ANNUAL REPORT

of Santander Bank Polska Group for 2024

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	FINANCIAL HIGHLIGHTS	PLN k		EUR k	
		31.12.2024	31.12.2023	31.12.2024	31.12.2023
	Consolidated financial statements of Santander Bank Polska Group				
I	Net interest income	13 873 216	13 115 899	3 223 181	2 896 365
II	Net fee and commission income	2 909 464	2 717 002	675 959	599 992
III	Profit before tax	7 265 661	6 850 021	1 688 040	1 512 680
IV	Net profit attributable to owners of the parent entity	5 212 731	4 831 107	1 211 080	1 066 846
V	Total net cash flows	(5 571 687)	82 154	(1 294 477)	18 142
VI	Total assets	304 373 920	276 651 885	71 231 903	63 627 388
VII	Deposits from banks	5 148 660	4 156 453	1 204 929	955 946
VIII	Deposits from customers	232 028 762	209 277 356	54 301 138	48 131 867
IX	Total liabilities	269 932 734	242 960 867	63 171 714	55 878 764
X	Total equity	34 441 186	33 691 018	8 060 189	7 748 624
XI	Non-controlling interests	1 913 719	1 928 373	447 863	443 508
XII	Profit of the period attributable to non-controlling interests	32 066	116 722	7 450	25 776
XIII	Number of shares	102 189 314	102 189 314		
XIV	Net book value per share in PLN/EUR	337,03	329,69	78,87	75,83
XV	Capital ratio	17,68%	18,65%*		
XVI	Profit per share in PLN/EUR	51,01	47,28	11,85	10,44
XVII	Diluted earnings per share in PLN/EUR	51,01	47,28	11,85	10,44
XVIII	Declared or paid dividend per share in PLN/EUR	44,63**	23,25	10,37	5,13

*The data includes profits included in own funds, taking into account the applicable EBA guidelines

**Detailed information are described in note 56.

The following rates were applied to determine the key EUR amounts for selected financial statements line items:

- for balance sheet items – average NBP exchange rate as at 31.12.2024: EUR 1 = PLN 4,2730 and as at 31.12.2023: EUR 1 = PLN 4,3480
- for profit and loss items – as at 31.12.2024 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2024: EUR 1 = PLN 4,3042 ; as at 31.12.2023 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2023: EUR 1 = PLN 4,5284

As at 31.12.2024, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 252/A/NBP/2024 dd. 31.12.2024.

Consolidated Financial Statements

of Santander Bank Polska Group for 2024

In thousands of PLN

I. Consolidated income statement

	for the period:	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Interest income and income similar to interest		**19 127 387**	**18 409 758**
Interest income on financial assets measured at amortised cost		16 005 671	14 925 201
Interest income on financial assets measured at fair value through other comprehensive income		2 004 322	2 472 065
Income similar to interest on financial assets measured at fair value through profit or loss		68 300	82 910
Income similar to interest on finance leases		1 049 094	929 582
Interest expense		**(5 254 171)**	**(5 293 859)**
Net interest income	Note 6	**13 873 216**	**13 115 899**
Fee and commission income		3 588 997	3 331 561
Fee and commission expense		(679 533)	(614 559)
Net fee and commission income	Note 7	2 909 464	**2 717 002**
Dividend income	Note 8	15 811	11 471
Net trading income and revaluation	Note 9	192 557	306 619
Gains (losses) from other financial securities	Note 10	25 763	(5 121)
Gain/loss on derecognition of financial instruments measured at amortised cost	Note 47	(70 180)	(322 492)
Other operating income	Note 11	185 041	168 901
Allowances for expected credit losses	Note 12	(983 392)	(1 149 377)
Cost of legal risk associated with foreign currency mortgage loans	Note 47	(3 101 330)	(2 592 326)
Operating expenses incl.:		(5 065 027)	(4 714 997)
-Staff, operating expenses and management costs	Note 13,14	(4 237 708)	(3 934 824)
-Amortisation of property, plant and equipment and intangible assets		(472 570)	(424 561)
-Amortisation of right of use assets		(141 634)	(144 918)
-Other operating expenses	Note 15	(213 115)	(210 694)
Share in net profits (loss) of entities accounted for by the equity method		102 297	96 937
Tax on financial institutions		(818 559)	(782 495)
Profit before tax		**7 265 661**	**6 850 021**
Corporate income tax	Note 16	(2 020 864)	(1 902 192)
Consolidated profit for the period		**5 244 797**	**4 947 829**
of which:			
-attributable to owners of the parent entity		5 212 731	4 831 107
-attributable to non-controlling interests		32 066	116 722
Net earnings per share	Note 17		
Basic earnings per share (PLN/share)		51,01	47,28
Diluted earnings per share (PLN/share)		51,01	47,28

In thousands of PLN

II. Consolidated statement of comprehensive income

	for the period:	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Consolidated net profit for the period		**5 244 797**	**4 947 829**
Items that will be reclassified subsequently to profit or loss:		**(75 025)**	**2 459 699**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income, gross	Note 24,41	505 776	1 953 159
Deferred tax		(96 097)	(371 100)
Revaluation of cash flow hedging instruments, gross	Note 41,49	(598 400)	1 083 506
Deferred tax		113 696	(205 866)
Items that will not be reclassified subsequently to profit or loss:		**154 312**	**46 395**
Revaluation of equity financial assets measured at fair value through other comprehensive income, gross	Note 24,41	190 361	72 822
Deferred and current tax		(35 368)	(13 836)
Provision for retirement benefits – actuarial gains/losses, gross	Note 41,54	(841)	(15 544)
Deferred tax		160	2 953
Total other comprehensive income, net		**79 287**	**2 506 094**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5 324 084**	**7 453 923**
Total comprehensive income attributable to:			
- owners of the parent entity		5 292 165	7 292 186
- non-controlling interests		31 919	161 737

In thousands of PLN

III. Consolidated statement of financial position

	as at:	31.12.2024	31.12.2023
ASSETS			
Cash and balances with central banks	Note 18	10 575 107	8 417 519
Loans and advances to banks	Note 19	8 812 988	9 533 840
Financial assets held for trading	Note 20	9 347 575	8 939 360
Hedging derivatives	Note 21	1 401 753	1 575 056
Loans and advances to customers incl.:	Note 22	174 776 281	159 520 007
- measured at amortised cost		155 594 869	143 488 004
- measured at fair value through other comprehensive income		4 289 996	2 798 234
- measured at fair value through profit and loss		63 289	85 093
- from finance leases		14 828 127	13 148 676
Reverse sale and repurchase agreements	Note 44	12 126 356	12 676 594
Investment securities incl.:	Note 24	76 912 655	67 523 003
- debt securities measured at fair value through other comprehensive income		40 843 475	47 598 570
- debt securities measured at fair value through profit and loss		1 247	2 005
- debt investment securities measured at amortised cost		35 596 997	19 639 468
- equity securities measured at fair value through other comprehensive income		462 317	277 121
- equity securities measured at fair value through profit and loss		8 619	5 839
Assets pledged as collateral	Note 49	1 198 845	271 933
Investments in associates	Note 25	967 209	967 514
Intangible assets	Note 26	979 811	881 857
Goodwill	Note 27	1 712 056	1 712 056
Property, plant and equipment	Note 28	795 006	765 278
Right of use assets	Note 29	489 056	494 296
Deferred tax assets	Note 30	1 414 382	1 751 189
Non-current assets classified as held for sale		5 400	6 453
Other assets	Note 31	2 859 440	1 615 930
Total assets		**304 373 920**	**276 651 885**
LIABILITIES AND EQUITY			
Deposits from banks	Note 32	5 148 660	4 156 453
Hedging derivatives	Note 21	607 737	880 538
Financial liabilities held for trading	Note 20	9 909 687	8 818 493
Deposits from customers	Note 33	232 028 762	209 277 356
Sale and repurchase agreements	Note 44	1 198 455	273 547
Subordinated liabilities	Note 34	2 228 898	2 686 343
Debt securities in issue	Note 35	11 851 163	9 247 159
Lease liabilities	Note 50	348 450	365 833
Current income tax liabilities		741 297	1 174 609
Deferred tax liability		686	435
Provisions for financial liabilities and guarantees granted	Note 36	93 919	123 085
Other provisions	Note 37	2 075 840	967 106
Other liabilities	Note 38	3 699 180	4 989 910
Total liabilities		269 932 734	242 960 867
Equity			
Equity attributable to owners of the parent entity		32 527 467	31 762 645
Share capital	Note 39	1 021 893	1 021 893
Other reserve capital	Note 40	24 424 796	25 097 202
Revaluation reserve	Note 41	(218 647)	(298 688)
Retained earnings		2 086 694	1 111 131
Profit for the period		5 212 731	4 831 107
Non-controlling interests	Note 42	1 913 719	1 928 373
Total equity		34 441 186	33 691 018
Total liabilities and equity		**304 373 920**	**276 651 885**

Notes presented on pages 11-155 constitute an integral part of this Financial Statements

In thousands of PLN

IV. Consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2024 - 31.12.2024	Equity attributable to owners of parent entity							
	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
Note	39		40	41			42	
As at the beginning of the period	**1 021 893**	**-**	**25 097 202**	**(298 688)**	**5 942 238**	**31 762 645**	**1 928 373**	**33 691 018**
Total comprehensive income	-	-	-	79 434	5 212 731	5 292 165	31 919	5 324 084
Consolidated profit for the period	-	-	-	-	*5 212 731*	*5 212 731*	*32 066*	*5 244 797*
Other comprehensive income	-	-	-	*79 434*	-	*79 434*	*(147)*	*79 287*
Share-based incentive scheme	-	-	100 192	-	-	100 192	-	100 192
Purchase of own shares	-	(72 334)	-	-	-	(72 334)	-	(72 334)
Settlements under share-based incentive scheme	-	72 334	(72 592)	-	-	(258)	-	(258)
Profit allocation to other reserve capital	-	-	356 395	-	(356 395)	-	-	-
Profit allocation to dividends	-	-	(1 056 637)	-	(3 504 072)	(4 560 709)	(46 573)	(4 607 282)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	-	(4 216)	4 216	-	-	-
Other changes	-	-	236	4 823	707	5 766	-	5 766
As at the end of the period	**1 021 893**	**-**	**24 424 796**	**(218 647)**	**7 299 425**	**32 527 467**	**1 913 719**	**34 441 186**

Consolidated statement of changes in equity 1.01.2023 - 31.12.2023	Equity attributable to owners of parent entity							
	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
Note	39		40	41			42	
As at the beginning of the period	**1 021 893**	**-**	**23 858 400**	**(2 781 325)**	**4 569 125**	**26 668 093**	**1 797 255**	**28 465 348**
Total comprehensive income	-	-	-	2 461 079	4 831 107	7 292 186	161 737	7 453 923
Consolidated profit for the period	-	-	-	-	*4 831 107*	*4 831 107*	*116 722*	*4 947 829*
Other comprehensive income	-	-	-	*2 461 079*	-	*2 461 079*	*45 015*	*2 506 094*
Share-based incentive scheme	-	-	198 912	-	-	198 912	-	198 912
Purchase of own shares	-	(48 884)	-	-	-	(48 884)	-	(48 884)
Settlements under share-based incentive scheme	-	48 884	(48 249)	-	-	635	-	635
Profit allocation to other reserve capital	-	-	3 464 692	-	(3 464 692)	-	-	-
Interim dividend	-	-	(2 375 902)	-	-	(2 375 902)	-	(2 375 902)
Profit allocation to dividends	-	-	-	-	-	-	(37 861)	(37 861)
Other changes	-	-	(651)	21 558	6 698	27 605	7 242	34 847
As at the end of the period	**1 021 893**	**-**	**25 097 202**	**(298 688)**	**5 942 238**	**31 762 645**	**1 928 373**	**33 691 018**

In thousands of PLN

V. Consolidated statement of cash flows

for the period	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Cash flows from operating activities		
Profit before tax	**7 265 661**	**6 850 021**
Adjustments for:		
Share in net profits of entities accounted for by the equity method	(102 297)	(96 937)
Depreciation/amortisation	614 204	569 479
Net gains on investing activities	4 041	5 021
Interest accrued excluded from operating activities	(1 832 568)	(1 814 295)
Dividends	(119 183)	(87 706)
Impairment losses (reversal)	14 091	5 573
Changes in:		
Provisions	1 079 568	401 011
Financial assets / liabilities held for trading	689 235	(416 839)
Assets pledged as collateral	(1 088 492)	(133 235)
Hedging derivatives	308 029	(1 376 461)
Loans and advances to banks	(4 669 728)	1 627 108
Loans and advances to customers	(29 617 191)	(21 217 107)
Deposits from banks	117 305	570 638
Deposits from customers	26 423 635	17 547 915
Buy-sell/ Sell-buy-back transactions	(1 915 251)	(4 142 162)
Other assets and liabilities	(3 307 760)	1 471 356
Interest received on operating activities	15 462 082	15 001 042
Interest paid on operating activities	(3 985 161)	(4 848 756)
Paid income tax	(2 135 860)	(665 188)
Net cash flows from operating activities	**3 204 360**	**9 250 478**
Cash flows from investing activities		
Inflows	**16 063 828**	**16 213 375**
Sale/maturity of investment securities	13 144 692	13 837 008
Sale of intangible assets and property, plant and equipment	29 521	34 721
Dividends received	119 183	87 706
Interest received	2 770 432	2 253 940
Outflows	**(22 078 347)**	**(21 417 015)**
Purchase of investment securities	(21 445 654)	(20 782 119)
Purchase of intangible assets and property, plant and equipment	(632 693)	(634 896)
Net cash flows from investing activities	**(6 014 519)**	**(5 203 640)**
Cash flows from financing activities		
Inflows	**12 370 685**	**10 071 205**
Debt securities issued	8 159 564	6 875 760
Drawing of loans	4 211 121	3 195 445
Outflows	**(15 132 213)**	**(14 035 889)**
Debt securities buy out	(5 577 382)	(6 721 700)
Repayment of loans and advances	(3 683 959)	(3 890 984)
Repayment of lease liabilities	(159 606)	(169 580)
Dividends to shareholders	(4 607 282)	(2 413 763)
Purchase of own shares	(72 334)	(48 884)
Interest paid	(1 031 650)	(790 978)
Net cash flows from financing activities	**(2 761 528)**	**(3 964 684)**
Total net cash flows	**(5 571 687)**	**82 154**
Cash and cash equivalents at the beginning of the accounting period	**34 575 193**	**34 493 039**
Cash and cash equivalents at the end of the accounting period	**29 003 506**	**34 575 193**

Information regarding liabilities arising from financing activities relating to loans received, subordinated liabilities and the issue of debt securities were presented respectively in notes 32-35.

VI. Additional notes to consolidated financial statements

1. General information about issuer

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

Consolidated financial statement of Santander Bank Polska Group includes the Bank's financial information as well as information of its subsidiaries (forming together the "Group").

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

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

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

In thousands of PLN

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

	Subsidiaries	Registered office	[%] of votes on AGM at 31.12.2024	[%] of votes on AGM at 31.12.2023
1.	Santander Finanse sp. z o.o.	Poznań	100%	100%
2.	Santander Factoring sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3.	Santander Leasing S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4.	Santander Inwestycje sp. z o.o.	Warszawa	100%	100%
5.	Santander F24 S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
6.	Santander Towarzystwo Funduszy Inwestycyjnych S.A. [1)]	Poznań	50%	50%
7.	Santander Consumer Bank S.A.	Wrocław	60%	60%
8.	Stellantis Financial Services Polska Sp. z o.o. [2)]	Warszawa	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Stellantis Financial Services S.A .	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Stellantis Financial Services S.A .
9.	Stellantis Consumer Financial Services Polska Sp. z o.o. [2)]	Warszawa	100% of AGM votes are held by Stellantis Financial Services Polska Sp. z o.o .	100% of AGM votes are held by Stellantis Financial Services Polska Sp. z o.o.
10.	Santander Consumer Multirent sp. z o.o.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
11.	SCM POLAND AUTO 2019-1 DAC	Dublin	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
12.	Santander Consumer Financial Solutions Sp. z o.o.	Wrocław	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
13.	S.C. Poland Consumer 23-1 DAC. [3)]	Dublin	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

1. The 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 global Santander Group and hold an equal stake of 50% in the company's share capital.

Santander Bank Polska S.A. exercises control over Santander TFI S.A. within the meaning of the International Financial Reporting Standard 10 (IFRS 10) because it has a practical ability to unilaterally direct the relevant activities of Santander TFI S.A. Furthermore, it significantly affects the company's operations and returns as the major business partner and distributor of investment products. At the same time, through its ownership interest, Santander Bank Polska S.A. is exposed and has right to variable returns generated by Santander TFI S.A.

Considering the guidance provided in IFRS 10 par. B18, the Bank's Management Board concluded that, having regard to legal requirements concerning Santander TFI S.A. and its operations, the Bank has a practical ability to unilaterally direct the relevant activities of Santander TFI S.A. even if it does not have a contractual right to do so.

The Bank can have a real impact on the composition of the Supervisory Board and through it – on the composition of the Management Board of Santander TFI S.A. and these governing bodies decide on the relevant activities of Santander TFI S.A. It should therefore be concluded that by having power and right to variable returns (benefits), the Bank has control over Santander TFI S.A

2 As a result of the formation of the automotive manufacturing corporation Stellantis N.V. in 2021 in a merger of the Italian–American conglomerate Fiat Chrysler Automobiles and the French Groupe PSA, on 3 April 2023 PSA Finance Polska Sp. z o.o. and its wholly-owned subsidiary, PSA Consumer Finance Polska Sp. z o.o., were renamed Stellantis Financial Services Polska Sp. z o.o. and Stellantis Consumer Financial Services Polska Sp. z o.o., respectively. Stellantis Financial Services Polska Sp. z o.o. is a subsidiary undertaking for the purposes of consolidated financial reporting as it is controlled by Santander Consumer Bank S.A. (directly) and Santander Bank Polska S.A. (indirectly). Under the terms of the framework agreement, Santander Consumer Bank S.A.(SCB S.A.) has the right to make decisions regarding key areas such as financing and risk management. In practice, the Bank has ability to direct activities that significantly affect investment returns and is exposed to potential risks (losses) and benefits (dividends).

3. SC Poland Consumer 23-1 Designated Activity Company (DAC) is a special purpose entity (SPE) incorporated in Dublin on 17 June 2022 for the purpose of securitising a part of the retail loan portfolio of Santander Consumer Bank S.A. (SCB S.A.) The SPE does not have any capital connections with SCB S.A., which nevertheless exercises control over the entity in accordance with IFRS 10.7. based on contractual rights. The combined stipulations of Servicing Agreement and Asset Transfer Agreement give SCB S.A. power over the management and operations of the SPE. In addition, the entity relies on SCB S.A. for access to financing and guarantees as well as technology, know-how and other resources, which further enhances the controlling power of the Bank.

In thousands of PLN

Associates:

	Associates	Registered office	[%] of votes on AGM at 31.12.2024	[%] of votes on AGM at 31.12.2023
1.	POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2.	Santander - Allianz Towarzystwo Ubezpieczeń S.A.	Warszawa	49%	49%
3.	Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	Warszawa	49%	49%

2. Basis of preparation of consolidated financial statements

2.1 Statement of compliance

These consolidated financial statements of Santander Bank Polska S.A. Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, which are applied on a consistent basis, as at 31 December 2024, and in the case of matters not governed by the above Standards, in accordance with the provisions of the Accounting Act of 29 September 1994 and related implementing acts as well as the requirements imposed on issuers whose securities are admitted to trading on regulated markets or issuers who have applied to have securities admitted to trading on regulated markets outlined in the Act of 29 July 2005 on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies.

These consolidated financial statements have been approved for publication by the Management Board of Santander Bank Polska S.A. on 24 February 2025.

2.2 Basis of preparation of financial statements

These consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concern in the foreseeable future, i.e. for a period of at least 12 months from the date on which these financial statements were prepared.

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

These consolidated financial statements of Santander Bank Polska S.A. Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. Santander Bank Polska S.A. Group prepared consolidated financial statements in accordance with following measurement rules:

Item	Balance sheet valuation rules
Held-for-trading financial instruments	Fair value through profit or loss
Loans and advances to customers which meet the contractual cash flows test	Amortized cost
Loans and advances to customers which do not meet the contractual cash flows test	Fair value through profit or loss
Financial instruments measured at fair value through other comprehensive income	Fair value through other comprehensive income
Share-based payment transactions	According to IFRS 2 "Share-based payment" requirements
Equity investment financial assets	Fair value through other comprehensive income – an option
Equity financial assets-trading	Fair value through profit or loss
Debt securities measured at fair value through profit or loss	Fair value through profit or loss
Non-current assets	The purchase price or production cost reduced by total depreciation charges and total impairment losses
Right of use assets (IFRS 16)	Initial measurement reduced by total depreciation charges and total impairment losses
Non-current assets held for sale and groups of non-current assets designated as held for sale	Are recognised at the lower of their carrying amount and their fair value less costs of disposal.

The accounting principles have been applied uniformly by all the entities forming Santander Bank Polska S.A. Group.
The same accounting principles were applied as in the case of the consolidated financial statements for the period ending 31 December 2023, except for changes in accounting standards p. 2.4.

In thousands of PLN

2.3. New standards and interpretations or changes to existing standards or interpretations which can be applicable to Santander Bank Polska S.A. Group and are not yet effective and have not been early adopted

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Amendments to IAS 21: Lack of Exchangeability	Amendments require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.	1 January 2025	The amendment will not have a significant impact on consolidated financial statements.
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	Amendments regarding classification and measurement of financial instruments clarify derecognition of a financial liability settled through electronic transfer,present examples of contractual terms that are consistent with a basic lending arrangement,clarify characteristics of non-recourse features and contractually linked instruments and specify new disclosures.	1 January 2026	The amendment may have impact on classification, cash in transits and some of the disclosures in consolidated financial statements.*
Annual Improvements to IFRS Accounting Standards	Collection of amendments to IFRS Accounting Standards that will not be a part of any other project and adress necessary, but non-urgent, minor updates. Amendments concern IFRS 7, IFRS 9, IFRS 10, IAS 7.	1 January 2026	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity	The amendments made to IFRS 9 include detail on which power purchase agreements (PPAs) contracts can be used in hedge accounting, and the specific conditions allowed in such hedge relationships. The amendments made to IFRS 7 introduce some new disclosure requirements for contracts referencing naturedependent electricity as defined in the amendments to IFRS 9.	1 January 2026	The amendment will not have a significant impact on consolidated financial statements.*
IFRS 18 Presentation and Disclosure in Financial Statements	IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. IFRS 18 replaces IAS 1.	1 January 2027	The amendment may have impact on cash flow statement, some of the disclosures and income statement in consolidated financial statements.*
IFRS 19 Subsidiaries without Public Accountability: Disclosures	IFRS 19 specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027	The amendment will not have an impact on consolidated financial statements.*

*New standards and amendments to the existing standards issued by the IASB, but not yet adopted by EU.

2.4 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2024

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Amendments to IAS 1	The amendments affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current.	1 January 2024	The amendment doesn`t have a significant impact on consolidated financial statements.
Amendments to IFRS 16	Clarification on the calculation of the leasing liability in sales and leaseback transactions with variable fees.	1 January 2024	The amendment doesn`t have a significant impact on consolidated financial statements.
Amendments to IAS 7/ IFRS 7: Supplier Finance Agreements	Amendments require an entity to disclose qualitative and quantitative information about its supplier finance programs, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.	1 January 2024	The amendment doesn`t have a significant impact on consolidated financial statements.

2.5 Use of estimates

Preparation of financial statement in accordance with the IFRS requires the management to make subjective judgements and assumptions, which affects the applied accounting principles as well as presented assets, liabilities, revenues and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

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

Key estimates include:

- Allowances for expected credit losses
- Fair value of financial instruments
- Estimates of privisions for legal claims
- Estimates of risk arising from mortgage loans in foreign currencies

Allowances for expected credit losses in respect of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

A credit-impaired assets

Credit-impaired assets are classified as Stage 3 or POCI. A financial asset or a group of financial assets are impaired if, and only if, there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset or asset was recognized as POCI and that impairment event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

It may not be possible to identify a single event that caused the impairment, rather the combined effect of several events may have caused the impairment. Objective evidence that a financial asset or group of assets was impaired includes observable data:

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

(1) restructuring transactions classified in the Stage 3 category (before restructuring decision),

(2) transactions restructured in the contingency period that meet the criteria for reclassification to the Stage 3 (quantitative and/or qualitative),

(3) transactions restructured during the contingency period previously classified as non-performing due to observed customer financial difficulties, have been restructured again or are more than 30 days past due,

(4) restructured transactions, where contractual clauses have been applied that defer payments through a grace period for repayment of the principal for a period longer than two years,

(5) restructured transactions including debt write-off, interest grace periods or repaid in installments without contractual interest,

(6) restructured transactions, where there was a decrease in the net present value of cash flows (NPV) of at least 1% compared to the NPV before the application of the forbearance measures,

(7) transactions where there is a repeated failure to comply with the established payment plan of previous forbearances that has led to successive forbearances of the same exposure (transaction),

(8) transactions where:

- in inadequate repayment schedules were applied, which are related to, inter alia, repeated situations of non-compliance with the schedule, changes in the repayment schedule in order to avoid situations of non-compliance with it, or
- a repayment schedule that is based on expectations, unsupported by macroeconomic forecasts or credible assumptions about the borrower's ability or willingness to repay was applied

(9) transactions for which the Group has reasonable doubts as to the probability of payment by the customer.

- it becoming probable that the debtor will enter bankruptcy, recovery proceedings, arrangement or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;

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

- In the case of individual customers, the probation period is 180 days.
- In the case of SME customers, the probation period is 180 days, and assessment of the customer’s financial standing and repayment capacity is required in some cases. However, the exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, client`s death, discontinuation of business, bankruptcy, or pending restructuring/ liquidation proceedings.
- In the case of business and corporate customers, the probation period is 92 days, and positive assessment of the financial standing is required (the Group assesses all remaining payments as likely to be repaid as scheduled in the agreement). The exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, discontinuation of business, or pending restructuring/ insolvency/ liquidation proceedings.

Additionally, if the customer is in Stage 3 and subject to the forbearance process, they may be reclassified to Stage 2 not earlier than after 365 days (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) of regular payments, repayment by the client of the amount previously overdue / written off (if any) and after finding that there are no concerns as to the further repayment of the entire debt in accordance with the agreed terms of restructuring.

A significant increase in credit risk

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

- Qualitative assumptions:
  - Implementing dedicated monitoring strategies for the customer following the identification of early warning signals that indicate a significant increase in credit risk
  - Restructuring actions connected with making concessions to the customers as a result of their difficult financial standing
  - Delay in payment as defined by the applicable standard, i.e. 30 days past due combined with the materiality threshold
- Quantitative assumptions:

In thousands of PLN

- A risk buffer method based on the comparison of curves illustrating the probability of default over the currently remaining lifetime of the exposure based on the risk level assessment at exposure recognition and at reporting date. Risk buffer is set in relative terms for every single exposure based on its risk assessment resulting from internal models and other parameters of exposure impacting assessment of the Group whether the increase might have significantly increased since initial recognition of the exposure (such parameters considered types of the products, term structure as well as profitability). Risk buffer methodology was prepared internally and is based on the information gathered in the course of the decision process as well as in the process of transactions structuring.
- Absolute threshold criterion - a significant increase in risk is considered to have occurred when, over the horizon of the current remaining life of the exposure, the annualised PD at the reporting date exceeds the corresponding PD at the time the exposure was recognised by an amount greater than the threshold.
- In addition, the Bank applies the threefold risk criterion. It is met when, over the horizon of the current remaining life of the exposure, the annualised PD as at the reporting date exceeds three times the corresponding PD at the time the exposure was recognised.

New criteria for a significant increase in risk (absolute threshold and a condition verifying at least a threefold increase in PD) were introduced in 2024 for all credit portfolios. As a result of the changes introduced, credit exposure amounting to PLN 8,107,493 k was reclassified to Stage 2 and the estimated level of loan impairments was changed in the amount of PLN 130,842 k (increase, which charged the current year's result).

The fact that the exposure is supported by the Borrowers' Support Fund is reported as a forborne and a significant increase in credit risk (Stage 2), and in justified cases (previously identified impairment, a delay in repayment over 30 days, subsequent forbearance, no possibility to service the debt according to the current schedule) exposure is classified in Stage 3.

As of 31.12.2024 the thresholds (determining the maximum permissible value of the probability of default (PD) as at the reporting date after the change in relation to the PD value at the moment of initial recognition) for classification into stage 2 are specified individually for each exposure. The table presents the average annual values of the PD thresholds, taking into account the time to maturity of the exposure.

Average threshold (annualized) of the probability of default	
mortgage loans	3.16%
consumer loans	13.06%
business loans	6.56%

Bank independently verifies the fulfillment of other quantitative thresholds (the absolute threshold criterion and the threefold risk increase criterion).

In the corporate client segment, Bank identifies exposures with low credit risk in accordance with the rules derived from IFRS 9, which allows for the recognition of expected 12-month losses even with a significant increase in credit risk since initial recognition. As of December 31, 2024, this portfolio was immaterial and constituted 0,0063% of the portfolio classified into stage 1 or 2 in Santander Bank Polska S.A.

Exposure in Stage 2 may be re-classified into Stage 1 without probation period as soon as significant increase in credit risk indicators after its initial recognition end e.g. when the following conditions are met: client`s current situation does not require constant monitoring, no restructuring actions towards exposure are taken, exposure has no payment delay over 30 days for significant amounts, no suspension of the contact due to Shield 4.0, and according to risk buffer method no risk increase occurs.

ECL measurement

Another key feature required by IFRS 9 is the approach to the estimation of risk parameters. For the purpose of estimating allowances for expected losses, Santander Bank Polska S.A. Group uses its own estimates of risk parameters that are based on internal models. Expected credit losses are the sum of individual products for each exposure of the estimated values of PD, LGD and EAD parameters in particular periods (depending on the stage either in the horizon of 12 months or in lifetime) discounted using the effective interest rate.

The estimated parameters are adjusted for macroeconomic scenarios in accordance with the assumptions of IFRS 9.

To this end, the Group determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters.
The Group uses scenarios developed internally by the analytical team, which are updated on a monthly basis at least every six months.
The models and parameters generated for the needs of IFRS 9 are subject to model management process and periodic calibration and validation. These tools are also used in the financial planning process.

Determination of forward-looking information and their likelihood

Forward-looking events are reflected both in the process of estimating ECL and when determining a significant increase in credit risk, by developing appropriate macroeconomic scenarios and then reflecting them in the estimation of parameters for each scenario. The final parameter value and the ECL is the weighted average of the parameters weighted by the likelihood of each scenario. Group uses three scenario types: the baseline scenario and two alternative scenarios, which reflect the probable alternative options of the baseline scenario: upside and downside scenario. Scenario weights are determined using the expected GDP path and the confidence intervals for this forecast in such a way that the weights reflect the uncertainty about the future development of this factor.

The Group's models most often indicate the dependence of the quality of loan portfolios on the market situation in terms of the level of deposits, loans, as well as the levels of measures related to interest rates.

Baseline scenario

The scenario predicts GDP of polish economy to grow by 3.5% in 2025 and 3.2% in 2026. 2024 growth was primarily driven by strong private consumption, supported by robust labour market, high indexation of social benefits and strong consumer confidence. Investment will grow stronger in 2025, fuelled by EU funds, after a lull in 2024. Inflation was forecast to go up towards 5% in early 2025, mainly on the back of higher energy prices, before sliding back towards target in late 2026. CPI is expected to average 4.6% in 2025 and 3.4% in 2026.

2023-24 were election years in Poland and this was supportive for a more expansive fiscal policy, with a rich indexation of the social benefits and introduction of new ones. Against this backdrop, a strong labour market, and a moderate rise in inflation, the central bank was expected to be normalising the monetary policy slowly, delivering 125bp of rate cuts in 2025, bringing the NBP reference rate to 4.50% at the end of 2025 and 4.25% at the end of 2026.

There is some short-term appreciation potential for the zloty, given the expected strong inflow of EU funds and slower expected monetary policy easing in Poland than in other countries. In the longer run, however, geopolitical risks as well as purchasing parity will bring EURPLN exchange rate higher, towards 4.40.

The rebounding economy, interest rate cuts delivered in 2023 and state-sponsored mortgage loans benefits have revived the loan market, and this recovery is expected to continue in the upcoming quarters. Deposit growth recorded a high momentum, driven by an uptick in banking sectors' net foreign assets, but is expected to converge towards growth rate of loans.

Best case scenario

The optimistic scenario was built assuming a quick disbursement of EU funds, strong private consumption and a strong inflow of workers into the economy, which will allow it to record higher long-term growth rates.

The economy was expected to accelerate to 5.7% in 2025 and 5.1% in 2026. Higher growth was expected to contribute to higher CPI inflation, averaging 5.2% in 2025, and 3.6% in 2026.

Strong economic growth and an increased CPI was expected to decrease the MPC's willingness to cut rates, with NBP rate falling to 5.00% in 2025.

The Polish currency is expected to appreciate in the coming quarters, but the pace of appreciation will be limited by high inflation in Poland. The euro exchange rate is expected to fall to 4.10-4.25 in the coming years.

Accelerating economic activity will have a positive impact on the demand for loans in the banking system, which will also support money creation and the growth of deposits.

Worst case scenario

The pessimistic scenario was built assuming a deterioration in consumer confidence, leading to a decline in private consumption in the short term, accompanied by poor use of EU funds, which translates into lower investment outlays in the economy, as well as a weaker inflow of foreign workers, which will weaken the long-term growth potential in Poland.

In the negative scenario, the economy is expected to grow by 1.6% in 2025 and 1.7% in 2026. Slower growth will translate into somewhat faster disinflation, with CPI amounting to 4.0% in 2025 and 3.1% in 2026.

Weaker growth prospects will encourage the NBP to reduce interest rates and will cause the NBP reference rate to drop to 3.50% by the end of 2025 and remain unchanged in 2026.

Less optimistic economic results and low NBP interest rates will weaken the zloty, and the euro exchange rate will increase towards 4.45.

Lower economic activity will negatively impact demand for loans in the banking system, especially in the household sector, as businesses may need liquidity loans.

In thousands of PLN

The tables below present the key economic indicators arising from the respective scenarios.

Scenario as at 31.12.2024		baseline		best case		worst case	
likelihood		60%		20%		20%	
		2025	average, next 3 years	2025	average, next 3 years	2025	average, next 3 years
GDP	YoT	3.5%	3.1%	5.7%	5.1%	1.6%	1.7%
WIBOR 3M	average	5.2%	4.5%	5.6%	5.3%	3.9%	3.7%
unemployment rate	% active	2.9%	2.9%	2.7%	2.3%	3.2%	3.7%
CPI	YoY	4.6%	2.8%	5.2%	3.1%	4.0%	2.4%
EURPLN	period-end	4,35	4,37	4,24	4,26	4,43	4,46

Scenario as at 31.12.2023		baseline		best case		worst case	
likelihood		60%		20%		20%	
		2024	average, next 3 years	2024	average, next 3 years	2024	average, next 3 years
GDP	YoT	3,3%	3,3%	5,7%	5,7%	1,1%	1,1%
WIBOR 3M	average	4,5%	4,0%	6,5%	6,1%	2,9%	1,7%
unemployment rate	% active	3,5%	3,3%	3,3%	2,8%	3,7%	3,8%
CPI	YoY	7,3%	3,6%	8,5%	5,1%	6,2%	2,3%
EURPLN	period-end	4,54	4,51	4,42	4,4	4,63	4,61

Management ECL overlays

In 2024, in addition to the ECL resulting from the complex calculation model implemented in the system, Santander Banka Polska S.A. Group reviewed management overlays, updating the risk level with current and expected future events, which resulted in:

- The management overlay has been released in the amount of PLN 19 600 k for the portfolio of retail loans secured by mortgages, the risk of which might have increased after the cessation of aid measures – payment holidays in force in 2022 and 2023,
- The management overlay for the corporate portfolio, which was created to cover the underestimation of the LGD parameter due to the earlier implementation of the new model in the amount of PLN 15 340 k.

Potential variability of ECL

Significant volatility for the income statement may be reclassifications to Stage 2 from Stage 1. The theoretical reclassification of given percentage of exposures from Stage 1 with the highest risk level to Stage 2 for each type of exposure would result in an increase in allowances according to below table. The above estimates show expected variability of loss allowances as a result of transfers between Stage 1 and Stage 2, resulting in significant changes in the degree to which exposures are covered with allowances in respect of different ECL horizons.

	additional expected credit loss (mPLN)				
reclassification from stage 1 to stage 2	individuals	mortgage loans	business	Total 31.12.2024	Total 31.12.2023
1%	23,0	3,8	4,8	31,5	35,8
5%	108,9	13,8	28,4	151,1	174,4
10%	208,9	22,9	59,9	291,7	326,3

In thousands of PLN

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

in PLN m	change in ECL level				
scenario				31.12.2024	31.12.2023
	individuals	mortgage	business	Total	Total
worst case	40,3	9,6	34,4	84,3	66,9
best case	-42,1	-9,8	-34,8	-86,7	-70,4

Based on the GDP indicator as the main factor determining the economic condition, Grupa Santander Bank Polska S.A. estimates that a reduction in the target level of gross domestic product by 1b.p. in 2025 would translate into an increase in expected credit losses of PLN 40,161 k PLN. This analysis was conducted assuming the maintenance of the relationship between macroeconomic factors.

Fair value of financial instruments, including instruments which do not meet the contractual cash flows test

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

Santander Bank Polska S.A. Group applies a methodology for measuring the fair value of credit exposures and debt instruments.

In the case of the instruments with distinguishable on-balance sheet and off-balance sheet components, the extent of fair value measurement will depend on the nature of the underlying exposure, and:

- the on-balance sheet portion always will be measured at fair value;
- the off-balance sheet portion will be measured at fair value only if at least one of the following conditions is met:
  - condition 1: the exposure has been designated as measured at fair value (option) or
  - condition 2: the exposure may be settled net in cash or through another instrument or
  - condition 3: Santander Bank Polska S.A. Group sells the obligation immediately after its granting or
  - condition 4: the obligation was granted below the market conditions.

The fair value is measured with the use of valuation techniques appropriate in the circumstances and for which sufficient data are available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group applies following valuation techniques:

- *market approach* – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business unit)
- *income approach* – converts future amounts (cash flows or income and expenses) to a single current (discounted) date. When the income approach is used, the fair value measurement reflects the current market expectations as to the future amounts.

Santander Bank Polska S.A. Group uses the income approach for fair value measurement relating to debt financial instruments which do not meet contractual cash flows test.

In the case of credit exposures and debt instruments, the present value method within income approach is typically used. In this method, the expected future cash flows are estimated and discounted using a relevant interest rate. In the case of the present value method, Santander Bank Polska S.A. Group uses the following elements in the valuation:

- expectations as to the future cash flows;
- expectations as to potential changes in cash flow amounts and timing (uncertainties are inherent in cash flow estimates);
- the time value of money, estimated using risk-free market rates;
- the price of uncertainty risk inherent in cash flows (risk premium) and
- other factors that market participants would take into account in the circumstances.

The present value measurement approach used by Santander Bank Polska S.A. Group is based on the following key assumptions:

- cash flows and discount rates reflect the assumptions that market participants would adopt in the measurement of an asset;
- cash flows and discount rates reflect only the factors allocated to the asset which was subject to measurement;
- discount rates reflect the assumptions which are in line with the cash flow assumptions;
- discount rates are consistent with the key economic factors relating to the currency in which the cash flows are denominated.

The fair value determination methodology developed by Santander Bank Polska S.A. Group provides for adaptation of the fair value measurement model to the characteristics of the financial asset subject to measurement. When determining the need for adaptation of the model to the features of the asset subject to measurement, Santander Bank Polska S.A. Group takes into account the following factors:

- approach to the measurement (individual/collective) given the characteristics of the instrument subject to measurement;
- whether a schedule of payments is available;
- whether the asset subject to measurement is still offered by Santander Bank Polska S.A. Group and whether the products recently provided to customers can be a reference group for that asset.

Other significant groups of financial instruments measured at fair value are all derivatives, financial assets held within a residual business model, debt investment financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and equity investment financial assets. These financial instruments are either measured with reference to a quoted market price for that instrument or by using a respective measurement model.

Where the fair value is calculated using financial-markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, securities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices.

In justified cases, for financial instruments whose carrying amount is based on current prices or valuation models, Santander Bank Polska S.A. Group takes into account the need to identify additional adjustments to the fair value of the counterparty credit risk.

The fair value measurement models are reviewed periodically.

A summary of the carrying amounts and fair values of the individual groups of assets and liabilities is presented in Note 46.

Estimates for legal claims

Santander Bank Polska S.A. Group raises provisions for legal claims in accordance with IAS 37. The provisions have been estimated considering the likelihood of unfavourable verdict and amount to be paid, and their impact is presented in other operating income and cost.

Details on the value of the provisions and the assumptions made for their calculation are provided in notes 36, 47 and 48.

Due to their specific nature, estimates related to legal claims of mortgage loans in foreign currencies are described separately below.

Estimates of risk arising from mortgage loans in foreign currencies

Due to the revolving legal situation related to mortgage loans portfolio denominated and indexed to foreign currencies, and inability to recover all contractual cash flows risk materialisation, Group estimates impact of legal risk on future cash flows.

Gross book value adjustment resulting from legal risk is estimated based on a number of assumptions, taking into account:a specific time horizon and a number of probabilities such as:

- the probability of possible settlements and
- the probability of submitting claims by borrowers, and
- the probability in terms of the number of disputes

which are described in more details in note 47.

In mid-2022, the Group prepared a settlement scenario which reflects the level of losses for future settlements.
Legal risk is estimated individually for each exposure in the event of litigation and in terms of portfolio in the absence of such.
As explained in the accounting policies, Santander Bank Polska Group accounts for the impact of legal risk as an adjustment to the gross book value of the mortgage loans portfolio. If there is no credit exposure or its value is insufficient, the impact of legal risk is presented as a provision according to IAS 37.
The result of changes in legal risk is presented in a separate position in income statement “Cost of legal risk associated with foreign currency mortgage loans” and “Gain/loss on derecognition of financial instruments measured at amortised cost”.

In 2024, the Group recognized PLN 3,101,330 k as cost of legal risk related to mortgage loans in foreign currencies and PLN 74,122 k as a cost of signed settlements.

The Group will continue to monitor this risk in subsequent reporting periods.

Details presenting the impact of the above-mentioned risk on financial statements, assumptions adopted for their calculation, scenario description and sensitivity analysis are contained in notes 47 and 48, respectively.

2.6 Judgements that may significantly affect the amounts recognized in the financial statements

When applying the accounting principles, the management of Santander Bank Polska S.A. Group makes various judgements that may significantly affect the amounts recognized in financial statements.

Consolidation scope

The preparation of consolidated financial statements by Santander Bank Polska S.A. as a parent entity of Santander Bank Polska S.A. Group requires an extensive use of judgement and multiple assumptions as to the nature of entities in which the investment is made including, determination of whether Santander Bank Polska S.A. as a parent entity exercises control over the investee.

Santander Bank Polska S.A., being the parent entity, controls directly or indirectly an investee when:

- if has power over the investee;
- if has exposure or rights to variable returns from its involvement with the investee;
- if has the ability to use its power over the investee to affect the amount of it's own financial results.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The key judgments and assumptions regarding involvement in entities in which it holds half of the voting rights are set out below.

Santander Towarzystwo Funduszy Inwestycyjnych S.A.

The 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 global Santander Group and hold an equal stake of 50% in the company's share capital.

Santander Bank Polska S.A. exercises control over Santander TFI S.A. within the meaning of the International Financial Reporting Standard 10 (IFRS 10) because it has the practical ability to unilaterally direct the appropriate activities of the Santander TFI S.A. Furthermore, it significantly affects the company's operations and returns as the major business partner and distributor of investment products. At the same time, through its ownership interest, Santander Bank Polska S.A. is exposed and has right to variable returns generated by Santander TFI S.A.

Considering the guidance provided in IFRS 10 par. B18, the Bank's Management Board concluded that, having regard to legal requirements concerning Santander TFI S.A. and its operations, the Bank has a practical ability to unilaterally direct the relevant activities of Santander TFI S.A. even if it does not have a contractual right to do so.

The Bank can have a real impact on the composition of the Supervisory Board and through it – on the composition of the Management Board of Santander TFI S.A. and these governing bodies decide on the relevant activities of Santander TFI S.A.

It should therefore be concluded that by having power and right to variable returns (benefits), the Bank has control over Santander TFI S.A.

POLFUND - Fundusz Poręczeń Kredytowych S.A

The investment in POLFUND - Fundusz Poręczeń Kredytowych S.A., where 50% of the voting rights are held by the Santander Bank Polska S.A. on Annual General Meeting, in accordance with the best knowledge and judgement was classified, as an investment in an associate as the ownership structure does not allow Santander Bank Polska S.A. to control and to jointly-control the company.

Stellantis Financial Services Polska Sp. z o.o.

According to Santander Bank Polska S.A. Group Management Board, the investment in Stellantis Financial Services Polska Sp. z o.o. is treated as an investment in a subsidiary, due to the fact that Santander Consumer Bank SA has a direct control and Santander Bank Polska S.A. has indirect control over the investment. As a result of the formation of the automotive manufacturing corporation Stellantis N.V. in 2021 in a merger of the Italian–American conglomerate Fiat Chrysler Automobiles and the French Groupe PSA, on 3 April 2023 PSA Finance Polska Sp. z o.o. and its wholly-owned subsidiary, PSA Consumer Finance Polska Sp. z o.o., were renamed Stellantis Financial Services Polska Sp. z o.o. and Stellantis Consumer Financial Services Polska Sp. z o.o., respectively. Stellantis Financial Services

Polska Sp. z o.o. is a subsidiary undertaking for the purposes of consolidated financial reporting as it is controlled by Santander Consumer Bank S.A. (directly) and Santander Bank Polska S.A. (indirectly). Under the terms of the framework agreement, Santander Consumer Bank S.A. has the right to make decisions regarding key areas such as financing and risk management. In practice, the Bank has ability to direct activities that significantly affect investment returns and is exposed to potential risks (losses) and benefits (dividends).

SC Poland Consumer 23-1

SC Poland Consumer 23-1 Designated Activity Company (DAC) is a special purpose entity (SPE) incorporated in Dublin on 17 June 2022 for the purpose of securitising a part of the retail loan portfolio of Santander Consumer Bank S.A. (SCB S.A.) The SPE does not have any capital connections with SCB S.A., which nevertheless exercises control over the entity in accordance with IFRS 10.7. based on contractual rights. The combined stipulations of Servicing Agreement and Asset Transfer Agreement give SCB S.A. power over the management and operations of the SPE. In addition, the entity relies on SCB S.A. for access to financing and guarantees as well as technology, know-how and other resources, which further enhances the controlling power of the Bank.

The list of fully consolidated subsidiaries is presented in note 1 “Information about the issuer”.

Subsidiaries

Santander Bank Polska S.A. Group applies the acquisition method to account for acquisition of subsidiaries.

Associates

Associates are those entities in which Santander Bank Polska S.A. Group has significant influence, but are not subsidiaries, neither joint ventures.

They are accounted for in accordance with the equity method in consolidated financial statements.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or incomes (including dividends) and expenses arising from intragroup transactions, are eliminated in the preparation of consolidated financial statement.

Assessment whether contractual cash flows are solely payments of principal and interest

The key issue for Santander Bank Polska S.A. Group's business, is to assess whether the contractual terms of financial assets indicate the existence of certain cash flow dates, which are only the repayment of the nominal value and interest on the outstanding nominal value.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition and ‘interest’ is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, Santander Bank Polska S.A. Group considers the contractual terms of the instrument. This includes assessing whether the financial assets contain a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Santander Bank Polska S.A. Group considers:

- contingent events that would change the amount and timing of cash flows,
- leverage features,
- prepayment and extension terms,
- terms that limit Santander Bank Polska S.A. Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements),
- features that modify consideration for the time value of money.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Business Model Assessment

Business models at Santander Bank Polska S.A. Group are determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on the intentions of the Santander Bank Polska S.A. Group management regarding a particular instrument, which is why the model is assessed at a higher level of aggregation.

All business models, quantitative and qualitative criteria used for business model assessment are described in p.2.7 regarding financial asset classification.

2.7 Material accounting policy information

With the exception of the changes described in point 2.3, the Santander Bank Polska S.A. Group consistently applied the adopted accounting principles both for the reporting period for which the statement is prepared and for the comparative period.

The accounting policies have been applied consistently by Santander Bank Polska S.A. Group entities.

Foreign currency

Foreign currency transactions

The Polish zloty (PLN) is the functional currency of the units which are members of Santander Bank Polska S.A. Group.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Resulting from these transactions monetary assets and liabilities denominated in foreign currencies, are translated at the foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on retranslation of instruments of other entities measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

Financial assets and liabilities

Recognition and derecognition

Initial recognition

Santander Bank Polska S.A. Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, it becomes bound by contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, at the settlement date.

Derecognition of financial assets

Santander Bank Polska S.A. Group derecognises a financial asset when and only when, if:

- contractual rights to the cash flows from that financial asset have expired, or
- Santander Bank Polska S.A. Group transfers a financial asset, and such operation meets the derecognition criteria.

The Group excludes financial assets from the statement of financial position, inter alia, if they are invalidated, settled, written off, overdue, materially modified or uncollectible as a result of a final court judgment. The above-mentioned components are excluded from the statement of financial position as a result of the provisions recognised for them for expected credit losses or losses due to legal risk (in the case of cancellations of CHF loans).

