	H1 2021	YoY Change
Staff, general and administrative expenses, of which:	(2 189,3)	(1 602,9)	36,6%
- Staff expenses	(885,0)	(816,3)	8,4%
- General and administrative expenses	(1 304,3)	(786,6)	65,8%
Depreciation/amortisation	(263,7)	(291,7)	-9,6%
- Depreciation/amortisation of PP&E and intangible assets	(187,1)	(199,0)	-6,0%
- Depreciation of right-of-use assets	(76,6)	(92,7)	-17,4%
Other operating expenses	(79,1)	(67,5)	17,2%
Total costs	(2 532,1)	(1 962,1)	29,1%

In H1 2022, total operating expenses of Santander Bank Polska Group went up by 29.1% YoY to PLN 2,532.1m on account of an increase in salaries, the Bank's participation in the newly established institutional protection scheme, higher mandatory contributions to the Bank Guarantee Fund and dynamically growing cost of marketing and IT usage. Other significant contributing factors included indexation and revision of pricing resulting due to an increasing inflation rate, among other things. On a comparative basis, i.e. excluding the impact of the contribution to the aid fund established as part of the protection scheme and contributions to the BFG guarantee and resolution funds, the underlying total operating expenses were up 6.0% YoY.

As total income grew considerably faster than total operating costs, the Group's cost to income ratio was 38.9% for H1 2022 vs 44.8% for H1 2021. The improvement in the cost to income ratio also results from the changed accounting approach to the legal risk of FX mortgage loans.

Staff expenses

Staff expenses totalled PLN 885.0m for H1 2022 and increased by 8.4% YoY, which was accompanied by 5.7% YoY decrease in the average employment. The main components of staff expenses, i.e. salaries, bonuses and statutory deductions from salaries, went up by 9.0% to PLN 857.1m on account of the last year's salary review in line with market rates and the higher bonus pool calculated against the base salary. Cost of training increased by 15.8% YoY to PLN 4.2m. The majority of training initiatives were delivered on a remote basis.

General and administrative expenses

In H1 2022, general and administrative expenses of Santander Bank Polska Group increased by 65.8% YoY to PLN 1,304.3m. The largest constituent item was a contribution of PLN 407.3m made by Santander Bank Polska S.A. to the aid fund created along with seven other commercial banks as part of the institutional protection scheme. The above amount was estimated on the basis of the guaranteed funds of Santander Bank Polska S.A. as at 31 March 2022 and was recognised in P&L for Q2 2022. The second biggest component of general and administrative expenses was fees payable to market regulators (BFG, KNF and KDPW), which increased by 26.5% YoY to PLN 284.7m due to higher contributions to the BFG. In H1 2022, the charge to the Group's income statement on account of these contributions went up by 28.0% YoY to 266.7m (an annual contribution to the bank resolution fund increased by 35.6% YoY to PLN 209.0m and a quarterly contribution to the bank guarantee fund rose by 6.4% YoY to PLN 57.4m). In 2022, the BFG Council increased the amount of contributions payable by banks for 2022 due to improvement in the situation of the banking sector and then suspended an obligation to pay the contributions to the mandatory bank deposit guarantee fund due for 2022 until 31 October 2022 (unless they were paid before 7 May 2022).

Excluding the mandatory contributions payable to the BFG and contribution to the new protection scheme for commercial banks, the Group's general and administrative expenses increased by 9.0% YoY, mainly on account of higher cost of IT usage and marketing. The cost of IT usage went up by 15.0% YoY in connection with delivery of various IT projects across Santander Group and locally, as well as due to processes related to support and maintenance of the existing infrastructure. The increase in marketing and entertainment (+13.2% YoY) results from the campaign "The Power of Making Life Easier" ("Moc ułatwiania życia"), sponsorship activities and extensive correspondence to customers.

In addition, the cost of data transmission went up by 84.4% YoY due to the migration to the new Data Centre. An increase was also observed in postal and telecommunications fees (+14.9% YoY) charged for the dispatch of correspondence on changes in the schedule of fees and charges and interest rates, as well as in costs of third party services (+14.5% YoY) due to the printing of correspondence to customers, an increase in back office service rates, and the launch of new external services as part of banking operations.

At the same time, a decrease was reported in consultancy and advisory fees (-11.1% YoY), reflecting a lower demand for such services as part of ongoing regulatory and development projects. The cost of purchase of equipment went down too (-46.6% YoY), as did the cost of consumables, printouts, cheques and cards (-11.1% YoY).

Tax expense

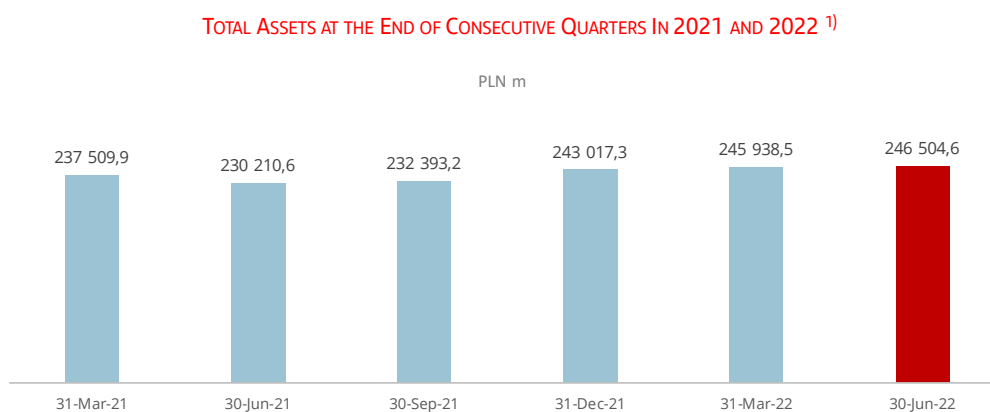
Tax on financial institutions for H1 2022 totalled PLN 367.6m and was up 22.3% YoY, reflecting an increase in loans and advances to customers.

Corporate income tax was PLN 732.4m and effectively lower compared to the previous year (the effective tax rate fell from 44.7% for H1 2021 to 29.6% for H1 2022), mainly on account of a strong increase in profit before tax combined with higher provisions for legal risk related to foreign currency mortgage loans, contributions to the Bank Guarantee Fund and tax on financial institutions.

2. Statement of Financial Position

Consolidated assets

As at 30 June 2022, the total assets of Santander Bank Polska Group were PLN 246,504.6m, and increased by 7.1% YoY and 1.4% Ytd on the back of loans and advances to customers, loans and advances to banks, and financial assets held for trading. The value and structure of the Group's financial position is determined by the parent entity, which held 91.2% of the consolidated total assets vs 89.2% as at the end of December 2021.



1) The total assets for individual quarters of 2021 were restated to reflect the Group's modified accounting policy (as of 1 January 2022) with respect to the recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37).

