

Report of Santander Bank Polska Group for Quarter 1 2019



FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Consolidated financial statements of Santander Bank Polska Group				
I Net interest income	1 608 600	1 389 826	374 285	332 622
II Net fee and commission income	520 062	515 114	121 007	123 280
III Profit before tax	615 870	715 357	143 299	171 204
IV Net profit attributable to owners of Santander Bank Polska SA	350 687	440 899	81 597	105 519
V Total net cash flows	(5 790 177)	(564 931)	(1 347 242)	(135 203)
VI Profit of the period attributable to non-controlling interests	73 549	93 471	17 113	22 370
VII Profit per share in PLN/EUR	3,44	4,42	0,80	1,06
VIII Diluted earnings per share in PLN/EUR	3,43	4,41	0,80	1,06
Stand alone financial statements of Santander Bank Polska S.A.				
I Net interest income	1 171 256	986 964	272 525	236 206
II Net fee and commission income	416 292	393 269	96 862	94 120
III Profit before tax	687 964	405 686	160 074	97 091
IV Profit for the period	559 049	282 956	130 078	67 719
V Total net cash flows	(5 797 054)	(512 107)	(1 348 842)	(122 561)
VI Profit per share in PLN/EUR	5,47	2,83	1,27	0,68
VII Diluted earnings per share in PLN/EUR	5,48	2,83	1,28	0,68

FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Consolidated financial statements of Santander Bank Polska Group				
I Total assets	208 266 363	205 852 860	48 419 399	48 913 594
II Deposits from banks	2 999 969	2 832 928	697 456	673 144
III Deposits from customers	147 745 854	149 616 658	34 349 116	35 551 065
IV Total liabilities	181 391 658	179 184 649	42 171 357	42 576 844
V Total equity	26 874 705	26 668 211	6 248 042	6 336 750
VI Non-controlling interests in equity	1 410 453	1 564 184	327 913	371 673
VII Number of shares	102 088 305	102 088 305	-	-
VIII Net book value per share in PLN/EUR	263,25	261,23	61,20	62,07
IX Capital ratio	16,47%	15,98%	-	-
X Declared or Paid dividend per share in PLN/EUR*	19,72	3,10	4,59	0,73
Stand alone financial statements of Santander Bank Polska S.A.				
I Total assets	185 555 589	183 038 564	43 139 420	43 492 590
II Deposits from banks	1 222 821	1 039 979	284 291	247 114
III Deposits from customers	137 494 102	139 469 776	31 965 709	33 140 020
IV Total liabilities	161 121 497	159 178 207	37 458 791	37 823 026
V Total equity	24 434 092	23 860 357	5 680 630	5 669 563
VI Number of shares	102 088 305	102 088 305	-	-
VII Net book value per share in PLN/EUR	239,34	233,72	55,64	55,54
VIII Capital ratio	18,78%	18,04%	-	-
IX Declared or Paid dividend per share in PLN/EUR*	19,72	3,10	4,59	0,73

* Declared dividend excludes M series shares which will pay a dividend of PLN 14,68 . Detailed information is provided in Note 44.

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

- for balance sheet items – average NBP exchange rate as at 29.03.2019: EUR 1 = PLN 4.3013 and as at 31.12.2018: EUR 1 = PLN 4.3000
- for profit and loss items – as at 31.03.2019 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2019: EUR 1 = PLN 4.2978; as at 31.03.2018 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2018: EUR 1 = PLN 4.1784.

As at 31.03.2019, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 063/A/NBP/2019 dd. 29.03.2019.

Overview of Santander Bank Polska Group Performance in Quarter 1 2019

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I. Information Summary on Santander Bank Polska Group in Q1 2019

1. Introduction

Rebranding

Pursuant to the resolution of the Annual General Meeting (AGM) of Bank Zachodni WBK S.A. adopted on 16 May 2018, on 7 September 2018 the bank's name was changed from "Bank Zachodni WBK Spółka Akcyjna" to "Santander Bank Polska Spółka Akcyjna". The names of the bank's subsidiaries and associates were changed accordingly: "BZ WBK" was replaced with "Santander".

The name "Santander Bank Polska S.A." is used in this document with reference to the periods before and after the rebranding.

Comparability of periods

The consolidated financial results of Santander Bank Polska S.A. for the period ended 31 March 2019 are not fully comparable with the same period last year due to the expanded scope of operations following the acquisition of the demerged part of Deutsche Bank Polska S.A. on 9 November 2018 (retail banking, private banking and business banking) and significant costs associated with own restructuring initiatives and contributions to systemic regulatory measures. In addition the YoY comparability of periods was affected by changes in the accounting rules described in Condensed Interim Consolidated Financial Statement of Santander Bank Polska Group for the 3-month period ended 31 March 2019" in Note 2 "Basis of preparation of consolidated financial statements".