Derecognition of financial liabilities

Santander Bank Polska S.A. Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Classification of financial assets and financial liabilities

Classification of financial assets

Classification of financial assets which are not equity instruments

Santander Bank Polska S.A. Group classifies financial asset that are not an equity instrument as subsequently measured at amortised cost or at fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- the business model of Santander Bank Polska S.A. Group for managing the financial assets and

- the contractual cash flow characteristics of the financial asset (described in point 2.7).

A financial asset is measured at amortised cost if both of the following conditions are fulfilled:

- the financial asset is held in a business model whose purpose is to hold financial assets to collect contractual cash flows, and
- the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are fulfilled:

- the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset is not measured at amortised cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss.

Classification of financial assets which are equity instruments

Santander Bank Polska S.A. Group measures the financial asset that is an equity instrument at fair value through profit or loss, unless Santander Bank Polska S.A. Group made an irrevocable election at initial recognition for particular investments in equity instruments to present subsequent changes in fair value in other comprehensive income.

Business models

Business models at Santander Bank Polska S.A. Group are determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on the intentions of the Santander Bank Polska S.A. Group key management regarding a particular instrument.

The business model refers to how Santander Bank Polska S.A. Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows will result from:

- collecting contractual cash flows
- selling financial assets
- or both.

Consequently, the business model assessment is not performed on the basis of scenarios that Santander Bank Polska S.A. Group does not reasonably expect to occur, such as so-called “worst case” or “stress case” scenarios.

Santander Bank Polska S.A. Group determines the business model on the basis of the assessment of qualitative and quantitative criteria.

The qualitative criteria include, m.in, how the risks associated with these assets are managed and the principles of remunerating the persons managing these portfolios.

The quantitative criteria are intended to determine whether the sale of financial assets during the analysed period does not exceed the threshold values set in the internal regulations set in percentage terms. The frequency, value, timing of the sale of assets and reasons for the sale are analysed.

Business model types

The analysis of qualitative and quantitative criteria makes it possible to identify three basic business models applied in the operations of Santander Bank Polska S.A. Group:

- the business model whose objective is to hold assets in order to collect contractual cash flows (hold to collect),
- the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell),
- the other/ residual business model (the business model whose objective is achieved by selling assets).

The predominant business model in the Santander Bank Polska S.A. Group is a business model that involves holding assets for the purpose of generating contractual cash flows, with the exception of:

- debt instruments measured at fair value through other comprehensive income held in the ALM segment and loans and advances subject to the underwriting process described below, for which a business model has been established, the purpose of which is achieved both by generating cash flows arising from the agreement, as well as through the sale of financial assets,

- instruments held for trading, including debt instruments and derivatives, for which hedge accounting is not used – the appropriate business model is a different/residual business model.

A business model whose objective is to hold assets in order to collect contractual cash flows

In the hold-to-maturity model, incidental sales are possible. Such sales are each time analyzed in terms of frequency, value and distribution of sales in earlier periods, reasons for these sales and expectations as to future sales operations.

A business model whose objective is to hold assets in order to collect contractual cash flows spans the entire spectrum of credit activity, including but not limited to corporate loans, mortgage and consumer loans, credit cards, loans granted and debt instruments (e.g. treasury bonds, corporate bonds), which are not held for liquidity management purposes. Financial assets on account of trading settlements are substantially also recognised under this model. Such assets are recognised in the books of Santander Bank Polska S.A. Group on the basis of an invoice issued payable within maximum one year.

A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets includes:

- financial assets acquired for the purpose of liquidity management, such as State Treasury bonds or NBP bond and
- loans and advances subject to underwriting, i.e. portion of credit exposures that are planned to be sold before maturity for reasons other than increase in credit risk.

Other/ residual business model

Other, residual, model is used for classifying assets held by Santander Bank Polska S.A. Group but not covered by the first or second category of the business model. They include assets from the "held for trading" category in the financial statements, such as listed equity instruments, commercial bonds acquired for trading purposes and derivatives (e.g. options, IRS, FRA, CIRS, FX Swap contracts) which are not embedded derivatives.

Changing the business model

Santander Bank Polska S.A. Group reclassifies all affected financial assets when, and only when, it changes its business model for managing financial assets.

If Santander Bank Polska S.A. Group reclassifies a financial asset, it applies the reclassification prospectively from the reclassification date.

Classification of financial liabilities

Santander Bank Polska S.A. Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities measured at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts. After initial recognition , the issuer shall measure contract at the higher of:
    (1) amount of the expected credit loss allowance,
    (2) initial recognised amount, less respective accumulated income recognised as per IFRS 15;
- commitments to provide a loan at a below-market interest rate. If the liability is not measured at fair value through profit or loss, the issuer shall subsequently measure it at the higher of:
    (1) amount of the expected credit loss allowance,
    (2) initial recognised amount, less respective accumulated income recognised as per IFRS 15;
- contingent consideration recognised by the acquire under the business combination arrangement governed by IFRS 3. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

Embedded derivatives

For financial assets, that meet the definition of hybrid contracts with an embedded derivative, a derivative that is a component of such a contract is not separated from the host contract which is not a derivative, the entire contract is assessed in terms of the contractual cash flow characteristics.

Measurement of financial assets and financial liabilities

Initial measurement

At initial recognition, Santander Bank Polska S.A. Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, Santander Bank Polska S.A. Group recognises this instrument on that date as follows:

- when the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, then Santander Bank Polska S.A. Group recognises the difference between the transaction price and the fair value at initial recognition as a gain or loss.
- in all other cases, at the measurement adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, Santander Bank Polska S.A. Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

At initial recognition, Santander Bank Polska S.A. Group shall measure trade receivables that do not have a significant financing component (determined in accordance with IFRS 15) at their transaction price (as defined in IFRS 15).

Subsequent measurement of financial assets

After initial recognition, Santander Bank Polska S.A. Group recognises a financial asset:

- at amortised cost, or
- fair value through other comprehensive income, or
- at fair value through profit or loss.

Allowances for expected credit losses are not calculated for financial assets measured at fair value through profit or loss.

Subsequent measurement of financial liabilities

After initial recognition, Santander Bank Polska S.A. Group recognises a financial liability:

- at amortised cost, or
- at fair value through profit or loss.

Liabilities measured at amortised costs include: deposits from banks, deposits from customers, liabilities due to repo transactions, loans and advances obtained, issued debt instruments and subordinated liabilities.

Liabilities are recognised as subordinated liabilities which in the event of liquidation or bankruptcy of Santander Bank Polska S.A. Group are repaid after satisfaction of claims of all other Santander Bank Polska S.A. Group's creditors. Financial liabilities are classified as subordinated liabilities by the decision of the Polish Financial Supervision Authority issued at the request of Santander Bank Polska S.A. Group.

Amortised cost measurement

Financial assets

Effective interest method

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of financial assets and presented in "Net interest income", except for credit-impaired financial assets. At the time a financial asset or a group of similar financial assets is reclassified to stage 3, interest revenue is calculated on the basis of a net value of a financial asset and presented at the interest rate used for the purpose of discounting the future cash flows for the purpose of measurement of impairment.

This does not apply to POCI assets, in the case of which the interest revenue is calculated on the basis of the net carrying amount, applying the effective interest rate adjusted for credit risk over the lifetime of the asset. The credit-adjusted effective interest rate is calculated by taking into account the future cash flows adjusted for the effect of credit risk over the lifetime of the asset.

The gross carrying amount of a financial asset is its amortised cost, before adjusting for any expected credit loss allowances.

Purchased or originated credit-impaired assets (POCI)

Santander Bank Polska S.A Group distinguished the category of purchased or originated credit-risk assets . POCI are assets that are credit-impaired on initial recognition. Financial asset that were classified as POCI at initial recognition should be treated as POCI in all subsequent periods until they are derecognized.

At initial recognition, POCI assets are recognized at their fair value. After initial recognition POCI assets are measured at amortized costs.

Valuation of POCI assets is based on the effective interest rate adjusted for the effect of credit risk .

For POCI assets (purchased or originated credit impaired) expected credit losses are recognised over the lifetime of the asset.

Portfolio of mortgage loans denominated/indexed to foreign currencies

Santander Polska S.A. Group reduces the gross carrying amount of mortgage loans denominated/indexed to foreign currencies in accordance with IFRS 9 by the impact of legal risk for potential and existing disputes. In the absence of gross carrying amount or its insufficient value to cover, it records a provision in accordance with IAS 37.

Modification of contractual cash flows

The concept of modification

Changes to the contractual cash flows in respect of the financial asset are regarded by Santander Bank Polska S.A. Group as modification if made in the form of an annex. Changes to the contractual cash flows arising from performance of the contractual obligations are not considered to be a modification.

If the terms of the financial asset agreement change, the Santander Bank Polska S.A. Group assesses whether the cash flows generated by the modified asset differ significantly from cash flows generated by financial asset before modification of the terms of the asset agreement.

Modification criteria

When assessing whether a modification is substantial or minor, Santander Bank Polska S.A. Group takes into account both quantitative and qualitative criteria. Both criteria groups are each time analyzed together.

Quantitative criteria

To determine the significance of the impact of modifications, the so-called "10% test" is carried out which is based on a comparison of discounted cash flows of the modified financial instrument (using the original effective interest rate) with discounted (also with the original effective interest rate) cash flows of the financial instrument before modification, whose value should correspond to the value of undue capital, increased by the value of undue interest and adjusted for the amount of unsettled commission.

Qualitative criteria

During the qualitative analysis, Santander Bank Polska S.A. Group takes into account the following aspects:

- adding / removing a feature that violates the contractual cash flow test result,
- currency conversion - except for currency conversions resulting from the transfer of the contract for collection,
- change of the main debtor - change of the contractor results in a significant modification of contractual terms and
- consolidation of several exposures into one under an annex.

Substantial modification

Identification of substantial modification resulting in the exclusion of a financial instrument from the statement of financial position is based on qualitative and quantitative criteria described above.

The occurrence of at least one of these quality criteria results in a significant modification. In the case of quantitative criteria, exceeding the "10% test" also indicates a significant modification.

As a result of a significant modification, the existing financial instrument is derecognized. The new instrument is recognized at fair value.

Minor modification

If neither the qualitative criteria, not the quantitative are met (eg. “10% test” exceeded), the modification is regarded by Santander Bank Polska S.A. Group as insignificant.

The change in the gross carrying amount is recognized in interest income/expense as a modification gain or loss.

Write-off

Santander Bank Polska S.A. Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. Financial asset can be written off partially or in its entirety.

Santander Bank Polska S.A. Group writes off financial assets if at least one of the following conditions apply:

- Santander Bank Polska S.A. Group has documented the irrecoverability of the debt ;
- there are no reasonable expectations of recovering the financial asset in full or in part;
- the debt is due and payable in its entirety and the value of the credit loss allowance corresponds to the gross value of the exposure, while the expected debt recovery proceeds are nil;
- the asset originated as a result of a crime and the perpetrators have not been identified or
- Santander Bank Polska S.A. Group has received:
    - a decision on discontinuation of debt enforcement proceedings due to irrecoverability of the debt (in relation to all obligors), issued by a relevant enforcement authority pursuant to Article 824 § 1 (3) of the Polish Code of Civil Procedure, which is recognised by the creditor (Santander Bank Polska S.A. Group) as corresponding to the facts; or
    - a court decision:
        - dismissing a bankruptcy petition, if the insolvent debtor's assets are insufficient to cover the cost of the proceedings or suffice to cover this cost only; or
        - discontinuing the bankruptcy proceedings or
        - closing the bankruptcy proceedings.

Financial assets written off are then recorded off balance sheet.

Impairment

General approach

Santander Bank Polska S.A. Group recognises allowances for expected credit losses in respect of:

- financial assets measured at amortised cost or at fair value through other comprehensive income;
- lease receivables;
- contract assets, i.e. the consideration to which Santander Bank Polska S.A. Group is entitled in exchange for the goods or services transferred to the customer in accordance with IFRS 15 Revenue from Contracts with Customers;
- loan commitments and
- off-balance sheet credit liabilities and financial guarantees.

Details regarding the calculation are described in point 2.6 "Allowances for expected credit losses"

Santander Bank Polska S.A. Group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised.

Santander Bank Polska S.A. Group charges interest on exposures classified in Stage 3 on the net exposure value .

Simplified approach for trade receivables and contract assets

In the case of trade receivables and contract assets, Santander Bank Polska S.A.Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of IFRS 15, and that do not contain a significant financing component.

Contingent liabilities

Santander Bank Polska S.A. Group creates provisions for impairment risk-bearing irrevocable contingent liabilities (irrevocable credit lines, financial guarantees, letters of credit, etc.). The value of the provision is determined as the difference between the estimated amount of available contingent exposure set using the Credit Conversion Factor (CCF) and the current value of expected future cash flows under this exposure.

Santander Bank Polska S.A. Group raises provisions for off-balance sheet liabilities subject to credit risk, broken down into 3 stages.

Gains and losses

Financial instruments in amortized cost

A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss through the amortisation process or in order to recognise impairment gains or losses. A gain or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

With regard to the financial assets recognised by Santander Bank Polska S.A. Group at the settlement date, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets measured at amortised cost. For assets measured at fair value, however, the change in fair value is recognised in profit or loss or in other comprehensive income. The trade date means the date of initial recognition for the purposes of applying the impairment requirements.

A gain or loss on a financial asset or liability measured at fair value is recognised in profit or loss unless the asset or liability is:

- a part of a hedging relationship,
- an investment into an equity instrument and Santander Bank Polska S.A. Group has decided to present gains and losses on that investment in other comprehensive income,
- a financial liability designated as measured at fair value through profit or loss and Santander Bank Polska S.A. Group is required to present the effects of changes in the liability's credit risk in other comprehensive income; or
- is a financial asset measured at fair value through other comprehensive income and Santander Bank Polska S.A. Group is required to recognise some changes in fair value in other comprehensive income.

Investments in equity instruments

Investments in equity instruments are measured at fair value through profit or loss unless at their initial recognition Santander Bank Polska S.A. Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this policy that is no held for trading.

If Santander Bank Polska S.A. Group has elected to measure equity instruments at fair value through other comprehensive income , dividends from that investment are recognised in profit or loss.

Liabilities designated as measured at fair value through profit or loss

Santander Bank Polska S.A. Group presents a gain or loss on a financial liability that is designated as measured at fair value through profit or loss as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, and
- the remaining amount of change in the fair value of the liability is presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in the profit or loss of Santander Bank Polska S.A. Group.

If the requirements specified above would create or enlarge an accounting mismatch in the profit or loss of Santander Bank Polska S.A. Group, Santander Bank Polska S.A. Group presents all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

Santander Bank Polska S.A. Group presents in profit or loss all gains and losses on loan commitments and financial guarantee contracts that are designated as measured at fair value through profit or loss.

Assets measured at fair value through other comprehensive income

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized. If the financial asset is derecognised, Santander Bank Polska S.A. Group accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Financial instruments held for trading

Derivative financial instruments are recognised at fair value without any deduction for transactions costs to be incurred on sale. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price i.e. the fair value of the consideration given or received.

If a hybrid contract contains a host contract that is not an asset within the scope of this IFRS 9, Santander Bank Polska S.A. Group separates the embedded derivative from the host contract and accounts for it as other derivatives if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and the host contract is not carried at fair value through profit or loss. Embedded derivatives are measured at fair value with changes recognised in the profit and loss account.

Hedge accounting

Pursuant to paragraph 7.2.21 of IFRS 9, Santander Bank Polska S.A. Group chose to continue to apply the hedge accounting requirements and hedging relationships arising from IAS 39.

The Santander Bank Polska S.A. Group uses derivative financial instruments among others to hedge its exposure to interest rate risks arising from Santander Bank Polska S.A. Group operational, financing and investment activities.

The Santander Bank Polska S.A. Group discontinues hedge accounting when:

- it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated, or exercised;
- the hedged item matures or is sold, or repaid,
- the hedging relationship ceases.

Fair value hedge

A fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) shall be recognised in profit or loss; and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This rule applies if the hedged item is otherwise measured at amortised cost or is a financial asset measured at fair value through other comprehensive income.

Cash flow hedge

A cash flow hedge is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument shall be recognised in income statement.

Interest income and expenses on hedged and hedging instruments are recognised as net interest income.

Amounts recognised in 'Other comprehensive income' are reclassified to profit or loss during the period of time in which the hedged item affects the income statement.

If the hedging instrument expires or is sold or the hedge accounting relationship is terminated, Santander Bank Polska S.A. Group discontinues hedge accounting. All profits or losses on the hedging instrument pertaining to the effective hedge recognised in other comprehensive income remains an element of equity until the forecast transaction occurs, when it is recognised in income statement.

If the transaction is no longer expected to occur, the cumulative gain or loss relating to the hedging instrument recognised in other comprehensive income is reclassified to profit or loss.

Repurchase and reverse repurchase transactions

The Santander Bank Polska S.A. Group also generates/invests funds by selling/purchasing financial instruments under repurchase/reverse repurchase agreements whereby the instruments must be repurchased/resold at the previously agreed price.

Securities sold subject to repurchase agreements ("repo and sell-buy-back transaction") are not derecognised from the statement of financial position at the end of the reporting period. The difference between sale and repurchase price is treated as interest cost and accrued over the life of the agreement.

Securities purchased subject to resale agreements ("reverse repo and buy-sell-back transactions") are not recognised in the statement of financial position at the end of the reporting period. The difference between purchase and resale price is treated as interest income and accrued over the life of the agreement.

The principles described above are also applied by Santander Bank Polska S.A Group to transaction concluded as separate transaction of sale and repurchase of financial instruments but having the economic nature of repurchased and reverse repurchase transactions.

Property, plant and equipment

Owned fixed assets

Property, plant and equipment including those under operating leases, are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Subsequent expenditure

Santander Bank Polska S.A. Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an asset when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to Santander Bank Polska S.A. Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated economic useful lives of each part of an item of property, plant and equipment.

The estimated economic useful lives are as follows:

- buildings: 22-40 years
- IT equipment: 3-5 years
- transportation means: 3-4 years
- other fixed assets: 3-14 years.

Right-of-use assets are depreciated on a straight basis overt the assets's useful life.

Depreciation rates are verified annually. On the basis of this verification, depreciation periods might be changed.

Goodwill and Intangible assets

Goodwill

Goodwill as of the acquisition date measured as the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities, contingent liabilities less impairment. Goodwill value is tested for impairment annually.

Licenses, patents, concessions and similar assets

Acquired computer software licenses are recognized on the basis of the costs incurred to acquire and bring to use the specific software.

Expenditures that are directly associated with the production of identifiable and unique software products controlled by Santander Bank Polska S.A. Group, and that will probably generate economic benefits exceeding expenditures beyond one year, are recognised as intangible assets.

Amortisation

Amortisation is charged to the income statement on a straight-line or degressive method (for intangible assets resulting from business combinations) over the estimated economic useful lives of intangible assets, which for the majority of intangibles equals to three years.

Amortisation rates are verified annually. On the basis of this verification, amortisation periods might be changed.

Leasing

Separating elements of the leasing contract

Lessee

Santander Bank Polska S.A. Group (the lessee) does not separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component for each underlying asset class where it is not possible and where the share of non-lease components is not significant compared to total net lease payments.

Lessor

For a contract that contains a lease component and one or more additional lease or non-lease components, Santander Bank Polska S.A. Group (the lessor) allocates the consideration in the contract applying the provisions of the accounting policy in respect of revenue from contracts with customers.

Lease term

Santander Bank Polska S.A. Group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the Santander Bank Polska S.A. Group (the lessee) is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Santander Bank Polska S.A. Group (the lessee) is reasonably certain not to exercise that option.

The lease term is updated upon the occurrence of either a significant event or a significant change in circumstances.

Santander Bank Polska Group as the lessee

Recognition

At the commencement date, Santander Bank Polska Group (the lessee) recognises a right-of-use asset and a lease liability.

Recognition exemptions

Santander Bank Polska Group (the lessee) does not apply the recognition and measurement requirements arising from the accounting policy to:

- leases that have a leasing period of no more than 12 months at the start date; and
- leases for which the underlying asset is of low value (i.e. if the net value of a new asset is lower or equal to PLN 20,000).

In the case of short-term leases or leases for which the underlying asset is of low value, the Santander Bank Polska S.A. Group (the lessee) recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Santander Bank Polska Group as the lessor

Classification of leases

Santander Bank Polska Group (the lessor) classifies each of its leases as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Other items of the statement of financial position

Other trade and other receivables

Trade receivables and other receivables payable within 12 months from the origination are measured at the initial recognition at par due to the immaterial effect of discounting. Trade receivables and other receivables payable within 12 months are at the balance sheet day recognised in the amount of the required payment less impairment loss.

Trade payables and other liabilities

Other liabilities payable within 12 months from the initial recognition are measured at par due to the immaterial effect of discounting. Like other liabilities payable within 12 months, trade payables are recognised at the balance sheet day in the amount of the payment due.

Equity

Equity comprises capital and funds created in accordance with applicable law, acts and the Articless of Association. Equity also includes retained earnings and prior year losses carried forward.

Share capital is stated at its nominal value in accordance with the Articles of Association and the entry in the court register.

Supplementary capital is created from profit allocations and share issue premiums.

Reserve capital is created from profit allocations and may be earmarked for covering balance sheet losses or dividend payment.

The result of valuation of management share-based incentive program is included in reserve capital (IFRS 2.53).

The supplementary, reserve, general banking risk fund and share premium are presented jointly under category "Other reserve funds".

Revaluation reserve is comprised of adjustments relating to the valuation of financial assets measured at fair value through other comprehensive income and adjustments relating to the valuation of effective cash flow hedges taking into account deferred tax and actuarial gains from estimating provision for retirement. The revaluation reserve is not distributable.

Except for own equity, non-controlling interests are also recognised in Santander Bank Polska S.A. Group capital.

On derecognition of all or part of financial assets measured at fair value through other comprehensive income the total effects of periodical change in the fair value reflected in the revaluation reserve are reversed. The value of a given financial asset measured at fair value through other comprehensive income is increased or decreased by the whole amount or an adequate portion of the impairment allowance made previously. The effects of the fair value changes are removed from the revaluation reserve with a corresponding change in the income statement.

The net financial result for the accounting year is the profit disclosed in the income statement of the current year adjusted by the corporate income tax charge.

Custody services

Income from custody services is an element of the fee and commission income. The corresponding customer assets do not form part of Santander Bank Polska S.A. Group's assets and as such are not disclosed in the consolidated statement of financial position.

Capital payments (Dividends)

Own dividends for a particular year, which have been approved by the General Meeting of Shareholders but not paid at the at the end of the reporting period are recognised as dividend liabilities in "other liabilities" item.

Provisions

A provision is recognised when Santander Bank Polska S.A. Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the amount is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Santander Bank Polska S.A. Group recognizes provisions for legal risk in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, where the estimated legal risk loss exceeds the gross value of the loan, and for settled loans,

Income statement

Net interest income

Santander Bank Polska S.A. Group presents the interest income recognised at the effective interest rate and credit-adjusted effective interest rate in separate lines of the income statement: "Interest income from financial assets measured at amortised cost" and "Interest income from assets measured at fair value through other comprehensive income".

In turn, the interest income from financial assets which do not meet the contractual cash flows test is presented in line "Income similar to interest - financial assets measured at fair value through profit or loss".

Net fee and commission income

Santander Bank Polska S.A. Group recognizes the fee and commission income that is not accounted for using the effective interest rate in such a manner so as to reflect the transfer of the goods or services promised to a customer in an amount reflecting the consideration to which it will be entitled in return for the goods or services in accordance with the 5 -stage model for recognizing income .

The Group identifies separate obligations to perform the service to which it assigns a transaction price. If the amount of remuneration is variable, the transaction price includes part or all of the variable remuneration to the extent that there is a high probability that there will be no refund of previously recognized revenues. Revenues equal to the transaction price are recognized when the service is performed or when it is performed by providing the customer with the promised good or service. The costs leading to the conclusion of the contract and the costs of performing the contract are activated and then systematically depreciated by the Group taking into account the period of transferring goods or services to the customer.

The significant commission income of the Santander Bank Polska S.A. Group includes:

1. Fee and commission income from loans includes fees charged by Santander Bank Polska Group in respect of reminders, certificates, guarantees, debt collection activities as well as commitment fees. Due to its nature, the majority of such income is taken to profit or loss on a one-off basis, i.e. when a specific operation is performed for a customer. Other income, such as a guarantee fee, is settled over time during the term of an agreement with a customer.
2. Fee and commission income from credit cards includes fees in respect of card issuance, ATM withdrawals, issuance of a new card, generation of a credit card statement or activation of optional credit card-related services. The vast majority of income is recognised at a specific point in time, i.e. when a specific operation is performed for a customer. Fees in respect of additional services related to credit cards are recognised over time.
3. Income from asset management is recognised in accordance with a 5-step model based on the value of assets provided to Santander Bank Polska Group for management. Pursuant to the agreements in place, Santander Bank Polska Group does not receive any upfront fees or additional commissions calculated after the end of the accounting year on the basis of factors beyond the Santander Bank Polska S.A. Group's control.

Gain/loss on derecognition of financial instruments measured at amortised cost

In the event of derecognition of an asset measured at amortized cost, Santander Bank Polska S.A. Group in this position presents the difference in value between financial instruments. The value of this item for 2024 relates almost entirely to settlements concluded for the portfolio of mortgage loans in foreign currencies. Upon concluding a settlement with a customer, the Group loses its rights to the foreign currency instrument and a new PLN instrument is created. In addition to settlements for the mortgage portfolio, this item presents significant modifications to other instruments like individual and corporate loans.

Costs of legal risk of mortgage loans in foreign currencies

This income statement line presents the total impact of the legal risk of mortgage loans denominated/indexed to foreign currencies and concerns mainly changes in the amount of the adjustment for legal risk reducing the gross carrying amount of the exposure and/or changes in the amount of the provision for legal risk, and court judgments.

Net income on bancassurance

For the selected loan products, where linkage to the insurance product has been identified, the Santander Bank Polska S.A. Group splits realised income into a portion recognised as interest income according to effective interest rate method and a portion recognised as fee income. The Santander Bank Polska S.A. Group qualifies distributed insurance products as linked to loans in particular if the insurance product influences contractual provisions of a loan.

To determine what part of income is an integral part of the credit agreement recognised as interest income using effective interest rate, the Santander Bank Polska S.A. Group separates the fair value of the financial instrument offered and the fair value of the intermediation service of insurance product sold together with such instrument. The portion that represents an element of the amortised cost of the financial instrument and the portion that represents remuneration for the agency services are split in proportion to the fair value of the financial instrument and the fair value of the agency service cost, respectively, relative to the sum of the two values.

The portion of income that is considered an agency fee for sales of an insurance product linked to a loan agreement is recognised by the Santander Bank Polska S.A. Group as fee income when the fee is charged for sales of an insurance product.

The Santander Bank Polska S.A. Group verifies the accuracy of the assumed allocation of different types of income at least annually.

Employee benefits

Short-term employee benefits

The Santander Bank Polska S.A. Group's short-term employment benefits which include wages, bonuses, holiday pay and social insurance payments are recognised as an expense as incurred.

Long-term employee benefits

The Santander Bank Polska S.A. Group's obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The accrual for retirement bonus is estimated using actuarial valuation method. The valuation of those provisions is updated at least once a year.

Equity-settled share-based payment transactions

For equity-settled share-based payment transactions, the entity measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Santander Bank Polska S.A. Group cannot estimate reliably the fair value of the goods or services received, the Santander Bank Polska

S.A. Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms are dependent on market conditions. Non-market vesting conditions are taken into account by adjusting the number of awards included in the measurement of the cost of employee services so that ultimately, the amount recognised in the income statement reflects the number of vested awards.

The expense related to share based payments is credited to shareholder's equity. Where the share based payment arrangements give rise to the issue of new shares, the proceeds of issue of the shares are credited to share capital (nominal amount) and share premium (if any) when awards are exercised.

Incentive Program

The Group has implemented an incentive program (Incentive Program VII) for selected groups of Group employees (in particular material risk takers - MRT and management staff not eligible for this MRT group), under which remuneration is paid to eligible employees through the free transfer of own shares of Santander Bank Polska S.A. The program is classified in accordance with IFRS 2 as a share-based payment program settled in equity instruments. Employees acquire the right to remuneration in the form of own shares of Santander Bank Polska S.A. depends on conditions not directly related to the market price of these shares. Detailed conditions are described in note 55. The Group recognizes the cost of the program during the vesting period in correspondence with equity. During the vesting period, it recognizes an amount for the goods or services received, using the best available estimate of the number of equity instruments that will vest. The Group adjusts these estimates, if necessary, if subsequent information indicates that the number of equity instruments that will vest differs from previous estimates.

In order to implement the program in the above formula, the Group, after an appropriate decision at the General Meeting, purchases an appropriate number of own shares from the market from investors and at the market price for the needs of a given settlement cycle of the incentive program.

Cash-settled share-based payment transactions

For cash-settled share-based payment transactions, the Santander Bank Polska S.A. Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Santander Bank Polska S.A. Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. The Santander Bank Polska S.A. Group recognises the services received, and a liability to pay for those services, as the employees render the service. The liability is measured, initially and at each reporting date until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered the service to that date.

Net trading income and revaluation

Net trading income and revaluation include profits and losses resulting from changes in fair value of financial assets and liabilities classified as held for trading that are measured at fair value through profit and loss. Interest cost and income related to the debt instruments are also reflected in the net interest income.

Dividend income

Dividends are taken to the income statement at the moment of acquiring rights to them by shareholders provided that it is probable that the economic benefits will flow to the Santander Bank Polska S.A. Group and the amount of income can be measured reliably.

Gain on disposal of subsidiaries, associates and joint ventures

Gain or loss on the sale of shares in subsidiaries is determined as the difference between the subsidiary's net asset value adjusted for unwritten-off portion of goodwill and the sale price.

Profit on the sale of interests in associates and joint ventures is the difference between the carrying amount and their sale price.

Gains or loss on other financial instruments

Gains or loss on other financial instruments include:

- gains and losses on disposal of equity instruments and debt instruments classified to the portfolio of financial assets measured at fair value through other comprehensive income; and
- changes in the fair value of hedged and hedging instruments, including ineffective portion of cash flow hedges.

Santander Bank Polska S.A. Group uses fair value hedge accounting and cash flow hedge accounting. Details are presented in Note 43 "Hedge accounting".

Other operating income and other operating costs

Other operating income and cost include the cost of provisions for legal risk, as well as operating cost and income not directly related to the statutory activity of Santander Bank Polska S.A. Group, including i.e. revenues and cost from the sale and liquidation of fixed assets, revenues from the sale of other services, received and paid damages, penalties and fines.

Impairment losses on loans and advances

The line item "Net impairment losses on loans and advances" presents impairment losses on balance sheet and off-balance sheet exposures and the gains/losses on the sale of credit receivables.

Staff and general and administrative expenses

The "Staff expenses" line item presents the following costs:

- remuneration and social insurance (including pension benefit contributions);
- provisions for unused leaves;
- pension provisions;
- bonus provisions;
- the programme for variable components of remuneration paid to individuals holding managerial positions, a part of which is recognised as an obligation on account of share-based payment in cash, in accordance with IFRS 2 Share-Based Payment; and
- employee training and other salary and non-salary benefits for employees.

The line item "General and administrative expenses" presents the following costs:

- maintenance and lease of fixed assets;
- IT and telecommunication services;
- administrative activity;
- promotion and advertising;
- property protection;
- short term lease costs and low-value assets lease cost
- charges paid to the Bank Guarantee Fund, the Financial Supervision Authority, the National Depository of Securities;
- taxes and fees (property tax, payments to the National Fund for the Rehabilitation of the Disabled, municipal and administrative fees, perpetual usufruct fees);
- insurance;
- repairs not classified as fixed asset improvements.

Tax on financial institutions

Introduced by an act implemented on 1 February 2016, the tax on financial institutions is calculated on the excess of the entity's total assets over the PLN 4 billion level; in the case of banks the excess results from the statement of turnover and balances at the end of each month. Banks are permitted to reduce the tax base by e.g. the value of own funds and the value of treasury securities. In addition, banks reduce the tax base by the value of assets purchased from the National Bank of Poland held as collateral for a refinancing credit facility granted by the latter. The tax rate for all tax payers is 0.0366% per month, and the tax is paid monthly by the 25th day of the month following the month it relates to.

Santander Bank Polska S.A. Group reports the tax charge under "Tax on financial institutions", separately from the income tax charge.

3. Operating segments reporting

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

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

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

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

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

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

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

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

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

In 2024 customer resegmentation between business segments was introduced. Once a year, Santander Bank Polska Group carries out the resegmentation / migration of customers between operating segments which results from the fact that customer meets the criteria of assignment for different operating segment than before. This change is intended to provide services at the highest level of quality and tailored to individual needs or the scale of customer operations.

Comparable data are adjusted accordingly.

In the part regarding Santander Bank Polska, the cost of legal risk connected with the portfolio of FX mortgage were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the cost of legal risk connected with the portfolio of FX mortgage loans were presented in the Santander Consumer segment. More details regarding the above provisions are described in the note 47.

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

Retail Banking

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

Business & Corporate Banking

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

Corporate & Investment Banking

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

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

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

ALM and Centre

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

Santander Consumer

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

In thousands of PLN

Consolidated income statement by business segments

1.01.2024-31.12.2024	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**8 211 150**	**2 339 366**	**774 474**	**943 455**	**1 604 771**	**13 873 216**
incl. internal transactions	(3 629)	(8 521)	28 760	68 660	(85 270)	-
Fee and commission income	2 155 087	686 182	527 196	-	220 532	3 588 997
Fee and commission expense	(473 161)	(58 092)	(52 594)	-	(95 686)	(679 533)
Net fee and commission income	**1 681 926**	**628 090**	**474 602**	**-**	**124 846**	**2 909 464**
incl. internal transactions	392 579	207 611	(597 083)	-	(3 107)	-
Net other income	**(47 198)**	**71 100**	**287 832**	**(47 565)**	**69 012**	**333 181**
incl. internal transactions	33 458	55 661	(84 548)	147	(4 718)	-
Dividend income	**10 481**	**-**	**5 187**	**-**	**143**	**15 811**
Operating costs	**(2 637 005)**	**(693 108)**	**(515 180)**	**(61 874)**	**(543 656)**	**(4 450 823)**
incl. internal transactions	-	-	-	2 458	(2 458)	-
Depreciation/amortisation	**(421 964)**	**(78 762)**	**(41 267)**	**-**	**(72 211)**	**(614 204)**
Impairment losses on loans and advances	**(400 854)**	**(239 651)**	**(83 516)**	**1 774**	**(261 145)**	**(983 392)**
Cost of legal risk associated with foreign currency mortgage loans	**(2 252 561)**	**-**	**-**	**-**	**(848 769)**	**(3 101 330)**
Share in net profits (loss) of entities accounted for by the equity method	**100 443**	**-**	**-**	**1 854**	**-**	**102 297**
Tax on financial institutions	**(445 445)**	**(180 501)**	**(152 039)**	**-**	**(40 574)**	**(818 559)**
Profit before tax	**3 798 973**	**1 846 534**	**750 093**	**837 644**	**32 417**	**7 265 661**
Corporate income tax						**(2 020 864)**
Consolidated profit for the period						**5 244 797**
of which:						
attributable to owners of the parent entity						**5 212 731**
attributable to non-controlling interests						**32 066**

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

In thousands of PLN

1.01.2024-31.12.2024	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	**2 155 087**	**686 182**	**527 196**	**-**	**220 532**	**3 588 997**
Electronic and payment services	193 166	72 248	30 159	-	-	295 573
Current accounts and money transfer	271 240	107 757	21 003	-	1 270	401 270
Asset management fees	291 063	556	595	-	-	292 214
Foreign exchange commissions	397 482	205 738	267 836	-	-	871 056
Credit commissions incl. factoring commissions and other	129 089	162 988	90 859	-	76 552	459 488
Insurance commissions	232 126	14 643	1 191	-	83 916	331 876
Commissions from brokerage activities	99 743	177	55 730	-	-	155 650
Credit cards	88 780	-	-	-	39 748	128 528
Card fees (debit cards)	418 217	20 970	2 267	-	-	441 454
Off-balance sheet guarantee commissions	2 942	97 542	41 920	-	-	142 404
Finance lease commissions	11 072	2 271	182	-	19 046	32 571
Issue arrangement fees	-	1 292	15 454	-	-	16 746
Distribution fees	20 167	-	-	-	-	20 167

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

Consolidated statement of financial position by business segments

31.12.2024	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	91 962 332	43 021 156	20 920 878	-	18 871 915	174 776 281
Investments in associates	917 135	-	-	50 074	-	967 209
Other assets	10 237 155	2 638 887	13 990 910	94 873 199	6 890 279	128 630 430
Total assets	**103 116 622**	**45 660 043**	**34 911 788**	**94 923 273**	**25 762 194**	**304 373 920**
Deposits from customers	149 506 043	49 858 414	15 572 278	1 034 835	16 057 192	232 028 762
Other liabilities	2 039 413	445 779	7 891 161	22 133 957	5 393 662	37 903 972
Equity	8 476 341	5 321 716	3 075 074	13 256 715	4 311 340	34 441 186
Total equity and liabilities	**160 021 797**	**55 625 909**	**26 538 513**	**36 425 507**	**25 762 194**	**304 373 920**

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

In thousands of PLN

Consolidated income statement by business segments

1.01.2022-31.12.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**7 595 121**	**2 358 885**	**884 682**	**935 904**	**1 341 307**	**13 115 899**
incl. internal transactions	(1 435)	(6 222)	9 840	109 075	(111 258)	-
Fee and commission income	1 984 382	633 694	506 815	-	206 670	3 331 561
Fee and commission expense	(449 601)	(45 284)	(35 960)	-	(83 714)	(614 559)
Net fee and commission income	**1 534 781**	**588 410**	**470 855**	**-**	**122 956**	**2 717 002**
incl. internal transactions	331 594	187 765	(516 308)	-	(3 051)	-
Net other income	**(296 738)**	**79 320**	**225 594**	**84 397**	**55 334**	**147 907**
incl. internal transactions	13 303	61 161	(70 298)	(4 173)	7	-
Dividend income	**10 109**	**-**	**1 298**	**-**	**64**	**11 471**
Operating costs	**(2 556 071)**	**(584 286)**	**(465 560)**	**(55 576)**	**(484 025)**	**(4 145 518)**
incl. internal transactions	-	-	-	3 336	(3 336)	-
Depreciation/amortisation	**(401 897)**	**(64 598)**	**(35 507)**	**-**	**(67 477)**	**(569 479)**
Impairment losses on loans and advances	**(673 917)**	**(159 804)**	**(140 161)**	**(3 120)**	**(172 375)**	**(1 149 377)**
Cost of legal risk associated with foreign currency mortgage loans	**(2 081 557)**	**-**	**-**	**-**	**(510 769)**	**(2 592 326)**
Share in net profits (loss) of entities accounted for by the equity method	**95 449**	**-**	**-**	**1 488**	**-**	**96 937**
Tax on financial institutions	**(429 324)**	**(182 154)**	**(139 684)**	**-**	**(31 333)**	**(782 495)**
Profit before tax	**2 795 956**	**2 035 773**	**801 517**	**963 093**	**253 682**	**6 850 021**
Corporate income tax						**(1 902 192)**
Consolidated profit for the period						**4 947 829**
of which:						
attributable to owners of the parent entity						**4 831 107**
attributable to non-controlling interests						**116 722**

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

1.01.2023-31.12.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	**1 984 381**	**633 695**	**506 815**	**-**	**206 670**	**3 331 561**
Electronic and payment services	187 477	72 145	26 137	-	-	285 759
Current accounts and money transfer	267 399	104 636	17 581	-	1 515	391 131
Asset management fees	235 052	397	602	-	-	236 051
Foreign exchange commissions	328 010	190 622	242 587	-	-	761 219
Credit commissions incl. factoring commissions and other	136 806	146 173	114 311	-	64 882	462 172
Insurance commissions	194 658	12 433	1 325	-	73 337	281 753
Commissions from brokerage activities	100 701	275	38 968	-	-	139 944
Credit cards	90 732	-	-	-	47 671	138 403
Card fees (debit cards)	413 719	19 258	2 242	-	-	435 219
Off-balance sheet guarantee commissions	4 080	83 626	43 450	-	-	131 156
Finance lease commissions	10 473	2 230	239	-	19 265	32 207
Issue arrangement fees	-	1 900	19 373	-	-	21 273
Distribution fees	15 274	-	-	-	-	15 274

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

In thousands of PLN

Consolidated statement of financial position by business segments

31.12.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	84 893 427	38 330 970	19 132 818	-	17 162 792	**159 520 007**
Investments in associates	919 294	-	-	48 220	-	**967 514**
Other assets	8 641 898	1 831 172	11 036 611	88 140 779	6 513 904	**116 164 364**
Total assets	**94 454 619**	**40 162 142**	**30 169 429**	**88 188 999**	**23 676 696**	**276 651 885**
Deposits from customers	134 149 686	43 948 874	14 368 922	3 121 993	13 687 881	**209 277 356**
Other liabilities	1 817 793	877 596	7 300 332	18 105 609	5 582 181	**33 683 511**
Equity	7 142 735	4 630 300	3 022 436	14 488 913	4 406 634	**33 691 018**
Total equity and liabilities	**143 110 214**	**49 456 770**	**24 691 690**	**35 716 515**	**23 676 696**	**276 651 885**

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

4. Risk management

Santander Bank Polska Group is exposed to a variety of risks in its ordinary business activities. The objective of risk management is to ensure that the Group takes risk in a responsible and controlled manner when maximising the value for shareholders. Risk is a possibility of materialisation of events impacting the achievement of the Group's strategic goals.

Risk management policies are designed to identify and measure risk, define the most profitable return within the accepted risk level (risk-reward), and to continually set and verify appropriate risk mitigation limits. Santander Bank Polska Group modifies and develops risk management methods on an ongoing basis, taking into consideration changes in the Group's risk profile, economic environment, regulatory requirements and best market practice.

The Management Board and Supervisory Board set the business direction and actively support the risk management strategies. This is achieved by defining the risk management and risk appetite strategy, as well as approving the key risk management policies, participation of the Management Board Members in the risk management committees, reviewing and signing off on the key risks and risk reports.

The **Supervisory Board** continuously oversees the risk management system. The Supervisory Board approves the strategy, key risk management policies and risk appetite, and monitors the use of internal limits in relation to the current business strategy and 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 assesses if the control activities performed by the Management Board are effective and aligned with the Supervisory Board's policy. The assessment also includes the risk management system.

The **Audit and Compliance Committee** supports the Supervisory Board in fulfilment of its oversight obligations. The Committee performs annual reviews of the Group's financial controls, and receives reports from the independent audit function and the compliance function. The Committee also receives regular quarterly reports on the degree of implementation of post-audit recommendations, and on that basis evaluates the quality of the actions taken. The Committee assesses the effectiveness of internal control system and risk management system. Moreover, the Audit Committee monitors financial audits, in particular inspections carried out by the audit company, controls, monitors and assesses independence of the chartered auditor and audit company, and reports the outcomes of inspections to the Supervisory Board. In addition, the Committee develops the policy and procedure for selecting the audit company and to present to the Supervisory Board the recommendations on election, re-election and recalling of External Auditor and on the External Auditor's fee.

The **Risk Committee** supports the Supervisory Board in assessing the effectiveness of the internal control and risk management systems and measures adopted and planned to ensure an effective management of material risks.

Moreover, the Supervisory Board in the Bank is also supported by the **Remuneration Committee** and the **Nominations Committee**, however outside the risk management area.

The **Management Board** is responsible for the effectiveness of risk management. In particular, it introduces the organisational structure aligned with the level and profile of the risk being undertaken, split of the responsibilities providing the separation of the risk measurement and control function from the operational activity, implements and updates the written risk management strategies, and ensures transparency of the activities. The Management Board reviews the financial results of the Group. It established a number of committees which are directly responsible for the development of the risk management methodology and monitoring of risk levels in particular areas.

The Bank's Management Board also manages the risk through its committees: the Risk Management Committee and the Risk Control Committee.

The **Risk Management Committee (RMC)** ratifies the key credit decisions (above specific decision-making thresholds), approves annual limits for securities trading and ALM transactions, and signs-off on the risk assessment models plan.

The **Risk Control Committee** 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. These 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.

The Risk Control Committee supervises the activities of the below-listed committees operating in the risk management field:

Credit Risk Committee, which approves and supervises the risk management policy and risk measurement methodology as well as monitors credit risk of cpnsolidated credit portfolio or in cases pertaining to more than one business segment;

Credit Policy Forum for Retail Portfolios/ SME Portfolios/ Business and Corporate Loans Portfolios, which are authorised to approve and supervise the the risk measurement policy and methodology, and monitoring credit risk only in relation to their respective business segments.

The **Credit Committee** takes credit decisions within the assigned lending discretions.

The **Provisions Committee** which takes decisions on impairment charges in an individual and collective approachfor credit exposures, as well as other financial instruments and assets and on legal risk provisions. Moreover, the Committee monitors credit loss allowances, reviews the adequacy of parameters applied when setting the impairment in an individual and collective approach for Santander Bank Polska Group, excluding Santander Consumer Bank S.A., and takes decisions about debts sales.

The **Recovery Committee** takes decisions as to the dealing with borrowers in distress, including with respect to the relationship management strategy, approval of the causes of loss analysis and monitoring of the portfolio and effectiveness of recovery processes.

Market and Investment Risk Committee, which approves and supervises the risk management policy and risk measurement methodology as well as monitors market risk in the banking book, market risk in the trading book, structural risk for the balance sheet, liquidity risk and investment risk;

Model Risk Management Committee, which is responsible for model risk management as well as supervises the methodology of models used in Santander Bank Polska S.A. Group;

The **Information Management Committee** is responsible for the quality and organisation of data related to risk management and other areas of the bank's operations.

The **Operational Risk Management Committee (ORMCo)** monitors the level**,** sets the direction for strategic operational risk actions in Santander Bank Polska Group in the area of business continuity, information security and fraud prevention.

Suppliers Panel establishes standards and carries out monitoring regarding providers and services, incl. outsourcing; main forum for discussion on risk resulting from the cooperation with suppliers.

The **Assets and Liabilities Management Committee** supervises the activity on the bank's and the Group's banking book, manages liquidity and interest rate risk in the banking book and is responsible for the funding and balance sheet management, including for the pricing policy.

Liquidity Forum monitors liquidity position of the Bank, with a special focus on the dynamics of deposit and credit volumes, the Bank's needs for financing and the general market situation.

The **Capital Committee** is responsible for capital management, in particular the ICAAP.

The **Disclosure Committee** verifies if the financial information published by Santander Bank Polska Group meets the legal and regulatory requirements.

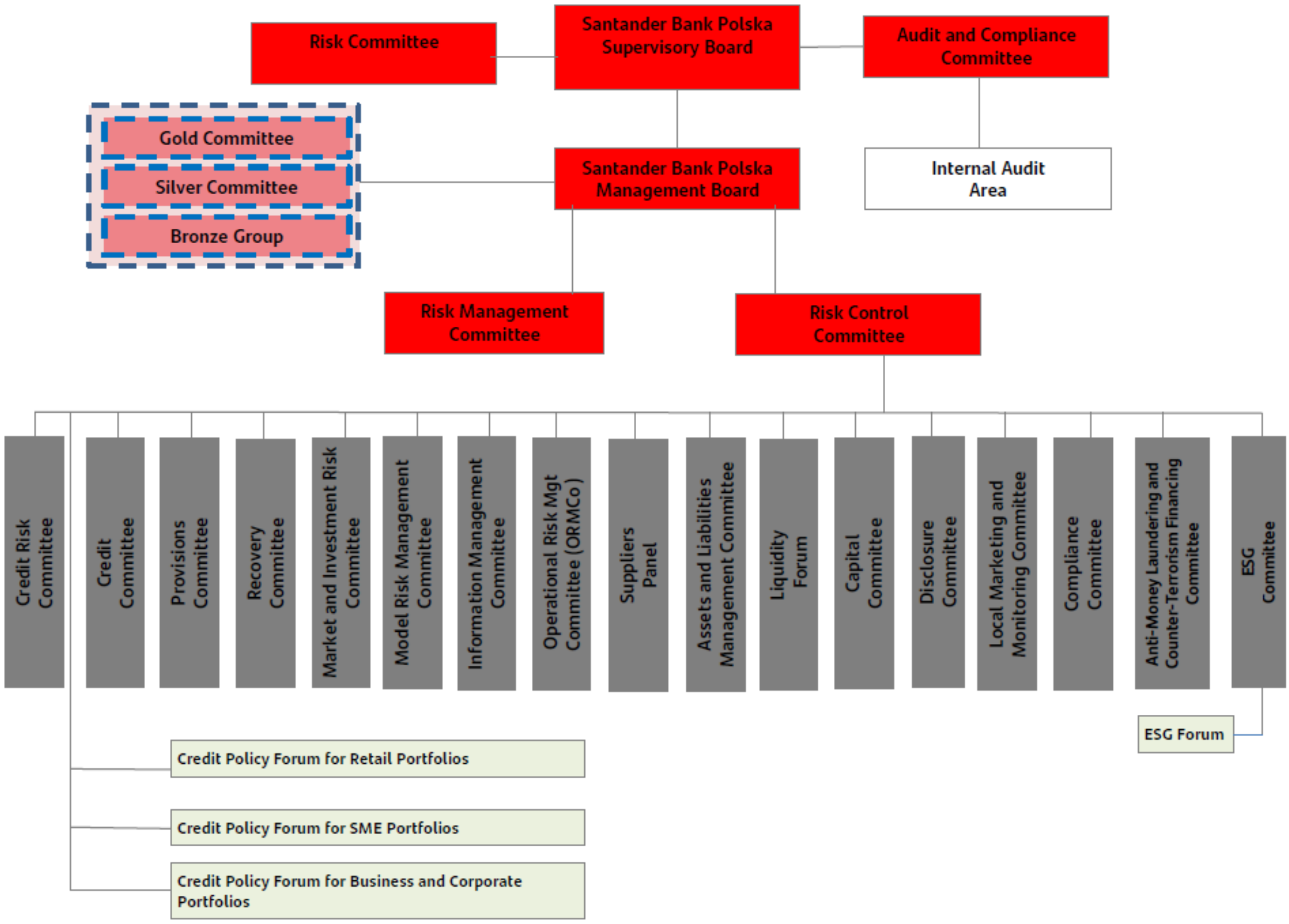
The **Local Marketing and Monitoring Committee** approves new products and services to be implemented in the market, taking into account the reputation risk analysis.