Structure of consolidated assets

Assets ¹⁾ in PLN m (condensed presentation for analytical purposes)	Structure		Structure		Structure		Ytd	YoY
	30.06.2022	30.06.2022	31.12.2021	31.12.2021	30.06.2021	30.06.2021	Change	Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers	152 635,3	61,9%	146 391,3	60,2%	140 822,0	61,2%	4,3%	8,4%
Investment financial assets	62 902,8	25,5%	71 866,3	29,6%	71 165,4	30,9%	-12,5%	-11,6%
Financial assets held for trading and hedging derivatives	9 532,3	3,9%	4 183,3	1,7%	2 874,8	1,2%	127,9%	231,6%
Cash and operations with Central Banks	6 234,8	2,5%	8 438,3	3,5%	3 165,6	1,4%	-26,1%	97,0%
Loans and advances to banks	5 209,0	2,1%	2 690,3	1,1%	2 935,5	1,3%	93,6%	77,4%
Fixed assets, intangibles, goodwill and right-of-use assets	3 558,0	1,4%	3 654,9	1,5%	3 760,5	1,6%	-2,7%	-5,4%
Buy-sell-back transactions and assets pledged as collateral	1 841,3	0,8%	987,8	0,4%	1 129,4	0,5%	86,4%	63,0%
Other assets ²⁾	4 591,1	1,9%	4 805,1	2,0%	4 357,4	1,9%	-4,5%	5,4%
Total	246 504,6	100,0%	243 017,3	100,0%	230 210,6	100,0%	1,4%	7,1%

1) As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The comparative data presented in the table have been restated in accordance with the revised accounting policy.

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

In the above condensed statement of financial position as at 30 June 2022, net loans and advances to customers were the key item of the consolidated assets (61.9%). They totalled PLN 152,635.3m and increased by 4.3% compared to the end of December 2021 along with a rise in the key portfolios of the Group: loans for business customers and the public sector, lease receivables and mortgage loans.

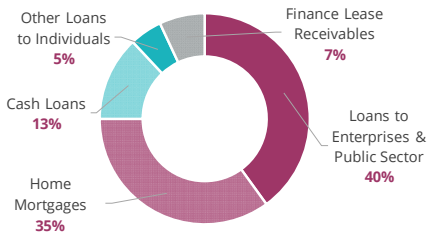
As part of ongoing liquidity management, the Group increased the level of term deposits, loans and current account balances disclosed under loans and advances to banks (+93.6% Ytd) as well as the volume of financial assets held for trading and hedging derivatives (+127.9% Ytd), mainly on account of transactions in interest rate instruments. The Group's activity in the interbank repo market translated into a rise of 86.4% Ytd in buy-sell-back transactions and assets pledged as collateral.

Compared to the end of the previous year, a decrease was noted in cash and balances with the central bank (-26.1% Ytd). There was also a decline in the balance of investment financial assets (-12.5% Ytd) driven by the portfolio of debt investment securities measured at fair value through other comprehensive income, in which the Bank has invested liquidity surplus since 2020 by purchasing bonds issued or guaranteed by the State Treasury. Under this aggregated line item, effective as of 1 April 2022, the Bank reclassified the portfolio of debt securities hedging interest rate risk of PLN current accounts to reflect their change from the "held to collect and for sale" (HTC&S) business model to the "held to collect" (HTC) business model. Consequently, debt investment securities measured at fair value through other comprehensive income of PLN 10.5bn have been reclassified, while the related fair value adjustment has been reversed, the related deferred tax asset has been released and debt investment securities measured at amortised cost of PLN 12.4bn have been recognised.

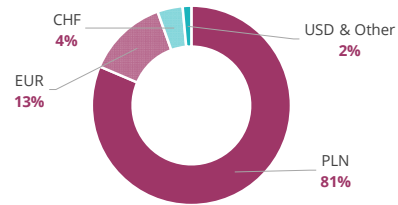
Credit portfolio

	30.06.2022	31.12.2021	30.06.2021	Ytd Change	YoY Change
Gross Loans and Advances to Customers (in PLN m)	1	2	3	1/2	1/3
Loans and advances to individuals	83 316,5	83 039,2	79 886,5	0,3%	4,3%
Loans and advances to enterprises and public sector customers	63 564,8	58 216,2	56 973,3	9,2%	11,6%
Finance lease receivables	11 421,4	10 937,9	10 307,3	4,4%	10,8%
Other	87,1	58,4	45,1	49,1%	93,1%
Total	158 389,8	152 251,7	147 212,2	4,0%	7,6%

**PRODUCT STRUCTURE OF CONSOLIDATED
LOANS & ADVANCES TO CUSTOMERS AS AT 30.06.2022**



**FX STRUCTURE OF CONSOLIDATED
LOANS AND ADVANCES TO CUSTOMERS AS AT 30.06.2022**

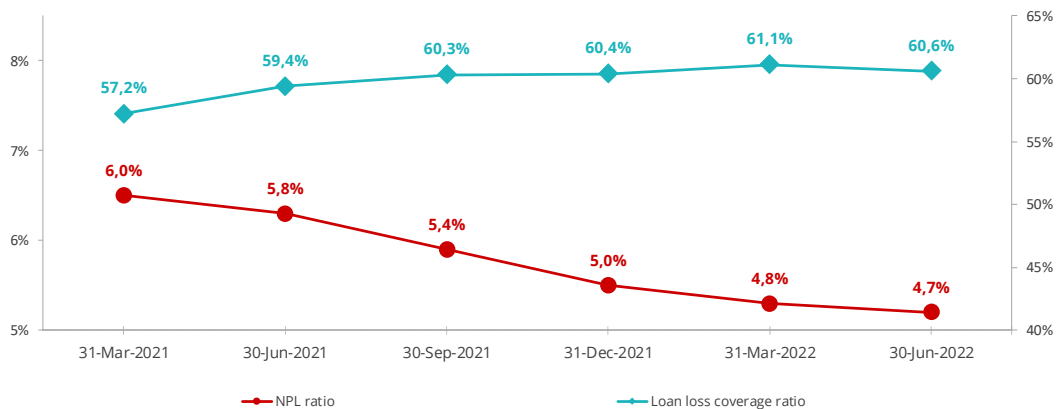


As at 30 June 2022, consolidated gross loans and advances to customers were PLN 158,389.8m and increased by 4.0% on the end of December 2021. The portfolio includes loans and advances to customers measured at amortised cost of PLN 144,445.3m (+3.9% Ytd), loans and advances to customers measured at fair value through other comprehensive income of PLN 2,140.4m (+23.5% Ytd), loans and advances to customers measured at fair value through profit or loss of PLN 382.8m (-30.9% Ytd), and finance lease receivables of PLN 11,421.4m presented below.

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

- Compared with 31 December 2021, loans and advances to individuals were broadly stable and totalled PLN 82,981.0m (+0.3% Ytd). Home loans, which were the main contributor to this figure, totalled PLN 55,350.5m and increased by 1.1% Ytd due to a substantial decline in the value of foreign currency loans. Despite a turbulent market environment (uncertainty related to Russia's invasion of Ukraine and the series of NBP interest rate hikes aimed to curb the rocketing inflation), mortgage loan sales remained high yet lower than in the record H2 2021. The second largest constituent item was cash loans, which totalled PLN 20,746.6m and were stable Ytd (-0.3%).
- Loans and advances to enterprises and the public sector (including factoring receivables) increased by 9.2% Ytd to PLN 63,564.8m as a result of higher utilisation of overdrafts by customers from all business segments, and higher exposure on account of term loans in the Business and Corporate Banking segment and the Corporate and Investment Banking segment.
- Finance lease receivables of subsidiaries of Santander Bank Polska S.A. rose by 4.4% Ytd to 11,421.4m, supported by sales of machines and equipment and of vehicles.