2. Key Achievements

Strong growth in business volumes

Group's assets up 32.2% YoY to PLN 208.3 bn as at 31 March 2019	Sound liquidity position. Net customer loans to deposits ratio at 93.9%	Fast growth of gross loans and advances to customers (+25.3% YoY to PLN 143.3bn), including loans and advances to personal customers (+28.5% YoY) and to enterprises and the public sector (+22.3% YoY)	NPL ratio at 4.3%
Dynamic sale of cash loans and insurance products	Strong increase in deposits from customers (+30.1% YoY to PLN 147.7 bn) driven by current accounts (+33.4% YoY) and term deposits (+26.2% YoY)	Optimised balance sheet structure with an increased share of current account balances, savings accounts and retail loans	Group's solid capital position confirmed by capital ratios as at 31 March 2019, including total capital ratio of 16.47%

Good financial performance

Increase of 13,1% YoY to PLN 2.2bn in total income	Higher net interest income by 15.7% YoY	Robust increase in credit and FX fee income (by 10.3% YoY and 20.0% YoY, respectively)	Non-interest and non-commission income higher by 44.6% YoY	Increase of 8.2% YoY in underlying profit attributable to the shareholders of Santander Bank Polska S.A.
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Organisational development and innovation

Further strengthening of integration with the acquired part of Deutsche Bank Polska S.A.	Advanced process of Agile methodology implementation across the Bank	Institution of the Year 2018 accolade (<i>Moжебankowanie.pl</i>)
Golden Bank accolade in recognition of the best multichannel service quality (<i>Bankier and Puls Biznesu</i>)	Continued functional development and growing utilisation of remote channels in the sales and after-sales processes	

3. Financial and Business Highlights for Q1 2019

Key financial data of Santander Bank Group

Selected Income Statement data		1Q 2019	1Q 2018	YoY Change (%)
Total income	PLN m	2 245,1	1 985,4	13,1%
Total costs	PLN m	(1 238,8)	(971,1)	27,6%
Profit before tax	PLN m	615,9	715,4	-13,9%
Net profit attributable to Santander Bank Polska S.A.	PLN m	350,7	440,9	-20,5%
Impairment losses on loans and advances	PLN m	(262,7)	(203,4)	29,2%
Selected Balance Sheet data		31.03.2019	31.03.2018	YoY Change (%)
Total assets	PLN m	208 266,4	157 556,4	32,2%
Total equity	PLN m	26 874,7	23 765,6	13,1%
Net loans and advances to customers	PLN m	138 667,1	109 077,8	27,1%
Deposits from customers	PLN m	147 745,9	113 576,6	30,1%
Selected off-Balance Sheet data		31.03.2019	31.03.2018	YoY Change (%)
Net assets under management ¹⁾	PLN bn	15,4	16,4	-6,1%
Selected ratios ²⁾		1Q 2019	1Q 2018	YoY Change (p.p.)
Total costs/Total income	%	55,2%	48,9%	6,3%
Total capital ratio	%	16,47%	16,67%	-0,2%
ROE	%	10,4%	11,4%	-1,0%
NPL ratio	%	4,3%	4,9%	-0,6%
Credit risk ratio	%	0,81%	0,66%	0,2%
Customer net loans/customer deposits	%	93,9%	96,0%	-2,1%

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

2) Definitions of ratios included in the table above are provided in chap. V „Financial Performance of Santander Bank Polska Group in Q1 2019”, section 3 „Selected ratios”.

Key non-financial data of Santander Bank Group

Selected non-financial data		31.03.2019	31.03.2018	YoY Change
Electronic banking users ³⁾	m	4,1	3,5	0,6
Active electronic banking users (digital customers) ⁴⁾	m	2,4	2,1	0,3
Active mobile banking users	m	1,4	1,1	0,3
Debit cards	m	4,1	3,6	0,5
Credit cards	m	1,3	1,3	0,0
Customer base	m	7,0	6,5	0,5
Branches (lokalizacje)	locations	723	720	3
Partner outlets	locations	297	276	21
Employment	FTEs	14 642	14 330	312

3) Registered customers of Santander24 electronic banking.

4) Active customers of Santander24 electronic banking who at least once used the service in the last reporting month.