The **Compliance Committee** is responsible for setting standards with respect to the management of compliance risk and the codes of conduct adopted by the Group.

The **Anti-Money Laundering and Counter-Terrorism Financing Committee** approves the bank's policy on prevention of money laundering and the financing of terrorism. It approves and monitors the Group's activities in this area.

The **ESG Committee** is the main forum to discuss issues concerning responsible banking, sustainable development, ESG and corporate culture. It sets the direction of strategic activities and monitors the related objectives. As part of the Committee, the **ESG Forum** has been established to analyse challenges, opportunities and risks related to the EU Sustainable Finance agenda, including ESG risks, plan activities and coordinate their implementation at the Bank, and to submit regular reports to the Responsible Banking and Corporate Culture Committee and the Bank's Management Board.

The chart below presents the corporate governance in relation to the risk management process.



The Bank has dedicated committees which are convened in crisis situations:

Gold Committee, which takes decisions in crisis situations affecting Santander Bank Polska Group: it recommends the Management Board to activate the Recovery Plan, activates liquidity and capital contingency plans, and activates business continuity plans and the communication plan (if not already implemented).

Silver Committee, the main special situations governance body following the activation of the contingency situation, which assesses the impact of that situation and coordinates activities as part of the special situation management, activates action plans (e.g. business continuity plans) and BAU restoration procedures, and draws lessons learned after the special situation is resolved.

Bronze Group, which is responsible for the identification of and prompt response to threats or events that may pose a risk to the normal functioning of the Subsidiary and/or the Group. It identifies new threats in cooperation with the committees which manage risks on a daily basis.

Risk management is in line with the risk profile resulting from risk. At Santander Bank Polska Group, risk appetite is expressed as quantitative limits and captured in the "Risk Appetite Statement" adopted by the Management Board and approved by the Supervisory Board. Those limits are used to set watch limits and shape risk management policies.

The Group continuously analyses the risks, identifies their sources, creates the relevant risk management mechanisms including among others the measurement, control, mitigation and reporting. The key risks the Group is exposed to include:

- credit risk
- concentration risk
- market risk in the banking book and trading book
- liquidity risk
- operational risk,
- compliance risk.

The key rules, roles and responsibilities of the Group companies are set out in relevant internal policies relating to the management of individual risk types.

Santander Bank Polska Group pays special attention to the consistency of risk management processes across the Group, which ensures adequate control of the risk exposure. The subsidiaries implement risk management policies and procedures reflecting the principles adopted by Santander Bank Polska Group.

Acting under the applicable law, the bank exercises oversight of risk management in Santander Consumer Bank S.A. in line with the same oversight rules as applied to other Santander Bank Polska Group companies. The bank's representatives on the Supervisory Board of Santander Consumer Bank S.A. are: the Management Board member in charge of the Risk Management Division and the Management Board member in charge of the Retail Banking Division they are responsible for supervision over Santander Consumer Bank S.A. and they ensure, together with the company's Supervisory Board, that the company operates in line with adopted plans and operational security procedures. The bank monitors the profile and level of Santander Consumer Bank S.A. risk via risk management committees of Santander Bank Polska S.A.

From the point of view of negative impact of those risks on society, environment, employees, human rights and anti-corruption measures, particular importance is attached to operational risk, compliance risk and reputational risk. In addition, the bank has identified social and environmental risks (including climate risks) related to financing customers from sensitive sectors.

Credit risk

Santander Bank Polska Group's credit activities focus on growing a high quality loan book with a good quality, a good yield and customer satisfaction.

Credit activity includes all products subject to credit risk (credit facilities), originated by the Bank or its leasing and factoring subsidiaries.

Credit risk is defined as the possibility of suffering a loss as a result that a borrower will fail to meet its credit obligation, including interest and fees. Credit risk arises from the impairment of credit assets and contingent liabilities, resulting from worsening of the borrower's credit quality. Credit risk measurement is based on the estimation of credit risk weighted assets, with the relevant risk weights representing both the probability of default and the potential loss given default of the borrower.

Credit risk in Santander Bank Polska Group arises mainly from lending activities on the retail, SME, business, corporate segments and interbank markets. This risk is manager as part of the policy approved by the Management Board on the basis of the adopted credit procedures as well as on the basis of discretionary limits allocated to individual credit officers based on their knowledge and experience. The Group's internal system of credit grading and monitoring allows for an early identification of likely defaults that might impair the loan book. Additionally the Group uses large set of credit risk mitigation tools, both collaterals (financial and non-financial) and specific credit provisions and clauses (covenants).

The Group continues to develop and implement risk based methods of grading loans, allocating capital and measuring returns. Risk valuation models are used for all credit portfolios.

The Group regularly reviews processes and procedures for measurement, management and monitoring of the Bank's credit portfolio risk, adjusting them to the amended laws and regulatory requirements, especially to the KNF recommendations and the EBA guidelines.

Impact of the geopolitical situation (including the conflict in Ukraine) on credit risk measurement

In 2024, the Group continued to thoroughly analyse developments in the macroeconomic environment and monitored credit exposures in individual customer segments and sectors in order to promptly and duly align the credit policy parameters where required.

In 2024, the Group focused on the analysis of potential impact of the geopolitical situation and the changing macroeconomic environment on customers' standing. The analysis of macroeconomic factors covered in particular inflation and interest rates, exchange rates, as well as gas and energy prices. The Group closely monitored risk indicators of individual credit portfolios and analysed the sensitivity of customers' risk profile to changes in the economic and geopolitical environment. In addition, credit portfolios were stress tested in terms of the impact of individual factors and their combination. The Group closely monitored the portfolio of customers doing business in Ukraine, Russia, Belarus or Israeli and/or cooperating with companies from those countries, as well as the credit portfolio of customers affected by the negative effects of the flood. These risks were reflected through modifications to the ratings of entities, which directly translated into the level of provisions for expected credit losses. An appropriate strategy was applied to identified clients.

The overall quality of the credit portfolio is still assessed as satisfactory.

As part of regular reviews of ECL parameter models, the Group takes into account the latest macroeconomic projections, using its predictive models based on historical observations of relationships between those variables and risk parameters. ECL parameters were last updated in Q4 2024 to account for the impact of the geopolitical situation on the current economic situation and macroeconomic projections. The values of macroeconomic indicators included in the calculation of ECLs are presented in section 'Allowances for expected credit losses in respect of financial assets'.

Credit risk management committees

Consolidated credit risk oversight at Santander Bank Polska Group is performed by the **Credit Risk Committee (CRC)**. Its key responsibilities include development and approval of the best sectoral practice, industry analyses, credit policies, individual credit discretion systems and risks grading systems. The CRC also receives advanced credit portfolio analyses and recommends to the Management Board credit risk appetite limits to ensure balanced and safe growth of the credit portfolio.

The Bank also has three committees referred to as Credit Policy Forums, which deal with the key customer segments: **retail segment, SME segment and the business/ corporate segment**. These committees are responsible for shaping the credit policy and processes within their respective segments. If needed, their decisions may be escalated to the Credit Risk Committee.

In turn, oversight over credit risk models and the risk valuation methodology is the responsibility of the **Models Risk Management Committee**.

Risk Management Division

The Risk Management Division is responsible for a consolidated credit risk management process, including management and supervision of credit delivery, defining credit policies, providing decision-making tools and credit risk measurement tools, quality assurance of the credit portfolio and provision of reliable management information on the credit portfolio.

Credit Policies

Credit policies refer to particular business segments, loan portfolios and banking products. They contain guidelines for the identification of the areas where specific types of risks manifest themselves, specifying the methods of their measurement and mitigation to the level acceptable to the bank (e.g. "Loan-to-Value" ratios, FX risk in the case of foreign currency loans).

The Group reviews and updates its credit policies on a regular basis, aiming to bring them in line with the Group's strategy, current macroeconomic situation, legal developments and changes in regulatory requirements.

Credit Decision Making Process

As part of risk management, the credit decision making process is based upon individual credit discretions commensurate with employees' knowledge and experience in relation to individual business segments. Exposures in excess of PLN 50m are referred to the Credit Committee composed of senior managers. Transactions above stated thresholds (from PLN 115m to PLN 460m), depending on the transaction type) are additionally signed off by the Management Board's Risk Management Committee.

The Group strives to provide credit service of the highest quality while satisfying the borrowers' expectations and ensuring security of the credit portfolio. To this end, the existing system of credit discretions ensures segregation of the credit risk approval function from the sales function.

Credit Grading

Santander Bank Polska Group develops its credit risk assessment tools, adapting them to the KNF's guidelines, International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) and best market practice.

The Group uses credit risk grading models for most credit portfolios, including corporate customers, SMEs, home loans, property loans, cash loans, credit cards and personal overdrafts.

The Group monitors credit grading in accordance with the rules described in the lending manuals. Additionally, for selected models, credit grade is automatically verified based on the number of days past due or an analysis of behavioural factors. Credit grade is also verified at subsequent credit assessments.

Credit Reviews

The Group performs regular reviews to determine the actual quality of the credit portfolio, confirm that adequate credit grading and provisioning processes are in place, verify compliance with the procedures and credit decisions and to objectively assess professionalism in credit management. The reviews are performed by the two specialised units: Credit Review Department and the Control Department, which are independent of the risk-taking units.

Collateral

In the Group's security model, the Collateral and Credit Agreements Department is the central unit responsible for creation and maintenance of securities. The Security Manual as a procedure describing legal standards for the application of collateral security is managed by the Legal and Compliance Division. The Collateral and Credit Agreements Department is the owner of the security contract templates.

The role of the department is to ensure that security covers are duly established and held effective in line with the lending policy for all business segments. The unit is also responsible for developing standardised internal procedures with respect to perfecting and maintaining validity of collateral as well as ensuring that establishment, monitoring and release of security covers is duly effected.

Furthermore, the Collateral and Credit Agreements Department provides assistance to credit units in credit decision making and development of credit policies with respect to collateral. The unit gathers data on collateral and ensures appropriate management information. The tables below show types of collateral that can be used to secure loans and advances to customers from non-banking sector.

Retail customers

Type of loan/receivables	Type of collateral
Cash loan	bills, guarantees, credit insurance
Credit on liquid assets	guaranty deposit, amounts frozen on account, investment funds
Student loan	sureties
Housing loan	mortgage, credit insurance, transfer of claim
Leasing	bills, guarantees, transfer of rights to bank's account; court registered pledge on movables; transfer of ownership, mortgage, obligation of the leased asset supplier to buy the asset back (buy-back guarantee)

Business customers

Type of loan/receivables	Type of collateral
Commercial credit	guaranty deposit, registered pledge, bills
Revolving credit	assignment of credit, bills, guarantees, registered pledge
Building credit	mortgage
Investment credit	mortgage, sureties, warranty
Granted and with supplements	guarantees, warranty
Leasing	bills, guarantees, transfer of rights to bank's account; court registered pledge on movables; transfer of ownership, mortgage, obligation of the leased asset supplier to buy the asset back (buy-back guarantee)

Collateral management process

Before a credit decision is approved, in the situations provided for in internal regulations, the Collateral and Credit Agreements Department assesses the collateral quality and value, a process that includes:

- verification of the security valuation prepared by external valuers, and assessment of the security value for business loans,
- assessment of the legal status of the security for business loans,
- assessment of the investment process for the properties,
- seeking legal advises on the proposed securities.

The Collateral and Credit Agreements Department actively participates in credit processes, executing tasks including:

- verification of signed collateral documentation received from law firms, whether complete and compliant with the Bank's internal procedures (verification carried out before or immediately after disbursement);
- registration and verification of the data in information systems,
- collateral monitoring and reporting,
- reporting on the status of collateral by segments
- releasing of the security.

In thousands of PLN

In managing its receivables, Santander Bank Polska Group carries out the process of collateral execution. Selection of proper action towards execution of specific collateral depends on the type of the collateral (personal or tangible). In principle the Group aims at voluntary proceedings in the course of collateral execution. When there is no evidence of cooperation with a collateral provider, the Group's rights are fulfilled in compliance with the law and internal regulations in the bankruptcy and enforcement proceedings.

Financial effect of the collateral

The financial effect of the accepted collateral was calculated as a change in the credit loss allowance as a result of exclusion of the cash flow from collateral (non-performing exposures are assessed on an case-by-case basis). For other portfolios (mortgage, SME and corporate loans), this effect was calculated by adjusting the LGD parameter to the level observed for particular clients on unsecured products.

The table below present financial effect of collateral of Santander Bank Polska Group as at 31.12.2024:

31.12.2024

Financial effect of collateral		Gross Amount	Allowance for impairment	Financial effect of collateral
Loans and advances to customers				
	individuals	32 819 721	(2 397 731)	(5 244)
	housing loans	55 931 181	(416 229)	(871 300)
	business	69 736 432	(2 214 157)	(1 284 473)
Total balance sheet		**158 487 334**	**(5 028 117)**	**(2 161 017)**
Total off-balance sheet		**46 005 445**	**(93 919)**	**(46 047)**

The table below present financial effect of collateral of Santander Bank Polska Group as at 31.12.2023:

31.12.2023

Financial effect of collateral		Gross Amount	Allowance for impairment	Financial effect of collateral
Loans and advances to customers				
	individuals	29 953 235	(2 394 403)	(9 396)
	housing loans	53 014 143	(508 248)	(735 737)
	business	64 802 496	(2 261 980)	(1 333 152)
Total balance sheet		**147 769 874**	**(5 164 631)**	**(2 078 285**
Total off-balance sheet		**41 675 422**	**(123 085)**	**(43 769)**

Credit risk stress testing

Stress testing is a part of the credit risk management process used to evaluate potential effects of specific events or movement of a set of financial and macroeconomic variables or change in risk profile on Santander Bank Polska Group's condition. Stress tests are composed of assessment of potential changes in credit portfolio quality when faced with adverse conditions. The process also delivers management information about adequacy of agreed limits and internal capital allocation.

Impairment calculation

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

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

In accordance with IFRS 9, the recognition of expected credit losses will depend on changes in risk after recognition of the exposure. The standard introduces three main stages for recognising expected credit losses:

In thousands of PLN

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

The basis for classification into stages are described in Note 2.5, including the changes introduced by the Bank in 2024 (introduction of new grounds for a significant increase in risk).

Lifetime expected losses are recognised also for the exposures classified as POCI (purchased or originated credit-impaired). Such an asset is created when an impaired asset is recognized, and the POCI classification is maintained throughout the life of the asset.

In the case of classification into stage 3, the Group applies objective indications of impairment, as defined in accordance with the Basel Committee's recommendations and Recommendation R from KNF and EBA.

The rules for including past due in the identification of default are in line with the EBA Guidelines on the application of the definition of default and with the Regulation of the Minister of Finance, Investments and Development on the materiality level of past due credit obligations.

The Group estimates ECL using both an individual approach (for individually significant exposures with objectively evidenced impairment [stage 3]) and collective approach (individually insignificant exposures with objectively evidenced impairment, and incurred but not reported losses).

The Group on a regular basis recalibrates its models and updates the forward-looking information used for estimating ECL, taking into account the impact of changes in economic conditions, modifications of the Group's credit policies and recovery strategies, which is designed to ensure appropriate level of impairment allowances.

The tables below present Santander Bank Polska Group's exposure to credit risk.

Assets have been classified into respective risk grades based on the one-year probability of default arising from current credit rating (business customers) or score (personal customers) used for the purpose of business processes or, if not available, based on the one-year probability of default used for calculation of expected credit losses.

The tables below present the quality of financial assets of Santander Bank Polska Group broken down into risk groups as at 31.12.2024 and in the comparative period. The portfolio consists of loans and advances to clients and leasing portfolio.

31.12.2024		Loans and advances to individuals		Loans and advances to individuals-mortgage loans		Loans and advances to enterprises and lease receivables	
	PD range	Balance sheet exposures gross	Off-balance sheet exposures	Balance sheet exposures gross	Off-balance sheet exposures	Balance sheet exposures gross	Off-balance sheet exposures
Stage 1	from 0,00% to <0,15%	1 961 649	1 610 453	37 307 470	950 346	4 932 665	16 373 562
	from 0,15% to <0,25%	753 113	239 679	945 813	275	5 274 593	5 461 705
	from 0,25% to <0,50%	1 708 288	1 500 293	6 031 833	125 450	21 088 545	10 079 884
	from 0,50% to <0,75%	3 232 817	137 640	1 502 744	12 051	11 305 826	9 170 744
	from 0,75% to <2,50%	14 482 562	870 276	1 668 626	13 943	22 333 410	11 409 471
	from 2,50% to <10,0%	6 417 351	168 543	407 340	1 675	6 447 148	1 625 465
	from 10,0% to <45,0%	534 552	22 505	390	-	688 592	7 419
	from 45,0% to <100,0%	21 267	775	-	-	15 893	5
	Total Stage 1	**29 111 598**	**4 550 165**	**47 864 215**	**1 103 739**	**72 086 672**	**54 128 253**
Stage 2	from 0,00% to <0,15%	203 767	34 137	4 406 928	-	44 034	413
	from 0,15% to <0,25%	79 802	52 300	118 328	-	308 213	25 709
	from 0,25% to <0,50%	123 675	3 290	1 025 842	-	788 704	29 663
	from 0,50% to <0,75%	439 943	231 265	303 405	65	881 107	117 879
	from 0,75% to <2,50%	1 918 405	43 620	369 376	12 263	2 212 084	400 544
	from 2,50% to <10,0%	842 649	38 497	139 781	107 974	1 539 169	608 241
	from 10,0% to <45,0%	195 069	152	5 162	60	1 190 857	23 586
	from 45,0% to <100,0%	184 756	-	311	-	35 702	-
	Total Stage 2	**3 988 067**	**403 260**	**6 369 133**	**120 362**	**6 999 870**	**1 206 035**

In thousands of PLN

	Default period	EAD after credit risk mitigation and credit conversion factor applied: Loans and advances to individuals	Loans and advances to individuals- mortgage loans	Loans and advances to enterprises and lease receivables
Stage 3	up to 12 months	1 384 235	257 024	2 014 155
	from 13 to 24 months	659 224	213 725	809 536
	from 25 to 36 months	260 624	142 901	362 361
	from 37 to 48 months	123 784	61 197	181 042
	from 49 to 60 months	79 438	29 065	157 914
	from 61 to 84 months	118 384	63 345	196 976
	above 84 months	79 059	61 449	316 165
POCI	up to 12 months	43 591	7 028	67 204
	from 13 to 24 months	28 909	5 604	76 020
	from 25 to 36 months	20 560	13 223	75 148
	from 37 to 48 months	9 022	10 449	58 894
	from 49 to 60 months	3 506	2 721	18 887
	from 61 to 84 months	6 063	6 806	149 182
	above 84 months	24 273	45 934	32 912

31.12.2023		Loans and advances to individuals		Loans and advances to individuals- mortgage loans		Loans and advances to enterprises and lease receivables	
	PD range	Balance sheet exposures gross	Off-balance sheet exposures	Balance sheet exposures gross	Off-balance sheet exposures	Balance sheet exposures gross	Off-balance sheet exposures
Stage 1	from 0,00% to <0,15%	2 495 584	2 609 449	35 296 301	798 710	6 239 392	8 259 836
	from 0,15% to <0,25%	1 165 681	678 513	1 504 114	70	6 181 256	3 018 705
	from 0,25% to <0,50%	1 580 956	63 665	7 447 713	116 796	20 192 995	8 828 527
	from 0,50% to <0,75%	3 895 229	386 626	1 986 711	56 034	11 311 276	5 935 325
	from 0,75% to <2,50%	12 612 568	499 931	2 053 314	37 048	18 516 398	8 189 153
	from 2,50% to <10,0%	4 544 646	156 112	553 110	23 627	4 744 457	1 035 759
	from 10,0% to <45,0%	443 959	17 327	319	-	2 221 942	10 321
	from 45,0% to <100,0%	6 940	38	-	-	10 549	111
	Total Stage 1	**26 745 563**	**4 411 661**	**48 841 581**	**1 032 285**	**69 418 265**	**35 277 737**
Stage 2	from 0,00% to <0,15%	43 576	2 140	513 720	-	33 931	3 841
	from 0,15% to <0,25%	39 765	1 951	66 665	-	244 102	442
	from 0,25% to <0,50%	61 564	2 819	375 898	-	372 648	-
	from 0,50% to <0,75%	174 905	4 358	83 966	-	732 369	45 873
	from 0,75% to <2,50%	720 081	15 066	198 449	1 755	1 602 264	149 682
	from 2,50% to <10,0%	636 139	26 888	148 452	7 391	1 302 235	332 752
	from 10,0% to <45,0%	224 469	155	5 127	73	973 412	63 264
	from 45,0% to <100,0%	87 266	-	115	-	62 462	-
	Total Stage 2	**1 987 765**	**53 377**	**1 392 392**	**9 219**	**5 323 423**	**595 854**

In thousands of PLN

	Default period	EAD after credit risk mitigation and credit conversion factor applied		
		Loans and advances to individuals	Loans and advances to individuals- mortgage loans	Loans and advances to enterprises and lease receivables
Stage 3	up to 12 months	1 290 376	377 525	1 320 400
	from 13 to 24 months	509 085	222 302	668 876
	from 25 to 36 months	293 707	106 263	333 250
	from 37 to 48 months	186 950	61 573	259 957
	from 49 to 60 months	118 220	72 601	264 164
	from 61 to 84 months	87 848	88 878	123 776
	above 84 months	27 342	76 695	387 568
POCI	up to 12 months	54 136	13 007	78 844
	from 13 to 24 months	46 547	38 899	240 088
	from 25 to 36 months	13 273	16 563	64 252
	from 37 to 48 months	4 465	4 241	24 935
	from 49 to 60 months	2 080	5 409	126 528
	from 61 to 84 months	19 050	14 099	42 867
	above 84 months	47 821	71 340	50 913

The tables below present the quality of 'Loans and advances to business customers measured at fait value through other comprehensive income' broken down into stages as at 31.12.2024 and in the comparative period:

		Loans and advances to customers measured at fair value through OCI			
31.12.2024	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	from 0,00 do <0,15%	446 198	-	-	446 198
	from 0,15 do <0,25%	391 709	-	-	391 709
	from 0,25 do <0,50%	1 359 639	-	-	1 359 639
	from 0,50 do <0,75%	812 642	126 106	-	938 748
	from 0,75 do <2,50%	1 089 030	-	-	1 089 030
	from 45,0 do <100%	-	-	164 690	164 690
Gross amount		**4 099 218**	**126 106**	**164 690**	**4 390 014**
Impairment		(10 919)	(19 109)	(69 990)	(100 018)
Net amount		**4 088 299**	**106 997**	**94 700**	**4 289 996**

		Loans and advances to customers measured at fair value through OCI			
31.12.2023	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	from 0,00 do <0,15%	445 835	-	-	445 835
	from 0,15 do <0,25%	151 691	-	-	151 691
	from 0,25 do <0,50%	878 181	139 881	-	1 018 062
	from 0,50 do <0,75%	346 910	150 493	-	497 403
	from 0,75 do <2,50%	777 218	-	-	777 218
Gross amount		**2 599 835**	**290 374**	**-**	**2 890 209**
Impairment		(10 551)	(81 464)	-	(91 975)
Net amount		**2 589 324**	**208 910**	**-**	**2 798 234**

In thousands of PLN

The tables below present the quality of financial assets of Santander Bank Polska Group broken down into stages and by ratings as at 31.12.2024 and in the comparative period:

Stage 1

31.12.2024	Loans and advances to banks	Debt securities measured at fair value through other comprehensive income	Debt investment securities measured at amortised cost	Debt securities measured at fair value through profit or loss	Debt securities held for trading
Credit quality step *					
1 (AAA to AA-)	270 337	1 160 381	3 030 738	1 247	-
2 (A+ to A-)	8 496 194	39 682 700	32 566 260		1 505 030
3 (BBB+ to BBB-)	26 031	-	-	-	-
4 (BB+ to BB-)	1 376	-	-	-	-
5 (B+ to B-)	-	-	-	-	-
6 (<B-)	-	-	-	-	-
no external rating	19 050	-	-	-	1 572
Total Stage 1	**8 812 988**	**40 843 081**	**35 596 998**	**1 247**	**1 506 602**

* according to Fitch;

There are no instruments classified to Stage 2 as at 31.12.2024.

Stage 3

31.12.2024	Loans and advances to banks	Debt securities measured at fair value through other comprehensive income	Debt investment securities measured at amortised cost	Debt securities measured at fair value through profit or loss	Debt securities held for trading
Credit quality step *					
1 (AAA to AA-)	-	-	-	-	-
2 (A+ to A-)	-	-	-	-	-
3 (BBB+ to BBB-)	-	-	-	-	-
4 (BB+ to BB-)	-	-	-	-	-
5 (B+ to B-)	-	-	-	-	-
6 (<B-)	-	-	-	-	-
no external rating	-	394	-	-	-
Total Stage 3	**-**	**394**	**-**	**-**	**-**

In thousands of PLN

Stage 1

31.12.2023	Loans and advances to banks	Debt securities measured at fair value through other comprehensive income	Loans and advances to customers - Debt securities measured at amortised cost	Debt investment securities measured at amortised cost	Debt securities held for trading
Credit quality level *					
1 (AAA to AA-)	418 664	2 155 447	964 018	2 005	-
2 (A+ to A-)	8 993 366	45 442 729	18 675 450		1 517 534
3 (BBB+ to BBB-)	92 159	-	-	-	-
4 (BB+ to BB-)	2 020	-	-	-	-
5 (B+ to B-)	132	-	-	-	-
6 (<B-)	-	-	-	-	-
no external rating	27 499	-	-	-	1 657
Total Stage 1	**9 533 840**	**47 598 176**	**19 639 468**	**2 005**	**1 519 191**

* according to Fitch

There are no instruments classified to Stage 2 as at 31.12.2023.

Stage 3

31.12.2023	Loans and advances to banks	Debt securities measured at fair value through other comprehensive income	Loans and advances to customers - Debt securities measured at amortised cost	Debt investment securities measured at amortised cost	Debt securities held for trading
Credit quality level *					
1 (AAA to AA-)	-	-	-		-
2 (A+ to A-)	-	-	-		-
3 (BBB+ to BBB-)	-	-	-		-
4 (BB+ to BB-)	-	-	-		-
5 (B+ to B-)	-	-	-		-
6 (<B-)	-	-	-		-
no external rating	-	394	-		-
Total Stage 3	**-**	**394**	**-**		**-**

* according to Fitch

Loans and advances to banks are assessed using ratings. The assessment method was set out in the Group's internal regulations. Each institutional client (exposure) is assigned a rating by one of the reputable rating agencies (Fitch, Moody's, S&P), in accordance with the CRR. Then, a relevant grade is allocated to the client. There are no overdue or impaired loans and advances to banks.

Financial instruments are assessed in accordance with the sovereign rating (treasury bonds, securities issued by the National Bank of Poland [NBP], Bank Gospodarstwa Krajowego [BGK]). The sovereign rating is the same as the NBP/BGK rating. All have the same rating as Poland, according to Fitch it is A-.

For all instruments presented above (including also loans and advances to customers measured at fair value through other comprehensive income), there is no overdue or impairment, therefore they are classified to Stage 1. In accordance with its definition- as exposures with no significant increase in risk since initial recognition, i.e. the likelihood of the exposure being downgraded to the impaired portfolio (Stage 3)has not increased. For such exposures, 12-month expected credit losses will be recognized.

Credit risk concentration

Santander Bank Polska Group adheres to the standards provided for in the Banking Law with regard to the concentration of risk bearing exposures to a single entity or a group of entities connected in terms of capital or organisation. As at 31.12.2024, pursuant to art. 71 of the Banking Law Act, the maximum limits for the Group amounted to:

- PLN 6,530,143 k (25% of Group's own funds).

As at 31.12.2023, pursuant to art. 71 of the Banking Law Act, the maximum limits for the Group amounted to:

- PLN 6,551,441 k (25% of Group's own funds).

In thousands of PLN

The policy pursued by the Group aims at minimising the credit concentration risk, by for example applying more rigorous than regulatory rules in this respect. The effect of this policy is maintenance of high level of diversification of exposures towards individual customers.

The analysis of the Group's exposures in terms of sector concentrations, proved that the Group does not have any exposures in excess of the limits imposed by the regulator in 2024.

A list of the 20 largest borrowers (or capital-related group of borrowers) of Santander Bank Polska Group (performing loans) as at 31.12.2024.

Industry code (PKD)	Industry description	Total credit exposure	Balance sheet exposure incl. towards subsidiaries	Committed credit lines, guarantees, treasury limits and capital investments
64	OTHER FINANCIAL SERVICES	7 179 046	500 000	6 679 046
84	PUBLIC ADMINISTRATION	3 062 051	-	3 062 051
35	POWER INDUSTRY	2 985 584	-	2 985 584
64	OTHER FINANCIAL SERVICES	2 144 930	-	2 144 930
19	RAFINERY	2 087 742	450 091	1 637 652
47	RETAIL SALES	1 747 852	-	1 747 852
61	TELECOMMUNICATION	1 570 772	1 153 108	417 664
35	POWER INDUSTRY	1 480 252	28 125	1 452 127
64	OTHER FINANCIAL SERVICES	1 400 000	1 400 000	-
47	RETAIL SALES	1 393 940	579 531	814 409
65	REINSURANCE	1 311 669	-	1 311 669
64	OTHER FINANCIAL SERVICES	1 307 485	-	1 307 485
64	OTHER FINANCIAL SERVICES	1 269 604	-	1 269 604
64	OTHER FINANCIAL SERVICES	1 253 526	-	1 253 526
64	OTHER FINANCIAL SERVICES	1 201 319	1 148 000	53 319
61	TELECOMMUNICATION	1 127 397	431 275	696 122
70	OPERATIONS OF HEAD OFFICES	1 052 330	-	1 052 330
64	OTHER FINANCIAL SERVICES	1 011 265	529 098	482 167
20	CHEMICAL INDUSTRY	954 534	938 023	16 511
64	OTHER FINANCIAL SERVICES	905 080	22 204	882 876
		36 446 378	**7 179 455**	**29 266 923**

In thousands of PLN

A list of the 20 largest borrowers (or capital-related group of borrowers) of Santander Bank Polska Group (performing loans) as at 31.12.2023.

Industry code (PKD)	Industry description	Total credit exposure	Balance sheet exposure incl. towards subsidiaries	Committed credit lines, guarantees, treasury limits and capital investments
84	PUBLIC ADMINISTRATION	3 252 671	-	3 252 671
19	RAFINERY	2 149 725	222 615	1 927 110
64	OTHER FINANCIAL SERVICES	2 104 833	-	2 104 833
47	RETAIL SALES	1 558 713	1 357 790	200 923
35	POWER INDUSTRY	1 545 378	270 001	1 275 377
47	RETAIL SALES	1 508 554	771 577	736 977
64	OTHER FINANCIAL SERVICES	1 496 559	1 444 460	52 099
61	TELECOMMUNICATION	1 307 635	420 688	886 947
35	POWER INDUSTRY	1 299 494	257 475	1 042 019
06	MINING	1 264 590	-	1 264 590
64	OTHER FINANCIAL SERVICES	1 254 499	-	1 254 499
64	OTHER FINANCIAL SERVICES	1 196 880	1 196 880	-
64	OTHER FINANCIAL SERVICES	1 093 960	-	1 093 960
64	OTHER FINANCIAL SERVICES	1 064 928	527 888	537 040
35	POWER INDUSTRY	1 027 815	974 020	53 795
64	OTHER FINANCIAL SERVICES	997 676	-	997 676
35	POWER INDUSTRY	960 808	922161	38 647
64	OTHER FINANCIAL SERVICES	850 000	-	850 000
61	TELECOMMUNICATION	849 844	828 346	21 498
64	OTHER FINANCIAL SERVICES	779 051	-	779 051
		27 563 613	**9 193 901**	**18 369 712**

Industry concentration

The credit policy of Santander Bank Polska Group assumes diversification of credit exposures. Risk of particular industry affects value of the exposure limit. In order to ensure adequate portfolio diversification and control the risk of overexposure to a single industry, the Group provides funding to sectors and groups or capital units representing a variety of industries.

As at 31.12.2024, the highest concentration level was recorded in the “manufacturing” sector (9.2% of the Santander Bank Polska Group exposure), “trade” (9%) and “real estate” (5%).

In thousands of PLN

Breakdown of non-trading business loans and advances by NACE codes:

	NACE sector	Gross exposure	
		31.12.2024	31.12.2023
	Agriculture, forestry and fishing	4 127 031	3 820 094
	Mining and quarrying	1 519 721	1 419 015
	Manufacturing	16 543 709	14 910 478
	Electricity, gas, steam and air conditioningsupply	3 318 010	2 990 334
	Water supply	538 740	372 536
	Construction	4 074 926	3 449 603
	Wholesale and retail trade	16 247 843	14 313 937
	Transport and storage	6 290 895	6 098 496
	Accomodation and food service activities	2 149 170	1 968 191
	Information and communication	3 533 052	3 171 499
	Financial and insurance activities	1 797 899	1 355 784
	Real estate activities	9 751 160	9 482 855
	Professional, scientific and technical activities	7 457 722	6 659 463
	Administrative and support service activities	3 703 141	3 328 385
	Public administration and defence, .compulsory social security	33 352	3 417
	Education	402 401	339 013
	Human health services and social work activities	1 921 629	1 656 984
	Arts, entertainment and recreation	507 090	433 291
	Other services	5 104 277	5 088 339
A	**Total Business Loans**	**89 021 769**	**80 861 714**
B	**Retail (including mortgage loans)**	**88 814 191**	**83 052 466**
C	**Loans to public sector**	**2 439 265**	**1 223 168**
A+B+C	**Santander Bank Polska SA portfolio**	**180 275 225**	**165 137 348**
D	**Other receivables**	**70 339**	**74 521**
A+B+C+D	**Total Santander Bank Polska SA**	**180 345 564**	**165 211 869**

Climate related risk

At Santander Bank Polska Group environmental matters are embedded in decision-making processes. The ESG (environmental, social, governance) guidelines are used for evaluating the assets to be financed by the Bank.

More broadly, issues related to climate goals, climate policy and initiatives and actions undertaken by the Bank and the Group are described in the "Consolidated Sustainability Statement of Santander Bank Polska Group for 2024" which is part of the Management Board Report on the activities of Santander Bank Polska Group in 2024. This document also contains quantitative disclosures.

The Bank and the Group entities considered the climate-related risks when preparing the financial statements in accordance with International Financial Reporting Standards, and where necessary, the Standards were applied in a manner that takes this into account.

The subject of the considerations was, in particular, the impact of environmental issues on the Bank and the Group's entities in the context of the application of:

- IAS 1: Presentation of Financial Statements
- IAS 12: Income Taxes
- IAS 36: Impairment of Assets
- IFRS 9: Financial Instruments
- IFRS 13: Fair Value
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets

At the same time, based on the conducted analysis, no significant impact of environmental issues on the financial statements as a whole was found.

The Bank and the Group entities conducted an analysis of the main transformational and physical risks, and thanks to the identification of key risks for our latitude, the risk in the sectors most affected by climate change was evaluated. This allowed for the improvement of the risk assessment process for individual business clients in these aspects.

In 2024, stress tests were conducted on credit risk parameters of credit portfolios, taking into account transformation risk, and their result was taken into account in the process of assessing the adequacy of allocated internal capital. The results obtained do not indicate a significant dependence of portfolio parameters in the time horizon analyzed in the stress tests. In the following year, it is planned to expand the analyses performed as part of the stress tests, including the impact of physical risks on the considered scenario.

At the same time, the Group performed the further iterations of analyzes aimed at identification and of transformational and physical risks in a systemic and quantitative manner. By estimating the emissivity of all business entities and retail mortgage products, the Group assess transformational risks and deliberate actions in key parts of the portfolio. It will also allow for the inclusion of environmental aspects in standard portfolio analysis processes, setting targets and limits at appropriate levels.

ESG risk management as part of the risk management framework

Effective identification of risks and opportunities related to climate change allows Santander Bank Polska S.A. to take measures to ensure reliance to key threats, accelerate growth, improve financial results, and build reputation.

Risks related to social and environmental issues, including climate, are taken into account in the risk management system developed and implemented by the Management Board. This system operates on the basis of three lines of defense, covers all significant types of risk and the interdependencies of individual risks.

In accordance with the recommendations, the Bank performs analyzes of physical and transformational risk, including them in the taxonomy of risks typical for the Bank. The Group does not separate ESG risk as a separate material risk, but indicates its transmission channels into: credit, market and liquidity, compliance, reputation, business and operational risks.

A methodology for assessing the level of climate risks – physical and transition for individual climate sectors and real estate (introducing a taxonomy of climate sectors to the Bank) has been introduced, which allowed for a portfolio analysis of the significance of climate risks for the credit portfolio. The reports in question are already presented to selected committees, and this information is used in the assessment of credit risk of clients and transactions.

The Social, Environmental and Climate Change Risk Management Policy is in force at Bank, approved by the Bank's Management Board. It specifies the criteria for the Bank's ability to cooperate with clients operating in selected sensitive sectors. The document defines areas of activity divided into two categories: prohibited activities and activities subject to additional analysis. In connection with the adjustment of credit processes to the provisions of the Policy, some exposures characterized by too high and unmanaged transformation risk are not accepted.

Concentration limits have been defined:

• for sectors that contribute the most to climate change, which are also most exposed to transformation risks.

• for business and mortgage-secured exposures in locations assessed as highly exposed to physical risks

and measures of the acceptable level of risk regarding the Bank's declarations included in the Environmental, Social and Climate Change Risk Management Policy.

Depending on the level of climate risk assessment for individual sectors, elements influencing the estimation of the level of credit risk are added to the credit process. For selected clients from business segments, an individual ESCC (Environmental Social & Climate Change) risk analysis is performed for clients / transactions operating in sectors defined in the Bank's policies. The conducted ESCC risk analysis and recommendation is included in the client's credit application, and if it affects the assessment of credit risk parameters, it is included in the client's rating assessment.

In 2024, the requirements for the valuation of mortgage collateral were strengthened in terms of taking into account ESG factors. The analyses carried out showed that in the case of transition risk approximated by the level of energy efficiency of buildings, there is already a visible differentiation of valuations from the level of this risk.

In 2024, the Bank refreshed an analysis of the portfolio's sensitivity to climate risks, taking into account the sensitivity assessment of the most exposed sectors included in it. The analysis was carried out in three time horizons - short (2030), medium (2040) and long (2050). It was decided to use climate scenarios defined by a group of central banks and supervisory institutions, which brings together over 130 institutions (including the largest ones, such as the European Central Bank, the Bank of England and the United States Federal Reserve System) determined to act for better understanding and management of climate risks (Network for Greening the Financial System, NGFS). For physical risk, the analysis was based on external data defining the level of physical risks for over 15 climate phenomena (sudden and chronic) at the municipal level, using RCP (representative concentration pathways) scenarios. These are four scenarios of changes in carbon dioxide concentration that were accepted by the Intergovernmental Panel on Climate Change in the project of comparing global climate models.

Responsibility for ESG risk management

The responsibility for managing climate risk and leveraging climate-related opportunities rests with the Management Board and the Supervisory Board. They support risk management strategies by approving key policies, sitting on dedicated committees, participating in reviews and approving risks and reports. The member of the Management Board supervising ESG risk management is the member managing the Risk Management Division.

Since 2023, the ESG Risk Management Office was established within the Risk Management Division, whose responsibility is to ensure the appropriate organization of the ESG Risk management function.

The **Bank's Management Board** is responsible for defining long-term action plans and approving the responsible banking strategy, including the climate strategy and its main objectives (in a short, medium and/or long term), and as part of the risk management framework. ESG direction has become one of the 3 pillars of Group's strategy for 2024-2026, it is the TOTAL Responsibility pillar, creating the strategy together with the TOTAL Experience and TOTAL Digitalization pillars.

The **Supervisory Board** verifies the Bank's management strategy and ESG risk management strategy, also in terms of the Bank's long-term interest.

There is also the ESG Committee, which provides support to the Bank's Management Board in the performance of oversight over the responsible banking and sustainability strategy both locally and at the level of Santander Bank Polska Group. The Committee, which is chaired by the President of the Management Board, defines the strategy and annual goals related to ESG and ensures compliance with environmental and social policies of Santander Bank Polska S.A. The Committee is supported by the ESG Forum composed of senior managers representing all Divisions. The Forum analyses challenges, opportunities and risks related to the EU Sustainable Finance agenda (including ESG risks), plans activities and coordinates their implementation at the Bank, and submits regular reports to the Responsible Banking and Corporate Culture Committee and the Bank's Management Board.

The process of accepting sustainable financing for all segments of the Bank's operations was formalized, both at the level of transactions and loan products. In 2023, the ESG Panel was established within the Risk Management Division, whose responsibility is to certify sustainable financing in relation to internal and external regulations, thereby contributing to reducing the risk of greenwashing.

The Bank finalises implementation of the Greenwashing Risk Management Model covering the following areas of activity: ESG strategy and policies, financial products and activities, credit granting process, communication and marketing, reporting and disclosure of information, suppliers.

Market risk

Introduction

Market risk is defined as an adverse earnings impact of changes in interest rates, FX rates, share quotations, stock exchange indices, etc. It arises both in trading and banking activity (FX products, interest rate products, equity linked trackers).

Santander Bank Polska Group is exposed to market risk arising from its activity in money and capital markets and services provided to customers. Additionally, the Group undertakes the market risk related to the active management of balance sheet structure (assets and liabilities management).

The activity and strategies on market risk management are directly supervised by the Market and Investment Risk Committee and are pursued in accordance with the framework set out in the Market Risk Policy and the Structural Risk Policy approved by the Management Board and the Supervisory Board.

Risk management structure and organisation

The key objective of the market risk policy pursued by the Group is to reduce the impact of variable market factors on the Group's profitability and to grow income within the strictly defined risk limits while ensuring the Group's liquidity and market value.

The market risk policies of Santander Bank Polska Group establish a number of risk measurement and mitigation parameters in the form of limits and metrics. Risk limits are periodically reviewed to align them with the Group's strategy.

Interest rate and FX risks linked to the banking business are managed centrally by the Financial Management Division. The Division is also responsible for acquiring funding, managing liquidity and making transactions on behalf of ALCO. This activity is controlled by the measures and limits approved by the Market and Investment Risk Committee, the bank's Management Board and the Supervisory Board.

The debt securities and the interest rate and FX hedging portfolio is managed by ALCO Committee, which takes all decisions on the portfolio's value and structure.

The market risk on the trading portfolio is managed by the Corporate and Investment Banking Department. The Group's trading activity is subject to a system of measures and limits, including Value at Risk, stop loss, position limits and sensitivity limits. These limits are approved by the Market and Investment Risk Committee, the bank's Management Board and the Supervisory Board.

The Financial Risk Department within the Risk Management Division is responsible for ongoing risk measurement, implementation of control procedures and risk monitoring and reporting. The Department is also responsible for shaping the market risk policy, proposing risk measurement methodologies and ensuring consistency of the risk management process across the Group. Owing to the fact that the Department is a part of the Risk Management Division, the risk measurement and monitoring processes are separate from the risk-taking units.

The market risk of equity instruments held by Santander Brokerage Poland (shares, index-linked securities) is managed by Santander Brokerage Poland itself and supervised by the Market and Investment Risk Committee of Santander Bank Polska S.A.

The bank's Market and Investment Risk Committee, chaired by the Management Board member in charge of the Risk Management Division, is responsible for independent control and monitoring of market risk in the banking and trading books.

Risk identification and measurement

The trading book of Santander Bank Polska Group contains securities and derivatives held by the Corporate and Investment Banking Division for trading purposes. The instruments are marked to market each day, and any changes in their value are reflected in the profit and loss. Market risk in the trading book includes interest rate risk, currency risk and repricing risk.

The interest rate risk in the Group's banking book is the risk of adverse impact of interest rate changes on the Group's income and the value of its assets and liabilities. Interest rate risk arises primarily on transactions entered in the bank's branches and in the business and corporate centres, as well as the transactions made in the wholesale market by the Financial Management Division. Additionally, interest rate risk can be generated by transactions concluded by other units, e.g. through acquisition of municipal/ commercial bonds or the bank's borrowings from other sources than the interbank market.

Santander Bank Polska Group uses several methods to measure its market risk exposure. The methods employed for the banking portfolio are the MVE and NII sensitivity measures, stress tests and Value at Risk (VaR), while the methods used for the trading portfolio include: VaR and stressed VaR, stop loss, sensitivity measures (PV01) and stress tests. The risk measurement methodology is subject to an independent initial and periodic validation, the results of which are presented for approval to the Market and Investment Risk Committee.

At Santander Bank Polska Group, the VaR in the trading portfolio is determined using a historical method as a difference between the mark-to-market value of positions and the market values based on the most severe movements in market rates from a determined observation window. VaR is calculated separately for interest rate risk, FX risk and the two risks at the same time. VaR is also calculated for the repricing risk of the equity instruments portfolio of Santander Brokerage Poland.

Due to the limitations of the VaR methodology, the Group additionally performs sensitivity measurement (showing how position values change in reaction to price/profitability movements), Stressed VaR measurement and stress tests.

Risk reporting

The responsibility for reporting market risk rests with the Risk Management Division, specifically the Financial Risk Department.

Each day, the Financial Risk Department controls the market risk exposure of the trading book in accordance with the methodology laid down in the Market Risk Policy. It verifies the use of risk limits and reports risk levels to units responsible for risk management in the trading book, to Santander Group and to the Market and Investment Risk Committee.

Once a month, the Financial Risk Department provides information about the risk exposure of the trading book and selected measures to the Market and Investment Risk Committee and prepares the Risk Dashboard (in cooperation with other units of the Risk Management Division), which is presented to the Risk Management Committee.

The results of market risk measurement with regard to the banking book are reported by the Financial Risk Department to persons responsible for operational management of the bank's balance sheet structure and to persons in charge of structural risk management on a daily basis (information about the ALCO portfolio) or on a monthly basis (interest rate gap, NII and MVE sensitivity measures, stress test results, VaR). This information is also reported each month to the bank's senior executives (Market and Investment Risk Committee, ALCO). The selected key interest rate risk measures, including risk appetite measures defined for the Group's banking book, are reported to the bank's Management Board and Supervisory Board.

Risk prevention and mitigation

The Bank has adopted a conservative approach to risk-taking both in terms of the size of exposures and the types of products. A large portion of the Financial Market Area activity revolves around mitigating the risk related to customer transactions at the retail and corporate level. In addition, flows from customer transactions are generally for amounts and tenors not quoted on the market directly and thus risk capacity is required to manage these mismatches with wholesale transactions.

From the Bank's perspective, the market risk limits are at safe level and are in place to allow sufficient capacity and time to neutralise interest rate risk and foreign exchange risks, while at the same time allowing the Financial Market Area to hold some of portfolio positions opened to add value to the organisation.

There is a greater emphasis placed on market making over pure mark to market trading and this is reflected in both limit utilisation and budgetary targets of Financial Market Area.

The combination of transactions made by the Financial Market Area and positions transferred from the bank arising from customers' FX and derivative activity create the overall interest rate and currency risk profiles, which are managed under the policy and operational limits in place. The Financial Market Area subsequently decides either to close these positions or keep them open in line with market view and approved limits. The return earned is a mix of flow management and market making. However, there is no intention to keep aggressive trading positions.

The interest rate and currency risk of the Financial Market Area is managed via the trading book in accordance with the Market Risk Policy approved by the Management Board. Accounting and risk systems help to ensure allocation of each position into appropriate books. The relevant desks are responsible for suitable risk activity (interest rate or currency risk).

To ensure that the trading book positions are marketable, the bank controls the gross value of the positions (separately long and short positions) versus the entire market. This is to check if it is technically possible to close an open position one way, without taking into account other closings. The control is performed by the Financial Risk Department separately for currency positions and interest rate positions. The control results are reported to the Financial Market Area.

As regards market risk in the banking book, all positions that generate repricing risk are transferred for management to the Financial Management Division, responsible for shaping the bank's balance sheet structure, including by entering into transactions in the interbank market so as to manage the interest rate risk profile according to the approved risk strategy and in compliance with the allocated risk limits.

The bank's subsidiaries also mitigate their exposure to interest rate and FX risk. If there is a mismatch between the repricing of assets and liabilities, the company enters into appropriate transactions via the standard bank accounts held with the bank or makes derivative transactions with the bank, which from the transaction date manages the risk as part of the global limit of Santander Bank Polska Group and can also make standard currency exchange transactions with the Bank.

The interest rate risk in the banking book is managed based on the following limits:

- NII sensitivity limit (the sensitivity of net interest income to a parallel shift of the yield curve by 100 bp);
- MVE sensitivity limit (the sensitivity of the market value of equity to a parallel shift of the yield curve by 100 bp).