CREDIT QUALITY RATIOS BY QUARTER IN 2021 AND 2022



The NPL ratio was 4.7% as at 30 June 2022 compared to 5.0% as at 31 December 2021 and 5.8% as at 30 June 2021. The provision coverage ratio for impaired loans was 60.6% compared with 60.4% as at 31 December 2021 and 59.4% as at 30 June 2021.

Structure of consolidated equity and liabilities

Liabilities & Equity ¹⁾ in PLN m (condensed presentation for analytical purposes)	Structure		Structure		Structure		Ytd	YoY
	30.06.2022	30.06.2022	31.12.2021	31.12.2021	30.06.2021	30.06.2021	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	183 536,3	74,6%	185 373,5	76,3%	173 180,2	75,2%	-1,0%	6,0%
Subordinated liabilities and debt securities in issue	13 147,8	5,3%	15 555,9	6,4%	15 789,7	6,9%	-15,5%	-16,7%
Financial liabilities held for trading and hedging derivatives	10 411,6	4,2%	5 640,4	2,3%	3 464,6	1,5%	84,6%	200,5%
Deposits from banks and sell-buy-back transactions	5 744,9	2,3%	4 910,4	2,0%	4 717,7	2,0%	17,0%	21,8%
Other liabilities ²⁾	5 199,4	2,1%	4 323,5	1,8%	4 126,0	1,8%	20,3%	26,0%
Total equity	28 464,6	11,5%	27 213,6	11,2%	28 932,4	12,6%	4,6%	-1,6%
Total	246 504,6	100,0%	243 017,3	100,0%	230 210,6	100,0%	1,4%	7,1%

1) The comparative data presented in the table have been restated in accordance with the revised accounting policy related to recognition of legal risk connected with foreign currency mortgage loans.

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

As at 30 June 2022, deposits from customers totalled PLN 183,536.3m and were the largest constituent item of the Group's total equity and liabilities (74.6%) disclosed in the consolidated financial statements and the main source of funding for the Group's assets. During the first six months of 2022, they declined by 1.0%.

An increase was observed in financial liabilities held for trading and hedging derivatives (+84.6% Ytd) largely supported by transactions in interest rate instruments, and in deposits from banks and liabilities due to sell-buy-back transactions (+17.0% Ytd) as part of the activity in the repo market.

In H1 2022, subordinated liabilities and liabilities in respect of debt securities in issue decreased by 15.5% (with the latter item falling by 19.1% Ytd to PLN 10,355.8m), as a combined effect of the issue of debt instruments with a total nominal value of PLN 2,711.4m and redemption of PLN 5,309.6m worth of securities on their maturity date. Under the EMTN Programme, the Bank issued fixed-coupon senior non-preferred notes with a nominal value of EUR 500m and maturity date on 30 March 2024. The notes were taken up in full by Banco Santander S.A. Santander Leasing S.A. issued 1-year bonds with a nominal value of PLN 235m, a put option and an interest rate based on 3M WIBOR. The issue is guaranteed by the Bank.

Deposit base

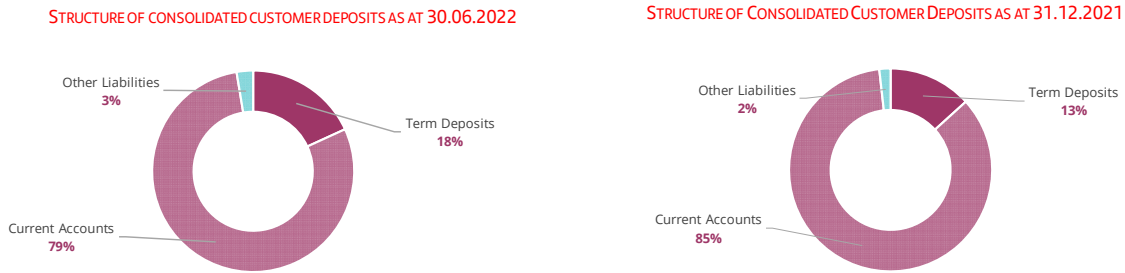
Deposits by entities

Deposits from Customers in PLN m	30.06.2022	31.12.2021	30.06.2021	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Deposits from individuals	105 055,9	106 267,8	100 772,3	-1,1%	4,3%
Deposits from enterprises and public sector customers	78 480,4	79 105,7	72 407,9	-0,8%	8,4%
Total	183 536,3	185 373,5	173 180,2	-1,0%	6,0%

As at 30 June 2022, consolidated deposits from customers totalled PLN 183,536.3m and decreased by 1.0% as an effect of high base comprising funds received by customers in 2020 and 2021 from state aid programmes aimed to contain the economic impact of the Covid-19 pandemic.

- The retail deposit base reached PLN 105,055.9m and decreased by 1.1% compared to 31 December 2021. At the same time, its structure changed in favour of term deposits, which became a more attractive option to customers due to developments in the money market. Term deposits increased by 45.0% to PLN 20,417.0m, mainly due to the transfer of funds from savings accounts (which fell by 17.4% to PLN 26.8bn) and from investment funds, affected by downturn in the equity and bond markets and uncertainty around the geopolitical and macroeconomic situation. Current account balances, excluding funds in savings accounts, decreased by 3.2% to PLN 57.6bn.
- Deposits from enterprises and the public sector declined by 0.8% Ytd to PLN 78,480.4m as a consequence of an increase of 22.8% in term deposits to PLN 12,905.5m and a fall of 6.9% in current account balances to PLN 60,943.6m.

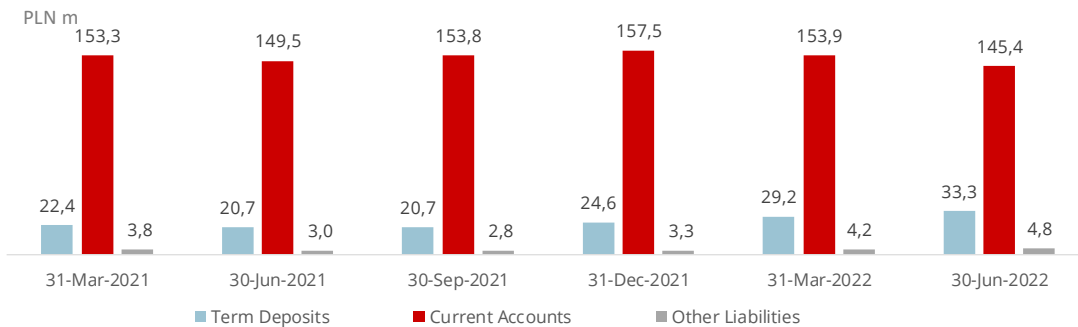
Deposits by tenors



In H1 2022, the Group's total term deposits from customers amounted to PLN 33,322.5m and increased by 35.5%. Current account balances fell by 7.7% Ytd to PLN 145,368.8m, and other liabilities were PLN 4,845.0m, up 46.6% Ytd.

Loans and advances from financial institutions (PLN 1,266.5m vs PLN 1,403.4m as at 31 December 2021) 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 year-to-date decrease under this heading results from scheduled repayment of loans and disbursement of EUR 75m worth of loan tranche under the agreement between Santander Leasing S.A. and the Council of Europe Development Bank.