4. Major Macroeconomic Developments

Key macroeconomic factors impacting financial and business performance of the Santander Bank Polska Group in Q1 2019

Economic growth	<ul style="list-style-type: none"> Continually robust economic growth, but slower than in 2018. Data pointing to some weakening in the euro zone economic activity, especially as regards international trade. Negative revision of the global outlook by international institutions.
Labour market	<ul style="list-style-type: none"> Favourable conditions in the labour market with record-low unemployment and accelerating wage growth supporting private consumption. Private consumption growth near 4% YoY with consumer confidence indices at high levels. Workforce shortages limiting companies' capability to expand. Growing labour costs.
Inflation	<ul style="list-style-type: none"> Rising CPI and core inflation. A significant increase in wholesale energy prices amid falling retail prices. An increase in house prices coupled with a slight slowdown in real estate sales.
Monetary policy	<ul style="list-style-type: none"> NBP interest rates kept at the lowest level in history. Subdued expectations of future rate hikes.
Credit market	<ul style="list-style-type: none"> Solid credit demand from companies and households.
International trade	<ul style="list-style-type: none"> Changes of mood in international financial markets influenced by the expected policy orientation of the main central banks (the Federal Reserve, the ECB), incoming macroeconomic data, worries about the geopolitical situation, including concerns about the results of negotiations between the UK and the EU and the impact of trade wars on the global growth. Limited volatility of the zloty exchange rate, changing yields of Polish Treasury bonds.

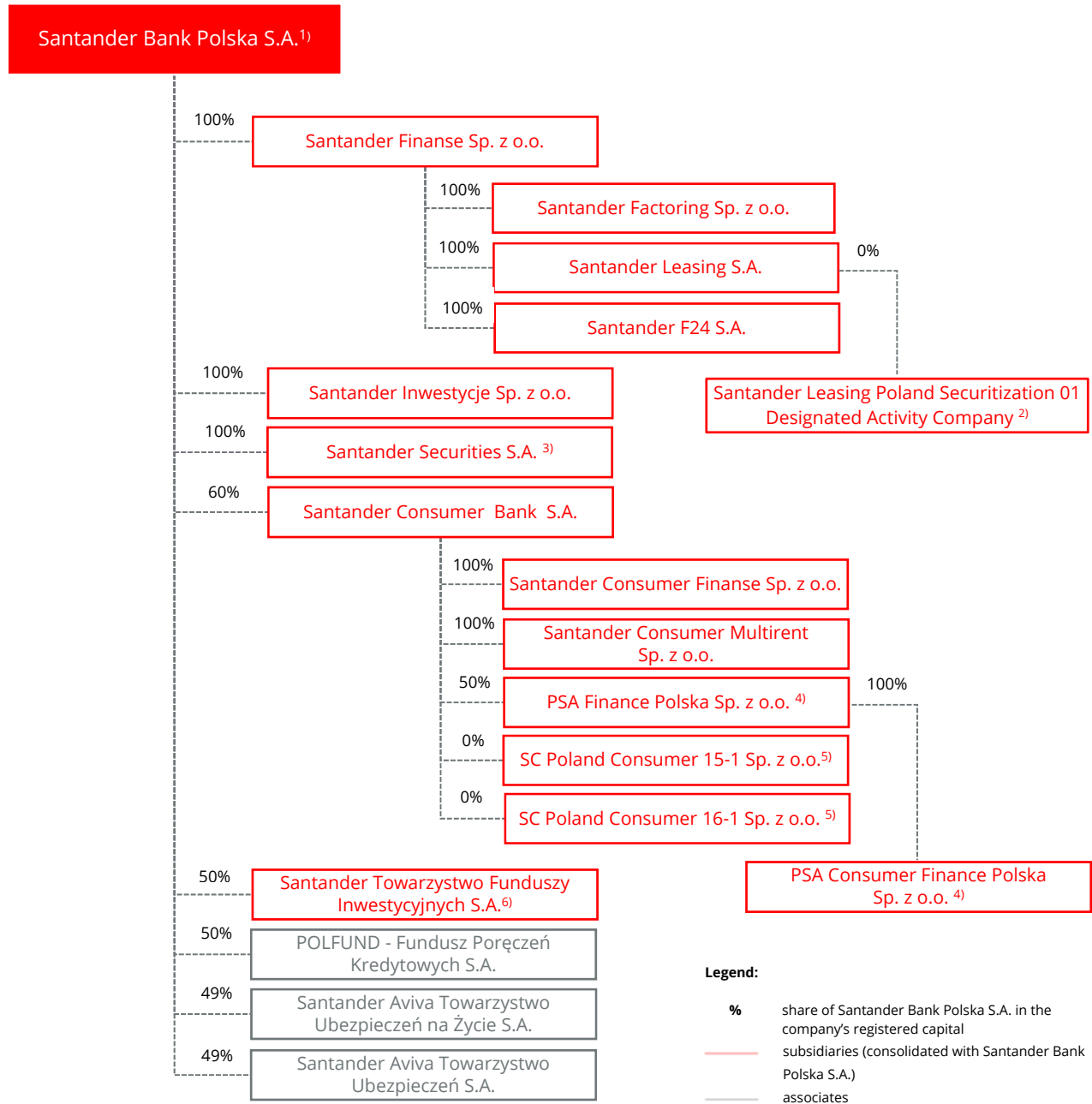
5. Corporate Events

Major corporate events in the reporting period (until the publication of the Report for Q1 2019)