The table below presents the sensitivity of net interest income (NII) and economic value of equity (MVE) to a parallel shift in yield curves at the end of 2024 and the comparative period. It presents the results of scenarios in which the impact of interest rate changes on net interest income and economic value of equity would be negative. Data are presented in millions of PLN and cover the Bank on a stand-alone basis and the Santander Bank Polska Group:

	NII Sensitivity		MVE Sensitivity	
1 day holding period	**31.12.2024**	**31.12.2023**	**31.12.2024**	**31.12.2023**
Santander Bank Polska	(313)	(130)	(963)	(665)
Santander Bank Polska Group	(376)	(188)	(1 143)	(819)

It should be noted that in the regular reporting of the Santander Bank Polska Group, within the risk appetite limits, only the position of Santander Bank Polska and Santander Leasing (a subsidiary generating significant interest rate risk) is taken into account. Additionally, Santander Consumer Bank S.A., as a separate entity subject to banking regulations and supervision by the Polish Financial Supervision Authority, operates as a company with an independent decision-making process, in accordance with the provisions of applicable law, therefore Santander Consumer Bank has its own network of limits within which it manages interest rate risk in the banking book.

The levels of interest rate risk limit utilization for both interest income sensitivity and economic capital sensitivity increased compared to 2023. There were no exceedances of RED operational limits. The increase in MVE exposure was caused by the implementation of the interest income sensitivity hedging strategy, which consequently increased the duration of the banking book portfolio. The implementation of the aforementioned hedging strategy was mainly based on concluding cash flow hedging transactions under hedge accounting (Cash-Flow Hedge Accounting) and increasing the ALCO portfolio with fixed-coupon debt securities. Additionally, the increase in NII exposure was caused by a change in the treatment of new sales for current accounts.

In thousands of PLN

VaR in the banking portfolio is calculated separately as a combined effect of EaR (Earnings-at-Risk) and EVE VaR (value at risk of the economic value of equity).

The key methods of measurement of the interest rate risk in the trading book include the VaR methodology, stop loss, PV01 sensitivity measurement and stress tests.

The VaR is set for open positions of the Financial Market Area using the historical simulations method. Under this method the bank estimates the portfolio value of 520 scenarios generated on the basis of historically observable changes in market parameters. VaR is then estimated as the difference between the current valuation and the valuation of the 99th percentile of the lowest valuations.

The stop-loss mechanism is used to manage the risk of loss on positions subject to fair value measurement through profit or loss.

Stress tests are used in addition to these measures by providing an estimate of the potential losses in the event of materialisation of the stressed conditions in the market. The assumptions of stress scenarios are based on sensitivity reports and on extreme market rate movement scenarios set using the highest daily and monthly changes in interest rates.

The table below shows risk measures at the end of 2024 and 2023 for 1-day position holding period (in PLN k):

Interest rate risk	VAR	
1 day holding period	**31.12.2024**	**31.12.2023**
Average	8 203	7 443
Maximum	12 892	14 049
Minimum	3 913	3 258
as at the end of the period	3 913	6 952
Limit	**16 036**	**13 812**

The observed average values of the VaR measure in 2024 compared to 2023 were higher, which is in line with the Bank's expectations regarding the growth of the scale of business activities, while in terms of the maximum observed level of interest rate VaR, it was lower than in the previous year. The VaR limits accepted for 2024 were on average several percent higher than the limits applicable in 2023. On this basis, the presented average level of the maintained VaR position remains in line with the risk exposure expected for 2024.

FX risk is the risk that adverse movements in foreign exchange rates will have an impact on performance (and result in losses). This risk is managed on the basis of the VaR limit for the open currency positions in the Group's trading portfolio and the portfolio of Santander Brokerage Poland which manages open positions linked to the market maker activity. Stress tests are used in addition to this measure by providing an estimate of the potential losses in the event of materialisation of the stressed conditions in the market. Stress tests use the currency exposure and the scenarios of extreme movements in currency rates based on historical data. Furthermore, the stop-loss mechanism is used for managing the risk of losses on trading positions.

In accordance with its policy, the Group does not maintain open positions on currency options. Transactions made with customers are immediately closed in the interbank market thus limiting the Group's exposure to the market risk on the currency options portfolio.

Open FX positions of subsidiaries are negligible and are not included in the daily risk estimation.

The table below illustrates the risk measures at the end of December 2024 and 2023 (in PLN k).

FX risk	VAR	
1 day holding period	**31.12.2024**	**31.12.2023**
Average	679	749
Maximum	1 742	2 411
Minimum	234	81
as at the end of the period	356	648
Limit	**3 691**	**3 542**

Both the levels of limits applied in the VaR area for currency risk and the exposure values remain stable year-on-year. In 2024, there were no exceedances of VaR limits, which confirms the adequacy of the established VaR limits, corresponding to the Bank's business activities and the related exposure to market risk.

The tables below present the Group's key FX positions as at 31 December 2024 and in the comparable period.

In thousands of PLN

31.12.2024	PLN	EUR	CHF	USD	Other	Total
ASSETS						
Cash and balances with central banks	9 410 544	844 570	30 143	118 318	171 532	10 575 107
Loans and advances to banks	1 171 432	5 789 220	18 400	1 618 555	215 381	8 812 988
Loans and advances to customers	147 298 313	25 094 119	394 980	1 833 642	155 227	174 776 281
Investment securities	71 938 741	4 456 849	-	517 065	-	76 912 655
Selected assets	**229 819 030**	**36 184 758**	**443 523**	**4 087 580**	**542 140**	**271 077 031**
LIABILITIES						
Deposits from banks	2 453 600	2 473 078	557	219 742	1 683	5 148 660
Deposits from customers	189 591 445	30 566 962	965 744	9 168 360	1 736 251	232 028 762
Subordinated liabilities	1 118 875	1 110 023	-	-	-	2 228 898
Selected liabilities	**193 163 920**	**34 150 063**	**966 301**	**9 388 102**	**1 737 934**	**239 406 320**

31.12.2023	PLN	EUR	CHF	USD	Other	Total
ASSETS						
Cash and balances with central banks	6 956 993	977 508	58 997	146 384	277 637	8 417 519
Loans and advances to banks	1 280 971	7 206 043	26 333	793 695	226 798	9 533 840
Loans and advances to customers	132 253 696	23 411 744	2 154 107	1 592 194	108 266	159 520 007
Investment securities	63 386 625	3 223 918	-	1 074 040	-	67 684 583
Selected assets	**203 878 285**	**34 819 213**	**2 239 437**	**3 606 313**	**612 701**	**245 155 949**
LIABILITIES						
Deposits from banks	2 489 169	1 645 426	311	19 536	2 011	4 156 453
Deposits from customers	166 002 155	30 893 667	1 000 857	9 500 127	1 880 550	209 277 356
Subordinated liabilities	1 118 250	1 568 093	-	-	-	2 686 343
Selected liabilities	**169 609 574**	**34 107 186**	**1 001 168**	**9 519 663**	**1 882 561**	**216 120 152**

The gap in the currency position in CHF changed in 2024 from a surplus of mortgage loans over deposits in CHF to a surplus of deposits over mortgage loans in CHF. This transition results from new legal risk provisions, settlements between banks and borrowers and gradual decrease of mortgage portfolio due to repayment. On the liabilities side, significant level of foreign currency deposits, mainly in EUR is observed.

The risk attached to the prices of equity instruments listed in active markets is managed by Santander Brokerage Poland, which operates within the Corporate and Investment Banking Division. This risk is generated by own trades of Santander Brokerage Poland concluded in regulated markets (spot market instruments and futures).

It is measured using a Value at Risk model based on the historical analysis method.

The market risk management in Santander Brokerage Poland is supervised by the Market and Investment Risk Committee of Santander Bank Polska S.A. This Committee sets the VaR limit for Santander Brokerage Poland, approves changes in the risk measurement methodology and oversees the risk management process.

The table below presents the risk measures in 2024 and 2023 (in PLN k).

Equity risk	VAR	
1 day holding period	**31.12.2024**	**31.12.2023**
Average	761	379
Maximum	2 059	759
Minimum	439	112
as at end of the period	2 059	424
Limit	**1 638**	**1 574**

In 2024, there was 1 exceedance of the VAR limit for equity risk. It resulted from high volatility of prices in the last session, which resulted in a significant increase in the VAR value in line with the methodology without a simultaneous material change in the portfolio structure.

In thousands of PLN

Interest Rate Benchmark reform

Santander Bank Polska S.A. has been running the IBOR Programme from 2022 to mid-2023, aimed at adapting the Bank and its subsidiaries to the decision of the ICE Benchmark Administration to gradually discontinue calculating LIBOR indices. After the establishment of the National Working Group for the reform of benchmarks in Poland (NGR), the Bank adjusted the scope of work and composition of the previously operating Programme in order to introduce products based on the so-called RFR (risk-free rate) indicators to the offer. The work at the Bank is carried out in accordance with the decisions and recommendations of the NGR Steering Committee and the assumptions of the Road Map for the process of replacing the WIBOR and WIBID reference indicators. In December 2024, NGR selected an index to replace the WIBOR and WIBID reference indices, and in January 2025, it selected the name POLSTR for this index proposal. According to the announcements, the final moment of conversion of the historical portfolio is planned for the end of 2027.

The reform work is being carried out by a wide group of experts representing the Bank's key business lines, supported by a renowned consulting firm under the supervision of the Steering Committee, which includes members of the Management Board and top management. In addition, the work is being coordinated with the preparations underway both in subsidiaries and at the level of the entire Banco Santander Group.

The tables present break down of assets and liabilities of Santander Bank Polska Group as at 31 December 2024 and in comparative period:

31.12.2024	Nominal value	
Assets and liabilities exposed to PLN WIBOR	Assets	Liabilities
Cash and balances at central banks	-	-
Loans and advances to/deposits from banks	190 000	2 045 353
Loans and advances to/deposits from customers	80 007 019	13 784 606
Reverse repurchase/repurchase agreements	2 781 400	734 473
Debt securities/ in issue	15 972 764	10 429 812
Lease receivables/liabilities	5 444 401	-
Total value of assets and liabilities exposed to PLN WIBOR	**104 395 584**	**26 994 244**
Trading Derivatives (notional)	681 987 048	668 633 740
Hedging Derivatives (notional)	8 057 930	39 037 500

31.12.2023	Nominal value	
Assets and liabilities exposed to PLN WIBOR	Assets	Liabilities
Cash and balances at central banks	-	-
Loans and advances to/deposits from banks	100 000	1 707 791
Loans and advances to/deposits from customers	76 253 292	11 638 718
Reverse repurchase/repurchase agreements	846 300	111 200
Debt securities/ in issue	18 366 000	7 486 000
Lease receivables/liabilities	3 468 440	-
Total value of assets and liabilities exposed to PLN WIBOR	**99 034 032**	**20 943 709**
Trading Derivatives (notional)	437 292 000	387 549 000
Hedging Derivatives (notional)	11 383 000	30 102 000

In connection with the IBOR and WIBOR Reform, the Group is exposed to the following risks:

Business Risk:

Switching to alternative benchmarks may lead to a risk of abuse or misconduct towards clients, resulting in customer complaints, penalties or reputational damage. Possible risks include: risk of misleading customers, risk of market abuse (including insider dealing and market manipulation), risk of anti-competitive practices, both during and after the transition (e.g. collusion and exchange of information) and risks caused by conflicts of interest. The Group has strong transition management structures in place to ensure risk mitigation.

Price risk:

The transition to alternative benchmarks and the discontinuation of the use of interest rate benchmarks may affect the pricing mechanisms applied by the Group for certain transactions, including the establishment of a Standard Variable Rate applicable to mortgage loans. For some financial instruments, it will be necessary to develop new pricing models.

Risk associated with the interest rate base:

This risk consists of two components:

– if bilateral negotiations with the Group's counterparties are not successful before the IBOR ceases to apply, there is significant uncertainty as to the future interest rate. This situation leads to additional interest rate risk, which was not taken into account at the time of entering into contracts and is not the subject of our interest rate risk management strategy. For example, in some cases, provisions on the use of other indicators in contracts where the IBOR rate is applied, may result in the remaining period maintaining a fixed interest rate at the level of the last IBOR rate The Group works closely with all counterparties to avoid such a situation, but if it occurs, the interest rate risk management policy applied in the Group will be applied as standard and may result in liquidation of the interest rate swaps or the conclusion of new swaps to maintain the combination of variable and fixed interest rates for the debt held.

– interest rate risk may also arise where the transition to alternative benchmarks for non-derivatives and derivatives held to manage the interest rate risk associated with the non-derivative occurs at different times. This risk may also occur if you switch to different rates for back-to-back derivatives at different times. The Group will monitor that the risk management referred to above is carried out in accordance with the applicable risk management principles, updated to allow for a temporary mismatch not exceeding 12 months and to establish an additional basis for interest rate swaps, if required.

Hedge Accounting:

If the transition to alternative benchmarks for certain contracts does not allow the application of the exemptions provided for by the Phase 2 amendments, then the effect may be to terminate the hedging relationship and, consequently, increased volatility in the income statement. This may happen if the newly designated hedging relationships are not carried out or if the non-derivative financial instruments are amended or removed from the financial statements.

The Bank did not decide to change the existing hedging relationships with WIBOR. However, due to the expected replacement of the benchmark, the Bank identifies that hedging relationships in which this benchmark is present may be exposed to the risk described above related to the effectiveness of the relationship.

In the case of credit agreements referring to the CHF LIBOR rate, the Bank switched to RFR indicators in accordance with the decision of the European Commission, and in the case of derivative instruments that hedge this portfolio, the CHF LIBOR rate switched to the SARON rate, in accordance with the ISDA Protocol standard.

Based on the conducted efficiency test based on the new rates for CHF - both for the credit portfolio and the hedging instrument - the Bank assessed that there is a high probability of meeting the efficiency requirement of the established hedging relationships in the future.

In connection with the above, in the case of strategies hedging the CHF credit portfolio, the Bank decided to continue the established hedging relationships based on the existing instruments.

Risk of legal proceedings:

In the absence of agreement on the implementation of the Interest Rate Benchmark Reform for existing contracts (e.g. due to different interpretations of the applicable provisions on the use of other benchmarks), there is a risk of litigation and protracted disputes with counterparties, which may result in additional costs, e.g. legal costs. The Group works closely with all contractors to avoid such a situation.

Regulatory risk:

Regulatory models and methodologies are currently being updated (e.g. to take account of new market data). There is a risk that full updates, testing and acceptance of models by regulators will not take place on time.

Operational risk:

We are updating our IT systems to fully manage the transition to alternative benchmarks. There is a risk that such updates will not be fully on time, resulting in additional manual procedures involving operational risk.

Liquidity risk

Introduction

Liquidity risk is the risk that the bank fails to meet its contingent and non-contingent obligations towards customers and counterparties as a result of a mismatch of financial cash flows.

The activity and strategies on liquidity risk management are directly supervised by the Market and Investment Risk Committee and are pursued in accordance with the framework set out in the Liquidity Risk Policy approved by the Management Board and the Supervisory Board.

Risk management structure and organisation

The objective of the Liquidity Risk Policy of Santander Bank Polska Group is to:

- ensure the ability to finance assets and satisfy claims, both current and future, in a timely manner and at an economic price;
- manage the maturity mismatch between assets and liabilities, including the intraday mismatch of cash flows; under normal and stress conditions;
- set a scale of the liquidity risk in the form of various internal limits;
- ensure proper organisation of the liquidity management process within the whole Santander Bank Polska Group;
- prepare the organisation for emergence of adverse factors, either external or internal;
- ensure compliance with regulatory requirements, both qualitative and quantitative.

The general principle adopted by Santander Bank Polska Group in its liquidity management process is that all expected outflows occurring within one month in respect of deposits, current account balances, loan drawdowns, guarantee payments and transaction settlements should be at least fully covered by the anticipated inflows or available High Quality Liquid Assets (HQLA) assuming normal or predictable conditions for the Group's operations. The HQLA category substantially includes: cash on hand, funds held in the nostro account with the NBP (National Bank of Poland) in excess of the minimum reserve requirement and securities which may be sold or pledged under repo transactions or NBP lombard loans. As at 31 December 2024, the value of the HQLA buffer was PLN 83.7 bn for the Bank and PLN 88.7 bn for the Group.

The purpose of this policy is also to ensure an adequate structure of funding in relation to the growing scale of the Group's business by maintaining structural liquidity ratios at pre-defined levels.

The Group uses a suite of additional watch limits and thresholds with respect to the following:

- loan-to-deposit ratio;
- ratios of reliance on wholesale funding, which are used to assess the concentration of foreign currency funding from the wholesale market;
- concentration of deposit;
- level of encumbered assets;
- ratios laid down in CRD IV/CRR – LCR and NSFR;
- survival horizon under stressed conditions;
- the HQLA buffer;
- the buffer of assets which might be liquidated over an intraday horizon.

The internal liquidity limits, including the limits established in the Risk Appetite Statement, are set on the basis of both historical values of the selected liquidity ratios as well as their future values which are estimated against a financial plan. The limits also take into account the results of stress tests.

At least once a year, Santander Bank Polska Group carries out the Internal Liquidity Adequacy Assessment Process (ILAAP), which is designed to ensure that the Group can effectively control and manage liquidity risk. In particular, the ILAAP ensures that the Group:

- maintains sufficient capacity to meet its obligations as they fall due;
- reviews the key liquidity risk drivers and ensures that stress testing reflects these drivers and that they are appropriately controlled;
- provides a record of both the liquidity risk management and governance processes;
- carries out assessment of counterbalancing capacity.

The ILAAP results are subject to approval by the Management Board and the Supervisory Board to confirm adequacy of the liquidity level of Santander Bank Polska Group in terms of liquid assets, prudent funding profile and the Group's liquidity risk management and control mechanisms.

Risk identification and measurement

The responsibility for identification and measurement of liquidity risk rests with the Risk Management Division, specifically the Financial Risk Department.

The role of the Department is to draft liquidity risk management policies, carry out stress tests and to measure and report on risk on an ongoing basis.

Liquidity is measured by means of the modified liquidity gap, which is designed separately for the PLN and currency positions. The reported future contractual cash flows are subject to modifications based on: statistical analyses of the deposit and credit base behaviour and assessment of product/ market liquidity – in the context of evaluation of the possibility to liquidate Treasury securities by selling or pledging them in repo transactions or using liquidity support instruments with NBP, as well as the possibility of transaction rolling in the interbank market.

When measuring liquidity risk, the bank additionally analyses the degree of liquidity outflows arising from potential margin calls due to changes in the value of derivative transactions and collateral needs related to secured financing transactions resulting from the downgrade of the bank's credit rating, among other things.

Concurrently, liquidity is measured in accordance with the CRD IV/ CRR package and in their implementing provisions.

In order to establish a detailed risk profile, the Group conducts stress tests using the nine following scenarios:

- baseline scenario, which assumes non-renewability of wholesale funding;
- idiosyncratic liquidity crisis scenarios (specific to the bank);
- local systemic liquidity crisis scenario;
- global systemic liquidity crisis scenario;
- combined liquidity crisis scenarios (idiosyncratic crisis with local systemic crisis and seperately idiosyncratic crisis withglobal systemic crisis);
- deposit outflows in a one-month horizon;
- scenario of accelerated deposit withdrawals via electronic channels
- ESG liquidity crisis scenario.

For each of the above scenarios, the bank estimates the minimum survival horizon. For selected scenarios, the bank sets survival horizon limits which are subsequently included in the liquidity risk appetite.

In addition, the bank performs stress tests for intraday liquidity as well as reverse stress tests.

Risk reporting

The responsibility for reporting liquidity risk rests with the Risk Management Division, specifically the Financial Risk Department.

The results of liquidity risk measurement are reported by the Financial Risk Department on a daily basis to persons in charge of operational management of the bank's liquidity and to persons responsible for liquidity risk management (information about intraday and current liquidity, including FX funding ratios and LCR) and – on a monthly basis – to senior executives (other liquidity ratios, including regulatory ratios).

Risk prevention and mitigation

The responsibility for supervision over the liquidity risk management process rests with the Assets and Liabilities Committee (ALCO), which also provides advice to the Management Board. ALCO prepares management strategies and recommends to the Management Board appropriate actions with regard to strategic liquidity management, including strategies of funding the bank's activity. Day-to-day management of liquidity is delegated to the Financial Management Division. The Assets and Liabilities Management Department, which is a part of the Division, is responsible for developing and updating the relevant liquidity management strategies.

The bank has a liquidity contingency plan approved by the Management Board and Supervisory Board to cater for unexpected liquidity problems, whether caused by external or internal factors.

The plan, accompanied by stress tests, includes different types of scenarios and enables the bank to take adequate and effective actions in response to unexpected external or internal liquidity pressure through:

- identification of threats to the bank's liquidity on the basis of a set of early warning ratios which are subject to ongoing monitoring;
- effective management of liquidity/ funding, using a set of possible remedial actions and the management structure adjusted to the stressed conditions;
- communication with customers, key market counterparties, shareholders and regulators.

In 2024, Santander Bank Polska Group focused on maintaining an optimal financing structure. The decline and subsequent stabilisation of market interest rates and the increase in liquidity surplus resulted in reduced competition for customer deposits in the banking sector. As at 31 December 2024, the loan-to-deposit ratio was 75% compared to 76% as at 31 December 2023, the consolidated Liquidity Coverage Ratio was 216%, and 218% as at 31 December 2023. The Bank also ensured proper diversification of financing sources by limiting funds obtained from the wholesale market and from the strategic investor. The concentration ratios of financing from the wholesale market for the Bank as at 31 December 2024 amounted to 33.7% compared to 31.6% at the end of 2023, while the financing ratio from the strategic investor amounted to 0% (all financing was repaid) compared to 0.3% for the comparable period.

In thousands of PLN

The tables below show the cumulated liquidity gap for Santander Bank Polska S.A. Group as at 31 December 2024 and in the comparable period (by nominal value).

31.12.2024	A'vista	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	above 5 years	TOTAL
Assets,	30 472 121	24 809 518	18 000 451	15 931 558	23 836 286	31 931 701	67 395 754	69 108 307	281 485 696
including:									
-Cash and balances with central banks	10 240 318	328 684	-	-	-	-	-	-	10 569 002
-Loans and advances to banks	2 106 871	3 456 738	1 709 200	1 281 900	-	-	-	290 000	8 844 709
-Loans and advances to customers	18 124 932	7 013 126	10 833 113	10 323 920	13 585 426	21 458 086	38 002 003	54 650 305	173 990 911
-Investment securities	-	6 118 980	2 504 989	3 095 378	10 250 859	10 473 616	29 393 751	14 168 002	76 005 576
Liabilites	159 022 784	36 776 904	31 404 140	8 131 225	7 269 350	4 332 119	5 155 407	110 757	252 202 687
including:									
- Sell-buy-back transactions	-	1 198 068	-	-	-	-	-	-	1 198 068
- Deposits from banks	2 101 134	423 790	1 466 046	235 342	248 328	348 350	416 438	-	5 239 427
- Deposits from customers	156 921 651	34 953 553	29 441 940	6 778 802	2 766 088	343 276	216 599	12 285	231 434 194
- Debt securities in issue	-	200 000	459 933	1 079 332	4 179 391	3 068 637	2 653 794	98 472	11 739 559
- Subordinated liabilities	-	-	-	-	-	512 760	1 685 828	-	2 198 588
- Lease liabilities	-	1 493	36 222	37 749	75 542	59 096	182 749	-	392 851
Contractual liquidity mismatch/ gap	(128 550 664)	(11 967 387)	(13 403 689)	7 800 333	16 566 936	27 599 582	62 240 347	68 997 551	29 283 009
Cumulative liquidity gap	(128 550 664)	(140 518 050)	(153 921 740)	(146 121 407)	(129 554 471)	(101 954 888)	(39 714 542)	29 283 009	-
Off balance positions Total	59 628 874	6 285 776	934 587	587 866	761 252	371 504	633 572	23	69 203 453
-guarantees & letters of credits	21 341 713	-	-	-	-	-	-	-	21 341 713
-credit lines	11 604 307	6 250 765	555 289	158 801	-	-	-	-	18 569 162

* The vast majority of other financial liabilities are within the range of 1 month

In thousands of PLN

31.12.2023	A'vista	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	above 5 years	TOTAL
Assets,	27 646 495	26 337 668	18 283 025	14 355 897	16 334 676	34 129 582	60 250 981	59 787 882	257 126 204
iIncluding:									
-Cash and balances with central banks	8 228 594	140 172		-	-	-	-	-	8 368 766
-Loans and advances to banks	3 564 839	3 429 515	2 174 000	-	55 000	-	-	250 000	9 473 354
-Loans and advances to customers	15 853 062	6 165 386	10 316 861	9 370 163	12 696 480	19 772 096	35 764 965	49 021 044	158 960 057
-Investment securities	-	7 218 494	2 117 726	4 776 607	4 491 444	13 979 853	23 972 602	10 345 621	66 902 346
Liabilites	146 588 595	28 296 845	25 946 462	9 755 926	5 496 759	5 839 626	3 407 570	165 547	225 497 330
including:									
- Sell-buy-back transactions	-	273 388	-	-	-	-	-	-	273 388
- Deposits from banks	2 547 232	317 989	373 215	280 332	239 671	-	329 787	-	4 088 227
- Deposits from customers	144 041 364	27 705 468	25 245 227	7 244 800	3 862 891	454 570	447 174	5 047	209 006 542
- Debt securities in issue	-	-	300 000	2 193 505	1 319 678	4 924 215	373 203	-	9 110 600
- Subordinated liabilities	-	-	-	-	-	434 800	2 217 871	-	2 652 671
- Lease liabilities	-	-	28 020	37 289	74 518	26 041	39 535	160 500	365 903
Contractual liquidity mismatch/ gap	(118 942 101)	(1 959 177)	(7 663 436)	4 599 971	10 837 917	28 289 955	56 843 411	59 622 334	31 628 875
Cumulative liquidity gap	(118 942 101)	(120 901 278)	(128 564 714)	(123 964 743)	(113 126 826)	(84 836 871)	(27 993 460)	31 628 875	-
Off balance positions Total	48 805 527	6 070 637	1 070 736	491 057	411 334	493 731	423 367	23	57 766 412
-guarantees & letters of credits	15 162 702	-	-	-	-	-	-	-	15 162 702
-credit lines	7 482 642	6 028 728	618 372	185 372	-	-	-	-	14 315 113

* The vast majority of other financial liabilities are within the range of 1 month

In thousands of PLN

The tables below show maturity analysis of financial liabilities and receivables for Santander Bank Polska Group as at 31 December 2024 and in the comparable period (the undiscounted cash flow – capital and interests).

31.12.2024	A'vista	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	above 5 years	TOTAL
Assets	30 477 174	25 641 342	20 017 555	18 752 049	28 824 575	40 125 437	83 963 411	106 217 329	354 018 872
including:									
-Cash and balances with central banks	10 240 318	328 736	-	-	-	-	-	-	10 569 055
-Loans and advances to banks	2 022 557	3 456 742	1 709 200	1 281 900	-	-	-	290 000	8 760 399
-Loans and advances to customers	18 214 300	7 781 987	12 826 369	13 033 378	18 406 702	29 414 137	54 123 807	91 736 827	245 537 506
-Investment securities	-	6 138 980	2 504 989	3 181 549	10 417 874	10 711 300	29 839 604	14 190 502	76 984 798
Liabilities	159 352 101	37 065 862	31 872 614	8 579 705	7 744 425	4 763 633	5 399 352	110 832	254 888 525
including:									
- Repurchase agreement transactions	-	1 199 153	-	-	-	-	-	-	1 199 153
- Liabilities to banks	2 101 179	425 401	1 484 091	236 642	249 372	348 633	418 868	-	5 264 186
- Liabilities to customers	157 250 922	35 228 086	29 803 984	6 938 959	2 857 089	371 299	239 969	12 360	232 702 668
- Own emissions	-	211 521	570 219	1 354 142	4 545 466	3 490 311	2 834 540	98 472	13 104 670
- Subordinated liabilities	-	-	-	3 778	3 799	520 337	1 697 183	-	2 225 097
- Lease liabilities	-	1 702	14 320	46 184	88 700	33 052	208 792	-	392 750
Contractual liquidity gap	(128 874 927)	(11 424 520)	(11 855 059)	10 172 344	21 080 150	35 361 804	78 564 059	106 106 497	99 130 348
Cummulated contractual liquidity gap	(128 874 927)	(140 299 447)	(152 154 506)	(141 982 162)	(120 902 012)	(85 540 208)	(6 976 149)	99 130 348	-
Off Balance positions Total	59 628 874	6 285 776	934 587	587 866	761 252	371 504	633 572	23	69 203 453
-guarantees & letters of credits	21 341 713	-	-	-	-	-	-	-	21 341 713
-credit lines	11 604 307	6 250 765	555 289	158 801	-	-	-	-	18 569 162

* The vast majority of other financial liabilities are within the range of 1 month

The table below presents cash flows from derivative financial instruments whose valuation was negative at the reporting date. The cash flows include IRS, FRA, CIRS, Fx Swap, Fx Forward and options transactions. The data below include undiscounted cash flow amounts from these transactions according to the contract dates. In the case of options, the valuation amount at the reporting date is included:

31.12.2024	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	above 5 years	Total
Inflows	33 273 299	27 603 603	24 327 140	34 704 267	20 832 004	14 126 634	22 084 033	176 950 981
Outflows	34 846 335	30 872 689	29 358 326	32 504 710	23 822 273	15 672 159	24 800 934	191 877 424

In thousands of PLN

31.12.2023	A'vista	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	above 5 years	TOTAL
Assets	27 652 426	27 080 393	20 116 606	16 845 620	20 556 056	41 097 642	74 281 860	90 288 272	317 918 875
including:									
-Cash and balances with central banks	8 228 594	140 192	-	-	-	-	-	-	8 368 785
-Loans and advances to banks	3 565 148	3 429 525	2 174 000	-	55 000	-	-	250 000	9 473 673
-Loans and advances to customers	15 858 684	6 731 469	12 029 500	11 627 103	16 597 154	25 904 869	48 186 592	79 443 589	216 378 959
-Investment securities	-	7 241 059	2 137 295	4 902 833	4 598 948	14 315 591	24 687 966	10 480 954	68 364 646
Liabilities	146 820 538	28 628 049	26 417 667	10 334 648	6 003 299	6 358 466	3 700 364	165 619	228 428 650
including:									
- Repurchase agreement transactions	-	273 607	-	-	-	-	-	-	273 607
- Liabilities to banks	2 547 370	318 701	373 417	280 791	239 671	-	329 787	-	4 089 738
- Liabilities to customers	144 273 167	28 021 217	25 656 525	7 465 300	4 017 453	511 197	481 264	5 119	210 431 242
- Own emissions	-	14 305	326 301	2 480 703	1 573 215	5 228 720	381 915	-	10 005 159
- Subordinated liabilities	-	-	29 714	65 887	89 283	578 804	2 450 182	-	3 213 869
- Lease liabilities	-	220	31 710	41 967	83 677	39 745	57 215	160 500	415 035
Contractual liquidity gap	(119 168 112)	(1 547 656)	(6 301 061)	6 510 972	14 552 757	34 739 176	70 581 496	90 122 653	89 490 225
Cummulated contractual liquidity gap	(119 168 112)	(120 715 768)	(127 016 829)	(120 505 858)	(105 953 100)	(71 213 925)	(632 428)	89 490 225	-
Off Balance positions Total	48 805 527	6 070 637	1 070 736	491 057	411 334	493 731	423 367	23	57 766 389
-guarantees & letters of credits	15 162 702	-	-	-	-	-	-	-	15 162 702
-credit lines	7 482 642	6 028 728	618 372	185 372	-	-	-	-	14 315 113

In the tables above, the liquidity gap analysis does not take into account the effect of uncertainty related to flows related to CHF-indexed mortgage loans. Due to the risks described in note 48, cash flows may occur in terms, currencies and amounts other than currently included in In the opinion of the bank, however, this should not cause problems related to compliance with the liquidity regulations of the Group.

The table below presents cash flows from derivative financial instruments whose valuation was negative at the reporting date. The cash flows include IRS, FRA, CIRS, Fx Swap, Fx Forward and options transactions. The data below include undiscounted cash flow amounts from these transactions according to the contract dates. In the case of options, the valuation amount at the reporting date is included:

31.12.2023	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	above 5 years	Total
Inflows	17 716 271	14 779 734	8 465 640	14 793 387	9 754 676	6 183 001	12 547 323	84 240 031
Outflows	17 766 264	15 493 896	8 793 234	19 273 790	15 696 779	15 339 883	16 380 765	108 744 611

The Group uses secured instruments to fund its activity to a limited degree only. However, in accordance with the existing contractual provisions, if the Group's rating is reduced by three notch, the maximum potential additional security on account of those instruments would be PLN 19.0 m. At the same time, it should be noted that this potential obligation is not unconditional and its final value would depend on negotiations between the bank and its counterparty concerning the transactions.

5. Capital management

Introduction

It is the policy of Santander Bank Polska Group to maintain a level of capital adequate to the type and scale of operations and the level of risk.

The level of own funds required to ensure safe operations of the bank and Santander Bank Polska Group and capital requirements estimated for unexpected losses is determined in accordance with:

- The so-called CRD IV / CRR package, which consists of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (CRD IV), which became effective on 1 January 2014 by the decision of the European Parliament and the European Banking Authority (EBA).
- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012
- Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures.
- Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic,
- These requirements include the recommendations of the KNF regarding the use of national options and higher risk weight for exposures secured by real estate mortgages, including: residential real estate, for which the amount of principal or interest installment depends on changes in exchange rates or currencies other than the currencies of revenue achieved by the debtor, where a risk weight of 150% is assigned, and office premises or other commercial real estate located in the Republic of Poland, where a risk weight of 100% is assigned, except for exposures secured on commercial real estates which are used by borrower to conduct his own business and do not generate income by rent or proceeds from their sale where a risk weight of 50% is assigned,
- The Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system ("Macroprudential Supervision Act"), implementing CRD IV into the Polish law with regard to, among other things, additional capital buffers to be maintained by banks.
- Recommendations of the KNF regarding an additional capital requirement relating to the portfolio of FX mortgage loans for households.

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 conducts a regular assessment of the capital adequacy of the bank and Santander Bank Polska Group, including in extreme conditions, the monitoring of the actual and required capital levels and the initiation of transactions affecting these levels (e.g. by recommending the value of dividends 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 ultimately by relevant authorities within the bank in accordance with the applicable law and the bank's Statutes.

Pursuant to the bank's information strategy, details about the level of own funds and capital requirements are presented in the separate report entitled "Information on capital adequacy of Santander Bank Polska Group as at 31 December 2024".

According to information provided internally to the bank's key management, in 2024 the Bank and Santander Bank Polska Group met all regulatory requirements regarding capital management.

On 12 December 2017, the European Parliament and the Council adopted Regulation No 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State. This Regulation entered into force on the next day following its publication in the Official Journal of the European Union and has been applicable since 1 January 2018.

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

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

As at 31 December 2024, the total own funds of Santander Bank Polska Group were PLN 69 881 k higher than the Group's total own funds which would have otherwise been calculated if the transitional arrangements for mitigating the introduction of IFRS 9 had not been applied.

The Group's total capital ratio is 4 bps higher than the total capital ratio if no transitional arrangements were applied for mitigating the impact of the introduction of IFRS 9.

The Group's Tier I ratio is 4 bps higher than the Tier I ratio if no transitional arrangements were applied for mitigating the impact of the introduction of IFRS 9.

Santander Bank Polska Group has disclosed own funds, risk-weighted assets, capital ratios, as well as the leverage ratio, both including and excluding application of transitional solutions stemming from Article 473a of Regulation (EU) No 575/2013.

For details see the Information on capital adequacy of Santander Bank Polska Group as at 31 December 2024 (Chapter III, Section 3 "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds"). {to be removed}

Capital Policy

As at 31 December 2024, 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 at the level of Santander Bank Polska S.A. were as follows:

- Tier 1 capital ratio of 9.52%;
- total capital ratio of 11.52%;

for Santander Bank Polska Group, those ratios were as follows:

- Tier 1 capital ratio of 9,530%;
- total capital ratio of 11,533%.

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 aforementioned capital ratios take into account:

- The minimum capital ratios as required by the CRR: Common Equity Tier 1 ratio at 4.5%, Tier 1 capital ratio at 6.0% and total capital ratio at 8.0%.
- The KNF's decision of 5 November 2019, under which the previous recommendations issued on 15 October 2018 and 28 November 2018 regarding an additional capital requirement for Santander Bank Polska S.A. relating to the portfolio of FX mortgage loans for households have expired: the decision followed the process of annual identification of banks with material exposure in respect of FX mortgage-backed loans which concluded that Santander Bank Polska S.A. had not reached the materiality threshold in relation to such loans. Accordingly, the KNF did not impose an additional buffer at the bank level to mitigate the risk arising from mortgage loans for individuals.
- The additional capital requirement was set at the level of Santander Bank Polska Group in accordance with the KNF's decision of 21 December 2023. As at 31 December 2024, the buffer related to the portfolio of FX mortgage loans for households was 0.013 p.p for the total capital ratio, 0.010 p.p. for the Tier 1 capital ratio and 0.007 p.p. for the Common Equity Tier 1 ratio.
- The capital buffer for Santander Bank Polska S.A. as other systemically important institution: according to the letter of 19 December 2017, the KNF identified Santander Bank Polska S.A. as other systemically important institution and imposed on it an additional capital buffer. Pursuant to the KNF's decision of 16 December 2022, Santander Bank Polska S.A. maintains additional own funds of 1 p.p. Santander Bank Polska Group keeps the capital buffer at the same level.
- The capital conservation buffer maintained in accordance with the Macroprudential Supervision Act: following adaptation to the CRR requirements, in 2019 the buffer reached the maximum level of 2.50 p.p.
- The countercyclical buffer implemented by the Macroprudential Supervision Act and amended by the Minister of Finance by a way of regulation: Since 1 January 2016, the countercyclical buffer has been set at 0% for credit exposures in Poland. At the meeting held on 14 June 2024, the Financial Stability Committee passed a resolution on the recommendation for setting the countercyclical capital buffer at:

  • 1% – after 12 months;

  • 2% – after 24 months

  from the date when the Minister of Finance has issued a relevant regulation in this area. Regulation of the Minister of Finance on the countercyclical capital buffer (dated 18 September 2024) came into force on 24 September 2024.

In thousands of PLN

- An institution-specific counter-cyclical buffer for exposures from other countries as at 31.12.2024 at the Santander Bank Polska Group level (i.e. consolidated) is 0.02%. Santander Bank Polska Group calculates the countercyclical buffer specific for a given institution as per the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system.
- On 17 December 2024, the Management Board of Santander Bank Polska S.A. received a letter from the KNF stating that the Bank's sensitivity to the possible materialisation of stress scenarios (affecting the level of own funds and risk exposure) was assessed as low in the supervisory review and evaluation process. The total capital add-on recommended under Pillar 2 offset by the capital conservation buffer is 0.00 p.p. on a standalone and 0.00 p.p. on a consolidated basis. Consequently, the KNF does not set an additional P2G add-on to absorb potential losses caused by a stress event.

Components of the minimum capital requirement		31.12.2024	31.12.2023
Minimal capital ratios	Common Equity Tier 1 capital ratio	4.5%	4.5%
	Tier 1 capital ratio	6%	6%
	Total capital ratio	8%	8%
Additional capital requirement for Santander Bank Polska relating to the portfolio of FX mortgage loans for households	Santander Bank Polska	no requirement	no requirement
	Santander Bank Polska Capital Group:		
	· *for total capital ratio:*	✓ 0.013 p.p.	✓ 0.013 p.p.
	· *Tier 1 capital ratio:*	✓ 0.010 p.p.	✓ 0.010 p.p.
	· *for Common Equity Tier 1 capital ratio:*	✓ 0.007 p.p	✓ 0.007 p.p
The capital buffer for Santander Bank Polska as other systemically important institution		✓ 1 p.p.	✓ 1 p.p.
The capital conservation buffer maintained in accordance with the Macroprudential Supervision Act		✓ 2.5 p.p.	✓ 2.5 p.p.
The systemic risk buffer (SRB)		✓ 0 p.p.	✓ 0 p.p.
The institution specific countercyclical buffer (BRS)		✓ 0.02 p.p.	✓ 0.02 p.p
The bank's sensitivity to an unfavorable macroeconomic scenario measured using the supervisory stress tests results (P2G)	Santander Bank Polska	✓ 0 p.p.	✓ 0.37 p.p.
	Santander Bank Polska Capital Group:	✓ 0 p.p.	✓ 0.37 p.p.

Regulatory Capital

The capital requirement for Santander Bank Polska Group is determined in accordance with Part 3 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR), as amended, inter alia, by Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, which was the official legal basis as as at the reporting date, i.e. 31 December 2024.

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%.

The exposure value for these assets is equal to the carrying amount, while the value of off-balance sheet liabilities corresponds to their balance sheet equivalent. Risk-weighted exposures are calculated by means of applying risk weights to all exposures in accordance with the CRR.

The table below presents the calculation of the capital ratio for Santander Bank Polska Group as at 31 December 2024 and in the comparative period.

In thousands of PLN

		31.12.2024	31.12.2023*
I	**Total Capital requirement (Ia+Ib+Ic+Id+Ie)**, of which:	**11 817 712**	**11 241 537**
Ia	- due to credit risk & counterparty credit risk	9 589 194	9 584 405
Ib	- due to market risk	255 220	155 375
Ic	- due to credit valuation ajdustment risk	77 264	52 630
Id	- due to operational risk	1 785 453	1 392 796
Ie	- due to securitisation	110 581	56 331
II	Total own funds*	28 614 676	28 927 564
III	Reductions	2 494 103	2 721 799
IV	**Own funds after reductions (II-III)**	**26 120 573**	**26 205 765**
V	**CAD [IV/(I*12.5)]**	**17,68%**	**18,65%**
VI	**Tier I ratio**	**16,78%**	**17,27%**

* data for the relevant periods include profits included in own funds in accordance with the applicable EBA guidelines

Internal Capital

Notwithstanding the regulatory methods for measuring capital requirements, Santander Bank Polska S.A. carries out an independent assessment of current and future capital adequacy as part of the internal capital adequacy assessment process (ICAAP). The purpose of the process is to ensure that the level and nature of own funds guarantee the solvency and stability of the bank's and the Group's operations.

The capital adequacy assessment is one of the fundamental elements of the bank's strategy, the process of defining risk appetite and the process of planning.

In the ICAAP the Group uses assessment models based on the statistical loss estimation for measurable risks, such as credit risk, market risk and operational risk, plus its own assessment of capital requirements for other material risks not covered by the model, e.g. reputational risk and compliance risk.

The internal capital for the credit risk is estimated on the basis of risk parameters including the probability of default (PD) by Santander Bank Polska S.A. customers and the loss given default (LGD).

The Group performs an internal assessment of capital requirements, including under stressed conditions, taking into account different macroeconomic scenarios.

Internal capital estimation models are assessed and reviewed annually to adjust them to the scale and profile of the business of Santander Bank Polska S.A. and to take account of any new risks and the management's judgement.

The review and assessment is the responsibility of the bank's risk management committees, including: the Capital Committee and the Models and Methodology Panel, which is part of the Risk Management Forum.

Subordinated Liabilities

As part of the strategy to increase the Tier 2 capital, on 2 December 2016 Santander Bank Polska issued own bonds of EUR 120m, allocating them to Tier 2 in accordance with the KNF's decision of 24 February 2017. Since 3 December 2021, it is subject to amortization due to the final 5 years of the loan maturity according to Art. 64 CRR.

On 22 May 2017, the bank issued additional subordinated bonds with a nominal value of EUR 137.1m and by the KNF's decision of 19 October 2017 was authorised to allocate them to the Tier 2 capital. Since 22 May 2022, it is subject to amortization due to the final 5 years of the loan maturity according to Art. 64 CRR.

On 12 June 2018, Santander Bank Polska S.A. obtained the KNF's approval for allocating series F subordinated bonds with a total nominal value of PLN 1bn, issued on 5 April 2018, to Tier 2 capital instruments. Since 5 April 2023, it is subject to amortization due to the final 5 years of the loan maturity according to Art. 64 CRR. For more information on subordinated liabilities, see note 34.

In thousands of PLN

6. Net interest income

Interest income and income similar to interest	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Interest income on financial assets measured at amortised cost	**16 005 671**	**14 925 201**
Loans and advances to enterprises	4 878 243	4 913 564
Loans and advances to individuals, of which:	8 018 021	8 077 851
Home mortgage loans	*3 813 317*	*4 094 335*
Loans and advances to banks	905 333	815 574
Loans and advances to public sector	108 816	87 356
Reverse repo transactions	667 909	605 690
Debt securities	1 490 592	443 136
Interest recorded on hedging IRS	(63 243)	(17 970)
Interest income on financial assets measured at fair value through other comprehensive income	**2 004 322**	**2 472 065**
Loans and advances to enterprises	283 496	224 159
Loans and advances to public sector	16 790	24 846
Debt securities	1 704 036	2 223 060
Income similar to interest - financial assets measured at fair value through profit or loss	**68 300**	**82 910**
Loans and advances to enterprises	-	1 420
Loans and advances to individuals	15 191	27 001
Debt securities	53 109	54 489
Income similar to interest on finance leases	**1 049 094**	**929 582**
Total income	**19 127 387**	**18 409 758**

The impact of payment deferrals on the Group's net interest income in 2024 totalled PLN 134,500 k (31.12.2023: PLN 49,298k). It was recognised as an adjustment to the gross carrying amount of mortgage loans due to the change of expected cash flows and a decrease in interest income.

Interest expenses	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Interest expenses on financial liabilities measured at amortised cost	**(5 254 171)**	**(5 293 859)**
Liabilities to individuals	(1 970 168)	(2 167 759)
Liabilities to enterprises	(1 433 304)	(1 695 634)
Repo transactions	(271 950)	(230 261)
Liabilities to public sector	(416 988)	(369 161)
Liabilities to banks	(211 973)	(208 181)
Lease liability	(22 160)	(18 602)
Subordinated liabilities and issue of securities	(927 628)	(604 261)
Total costs	**(5 254 171)**	**(5 293 859)**
Net interest income	**13 873 216**	**13 115 899**

In thousands of PLN

7. Net fee and commission income

Fee and commission income	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Electronic and payment services	295 573	285 759
Current accounts and money transfer	401 270	391 131
Asset management fees	292 214	236 051
Foreign exchange commissions	871 056	761 219
Credit commissions incl. factoring commissions and other	459 488	462 172
Insurance commissions	331 876	281 753
Commissions from brokerage activities	155 650	139 944
Credit cards	128 528	138 403
Card fees (debit cards)	441 454	435 219
Off-balance sheet guarantee commissions	142 404	131 156
Finance lease commissions	32 571	32 207
Issue arrangement fees	16 746	21 273
Distribution fees	20 167	15 274
Total	**3 588 997**	**3 331 561**

Fee and commission expenses	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Electronic and payment services	(94 229)	(82 827)
Current accounts and money transfer	(42 085)	(27 324)
Distribution fees	(10 693)	(9 180)
Commissions from brokerage activities	(15 293)	(13 666)
Credit cards	(20 737)	(21 752)
Card fees (debit cards)	(130 269)	(119 362)
Credit commissions paid	(85 684)	(110 196)
Insurance commissions	(11 988)	(14 089)
Finance lease commissions	(49 991)	(48 209)
Asset management fees and other costs	(3 313)	(4 849)
Commissions paid to other banks	(15 454)	(13 052)
Off-balance sheet guarantee commissions	(88 717)	(75 467)
Brokerage fees	(21 050)	(12 334)
Other	(90 030)	(62 252)
Total	**(679 533)**	**(614 559)**
Net fee and commission income	**2 909 464**	**2 717 002**

Included above is fee and commission income on credits, credit cards, off-balance sheet guarantees and leases of PLN 762 ,991 k (31.12.2023: PLN 763 ,938 k) and fee and commission expenses on credit cards, leases and paid to credit agents of PLN (156,412) k (31.12.2023: PLN (180 ,157k) other than fees included in determining the effective interest rate, relating to financial assets and liabilities not carried at air value through profit and loss.

In thousands of PLN

8. Dividend income

Dividend income	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Dividends income from investment securities measured at fair value through other comprehensive income	10 624	9 693
Dividends income from investment securities measured at fair value through profit or loss	-	480
Dividends income from equity financial assets held for trading	5 187	1 298
Total	**15 811**	**11 471**

9. Net trading income and revaluation

Net trading income and revaluation	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Derivative instruments	190 492	(9 726)
Interbank FX transactions and other FX related income	(82 346)	231 166
Net gains on sale of equity securities measured at fair value through profit or loss	(5 882)	24 004
Net gains on sale of debt securities measured at fair value through profit or loss	90 111	50 440
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	182	10 735
Total	**192 557**	**306 619**

The amounts include CVA and DVA adjustments which in 2024 and 2023 totalled PLN 227k and PLN (6 800)k respectively.