TERM DEPOSITS AND CURRENT ACCOUNTS * AT QUARTER-ENDS OF 2021 AND 2022



* zawierają konta oszczędnościowe

3. Selected Financial Ratios

Selected financial ratios of Santander Bank Polska Group	H1 2022	H1 2021
Total costs/Total income	38,9%	44,8%
Net interest income/Total income	79,5%	63,6%
Net interest margin ¹⁾	4,63%	2,59%
Net commission income/Total income	19,7%	27,7%
Net customer loans/Customer deposits	83,2%	81,3%
NPL ratio ²⁾	4,7%	5,8%
NPL coverage ratio ³⁾	60,6%	59,4%
Credit risk ratio ⁴⁾	0,48%	0,99%
ROE ⁵⁾	10,3%	3,8%
ROTE ⁶⁾	10,7%	4,6%
ROA ⁷⁾	1,0%	0,4%
Capital ratio ⁸⁾	19,18%	21,16%
Tier I ratio ⁹⁾	17,31%	19,14%
Book value per share (in PLN)	278,55	283,13
Earnings per share (in PLN) ¹⁰⁾	15,82	3,66

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

2) Gross loans and advances to customers measured at amortised cost and finance leases that are classified to stage 3 or POCI exposures to the total gross value of these receivables at the end of the reporting period.

3) Expected credit loss allowances for loans and advances to customers measured at amortised cost and finance leases that are classified to stage 3 or POCI exposures to the gross value of the respective receivables at the end of the reporting period.

4) Net expected credit loss allowances (for four consecutive quarters) to average gross loans and advances to customers measured at amortised cost and finance leases (as at the end of the current reporting period and the end of the previous 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 previous year), excluding non-controlling interests, current period profit, dividend reserve/ undistributed portion of the profit and recommended dividend.

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 previous year) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, recommended 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 previous 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.

4. Additional Financial Information

Key intercompany transactions with subsidiaries

Transactions between Santander Bank Polska S.A. and its related parties are banking operations carried out on an arm's length basis as part of their ordinary business and mainly represent loans, bank accounts, deposits, guarantees and leases.

As at 30 June 2022, the Bank's total exposure in respect of loans granted to banking and non-banking subsidiaries (including Santander Factoring Sp. z o.o., Santander Leasing S.A., Santander Consumer Multirent Sp. z o.o. and Santander Consumer Bank S.A.) was PLN 17,138.6m compared with PLN 11,643.9m as at 31 December 2021.

The deposits held with the Bank by its subsidiaries (including Santander Finanse Sp. z o.o., Santander Inwestycje Sp. z o.o., Santander TFI S.A., Santander Factoring Sp. z o.o., Santander Leasing S.A., Santander Consumer Multirent Sp. z o.o., Santander Consumer Bank S.A.) totalled PLN 272.7m vs PLN 420.7m as at 31 December 2021.

Contingent liabilities were PLN 3,942.6m compared with PLN 6,052.2m as at 31 December 2021. Guarantees to subsidiaries amounted to PLN 2,391.5m vs PLN 4,640.1m as at 31 December 2021.

The above transactions are excluded from the consolidated financial statements.

Intercompany transactions with the parent entity

The Bank's receivables from the parent entity (Banco Santander S.A.) were PLN 1,643.4m (PLN 406.4m as at 31 December 2021), while liabilities were PLN 288.6m (PLN 138.5m as at 31 December 2021).

A full disclosure on related party transactions is available in Note 35 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022 and in Note 35 to the Condensed Interim Separate Financial Statements of Santander Bank Polska S.A. for the 6-month period ended 30 June 2022.

Contingent liabilities and court proceedings

Guarantees

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

Contingent liabilities (granted)	30.06.2022	31.12.2021
Financial:	35 359,3	36 541,5
- credit lines	30 874,7	31 474,9
- credit cards	3 529,5	3 744,3
- import letters of credit	907,4	1 322,3
- term deposits with future commencement term	47,7	0,0
Guarantees	8 336,6	8 997,6
Provision for off-balance sheet liabilities	(56,9)	(60,8)
Total	43 639,0	45 478,3

Contingent liabilities (received)	30.06.2022	31.12.2021
Financial	451,0	26,4
Guarantees	54 849,3	54 929,6
Total	55 300,3	54 956,0

Pending court proceedings

Court Proceedings with Santander Bank Polska Group as a Party (in PLN m)	30.06.2022	31.12.2021
Amounts claimed by the Group	1 082,9	1 133,8
Claims against the Group ¹⁾	3 301,0	2 533,3
Receivables due to bankruptcy or arrangement cases	74,1	54,8
Value of all litigation	4 458,0	3 721,9
Completed court proceedings	150,8	659,3

5. Factors Which May Effect Financial Results in H2 2022 and Beyond

The following external developments may have a significant impact on the financial performance and activity of Santander Bank Polska Group in H2 2022:

- War between Russia and Ukraine, impact of sanctions and disruption in international trade. Migration flows. Limited supply of energy commodities.
- Pandemic. Another wave of Covid-19.
- Potential further changes in the monetary policy of the ECB, the Federal Reserve and other main central banks aimed at fighting rising inflation.
- Elevated inflation.
- Further increase in NBP rates.
- FX loans: decisions on settlements with customers and outcome of court proceedings.
- Payment holiday – a possibility to suspend PLN mortgage loan repayments.
- Fluctuation in credit risk prices on the financial markets, also due to changes in geopolitical risks.
- Changes in bond yields which are a function of monetary and fiscal policy expectations as well as of the liquidity of the banking sector.
- Changes in the demand for loans in the context of fluctuations in liquidity, rising rates and impact of the war.
- Changes in households' financial situation under the influence of labour market trends.
- Changes to customers' savings allocation decisions, impacted by expected yields from different asset classes as well as changes to the approach to saving and spending.
- Evolution of the global equity markets and its impact on the demand for investment funds and equities.

VIII. Risk and Capital Management

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

Key risk management principles

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

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

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

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

A detailed description of the principles of managing the key risk types identified in Santander Bank Polska Group together with selected results of their measurement is presented in the Annual Report of Santander Bank Polska Group for 2021.

Risk management structure

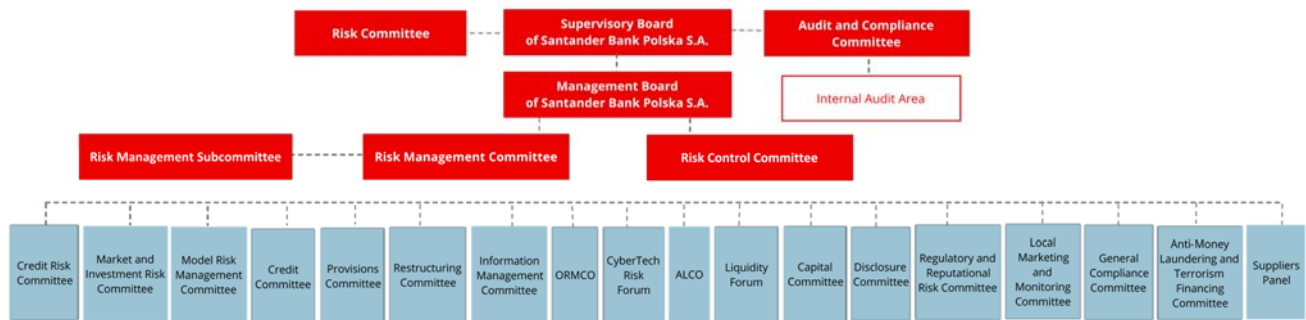
The Bank's Supervisory Board, supported by the Audit and Compliance Committee and the Risk Committee, is responsible for ongoing supervision of the risk management system in Santander Bank Polska S.A. The Supervisory Board approves the strategy, key risk management policies and risk appetite, and monitors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