January	<ul style="list-style-type: none"> Agreement with trade unions signed on 30 January 2019 regarding collective redundancies to take place in Santander Bank Polska S.A. from February till December 2019 and cover up to 1,400 employees (for more information see Section 7 "Human Resources").
	<ul style="list-style-type: none"> Letter from the KNF dated 18 January 2019 setting out individual dividend policy assumptions for Santander Bank Polska S.A., including: <ul style="list-style-type: none"> ✓ Criteria for distribution of up to 75% of the profit for 2018 (in accordance with the regulatory assumptions for a dividend policy of commercial banks and other financial entities set out in KNF letter of 15 January 2019). ✓ Criteria for distribution of up to 100% of the profit for 2018 (taking into account the bank's sensitivity to an adverse macroeconomic scenario).
February	<ul style="list-style-type: none"> Consent from the KNF dated 22 February 2019 to allocate series N shares of Santander Bank Polska S.A. (issued in relation to the acquisition of a demerged business of Deutsche Bank Polska S.A. and 100% shares in DB Securities S.A.) to Common Equity Tier 1.
	<ul style="list-style-type: none"> Recommendation from the KNF dated 25 February 2019 regarding an increase in own funds by retaining at least 75% of the profit earned between 1 January 2018 and 31 December 2018 in relation to satisfaction of the criteria for allocating maximum 25% of the profit earned in 2018 to dividend.
March	<ul style="list-style-type: none"> Changes to the membership of the Supervisory and Management Boards: <ul style="list-style-type: none"> ✓ On 4 March 2019, José Manuel Campa stepped down as a member of the bank's Supervisory Board (effective as of 4 March 2019) due to his involvement in the process of selecting the Executive Director of the European Banking Authority (EBA). ✓ On 20 March 2019, Feliks Szyszkowiak resigned from the position of the Vice-President of the bank's Management Board (effective as of 30 April 2019) due to taking up a global executive position in Banco Santander Group.
	<ul style="list-style-type: none"> Resolution adopted by the bank's Management Board (approved by the Supervisory Board) whereby 25% of the net profit for 2018 is recommended to be paid as dividend in accordance with the individual recommendation issued by the KNF on 25 February 2019 regarding an increase in own funds.
	<ul style="list-style-type: none"> Recommendation of the bank's Management Board to allocate the following amounts to dividend: PLN 514.0m of the undistributed net profit for 2016, PLN 957.6 m of the undistributed profit for 2017 and PLN 541.1m of the net profit for 2018. The recommendation, which has been approved by the bank's Supervisory Board, is justified by the sound capital position of Santander Bank Polska S.A. and its Group. The proposed dividend per series A, B, C, D, E, F, G, H, I, J, K, L and N share is PLN 19.72, while the proposed dividend per series M share is PLN 14.68.
April	<ul style="list-style-type: none"> Decision of the Management Board of 10 April 2019 re issue of series J certificates of deposit with a nominal value of PLN 550m and an interest rate of 2.02% p.a.
	<ul style="list-style-type: none"> Decision of 18 April 2019 to convene the Annual General Meeting of Santander Bank Polska S.A. on 16 May 2019.

6. Structure of Santander Bank Polska Group

SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 31 MARCH 2019



1) Pursuant to the resolution of the General Meeting of 16 May 2018, on 7 September 2018 Bank Zachodni WBK S.A. was rebranded as Santander Bank Polska S.A. The names of the bank's subsidiaries and associates were changed accordingly.

2) Santander Leasing Poland Securitization 01 Designated Activity Company with its registered office in Dublin is a special purpose vehicle incorporated on 30 August 2018 for the sole purpose of securitisation of lease and credit portfolio. The company does not have any capital or personal connections with Santander Leasing S.A., its parent entity under IFRS 10.7.

3) Santander Securities S.A. (formerly DB Securities S.A.) is a brokerage company acquired on 9 November 2018 along with a demerged part of Deutsche Bank Polska S.A.

4) On 1 October 2016, Santander Consumer Bank S.A. (SCB S.A.) acquired 50% shares of PSA Finance Polska Sp. z o.o. and, indirectly, 50% stake in PSA Consumer Finance Polska Sp. z o.o. Both companies are controlled by SCB S.A. as they meet the conditions set out in IFRS 10.7.