10. Gains (losses) from other financial securities

Gains (losses) from other financial securities	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Net gains on sale of debt securities measured at fair value through other comprehensive income	15 012	5 842
Net gains on sale of debt securities measured at fair value through profit or loss	1	-
Net gains on sale of equity securities measured at fair value through profit and loss	-	2 887
Change in fair value of financial securities measured at fair value through profit or loss	1 808	13 084
Impairment losses on securities	-	(2 016)
Total profit (losses) on financial instruments	**16 821**	**19 797**
Change in fair value of hedging instruments	(28 641)	(419 312)
Change in fair value of underlying hedged positions*	37 583	394 394
Total profit (losses) on hedging and hedged instruments	**8 942**	**(24 918)**
Total	**25 763**	**(5 121)**

* details in note 43

In thousands of PLN

11. Other operating income

Other operating income	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Income from services rendered	27 609	38 390
Release of provision for legal cases and other assets	51 782	31 050
Recovery of other receivables (expired, cancelled and uncollectable)	69	194
Received compensations, penalties and fines	2 282	6 782
Gains on lease modifications	3 332	9 168
Settlements of leasing agreements	8 487	7 891
Income from claims received from the insurer	6 210	3 979
Income from additional charges for leasing contracts	12 914	11 020
Other	72 356	60 427
Total	**185 041**	**168 901**

12. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Charge for loans and advances to banks	**245**	**(259)**
Stage 1	245	(259)
Stage 2	-	-
Stage 3	-	-
POCI	-	-
Charge for loans and advances to customers	**(1 057 394)**	**(1 124 593)**
Stage 1	(22 436)	(153 481)
Stage 2	(571 843)	(573 916)
Stage 3	(581 177)	(468 711)
POCI	118 062	71 515
Recoveries of loans previously written off	**45 545**	**38 869**
Stage 1	-	-
Stage 2	-	-
Stage 3	45 545	38 869
POCI	-	-
Off-balance sheet credit related facilities	**28 212**	**(63 394)**
Stage 1	7 816	(9 385)
Stage 2	4 214	(37 617)
Stage 3	16 182	(16 392)
POCI	-	-
Total	**(983 392)**	**(1 149 377)**

13. Employee costs

Employee costs	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Salaries and bonuses	(1 983 539)	(1 889 786)
Salary related costs	(340 301)	(316 485)
Cost of contributions to Employee Capital Plans	(16 494)	(14 199)
Staff benefits costs	(64 869)	(51 114)
Professional trainings	(14 381)	(14 630)
Retirement fund, holiday provisions and other employee costs	1 273	(8 169)
Restructuring provision	-	10 088
Total	**(2 418 311)**	**(2 284 295)**

In thousands of PLN

14. General and administrative expenses

General and administrative expenses	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Maintenance of premises	(140 889)	(131 444)
Cost of short-term lease, low-value assets lease and other payments	(10 815)	(10 693)
Non-tax deductible VAT - lease	(38 379)	(34 562)
Marketing and representation	(180 856)	(196 232)
IT systems costs	(497 849)	(500 894)
Cost of BFG, KNF and KDPW	(294 010)	(211 380)
Postal and telecommunication costs	(58 939)	(56 015)
Consulting and advisory fees	(85 052)	(73 191)
Cars, transport expenses, carriage of cash	(46 121)	(59 477)
Other external services	(275 414)	(201 659)
Stationery, cards, cheques etc.	(16 393)	(20 417)
Sundry taxes and charges	(47 665)	(41 945)
Data transmission	(22 641)	(29 907)
KIR, SWIFT settlements	(44 287)	(33 104)
Security costs	(15 631)	(15 749)
Costs of repairs	(13 155)	(5 158)
Other	(31 301)	(28 702)
Total	**(1 819 397)**	**(1 650 529)**

15. Other operating expenses

Other operating expenses	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Charge of provisions for legal cases and other assets	(94 786)	(63 447)
Impairment loss on property, plant, equipment, intangible assets covered by lease agreements and other fixed assets	(15 924)	(5 430)
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	(20 238)	(8 835)
Costs of purchased services	(7 835)	(13 640)
Other membership fees	(1 795)	(1 498)
Paid compensations, penalties and fines	(982)	(426)
Donations paid	(9 280)	(8 750)
Other	(62 275)	(108 668)
Total	**(213 115)**	**(210 694)**

16. Corporate income tax

Corporate income tax	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Current tax charge in the income statement	(1 724 811)	(1 778 293)
Deferred tax charge in the income statement	(318 318)	(143 146)
Adjustments from previous years for current and deferred tax	22 265	19 247
Total tax on gross profit	**(2 020 864)**	**(1 902 192)**

In thousands of PLN

Corporate total tax charge information	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Profit before tax	7 265 661	6 850 021
Tax rate	19%	19%
Tax calculated at the tax rate	(1 380 476)	(1 301 504)
Non-tax-deductible expenses	(36 535)	(39 620)
Cost of legal risk associated with foreign currency mortgage loans	(417 659)	(391 465)
The fee to the Bank Guarantee Fund	(47 476)	(33 170)
Tax on financial institutions	(155 409)	(148 606)
Non-taxable income	31 769	12 499
Non-tax deductible bad debt provisions	(49 330)	(29 115)
Adjustment of prior years tax	22 265	19 247
Non-taxable income in respect of investments in associates accounted for using the equity method	20 626	14 479
Other	(8 639)	(4 937)
Total tax on gross profit	**(2 020 864)**	**(1 902 192)**

Deferred tax recognised in other comprehensive income	31.12.2024	31.12.2023
Relating to valuation of debt investments measured at fair value through other comprehensive income	154 717	250 814
Relating to valuation of equity investments measured at fair value through other comprehensive income	(82 677)	(47 309)
Relating to cash flow hedging activity	(17 258)	(130 954)
Relating to valuation of defined benefit plans	(196)	(356)
Total	**54 586**	**72 195**

At the start of 2025, the act implementing a global top-up tax in Poland became effective. As the Group is required to apply the provisions of this act, it assessed their potential impact based on the latest financial statements and tax calculations of the Group companies. In the Group's opinion, the provisions on top-up tax will not result in an additional tax charge in 2025 and 2026.

17. Earnings per share

Earnings per share	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Profit for the period attributable to ordinary shares	5 212 731	4 831 107
Weighted average number of ordinary shares	102 189 314	102 189 314
Earnings per share (PLN)	**51,01**	**47,28**
Profit for the period attributable to ordinary shares	5 212 731	4 831 107
Weighted average number of ordinary shares	102 189 314	102 189 314
Diluted earnings per share (PLN)	**51,01**	**47,28**

18. Cash and balances with central banks

Cash and balances with central banks	31.12.2024	31.12.2023
Cash	1 226 432	2 609 876
Current accounts in central banks	9 348 675	5 612 059
Term deposits	-	195 584
Total	**10 575 107**	**8 417 519**

Santander Bank Polska SA and Santander Consumer Bank SA hold an obligatory reserve in a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of minimal statutory reserve of the monthly average balance of the customers' deposits, which was 3.5% as at 31.12.2024 and 31.12.2023.

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

In thousands of PLN

19. Loans and advances to banks

Loans and advances to banks	31.12.2024	31.12.2023
Loans and advances	6 636 546	6 298 372
Current accounts	2 176 599	3 235 871
Gross receivables	8 813 145	**9 534 243**
Allowance for impairment	(157)	(403)
Total	**8 812 988**	**9 533 840**

Fair value of loans and advances to banks is presented in note 46.

Loans and advances to banks
31.12.2024

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**9 534 243**	**-**	**-**	**-**	**9 534 243**
Transfers					
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
New financial assets originated	6 462 344	-	-	-	6 462 344
Changes in existing financial assets	(1 279 382)	-	-	-	(1 279 382)
Financial assets derecognised that are not write-offs	(5 813 743)	-	-	-	(5 813 743)
Write-offs	-	-	-	-	-
Other movements incl. FX differences	(90 317)				(90 317)
As at the end of the period	**8 813 145**	**-**	**-**	**-**	**8 813 145**

Loans and advances to banks
31.12.2023

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**9 577 642**	**-**	**-**	**-**	**9 577 642**
Transfers					
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
New financial assets originated	6 983 423	-	-	-	6 983 423
Changes in existing financial assets	(72 918)	-	-	-	(72 918)
Financial assets derecognised that are not write-offs	(6 923 386)	-	-	-	(6 923 386)
Write-offs	-	-	-	-	-
Other movements incl. FX differences	(30 518)	-	-	-	(30 518)
As at the end of the period	**9 534 243**	**-**	**-**	**-**	**9 534 243**

In thousands of PLN

20. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.12.2024 Assets	31.12.2024 Liabilities	31.12.2023 Assets	31.12.2023 Liabilities
Trading derivatives	**7 720 642**	**8 205 923**	**7 391 237**	**7 994 372**
Interest rate operations	**5 116 227**	**5 220 492**	**4 041 517**	**4 310 003**
Forward	62	-	43	363
Options	95 715	96 065	115 647	115 690
IRS	4 811 051	4 938 686	3 783 636	4 068 301
FRA	209 399	185 741	142 191	125 649
FX operations	**2 604 415**	**2 985 431**	**3 349 720**	**3 684 369**
CIRS	675 305	1 001 811	690 771	941 591
Forward	254 083	270 288	550 727	710 052
FX Swap	1 575 868	1 614 354	1 878 869	1 822 326
Spot	1 145	668	6 792	5 257
Options	98 014	98 310	222 561	205 143
Debt and equity securities	**1 626 933**	**-**	**1 548 123**	**-**
Debt securities	**1 506 602**	**-**	**1 519 191**	**-**
Government securities:	1 490 857	-	1 508 969	-
- bonds	1 490 857	-	1 508 969	-
Commercial securities:	15 745	-	10 222	-
- bonds	15 745	-	10 222	-
Equity securities:	**120 331**	**-**	**28 932**	**-**
- listed	120 331	-	28 932	-
Short sale	**-**	**1 703 764**	**-**	**824 121**
Total	**9 347 575**	**9 909 687**	**8 939 360**	**8 818 493**

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (874) k as at 31.12.2024 and PLN (1,923) k as at 31.12.2023.

In thousands of PLN

The table below presents derivatives' nominal values.

Derivatives' nominal values	31.12.2024	31.12.2023
Term derivatives (hedging)	**65 210 283**	**57 294 126**
Single-currency interest rate swap (IRS)	6 333 554	9 832 583
Macro cash flow hedge -purchased (IRS)	53 945 900	40 114 600
Macro cash flow hedge -purchased (CIRS)	2 162 613	2 785 938
Macro cash flow hedge -sold (CIRS)	2 580 019	3 465 206
FX Swap cash flow hedge -purchased (FX)	97 456	557 277
FX Swap cash flow hedge-sold (FX)	90 741	538 522
Term derivatives (trading)	**1 625 771 892**	**1 026 949 438**
Interest rate operations	1 088 415 721	705 387 071
-Single-currency interest rate swap	*820 624 993*	*528 136 454*
-FRA - purchased amounts	*260 551 000*	*170 872 880*
-Options	*7 125 228*	*6 158 437*
-Forward- purchased amounts	-	*200 000*
-Forward- sold amounts	*114 500*	*19 300*
FX operations	537 356 171	321 562 367
-FX swap – purchased amounts	*194 155 974*	*90 825 766*
-FX swap – sold amounts	*194 260 627*	*90 783 176*
-Forward- purchased amounts	*22 407 221*	*21 211 519*
-Forward- sold amounts	*22 348 963*	*21 314 841*
-Non-Deliverable Forward (NDF) - purchased amounts	-	*86 960*
-Non-Deliverable Forward (NDF) - sold amounts	-	*104 761*
-Window Forward – purchased amounts	-	*4 622*
-Window Forward – sold amounts	-	*4 620*
-Cross-currency interest rate swap (CIRS) – purchased amounts	*40 893 547*	*35 295 518*
-Cross-currency interest rate swap (CIRS) – sold amounts	*41 178 953*	*35 535 294*
-FX options -purchased CALL	*5 314 983*	*6 252 857*
-FX options -purchased PUT	*5 740 460*	*6 944 788*
-FX options -sold CALL	*5 314 983*	*6 235 056*
-FX options -sold PUT	*5 740 460*	*6 962 589*
Currency transactions- spot	**2 836 446**	**7 321 740**
Spot-purchased	1 418 317	3 661 864
Spot-sold	1 418 129	3 659 876
Transactions on equity financial instruments	**123 222**	**26 363**
Derivatives contract - purchased	122 469	231
Derivatives contract - sold	753	26 132
Total	**1 693 941 843**	**1 091 591 667**

In the case of single-currency transactions (IRS, FRA, non-FX options) only purchased amounts are presented.

In thousands of PLN

21. Hedging derivatives

Hedging derivatives	31.12.2024 Assets	31.12.2024 Liabilities	31.12.2023 Assets	31.12.2023 Liabilities
Derivatives hedging fair value	173 150	95 108	228 401	157 437
Derivatives hedging cash flow	1 228 603	512 629	1 346 655	723 101
Total	**1 401 753**	**607 737**	**1 575 056**	**880 538**

As at 31.12.2024, the line item: hedging derivatives – derivatives hedging cash flows reflects a change in the first-day valuation of forward-starting CIRS transactions of PLN (114) k and PLN (444) k as at 31.12.2023.

22. Loans and advances to customers

	31.12.2024				
Loans and advances to customers	measured at amortised cost	measured at fair value through other comprehensive income	measured at fair value through profit or loss	from finance leases	Total
Loans and advances to enterprises	69 736 432	4 140 166	-	-	73 876 598
Loans and advances to individuals, of which:	88 750 902	-	63 289	-	88 814 191
*Home mortgage loans**	*55 931 181*	-	-	-	*55 931 181*
Finance lease receivables	-	-	-	15 145 171	15 145 171
Loans and advances to public sector	2 189 540	249 725	-	-	2 439 265
Other receivables	70 216	123	-	-	70 339
Gross receivables	**160 747 090**	**4 390 014**	**63 289**	**15 145 171**	**180 345 564**
Allowance for impairment	(5 152 221)	(100 018)	-	(317 044)	(5 569 283)
Total	**155 594 869**	**4 289 996**	**63 289**	**14 828 127**	**174 776 281**

* Includes changes in gross book value described in note 47 Legal risk connected with CHF mortgage loans

	31.12.2023				
Loans and advances to customers	measured at amortised cost	measured at fair value through other comprehensive income	measured at fair value through profit or loss	from finance leases	Total
Loans and advances to enterprises	64 802 496	2 640 475	5	-	67 442 976
Loans and advances to individuals, of which:	82 967 378	-	85 088	-	83 052 466
*Home mortgage loans**	*53 014 143*	-	-	-	*53 014 143*
Finance lease receivables	-	-	-	13 418 738	13 418 738
Loans and advances to public sector	973 434	249 734	-	-	1 223 168
Other receivables	74 521	-	-	-	74 521
Gross receivables	**148 817 829**	**2 890 209**	**85 093**	**13 418 738**	**165 211 869**
Allowance for impairment	(5 329 825)	(91 975)	-	(270 062)	(5 691 862)
Total	**143 488 004**	**2 798 234**	**85 093**	**13 148 676**	**159 520 007**

* Includes changes in gross book value described in note 47 Legal risk connected with CHF mortgage loans

In thousands of PLN

Impact of the legal risk of mortgage loans in foreign currency	Gross carrying amount of mortgage loans in foreign currency before adjustment due to legal risk costs	Impact of the legal risk of mortgage loans in foreign currency	Gross carrying amount of mortgage loans in foreign currency after adjustment due to legal risk costs*
31.12.2024			
Mortgage loans in foreign currency - adjustment to gross carrying amount	5 173 697	4 676 771**	496 926
Provision in respect of legal risk connected with foreign currency mortgage loans		1 915 242	
Total		**6 592 013**	
31.12.2023			
Mortgage loans in foreign currency - adjustment to gross carrying amount	6 618 026	4 226 970	2 391 056
Provision in respect of legal risk connected with foreign currency mortgage loans		803 385	
Total		**5 030 355**	

* Includes changes in gross book value described in note 47 Legal risk connected with CHF mortgage loans

**of which the amount of PLN 4,399,400 k refers to loans denominated in and indexed to CHF, and the amount of PLN 277,371 k converted into PLN loans subject to debt enforcement

The Santander Bank Polska Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amount of such assets written off during the year ended 31 December 2024 was PLN 424,158 k PLN and PLN 469,535 k in 2023.

Lease receivables are presented in note 50. Fair value of loans and advances to customers is presented in note 46.

Loans and advances to customers
31.12.2024

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**133 703 229**	**8 105 702**	**6 202 074**	**806 824**	**148 817 829**
Transfers					
Transfer to Stage 1	11 643 861	(11 462 332)	(181 529)	-	-
Transfer to Stage 2	(24 176 922)	24 464 281	(287 359)	-	-
Transfer to Stage 3	(598 360)	(2 764 114)	3 362 474	-	-
New financial assets originated	31 698 738	-	-	-	31 698 738
Changes in existing financial assets	2 351 512	(1 060 191)	(836 275)	4 927	459 973
Financial assets derecognised that are not write-offs	(16 919 617)	(1 000 231)	(523 117)	(210 874)	(18 653 839)
Write-offs	-	-	(1 100 996)	-	(1 100 996)
FX and others movements	(495 835)	119 367	(90 890)	(7 257)	(474 615)
As at the end of the period	**137 206 606**	**16 402 482**	**6 544 382**	**593 620**	**160 747 090**

In thousands of PLN

Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period 1.01.2024 - 31.12.2024	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(640 339)**	**(728 294)**	**(3 795 998)**	**(5 164 631)**
Transfers				
Transfer to Stage 1	(746 222)	716 708	79 827	50 313
Transfer to Stage 2	419 228	(600 451)	113 828	(67 395)
Transfer to Stage 3	51 387	398 951	(710 854)	(260 516)
New financial assets originated	(347 371)	-	-	(347 371)
Changes in credit risk of existing financial assets	625 252	(814 604)	(576 183)	(765 535)
Changes in models and risk parameters	12 519	38 290	37 260	88 069
Financial assets derecognised that are not write-offs	103 743	65 070	158 901	327 714
Write-offs	-	-	1 100 955	1 100 955
FX and others movements	9 618	(4 797)	5 461	10 282
As at the end of the period	**(512 185)**	**(929 127)**	**(3 586 803)**	**(5 028 115)**

Reconciliation to note 12: Impairment allowances for expected credit losses measured at amortised cost	Stage 1	Stage 2	Stage 3	Total
Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period 1.01.2024 - 31.12.2024	128 155	(200 834)	209 194	136 515
Movements on allowances for expected credit losses on finance lease receivables measured at amortised cost for reporting period 1.01.2024 - 31.12.2024	3 239	(25 925)	(24 297)	(46 983)
Transfers that do not go through profit and loss	(153 340)	(345 225)	345 840	(152 725)
Write-offs	-	-	(1 100 955)	(1 100 955)
Impairment allowances for expected credit losses on loans measured at fair value through other comprehensive income	106	2 099	(6 765)	(4 560)
FX differences	(596)	(1 958)	(4 194)	(6 748)
Total	**(22 436)**	**(571 843)**	**(581 177)**	**(1 175 456)**

Movements on impairment losses on purchased or originated credit-impaired loans (POCI)	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**(165 194)**	**(150 272)**
Charge/write back of current period	34 780	(1 461)
Write off/Sale of receivables	773	3 181
F/X differences	292	510
Other	5 243	(17 152)
As at the end of the period	**(124 106)**	**(165 194)**

In thousands of PLN

Loans and advances to customers
31.12.2023

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**128 621 170**	**7 575 627**	**6 546 397**	**776 135**	**143 519 329**
Transfers					
Transfer to Stage 1	5 756 825	(5 819 182)	62 357	-	-
Transfer to Stage 2	(10 118 157)	10 324 705	(206 548)	-	-
Transfer to Stage 3	(592 070)	(2 291 276)	2 883 346	-	-
New financial assets originated	26 888 923	-	-	-	26 888 923
Changes in existing financial assets	1 629 718	(1 267 018)	(1 214 538)	182 013	(669 825)
Financial assets derecognised that are not write-offs	(16 049 878)	(537 309)	(524 356)	(148 591)	(17 260 134)
Write-offs	-	-	(1 327 336)	-	(1 327 336)
FX and others movements	(2 433 302)	120 155	(17 248)	(2 733)	(2 333 128)
As at the end of the period	**133 703 229**	**8 105 702**	**6 202 074**	**806 824**	**148 817 829**

Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period 1.01.2023 - 31.12.2023	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(641 801)**	**(719 603)**	**(4 118 959)**	**(5 480 363)**
Transfers				
Transfer to Stage 1	(773 582)	701 820	(84 484)	(156 246)
Transfer to Stage 2	362 507	(511 621)	(3 260)	(152 374)
Transfer to Stage 3	20 928	466 442	(429 802)	57 568
New financial assets originated	(367 447)	-	-	(367 447)
Changes in credit risk of existing financial assets	493 993	(554 802)	(754 353)	(815 162)
Changes in models and risk parameters	41 030	(126 390)	-	(85 360)
Financial assets derecognised that are not write-offs	114 709	62 222	365 537	542 468
Write-offs	-	-	1 233 804	1 233 804
FX and others movements	109 324	(46 362)	(4 481)	58 481
As at the end of the period	**(640 339)**	**(728 294)**	**(3 795 998)**	**(5 164 631)**

Reconciliation to note 12: Impairment allowances for expected credit losses measured at amortised cost	Stage 1	Stage 2	Stage 3	Total
Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period 1.01.2023 - 31.12.2023	1 463	(8 690)	322 958	315 731
Movements on allowances for expected credit losses on finance lease receivables measured at amortised cost for reporting period 1.01.2023 - 31.12.2023	(3 759)	6 370	(26 014)	(23 403)
Transfers that do not go through profit and loss	(133 045)	(495 208)	483 613	(144 640)
Write-offs	-	-	(1 233 416)	(1 233 416)
Impairment allowances for expected credit losses on loans measured at fair value through other comprehensive income	(14 622)	(72 060)	-	(86 682)
FX differences	(3 518)	(4 328)	(15 852)	(23 698)
Total	**(153 481)**	**(573 916)**	**(468 711)**	**(1 196 108)**

In thousands of PLN

Loans and advances to enterprises
31.12.2024

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**57 079 240**	**4 718 775**	**2 564 927**	**439 554**	**64 802 496**
Transfers					
Transfer to Stage 1	4 421 431	(4 323 478)	(97 953)	-	-
Transfer to Stage 2	(8 108 279)	8 179 900	(71 621)	-	-
Transfer to Stage 3	(261 930)	(1 564 169)	1 826 099	-	-
New financial assets originated	9 928 482	-	-	-	9 928 482
Changes in existing financial assets	4 351 218	(596 859)	(565 906)	26 437	3 214 890
Financial assets derecognised that are not write-offs	(6 613 030)	(493 080)	(44 391)	(161 796)	(7 312 297)
Write-offs	-	-	(444 290)	-	(444 290)
FX and others movements	(472 300)	(43 557)	65 017	(2 009)	(452 849)
As at the end of the period	**60 324 832**	**5 877 532**	**3 231 882**	**302 186**	**69 736 432**

Movements on allowances for expected credit losses on loans and advances to enterprises measured at amortised cost for reporting period 1.01.2024 - 31.12.2024	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(225 428)**	**(343 238)**	**(1 693 314)**	**(2 261 980)**
Transfers				
Transfer to Stage 1	(338 290)	311 800	53 833	27 343
Transfer to Stage 2	118 583	(182 304)	26 078	(37 643)
Transfer to Stage 3	3 778	156 393	(196 061)	(35 890)
New financial assets originated	(53 380)	-	-	(53 380)
Changes in credit risk of existing financial assets	285 167	(356 903)	(236 359)	(308 095)
Changes in models and risk parameters	2 169	(3 330)	22 070	20 909
Financial assets derecognised that are not write-offs	19 458	23 046	(53 981)	(11 477)
Write-offs	-	-	444 249	444 249
FX and others movements	7 614	(4 304)	(1 502)	1 808
As at the end of the period	**(180 329)**	**(398 840)**	**(1 634 987)**	**(2 214 156)**

Movements on impairment losses on purchased or originated credit-impaired loans and advances to enterprises (POCI)	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**(65 741)**	**(60 733)**
Charge/write back of current period	14 307	(7 192)
Write off/Sale of receivables	163	838
F/X differences	142	409
Other	423	937
As at the end of the period	**(50 706)**	**(65 741)**

In thousands of PLN

Loans and advances to enterprises
31.12.2023

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**52 956 789**	**4 633 649**	**3 204 357**	**412 220**	**61 207 015**
Transfers					
Transfer to Stage 1	2 708 759	(2 664 898)	(43 861)	-	-
Transfer to Stage 2	(5 160 423)	5 227 235	(66 812)	-	-
Transfer to Stage 3	(126 421)	(993 013)	1 119 434	-	-
New financial assets originated	9 109 529	-	-	-	9 109 529
Changes in existing financial assets	6 268 074	(1 145 921)	(1 044 767)	85 069	4 162 455
Financial assets derecognised that are not write-offs	(6 697 822)	(255 147)	(88 826)	(57 735)	(7 099 530)
Write-offs	-	-	(483 958)	-	(483 958)
FX and others movements	(1 979 245)	(83 130)	(30 640)	-	(2 093 015)
As at the end of the period	**57 079 240**	**4 718 775**	**2 564 927**	**439 554**	**64 802 496**

Movements on allowances for expected credit losses on loans and advances to enterprises measured at amortised cost for reporting period 1.01.2023 - 31.12.2023	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(212 756)**	**(368 933)**	**(1 894 699)**	**(2 476 388)**
Transfers				
Transfer to Stage 1	(314 779)	321 831	19 313	26 365
Transfer to Stage 2	115 846	(173 660)	30 656	(27 158)
Transfer to Stage 3	5 022	133 825	(147 240)	(8 393)
New financial assets originated	(83 556)	-	-	(83 556)
Changes in credit risk of existing financial assets	211 566	(186 429)	(217 048)	(191 911)
Changes in models and risk parameters	12 360	(101 620)	-	(89 260)
Financial assets derecognised that are not write-offs	24 316	23 781	35 743	83 840
Write-offs	-	-	483 877	483 877
FX and others movements	16 553	7 967	(3 916)	20 604
As at the end of the period	**(225 428)**	**(343 238)**	**(1 693 314)**	**(2 261 980)**

Loans and advances to individuals
- home mortgage loans
31.12.2024

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**50 337 487**	**1 460 415**	**1 006 092**	**210 149**	**53 014 143**
Transfers					
Transfer to Stage 1	3 558 614	(3 513 634)	(44 980)	-	-
Transfer to Stage 2	(8 938 886)	9 052 514	(113 628)	-	-
Transfer to Stage 3	(53 332)	(267 322)	320 654	-	-
New financial assets originated	4 287 901	-	-	-	4 287 901
Changes in existing financial assets	2 119 521	(163 999)	(145 568)	(21 834)	1 788 120
Financial assets derecognised that are not write-offs	(2 710 333)	(188 168)	(131 496)	(18 241)	(3 048 238)
Write-offs	-	-	(16 819)	-	(16 819)
FX and others movements	(67 774)	135	(25 655)	(632)	(93 926)
As at the end of the period	**48 533 198**	**6 379 941**	**848 600**	**169 442**	**55 931 181**

In thousands of PLN

Movements on allowances for expected credit losses on loans and advances to individuals for home mortgage loans measured at amortised cost for reporting period 1.01.2024 - 31.12.2024	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(46 357)**	**(42 915)**	**(418 976)**	**(508 248)**
Transfers				
Transfer to Stage 1	(74 022)	64 363	5 979	(3 680)
Transfer to Stage 2	27 263	(54 776)	28 756	1 243
Transfer to Stage 3	265	28 728	(27 201)	1 792
New financial assets originated	(10 405)	-	-	(10 405)
Changes in credit risk of existing financial assets	73 922	(103 783)	13 834	(16 027)
Changes in models and risk parameters	2 070	20 180	15 190	37 440
Financial assets derecognised that are not write-offs	2 703	4 062	56 092	62 857
Write-offs	-	-	16 819	16 819
FX and others movements	1 423	(326)	884	1 981
As at the end of the period	**(23 138)**	**(84 467)**	**(308 623)**	**(416 228)**

Movements on impairment losses on purchased or originated credit-impaired loans and advances to individuals for home mortgage loans (POCI)	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**(36 596)**	**(43 303)**
Charge/write back of current period	8 724	6 116
Write off/Sale of receivables	-	(6)
FX differences	150	137
Other	26	460
As at the end of the period	**(27 696)**	**(36 596)**

Loans and advances to individuals
- home mortgage loans
31.12.2023

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**50 546 599**	**1 368 823**	**1 005 919**	**254 227**	**53 175 569**
Transfers					
Transfer to Stage 1	1 460 679	(1 401 868)	(58 811)	-	-
Transfer to Stage 2	(1 772 013)	1 960 837	(188 824)	-	-
Transfer to Stage 3	(155 421)	(341 627)	497 048	-	-
New financial assets originated	6 483 273	-	-	-	6 483 273
Changes in existing financial assets	(3 190 862)	(16 619)	(84 868)	(16 871)	(3 309 220)
Financial assets derecognised that are not write-offs	(2 853 773)	(88 717)	(139 731)	(24 498)	(3 106 719)
Write-offs	-	-	(34 163)	-	(34 163)
FX and others movements	(180 995)	(20 414)	9 522	(2 709)	(194 596)
As at the end of the period	**50 337 486**	**1 460 415**	**1 006 092**	**210 149**	**53 014 143**

In thousands of PLN

Movements on allowances for expected credit losses on loans and advances to individuals for home mortgage loans measured at amortised cost for reporting period 1.01.2023 - 31.12.2023	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(53 302)**	**(36 354)**	**(437 317)**	**(526 973)**
Transfers				
Transfer to Stage 1	(72 074)	57 341	8 599	(6 134)
Transfer to Stage 2	11 665	(44 061)	30 600	(1 796)
Transfer to Stage 3	653	34 902	(34 296)	1 259
New financial assets originated	(6 692)	-	-	(6 692)
Changes in credit risk of existing financial assets	69 219	(56 250)	(71 636)	(58 667)
Changes in models and risk parameters	(720)	(3 120)	-	(3 840)
Financial assets derecognised that are not write-offs	3 685	4 392	53 446	61 523
Write-offs	-	-	29 780	29 780
FX and others movements	1 209	235	1 848	3 292
As at the end of the period	**(46 357)**	**(42 915)**	**(418 976)**	**(508 248)**

Loans and advances to individuals
- other loans
31.12.2024

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**25 249 657**	**1 919 742**	**2 627 028**	**156 808**	**29 953 235**
Transfers					
Transfer to Stage 1	3 663 816	(3 625 220)	(38 596)	-	-
Transfer to Stage 2	(7 129 757)	7 231 867	(102 110)	-	-
Transfer to Stage 3	(283 098)	(932 623)	1 215 721	-	-
New financial assets originated	16 443 299	-	-	-	16 443 299
Changes in existing financial assets	(4 119 226)	(468 473)	(127 281)	70	(4 714 910)
Financial assets derecognised that are not write-offs	(7 596 254)	(318 983)	(347 230)	(30 615)	(8 293 082)
Write-offs	-	-	(639 887)	-	(639 887)
FX and others movements	164 455	166 484	(262 749)	2 876	71 066
As at the end of the period	**26 392 892**	**3 972 794**	**2 324 896**	**129 139**	**32 819 721**

Movements on allowances for expected credit losses on loans and advances to individuals for other loans measured at amortised cost for reporting period 1.01.2024 - 31.12.2024	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(368 554)**	**(342 141)**	**(1 683 708)**	**(2 394 403)**
Transfers				
Transfer to Stage 1	(333 909)	340 545	20 015	26 651
Transfer to Stage 2	273 382	(363 371)	58 994	(30 995)
Transfer to Stage 3	47 345	213 830	(487 593)	(226 418)
New financial assets originated	(283 586)	-	-	(283 586)
Changes in credit risk of existing financial assets	266 163	(353 917)	(353 658)	(441 412)
Changes in models and risk parameters	8 280	21 440	-	29 720
Financial assets derecognised that are not write-offs	81 582	37 961	156 790	276 333
Write-offs	-	-	639 887	639 887
FX and others movements	581	(166)	6 078	6 493
As at the end of the period	**(308 716)**	**(445 819)**	**(1 643 195)**	**(2 397 730)**

In thousands of PLN

Movements on impairment losses on purchased or originated credit-impaired loans and advances to individuals for other loans (POCI)	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**(62 855)**	**(46 235)**
Charge/write back of current period	11 744	(385)
Write off/Sale of receivables	610	2 350
Other	4 798	(18 585)
As at the end of the period	**(45 703)**	**(62 855)**

Loans and advances to individuals - other loans 31.12.2023

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**24 086 734**	**1 575 165**	**2 335 670**	**109 693**	**28 107 261**
Transfers					
Transfer to Stage 1	1 514 443	(1 679 475)	165 032	-	-
Transfer to Stage 2	(3 171 389)	3 122 298	49 092	-	-
Transfer to Stage 3	(310 206)	(956 146)	1 266 352	-	-
New financial assets originated	11 189 793	-	-	-	11 189 793
Changes in existing financial assets	(1 453 500)	(176 580)	(88 163)	113 549	(1 604 694)
Financial assets derecognised that are not write-offs	(6 336 284)	(189 231)	(295 652)	(66 410)	(6 887 577)
Write-offs	-	-	(809 215)	-	(809 215)
FX and others movements	(269 934)	223 711	3 912	(24)	(42 335)
As at the end of the period	**25 249 657**	**1 919 742**	**2 627 028**	**156 808**	**29 953 235**

Movements on allowances for expected credit losses on loans and advances to individuals for other loans measured at amortised cost for reporting period 1.01.2023 - 31.12.2023	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(375 748)**	**(314 318)**	**(1 786 938)**	**(2 477 004)**
Transfers				
Transfer to Stage 1	(386 728)	322 649	(112 397)	(176 476)
Transfer to Stage 2	234 996	(293 900)	(64 515)	(123 419)
Transfer to Stage 3	15 253	297 716	(248 267)	64 702
New financial assets originated	(277 198)	-	-	(277 198)
Changes in credit risk of existing financial assets	213 209	(312 123)	(465 669)	(564 583)
Changes in models and risk parameters	29 390	(21 650)	-	7 740
Financial assets derecognised that are not write-offs	86 709	34 049	276 349	397 107
Write-offs	-	-	720 146	720 146
FX and others movements	91 563	(54 564)	(2 417)	34 582
As at the end of the period	**(368 554)**	**(342 141)**	**(1 683 708)**	**(2 394 403)**

In thousands of PLN

Finance lease receivables
31.12.2024

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**12 339 025**	**604 648**	**471 925**	**3 140**	**13 418 738**
Transfers					
Transfer to Stage 1	1 289 008	(1 260 534)	(28 474)	-	-
Transfer to Stage 2	(2 296 268)	2 305 930	(9 662)	-	-
Transfer to Stage 3	(28 288)	(241 966)	270 254	-	-
New financial assets originated	5 390 535	-	-	-	5 390 535
Changes in existing financial assets	(2 345 544)	(294 002)	(120 835)	(653)	(2 761 034)
Financial assets derecognised that are not write-offs	(737 130)	(38 303)	(35 607)	5	(811 035)
Write-offs	-	-	(46 092)	-	(46 092)
FX and others movements	(81 863)	372	35 550	-	(45 941)
As at the end of the period	**13 529 475**	**1 076 145**	**537 059**	**2 492**	**15 145 171**

Movements on allowances for expected credit losses on finance lease receivables measured at amortised cost for reporting period 1.01.2024 - 31.12.2024	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(39 414)**	**(49 352)**	**(181 296)**	**(270 062)**
Transfers				
Transfer to Stage 1	(18 065)	63 766	2 919	48 620
Transfer to Stage 2	30 011	(100 688)	1 614	(69 063)
Transfer to Stage 3	212	22 262	(44 403)	(21 929)
New financial assets originated	(23 060)	-	-	(23 060)
Changes in credit risk of existing financial assets	11 164	(12 502)	(45 185)	(46 523)
Changes in models and risk parameters	-	-	-	-
Financial assets derecognised that are not write-offs	1 760	1 748	21 911	25 419
Write-offs	-	-	45 414	45 414
FX and others movements	1 217	(511)	(6 566)	(5 860)
As at the end of the period	**(36 175)**	**(75 277)**	**(205 592)**	**(317 044)**

Finance lease receivables
31.12.2023

Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
As at the beginning of the period	**10 951 484**	**667 883**	**375 335**	**3 599**	**11 998 301**
Transfers					
Transfer to Stage 1	1 014 528	(996 274)	(18 254)	-	-
Transfer to Stage 2	(1 411 466)	1 417 651	(6 185)	-	-
Transfer to Stage 3	(2 538)	(221 162)	223 700	-	-
New financial assets originated	4 881 582	-	-	-	4 881 582
Changes in existing financial assets	(2 416 687)	(204 605)	(141 879)	(130)	(2 763 301)
Financial assets derecognised that are not write-offs	(581 343)	(55 530)	(3 607)	(329)	(640 809)
Write-offs	-	-	(22 226)	-	(22 226)
FX and others movements	(96 535)	(3 315)	65 041	-	(34 809)
As at the end of the period	**12 339 025**	**604 648**	**471 925**	**3 140**	**13 418 738**

In thousands of PLN

Movements on allowances for expected credit losses on finance lease receivables measured at amortised cost for reporting period 1.01.2023 - 31.12.2023	Stage 1	Stage 2	Stage 3	Total
As at the beginning of the period	**(35 656)**	**(55 721)**	**(155 282)**	**(246 659)**
Transfers				
Transfer to Stage 1	(18 445)	59 220	12 094	52 869
Transfer to Stage 2	21 412	(82 559)	2 125	(59 022)
Transfer to Stage 3	408	23 575	(49 374)	(25 391)
New financial assets originated	(18 073)	(13 136)	(48)	(31 257)
Changes in credit risk of existing financial assets	7 907	17 340	(3 907)	21 340
Changes in models and risk parameters	-	-	-	-
Financial assets derecognised that are not write-offs	1 657	2 518	(6 585)	(2 410)
Write-offs	-	-	21 552	21 552
FX and others movements	1 376	(589)	(1 871)	(1 084)
As at the end of the period	**(39 414)**	**(49 352)**	**(181 296)**	**(270 062)**

23. Securitisation of assets

The purpose of synthetic securitization transactions conducted by Santander Bank Polska and its subsidiaries is to implement the Tier 1 capital optimization strategy of the Bank and the Santander Bank Polska S.A. Capital Group. by enabling the calculation of securitized exposure amounts in accordance with the relevant provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2021, as amended ("CRR Regulation").

The released capital is further intended, among others, to finance pro-ecological and climate projects (related to the mitigation of climate change, focusing on renewable energy sources, energy efficiency) and projects supporting the development of the SME, corporate and public sector customer segments.

The transactions carried out by the Bank and entities of the Santander Bank Polska Capital Group are synthetic securitizations without a financing element, and the selected loan portfolios covered by them remain on the balance sheet. In the light of the provisions of IFRS 9, the contractual terms of the securitization transactions do not meet the grounds for not including the securitized assets in the statement of financial position.

Santander Bank Polska S.A.

On June 26, 2024, Santander Bank Polska concluded a synthetic securitization transaction on a portfolio of corporate receivables with a total nominal value of PLN 3,730,486k. The securitized portfolio was divided into three tranches, determining the order of credit loss allocation: senior (92.4% of the portfolio), mezzanine (6.85% of the portfolio) and first loss tranche (0.75% of the portfolio).

The junior and senior tranches were taken up by the Bank. The mezzanine tranche was taken up in full by external investors not related to the Bank. The risk transfer of the securitized portfolio was carried out through a recognized credit protection instrument in the form of a bond linked to credit risk (funded credit linked notes, CLN Bonds). CLN bonds cover losses on the securitization portfolio in the amount of the mezzanine tranche. The requirement to maintain a significant net economic participation is met by retaining randomly selected eligible exposures representing at least 5% of the nominal value of the securitized loans.

The transaction takes the form of a synthetic STS securitization with risk transfer within the meaning of Regulation (EU) No 2402/2017 of the European Parliament and of the Council on the establishment of a general framework for securitization and the creation of a specific framework for simple, transparent and standard securitizations, as well as amending Directive 2009/65 /EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No 1060/2009 and (EU) No. 648/2012, as amended (Securitization Regulation).

As part of the transaction, on June 26, 2024, Santander Bank Polska issued CLN Bonds with the ISIN code XS2846982820, with a maturity date of December 31, 2033, with a nominal value of PLN 256,000 thousand. zloty. The Bank has the option of early repayment of liabilities arising from the CLN Bonds. On June 26, 2024, the CLN Bonds were introduced to trading in the alternative trading system on the Vienna MTF, organized by Wiener Börse AG (Vienna Stock Exchange

As at December 31, 2024, the amount of the portfolio subject to securitization amounted to PLN 2,951,058k. The values of individual tranches were as follows: senior tranche PLN 2,720,970 k, mezzanine tranche 202,109 k and junior tranche PLN 27,979 k

On October 25, 2024, the Bank exercised the option of early termination of the synthetic securitization of the cash loan portfolio (clean-up call), concluded on December 7, 2018, with the European Investment Fund (EIF). The purpose of the transaction was to release capital further allocated to financing projects supporting the development of the SME, corporate and public sector customer segments. The bank fulfilled all obligations arising from the contract. Early termination of the transaction resulted from the terms of the agreement, which indicated such a possibility in the event of a reduction in the value of the securitized portfolio below 10% of its initial value.

On December 17, 2024, Santander Bank Polska concluded a synthetic securitization transaction on a portfolio of cash loans granted to natural persons, with a total nominal value of PLN 4,499,975k.

The securitized receivables portfolio was divided into three tranches: senior tranche (89.49% of the portfolio), mezzanine (8.76% of the portfolio) and junior tranche, which is the first loss tranche (1.75% of the portfolio). The junior and senior tranches were taken up by the Bank. The mezzanine tranche was taken up in full by external investors not related to the Bank.

The transaction takes the form of a synthetic STS securitization with risk transfer within the meaning of the Securitization Regulation. The risk transfer of the securitized portfolio, ensuring coverage of losses in the amount of the mezzanine tranche, was carried out through a recognized credit protection instrument in the form of a bond linked to credit risk.

As part of the transaction, on December 17, 2024, Santander Bank Polska issued CLN Bonds with the ISIN code XS2944989313, with a maturity date of February 7, 2033, with a nominal value of PLN 394,000 tys. The Bank has the option of early repayment of liabilities arising from the CLN Bonds. On December 17, 2024, the CLN Bonds were introduced to trading in the alternative trading system on the Vienna MTF organized by Wiener Börse AG (Vienna Stock Exchange).

The requirement to maintain a significant net economic participation is met by retaining randomly selected eligible exposures representing at least 5% of the nominal value of the securitized loans. The agreement assumes a one-year replenishment period during which the Bank may supplement the transaction structure with the value of the amortized portfolio.

As of December 31, 2024, the value of the securitized portfolio is PLN 4,073,263k. The amounts of the tranches were as follows: senior tranche PLN 3,600,513k, mezzanine tranche PLN 394,000k, and junior tranche PLN 78,750k.

Santander Leasing S.A.

On November 20, 2024, Santander Leasing signed a guarantee agreement with the European Investment Fund.

The agreement assumes that the securitization transaction covers a portfolio of receivables arising from leasing agreements and loan agreements with a total maximum value of PLN 3,945,652k.

The effective date of the Guarantee Agreement depends on the fulfillment of the conditions specified therein. One of the key conditions determining the effective date of activation of the guarantee was the fulfillment of the obligation regarding the pre-allocation of capital released as part of the transaction for newly granted loans to the SME and MidCap sectors, in accordance with the requirements set by the European Investment Fund (EIF) and the European Investment Bank (EIB).

The Santander Bank Polska Group met all conditions necessary to activate the Guarantee Agreement on December 16, 2024. This means effective coverage of the securitized portfolio with credit protection in the form of a guarantee for 100% of the senior tranche and 100% of the mezzanine tranche. The first loss tranche (junior) has been retained in its entirety and will be deducted from Common Equity Tier 1 capital items, based on Art. 36 section 1 letter k) CRR Regulation, as an alternative to the use of a risk weight of 1,250%.

The guarantee agreement assumes a two-yeas replenishment period during which the Leasing may supplement the transaction structure with the value of the amortized portfolio. In order to maintain the stability of the portfolio structure, the transaction used the Synthetic Excess Spread (SES) mechanism with economic use-it-or-lose-it characteristics, enabling the allocation of losses outside the securitization structure up to 0.7% of the portfolio size annually.

As of December 31, 2024, the value of the securitized portfolio is PLN 3,704,325k. The amounts of the tranches were as follows: senior tranche PLN 3,148,676k, mezzanine tranche PLN 526,014k and junior tranche PLN 29,635k.

Santander Consumer Bank S.A.

On June 29, 2024, Santander Consumer Bank. conducted a synthetic securitization transaction of a portfolio of cash and installment loans granted by the Bank in the total amount of PLN 3,409,981k. The transaction is an element of the Tier 1 capital optimization strategy. Its aim was to obtain capital relief on the retail loan portfolio.

The structure of the transaction includes the division of the securitized portfolio into three tranches: senior (88.77% of the portfolio), mezzanine (8.23% of the portfolio) and junior, i.e. the first loss tranche (3% of the portfolio).

In thousands of PLN

The transaction takes the form of a synthetic STS securitization with a recognized transfer of a significant part of the risk. As part of the agreement signed with a private investor, the Bank obtained a financial guarantee for 100% of the mezzanine tranche. Additionally, in order to secure the payment, the investor made a cash deposit in the amount corresponding to the guaranteed sum under the financial guarantee.

The transaction takes the form of a synthetic STS securitization with a recognized transfer of a significant part of the risk. As part of the agreement signed with a private investor, the Bank obtained a financial guarantee for 100% of the mezzanine tranche. Additionally, in order to secure the payment, the investor made a cash deposit in the amount corresponding to the guaranteed sum under the financial guarantee.

The transaction includes a six-month revolving period, during which the Bank has the opportunity to replenish the amortized amount of the securitized portfolio with new exposures that meet the criteria specified in the agreement. The transaction does not have a financing element, and the selected portfolio of cash and installment loans covered by it remains on the Bank's balance sheet.

As at December 31, 2024, the gross carrying amounts of the tranches were as follows: senior tranche PLN 3,019,972 k., mezzanine tranche PLN 279,831k and junior tranche PLN 89 216k.

Risks related to securitization

Entities of the Santander Bank Polska Capital Group carried out securitization transactions in order to reduce the credit risk incurred and release part of the capital. The risks associated with securitization include, among others: risks that result from the role of the Bank and its subsidiaries as entities initiating and servicing the transaction (monitoring underlying transactions, reporting, debt collection). The Bank constantly analyzes risks that may materialize after concluding securitization transactions, as well as risks that may materialize in connection with the planned execution of subsequent securitization transactions.

24. Investment securities

Investment securities	31.12.2024	31.12.2023
Debt investment securities measured at fair value through other comprehensive income	**40 843 475**	**47 598 570**
Government securities:	23 834 660	27 436 096
- bonds	23 834 660	27 436 096
Central Bank securities:	5 995 624	6 246 368
- bills	5 995 624	6 246 368
Other securities:	11 013 191	13 916 106
-bonds	11 013 191	13 916 106
Debt investment securities measured at fair value through profit and loss	**1 247**	**2 005**
Debt investment securities measured at amortised cost	**35 596 997**	**19 639 468**
Government securities:	32 464 124	18 675 450
- bonds	32 464 124	18 675 450
Other securities:	3 132 873	964 018
- bonds	3 132 873	964 018
Equity investment securities measured at fair value through other comprehensive income	**462 317**	**277 121**
- unlisted	462 317	277 121
Equity investment securities measured at fair value through profit and loss	**8 619**	**5 839**
- unlisted	8 619	5 839
Total	**76 912 655**	**67 523 003**

In thousands of PLN

Movements on investment securities 1.01.2024 - 31.12.2024	Debt investment securities measured at fair value through other comprehensive income	Debt investment securities measured at fair value through profit and loss	Debt investment securities measured at amortised cost	Equity investment securities measured at fair value through other comprehensive income	Equity investment securities measured at fair value through profit and loss	Total
As at the beginning of the period	**47 598 570**	**2 005**	**19 639 468**	**277 121**	**5 839**	**67 523 003**
Additions	321 450 674	-	25 644 879	1 582	500	347 097 635
Disposals (sale and maturity)	(328 715 156)	-	(10 160 975)	(2 531)	(500)	(338 879 162)
Fair value adjustment	538 630	(810)	-	186 145	1 462	725 427
Movements on interest accrued	(20 083)	-	529 973	-	-	509 890
FX differences	(9 160)	52	(56 348)	-	1 318	(64 138)
As at the end of the period	**40 843 475**	**1 247**	**35 596 997**	**462 317**	**8 619**	**76 912 655**

Movements on investment securities 1.01.2023 - 31.12.2023	Debt investment securities measured at fair value through other comprehensive income	Debt investment securities measured at fair value through profit and loss	Debt investment securities measured at amortised cost	Equity investment securities measured at fair value through other comprehensive income	Equity investment securities measured at fair value through profit and loss	Total
As at the beginning of the period	**49 845 849**	**64 707**	**3 156 009**	**204 299**	**63 248**	**53 334 112**
Additions	385 890 892	-	15 938 340	656	-	401 829 888
Disposals (sale and maturity)	(390 222 135)	(67 888)	-	-	(64 121)	(390 354 144)
Fair value adjustment	2 298 283	5 255	-	72 166	7 413	2 383 117
Movements on interest accrued	85 070	-	546 708	-	-	631 778
Impairment losses on securities	(2 016)	-	-	-	-	(2 016)
FX differences	(297 373)	(69)	(1 589)	-	(701)	(299 732)
As at the end of the period	**47 598 570**	**2 005**	**19 639 468**	**277 121**	**5 839**	**67 523 003**

25. Investments in associates

Balance sheet value of associates	31.12.2024	31.12.2023
Polfund - Fundusz Poręczeń Kredytowych S.A.	50 074	48 220
Santander - Allianz Towarzystwo Ubezpieczeń S.A. and Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	917 135	919 294
Total	**967 209**	**967 514**

In thousands of PLN

Movements on investments in associates	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**967 514**	**921 495**
Share of profits/(losses)	102 297	96 937
Dividends	(108 559)	(77 533)
Other	5 957	26 615
As at the end of the period	**967 209**	**967 514**

The table below presents information regarding the Group's share in capital of associate:

Name of associate	Country of incorporation and place of business	The Group's share in capital / voting power		Valuation method	Scope of business
		2024	2023		
Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	Poland Warszawa	49,00	49,00	Equity method	insurance activity, life insurance
Santander - Allianz Towarzystwo Ubezpieczeń S.A.	Poland Warszawa	49,00	49,00	Equity method	insurance activity, property and personal insurance
POLFUND - Fundusz Poręczeń Kredytowych S.A.	Poland Szczecin	50,00	50,00	Equity method	providing lending guarantees, investing and managing funds invested in companies

The table below presents condensed financial information regarding associates which have a significant contribution to the Group:

	Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.		Santander - Allianz Towarzystwo Ubezpieczeń S.A.	
	2024	2023	2024	2023
Loans and advances to banks	48 432	80 957	1 893	40 730
Financial assets held for trading	3 837	840	-	-
Investment securities	842 856	860 145	235 890	258 231
Deferred tax assets	-	-	244	674
Net life insurance assets where the deposit (investment) risk is incurred by the insuring party	104 796	108 205	-	-
Other settlements	24 803	58 231	68 168	36 641
Prepayments	759	67	290	20
Other items	71	239	-	27
Total assets	**1 025 554**	**1 108 684**	**306 485**	**336 323**
Technical insurance provisions	423 508	476 716	86 369	76 459
Other liabilities	286 331	347 983	30 209	40 809
Prepayments and accruals	6 472	911	5 175	3 680
Special funds	48	90	86	92
Total liabilities	**716 359**	**825 700**	**121 839**	**121 040**
Income	516 702	550 080	155 653	143 086
Profit (loss) for the period	171 955	158 061	33 017	42 567
Dividends paid to Santander Bank Polska SA	75 190	54 048	33 368	23 485

The data are taken from unaudited annual financial statements of the companies.