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

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

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

CORPORATE GOVERNANCE STRUCTURE FOR RISK SUPERVISION AND MANAGEMENT



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

- Credit Risk Committee
- Market and Investment Risk Committee
- Model Risk Management Committee
- Credit Committee
- Provisions Committee
- Restructuring Committee
- Information Management Committee
- Operational Risk Management Committee/ ORMCO
- Suppliers Panel
- CyberTechRisk Forum
- Assets and Liabilities Committee/ ALCO
- Liquidity Forum
- Capital Committee
- Disclosure Committee
- Local Marketing and Monitoring Committee
- General Compliance Committee
- Regulatory and Reputational Risk Committee
- Anti-Money Laundering and Terrorism Financing Committee.

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

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

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

In the case of Santander Consumer Bank S.A. (SCB S.A.), the Bank exercises oversight of risk management under the applicable law and in line with the same oversight rules as applied to other Santander Bank Polska Group companies. The representatives of Santander Bank Polska S.A. on the Supervisory Board of SCB S.A. are two Vice Presidents of the Bank's Management Board in charge of the Risk Management Division and the Retail Banking Division. Together with SCB S.A. Supervisory Board, they are responsible for supervision over SCB S.A. and make sure that the company operates in line with the adopted plans and operational security procedures. The Bank monitors the profile and level of SCB S.A. risk via risk management committees of Santander Bank Polska S.A., which receive relevant reports on SCB S.A.'s operations.

2. Risk Management Priorities in 2022

Further development of risk management processes and tools

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

Actions taken in connection with the war in Ukraine

More extensive business continuity management measures have been taken since the beginning of 2022 in connection with the war in Ukraine. The consequences of Russia's invasion are discussed on an ongoing basis by special situations management committees, which take decisions regarding financial liquidity, legislative support, public programmes, cybersecurity, physical security, etc. New sanction regulations are constantly monitored and implemented and their impact on the Group's operations is regularly assessed. Furthermore, the appropriateness of response plans is tested (in terms of operational activities) in the case of escalation of the armed conflict.

Dealing with threats arising from deterioration of the macroeconomic situation due to the war among other factors

Further deterioration of the macroeconomic conditions is observed, notably rising inflation (higher costs of production and prices of raw materials and energy). The Group analyses the macroeconomic situation on an ongoing basis and estimates a potential impact on the risk profile of the credit portfolio. As at the date of this report, the quality of the credit portfolio was assessed as satisfactory. The Group also prepares action plans in case the market situation adversely affects the financial performance of business customers. In June 2022, the Group raised an additional management provision to take account of the worsening quality of the corporate loans portfolio, notably companies with a high debt level.

Following the outbreak of the war, the Group reviewed its credit portfolio and identified customers doing business in Russia, Ukraine and Belarus. The proportion of loans granted to such customers in the corporate and global portfolio does not exceed 8%. Customers that are directly connected with the countries involved in the war do not have a significant influence on the quality of the loan book. However, the war is expected to have a more severe impact on macroeconomic trends in a medium- to long-term perspective, which may affect the risk level of the portfolio.

The Group conducted regular analyses to identify a potential increase in credit risk of corporate customers due to the above-mentioned factors. Special management reports developed after the Covid-19 outbreak were continued to be generated.

Dealing with threats posed by Covid-19

To mitigate risk related to Covid-19, the Bank has taken preventive and remedial actions within dedicated management structures with regard to the pandemic scenario. The main objective is to ensure business continuity.

Due to the pandemic threat and the war beyond Poland's eastern border, an increased focus is placed on cybersecurity because of the risk of cyberattacks and the need to enable a large number of the Bank's head office staff to continue to work from home, and increased use of remote channels by customers in sale and post-sale processes. The Group kept track of risks, taking mitigating measures on an ongoing basis in relation to both customers and employees. The Bank identified an exposure to fraud risk, mostly related to phishing campaigns and other attacks directed at the Bank's customers. The cyberattacks were predominantly based on messages pretending to be official communications about the Covid-19 pandemic.

To protect customers' funds, the Bank put preventive measures in place, including initiatives addressed to customers and employees (e.g. educational campaigns in social media) to increase their awareness of cyber risks and build cybersecurity culture.

The Group continues to monitor the pandemic situation and its impact on the economy, and constantly assesses the likelihood of new waves of Covid-19 and their impact on the credit portfolio.

Managing the portfolio of currency mortgage loans

Following the CJEU judgment of 3 October 2019 in case C-260/18, the number of court disputes over clauses in agreements on mortgage loans indexed to or denominated in foreign currencies has increased. The Group expects that most of the lawsuits will be filed by mid-2023, and then the number of new claims will drop as the legal environment will become more structured.

The above CJEU judgment did not resolve the doubts as to the consequences of potentially unfair terms in foreign currency loan agreements. The ruling practice of the Supreme Court will be of importance here. The expected resolution of the full bench of the Civil Chamber of the Supreme Court has not been adopted yet. In view of the above, and taking into account the differences in the ruling practice to date (including after the judgment issued by the CJEU), when assessing legal risk associated with lawsuits over foreign currency loans the Bank considers different court rulings in connection with potentially unfair contractual clauses (including annulment of the entire agreement, conversion of the loan to PLN with the interest rate based on the relevant benchmark, and maintenance of the indexation mechanism along with replacement of the Bank's exchange rate with an objective average NBP rate). The Bank raises provisions for legal risk associated with pending court cases considering the likelihood of different judgments.

As at 30 June 2022, the total value of the impact of the legal risk connected with foreign currency mortgage loans on the statement of the financial position was PLN 2.96bn vs PLN 2bn as at 31 December 2021. The total cost of legal risk associated with such loans recognised in the income statement was PLN 974.7m in H1 2022 compared with PLN 736.5m in the corresponding period of 2021.

The Bank continuously monitors the ruling practice of Polish courts and the CJEU concerning foreign currency mortgage loans and adjusts its strategy accordingly. The adequacy of the provisions will continue to be monitored and assessed in subsequent reporting periods.

3. Material Risk Factors Expected in H2 2022

The Group expects that the macroeconomic situation will further deteriorate in H2 2022. The negative market trends observed since H2 2021 (increasing interest rates, production costs, prices of commodities, energy, gas and fuel, as well as new restrictions and requirements connected with sanctions imposed in relation to the war in Ukraine) are expected to adversely affect the interim financial results of businesses. Consequently, the Group will closely monitor the portfolio and market conditions to promptly adjust the credit policy to economic developments.

As the state of epidemic in Poland was replaced by the state of epidemic threat as of 16 May 2022, the quality of the credit portfolio is not expected to deteriorate due to Covid-19. Nonetheless, the past experience prompts the Group to stay alert during autumn and winter when the rising number of cases and the resulting restrictions imposed in the previous years affected the profitability of some economic sectors. The Group monitors the situation on an ongoing basis and will respond appropriately, based on the lessons learned since the outbreak of the pandemic.