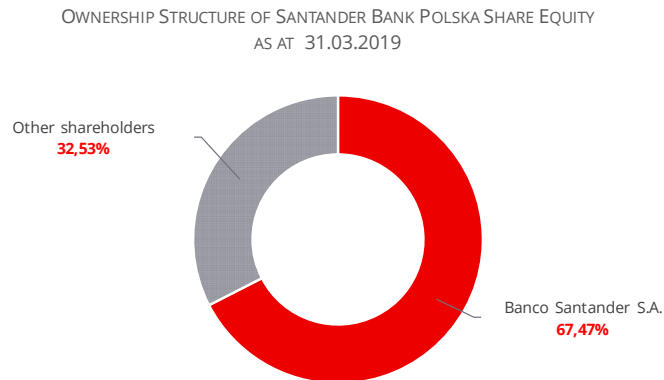
5) SC Poland Consumer 15-1 Sp. z o.o. and SC Poland Consumer 16-1 Sp. z o.o. are SPVs set up for the purpose of securitisation of a part of SCB S.A. credit portfolio. Their shareholder is a legal person that has no ties with the Group. The companies are controlled by SCB S.A. as they meet the conditions laid down in IFRS 10.7.

6) Both owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of Santander Group, each holding an equal stake of 50% in the company's share capital. Santander TFI S.A. is controlled by Santander Bank Polska S.A.

7. Human Resources

- As at 31 March 2019, the number of FTEs in Santander Bank Polska Group was 14,642 vs. 15,347 as at 31 December 2018. These headcount figures include 11,695 FTEs of Santander Bank Polska S.A. (12,253 as at 31 December 2018) and 2,467 FTEs of SCB Group (2,628 as at 31 December 2018).
- The QoQ decrease of 4.6% in the number of the Group's FTEs is attributed to transformation of the business model of Santander Bank Polska S.A., which involves digitalisation and increase in the share of remote channels in sales and customer service, resulting in the reduction of headcount in the bank's branches, with a concurrent increase in the number of FTEs in business support areas. This transformation is pursued along the collective redundancies launched in March 2019, with the maximum use of employee attrition and taking into account business needs and prevailing market conditions (for more information see Section 1.4 "Selected HR Initiatives" of Chapter III "Business Development in Q1 2019").

8. Ownership Structure



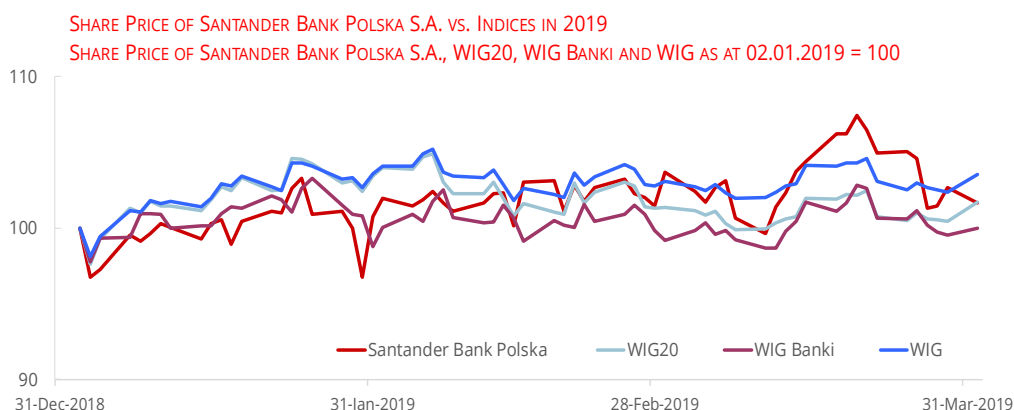
- To the best knowledge of the Management Board, as at 31 March 2019 Banco Santander S.A. was the only shareholder holding more than 5% of the share capital and the total number of votes at the General Meeting of Santander Bank Polska S.A., with shareholding of 67.47%.
- The ownership structure of Santander Bank Polska S.A. did not change compared with the end of December 2018.
- More information about the ownership structure of Santander Bank Polska S.A. is presented in Note 29 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 3-month period ended 31 March 2019.

Majority shareholder

- Santander Bank Polska S.A. is a member of Santander Group, with Banco Santander S.A. as a parent entity.
- Banco Santander S.A. is one of the largest commercial banks in the world with a more than 160-year history, having its operational headquarters in Madrid. As at 31 December 2018, assets and net attributable profit of Santander Group were EUR 1,459.3bn and EUR 8,064m, respectively. Banco Santander S.A. is the largest bank in Europe and the 16th largest bank in the world in terms of market capitalisation.
- While it specialises in retail banking services, the bank is also very active in the private banking, business and corporate banking, asset management and insurance markets.
- Banco Santander S.A. is characterised by significant geographic diversification of its business, however, it focuses on its 10 core markets – both developed and emerging, including Spain, Poland, Portugal, Germany, the UK, Brazil, Argentina, Mexico, Chile and the USA.