Carrying value of the investments in the associates accounted for using the equity method is different from the share of the Group in their net assets by the amount of goodwill initially recognised in the carrying value of the investment.

In thousands of PLN

26. Intangible assets

Intangible assets Year 2024	Licenses, patents etc.	Other	Expenditure on intangible assets	Total
Value at purchase price - beginning of the period	**2 847 142**	**248 985**	**329 480**	**3 425 607**
Additions from:				
- purchases	-	-	431 015	**431 015**
- transfers from expenditures	399 267	6	-	**399 273**
- transfers	78	-	269	**347**
Decreases from:	-	**-**	-	
- liquidation	(52 196)	(262)	(8 079)	**(60 537)**
- transfers from expenditures	-	-	(399 273)	**(399 273)**
- transfers	-	-	(4 197)	**(4 197)**
Value at purchase price - end of the period	**3 194 291**	**248 729**	**349 215**	**3 792 235**
Accumulated depreciation - beginning of the period	**(2 350 402)**	**(193 348)**	**-**	**(2 543 750)**
Additions/decreases from:				
- current year amortization	(302 797)	(13 498)	-	**(316 295)**
- liquidation, sale	46 960	262	-	**47 222**
- transfers	-	-	-	**-**
Write down/Reversal of impairment write down	399	-	-	**399**
Accumulated depreciation- end of the period	**(2 605 840)**	**(206 584)**	**-**	**(2 812 424)**
Balance sheet value				
Purchase value	3 194 291	248 729	349 215	**3 792 235**
Accumulated depreciation	(2 605 840)	(206 584)	-	**(2 812 424)**
As at 31 December 2024	**588 451**	**42 145**	**349 215**	**979 811**

Intangible assets Year 2023	Licenses, patents etc.	Other	Expenditure on intangible assets	Total
Value at purchase price - beginning of the period	**2 609 613**	**219 694**	**301 049**	**3 130 356**
Additions from:				
- purchases	-	-	427 129	**427 129**
- transfers from expenditures	363 739	29 296	-	**393 035**
- transfers	4	-	536	**540**
Decreases from:				
- liquidation	(126 214)	(5)	(3 051)	**(129 270)**
- transfers from expenditures	-	-	(393 034)	**(393 034)**
- transfers	-	-	(3 149)	**(3 149)**
Value at purchase price - end of the period	**2 847 142**	**248 985**	**329 480**	**3 425 607**
Accumulated depreciation - beginning of the period	**(2 212 907)**	**(176 693)**	**-**	**(2 389 600)**
Additions/decreases from:				
- current year amortization	(252 933)	(16 660)	-	**(269 593)**
- liquidation, sale	116 761	5	-	**116 766**
- transfers	-	-	-	
Write down/Reversal of impairment write down	(1 323)	-	-	**(1 323)**
Accumulated depreciation- end of the period	**(2 350 402)**	**(193 348)**	**-**	**(2 543 750)**
Balance sheet value				
Purchase value	2 847 142	248 985	329 480	**3 425 607**
Accumulated depreciation	(2 350 402)	(193 348)	-	**(2 543 750)**
As at 31 December 2023	**496 740**	**55 637**	**329 480**	**881 857**

In thousands of PLN

27. Goodwill

As at 31 December 2024 and in the coresponding period, the goodwill covered in the amount of PLN 1,712,056 k the following items:

- PLN 1,688,516 k - goodwill arising from the merger of Santander Bank Polska and Kredyt Bank on 4 January 2013,
- PLN 23,540 k – goodwill arising from the fact that Santander Bank Polska holds 60% shares of Santander Consumer Bank, which, in turn, has 50% stake in Stellantis Financial Services Polska (formerly PSA Finance Polska). Santander Bank Polska discloses non-controlling interests representing 70% of share capital and voting power at the General Meetings of Stellantis Financial Services Polska (formerly PSA Finance Polska) and, indirectly Stellantis Consumer Financial Services (formerly PSA Consumer Finance Polska).

In accordance with IFRS 3 the goodwill was calculated as the surplus of the cost of acquisition over the fair value of assets and liabilities acquired.

Test for impairment of goodwill arising from the merger between Santander Bank Polska and Kredyt Bank

In 2024 and in the comparative period, the Bank conducted tests for impairment of goodwill arising from the merger with Kredyt Bank on 4 January 2013. The carrying amount as at 31 December 2024 was PLN 1,688,516 k (the same as at 31 December 2023).

Recoverable amount based on value in use

The recoverable amount of cash-generating units is the higher of fair value less costs of disposal and value in use. Value in use which is higher than the fair value less costs of disposal is measured on the basis of a discounted cash flow model relevant for banks and other financial institutions. The future expected cash flows generated by business segments of Santander Bank Polska are in line with the 3-year financial projections of the Bank's management for 2025-2027.

Taking into account the stability of Santander Bank Polska and sustainable financial performance, and comparing the value in use with the carrying amount of the cash-generating unit, no impairment was identified.

Key assumptions for measuring value in use

For the purposes of goodwill impairment testing Bank applies the following allocation of goodwill to historical business segments. The alocation results from the initial recognition as at acquisition date:

	Segment Retail Banking	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Total
Goodwill	764 135	578 808	222 621	122 952	**1 688 516**

Due to accepted valuation model, assumptions used to determine the value in use for the individual segments are the same.

Financial projection

The financial projection for 2025–2027 was prepared in line with the strategic and operational plans for 2025–2027 as well as macroeconomic and market forecasts. The extrapolation of cash flows beyond the period covered by the financial plan was based on growth rates reflecting the National Bank of Poland's long-term inflation target of 2.5 p.p. as at 31 December 2024.

Pursuant to the financial projection, the Bank will continue to develop its products and services, focusing on the main product lines, services for retail customers, financing for SMEs, savings products and transactional banking services.

Change of the profit by 10 percentage point would not significantly affect the value of discounted cash flows, value in use, and, consequently, the result of the impairment test.

Discount rate

The discount rate of 12.36 % used in the model is equal to the cost of capital assumed for Santander Bank Polska.

Change of the discount rate by 1 percentage point would not significantly affect the value of discounted cash flows, value in use, and, consequently, the result of the impairment test.

Growth rate in the period beyond the financial projections

The extrapolation of cash flows beyond the 3-year period subject to the financial projection (residual value) was based on an annual growth rate of 2.5%, i.e. equal to the inflation target.

In thousands of PLN

Minimum regulatory capital ratio

An increase in the required capital amount results in a decrease in the amount of capital available for distribution as part of the test. Under Polish law, the value of dividends payable by commercial banks in respect of their prior year profits depends on the fulfilment of the minimum criteria laid down in the KNF's dividend policy. Details in note 5.

As at 31 December 2024, no goodwill impairment was identified.

Test for impairment of goodwill arising from the purchase of shares of Stellantis Financial Services Polska (formerly PSA Finance Polska)

The bank conducted a test for impairment of goodwill arising from the final settlement of acquisition of shares of Stellantis Financial Services Polska (formerly PSA Finance Polska) and, indirectly Stellantis Consumer Financial Services (formerly PSA Consumer Finance Polska) by Santander Consumer Bank S.A. The test results showed an excess of the value of non-controlling interests (70%) and the payment made over the carrying amount of the identified net assets.

The test was prepared using the income approach.

As at 31 December 2024, no goodwill impairment was identified.

28. Property, plant and equipment

Property, plant & equipment not subject to operating lease Year 2024	Land and buildings	IT Equipment	Transportation means	Other fixed assets	Fixed assets under construction	Total
Value at purchase price - beginning of the period	**376 765**	**1 014 352**	**155 277**	**182 066**	**52 216**	**1 780 676**
Additions from:						
- purchases	-	-	11 390	-	98 249	**109 639**
- transfers from expenditures	3 279	69 221	7 987	3 660	-	**84 147**
- transfers	237	-	31 334	1	3	**31 575**
Decreases from:						
- sale, liquidation, donation	(18 484)	(178 240)	(10 019)	(16 102)	(57)	**(222 902)**
- transfers from expenditures	-	-	-	-	(84 542)	**(84 542)**
- transfers	-	-	(12 056)	(237)	(74)	**(12 367)**
Value at purchase price - end of the period	**361 797**	**905 333**	**183 913**	**169 388**	**65 795**	**1 686 226**
Accumulated depreciation - beginning of the period	**(284 270)**	**(653 803)**	**(13 120)**	**(146 978)**	**-**	**(1 098 171)**
Additions/disposals from:						
- current year amortization	(17 122)	(113 293)	(13 780)	(12 080)	-	**(156 275)**
- sale, liquidation, donation	16 067	173 802	1 765	14 737	-	**206 371**
- transfers	(6)	-	9 751	5	-	**9 750**
Write down/Reversal of impairment write down	-	(5 889)	-	-	-	**(5 889)**
Accumulated depreciation- end of the period	**(285 331)**	**(599 183)**	**(15 384)**	**(144 316)**	**-**	**(1 044 214)**
Balance sheet value						
Purchase value	361 797	905 333	183 913	169 388	65 795	**1 686 226**
Accumulated depreciation	(285 331)	(599 183)	(15 384)	(144 316)	-	**(1 044 214)**
As at 31 December 2024	**76 466**	**306 150**	**168 529**	**25 072**	**65 795**	**642 012**

In thousands of PLN

Property, plant & equipment not subject to operating lease Year 2023	Land and buildings	IT Equipment	Transportation means	Other fixed assets	Fixed assets under construction	Total
Value at purchase price - beginning of the period	**404 794**	**1 040 878**	**117 025**	**188 052**	**102 693**	**1 853 442**
Additions from:						
- purchases	-	-	19 314	-	198 276	**217 590**
- transfers from expenditures	3 910	172 466	11 369	9 713	-	**197 458**
- transfers	1 103	1	39 200	2	17	**40 323**
Decreases from:						
- sale, liquidation, donation	(33 042)	(198 993)	(9 974)	(15 701)	(1 576)	**(259 286)**
- transfers from expenditures	-	-	-	-	(246 549)	**(246 549)**
- transfers	-	-	(21 657)	-	(645)	**(22 302)**
Value at purchase price - end of the period	**376 765**	**1 014 352**	**155 277**	**182 066**	**52 216**	**1 780 676**
Accumulated depreciation - beginning of the period	**(293 397)**	**(742 285)**	**(23 954)**	**(146 876)**	**-**	**(1 206 512)**
Additions/disposals from:						
- current year amortization	(18 086)	(110 064)	(11 679)	(15 139)	-	**(154 968)**
- sale, liquidation, donation	27 202	198 549	2 119	15 034	-	**242 904**
- transfers	-	(3)	20 394	3	-	**20 394**
Write down/Reversal of impairment write down	11	-	-	-	-	**11**
Accumulated depreciation- end of the period	**(284 270)**	**(653 803)**	**(13 120)**	**(146 978)**	**-**	**(1 098 171)**
Balance sheet value						
Purchase value	376 765	1 014 352	155 277	182 066	52 216	**1 780 676**
Accumulated depreciation	(284 270)	(653 803)	(13 120)	(146 978)	-	**(1 098 171)**
As at 31 December 2023	**92 495**	**360 549**	**142 157**	**35 088**	**52 216**	**682 505**

Property, plant & equipment subject to operating lease Year 2024	Transportation means	Fixed assets under construction	Total
Value at purchase price - beginning of the period	**88 880**	**-**	**88 880**
Additions from:			
- purchases	**-**	103 429	**103 429**
- transfers from expenditures	103 429	-	**103 429**
Decreases from:			
- sale, liquidation, donation	(22 511)	-	**(22 511)**
- transfers from expenditures		(103 429)	**(103 429)**
- transfers	(4 706)	-	**(4 706)**
Value at purchase price - end of the period	**165 092**	**-**	**165 092**
Accumulated depreciation - beginning of the period	**(6 107)**	-	**(6 107)**
Additions/decreases from:			
- current year amortization	(12 768)	-	**(12 768)**
- sale, liquidation, donation	4 372	-	**4 372**
- transfers	2 405	-	**2 405**
Write down/Reversal of impairment write down			
Accumulated depreciation- end of the period	**(12 098)**	**-**	**(12 098)**
Balance sheet value			
Purchase value	165 092	-	**165 092**
Accumulated depreciation	(12 098)	-	**(12 098)**
As at 31 December 2024	**152 994**	**-**	**152 994**

In thousands of PLN

Property, plant & equipment subject to operating lease Year 2023	Transportation means	Fixed assets under construction	Total
Value at purchase price - beginning of the period	**45 563**	**97**	**45 660**
Additions from:			
- purchases	-	12 178	12 178
- transfers from expenditures	61 365	-	61 365
Decreases from:			
- sale, liquidation, donation	(14 931)	-	(14 931)
- transfers from expenditures	-	(12 275)	(12 275)
- transfers	(3 117)	-	(3 117)
Value at purchase price - end of the period	**88 880**	**-**	**88 880**
Accumulated depreciation - beginning of the period	**(4 328)**	-	(4 328)
Additions/decreases from:			
- current year amortization	(5 485)	-	(5 485)
- sale, liquidation, donation	2 759	-	2 759
- transfers	947	-	947
Write down/Reversal of impairment write down			
Accumulated depreciation- end of the period	**(6 107)**	**-**	(6 107)
Balance sheet value			
Purchase value	88 880	-	88 880
Accumulated depreciation	(6 107)	-	(6 107)
As at 31 December 2023	**82 773**	**-**	**82 773**

29. Right of use assets

Right of use assets Year 2024	Land and buildings	IT Equipment	Other	Total
Gross value - begining of the period	**1 128 058**	**-**	**8 619**	**1 136 677**
Additions from:				
-new lease contracts	25 943	-	717	26 660
-lease modifications and lease period update	136 372	-	1 399	137 771
-outlays	745	-	-	745
Decreases from:	-		-	
-lease modifications and lease period update	(90 985)	-	(1 083)	(92 068)
Gross value - end of the period	**1 200 133**	**-**	**9 652**	**1 209 785**
Accumulated depreciation - begining of the period	**(636 875)**	**-**	**(5 506)**	**(642 381)**
Additions from:				
-current year amortization	(140 582)	-	(1 052)	(141 634)
Decreases from:				
-lease modifications (including settlement) and lease period update	70 532	-	965	71 497
Impairment write down/Reversal of impairment write down *	(8 174)	-	(37)	(8 211)
Accumulated depreciation- end of the period	**(715 099)**	**-**	**(5 630)**	**(720 729)**
Balance sheet value				
Gross amount	1 200 133	-	9 652	1 209 785
Accumulated depreciation	(715 099)	-	(5 630)	(720 729)
As at 31 December 2024	**485 034**	**-**	**4 022**	**489 056**

*The recognised impairment allowance results from the closure of the bank's branches, and relates to the entire carrying amount of these branches

In thousands of PLN

Right of use assets Year 2023	Land and buildings	IT Equipment	Other	Total
Gross value - begining of the period	**1 061 944**	**2 614**	**9 890**	**1 074 448**
Additions from:				
-new lease contracts	35 110	-	33	35 143
-lease modifications and lease period update	127 118	-	442	127 560
-outlays	-	-	-	-
Decreases from:				
-lease modifications and lease period update	(96 114)	(2 614)	(1 746)	(100 474)
Gross value - end of the period	**1 128 058**	**-**	**8 619**	**1 136 677**
Accumulated depreciation - begining of the period	**(568 820)**	**(2 364)**	**(5 912)**	**(577 096)**
Additions from:				
-current year amortization	(137 948)	(251)	(1 234)	(139 433)
Decreases from:				
-lease modifications (including settlement) and lease period update	72 184	2 615	1 594	76 393
Impairment write down/Reversal of impairment write down *	(2 291)	-	46	(2 245)
Accumulated depreciation- end of the period	**(636 875)**	**-**	**(5 506)**	**(642 381)**
Balance sheet value				
Gross amount	1 128 058	-	8 619	1 136 677
Accumulated depreciation	(636 875)	-	(5 506)	(642 381)
As at 31 December 2023	**491 183**	**-**	**3 113**	**494 296**

*The recognised impairment allowance results from the closure of the bank's branches, and relates to the entire carrying amount of these branches.

30. Deferred tax assets

Deferred tax assets	31.12.2024	Changes recognised in other comprehensive income	Changes recognised in profit or loss	Changes in temporary differences	31.12.2023
Allowance for expected credit losses	910 538	-	(43 448)	(43 448)	953 986
Valuation of derivative financial instruments	1 683 819	-	(4 471)	(4 471)	1 688 290
Other provisions	288 546	-	7 910	7 910	280 636
Deferred income	305 206	-	(85 153)	(85 153)	390 359
Difference between the accounting value and the tax value of leased assets	584 279	-	14 956	14 956	569 323
Unrealised interest expenses on loans, deposits and securities	234 820	-	(17 801)	(17 801)	252 621
Tax loss	11 660	-	(35 301)	(35 301)	46 961
Other negative temporary differences	7 255	-	43	43	7 212
Total assets of deferred tax	**4 026 123**	**-**	**(163 265)**	**(163 265)**	**4 189 388**

In thousands of PLN

Deferred tax liabilities	31.12.2024	Changes recognised in other comprehensive income	Changes recognised in profit or loss	Changes in temporary differences	31.12.2023
Valuation of cash flow hedging instruments	(17 258)	113 696	-	113 696	(130 954)
Valuation of investment securities	72 039	(131 465)	-	(131 465)	203 504
Provisions for retirement allowances	(196)	160	-	160	(356)
Valuation of derivative financial instruments	(1 705 200)	-	(140 357)	(140 357)	(1 564 843)
Unrealised interest income on loans, securities and interbank deposits	(597 809)	-	(5 087)	(5 087)	(592 722)
Difference between the accounting value and the tax value of leased assets	(95 070)	-	1 408	1 408	(96 478)
Valuation of shares / interests in associated	(176 815)	-	58	58	(176 873)
Other positive temporary differences	(92 118)	-	(12 206)	(12 206)	(79 912)
Total liabilities of deferred tax	**(2 612 427)**	**(17 609)**	**(156 184)**	**(173 793)**	**(2 438 634)**
Total effect of temporary differences	**1 413 696**	**(17 609)**	**(319 449)**	**(337 058)**	**1 750 754**
Deferred tax liability (presented in the statement of financial position)	**686**	**-**	**251**	**251**	**435**
Deferred tax assets (presented in the statement of financial position	**1 414 382**	**(17 609)**	**(319 198)**	**(336 807)**	**1 751 189**

Deferred tax assets	31.12.2023	Changes recognised in other comprehensive income	Changes recognised in profit or loss	Changes in temporary differences	31.12.2022
Allowance for expected credit losses	953 986	-	(14 597)	(14 597)	968 583
Valuation of derivative financial instruments	1 688 290	-	71 730	71 730	1 616 560
Valuation of cash flow hedging instruments	-	(74 913)	-	(74 913)	74 913
Other provisions	280 636	-	55 315	55 315	225 321
Deferred income	390 359	-	(213 098)	(213 098)	603 457
Difference between the accounting value and the tax value of leased assets	569 323	-	79 062	79 062	490 261
Unrealised interest expenses on loans, deposits and securities	252 621	-	(31 650)	(31 650)	284 271
Tax loss	46 961	-	(60 026)	(60 026)	106 987
Other negative temporary differences	7 212	-	(268)	(268)	7 480
Total assets of deferred tax	**4 189 388**	**(74 913)**	**(113 532)**	**(188 445)**	**4 377 833**

In thousands of PLN

Deferred tax liabilities	31.12.2023	Changes recognised in other comprehensive income	Changes recognised in profit or loss	Changes in temporary differences	31.12.2022
Valuation of cash flow hedging instruments	(130 954)	(130 954)	-	(130 954)	-
Valuation of investment securities	203 504	(384 936)	-	(384 936)	588 440
Provisions for retirement allowances	(356)	2 954	-	2 954	(3 309)
Valuation of derivative financial instruments	(1 564 843)	-	(205 976)	(205 976)	(1 358 867)
Unrealised interest income on loans, securities and interbank deposits	(592 722)	-	196 698	196 698	(789 420)
Difference between the accounting value and the tax value of leased assets	(96 478)	-	(1 478)	(1 478)	(95 000)
Valuation of shares / interests in associated	(176 873)	-	(8 744)	(8 744)	(168 129)
Other positive temporary differences	(79 912)	-	(13 849)	(13 849)	(66 063)
Total liabilities of deferred tax	**(2 438 634)**	**(512 936)**	**(33 349)**	**(546 285)**	**(1 892 348)**
Total effect of temporary differences	**1 750 754**	**(587 849)**	**(146 881)**	**(734 730)**	**2 485 485**
Deferred tax liability (presented in the statement of financial position)	**435**	**-**	**154**	**154**	**281**
Deferred tax assets (presented in the statement of financial position	**1 751 189**	**(587 849)**	**(146 727)**	**(734 576)**	**2 485 766**

Movements on deferred tax	31.12.2024	31.12.2023
As at the beginning of the period	1 751 189	2 485 768
Changes recognised in income statement	(318 318)	(143 146)
Changes recognised in other comprehensive income	(18 038)	(587 849)
Other	(451)	(3 584)
Balance at the end of the period	**1 414 382**	**1 751 189**

31. Other assets

Other assets	31.12.2024	31.12.2023
Sundry debtors	2 446 051	1 236 471
Prepayments	329 290	269 125
Repossessed assets	12	4 554
Settlements of stock exchange transactions	43 296	62 092
Other	40 791	43 688
Total	**2 859 440**	**1 615 930**
of which financial assets *	2 489 347	1 298 563

* Financial assets include all items of Other assets, with the exception of Prepayments, Repossessed assets and Other.

As at 31.12.2024, ECL allowance for other assets was PLN 138,879 k (31.12.2023 PLN 131,435 k).

The significant majority of 'Other assets' items are non-past due and unimpaired. The most significant items concern the companies Allianz, KDPW, WSE and a number of other entities with a good financial standing and good cooperation history, most of them rated A- (Fitch).

In thousands of PLN

32. Deposits from banks

Deposits from banks	31.12.2024	31.12.2023
Term deposits	100 625	553 858
Loans received from banks	2 385 925	1 377 271
Current accounts	2 662 110	2 225 324
Total	**5 148 660**	**4 156 453**
Short-term	4 736 160	3 598 208
Long-term (over 1 year)	412 500	558 245

As at 31.12.2024 the adjustment of the value of the hedged risk of deposits covered by hedge accounting PLN nil (as at 31.12.2023 – PLN nil).

Fair value of "Deposits from banks" is presented in note 46.

Movements in loans received from banks	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**1 377 271**	**1 747 378**
Increase (due to:)	**3 973 353**	**3 157 516**
- loans received	3 886 121	3 059 845
- interest on loans received	86 974	97 671
- FX differences and other changes	258	-
Decrease (due to):	**(2 964 699)**	**(3 527 623)**
- repayment of loans	(2 885 337)	(3 392 936)
- interest repayment	(79 362)	(100 677)
- FX differences and other changes	-	(34 010)
As at the end of the period	**2 385 925**	**1 377 271**

33. Deposits from customers

Deposits from customers	31.12.2024	31.12.2023
Deposits from individuals	**127 764 517**	**115 261 179**
Term deposits	47 896 484	41 847 879
Current accounts	79 583 654	73 159 663
Other	284 379	253 637
Deposits from enterprises	**92 782 556**	**85 194 159**
Term deposits	24 792 342	21 619 410
Current accounts	64 171 535	59 695 630
Loans received from financial institution	906 079	950 381
Other	2 912 600	2 928 738
Deposits from public sector	**11 481 689**	**8 822 018**
Term deposits	1 143 982	849 436
Current accounts	10 316 117	7 836 387
Other	21 590	136 195
Total	**232 028 762**	**209 277 356**
Short-term	229 692 641	207 150 415
Long-term (over 1 year)	2 336 121	2 126 941

As at 31.12.2024 deposits held as collateral totaled PLN 2 101 980 (as at 31.12.2023 - PLN 1 894 416k).

Fair value of "Deposits from customers" is presented in note 46.

Movements in loans received from other financial institutions	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**950 381**	**1 316 684**
Increase (due to:)	**375 563**	**218 782**
- loans received	325 000	135 600
- interest on loans received	50 563	83 182
Decrease (due to):	**(419 865)**	**(585 085)**
- repayment of loans	(367 352)	(498 048)
- interest repayment	(51 732)	(86 925)
- FX differences and other changes	(781)	(112)
As at the end of the period	**906 079**	**950 381**

The Group did not note any violations of contractual terms related to liabilities in respect of loans received.

34. Subordinated liabilities

Subordinated liabilities in issue on 31.12.2024

Subordinated liabilities	Nominal value	Currency	Redemption date	Book Value (In thousands of PLN)
Issue 2	120 000	EUR	03.12.2026	515 085
Issue 3	137 100	EUR	22.05.2027	594 938
Issue 4	1 000 000	PLN	05.04.2028	1 017 962
SCF Madrid	100 000	PLN	18.05.2028	100 913
Total				**2 228 898**

Subordinated liabilities in issue on 31.12.2023

Subordinated liabilities	Nominal value	Currency	Redemption date	Book Value (In thousands of PLN)
Issue 1	100 000	EUR	05.08.2025	437 280
Issue 2	120 000	EUR	03.12.2026	524 683
Issue 3	137 100	EUR	22.05.2027	606 131
Issue 4	1 000 000	PLN	05.04.2028	1 017 383
SCF Madrid	100 000	PLN	18.05.2028	100 866
Total				**2 686 343**

Movements in subordinated liabilities	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**2 686 343**	**2 807 013**
Increase (due to):	**185 685**	**192 878**
- interest on subordinated loans	185 685	192 878
Decrease (due to):	**(643 130)**	**(313 548)**
- repayment of subordinated loans	(431 270)	-
- interest repayment	(190 522)	(192 766)
- FX differences	(21 338)	(120 782)
As at the end of the period	**2 228 898**	**2 686 343**
Short-term	31 993	36 829
Long-term (over 1 year)	2 196 905	2 649 514

Other details on subordinated liabilities are disclosed in note 5.

35. Debt securities in issue

Debt securities in issue on 31.12.2024

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	394 000	PLN	17.12.2024	31.12.2032	396 216
Santander Bank Polska S.A.	Bonds	1 800 000	PLN	30.09.2024	30.09.2027	1 833 250
Santander Bank Polska S.A.	Bonds	219 997	PLN	26.06.2024	31.12.2033	228 796
Santander Bank Polska S.A.	Bonds	1 900 000	PLN	02.04.2024	02.04.2027	1 934 817
Santander Bank Polska S.A.	Bonds	3 100 000	PLN	29.11.2023	30.11.2026	3 121 301
Santander Leasing S.A.	Bonds	150 000	PLN	20.12.2024	18.12.2025	149 757
Santander Leasing S.A.	Bonds	169 062	PLN	23.10.2024	23.10.2025	170 606
Santander Leasing S.A.	Bonds	365 000	PLN	23.07.2024	23.07.2025	368 482
Santander Factoring Sp. z o.o.	Bonds	480 000	PLN	23.12.2024	23.06.2025	479 788
Santander Factoring Sp. z o.o.	Bonds	120 500	PLN	23.10.2024	23.04.2025	120 516
Santander Factoring Sp. z o.o.	Bonds	200 000	PLN	08.10.2024	08.01.2025	200 717
Santander Factoring Sp. z o.o.	Bonds	390 000	PLN	19.08.2024	19.02.2025	390 541
Santander Factoring Sp. z o.o.	Bonds	100 000	PLN	19.08.2024	08.08.2025	100 109
Santander Factoring Sp. z o.o.	Bonds	110 000	PLN	19.08.2024	19.05.2025	110 055
Santander Consumer Multirent sp. z o.o.	Bonds	300 000	PLN	24.06.2024	24.06.2025	300 142
Santander Consumer Multirent sp. z o.o.	Bonds	50 000	PLN	26.05.2023	31.03.2025	49 984
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 002 889
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 197
Total						**11 851 163**

The total value of financial liabilities (including liabilities in respect of debt securities in issue) arising from these consolidated financial statements does not differ significantly from the projection of financial liabilities as at the end of the financial year published in relation to the bond purchase offer of 30 September 2024 and 2 April 2024 (the information required under the Bonds Act of 15 January 2015 has not been audited).

Debt securities in issue on 31.12.2023

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	200 000	EUR	22.12.2023	22.12.2025	871 197
Santander Bank Polska S.A.	Bonds	3 100 000	PLN	29.11.2023	30.11.2026	3 121 357
Santander Bank Polska S.A.	Bonds	1 900 000	PLN	30.03.2023	31.03.2025	1 936 502
Santander Leasing S.A.	Bonds	100 000	PLN	19.12.2023	19.12.2024	99 976
Santander Leasing S.A.	Bonds	200 000	PLN	14.07.2023	15.07.2024	202 198
Santander Leasing S.A.	Bonds	200 000	PLN	23.06.2023	24.06.2024	199 954
Santander Factoring Sp. z o.o.	Bonds	300 000	PLN	16.08.2023	16.02.2024	300 574
Santander Consumer Bank S.A.	Bonds	300 000	PLN	28.10.2022	06.12.2024	301 279
Santander Consumer Multirent sp. z o.o.	Bonds	50 000	PLN	26.05.2023	31.03.2025	50 688
Santander Consumer Multirent sp. z o.o.	Bonds	265 000	PLN	26.10.2022	28.10.2024	267 739
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 002 511
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 184
Total						**9 247 159**

In thousands of PLN

Movements in debt securities in issue	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**9 247 159**	**9 330 648**
Increase (due to:)	**8 893 862**	**7 284 403**
- debt securities issued	8 159 564	6 875 760
- interest on debt securities in issue	734 298	408 643
Decrease (due to):	**(6 289 858)**	**(7 367 892)**
- debt securities repurchase	(5 577 382)	(6 721 700)
- interest repayment	(688 542)	(392 623)
- FX differences	(18 160)	(252 835)
- other changes	(5 774)	(734)
As at the end of the period	**11 851 163**	**9 247 159**

36. Provisions for financial liabilities and guarantees granted

Provisions for financial liabilities and guarantees granted	31.12.2024	31.12.2023
Provisions for financial commitments to grant loans and credit lines	68 804	95 027
Provisions for financial guarantees	20 210	27 412
Other provisions	4 905	646
Total	**93 919**	**123 085**

Change in provisions for financial liabilities and guarantees granted	31.12.2024
As at the beginning of the period	**123 085**
Provision charge	363 418
Write back	(391 637)
Other changes	(947)
As at the end of the period	**93 919**
Short-term	55 033
Long-term	38 886

Change in provisions for financial liabilities and guarantees granted	31.12.2023
As at the beginning of the period	**61 869**
Provision charge	212 973
Write back	(149 580)
Other changes	(2 177)
As at the end of the period	**123 085**
Short-term	49 534
Long-term	73 551

37. Other provisions

Other provisions	31.12.2024	31.12.2023
Provision for legal risk connected with foreign currency mortgage loans	1 915 242	803 385
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	30 623	37 453
Provisions for legal claims and other	129 975	126 268
Total	**2 075 840**	**967 106**

In thousands of PLN

Change in other provisions 1.01.2024 - 31.12.2024	Provision for legal risk connected with foreign currency mortgage loans*	Provisions for reimbursement of costs related to early repayment of consumer loans	Provisions for legal claims and other	Total
As at the beginning of the period	**803 385**	**37 453**	**126 268**	**967 106**
Provision charge/relase	1 248 385	1 500	179 035	1 428 920
Utilization	(108 244)	(8 330)	(175 328)	(291 902)
Other	(28 284)	-	-	(28 284)
As at the end of the period	**1 915 242**	**30 623**	**129 975**	**2 075 840**

*Detailed information are described in note 47

38. Other liabilities

Other liabilities	31.12.2024	31.12.2023
Settlements of stock exchange transactions	30 395	62 073
Interbank	600 684	1 251 650
Employee provisions	538 861	514 628
Sundry creditors	1 401 524	2 084 753
Liabilities from contracts with customers	219 021	203 646
Public and law settlements	183 329	175 252
Accrued liabilities	519 694	511 771
Liabilities to leasing contractors	189 333	157 841
Other	16 339	28 296
Total	**3 699 180**	**4 989 910**
of which financial liabilities *	2 741 630	4 068 088

*Financial liabilities include all items of other liabilities with the exception of employee provisions, public and law settlements, liabilities from contracts with customers and other.

Change in employee provisions 1.01.2024 - 31.12.2024		*of which: Provisions for retirement allowances*
As at the beginning of the period	**514 628**	***63 554***
Provision charge	456 984	*9 488*
Utilization	(376 509)	*(59)*
Release of provisions	(56 242)	*(2 998)*
As at the end of the period	**538 861**	***69 985***
Short-term	468 876	-
Long-term	69 985	*69 985*

In thousands of PLN

Change in employee provisions 1.01.2023 - 31.12.2023		*of which: Provisions for retirement allowances*
As at the beginning of the period	**446 011**	***44 700***
Provision charge	513 686	*19 401*
Utilization	(316 413)	*(130)*
Release of provisions	(56 546)	*(417)*
Other changes	(72 110)	-
As at the end of the period	**514 628**	***63 554***
Short-term	451 074	-
Long-term	63 554	*63 554*

Employee related provisions consists of items outlined in note 54.

39. Share capital

31.12.2024

Series/issue	Issue	Type of preferences	Limitation of rights to shares	Number of shares	Nominal value of series/ issue in PLN k
A	bearer	none	none	5 120 000	51 200
B	bearer	none	none	724 073	7 241
C	bearer	none	none	22 155 927	221 559
D	bearer	none	none	1 470 589	14 706
E	bearer	none	none	980 393	9 804
F	bearer	none	none	2 500 000	25 000
G	bearer	none	none	40 009 302	400 093
H	bearer	none	none	115 729	1 157
I	bearer	none	none	1 561 618	15 616
J	bearer	none	none	18 907 458	189 075
K	bearer	none	none	305 543	3 055
L	bearer	none	none	5 383 902	53 839
M	bearer	none	none	98 947	990
N	bearer	none	none	2 754 824	27 548
O	bearer	none	none	101 009	1 010
				102 189 314	**1 021 893**

Nominal value of one share is 10 PLN. All issued shares are fully paid.

The shareholders having minimum 5% of the total number of votes at the Santander Bank Polska General Meeting of Shareholders was Banco Santander with a controlling stake of 62.20% stake and 5.01% Nationale-Nederlanden Otwarty Fundusz Emerytalny funds (managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.).

In thousands of PLN

31.12. 2023

Series/issue	Issue	Type of preferences	Limitation of rights to shares	Number of shares	Nominal value of series/ issue in PLN k
A	bearer	none	none	5 120 000	51 200
B	bearer	none	none	724 073	7 241
C	bearer	none	none	22 155 927	221 559
D	bearer	none	none	1 470 589	14 706
E	bearer	none	none	980 393	9 804
F	bearer	none	none	2 500 000	25 000
G	bearer	none	none	40 009 302	400 093
H	bearer	none	none	115 729	1 157
I	bearer	none	none	1 561 618	15 616
J	bearer	none	none	18 907 458	189 075
K	bearer	none	none	305 543	3 055
L	bearer	none	none	5 383 902	53 839
M	bearer	none	none	98 947	990
N	bearer	none	none	2 754 824	27 548
O	bearer	none	none	101 009	1 010
				102 189 314	**1 021 893**

Nominal value of one share is 10 PLN. All issued shares are fully paid.

The shareholders having minimum 5% of the total number of votes at the Santander Bank Polska General Meeting of Shareholders was Banco Santander with a controlling stake of 67.41% stake and 5.01% Nationale-Nederlanden Otwarty Fundusz Emerytalny funds (managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.).

40. Other reserve capital

Other reserve capital	31.12.2024	31.12.2023
General banking risk fund	649 810	649 810
Share premium	7 981 974	7 981 974
Other reserves of which:	15 793 012	16 465 418
Reserve capital	*15 113 833*	*15 774 435*
Supplementary capital	*1 336 624*	*1 348 428*
Adjustment to equity from acquisition/loss of controlling interest in subsidiaries	*(657 445)*	*(657 445)*
Total	**24 424 796**	**25 097 202**

Share (issue) premium is created from surplus over the nominal value of shares sold less costs of share issuance and constitutes the Bank's supplementary capital.

Reserve capital as at 31.12.2024 includes among others share option scheme charge of PLN 143 949 k and share base incentive scheme of 178 225 k and reserve capital as at 31.12.2023 includes share option scheme charge of PLN 143 949 k.

Other movements of other reserve capital are presented in "movements on consolidated equity" for 2024 and 2023.

Statutory reserve (supplementary) capital is created from net profit appropriation in line with the prevailing banking legislation and the Bank's Statute. The capital is not subject to split and is earmarked for covering balance sheet losses. Allocations from profit for the current year to reserve capital should amount to at least 8% of profit after tax and are made until supplementary capital equals at least one third of the Bank's share capital. The amount of allocations is adopted by the General Meeting of Shareholders.

The reserve capital is created out of allocations from the after-tax profit, in an amount resolved by the General Shareholders' Meeting and from other sources.

The reserve capital is earmarked for covering balance sheet losses, should they exceed the supplementary capital, or for other purposes, particularly for dividend pay-outs. Decisions on using the reserve capital are taken by the General Shareholders' Meeting.

In thousands of PLN

41. Revaluation reserve

Revaluation reserve 1.01.2024 - 31.12.2024	Total gross	Deferred tax adjustment	Total net
Opening balance, of which:	**(368 657)**	**69 969**	**(298 688)**
Debt securities measured at fair value through other comprehensive income	(1 308 583)	248 631	(1 059 952)
Equity securities measured at fair value through other comprehensive income	249 832	(47 545)	202 287
Valuation of cash flow hedging instruments	689 291	(130 965)	558 326
Actuarial gains on retirement allowances	803	(152)	651
Change in valuation of debt securities measured at fair value through other comprehensive income	555 367	(105 518)	449 849
Transfer from revaluation reserve to profit and loss resulting from the sale of debt securities measured at fair value through other comprehensive income	(15 012)	2 852	(12 160)
Transfer from revaluation reserve to profit and loss due to fair value measurement of securities covered by hedge accounting	(32 613)	6 196	(26 417)
Change in valuation of equity securities measured at fair value through other comprehensive income	190 361	(35 368)	154 993
Transfer from revaluation reserve to retained earnings profit on sale of equity securities	(4 216)	-	(4 216)
Cash flow hedge - effective portion of the hedging relationship included in revaluation reserve	(593 569)	112 778	(480 791)
Change in provision for retirement allowances – actuarial gains/losses gross	(1 502)	285	(1 217)
Closing balance, of which:	**(269 841)**	**51 194**	**(218 647)**
Debt securities measured at fair value through other comprehensive income	(800 841)	152 161	(648 680)
Equity securities measured at fair value through other comprehensive income	435 977	(82 913)	353 064
Valuation of cash flow hedging instruments	95 722	(18 187)	77 535
Actuarial gains on retirement allowances	(699)	133	(566)

In thousands of PLN

Revaluation reserve 1.01.2023 - 31.12.2023	Total gross	Deferred tax adjustment	Total net
Opening balance, of which:	**(3 433 641)**	**652 316**	**(2 781 325)**
Debt securities measured at fair value through other comprehensive income	(3 240 001)	615 601	(2 624 400)
Equity securities measured at fair value through other comprehensive income	177 010	(33 709)	143 301
Valuation of cash flow hedging instruments	(386 935)	73 518	(313 417)
Actuarial gains on retirement allowances	16 285	(3 094)	13 191
Change in valuation of debt securities measured at fair value through other comprehensive income	2 319 082	(440 626)	1 878 456
Transfer from revaluation reserve to profit and loss resulting from the sale of debt securities measured at fair value through other comprehensive income	(5 842)	1 110	(4 732)
Transfer from revaluation reserve to profit and loss due to fair value measurement of securities covered by hedge accounting	(381 822)	72 546	(309 276)
Change in valuation of equity securities measured at fair value through other comprehensive income	72 822	(13 836)	58 986
Cash flow hedge - effective portion of the hedging relationship included in revaluation reserve	1 076 226	(204 483)	871 743
Change in provision for retirement allowances – actuarial gains/losses gross	(15 482)	2 942	(12 540)
Closing balance, of which:	**(368 657)**	**69 969**	**(298 688)**
Debt securities measured at fair value through other comprehensive income	(1 308 583)	248 631	(1 059 952)
Equity securities measured at fair value through other comprehensive income	249 832	(47 545)	202 287
Valuation of cash flow hedging instruments	689 291	(130 965)	558 326
Actuarial gains on retirement allowances	803	(152)	651

42. Non - controlling interests

Name of the subsidiary	Country of incorporation and place of business	Percentage share of non-controlling interests in share capital / voting rights		Net profit for the period attributable to non-controlling interests		Accumulated non-controlling interests	
		31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	Poland Poznań	50,00	50,00	56 476	46 574	65 826	55 884
Santander Consumer Bank S.A.	Poland Wrocław	40,00	40,00	(24 410)	70 148	1 847 893	1 872 489
Total				**32 066**	**116 722**	**1 913 719**	**1 928 373**

In thousands of PLN

The table below presents condensed financial information regarding each subsidiaries which have a significant non-controlling interests to the Group:

	Santander Towarzystwo Funduszy Inwestycyjnych SA		Santander Consumer Bank Group	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Loans and advances to banks	132 445	74 940	384 559	657 534
Loans and advances to customers	-	-	26 317 357	23 549 498
Investments in subsidiaries	-	-	258 077	238 077
Investment securities	19 757	19 541	5 071 903	4 546 091
Net deferred tax assets	9 174	7 323	582 746	569 837
Other items	44 824	55 756	854 711	681 168
Total assets	**206 200**	**157 560**	**33 469 353**	**30 242 205**
Deposits from banks	-	-	6 376 939	5 274 922
Deposits from customers	-	-	18 421 371	16 051 583
Debt securities in issue	-	-	2 246 212	2 515 402
Other items	74 547	45 791	1 858 610	1 758 091
Total liabilities	**74 547**	**45 791**	**28 903 132**	**25 599 998**
Income	300 050	243 017	2 783 156	2 569 763
Net profit (loss) for the period	112 954	93 147	(71 118)	72 551
Dividends paid to non-controlling shareholers	46 573	37 861	-	-
Total net cash flows:	65 322	(41 836)	432 140	(63 912)
- from operating activities	158 392	57 078	1 280 420	156 001
- from investing activities	2 572	(19 945)	(628 126)	(889 669)
- from financing activities	(95 641)	(78 969)	(220 154)	669 756

43. Hedge accounting

Santander Bank Polska Group uses hedging strategies within hedge accounting in line with the risk management principles set out in note 4 to the consolidated financial statements.

Fair value hedges

Santander Bank Polska S.A. uses fair value hedge accounting in relation to fixed-rate debt securities in PLN, EUR and USD. Fair value hedging relationships connected with fixed-rate mortgage loans granted by the Bank in PLN and hedging relationships connected with the issue of own fixed-rate securities in EUR expired in 2024.

To hedge the fair value, Santander Bank Polska S.A. uses Interest Rate Swaps (IRS), Currency Interest Rate Swaps (CIRS) and Overnight Index Swaps (OIS) for which the Bank pays a fixed rate and receives a floating rate. The risk being hedged is a change in the fair value of an instrument that is attributable to changes in market interest rates. These transactions do not hedge against changes in the fair value due to credit risk. The hedged amount is equal to the value of the hedged item (the hedge ratio is 1:1).

As at 31 December 2024, the Bank hedged 10.7% of the fixed-rate debt securities using the above instruments.

The Bank conducts prospective and retrospective tests to confirm hedge effectiveness. The tests are performed at the end of each month. The prospective test is also conducted on the day the hedging relationship is established.

To ensure high effectiveness of the hedging relationship and existence of an economic relationship, the hedging transactions designated by the Bank as fair value hedges meet the following conditions:

- The nominal value of the hedged item is equal to the nominal value of the hedging transaction.
- The interest rate on the hedged item is equal to the interest rate on the fixed leg of the hedging transaction.
- The maturity and repricing periods of the hedged item is equal to or close to the maturity and repricing periods of the hedging item ensuring high effectiveness in offsetting changes in the fair value.

As a result, any ineffectiveness may be attributed only to the floating leg of the hedging transaction. No other sources of ineffectiveness have been identified.

In thousands of PLN

The table below presents the distribution of nominal values of fair value hedges by tenor as at 31 December 2024 and in the comparative period:

Nominal value of fair value hedging instruments	Distribution of nominal values of cash flows					
	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years	Total
31.12.2024						
Assets representing derivative hedging instruments	-	2 547 500	448 650	2 809 367	528 037	6 333 554
IRS	-	2 547 500	235 000	2 412 000	-	5 194 500
CIRS/OIS	-	-	213 650	397 367	528 037	1 139 054
Liabilities arising from derivative hedging instruments	-	2 547 500	448 650	2 809 367	528 037	6 333 554
IRS	-	2 547 500	235 000	2 412 000	-	5 194 500
CIRS/OIS	-	-	213 650	397 367	528 037	1 139 054
31.12.2023						
Assets representing derivative hedging instruments	-	1 345 500	2 144 969	5 700 287	641 827	9 832 583
IRS	-	1 345 500	1 275 369	5 084 500	110 000	7 815 369
CIRS/OIS	-	-	869 600	615 787	531 827	2 017 214
Liabilities arising from derivative hedging instruments	-	1 345 500	2 144 969	5 700 287	641 827	9 832 583
IRS	-	1 345 500	1 275 369	5 084 500	110 000	7 815 369
CIRS/OIS	-	-	869 600	615 787	531 827	2 017 214

In thousands of PLN

The table below presents pricing parameters of hedging instruments:

Pricing parameters for hedging instruments	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years
31.12.2024					
Assets representing derivative hedging instruments					
Average fixed interest rate	5,4889	5,3813	4,6195	5,0949	4,9847
Average exchange rate (CHF/PLN)	4,5371	4,5371	4,5371	4,5371	4,5371
Average exchange rate (EUR/PLN)	4,2730	4,2730	4,2730	4,2730	4,2730
Average exchange rate (USD/PLN)	4,1012	4,1012	4,1012	4,1012	4,1012
Liabilities arising from derivative hedging instruments					
Average fixed interest rate	-	5,4327	1,5514	2,0422	2,8400
Average exchange rate (CHF/PLN)	4,5371	4,5371	4,5371	4,5371	4,5371
Average exchange rate (EUR/PLN)	4,2730	4,2730	4,2730	4,2730	4,2730
Average exchange rate (USD/PLN)	4,1012	4,1012	4,1012	4,1012	4,1012
31.12.2023					
Assets representing derivative hedging instruments					
Average fixed interest rate	6,9600	6,6314	5,2337	5,1578	5,1424
Average exchange rate (CHF/PLN)	4,6828	4,6828	4,6828	4,6828	4,6828
Average exchange rate (EUR/PLN)	4,3480	4,3480	4,3480	4,3480	4,3480
Average exchange rate (USD/PLN)	3,9350	3,9350	3,9350	3,9350	3,9350
Liabilities arising from derivative hedging instruments					
Average fixed interest rate	-	4,4993	3,4781	2,9840	2,3029
Average exchange rate (CHF/PLN)	4,6828	4,6828	4,6828	4,6828	4,6828
Average exchange rate (EUR/PLN)	4,3480	4,3480	4,3480	4,3480	4,3480
Average exchange rate (USD/PLN)	3,9350	3,9350	3,9350	3,9350	3,9350

The table below presents nominal values and carrying amounts of derivative hedging instruments designated as fair value hedges as at 31 December 2024 and in the comparative period:

Hedging instruments designated as fair value hedges	31.12.2024			31.12.2023		
	Hedged item: Fixed-coupon bonds	Hedged item: Fixed-rate loan portfolio	Hedged item: Issued bonds	Hedged item: Fixed-coupon bonds	Hedged item: Fixed-rate loan portfolio	Hedged item: Issued bonds
Nominal value of hedging instrument	6 333 554	-	-	8 737 983	225 000	869 600
Hedging derivatives – assets (carrying amount)	173 150	-	-	221 617	6 228	556
Hedging derivatives – liabilities (carrying amount)	95 108	-	-	157 437	-	-
Line item in the statement of financial position that includes the hedging instrument	Hedging derivatives (IRS, CIRS, OIS)	Hedging derivatives (IRS)	Hedging derivatives (CIRS)	Hedging derivatives (IRS, CIRS, OIS)	Hedging derivatives (IRS)	Hedging derivatives (CIRS)
Hedged risk	Interest rate risk	Interest rate risk	Interest rate risk	Interest rate risk	Interest rate risk	Interest rate risk
Period over which instruments have impact on the Bank's results	up to 2033	up to 2024	up to 2024	up to 2033	up to 2024	up to 2024
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period	(34 000)	(5 317)	(678)	(396 139)	(12 829)	678
Value of hedge ineffectiveness recognised in profit or loss for the period	4 015	-	-	5 403	754	271

In thousands of PLN

The table below presents the carrying amount of the hedged item and the accumulated amount of fair value hedge adjustments on the hedged item recognised in the income statement and included in the carrying amount.