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

The Bank's net interest income was positively affected by market interest rate increases in H1 2022, resulting from the Monetary Policy Council's decision to increase the reference rate from 1.75% in December 2021 to 6% in June 2022. While subsequent interest rate hikes are expected to further contribute to the Bank's interest margin, credit losses on variable-rate loans are likely to be seen. Meanwhile, competition in the deposit market is getting fierce, which causes an increase in the Bank's cost of funding.

The Act on crowdfunding for business and support for borrowers of 7 July 2022 signed by the President on 14 July 2022 imposes additional charges on the Bank in relation to the support for borrowers and generates risk connected with accelerated cessation of WIBOR. Borrowers who have taken out a PLN loan for own housing needs will be able to apply for a payment deferral and have their principal and interest payments suspended for four months in 2022 (two months in Q3 and two months in Q4) and for one month in each quarter of 2023. The deferred instalments will extend the lending period. The Group is analysing the impact of this legislation on future financial performance. It has already been estimated at PLN 1.4bn in Q3 2022 assuming that 50% of eligible borrowers will have all the possible instalments suspended. The Act also introduces provisions to strengthen the Borrowers Support Fund. Banks will have to additionally pay PLN 1.4bn into the Fund. The contribution of Santander Bank Polska Group is roughly estimated at PLN 165m, which will be charged to the Group's profit before tax in Q3 2022. The final amount of contributions will be set by the Board of the Borrowers Support Fund at a later date.

The new legislation imposes cessation of WIBOR. The alternative benchmark and its effective date will be specified in a relevant regulation. As the proposed replacement rates are still being consulted with the market, a great effort will be required from all financial market participants to change the benchmark and ensure its continuity. The Bank is one of the participants in the National Working Group (NWG) on benchmark reform supervised and coordinated by the Steering Committee composed of the Ministry of Finance, the Office of the Polish Financial Supervision Authority, GPW Benchmark, the Polish Development Fund and ING Bank Śląski (a representative of the financial sector). The purpose of the NWG is to prepare a road map and an action plan for efficient and secure implementation of a process aimed to replace WIBOR with a new interest rate benchmark.

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

In response to those threats, the 2022–2023 Cybersecurity and Financial Crime Prevention Strategy of Santander Bank Polska Group was developed, and specific mitigants were included in the Cybersecurity Transformation Plan.

4. Capital Management

Introduction

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

As at 30 June 2022, the Group identified a capital surplus of PLN 10.2bn in excess of the regulatory capital requirements.

The level of own funds required to ensure safe operations of the Bank and Santander Bank Polska Group and capital requirements estimated for unexpected losses is determined in accordance with the provisions of the CRD IV/CRR package, regulations of the European Parliament and of the Council (EU) (2019/876 of 20 May 2019, 2019/630 of 17 April 2019, 2020/873 of 24 June 2020), and the Polish Macroprudential Supervision Act, taking into account KNF recommendations.

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

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

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

Capital requirements

Below are the minimum levels of capital ratios as at 30 June 2022 which meet the provisions of the CRR and the Macroprudential Supervision Act as well as the regulatory recommendations regarding additional own funds requirements under Pillar 2 at the level of Santander Bank Polska S.A. and Santander Bank Polska Group.

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

In its letter of 11 February 2022, the KNF recommended the Bank to mitigate its risk by maintaining own funds on a standalone and consolidated level to cover an additional capital requirement to absorb potential losses resulting from materialisation of stress conditions. The recommended capital add-on is 0.31 percentage point over the total capital ratio and should consist entirely of Common Equity Tier 1 capital.

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

As at 30 June 2022, the minimum capital ratios satisfying the provisions of the CRR and the Macroprudential Supervision Act as well as regulatory recommendations regarding additional own funds requirements under Pillar 2 were as follows:

Minimum capital ratio levels as at 30 June 2022	Tier 1	Total capital ratio
Santander Bank Polska S.A.	9.56%	11.56%
Santander Bank Polska Group	9.582%	11.589%

In H1 2022, the Bank and Santander Bank Polska Group met all regulatory requirements regarding capital management.

Regulatory capital

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

Pursuant to the resolution of the Bank's Annual General Meeting (AGM) of 27 April 2022, PLN 273.9m (29.90%) of the profit for the financial year ended 31 December 2021 was allocated to a dividend for shareholders. The dividend per share was PLN 2.68 and was paid out on 1 June 2022. PLN 457.9m was allocated to the capital reserve and the remaining amount of PLN 184.1m was left undistributed.

The AGM also allocated the undistributed net profit of PLN 1,056.8m for 2019 to the dividend reserve created by force of resolution no. 6/2021 of the Bank's AGM of 22 March 2021.

CAPITAL RATIOS OF SANTANDER BANK POLSKA GROUP AS AT 30 JUNE 2022, 31 DECEMBER 2021 AND 30 JUNE 2021

Capital Ratios of Santander Bank Polska Group	30.06.2022	31.12.2021 ¹⁾	30.06.2021
I Total capital requirement	10 791,3	10 827,5	10 504,2
II Own funds after reductions	25 874,1	25 778,9	27 787,7
Total Capital Ratio [II/(I*12.5)]	19,18%	19,05%	21,16%
Tier I Ratio	17,31%	17,10%	19,14%

1) Including profits allocated to own funds pursuant to the KNF decision.

CAPITAL RATIOS OF SANTANDER BANK POLSKA S.A. AND SANTANDER CONSUMER BANK S.A. AS AT 30 JUNE 2022, 31 DECEMBER 2021 AND 30 JUNE 2021

Santander Bank Polska Capital Ratios	30.06.2022	31.12.2021 ¹⁾	30.06.2021
Total Capital Ratio	21,75%	21,56%	24,41%
Tier I Ratio	19,53%	19,23%	22,02%

1) Including profits allocated to own funds pursuant to the KNF decision.

Santander Consumer Bank Capital Ratios	30.06.2022	31.12.2021 ¹⁾	30.06.2021
Total Capital Ratio	28,58%	26,20%	28,74%
Tier I Ratio	26,96%	24,70%	27,13%

1) Including profits allocated to own funds pursuant to the KNF decision.

As at 30 June 2022, the total capital ratio (TCR) and the Tier 1 capital ratio of Santander Bank Polska Group were 19.18% and 17.31%, respectively. Compared to Q1 2022, TCR ratio increased by 106 b.p. and Tier 1 capital ratio increased by 112 b.p. As at 30 June 2022, the capital adequacy of the Bank and the Group was assessed in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR II) as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

Pursuant to the Bank's information strategy, details about the level of own funds and capital requirements are presented in a separate report on capital adequacy of Santander Bank Polska Group as at 30 June 2022 ("Information on capital adequacy of Santander Bank Polska Group as at 30 June 2022").

IX. Governing Bodies

General Meeting of Santander Bank Polska S.A.

On 27 April 2022, the Annual General Meeting (AGM) of Santander Bank Polska S.A. was held. It approved all the reports, statements and annual assessments required by law, granted discharge to the members of the Management Board and Supervisory Board, distributed the profit for 2021 and decided to allocate the undistributed profit for 2019 to dividend reserve.