9. Share Price vs. Indices

- The Warsaw Stock Exchange ended the first quarter of 2019 with positive returns. The investment activity trends reversed compared to 2018, as investors turned to mid and small caps rather than blue chips. During the first three months of 2019, mWIG40 and sWIG80 gained 6.1% and 12.6%, respectively, while WIG20 and WIG increased by a mere 1.6% and 3.4%.
- WIG Banks, the industry index, grew by 1.8% over the period, with a share price of Santander Bank Polska S.A. rising by 6.4%. The above index was adversely affected by the Bank Guarantee Fund's announcement of a 27% increase in the total contributions to the bank guarantee fund and the bank resolution fund for 2019.



Share price and market capitalisation

of Santander Bank Polska S.A.	Unit	Price /Value
Closing share price at the end of December 2018	PLN	358,20
Closing share price at the end of March 2019	PLN	381,00
QoQ change in the share price	%	6,4%
Maximum closing share price in Q1 2019	PLN	398,60
Minimum closing share price in Q1 2019	PLN	359,00
Market capitalisation at the end of December 2018	PLN m	36 568,03
Market capitalisation at the end of March 2019	PLN m	38 895,64

II. Macroeconomic Situation in Q1 2019

Economic growth

Data released in early 2019 have revealed that Poland's economic growth decelerated from 4.9% YoY recorded in Q4 2018, but remained above 4% YoY. Meanwhile, international entities cut their growth forecasts for the total world economy and for Germany, Poland's main trading partner. The main drag on the economic activity was the rise in foreign trade protectionism. Polish exports remained resilient to the slowdown of the global trade volumes. According to our estimates, it grew approx. 6% YoY in Q1 2019 against 6.5% YoY in Q4 2018. Imports outpaced exports, rising 8% YoY. The C/A deficit increased to 1% of GDP at the end of Q1 2019 from 0.7% at the end of 2018, still remaining at a historically low level. Industrial output accelerated to 6% YoY in Q1 2019 from 5% YoY in Q4 2018 while the construction and assembly output decelerated to 10% YoY from 17% YoY. Private consumption has most likely remained the main growth driver, supported by rising wages, low unemployment and high consumer optimism. Investments are expected to keep their growth rate recorded in Q4 2018 (7% YoY) on the back of the projects related to the local elections, revival of private investments and higher outlays from the central budget. However, the outlook for a growth in investments in the next quarters is less optimistic.

Labour market

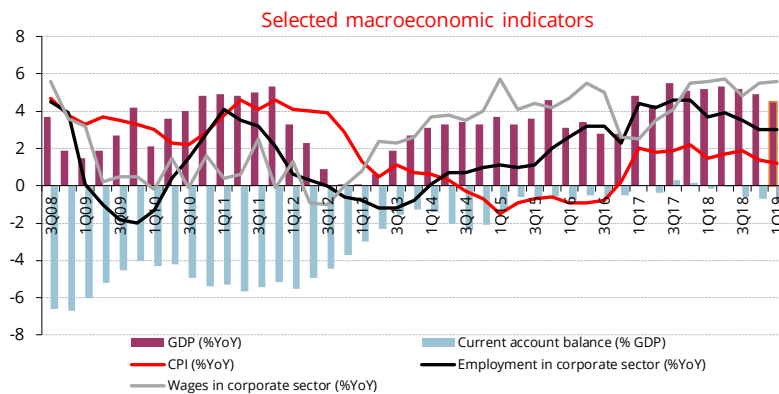
At the beginning of 2019, employment in Poland continued to rise helped by strong (although slower) internal demand. Some data point to a lower supply of workers from Ukraine. Wages grew by 7.0% YoY. Labour shortages are one of the main risks to GDP growth in Poland.

Inflation

In early 2019, inflation fell substantially amid lower energy prices, which was the effect of the government action. In the next months, CPI rebounded due to rising housing costs as well as food and transport prices. At the end of Q1 2019, inflation was at 1.7% YoY and core inflation after excluding food and energy prices at 1.4% YoY, its highest since 2013. Both should rise in the months to come.

Monetary policy

The contained inflation and forecasts pointing to a slower GDP growth in 2019 have reassured the Polish Monetary Policy Council that its patient strategy of keeping interest rates unchanged at a record-low level and observing the economic trends was correct. However, the government's plans, presented in February, to increase fiscal stimulus induced some MPC members to take a more restrictive stance and about a half of them declared that the stable interest rate scenario until the end of the MPC's term cannot be taken for granted. We expect that the next decision to change interest rates will be a hike, but this will not happen until 2020.



Credit and deposit markets

According to our estimates, in Q1 2019 credit growth (in constant currency terms) reached 7.0% YoY, and was slightly faster than last year. Loans to individuals (in constant currency terms) expanded at a pace seen in Q4 2018, that is 6% YoY with PLN loans growing at a double-digit pace (consumer loans by more than 10% YoY and mortgages by more than 11% YoY). Loans to companies rose by 7% YoY (in constant currency terms), broadly at the same pace as in 2018. In early 2019, deposits growth (in constant currency terms) was 9% YoY, which was more than at the end of 2018. Retail deposits grew by nearly 11% YoY, with the fastest growth observed in current deposits (which increased by over 13% YoY in Q1 2019).