	31.12.2024			31.12.2023		
Items subject to fair value hedge accounting	**Fixed-coupon bonds**	**Fixed-rate loan portfolio**	**Issued bonds**	**Fixed-coupon bonds**	**Fixed-rate loan portfolio**	**Issued bonds**
Carrying amount of the hedged item, including:	-			-	-	-
Assets	*6 228 933*	-	-	*8 600 749*	*220 437*	-
Liabilities	-	-	-	-	-	*870 007*
Accumulated amount of fair value hedge adjustments on the hedged item included in profit and loss and in the carrying amount, including:	-					-
Assets	*32 613*	*4 563*	-	*381 823*	*12 979*	-
Liabilities	-	-	*407*	-	-	*(407)*
Line item in the statement of financial position that includes the hedged instrument	Debt securities measured at fair value through other comprehensive income	Loans and advances to customers	Debt securities in issue	Debt securities measured at fair value through other comprehensive income	Loans and advances to customers	Debt securities in issue

Cash flow hedging

Santander Bank Polska S.A. uses hedge accounting for future cash flows with respect to floating-rate commercial and mortgage loans in PLN and denominated in EUR and CHF, with maximum maturity of 30 years.

The hedging strategies used by Santander Bank Polska S.A. are designed to hedge the Bank's exposures against the risk of changes in the value of future cash flows resulting from interest rate risk or – in the case of credit portfolios denominated in a foreign currency – also from currency risk.

Hedging relationships are established using Interest Rate Swaps (IRS), Currency Interest Rate Swaps (CIRS) and Cross Currency Interest Rate Swaps (CCIRS). The hedged amount is equal to the value of the hedged item (the hedge ratio is 1:1). As at 31 December 2024, the Bank used the above instruments to hedge:

- interest rate risk component related to changes in market interest rates with respect to:
  - over 70% of floating-rate commercial and mortgage loans in PLN, excluding loans granted to the subsidiaries;
  - over 65% of floating-rate commercial and mortgage loans in EUR, excluding loans granted to the subsidiaries;
- FX risk component with respect to:
  - below 6% of floating-rate commercial and mortgage loans in EUR, excluding loans granted to the subsidiaries;
  - below 50% of floating-rate commercial and mortgage loans in CHF.

At the end of each month, the Bank conducts retrospective and prospective effectiveness tests of existing hedging transactions. On the hedge establishment date, prospective tests are also conducted to confirm high effectiveness of the hedge and make sure that there is an economic relationship between the hedged item and the hedging instrument. To measure hedge effectiveness, the Bank uses the hypothetical derivative method whereby the hedged item is reflected by a derivative transaction with specific characteristics.

Potential hedge ineffectiveness may be attributed to the following factors:

- for relationships hedging interest rate risk:
  - mismatch between the repricing dates of interest rates on hedged loans and the repricing dates of reference rates on IRS floating leg;
  - interest payments based on a fixed rate received by the Bank;
  - changes in cash flows resulted from prepayments;
- for relationships hedging FX risk:
  - mismatch in respect of initial recognition if a derivative designated to the hedging relationship has been concluded before the establishment of that relationship;

In thousands of PLN

- mismatch of the base (interest rate revaluation frequency);
- changes in cash flows resulted from prepayments;

No other sources of ineffectiveness have been identified in relation to cash flow hedges.

Hedged positions are measured at amortised cost. Hedging items are measured at fair value. If the hedging relationships are effective, changes in the fair value of hedging instruments are recognised in equity.

In relation to the so-called payment holidays introduced by the Polish government in 2022 and continued in 2024 on changed terms, the Bank analysed the portfolio of PLN mortgage loans in terms of sufficiency of future cash flows from the portfolio and collateral held. Excluding mortgage loans subject to payment holidays, the mortgage loan portfolio is sufficient to continue the hedging relationships. Based on the results of the analysis, in 2024 the Bank maintained all the hedging relationships in PLN.

Taking into account payment holidays, the hedging relationships kept as part of hedge accounting remained effective.

Furthermore, once a quarter the Bank analysed the sufficiency of the CHF mortgage loan portfolio in the context of pending court proceedings and the potential negative impact of court judgments on the value of future cash flows in CHF. Based on the results of the analyses, in 2024 the Bank terminated three hedging relationships in CHF with the total nominal value of CHF 75m. Adjusted for provisions for legal risk raised in 2024, the CHF mortgage loan portfolio was sufficient to continue the hedging relationships. At the same time, given the ruling practice on CHF mortgage loans and the Bank's assessment regarding future lawsuits, the Bank considers the possibility to terminate the relationships in the future periods.

The table below presents the distribution of nominal values of cash flow hedges by tenor as at 31 December 2024 and in the comparative period:

	Distribution of nominal values of cash flows					
Nominal value of cash flow hedging instruments	**up to 1 month**	**from 1 month to 3 months**	**from 3 months to 1 year**	**from 1 year to 5 years**	**over 5 years**	**Total**
			31.12.2024			
Assets representing derivative hedging instruments	5 119 063	4 251 000	12 549 500	27 497 950	3 981 000	53 398 513
IRS	4 653 200	4 251 000	6 257 000	21 838 500	3 981 000	40 980 700
CIRS/OIS	-	-	5 341 250	4 913 950	-	10 255 200
CCIRS	465 863	-	951 250	745 500	-	2 162 613
Liabilities arising from derivative hedging instruments	5 265 709	4 251 000	12 671 545	27 646 665	3 981 000	53 815 919
IRS	4 653 200	4 251 000	6 257 000	21 838 500	3 981 000	40 980 700
CIRS/OIS	-	-	5 341 250	4 913 950	-	10 255 200
CCIRS	612 509	-	1 073 295	894 215	-	2 580 019
			31.12.2023			
Assets representing derivative hedging instruments	1 740 750	1 634 000	11 351 000	23 790 888	3 750 000	42 266 638
IRS	1 673 700	1 634 000	9 657 700	14 845 400	3 750 000	31 560 800
CIRS/OIS	-	-	1 521 800	6 522 000	-	8 043 800
CCIRS	67 050	-	171 500	2 423 488	-	2 662 038
Liabilities arising from derivative hedging instruments	1 738 920	1 634 000	11 413 640	24 369 348	3 750 000	42 905 908
IRS	1 673 700	1 634 000	9 657 700	14 845 400	3 750 000	31 560 800
CIRS/OIS	-	-	1 521 800	6 522 000	-	8 043 800
CCIRS	65 220	-	234 140	3 001 948	-	3 301 308

In thousands of PLN

The table below presents pricing parameters of hedging instruments:

Pricing parameters for hedging instruments	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years
			31.12.2024		
Assets representing derivative hedging instruments					
Average fixed interest rate	5,4889	5,3813	4,6195	5,0949	4,9847
Average exchange rate (CHF/PLN)	4,5371	4,5371	4,5371	4,5371	4,5371
Average exchange rate (EUR/PLN)	4,2730	4,2730	4,2730	4,2730	4,2730
Average exchange rate (USD/PLN)	4,1012	4,1012	4,1012	4,1012	4,1012
Liabilities arising from derivative hedging instruments					
Average fixed interest rate	-	5,4327	1,5514	2,0422	2,8400
Average exchange rate (CHF/PLN)	4,5371	4,5371	4,5371	4,5371	4,5371
Average exchange rate (EUR/PLN)	4,2730	4,2730	4,2730	4,2730	4,2730
Average exchange rate (USD/PLN)	4,1012	4,1012	4,1012	4,1012	4,1012
			31.12.2023		
Assets representing derivative hedging instruments					
Average fixed interest rate	6,9600	6,6314	5,2337	5,1578	5,1424
Average exchange rate (CHF/PLN)	4,6828	4,6828	4,6828	4,6828	4,6828
Average exchange rate (EUR/PLN)	4,3480	4,3480	4,3480	4,3480	4,3480
Average exchange rate (USD/PLN)	3,9350	3,9350	3,9350	3,9350	3,9350
Liabilities arising from derivative hedging instruments					
Average fixed interest rate	-	4,4993	3,4781	2,9840	2,3029
Average exchange rate (CHF/PLN)	4,6828	4,6828	4,6828	4,6828	4,6828
Average exchange rate (EUR/PLN)	4,3480	4,3480	4,3480	4,3480	4,3480
Average exchange rate (USD/PLN)	3,9350	3,9350	3,9350	3,9350	3,9350

In thousands of PLN

The table below presents nominal values and carrying amounts of derivative hedging instruments designated as cash flow hedges as at 31 December 2024 and in the comparative period:

	31.12.2024		31.12.2023	
Hedging instruments designed as cash flow hedges	Hedged item: Portfolio of floating interest rate loans in PLN and EUR	Hedged item: Portfolio of floating interest rate loans denominated in EUR and CHF	Hedged item: Portfolio of floating interest rate loans in PLN and EUR	Hedged item: Portfolio of floating interest rate loans denominated in EUR and CHF
Nominal value of hedging instrument	51 235 900	2 580 019	39 604 600	3 301 308
Hedging derivatives - assets (carrying amount)	1 181 236	8 933	1 326 620	4 353
Hedging derivatives – liabilities (carrying amount)	90 117	414 845	13 892	658 236
Line item in the statement of financial position that includes the hedging instrument	Hedging derivatives (IRS, CIRS)	Hedging derivatives (CCIRS)	Hedging derivatives (IRS, CIRS)	Hedging derivatives (CCIRS)
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period	(598 399)	12 078	869 272	196 035
Balance of hedging gains or losses of the reporting period that were recognised in other comprehensive income	99 444	2 218	697 843	(9 860)
Value of hedge ineffectiveness recognised in profit or loss	-	10 643	-	(12 220)
Line item in the income statement that includes the recognised hedge ineffectiveness	Net trading income and revaluation	Net trading income and revaluation	Net trading income and revaluation	Net trading income and revaluation
Hedged risk	Interest rate risk	Interest rate risk and currency risk	Interest rate risk	Interest rate risk and currency risk
Period over which instruments have impact on the Bank's results	up to 2034	up to 2027	up to 2033	up to 2027
Amount reclassified from the cash flow hedge reserve to profit or loss	(276 624)	85 421	(173 281)	(154 887)
Net trading income and revaluation	-	(421)	-	(30 801)
Net interest income	(276 624)	85 842	(173 281)	(124 085)
Line item in the income statement that includes the reclassification adjustment	-Net trading income and revaluation: Derivative instruments -Net interest income: Interest recorded on hedging IRS	-Net trading income and revaluation: Derivative instruments -Net interest income: Interest recorded on hedging IRS	-Net trading income and revaluation: Derivative instruments -Net interest income: Interest recorded on hedging IRS	-Net trading income and revaluation: Derivative instruments -Net interest income: Interest recorded on hedging IRS

The table below presents the change in value of the hedged item used as the basis for recognising hedge ineffectiveness, the balance of cash flow hedge reserve:

	31.12.2024		31.12.2023	
Items subject to cash flow hedge accounting	Portfolio of floating interest rate loans in PLN and EUR	Portfolio of floating interest rate loans denominated in EUR and CHF	Portfolio of floating interest rate loans in PLN and EUR	Portfolio of floating interest rate loans denominated in EUR and CHF
Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	(598 399)	12 078	869 272	196 035
Balance of cash flow hedge reserve	99 444	2 218	697 843	(9 860)

In thousands of PLN

In the case of Santander Consumer Bank S.A. (SCB), there was one active FX SWAP transaction of CHF 20m at the end of 2024. The CIRS transaction that matured in 2024 has not been renewed.

In 2024, SCB made nine IRS transactions with a tenor of two to three years and the total nominal value of PLN 2.2bn. They are related to floating-rate loans as part of hedge accounting. The total value of the IRS portfolio is PLN 2.71bn.

Details of this transactions of Santander Consumer Bank SA as at 31.12.2024 and at comparative period are presented in tables below:

	Distribution of nominal values of cash flows					
Nominal value of hedging instruments	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years	Total
31.12.2024						
Assets representing derivative hedging instruments	92 276	-	460 000	2 250 000	-	2 802 276
FXSWAP	92 276	-	-	-	-	92 276
IRS	-	-	460 000	2 250 000	-	2 710 000
CCIRS	-	-	-	-	-	-
Liabilities arising from derivative hedging instruments	90 742	-	460 000	2 250 000	-	2 800 742
FXSWAP	90 742	-	-	-	-	90 742
IRS	-	-	460 000	2 250 000	-	2 710 000
CCIRS	-	-	-	-	-	-
31.12.2023						
Assets representing derivative hedging instruments	218 010	93 800	245 450	602 276	-	1 159 536
FXSWAP	94 110	93 800	245 450	92 276	-	525 636
IRS	-	-	-	510 000	-	510 000
CCIRS	123 900	-	-	-	-	123 900
Liabilities arising from derivative hedging instruments	257 554	93 656	257 554	603 656	-	1 212 420
FXSWAP	93 656	93 656	257 554	93 656	-	538 522
IRS	-	-	-	510 000	-	510 000
CCIRS	163 898	-	-	-	-	163 898

In thousands of PLN

Pricing parameters for hedging instruments	up to 1 month	from 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	over 5 years
31.12.2024					
Assets representing derivative hedging instruments					
Average fixed interest rate	-	-	4,9100	5,0800	-
Average exchange rate (CHF/PLN)	4,5371	-	-	-	-
Average exchange rate (EUR/PLN)	4,2730	-	-	-	-
Liabilities arising from derivative hedging instruments					
Average fixed interest rate	-	-	-	-	-
Average exchange rate (CHF/PLN)	-	-	-	-	-
Average exchange rate (EUR/PLN)	-	-	-	-	-
31.12.2023					
Assets representing derivative hedging instruments					
Average fixed interest rate	5,9350	-	-	5,3228	-
Average exchange rate (CHF/PLN)	4,6828	-	-	-	-
Average exchange rate (EUR/PLN)	4,3480	-	-	-	-
Liabilities arising from derivative hedging instruments					
Average fixed interest rate	-	-	-	-	-
Average exchange rate (CHF/PLN)	-	-	-	-	-
Average exchange rate (EUR/PLN)	-	-	-	-	-

Hedging instruments designed as cash flow hedges	31.12.2024 Hedged item: Portfolio of loans denominated in CHF	Hedged item: Portfolio of floating interest rate mortgage loans in PLN	Hedged item: Floating interest rate bonds	Hedged item: Portfolio of floating interest rate loans for subordinated entities
Nominal value of hedging instrument	90 742	375 000	10 000	2 325 000
Hedging derivatives – assets (carrying amount)	6 171	-	304	31 959
Hedging derivatives – liabilities (carrying amount)	-	3 026	-	4 641
Line item in the statement of financial position that includes the hedging instrument	Hedging derivatives (CIRS, FXSWAP)	Hedging derivatives (IRS)	Hedging derivatives (IRS)	Hedging derivatives (IRS)
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period	(84)	(564)	-	(1 338)
Balance of hedging gains or losses of the reporting period that were recognised in other comprehensive income	(75)	(1 603)	(91)	(9 855)
Value of hedge ineffectiveness recognised in profit or loss	(84)	(29)	-	(38)
Line item in the income statement that includes the recognised hedge ineffectiveness	Net trading income and revaluation	Net trading income and revaluation	Net trading income and revaluation	Net trading income and revaluation
Hedged risk	Currency risk	Interest rate risk	Interest rate risk	Interest rate risk
Period over which instruments have impact on the Bank's results	up to 2025	up to 2027	up to 2025	up to 2027
Amount reclassified from the cash flow hedge reserve to profit or loss	-	-	1 388	-
Line item in the income statement that includes the reclassification adjustment	-	-	Interest income and similar to interest	-

Hedging instruments designed as cash flow hedges	31.12.2023 Hedged item: Portfolio of loans denominated in CHF	Hedged item: Portfolio of floating interest rate mortgage loans in PLN	Hedged item: Floating interest rate bonds	Hedged item: Portfolio of floating interest rate loans for subordinated entities
Nominal value of hedging instrument	702 420	175 000	10 000	325 000
Hedging derivatives – assets (carrying amount)	14 983	-	699	-
Hedging derivatives – liabilities (carrying amount)	49 147	534	-	1 292
Line item in the statement of financial position that includes the hedging instrument	Hedging derivatives (CIRS, FXSWAP)	Hedging derivatives (IRS)	Hedging derivatives (IRS)	Hedging derivatives (IRS)
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period	1 895	(69)	(12)	(31)
Balance of hedging gains or losses of the reporting period that were recognised in other comprehensive income	16 094	(37)	2 879	(736)
Value of hedge ineffectiveness recognised in profit or loss	(14 199)	(32)	(2 891)	705
Line item in the income statement that includes the recognised hedge ineffectiveness	Net trading income and revaluation	Net trading income and revaluation	Net trading income and revaluation	Net trading income and revaluation
Hedged risk	Currency risk	Interest rate risk	Interest rate risk	Interest rate risk
Period over which instruments have impact on the Bank's results	up to 2025	up to 2027	up to 2027	up to 2027
Amount reclassified from the cash flow hedge reserve to profit or loss	-	-	116	-
Line item in the income statement that includes the reclassification adjustment	-	-	Interest income and similar to interest	-

Items subject to cash flow hedge accounting	31.12.2024 Hedged item: Portfolio of loans denominated in CHF	Hedged item: Portfolio of floating interest rate mortgage loans in PLN	Hedged item: Floating interest rate bonds	Hedged item: Portfolio of floating interest rate loans for subordinated entities
Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	6 171	(3 026)	304	27 318
Balance of cash flow hedge reserve	-	-	-	-
Balance of foreign currency translation reserve for continuing hedges	-	-	-	-
Balance remaining in the cash flow hedge reserve for which hedge accounting is no longer applied	-	-	-	-
Balance remaining in the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied	-	-	-	-

In thousands of PLN

Items subject to cash flow hedge accounting	31.12.2023 Hedged item: Portfolio of loans denominated in CHF	Hedged item: Portfolio of floating interest rate mortgage loans in PLN	Hedged item: Floating interest rate bonds	Hedged item: Portfolio of floating interest rate loans for subordinated entities
Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	61 633	(534)	403	(996)
Balance of cash flow hedge reserve	-	-	-	-
Balance of foreign currency translation reserve for continuing hedges	-	-	-	-
Balance remaining in the cash flow hedge reserve for which hedge accounting is no longer applied	-	-	-	-
Balance remaining in the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied	-	-	-	-

Measurement to fair value of the hedging instrument, less deferred tax, is recognised in comprehensive income and accumulated in the Group's equity during the period and are presented in note 41.

Impact of the IBOR reform

Santander Bank Polska Group uses cash flow hedges and fair value hedges that are affected by the interest rate benchmark reform (IBOR reform). The items hedged as part of hedge accounting include:

- floating-rate commercial and mortgage loans in PLN, EUR and CHF;
- fixed-rate debt securities in PLN,
- variable-rate debt securities in PLN.

As at 31 December 2024, there were 502 hedging relationships established at Santander Bank Polska S.A. The hedging instruments comprise IRS transactions for exposures in PLN (480 relationships connected with 480 IRS transactions) and CIRS – basis swaps for EUR/PLN and CHF/PLN rates with respect to exposures in EUR and CHF (22 relationships connected with 19 CIRS transactions).

The interest rate of the foregoing derivatives is based on the following floating rates: 1M, 3M or 6M WIBOR. The relationships are set to expire gradually by 2034:

87 relationships in 2025, 331 relationships over the next five years, and 84 relationships by 2034 (including 15 relationships in 2034 alone).

Detailed information about derivative and non-derivative financial instruments subject to the IBOR reform together with the summary of measures taken by the Bank to manage the risk arising from the reform and the accounting impact, including the impact on hedging relationships, is presented in Note 4 "Risk management" and in Note 43 "Hedge accounting" (section on derivative hedging instruments).

44. Sale and reverse sale and repurchase agreements

Santander Bank Polska Group raises funds by selling financial instruments under agreements to repurchase these instruments at future dates at a predetermined price.

Repo and sell-buy back transactions may cover securities from the Group's balance sheet portfolio.

	31.12.2024 Balance sheet value	31.12.2023 Balance sheet value
Liabilities valued at amortised cost (contains sale and repurchase agreements)	1 198 455	273 547
Fair value of securities held as collateral for sale and repurchase agreements	1 198 845	271 933
Reverse sale and repurchase agreements	12 126 356	12 676 594
Fair value of securities held for reverse sale and repurchase agreements	11 961 417	13 056 880

In thousands of PLN

Reverse sale and repurchase agreements	31.12.2024	31.12.2023
Reverse sale and repurchase agreements from banks	10 827 845	12 166 858
Reverse sale and repurchase agreements from customers	1 298 511	509 736
Total	**12 126 356**	**12 676 594**

Sale and repurchase agreements	31.12.2024	31.12.2023
Sale and repurchase agreements from banks	151 908	108 975
Sale and repurchase agreements from customers	1 046 547	164 572
Total	**1 198 455**	**273 547**

Securities being the subject of repo and sale and repurchase agreements constituting the Group's portfolio are not removed from the balance sheet, because the Group retains all rewards (i.e. interest income on pledged securities) and risks (interest rate risk and the issuer's credit risk) attaching to these assets.

All of the above-mentioned risks and costs related to the holding of the underlying debt securities in the sale and repurchase agreements transactions remain with the Group, as well as power to dispose them.

The Group also acquires reverse repo and reverse sale and repurchase agreements financial instruments at the same price increased by the pre-determined amount of interest.

Financial instruments covered by reverse repo and reverse sale and repurchase agreements are not recognised in the balance sheet, because the Group does not retain any rewards or risks attaching to these assets.

Financial assets which are subject to reverse repo and reverse sale and repurchase agreements represent a security cover accepted by the Group which the Group may sell or pledge.

Financial instruments held as security for (reverse repo) repurchase agreements may be sold or repledged under standard agreements, under the obligation to return these to the counterparty on maturity date of the transaction.

45. Offsetting financial assets and financial liabilities

The Group enters into master agreements such as ISDA (International Swaps and Derivatives Association Master Agreements) and GMRA (Global Master Repurchase Agreement) providing for the possibility to terminate and settle the transaction with a counterparty in the event of default on the basis of a net amount of mutual receivables and payables.

In addition, under CSA (Credit Support Annex), the counterparty hedges derivative exposures with a deposit margin. The table presents fair value amounts of derivative instruments (both held for trading and designated as hedging instruments under hedge accounting) and cash collateral covered by master agreements providing for the right of set-off under specific circumstances. The value of instruments not subject to set-off are presented separately.

In thousands of PLN

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure	Amounts not subject to enforceable netting arrangements	Balance sheet total
				Financial instruments	Cash collateral received			
Offsetting Financial Assets and Financial Liabilities on 31.12.2024	**(a)**	**(b)**	**(c) = (a) – (b)**	**(d)**	**(e)**	**(c) – (d) – (e)**	**(f)**	**(c) + (f)**
Assets								
Due from other banks								
- Reverse sale and repurchase agreements with other banks	*10 827 845*	-	*10 827 845*	-	*10 717 256*	110 589	-	*10 827 845*
Loans and advances to customers								
- Reverse sale and repurchase agreements	*1 298 511*	-	*1 298 511*	-	*1 266 409*	*32 102*	-	*1 298 511*
Other financial assets:								
- Financial derivatives	*14 882 740*	*6 007 025*	*8 875 715*	*5 811 368*	*2 954 452*	*109 895*	*246 680*	*9 122 395*
Total assets subject to offsetting, master netting and similar arrangement	**27 009 096**	**6 007 025**	**21 002 071**	**5 811 368**	**14 938 117**	**252 586**	**246 680**	**21 248 751**
Liabilities							-	
Financial derivatives	14 342 836	6 007 025	8 335 811	5 811 368	3 249 631	(725 188)	477 849	8 813 660
Sale and repurchase agreements	1 198 455	-	1 198 455	-	1 177 162	21 293	-	1 198 455
Total liabilities subject to offsetting, master netting and similar arrangement	**15 541 291**	**6 007 025**	**9 534 266**	**5 811 368**	**4 426 793**	**(703 895)**	**477 849**	**10 012 115**

In thousands of PLN

Offsetting Financial Assets and Financial Liabilities on 31.12.2023	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure	Amounts not subject to enforceable netting arrangements	Balance sheet total
				Financial instruments	Cash collateral received			
	(a)	(b)	(c) = (a) – (b)	(d)	(e)	(c) – (d) – (e)	(f)	(c) + (f)
Assets								
Due from other banks								
- Reverse sale and repurchase agreements with other banks	*12 166 858*	-	*12 166 858*	-	*12 003 370*	163 488	-	*12 166 858*
Loans and advances to customers								
- Reverse sale and repurchase agreements	*509 736*	-	*509 736*	-	*499 897*	*9 839*	-	*509 736*
Other financial assets:								
- Financial derivatives	*15 521 295*	*7 024 061*	*8 497 234*	*5 468 502*	*2 628 944*	*399 788*	*469 059*	*8 966 293*
Total assets subject to offsetting, master netting and similar arrangement	**28 197 889**	**7 024 061**	**21 173 828**	**5 468 502**	**15 132 211**	**573 115**	**469 059**	**21 642 887**
Liabilities							-	
Financial derivatives	15 108 602	7 024 061	8 084 541	5 468 502	2 677 772	(61 733)	790 369	8 874 910
Sale and repurchase agreements	273 547	-	273 547	-	273 547	-	-	273 547
Total liabilities subject to offsetting, master netting and similar arrangement	**15 382 149**	**7 024 061**	**8 358 088**	**5 468 502**	**2 951 319**	**(61 733)**	**790 369**	**9 148 457**

46. Fair value

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

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

	31.12.2024		31.12.2023	
ASSETS	**Book Value**	**Book Value**	**Book Value**	**Fair value**
Cash and balances with central banks	10 575 107	10 575 107	8 417 519	8 417 519
Loans and advances to banks	8 812 988	8 812 988	9 533 840	9 533 840
Loans and advances to customers measured at amortised cost	155 594 869	155 660 490	143 488 004	143 576 065
-individuals	30 421 990	30 983 796	27 558 832	27 632 149
-housing loans	55 514 953	54 608 638	52 505 895	51 729 714
-business	67 522 275	67 932 405	62 540 516	63 331 441
Buy-sell-back transactions	12 126 356	12 126 356	12 676 594	12 676 594
Debt investment securities measured at amortised cost	35 596 997	35 404 456	19 639 468	19 904 443
LIABILITIES				
Deposits from banks	5 148 660	5 148 660	4 156 453	4 156 453
Deposits from customers	232 028 762	232 014 242	209 277 356	209 270 589
Sell-buy-back transactions	1 198 455	1 198 455	273 547	273 547
Subordinated liabilities	2 228 898	2 214 232	2 686 343	2 663 921
Debt securities in issue	11 851 163	12 307 008	9 247 159	9 395 402

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

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

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

Loans and advances to banks: The fair value of deposits is measured using discounted cash flows at the current money market interest rates for receivables of similar credit risk, maturity and currency. In the case of demand deposits without a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors. Loans and advances to banks were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

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

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

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

For Debt securities in issue and other items of liabilities, not carried at fair value in the financial statements, including: lease liabilities and other liabilities - the fair value does not differ significantly from the presented carrying amounts.

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

As at 31.12.2024 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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

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

Level 3: Other valuation techniques.

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

In thousands of PLN

LEVEL 3	CARRING VALUE	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS: credit cards and underwriting loans and advances;	4 353 285	Discounted cash flow method	Effective margin on loans
CORPORATE DEBT SECURITIES	9 648 274	Discounted cash flow method	Credit spread
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	69 200	Estimation of the fair value based on the present value of the forecast results of the company	The valuation assumed a payment of 100% of the net result forecasted by the company and the discount estimated at market level.
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA	82 700	Estimation of the fair value based on the present value of the forecast results of the company	The valuation assumed a payment of 80% of the net result forecasted by the company and the discount estimated at market level.
SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.	305 500	Estimation of the fair value based on the present value of the forecast results of the company	The valuation based on the company's forecasted net financial results and revenues and the median P/E and EV/S multipliers based on the comparative group.
SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION	1 470	Estimation of the fair value based on the net assets value of the company and average FX exchange rate	The valuation was based on net assets of the company and the Bank's share in the capital (ca0.048%).
SHARES IN SYSTEM OCHRONY BANKÓW KOMERCYJNYCH S.A.	124	Estimation of the fair value based on the net assets value of the company	The valuations were based on the companies' net assets and the Bank's share in capital at the level of: -for SOBK ca. 12.9% -for DCHRS ca. 1.4%. -for WSEZ ca. 0.2%.
SHARES IN DOLNOŚLĄSKIE CENTRUM HURTU ROLNO-SPOŻYWCZEGO S.A.	1 582		
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK" SP Z O.O.	1 741		

Expert valuations of capital instruments are prepared whenever required, but at least once a year. Valuations are prepared by an employee of the Department of Capital Management and Capital Investments (DZKiIK), and then verified by an employee of the Financial Risk Department (DRF) and finally accepted by a specially appointed team of Directors: Department of Capital Management and Capital Investments (DZKiIK), Financial Risk Department (DRF).) and the Financial Accounting Area (ORF) (or employees designated by them). The valuation methodology for estimating the value of financial instruments from the DZKiIK portfolio using the expert method is included in the document "Investment strategy of Santander Bank Polska S.A. in capital market instruments. This document is subject to periodic reviews, updated at least once a year and approved by the Management Board and the Supervisory Board of the Bank.

Instruments are transferred between levels of the fair value hierarchy based on observability criteria verified at the ends of reporting periods. In the case of risk factors commonly considered observable on the market, the Bank considers information on directly concluded transactions on a given market to be the primary criterion of observability, and information on the number and quality of available price quotations is an auxiliary criterion.

In the period from January 1 to December 31, 2024, the following transfers of financial instruments between levels of the fair value measurement hierarchy were made:

• derivatives were transferred from Level 3 to Level 2, which on the date of conclusion, due to the original maturity date and liquidity, are classified at level 3, and for which, as their period to maturity shortens, the liquidity of observable quotations increases and are transferred to level 2;

The impact of estimated parameters on measurement of financial instruments for which the Bank applies fair value valuation according to Level 3 as at 31 December 2024 and in comparative period is as follows:

In thousands of PLN

	Fair value as at 31.12.2024	Valuation technique	Unobservable factor	Unobservable factor range	Impact on fair value +/-100 bps Positive scenario	Negative scenario
Corporate debt securities	9 648 274	Discounted cash flow	Credit spread	(0.03%-0.88%)	163 205	(156 328)
Loans and advances measured at fair value through other comprehensive income	4 289 996	Discounted cash flow	Effective margin	(2.21%-3.17%)	140 458	(130 663)

	Fair value as at 31.12.2023	Valuation technique	Unobservable factor	Unobservable factor range	Impact on fair value +/-100 bps Positive scenario	Negative scenario
Corporate debt securities	11 555 157	Discounted cash flow	Credit spread	(0.48% -0.9%]	253 915	(242 537)
Loans and advances measured at fair value through other comprehensive income	2 798 234	Discounted cash flow	Effective margin	(0.78%-4.58%)	94 606	(88 355)

As at 31.12.2024 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.12.2024	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 620 979	7 720 406	6 190	9 347 575
Hedging derivatives	-	1 401 753	-	1 401 753
Loans and advances to customers measured at fair value through other comprehensive income	-	-	4 289 996	4 289 996
Loans and advances to customers measured at fair value through profit and loss	-	-	63 289	63 289
Debt securities measured at fair value through other comprehensive income	25 199 577	5 995 624	9 648 274	40 843 475
Debt securities measured at fair value through profit and loss	-	-	1 247	1 247
Equity securities measured at fair value through other comprehensive income	-	-	8 619	8 619
Equity securities measured at fair value through other comprehensive income	-	-	462 317	462 317
Assets pledged as collateral	1 198 845	-	-	1 198 845
Total	**28 019 401**	**15 117 783**	**14 479 932**	**57 617 116**
Financial liabilities				
Financial liabilities held for trading	1 703 764	8 204 852	1 071	9 909 687
Hedging derivatives	-	607 737	-	607 737
Total	**1 703 764**	**8 812 589**	**1 071**	**10 517 424**

In thousands of PLN

31.12.2023	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 544 308	7 385 554	9 498	8 939 360
Hedging derivatives	-	1 575 056	-	1 575 056
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 798 234	2 798 234
Loans and advances to customers measured at fair value through profit and loss	-	-	85 093	85 093
Debt securities measured at fair value through other comprehensive income	29 947 021	6 096 392	11 555 157	47 598 570
Debt securities measured at fair value through profit and loss	-	-	2 005	2 005
Equity securities measured at fair value through other comprehensive income	-	-	5 839	5 839
Equity securities measured at fair value through other comprehensive income	-	-	277 121	277 121
Assets pledged as collateral	271 933	-	-	271 933
Total	**31 763 262**	**15 057 002**	**14 732 947**	**61 553 211**
Financial liabilities				
Financial liabilities held for trading	824 121	7 988 428	5 944	8 818 493
Hedging derivatives	-	880 538	-	880 538
Total	**824 121**	**8 868 966**	**5 944**	**9 699 031**

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

Level III

31.12.2024	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through profit and loss	Financial liabilities held for trading
As at the beginning of the period	**9 498**	**85 093**	**2 798 234**	**2 005**	**11 555 157**	**277 121**	**5 840**	**5 944**
Profit or losses								
-recognised in income statement								
---net trading income and revaluation	*109*	*3 752*		-	-	-		*186*
---net interest income			*292 854*					
---gains/losses from other financial securites				*(810)*	-	-	*1 462*	-
-recognised in equity (OCI)				-	*256 038*	*186 145*	-	-
Purchase/granting	6 900	9 184	2 192 326	-	-	1 582	-	1 331
Sale	(4 626)	(930)	(203 096)	-	-	(2 531)	-	-
Matured	-	(33 810)	(778 653)	-	(2 162 921)	-	-	-
Transfer	(5 691)	-	-	-	-	-	-	(6 390)
Other	-	-	(11 669)	52	-	-	1 317	-
As at the end of the period	**6 190**	**63 289**	**4 289 996**	**1 247**	**9 648 274**	**462 317**	**8 619**	**1 071**

In thousands of PLN

Level III

31.12.2023	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through profit and loss	Financial liabilities held for trading
As at the beginning of the period	**12 008**	**239 694**	**2 628 660**	**64 707**	**2 410**	**204 299**	**63 248**	**8 355**
Profit or losses								
-recognised in income statement								
---net trading income and revaluation	(4 606)	*24 416*		-	-	-	-	(1 167)
---net interest income			*161 238*					
---gains/losses from other financial securites	-	-	-	*4 449*	-	-	*4 957*	-
-recognised in equity (OCI)	-	-	-	-	-	*72 822*	-	-
Purchase/granting	1 383	*19 367*	*1 760 240*	-	-	-	-	393
Sale	-	*(8 102)*	*(282 645)*	*(67 888)*	-	-	(64 122)	-
Matured	-	*(189 000)*	*(1 407 100)*	-	-	-	-	-
Transfer	713	-	-	-	11 554 763	-	-	(1 636)
Other	-	(1 282)	*(62 159)*	737	(2 016)	-	1 757	-
As at the end of the period	**9 498**	**85 093**	**2 798 234**	**2 005**	**11 555 157**	**277 121**	**5 840**	**5 944**

47. Legal risk connected with CHF mortgage loans

As at 31 December 2024, the Group had a portfolio of 24.4k CHF-denominated and CHF-indexed loans of PLN 4,798,163k gross before adjustment to the gross carrying amount at PLN 4,399,400k reducing contractual cash flows in respect of legal risk. The Group also had PLN loans which used to be denominated in or indexed to CHF. Their total gross amount was PLN 375,534k before adjustment to the gross carrying amount at PLN 277,371k reducing contractual cash flows in respect of legal risk. 52.4k loans denominated in and indexed to CHF with legal risk were repaid and the amount of these loans disbursed is PLN 6.2 billion.

As at 31 December 2023, the Group had a portfolio of 30.7k CHF-denominated and CHF-indexed loans of PLN 6,282,396k gross before adjustment to the gross carrying amount at PLN 4,085,686k reducing contractual cash flows in respect of legal risk. The Group also had PLN loans which used to be denominated in or indexed to CHF. Their total gross amount was PLN 322,033k before adjustment to the gross carrying amount at PLN 141,284k reducing contractual cash flows in respect of legal risk. 52.2k loans denominated in and indexed to CHF with legal risk were repaid and the amount of these loans disbursed is PLN 6.2 billion.

For a long time, the ruling practice regarding loans indexed to or denominated in foreign currencies has not been unanimous.

To date, the ruling practice regarding loans indexed to or denominated in foreign currencies has not been unanimous.

The prevailing practice is the annulment of a loan agreement due to unfair clauses concerning loan indexation and application of an exchange rate from the bank's FX table. Some courts issue judgments as a result of which the loan is converted to PLN: the unfair indexation mechanism is removed and the loan is treated as a PLN loan with an interest rate based on a rate relevant for CHF. Other courts adjudicate partly in favour of banks: only the application of an exchange rate based on the bank's FX table is deemed to be unfair and is replaced by an objective indexation rate, i.e. an average NBP exchange rate or market exchange rate. Still others decide on the removal of loan indexation, as a consequence of which the loan is treated as a PLN loan with an interest rate based on WIBOR. Judgments are also passed which declare loan agreements void due to unlawful terms. Those judgments are incidental and as such, in the Group's view, have no significant impact on the assessment of legal risk of court cases regarding mortgage loans denominated in or indexed to CHF.

Lastly, there are still rulings which are entirely favourable to banks, where conversion clauses are not deemed to be unfair and the case against the bank is dismissed.

The foregoing differences in the case-law resulted from discrepancies in the ruling practice of the Supreme Court and the nature of rulings passed by the Court of Justice of the European Union (CJEU), which essentially provide guidance rather than detailed rules on how specific disputes should be adjudicated and claims settled.

Judgments passed by the Supreme Court in cases examined as part of the cassation procedure varied as to the effects of potential unfairness of indexation clauses: from the annulment of a loan agreement (prevailing practice) to its continuation in existence after the removal of unfair terms.

In 2021, the Supreme Court was expected to present its stance on CHF loans in response to the questions asked by the First President of the Supreme Court in 2021 (file no. III CZP 11/21). However, as the Supreme Court's composition was contested the process was suspended, awaiting the CJEU's response to the question concerning the procedure for the appointment of judges. On 9 January 2024, the CJEU refused to respond to that question. The case was remanded to the Supreme Court. On 25 April 2024, the Civil Chamber passed a resolution (file no. III CZP 25/22). Nine judges refused to take part in the hearing on the constitutional grounds. Six judges issued dissenting opinions, mainly in relation to the continuation of an agreement in force after excluding unfair provisions. In accordance with the stance presented by the Supreme Court in the above resolution:

- if a contractual provision of an indexed or denominated loan agreement concerning the determination of a foreign currency exchange rate is found to be an unfair clause and is not binding, based on the current case law it is not possible for this provision to be replaced by any other method of determining exchange rates under the law or prevailing practices;
- if it is not possible to determine a binding exchange rate in an indexed or denominated loan agreement, other provisions of that agreement are not binding either.

In relation to the invalidation of a loan agreement, the Supreme Court further held that:

- if a bank disbursed a loan in full or in part under a loan agreement which is not binding due to unfair clauses and a borrower made loan repayments under that agreement, the parties can make separate claims for reimbursement of undue consideration (two separate claims theory);
- if a loan agreement is not binding due to unfair clauses, then in principle, the limitation period for the bank's claims for reimbursement of amounts disbursed under that agreement starts running as of the next day after the borrower questioned the binding nature of the agreement
- if a loan agreement is not binding due to unfair clauses, there is no legal basis for either party to claim interest or other benefits in respect of the use of that party's funds during the period from performance of undue consideration until the day the party fell in arrears with reimbursement of that consideration.

In September 2024, the grounds for the above resolution and part of dissenting opinions were published. Following the adoption of the above resolution by the Supreme Court, the prevailing ruling practice is still to declare the loan agreement invalid due to unfair indexation and currency exchange clauses. However, there are also judgments which do not follow the argumentation presented by the Supreme Court and declare that the loan agreement should continue in force.

Such rulings in favour of the continued existence of an agreement were also passed by the Supreme Court following the adoption of the resolution on 25 April 2024. They include the judgment of 9 May 2024 (file no. II CSKP 2416/22) and the judgment of 30 October 2024 (file no. II CSKP 1939/22). In the first judgment, the Supreme Court held that loan agreements which could be initially repaid directly in a foreign currency could continue as foreign currency loan agreements after removing the conversion clauses and that there were no grounds for their annulment. In the second judgment, the Supreme Court held that the agreement contained provisions which allowed it to continue in existence after removing the unfair terms. It also stressed that Directive 93/13/EEC does not provide for the absolute invalidity of agreements containing unfair terms, and the general rule is to keep the agreement in force.

In the earlier resolution passed in 2021 (file no. III CZP 6/21), the Supreme Court expressed its opinion on several important matters concerning settlements between the parties in the case of annulment of a loan agreement. It stated that the parties must each reimburse to the other any payments made under the agreement in accordance with the two separate claims theory. This way, the balance theory (ex officio mutual set-off of claims) was rejected. At the same time, the Supreme Court held that there are legal instruments in place, such as set-off and the right of retention, which make it possible to concurrently account for mutual settlements in relation to unjust enrichment following the invalidation of the loan agreement. As there were conflicting opinions about whether the right of retention can be exercised with respect to claims arising from a loan agreement, questions were submitted to the Supreme Court about the legal nature of a loan agreement. Courts also referred to the CJEU for a preliminary ruling.

In the above resolution, the Supreme Court also pointed out that the limitation of the bank's claims for return of unjust enrichment may not commence until the agreement is considered permanently ineffective, i.e. until the consumer takes an informed decision as to invalidity of the agreement, after they have been duly informed about the unfairness of contractual provisions and the related effects. This was in line with the opinion issued by the CJEU in respect of the limitation period for the consumer's claims for reimbursement of instalments paid following the annulment of the agreement, stating that it would be unreasonable to assume that this period should begin to run from the date of each payment made by the consumer as the consumer might not be aware of the existence or nature of unfair terms in the agreement.

In its ruling practice, the CJEU generally gives priority to the protection of consumer's interests violated by unfair contractual terms. At the same time, it reiterates that the main objective of Directive 93/13/EEC on unfair terms in consumer contracts is to restore the balance between the parties, i.e. to restore the legal and factual situation which the consumer would have been in had they signed the agreement without the unfair term, while not undermining the deterrent effect sought by the Directive (deterring sellers or suppliers from including unfair terms in agreements). Therefore, the court should first endeavour to keep the agreement in existence without the unfair term, where possible (i.e. if the main subject of the agreement is not changed). At the same time, the CJEU held that it was permissible for the unfair term to be replaced by a supplementary provision of national law (even the one that entered into force after the conclusion of the agreement) or a rule which the parties opted for, and put forward another option for consideration: that the parties should restore the balance through negotiations within the framework set by the court, this way protecting the consumer from adverse effects of the annulment of an agreement (particularly the need to immediately reimburse the amounts due to the bank). The CJEU takes the view that an agreement should be invalidated only as a last resort and only after the court presents the borrower with consequences of this solution and the borrower agrees to it. However, in order to ensure that the agreement can continue in existence, the court should apply all available measures, including an analysis of the possibility of removing only some of the clauses considered unfair without changing the substance of the contractual obligation. Nevertheless, the prevailing practice of Polish courts is to invalidate the agreement as a result of elimination of unfair clauses.

The CJEU pointed out on several occasions (e.g. in cases: C-6/22, C-349/18 to C-351/18) that settlements between the parties following the annulment of an agreement are governed by national law (provided that the objectives of Directive 93/13/EEC are met). Consequently, the national courts have the exclusive jurisdiction over claims for restitution. That said, losses arising from the annulled agreement should not be equally distributed, i.e. the consumer should not incur a half or more than a half of the related costs.

On 15 June 2023, the CJEU passed judgment in case C-520/21 regarding claims of the parties for settlement of amounts arising from the non-contractual use of the capital in the case of annulment of an agreement pursuant to Directive 93/13/EEC. In the grounds of the judgment the CJEU stated that "in the context of the annulment in its entirety of a mortgage loan agreement on the ground that it cannot continue in existence after the removal of the unfair terms, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts must be interpreted as:

– not precluding a judicial interpretation of national law according to which the consumer has the right to seek compensation from the credit institution going beyond reimbursement of the monthly instalments paid and the expenses paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served, provided that the objectives of Directive 93/13/EEC and the principle of proportionality are observed; and

– precluding a judicial interpretation of national law according to which the credit institution is entitled to seek compensation from the consumer going beyond reimbursement of the capital paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served."

In its judgment, the CJEU confirmed that the effects of the annulment of an agreement are governed by the national law subject to the provisions of Directive 93/13 EEC. Consequently, claims for restitution will be assessed by the national court after examining the facts of the case. The grounds of judgment indicate that the bank's claims going beyond the reimbursement of the loan principal are contrary to the objectives of Directive 93/13/EEC, if they would cause the bank to make a similar profit to the one intended to be earned in the performance of the agreement. The deterrent effect would thus be eliminated.

However, several courts issued decisions (which are not yet final) stating that banks' claims for reimbursement of the capital adjusted for changes in the time value of money are admissible and warranted.

At the same time, the CJEU held that the EU law does not preclude the consumer from seeking compensation from the bank beyond reimbursement of the instalments paid. But in its grounds of judgment it asserted that such claims should be assessed in the light of all the facts of the case to ensure that potential benefits derived by the consumer after annulment of the agreement do not go beyond what is necessary to restore the legal and factual situation they would have been in if they had not concluded a defective agreement and that the benefits are not a disproportionate penalty on a seller or supplier (proportionality principle). Furthermore, as any such claims will be assessed in accordance with national laws on unjust enrichment, the decision to uphold them would be questionable as there is no actual enrichment on the part of the bank as a result of the use of funds paid by the borrower (the borrower only reimburses the money provided by the bank under an agreement declared invalid).

On 11 December 2023, the CJEU issued an order in case C-756/22 concerning the bank's restitution claims, stating that the issue in question had already been resolved in the judgment of 15 June 2023 and a separate judgment in this regard was not necessary.

In its order of 12 January 2024 in case C-488/23, the CJEU maintained its stance presented in the judgment of 15 June 2023 in case C-520/21 and issued interpretation, indicating that the bank cannot seek compensation from the consumer in the form of court-ordered adjustment to the capital paid to the consumer, but only the capital and statutory late payment interest from the date of the demand for payment.

On 7 December 2023, the CJEU passed a judgment in another case brought by the Polish court (C-140/22), in which it stated that the assessment of unfairness of contractual clauses is made by operation of law and the national court should examine disputable provisions ex officio. The CJEU also stressed that the consumer should be able to exercise their rights irrespective of whether they have made a statement before the court that they are aware of the consequences of the invalidity of the agreement and gives their consent to its annulment.

In its judgment of 14 December 2023 in case C-28/22, the TSUE ruled on the limitation period for claims of banks and consumers but did not specifically indicate the start date of that period. It merely concluded that it cannot begin to run as from the date of the final and non-appealable judgment and that the start date for bank's claims cannot be earlier than that for consumer's claims. The CJEU also noted that banks may use their right of retention but it should not automatically mean the suspension of the accrual of late payment interest due to consumers.

In its order of 8 May 2024 in case C-424/22, the CJEU upheld its stance on the retention right, expressing a negative opinion on the very exercise of that right by a bank in relation to a consumer. In its resolution of 19 June 2024 (file no. III CZP 31/23), the Supreme Court also questioned the possibility to exercise a retention right by the bank or the borrower, indicating that whenever claims can be set off, the parties have no right of retention.

In the last quarter of 2024 the Regional Court in Warsaw submitted further preliminary questions to the CJEU relating to the issue of the parties' settlements in connection with the invalidation of the contract, mainly in the context of the banks' restitution claims. These questions relate to a number of specific issues related to the institution of the statute of limitations for claims, as well as the rules of claiming and charging the parties with the costs of litigation.

The CJEU's rulings do not address all issues concerning the settlement of an invalidated agreement, but at the same time they refer to the issues subject to national law which have already been adjudicated by the Supreme Court. Accordingly, the final assessment of legal risk related to claims of the parties for consideration arising from the non-contractual use of the capital in the case of annulment of the agreement will still largely depend on the ruling practice of national courts with regard to the enforcement of CJEU and Supreme Court's judgments.