The AGM established Incentive Plan VII for 2022–2026 and determined its terms and conditions. It also approved amendments to the Remuneration Policy for members of the Management Board of Santander Bank Polska S.A. and the Remuneration Policy for members of the Supervisory Board of Santander Bank Polska S.A. and gave its consent to application of a higher maximum ratio of variable remuneration components to fixed remuneration components with respect to material risk takers. Furthermore, the AGM adopted the revised Best Practice for GPW Listed Companies 2021 issued by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) and approved amendments to the Terms of Reference of the Supervisory Board, the Policy on the suitability assessment of the Supervisory Board members in Santander Bank Polska S.A. and Nomination and Succession Planning Policy for Supervisory Board members of Santander Bank Polska S.A., adjusting them to the KNF Recommendation Z, the EBA Guidelines of 2 July 2021 (EBA/GL/2021/06) and the revised Best Practice for GPW Listed Companies 2021.

For more information about the selected resolutions adopted by the AGM on 27 April 2022, see Chapter II Section 7 “Dividend”, and Chapter VI Section 1 “Human Resources” Subsections: “Remuneration Policy” and “Incentive Plan VII”.

The contents of all AGM resolutions are available on the website of Santander Bank Polska S.A. at: <https://www.santander.pl/fileserver/item/1510737>

Supervisory Board

The table below presents the composition of the Supervisory Board of Santander Bank Polska S.A. as at 30 June 2022 and 31 December 2021.

Role in the Supervisory Board	Ref.	Composition as at 30.06.2022	Ref.	Composition as at 31.12.2021
Chairman of the Supervisory Board:	1.	Antonio Escámez Torres	1.	Antonio Escámez Torres
Vice Chairman of the Supervisory Board:	2.	José Luis de Mora	2.	José Luis de Mora
Members of the Supervisory Board:	3.	Dominika Bettman	3.	Dominika Bettman
	4.	José García Cantera	4.	José García Cantera
	5.	Danuta Dąbrowska	5.	Danuta Dąbrowska
	6.	Isabel Guerreiro	6.	Isabel Guerreiro
	7.	David Hexter	7.	David Hexter
	8.	John Power	8.	John Power
	9.	Jerzy Surma	9.	Jerzy Surma
	10.	Marynika Woroszyńska-Sapieha	10.	Marynika Woroszyńska-Sapieha

All members sitting on the Bank’s Supervisory Board as at 30 June 2022 were appointed by the AGM for a joint three-year term of office on 22 June 2020 (except for Antonio Escámez Torres, who replaced the Chairman of the Supervisory Board Gerry Byrne on 22 March 2021). Compared with the end of 2021, the composition of the Supervisory Board did not change.

As at 30 June 2022, half of the Supervisory Members met the independence criteria. The following members of the Supervisory Board held independent status: Dominika Bettman, Danuta Dąbrowska, David Hexter, Jerzy Surma and Marynika Woroszyńska-Sapieha. Each of the foregoing persons made a relevant written statement as part of the suitability assessment process.

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

As at 30 June 2022 and 31 December 2021, the Supervisory Board members sat on the following committees:

Composition of the Supervisory Board Committees as at 30.06.2022 and 31.12.2021

Composition of the Supervisory Board as at 30.06.2021		Audit and Compliance Committee		Risk Committee		Nominations Committee		Remuneration Committee	
		30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
1.	Antonio Escámez Torres ¹⁾		-				-		-
2.	José Luis de Mora								
3.	Dominika Bettman ²⁾								
4.	José Garcia Cantera								
5.	Danuta Dąbrowska								
6.	Isabel Guerreiro								
7.	David Hexter ³⁾								
8.	John Power								
9.	Jerzy Surma								
10.	Marynika Woroszyńska-Sapieha								

Chairman
 Member

Management Board

The table below presents the composition of the Management Board of Santander Bank Polska S.A. as at 30 June 2022 and 31 December 2021, and the roles and responsibilities of its members.

Role in the Management Board	Ref.	Composition as at 30.06.2022	Reporting Areas as at 30.06.2022	Ref.	Composition as at 31.12.2021	Reporting Areas as at 31.12.2021
President:	1.	Michał Gajewski	Units reporting directly to the President: 1) Legal & Compliance Division 2) units outside of the divisional structure: Internal Audit Area, Corporate Communications and Marketing Area, Customer Excellence Centre, Corporate Governance Department	1.	Michał Gajewski	Units reporting directly to the President: 1) Legal & Compliance Division 2) units outside of the divisional structure: Internal Audit Area, Corporate Communications and Marketing Area, Strategy and Business Model Transformation Area, Corporate Governance Department, Classified Data Protection Unit
Vice Presidents:	2.	Andrzej Burliga	1) Risk Management Division, 2) Business Intelligence Area (unit outside of the divisional structure)	2.	Andrzej Burliga	1) Risk Management Division, 2) Business Intelligence Area (unit outside of the divisional structure)
	3.	Juan de Porras Aguirre	Corporate & Investment Banking Division	3.	Juan de Porras Aguirre	Corporate & Investment Banking Division
	4.	Arkadiusz Przybył	Retail Banking Division	4.	Arkadiusz Przybył	Retail Banking Division
	5.	Lech Gałkowski	Business & Corporate Banking Division	5.	Lech Gałkowski	Business & Corporate Banking Division
Board Members:	6.	Patryk Nowakowski	Digital Transformation Division	6.	Patryk Nowakowski	Digital Transformation Division
	7.	Maciej Reluga	Financial Management Division	7.	Maciej Reluga	Financial Management Division
	8.	Carlos Polaino Izquierdo	Financial Accounting & Control Division	8.	Carlos Polaino Izquierdo	Financial Accounting & Control Division
	9.	Dorota Strojowska	Business Partnership Division	9.	Dorota Strojowska	Business Partnership Division

All members sitting on the Bank's Management Board as at the end of June 2022 were appointed by the Supervisory Board for a joint three-year term of office on 22 March 2021 (except for Lech Gałkowski, who joined the Management Board on 26 May 2021). Compared with the end of 2021, the composition of the Management Board did not change.

On 31 May 2022, Carlos Polaino Izquierdo resigned as a Management Board member, effective as of 1 January 2023, due to his planned return to the global structures of Banco Santander Group.

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

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

As at the release dates of the financial reports for the periods ended 30 June 2022, 31 March 2022 and 31 December 2021, no member of the Supervisory Board held any shares of Santander Bank Polska S.A.

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

Management Board Members as at 31.03.2022	28.07.2022	26.04.2022	23.02.2022
	Number of Santander Bank Polska shares		
Michał Gajewski	4 795	4 795	4 795
Andrzej Burliga ¹⁾	1 884	1 884	1 884
Lech Gałkowski ²⁾	951	951	951
Patryk Nowakowski ¹⁾	-	-	-
Carlos Polaino Izquierdo	-	-	3 126
Juan de Porras Aguirre	3 379	3 379	3 379
Arkadiusz Przybył	2 999	2 999	2 999
Maciej Reluga	2 301	2 301	2 301
Dorota Strojowska	2 732	2 732	2 732
Total	19 041	19 041	22 167

- 1) Patryk Nowakowski and Carlos Polaino Izquierdo sold all of their shares of Santander Bank Polska S.A. on 24 November 2021 and 10 March 2022 respectively. On 13 January 2022, Andrzej Burliga sold 2,000 shares of the Bank.
- 2) Lech Gałkowski took up his role as a Management Board member on 26 May 2021.