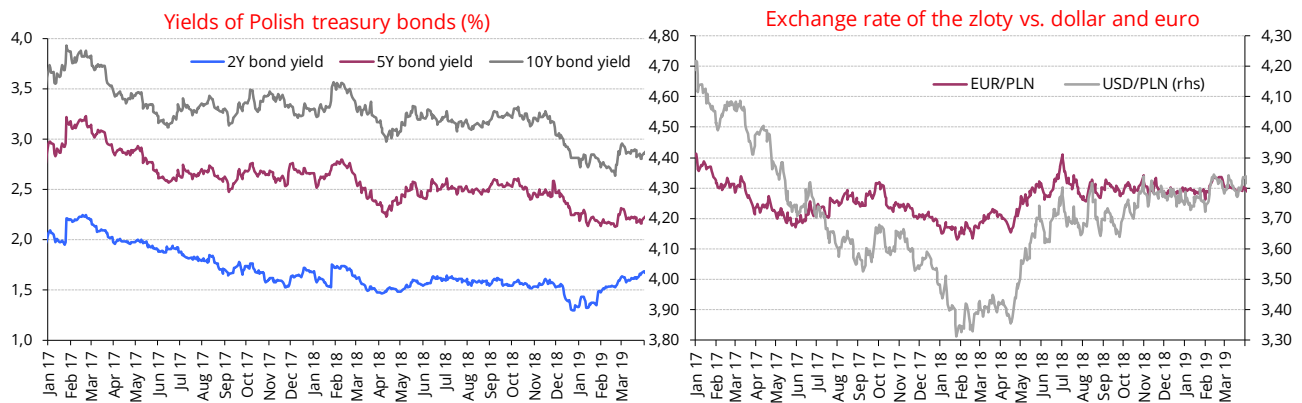
Financial market situation

Global stock markets started the year with a noticeable upside move, hoping that the economic slowdown in the eurozone is nearing to an end and benefitting from a more dovish rhetoric of central banks which only recently planned to normalise their monetary policies. However, this was accompanied by invariably poor global macro data and downward revisions of the global economic growth by such institutions as the World Bank, International Monetary Fund and the European Central Bank. Amid this pessimism and gloomy outlook, the FOMC members gave up their plans to hike interest rates this year, while the ECB reiterated the risk of a stronger slowdown in the eurozone. The published weak data were accompanied by positive signals regarding the US-China trade talks and sustained uncertainty regarding Brexit.

Despite a significant increase in the stock indexes and some noticeable changes in the debt market in Poland and abroad, the volatility in the FX market remained low. Measured as a quarterly high-low spread, it remained at its historically low levels or even fell further.

At the beginning of 2019, yields of domestic bonds decreased as a reaction to the series of poor leading indicators from Poland and abroad, coupled with reduced forecasts of GDP growth for the eurozone. In the latter half of the first quarter of 2019, domestic yields rebounded and returned close to the level last seen at the end of 2018 as a response to the new fiscal package proposed by the ruling party. At the end of Q1 2019, 2Y yields were at 1.72% (OK0521, +13 bp vs. end of 2018), 5Y at 2.20% (PS0424, -7bp), while 10Y yields were at 2.70% (WS0429, -7bp).

At the end of March 2019, the EUR/PLN rate was near the level seen at the end of 2018, but when compared to the emerging markets universe, the zloty is the fourth weakest EM currency vs. the euro and the dollar, only next to Argentine peso, the Turkish lira and the Romanian leu. The domestic currency missed the developing currencies rally fuelled by the rising stock indexes and commodity prices. This might have been due to high uncertainty related to Brexit and Polish lawmakers' plans to resume work on the "CHF bill". The USD/PLN rate was in the 3.70-3.86 range, the CHF/PLN first fell to 3.73 and then rose to 3.85, while the GBP/PLN rate was volatile in the 4.92-5.06 range



III. Business Development in Q1 2019

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

1.1. Retail Banking Division

Key development directions

- In Q1 2019, the Retail Banking Division focused on:
 - ✓ further improvement of customer service quality;
 - ✓ development of portfolios of consumer loan and insurance products;
 - ✓ growth of sales in remote channels;
 - ✓ transformation of the bank into an Agile organisation;
 - ✓ further integration with a demerged part of Deutsche Bank Polska S.A.