As the ruling practice has not been completely unanimous, at the date of these financial statements the Group estimated the legal risk associated with the portfolio of loans indexed to and denominated in a foreign currency using a model which considers different observed court judgments (in the form of adjustment to the gross carrying amount for active exposures or provisions for inactive exposures), including those which were the subject of the resolution of the entire Civil Chamber of the Supreme Court. The model can also be affected by subsequent CJEU rulings on questions referred by the Polish courts, the stance of the Supreme Court and the ruling practice of national courts. The Group is monitoring court decisions taken with regard to foreign currency loans in terms of the ruling practice and its possible changes. The model might also be affected by a potential intervention of legislators aimed to restore the balance between the parties following the removal of the unfair clause to protect legal relationships from mass annulment of mortgage loan agreements or by introduction of sector-wide solutions for mass and amicable resolution of disputes with borrowers (the possibility of introducing such solutions is being consulted by the Minister of Justice with representatives of the banking sector, borrowers' organisations, the Polish Financial Supervision Authority (KNF) and the Office of Competition and Consumer Protection (UOKiK)).

In view of the above, the Group identified the risk that in the case of lawsuits which have already been filed or are predicted to be filed based on applicable models the scheduled cash flows from the portfolio of mortgage loans denominated in and indexed to foreign currencies might not be fully recoverable and/or that a liability might arise, resulting in a future cash outflow. The Group recognises the impact of legal risk associated with foreign currency mortgage loans in line with the requirements arising from:

- IFRS 9 Financial Instruments – in the case of active loans and
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – in the case of loans repaid in full or if the gross carrying amount of an active loan is lower than the value of risk.

The adjustment to the gross carrying amount (in accordance with IFRS 9) and provisions (in accordance with IAS 37) were estimated taking into account a number of assumptions which significantly influence the estimate reflected in the Group's financial statements.

As at 31 December 2024, there were 21 537 pending lawsuits against the Group over loans indexed to or denominated in a foreign currency, with the disputed amount totalling PLN 7,730,883. Loans repaid as at the lawsuit date accounted for 16% of all lawsuits. The total number of cases included one class action filed under the Class Action Act against Santander Bank Polska S.A. in respect of 263 CHF-indexed loans, with the disputed amount of PLN 50,983k.

As at 31 December 2023, there were 17,859 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 6,150,398k. Loans repaid as at the lawsuit date accounted for 12% of all lawsuits. The total number of cases included two class actions filed under the Class Action Act:

In thousands of PLN

- a class action against Santander Bank Polska S.A. in respect of 302 CHF-indexed loans, with the disputed amount of PLN 50,983k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 31 December 2024, the total cumulative impact of legal risk associated with foreign currency mortgage loans recognised in the Group's balance sheet was PLN 6 592 013 k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 4 676 771 k (including PLN 3 722 362 k in the case of Santander Bank Polska S.A. and PLN 954 409 k in the case of Santander Consumer Bank S.A.);
- IAS 37 provision at PLN 1 915 242k (including PLN 1 461 997 k in the case of Santander Bank Polska S.A. and PLN 453 245 k in the case of Santander Consumer Bank S.A.).

As at 31 December 2023, the total cumulative impact of legal risk associated with foreign currency mortgage loans recognised in the Group's balance sheet was PLN 5,030,355k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 4,226,970k (including PLN 3,414,431k in the case of Santander Bank Polska S.A. and PLN 812,539k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 803,385k (including PLN 624,354k in the case of Santander Bank Polska S.A. and PLN 179,031k in the case of Santander Consumer Bank S.A.).

The tables below present the total cost of legal risk connected with mortgage loans recognised in the Group's income statement and statement of financial position, including the cost of settlements discussed in detail in the section below.

Cost of legal risk connected with foreign currency mortgage loans	**1.01.2024–31.12.2024**	**1.01.2023–31.12.2023**
Impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(1 268 939)	(1 651 058)
Impact of legal risk associated with foreign currency mortgage loans recognised as provision	(1 248 802)	(445 016)
Other costs*	(583 589)	(496 252)
Total cost of legal risk associated with foreign currency mortgage loans	**(3 101 330)**	**(2 592 326)**
Gain/loss on derecognition of financial instruments measured at amortised cost	(70 180)	(322 492)
including: settlements made	(74 122)	(329 791)
Total cost of legal risk associated with foreign currency mortgage loans and settlements made	**(3 175 452)**	**(2 922 117)**

* Other costs include but are not limited to the costs of court proceedings and costs of enforcement of court judgments.

	31.12.2024	**31.12.2023**
Adjustment to gross carrying amount in respect of legal risk associated with foreign currency mortgage loans	4 676 771	4 226 970
Provision for legal risk associated with foreign currency mortgage loans	1 915 242	803 385
Total cumulative impact of legal risk associated with foreign currency mortgage loans	**6 592 013**	**5 030 355**

As at 31 December 2024, the total adjustment to the gross carrying amount and provisions for legal risk and legal provisions (for legal claims and a collective portion) accounted for 127.4% of the gross value of the active CHF loan portfolio (before adjustment to the gross carrying amount in line with IFRS 9).

As at 31 December 2023, the total adjustment to the gross carrying amount and provisions for legal risk and legal provisions (for legal claims and a collective portion) accounted for 80.2% of the gross value of the active CHF loan portfolio (before adjustment to the gross carrying amount in line with IFRS 9).

The model for assessing legal risk of foreign currency loans which is used to estimate provisions for legal risk derives from statistical data and expert judgments based on observation of developments and trends that may have significant impact on the ruling practice and on the number of legal disputes and their resolution. Accordingly, the scenarios of different court judgments used in the model reflect all developments whose number and significance for risk assessment is relevant from the perspective of the portfolio. At the same time, in order to prevent the model from being overly susceptible to fluctuations caused by data variability in short periods of time, the likelihoods of those scenarios are taken into account when making any potential changes to the underlying parameters.

The change in the value of the provisions between January and December 2024 resulted from the review of legal risk connected with foreign currency mortgage loans and the ensuing update of the following parameters: assessment of likelihoods of different judgments (also considering the Supreme Court's resolution of 25 April 2024 (III CZP 25/22)) with the justification published in September 2024, expected level of settlements and number of claims, and settlement costs in the case of invalidation of the loan agreement. Furthermore, the number of court judgments increased in 2023 and 2024. As part of the legal risk reviews carried out in 2024, a number of factors were taken into account: increase in the expected number of lawsuits, an increase in the probability of invalidating the agreement, a higher percentage of cancelled loans, the amount of statutory interest awarded to the borrower for delay, an increase in the probability of loss, and higher than expected at the end of 2023 costs of settlement solutions. The above factors are elements of the scenarios used by the Bank in the calculation of provisions.

The Group used a statistical model to estimate the likelihood of claims being made by borrowers in relation to both active and repaid loans based on the existing lawsuits against the Group and the estimated growth in their number. The model assesses the so-called lifetime risk and is based on a range of behavioural characteristics related to the loan and the customer. The Group assumes that lawsuits have been or will be filed against the Group in relation to approx. 34% of loans (active and repaid, 29% in December 2023). These assumptions are highly sensitive to a number of external factors, including but not limited to the ruling practice of Polish courts, the level of publicity around individual rulings, measures taken by the mediating law firms and the cost of proceedings. Customers' interest in proposed settlements is another important aspect affecting the estimates, as is the practice of Polish courts with regard to the enforcement of CJEU rulings.

The Group expects that most of the lawsuits will be filed by the end of 2025, and then the number of new claims will decline as the legal environment will become more structured.

In the Group's opinion, the expected number of cases estimated based on the statistical model is also characterised by uncertainty owing to such factors as: the duration of court proceedings (also estimated based on a relatively short time horizon of available statistics, which does not meet the conditions for application of quantitative methods) and the growing costs related to the instigation and continuation of court proceedings.

For the purpose of calculating the costs of legal risk, the Group also estimated how likely it is that a specific number of lawsuits will be filed and what the possible end scenarios are in this respect. The likelihoods differ between indexed and denominated loans. The likelihood of unfavourable ruling for the Group is higher for the former and lower for the latter. The Group also considered the protracted proceedings in some courts. As at 31 December 2024, 4,841 final and non-appealable judgments were issued in cases against the Group (including those passed after the CJEU ruling of 3 October 2019), of which 4,649 were unfavourable to the Group, and 192 were entirely or partially favourable to the Group (compared to 2,591 judgments as at 31 December 2023, including 2,487 unfavourable ones and 104 entirely or partially favourable). When assessing the likelihoods, the Group used the support of law firms and conducted thorough analysis of the ruling practice in cases concerning indexed and denominated loans.

As to date the ruling practice has not been completely unanimous, the Group considered the following scenarios of possible court rulings that might lead to financial losses:

- Annulment of the entire loan agreement due to unfair clauses, with only the nominal of the capital to be reimbursed by the borrower (prevailing scenario);
- Annulment of the loan agreement clauses identified as unfair, resulting in the conversion of the loan into PLN and maintenance of an interest rate based on a rate relevant for CHF;
- Conversion of the loan to PLN with an interest rate based on WIBOR;

These scenarios also vary in terms of likelihood depending on the type of agreement and in terms of the level of losses incurred in the case of their materialisation. They were estimated with the support of external law firms independent from the Group. Each of these scenarios has an estimated expected loss level based on the available historical data.

Settlements

The Group actively encourages customers to make settlements. As part of the settlement, the loan is converted to PLN and/or a method is determined to settle the liabilities arising from the loan agreement. The settlement terms are individually negotiated with customers. Settlement proposals are made both to customers who have taken legal action and to customers who have not yet decided to file a lawsuit. This is reflected in the model which is currently used to calculate legal risk provisions, both in terms of the impact of proposed settlements on customers' willingness to bring the case to court and with respect to the potential outcomes of court proceedings.

By 31 December 2024, the Group made 13,039 settlements (both pre-court and following the legal dispute), of which 3,704 ones were reached in 2024 and 6296 in 2023.

In mid-2022, the Group developed a settlement scenario which reflects the level of losses for future settlements. The scenario is based on acceptance levels and losses on loans as part of settlement proposals described above. The acceptance level of future settlements is affected by factors such as the interest rate of PLN loans, the CHF/PLN conversion rate, the development of the ruling practice and the duration of proceedings.

In thousands of PLN

Sensitivity analysis

Due to the high uncertainty around both individual assumptions and their total impact, the Group carried out the following sensitivity analysis of the estimated impact of legal risk by assessing the influence of variability of individual parameters on the level of that risk. The sensitivity analysis was extended to include the impact of the parameter indicating the increase of the loss on the settlement. The amount of the loss accepted by the Group under the signed settlement affects the total amount of the provision, as it is one of the possible ways to terminate the agreement, regardless of whether the customer is in litigation or not.

The estimates were prepared in the form of a univariate analysis of provision value sensitivity.

Taking into account the variability of the parameters outlined below, the impact of legal risk estimated on a collective basis as at 31 December 2024 and in the comparative period is affected as follows:

Scenario (PLN m)	Change in the collective provision as at 31.12.2024	Change in the collective provision as at 31.12.2023
Doubling the expected number of new customers filing a lawsuit (active and non-active customers)	731	991
50% reduction in the expected number of new customers filing a lawsuit (active and non-active customers)	(484)	(496)
10% relative increase in the loss on settlement	22	18

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

Taking into account the variability of the parameters outlined below, the provision for individual legal claims as at 31 December 2024 and in the comparative period is affected as follows:

Scenario (PLN m)	Change in the individual provision as at 31.12.2024	Change in the individual provision as at 31.12.2023
1% absolute increase in the likelihood of losing the case	57	41
1% absolute decrease in the likelihood of losing the case	(57)	(41)
10% relative increase in the loss on settlement	29	16

The Group also estimated the average cost of cancelling a loan, depending on whether it has already been fully repaid or not. The assumptions made in the estimation may change depending on changes in the applicable legal system and the developing judicial practice. The results of the analysis are presented in the table below.

Scenario (PLN m)	31.12.2024	31.12.2023
Average loss resulting from the cancellation of 1000 active credits	249	238
Average loss resulting from the cancellation of 1000 loans repaid	63	63

48. Contingent liabilities and litigation and claims

Information about pending court and administrative proceedings

As at 31.12.2024 the value of all litigation amounts to PLN 11,800,966k. This amount includes PLN 3,283,971 k claimed by the Group, PLN 8,406,881 k in claims against the Group and PLN 110,114 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2024 the amount of all court proceedings which had been completed amounted to PLN 848,485 k.

As at 31.12.2024 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 1,631,423k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 3,913,821k. In 3,804 cases against Santander Bank Polska SA, where the claim value was high (equal or above PLN 500 k), the total value of provisions for legal claims recognised in accordance with IAS 37 and the adjustment to gross carrying amount under IFRS 9 related to legal claims was PLN 1,871,052 k.

As at 31.12.2023 the value of all litigation amounts to PLN 8,527,814k. This amount includes PLN 1,842,060k claimed by the Group, PLN 6,601,675 k in claims against the Group and PLN 84,079k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2023 the amount of all court proceedings which had been completed amounted to PLN 635,408k.

As at 31.12.2023 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 712,831k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 3,289,808k. In 2,873 cases against Santander Bank Polska SA, where the claim value was high (equal or above PLN 500 k), the total value of provisions for legal claims recognised in accordance with IAS 37 and the adjustment to gross carrying amount under IFRS 9 related to legal claims was PLN 1,258,559k.

Administrative penalty proceedings by the Polish Financial Supervision Authority

On 22.11.2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against Santander Bank Polska S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

Court cases over a free credit sanction

As at 31 December 2024, there were 2,367 pending lawsuits against the Group over a free credit sanction, with the disputed amount totalling PLN 50,421k. The lawsuits are brought by customers or entities that have purchased customers' debt and concern the compliance of consumer cash loan agreements with the Consumer Credit Act.

There are also several proceedings pending before the CJEU following from the requests for preliminary ruling from the Polish courts. They refer to such issues as the permissibility of interest calculation on the loan portion financing non-interest costs, lender's information obligations, appropriateness of application of a free credit sanction for potential infringement of information obligations in the light of the EU proportionality rule, and permissibility of disposal of consumer debt to a professional entity.

On 13 February 2025, the CJEU issued a judgment in case C-472/23, addressing some of the issues mentioned above: contractual information on annual percentage rate of charge (APRC), banks' information obligations in the case of amendment of charges connected with the performance of an agreement and proportionality of the sanction depriving the lender of its right to interest and charges in the case of infringement of an information obligation. While not ruling on the permissibility of interest calculation on the loan portion financing non-interest costs, the CJEU held that an APRC is calculated at the time the agreement is concluded, based on the assumption that the agreement in the wording applicable at that time will remain valid for the period agreed. It means that the bank does not violate its information obligations regarding the APRC even if contractual terms affecting the APRC are subsequently found to be unfair.

Accordingly, the CJEU concluded that such practice does not constitute in itself an infringement of the information obligation set out in Article 10(2)(g) of Directive 2008/48.

In its judgment, the CJEU also outlined the rules for proper performance of information obligations by banks in the case of amendment of charges connected with the performance of an agreement and stated that the proportionality rule should be applied in relation to the sanction rendering the loan free of interest and charges and that sanctions should be effective and dissuasive.

The Group closely monitors the ruling practice in terms of the free credit sanction. At present, the vast majority of rulings are favourable to the Group.

Off-balance sheet liabilities

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

In thousands of PLN

Contingent liabilities	31.12.2024 Stage 1	Stage 2	Stage 3	Total
Liabilities granted and received	**61 526 905**	**2 115 244**	**271 018**	**63 913 167**
- financial	**43 948 161**	**1 783 150**	**274 134**	**46 005 445**
- credit lines	39 804 477	1 479 086	249 662	41 533 225
- credit cards debits	3 458 827	301 655	8 207	3 768 689
- import letters of credit	670 970	2 409	16 265	689 644
- term deposits with future commencement term	13 887	-	-	13 887
- guarantees	**17 613 728**	**350 871**	**37 042**	**18 001 641**
Provision for off-balance sheet liabilities	**(34 984)**	**(18 777)**	**(40 158)**	**(93 919)**
Liabilities received				**58 381 401**
- financial				**189 847**
- guarantees				**58 191 554**
Total	**61 526 905**	**2 115 244**	**271 018**	**122 294 568**

Contingent liabilities	31.12.2023 Stage 1	Stage 2	Stage 3	Total
Liabilities granted and received	**55 762 892**	**896 708**	**103 329**	**56 762 929**
- financial	**40 889 961**	**741 093**	**44 368**	**41 675 422**
- credit lines	36 820 437	671 309	34 327	37 526 073
- credit cards debits	3 402 820	58 539	9 477	3 470 836
- import letters of credit	657 654	11 245	564	669 463
- term deposits with future commencement term	9 050	-	-	9 050
- guarantees	**14 911 657**	**204 034**	**94 901**	**15 210 592**
Provision for off-balance sheet liabilities	**(38 726)**	**(48 419)**	**(35 940)**	**(123 085)**
Liabilities received				**59 707 409**
- financial				**504 608**
- guarantees				**59 202 801**
Total	**55 762 892**	**896 708**	**103 329**	**116 470 338**

49. Assets and liabilities pledged as collateral

Assets pledged as collateral	31.12.2024	31.12.2023
Treasury bonds blocked for REPO transactions	1 198 845	271 933
Total	**1 198 845**	**271 933**

The Group holds financial instruments such as:

- financial assets held for trading of PLN 1,198,845 k (in 2023 PLN 110,353 k),
- debt securities measured at fair value through other comprehensive income of PLN 0 k and measured at amoritsed cost of PLN 0 k (in 2023 respectively: PLN 121,365 k and PLN 40,215 k),

which represent collateral for liabilities under buy-sell-back transactions. The liabilities were presented in note 44 Sale and reverse sale and repurchase agreements.

Apart from assets that secure liabilities that are disclosed separately in the statement of financial position when the receiving party may sell or exchange the assets for other security, the Group additionally held the following collateral for liabilities that did not meet the criterion:

	31.12.2024	31.12.2023
Treasury bonds blocked with BFG	1 215 648	1 139 686
Treasury bonds blocked for loans from banks	159 993	123 679
Deposits in financial institutions as collateralised valuation of transactions	2 812 955	3 130 518
Total	**4 188 596**	**4 393 883**

Assets securing funds to cover the BGF are debt securities.

In thousands of PLN

In order to calculate the contribution to the deposit protection fund, Santander Bank Polska and Santander Consumer Bank applied 0.20% (0.25% in 2023) of funds deposited in all accounts with the bank, being the basis for calculating the obligatory reserve. As at 31.12.2024, assets allocated to that end totalled PLN 1,215,648 k compared with PLN 1,139,686 k a year before.

In respect of financing granted in the form of bank loans, collateral is set through debt securities measured at fair value through other comprehensive income blocked in KDPW (Central Securities Depository of Poland) worth PLN 159,993 k (as at 31.12.2023 PLN 123,679 k).

In 2024, deposits opened with financial institutions to secure the value of transactions totalled PLN 2,812,955 k (in 2023 – PLN 3,130,518 k).

In 2024, the Group accepted PLN 3,463,522 k worth of deposits securing of derivative transactions (vs. PLN 2,382,643 k in 2023).

Other liabilities accepted as collateral are disclosed in note 33.

50. Information about leases

Lease related amounts recognized in the income statement	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Amortisation of right of use asset incl.:	(154 402)	(144 918)
- Land and buildings	(140 582)	*(137 948)*
- IT equipment	-	*(251)*
- Transportation means	(12 768)	*(5 485)*
- Other	(1 052)	*(1 234)*
Interest expenses due to lease liabilities	(22 160)	(18 602)
Short-term lease costs	(9 015)	(9 019)
Low-value assets lease costs	(1 294)	(1 312)
Costs of variable lease payments not included in the measurement of the lease liabilities	(506)	(362)
Non-tax deductible VAT - lease	(38 379)	(34 562)
Total	**(225 756)**	**(208 775)**

Lease agreements where the Group acts as a lessee

Lease liabilities	31.12.2024	31.12.2023
Lease liabilities (gross)	392 850	415 143
Discount	(44 400)	(49 310)
Lease liabilities (net)	**348 450**	**365 833**
Lease liabilities gross by maturity:		
Short-term	151 006	157 573
Long-term (over 1 year)	241 844	257 570
Total lease liabilities (gross)	**392 850**	**415 143**

In thousands of PLN

Movements in lease liabilities	1.01.2024-31.12.2024	1.01.2023-31.12.2023
As at the beginning of the period	**365 833**	**419 965**
Additions from:	**166 270**	**153 581**
- adding a new contract	27 926	37 437
- interest on lease liabilities	22 031	18 117
- update of lease term	112 322	92 381
- other changes	3 991	5 646
Disposals from:	**(183 653)**	**(207 713)**
- payment due to lease liabilities	(159 606)	(169 580)
- interest repayment	(21 492)	(17 987)
- FX differences	(2 555)	(20 146)
As at the end of the period	**348 450**	**365 833**

In H2 2024, the Bank signed an agreement on the lease of a new head office building in Warsaw. Cash outflows under the agreement are estimated at PLN 245.8m and are excluded from the valuation of lease liabilities disclosed in the balance sheet as at 31 December 2024. The above amount includes mainly estimated lease payments under the agreement.

Pursuant to IFRS 16, the liability in respect of the above lease agreement will be recognised as of the start of occupancy of the Bank's new head office building, which is planned for H2 2025.

Lease agreements where the Group acts as a lessor

Santander Bank Polska Group conduct leasing activity through leasing companies which specialise in funding vehicles, means of transport for companies and individuals, as well as in the leasing of machinery, equipment and properties.

The items "Loans and advances to customers" and "Loans and advances to banks" contain the following amounts relating to the lease obligations:

Leases gross receivables - maturity	31.12.2024	31.12.2023
less than 1 year	5 265 682	5 525 770
1-2 years	5 609 276	4 448 482
2-3 years	3 427 893	2 931 005
3-4 years	1 827 722	1 494 001
4-5 years	744 695	563 748
over 5 years	199 040	92 357
Total	**17 074 308**	**15 055 363**

Present value of minimum lease payments - maturity	31.12.2024	31.12.2023
less than 1 year	4 979 776	5 146 762
1-2 years	4 957 430	3 976 133
2-3 years	2 934 766	2 545 841
3-4 years	1 515 479	1 240 684
4-5 years	600 040	442 410
over 5 years	157 680	66 908
Total	**15 145 171**	**13 418 738**

Reconciliation between the lease receivables and the present value of minimum lease payments	31.12.2024	31.12.2023
Lease gross receivables	17 074 308	15 055 363
Unearned finance income	(1 929 137)	(1 636 625)
Impairment of lease receivables	(317 044)	(270 062)
Present value of minimum lease payments, net	**14 828 127**	**13 148 676**

In thousands of PLN

Operating leases

Future minimum lease fees due to irrecoverable operating lease	31.12.2024	31.12.2023
less than 1 year	51 901	29 245
1-2 years	70 339	35 431
2-3 years	23 913	17 256
3-4 years	7 827	2 590
4-5 years	556	1 568
Total	**154 536**	**86 090**

51. Consolidated statement of cash flows- additional information

The table below contains information on cash and cash equivalents in the cash flows statement of Santander Bank Polska Group.

Cash and cash equivalents	31.12.2024	31.12.2023
Cash and balances with central banks	10 575 107	8 417 519
Loans and advances to banks and Reverse sale and repurchase agreements to banks*	12 432 775	19 911 306
Debt securities measured at fair value through other comprehensive income*	5 995 624	6 246 368
Total	**29 003 506**	**34 575 193**

* financial assets with initial maturity below three months

Santander Bank Polska SA and Santander Consumer Bank SA have restricted cash in the form of a mandatory reserve held on account with the Central Bank.

52. Related parties

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

Transactions with associates	31.12.2024	31.12.2023
Assets	**246**	**264**
Loans and advances to customers	192	204
Other assets	54	60
Liabilities	**61 537**	**108 965**
Deposits from customers	61 369	108 911
Other liabilities	168	54
Income	**95 723**	**80 969**
Interest income	19	9
Fee and commission income	95 649	80 924
Other operating income	55	36
Expenses	**2 346**	**1 920**
Interest expense	2 346	1 920

In thousands of PLN

Transactions with Santander Group	with the parent company 31.12.2024	with the parent company 31.12.2023	with other entities 31.12.2024	with other entities 31.12.2023
Assets	**12 802 000**	**12 840 432**	**27 558**	**4 004**
Loans and advances to banks, incl:	6 680 425	5 895 136	27 530	2 090
Current accounts	*330 649*	*930 559*	*1 890*	*2 090*
Loans and advances	*6 349 776*	*4 964 577*	*25 640*	-
Financial assets held for trading	6 120 328	4 547 294	-	-
Reverse sale and repurchase agreements	-	2 395 729	-	-
Other assets	1 247	2 273	28	1 914
Liabilities	**6 681 100**	**5 990 841**	**566 159**	**193 650**
Deposits from banks incl.:	1 940 053	899 867	323 803	17 244
Current accounts and advances	*1 520 942*	*519 364*	*10 974*	*17 244*
Loans from other banks	*419 111*	*380 503*	*312 829*	-
Financial liabilities held for trading	4 726 694	4 206 059	-	-
Deposits from customers	-	-	208 869	106 950
Lease liabilities	-	-	25	25
Debt securities in issue	-	871 197	-	-
Other liabilities	14 353	13 718	33 462	69 431
Contingent liabilities	**7 786 034**	**9 029 662**	**31 543**	**33 604**
Sanctioned:	1 324 770	1 271 084	11 754	22 835
financial	-	-	-	20 000
guarantees	1 324 770	1 271 084	11 754	2 835
Received:	6 461 264	7 758 578	19 789	10 769
guarantees	*6 461 264*	*7 758 578*	*19 789*	*10 769*
Derivatives' nominal values	**833 297 798**	**431 615 381**	**-**	**-**
Cross-currency interest rate swap (CIRS) – purchased	16 797 304	13 849 657	-	-
Cross-currency interest rate swap (CIRS) – sold	16 240 282	13 632 380	-	-
Single-currency interest rate swap (IRS)	414 285 838	207 713 978	-	-
Forward rate agreement (FRA)	164 755 500	105 698 880	-	-
Options interest rate	5 750 809	5 715 156	-	-
FX swap – purchased amounts	100 598 746	32 742 241	-	-
FX swap – sold amounts	100 224 112	32 944 709	-	-
FX options -purchased CALL	1 942 881	3 887 702	-	-
FX options -purchased PUT	1 891 724	4 074 479	-	-
FX options -sold CALL	2 455 966	2 452 114	-	-
FX options -sold PUT	2 692 006	2 975 070	-	-
Spot-purchased	1 044 150	1 224 058	-	-
Spot-sold	1 043 786	1 223 140	-	-
Forward- purchased	1 777 106	1 731 221	-	-
Forward- sold	1 797 588	1 745 974	-	-
Window Forward – purchased amounts	-	2 448	-	-
Window Forward – sold amounts	-	2 174	-	-

In thousands of PLN

Transactions with Santander Group	with the parent company 1.01.2024-31.12.2024	with the parent company 1.01.2023-31.12.2023	with other entities 1.01.2024-31.12.2024	with other entities 1.01.2023-31.12.2023
Income	**1 496 886**	**1 239 344**	**9 848**	**10 290**
Interest income	262 129	311 278	1 449	176
Fee and commission income	17 463	21 507	80	229
Other operating income	34	18	7 548	9 812
Net trading income and revaluation	1 217 260	906 541	771	73
Expenses	**259 139**	**208 290**	**205 498**	**167 628**
Interest expense	160 439	115 550	9 205	1 089
Fee and commission expense	30 788	28 008	605	235
Operating expenses incl.:	67 912	64 732	195 688	166 304
Staff, Operating expenses and management costs	*67 875*	*64 678*	*195 413*	*166 178*
Other operating expenses	37	54	275	126

Santander Factoring Sp. z o.o. – risk participation agreements

In H2 2019, Santander Factoring Sp. z o.o. and Banco Santander signed risk participation agreements whereby Santander Factoring would be able to transfer credit risk onto Banco Santander headquartered in Madrid or Banco Santander Branch in Frankfurt. Banco Santander may participate in the risk through Unfunded Risk Participation (whereby it issues a guarantee) or Funded Risk Participation (whereby it provides financing and assumes the insolvency risk for the debtor of Santander Factoring Sp. z o.o.). Assumption of the debtor's insolvency risk reduces the RWA ratio for the Company's assets.

Santander Factoring Sp. z o.o. pays an agreed remuneration to Banco Santander, both for the guarantee issued and for the financing provided. In the case of Funded Risk Participation, interest on financing is calculated at the base rate (WIBOR/ EURIBOR) increased by a margin set for the factoring agreement in question. In the case of Unfunded Risk Participation, the remuneration is calculated by multiplying the guaranteed amount (for a given month) and the margin.

As at 31 December 2024, the debt (principal and interest) of Santander Factoring Sp. z o.o. in respect of the loans granted by Banco Santander and its Branch in Frankfurt was PLN 420,402 k (principal and interest) and PLN 381,798 k as at 31 December 2023.

As at 31 December 2024, factoring receivables financed with the foregoing loans totalled PLN 409,643 k and PLN 381,735 k as at 31 December 2023. As the conditions for transferring financial assets have not been met, the receivables covered by the Funded Risk Participation Agreement are still recognised in the statement of financial position.

As at 31 December 2024, the difference between the amount of the loans received and the value of the factoring receivables financed with those loans was PLN 10,759k. It resulted from the repayment of the factoring receivables before the repayment date of the loans received.

The tranches are to be repaid in the period from January to February 2025. Repayment of the tranches is conditioned upon the repayment to Santander Factoring Sp. z o.o. of the factoring receivables financed from the funds granted. At the same time, Santander Factoring Sp. z o.o. cannot sell or pledge the factoring receivables financed with the funds provided by Banco Santander and its Branch in Frankfurt.

The table below compares the carrying amounts and fair values of liabilities towards Banco Santander and its Branch in Frankfurt as at 31 December 2024 and 31 December 2023 in respect of the loans granted to finance factoring receivables. Given the short maturities of financial assets and financial liabilities and the fact that credit risk is included in the carrying amount of the financial assets it is assumed that their fair value does not differ significantly from their carrying amount.

	Carrying amount	Fair value	Carrying amount	Fair value
	2024		2023	
Loans from Banco Santander and Frankfurt Branch	420 402	420 402	381 798	381 798
Factoring receivables financed with the loans	409 643	409 643	381 735	381 735

As at 31 December 2024, Santander Factoring Sp. z o.o. held:

- PLN 321,126 k – assets secured with loans granted under the Funded Risk Participation Agreement signed with Banco Santander S.A. on 22 November 2019;
- PLN 88,517 k – assets secured with loans granted under the Funded Risk Participation Agreement signed with Banco Santander S.A. Frankfurt Branch on 20 September 2019;

In thousands of PLN

- PLN 2,358,893 k – assets secured with guarantees issued under the Unfunded Risk Participation Agreement signed with Banco Santander S.A. on 22 November 2019;
- PLN 255,699 k - assets secured with guarantees issued under Santander Bank Polska
- PLN 289,959 k – assets secured with loans granted under funded risk participation agreements signed with third party banks;
- PLN 420,644 k – assets secured by guarantees granted by third party banks.

Transactions with Members of Management and Supervisory Boards

Remuneration of Santander Bank Polska Management Board Members, Supervisory Board Members and key management personnel Santander Bank Polska Group's. Loans and advances granted to the key management personnel.

As at 31.12.2024 and 31.12.2023 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

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

Transactions with members of Management Board and Key Management Personnel	Management Board Members		Key Management Personnel	
	1.01.2024-31.12.2024	1.01.2023-31.12.2023	1.01.2024-31.12.2024	1.01.2023-31.12.2023
Short-term employee benefits	19 525	18 171	76 563	64 880
Post-employment benefits	-	-	-	200
Long-term employee benefits	8 698	10 170	16 303	19 509
Paid termination benefits	-	-	1 376	1 935
Share-based payments*	9 090	7 931	15 549	11 078
Total	**37 313**	**36 272**	**109 791**	**97 602**

*Share-based payments for key management personnel: the amount of PLN 11,078 k includes PLN 3,256 k paid in the form of shares in 2024. The remaining portion will be paid in subsequent years in accordance with the Remuneration Policy of Santander Bank Polska Group.

	Management Board Members		Key Management Personnel	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Loans and advances made by the Bank to the Members of the Management Board/Key Management and to their relatives	2 697	3 667	14 770	15 245
Deposits from The Management Board/Key management and their relatives	12 565	7 701	19 703	15 317

The category of key management personnel includes the persons covered by the principles outlined in the "Santander Bank Polska Group Remuneration Policy" and in the justified cases – by the principles separately specified in the companies.

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

Persons holding key executive positions are paid variable remuneration once a year following the end of the reference period and release of the Bank's results. Variable remuneration is awarded in accordance with bonus regulations and five-year Incentive Plan VII and is paid in cash and in the Bank's shares. The remuneration paid in shares may not be lower than 50% of the total amount of variable remuneration. Payment of min. 40% of the variable remuneration specified above is conditional and deferred for the period of four or five years. During that period, it is paid in arrears in equal annual instalments depending on the employee's individual performance in the analysed period.

In 2024, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 2,471 k (2,187 k in 2023). In 2024, members of the Supervisory Board of Santander Bank Polska S.A. received remuneration from the Bank's related entities in the amount of PLN 200 k (PLN 97 k in 2023).

53. Acquisitions and disposals of investments in subsidiaries and associate

There were no acquisitions or sales of subsidiaries and associates in the reporting period.

54. Employee benefits

Staff benefits include the following categories:

- Short-term benefits (remuneration, social security contributions, paid leaves, profit distributions and bonuses and non-cash benefits, provided free of charge or subsidized). Value of short-term employee benefits are undiscounted,
- Post-employment benefits (retirement benefits and similar payments, life insurance or medical care provided after the term of employment).

Within these categories, the companies of the Santander Bank Polska Group create the following types of provisions:

Provisions for unused holidays

Liabilities related to unused holidays are stated in the expected amount (based on current salaries) without discounting.

Provisions for employee bonuses

Liabilities related to bonuses are stated in the amount of the probable payment without discounting.

Provisions for retirement allowances

Based on internal regulations in respect to remuneration, the employees of the Bank are entitled to defined benefits other than remuneration:

- retirement benefits,
- retirement pension.

The present value of such obligations is measured by an independent actuary using the projected unit credit method.

The amount of the retirement and pension benefits and death-in-service benefits is dependent on length of service and amount of remuneration received by the employee. The expected present value of the benefits is calculated, taking into account the financial discount rate and the probability of an individual get to the retirement age or die while working respectively. The financial discount rate is determined by reference to up-to-date market yields of government bonds. The probability of an individual get to the retirement age or die while working is determined using the multiple decrement model, taking into consideration the following risks: possibility of dismissal from service, risk of total disability to work and risk of death.

These defined benefit plans expose the Group to actuarial risk, such as:

- interest rate risk – the decrease in market yields on government bonds would increase the defined benefit plans obligations,
- remuneration risk – the increase in remuneration of the Bank's employees would increase the defined benefit plans obligations,
- mobility risk – changes in the staff rotation ratio,
- longevity risk – the increase in life expectancy of the Bank's employees would increase the defined benefit plans obligations.

The principal actuarial assumptions adopted by an independent actuary as at 31 December 2024 are as follows:

- the discount rate for future benefits at the level of 5.60% (5.58% as at 31 December 2023),
- the future salary growth rate at the level of 4.70% (5,0% as at 31 December 2023),
- the probable number of leaving employees calculated on the basis of historical data concerning personnel rotation in the Group,
- the mortality adopted in accordance with Life Expectancy Tables for men and women, published the Central Statistical Office, adequately adjusted on the basis of historical data of the Bank.

In thousands of PLN

Reconciliation of the present value of defined benefit plans obligations

The following table presents a reconciliation from the opening balances to closing balances for the present value of defined benefit plans obligations.

	31.12.2024	31.12.2023
As at the beginning of the period	**63 554**	**44 700**
Current service cost	2 873	2 030
Past service cost	(1 664)	(2 601)
Interest expense	4 381	3 881
Actuarial (gains) and losses	841	15 544
Balance at the end of the period	**69 985**	**63 554**

Sensivity analysis

The following tables presents how the impact on the defined benefits obligations would have increased (decreased) as a result of a change in the respective actuarial assumptions by one percentage point as at 31 December 2024. (in % and in PLN k).

Defined benefit plan obligations	1 percent increase		1 percent decrease	
	in %	in PLN k	in %	in PLN k
Discount rate	(6,82%)	(4 773)	7,31%	4 834
Future salary growth rate	7,34%	4 834	(6,91%)	(5 135)

The following tables presents how the impact on the defined benefits obligations would have increased (decreased) as a result of a change in the respective actuarial assumptions by one percentage point as at 31 December 2023. (in % and in PLN k).

Defined benefit plan obligations	1 percent increase		1 percent decrease	
	in %	in PLN k	in %	in PLN k
Discount rate	(7,21%)	(4 582)	7,74%	4 920
Future salary growth rate	7,75%	4 627	(7,28%)	(4 924)

Other staff-related provisions

These are provisions for the National Fund of Rehabilitation of the Disabled, redundancies, overtime and staff training. These liabilities are stated at the amounts of expected payment without discounting.

The balances of the respective provisions are shown in the table below:

Provisions	31.12.2024	31.12.2023
Provisions for unused holidays	52 245	55 573
Provisions for employee bonuses	368 949	338 722
Provisions for retirement allowances	69 985	63 554
Other staff-related provisions	47 682	56 779
Total	**538 861**	**514 628**

Detailed information on employee provisions have been presented in note 38.

55. Share based incentive scheme

Santander Bank Polska S.A. ("Bank", "SAN PL") established Incentive Plan VII ("Plan"), which is addressed to the employees of the Bank and its subsidiaries who significantly contribute to growth in the value of the organisation. The purpose of the Plan is to motivate the participants to achieve business and qualitative goals in line with the Group's long-term strategy and to provide an instrument that strengthens the employees' relationship with the organisation and encourages them to act in its long-term interest.

The Plan obligatorily covers all employees of Santander Bank Polska Group designated as material risk takers (identified employees). The list of other key participants is defined by the Bank's Management Board and approved by the Supervisory Board. Those employees can participate in the Plan on a voluntary basis.

The participants who satisfy the conditions stipulated in the Participation Agreement and the Resolution confirming the delivery of objectives will be entitled to an award which is variable remuneration in the form of the Bank's shares classified as an equity-settled share-based payment transaction under IFRS 2 *Share-based Payment*. To that end, the Bank will buy back up to 2,331,000 shares from 1 January 2023 until 31 December 2033, i.e.:

a) not more than 207,000 shares of SAN PL with the maximum value of PLN 55.3m in 2023;

b) not more than 271,000 shares of SAN PL with the maximum value of PLN 72.4m in 2024;

c) not more than 326,000 shares of SAN PL with the maximum value of PLN 87.0m in 2025;

d) not more than 390,000 shares of SAN PL with the maximum value of PLN 104.1m in 2026;

e) not more than 826,000 shares of SAN PL with the maximum value of PLN 220.5m in 2027;

f) not more than 145,000 shares of SAN PL with the maximum value of PLN 38.7m in 2028;

g) not more than 47,000 shares of SAN PL with the maximum value of PLN 12.5m in 2029;

h) not more than 42,000 shares of SAN PL with the maximum value of PLN 11.2m in 2030;

i) not more than 35,000 shares of SAN PL with the maximum value of PLN 9.3m in 2031;

j) not more than 27,000 shares of SAN PL with the maximum value of PLN 7.2m in 2032;

k) not more than 15,000 shares of SAN PL with the maximum value of PLN 4.0m in 2033.

The Bank's Management Board will buy back the shares to execute Incentive Plan based on the authorisation granted by the General Meeting in a separate resolution. If it is not possible to buy back the shares (e.g. illiquidity of the shares on the Warsaw Stock Exchange, share prices going beyond the thresholds defined by the General Meeting, lack of the General Meeting's authorisation for the Management Board to buy back shares in a given year of Incentive Plan VII or lack of the General Meeting's decision to create a capital reserve for share buyback in a given year) in the number corresponding to the value of the awards granted, SAN PL will reduce pro-rata the number of shares granted to the participant. The difference between the value of the awards granted and the value of the shares transferred by the Bank to the participants as part of the award will be paid out as a cash equivalent.

Below are the vesting conditions that must be met jointly in a given year:

1. Delivery of at least 50% of the profit after tax (PAT) target of SAN PL for a given year.
2. Delivery of at least 80% of the team business targets for a given year at the level of SAN PL, Division or unit; the performance against the target is calculated as the weighted average of performance against at least three business targets defined as part of the financial plan approved by the Supervisory Board for a given year for SAN PL, Division or unit where the participant works, in particular:
    a) PAT (profit after tax) of SAN PL Group (excluding Santander Consumer Bank S.A.);
    b) ROTE (return on tangible equity expressed as a percentage calculated in line with SAN PL reporting methodology);
    c) NPS (Net Promoter Score calculated in line with SAN PL reporting methodology);
    d) RORWA (return on risk weighted assets calculated in line with SAN PL reporting methodology);
    e) number of customers;
    f) number of digital customers.
3. The participant's performance rating for a given year at the level not lower than 1.5 on the 1–4 rating scale.

In addition, at the request of the Bank's Management Board, the Supervisory Board can decide to grant a retention award to a participant, if the following criteria are met:

1)the participant's average annual individual performance rating is at least 2.0 on the 1–4 rating scale during the period of their participation in Incentive Plan VII;

2)the average annual weighted performance against the Bank's targets in the years 2022–2026 is at least 80%, taking into account the following weights:

a) 40% for the average annual performance against the PAT target;

b) 40% for the average annual performance against the RORWA target;

c) 20% for the average annual performance against the ESG target.

The maximum number of own shares to be transferred to participants as the retention awards is 451,000.

For the purpose of the Plan, in 2024 Santander Bank Polska S.A. bought back 134,690 shares (of 271,000 shares eligible for buyback) with the value of PLN 72,333,668 (from PLN 72,357,000 worth of capital reserve allocated to the delivery in 2024).

In thousands of PLN

The average buyback price per share in 2024 was PLN 539.15.

The Plan covers the period of five years (2022–2026). However, as the payment of variable remuneration is deferred, the share buyback and allocation will be completed by 2033.

Due to the exhaustion of the amount allocated for the purchase of the Bank's own shares in 2024, on March 13, 2024, the Bank's Management Board completed the purchase of the Bank's own shares in 2024 for Program participants for the award for 2023 and part of the award for 2022 which was subject to a one-year holding period. At the same time, an order was issued to transfer the above-mentioned shares to the brokerage accounts of eligible program participants. After settling all instructions, the Bank has no treasury shares.

On 18 April 2024, the Annual General Meeting of Santander Bank Polska S.A. authorised the Bank's Management Board to buy back the Bank's fully covered own shares in 2025.

The total amount that the Bank can spend on the buyback of own shares in 2025, including the cost of the buyback, is PLN 87,042k.

The Annual General Meeting set up the capital reserve for the repurchase of own shares.

The Annual General Meeting transferred the amount of PLN 87,042k from the Bank's capital reserve (which can be distributed among the company's shareholders pursuant to Article 348(1) of the Commercial Companies Code) to the capital reserve for the buyback of own shares.

The table below presents information about the number of shares.

Number of shares	2024	2023
Opening balance	**96 109***	**62 379**
Awarded for the year	163 367	132 875
Executed for the year	(118 306)	(99 145)
Closing balance	**141 170**	**96 109**

*the opening balance is the deferred part of the number of shares for 2022,2023 deferred to future periods. In addition, the annual report disclosed the value of 65,335, which included information on the number of phantom shares for the former employee for 2022. The value of 62,379 only includes shares under the Program. In addition, the data concerning the number of shares for 2023 were corrected to account for the actual payouts made in 2024. The data for 2023 presented in the annual report published in 2024 were based on the predicted delivery of the Plan.

In 2024, the total amount recognised in line with IFRS 2 in the Group's equity was PLN 100 192k. The amount of PLN 100 192 k was taken to staff expenses for 2024. The latter comprises expenses incurred in 2024 and part of the costs attributable to subsequent years of the Incentive Plan as the award will be vested in stages. In 2024, PLN 72 334 worth of shares were transferred to employees.

In 2023, the total amount recognised in line with IFRS 2 in the Group's equity was PLN 198,912k, including PLN 126,802k taken to staff expenses for 2023. The latter comprises expenses incurred in 2023 and part of the costs attributable to subsequent years of the Incentive Plan as the award will be vested in stages. As at 31 December 2023, PLN 48,249k worth of shares were transferred to employees.

56. Dividend per share

Individual recommendation of the Polish Financial Supervision Authority (KNF) with regard to meeting the criteria for paying dividend from the net profit earned in 2023.

The Management Board of Santander Bank Polska S.A. reported that on 21 February 2024 it received an individual recommendation from the KNF with regard to the commercial banks dividend policy for 2024, the supervisory review and evaluation of the Bank and the Bank's reporting data.

The KNF stated that based on data as at 31 December 2023 the Bank met all the key dividend policy criteria to be able to pay dividend up to 50% of its net profit earned in the period from 1 January 2023 to 31 December 2023.
Additionally, after factoring in the quality of the Bank's loan portfolio measured as the share of NPLs in the total portfolio of receivables from the non-financial sector, including debt instruments, the potential dividend payout ratio was increased to 75% in view of the Bank's sound credit quality.
At the same time, the Bank's receivables arising from FX home loans to households do not account for more than five percent of its portfolio of receivables from the non-financial sector.

Therefore, the KNF recommended that the Bank should limit the risk present in its operations by:

- not distributing more than 75% of the profit earned in the period from 1 January 2023 to 31 December 2023 with a proviso that the maximum payout should not be higher than the annual profit reduced by profit earned in 2023 already allocated to own funds;
- consulting upfront with the supervisory authority any other measures which could reduce its own funds (in particular if they go beyond the scope of the ordinary business and operational activity), including the distribution of the profit retained in previous years or the buy-backs or redemptions of the Bank's own shares.

Information on potential payment of additional dividend in 2024 from retained profits.

The Management Board of Santander Bank Polska S.A. reported that on 19 March 2024, it was advised by the Polish Financial Supervision Authority (KNF) that the KNF did not have any objections to the potential payout of the additional amount of PLN 1,056,637,506.76 as a dividend to shareholders in 2024; this amount represents 50% of the profit earned between 1 January 2019 and 31 December 2019.

This amount was transferred to the dividend reserve (raised under resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve) pursuant to resolution no. 6 of the Annual General Meeting of 27 April 2022 on profit distribution, dividend record date, dividend payment date and decision on the capital reserve created under resolution no. 6 of the Annual General Meeting of 22 March 2021.
Thus, in line with the KNF's individual recommendation, the total amount that the Bank could distribute to shareholders in 2024 was PLN 4,560,709,083.82.

Management Board's recommendation re distribution of profit for 2023 and Dividend Reserve created pursuant to resolution no. 6 of the Annual General Meeting of 22 March 2021.

In connection with current reports no. 7/2024 of 21 February 2024 and no. 18/2024 of 19 March 2024, the Management Board of Santander Bank Polska S.A. reported that on 21 March 2024 it issued a recommendation on the distribution of profit for 2023 and the Dividend Reserve created pursuant to resolution no. 6 of the Annual General Meeting of 22 March 2021 (resolution no. 6). The recommendation was positively reviewed by the Bank's Supervisory Board.

In line with the decision taken, the Bank's Management Board recommended that profit of PLN 4,672,978,361.27 earned in 2023 be distributed as follows:

- PLN 3,504,071,577.06 - to be allocated to the dividend for shareholders;
- PLN 87,042,000.00 - to be allocated to the capital reserve;
- PLN 1,081,864,784.21 to be kept undistributed.

Moreover, the Management Board recommended that PLN 1,056,637,506.76 out of the Dividend Reserve created pursuant to resolution no. 6 be allocated to the dividend for shareholders.
The Management Board recommended that 102,189,314 (say: one hundred two million, one hundred eighty-nine thousand and three hundred fourteen) series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares give entitlement to the dividend to be paid out from the profit earned in 2023 and from the Dividend Reserve (Dividend). The Dividend totaled PLN 4 560 709 083,82 (of which PLN 3,504,071,577.06 represented 74.99% of the net profit earned in 2023 and PLN 1,056,637,506.76 represented the amount allocated from the Dividend Reserve).
The Annual General Meeting of the Bank held on 18 April 2024 adopted a resolution on Dividend payment.
The Dividend per share was PLN 44,63. The Dividend record date was 16 May 2024.
The Dividend was paid out on 23 May 2024.

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

There were no major events subsequent to the end of the interim period.

Signatures of the persons representing the entity

Date	Name	Function	Signature
24.02.2025	Michał Gajewski	President	The original Polish document is signed with a qualified electronic signature
24.02.2025	Andrzej Burliga	Vice-President	The original Polish document is signed with a qualified electronic signature
24.02.2025	Juan de Porras Aguirre	Vice-President	The original Polish document is signed with a qualified electronic signature
24.02.2025	Lech Gałkowski	Member	The original Polish document is signed with a qualified electronic signature
24.02.2025	Artur Głembocki	Member	The original Polish document is signed with a qualified electronic signature
24.02.2025	Magdalena Proga-Stępień	Member	The original Polish document is signed with a qualified electronic signature
24.02.2025	Maciej Reluga	Member	The original Polish document is signed with a qualified electronic signature
24.02.2025	Wojciech Skalski	Member	The original Polish document is signed with a qualified electronic signature
24.02.2025	Dorota Strojkowska	Member	The original Polish document is signed with a qualified electronic signature

Signature of a person who is responsible for maintaining the accounting records

Date	Name	Function	Signature
24.02.2025	Anna Żmuda	Financial Accounting Area Director	The original Polish document is signed with a qualified electronic signature