X. Other Information

Set-up of an institutional protection scheme for commercial banks

On 10 June 2022, the KNF approved the draft agreement and recognised the institutional protection scheme (IPS) created in accordance with the banking law by Santander Bank Polska S.A. and seven other commercial banks: Alior Bank S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A. and PKO Bank Polski S.A.

The foregoing banks signed the protection scheme agreement and established the managing entity operating in the form of a joint stock company with a prior consent from the President of the Office of Competition and Consumer Protection (UOKiK). The managing entity is now awaiting registration. Its share capital will be PLN 1m. Santander Bank Polska S.A. will take up approx. 12.9% of the managing entity's share capital.

The objective of the protection scheme is to ensure liquidity and solvency of member banks on the terms and conditions defined in the protection scheme agreement, and to support the resolution procedure pursued by the Bank Guarantee Fund (BGF) or acquisition of banks operating as joint stock companies.

The operations of the protection scheme will be financed from an aid fund established by the managing entity from contributions made by member banks at 0.40% of the sum of a given lender's guaranteed funds covered by the mandatory deposit guarantee scheme.

The contribution of Santander Bank Polska S.A. to the aid fund for 2022 calculated on the basis of the guaranteed funds as at 31 March 2022 is PLN 407.3m and has been taken to the profit and loss account for Q2 2022. Subsequent contributions will be subject to a unanimous resolution of the general meeting of the managing entity.

The new mechanism is voluntary and provides two inducements for member banks: a possibility to have their contributions to the BGF deposit guarantee scheme suspended and to treat expense on the protection scheme as tax deductible.

The protection scheme can be joined by other local banks provided they satisfy the terms and conditions set out in general law and in the protection scheme agreement. The liability of each bank in respect of its membership of the protection scheme will be limited to the amount of the contributions made. Each member bank may terminate the protection scheme agreement with a 24-month notice.

Pursuant to the act amending the Covered Bonds Act of 7 April 2022, contributions to the mandatory bank deposit guarantee fund due for 2022 have been suspended by the Bank Guarantee Fund (BFG) until 31 October 2022 (unless they were paid before 7 May 2022). As a consequence, the BFG has not set the amount of contributions payable by banks and foreign branches for Q2 2022.

Cooperation with international institutions in terms of securitisation

Securitisation with International Finance Corporation

On 31 March 2022, Santander Bank Polska S.A. entered into a synthetic securitisation transaction with International Finance Corporation (IFC), under which PLN 2.4bn worth of cash loans portfolio was secured with a guarantee. The secured amount can be increased in the future up to PLN 2.9bn. It is the first transaction made by the Bank and the Group companies with that investor. The previous synthetic securitisation transactions were made in cooperation with the European Investment Fund (EIF). The transaction made by the Bank is a synthetic securitisation which does not involve financing and covers the selected portfolio of cash loans that remain on the Bank's balance sheet. It is a significant risk transfer (SRT) transaction, yet not a simple, transparent and standardised (STS) securitisation as defined in CRR. The Bank will allocate the equity released thanks to the IFC guarantee to finance climate-related projects with the total minimum value of USD 600m.

Major awards, distinctions and positions in rankings

Award	Receipt date	Awarded area
Top Employer Poland and Top Employer Europe	January 2022	Certificate granted by the Top Employers Institute based on the survey results, in recognition of top HR standards and employee focus.
Best Private Banking in Poland	February 2022	First position in Poland in the global service quality ranking by <i>Euromoney</i> , in the Private Banking and Wealth Management segment.
Ethical Company 2021	March 2022	Distinction in the Ethical Company competition organised by <i>Puls Biznesu</i> granted to the Bank as one of the organisations that follow ethical principles, respect their business partners, adhere to fair competition rules, support local communities and foster good relationships within the organisation.
Trustworthy Brand award for Santander Leasing S.A.	May 2022	Top position of Santander Leasing S.A. for the third year in a row in the "leasing" category of the Trustworthy Brand survey conducted by Kantar Polska at the request of <i>My Company Polska</i> monthly, based on votes of owners and managers of small and medium-sized companies (twice the number of votes compared to competitors).
Diversity IN Check	May 2022	Recognition given to most advanced employers in Poland in terms of managing diversity and inclusion based on the Diversity IN Check survey conducted by the Responsible Business Forum.
CSR Golden Leaf	May 2022	Accolade granted by <i>Polityka</i> weekly, Deloitte and the Responsible Business Forum to companies for which compliance with the ISO 26000 standard is a strategic element of doing business and building relations with stakeholders, including employees.
Good Brand 2022 for Santander TFI S.A. in the category of investment fund companies	June 2022	An award granted for more than ten years by the Business Forum (<i>Dziennik Gazeta Prawna</i>) to the most dynamically developing and best recognised brands in Poland as part of the nationwide programme designed to promote the best, most trustworthy and most renowned brands in individual industries.
Golden Bank 2022	June 2022	1st position in the "Golden Banker 2022" ranking in the main category: "Golden Bank – best multichannel service quality", 2nd position in the "personal account" category (for Account As I Want It) and the "mortgage loan" category and 3rd position in the categories: "payment card – best design" and "credit card", based on the service quality survey conducted by Minds&Roses and Obserwatorium.biz at the request of <i>Puls Biznesu</i> and Bankier.pl.
Fintech Project 2022	June 2022	A "Cashless Service" accolade for a traditional financial institution in recognition of the most interesting fintech project over the past months: a solution enabling distribution of financial aid for Ukrainian refugees using BLIK cheques.
Distinction in the Golden Arrow 2022 awards	June 2022	A distinction received in the Golden Arrow marketing competition in the "digital campaign" category for the campaign: "Don't believe in fairytales for adults". Each year, the jury composed of marketers and Golden Arrow representatives reviews the effects and innovativeness of marketing campaigns. The purpose of the competition is to promote best practice in the use of marketing tools and recognise breakthrough solutions.

XI. Statements of the Management Board

True and fair presentation of the financial statements

To the best of the Management Board's knowledge, the financial figures and the comparable data presented in the financial statements incorporated in the Condensed Interim Financial Statements of Santander Bank Polska S.A. for the 6-month period ended 30 June 2022 and the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022 were prepared in keeping with the applicable accounting policies and give a true and fair view of the state of affairs and earnings of Santander Bank Polska S.A. and Santander Bank Polska Group.

The half-yearly Management Board's report contained in this document gives a true picture of the development, achievements and position of Santander Bank Polska S.A. and Santander Bank Polska Group (including the underlying risks) in the first half of 2022.

Signatures of the persons representing the entity

Date	Name	Function	Signature
27.07.2022	Michał Gajewski	President	
27.07.2022	Andrzej Burliga	Vice-President	
27.07.2022	Juan de Porras Aguirre	Vice-President	
27.07.2022	Arkadiusz Przybył	Vice-President	
27.07.2022	Lech Gałkowski	Member	
27.07.2022	Patryk Nowakowski	Member	
27.07.2022	Carlos Polaino Izquierdo	Member	
27.07.2022	Maciej Reluga	Member	
27.07.2022	Dorota Strojowska	Member	