Development of selected business areas

In Q1 2019, the individual product lines of the Retail Banking Segment focused on the following activities:

Product line	Activities in Q1 2019 and their results
Personal accounts and bundled products	<ul style="list-style-type: none"> Santander Bank Polska S.A. continued to promote personal accounts and payment cards, in particular it: <ul style="list-style-type: none"> ✓ acquired personal accounts with salaries as part of the second edition of the campaign called "PLN 200 for an account with a salary" ("200 zł za konto z wynagrodzeniem"). ✓ continued the campaign called "Grab a voucher and go shopping at H&M" ("Łap voucher i leć na zakupy do H&M") in order to grow sales of Visa credit cards in all channels. ✓ launched the "I help with Santander" ("Pomagam z Santander") programme in branches and partner outlets, combined with a promotion called "A youngster does not pay for a card" ("Młody nie płaci za kartę") for persons up to 18. The bank started to replace payment cards held by customers of the former Deutsche Bank Polska S.A. with cards offered by Santander Bank Polska S.A., including personal debit cards, credit cards and business cards (corporate and charge cards). As at 31 March 2019, the volumes of key products offered by Santander Bank Polska S.A. as part of the above-mentioned product line were as follows: <ul style="list-style-type: none"> ✓ The number of personal accounts grew by 13.4% YoY and reached 3.7m (1.4m Accounts As I Want It). Including FX accounts, the personal accounts base totalled nearly 4.5m. ✓ The personal debit card portfolio (excluding prepaid cards) comprised more than 3.8m cards and increased by 11.1% YoY. Taking business cards into account, the total number of debit cards reached 4.1m, up 12.5% YoY. ✓ The number of digital cards used to make HCE, Google Pay, Garmin Pay and Apple Pay mobile payments added up to 504k (up 316% YoY). ✓ The credit card portfolio comprised 862.1 k instruments, an increase of 7.4% YoY.
Consumer loans	<ul style="list-style-type: none"> The bank offered special deals on consumer loans in all distribution channels (branches, partner outlets, telephone, internet and mobile banking) including: <ul style="list-style-type: none"> ✓ new promotion of credit cards (January 2019) aimed at increasing the number of transactions with this instrument; ✓ promotion of cash loans (February 2019) supporting customers' migration to internet and mobile banking: <ul style="list-style-type: none"> ▪ new edition of the campaign promoting a cash loan with the Account As I Want It ▪ promotion of a cash loan with the VIP Account for Select customers. In addition, the bank launched a new edition of the special deal called "Lower instalment" ("Lżejsza rata") in branches, partner outlets and over the phone. Owing to attractive pricing terms offered to holders of selected personal accounts with Santander Bank Polska S.A., cash loan sales increased in all distribution channels, with the most pronounced growth recorded in the internet and mobile channels (up 120% YoY and 41% QoQ in total). The quarterly cash loan sales for the first three months of 2019 hit an all-time high of PLN 1.8bn, up 59.2% YoY. The cash loan portfolio was up 53.9% YoY and totalled PLN 12.2 bn at the end of March 2019.
Mortgage loans	<ul style="list-style-type: none"> During the first three months of 2019, the value of new mortgage loans totalled PLN 1.5bn and dropped by 5.6% YoY. The gross mortgage portfolio grew by 34.6% YoY to PLN 47.9 bn as at 31 March 2019. The value of PLN mortgage loans amounted to PLN 37.8 bn, up 49.8% YoY.
Deposits	<ul style="list-style-type: none"> After the significant growth in deposits recorded in 2018, in Q1 2019 the bank focused on optimising the structure of the deposit portfolio by increasing the share of investment solutions and balances of current and savings accounts. The Regular Savings Account (Konto Systematyczne) offered together with the Account As I Want It (Konto Jakiej Chce) continued to be the main deposit product for Standard and Premium customers. The number of customers holding the above savings account increased from 240k at the end of 2018 to 315k at the end of Q1 2019. Many Select and Private Banking customers used an opportunity to earn even 2% p.a. on their savings accounts as part of the promotion called "Activity pays off 5" ("Aktywność procentuje 5") on condition of an active use of current accounts. At the end of March 2019, total retail deposits of Santander Bank Polska S.A. amounted to PLN 82.7bn, up 36.6% YoY and 1.4% QoQ. The total balance of savings accounts was PLN 36.6bn, an increase of 43.5% YoY and 6.0% QoQ. Term deposits grew by 51.6% YoY and decreased by 2.3% QoQ.

Product line	Activities in Q1 2019 and their results
Investment products, including:	<ul style="list-style-type: none"> Customers were offered a wide range of investment products and services such as brokerage services, structured deposits and investment funds, including funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), the bank's subsidiary, as well as selected Polish and foreign funds. The most significant change was the new fast-track procedure implemented by the bank in relation to offering investment products to Standard and Premium customers at branches.
➤ Structured deposits	<ul style="list-style-type: none"> In Q1 2019, Santander Bank Polska S.A. offered 22 structured deposits offering different investment terms in the total of 8 subscriptions. The bank also signed individual structured deposit agreements with Private Banking customers. The total funds acquired through structured deposits exceeded PLN 300m and were 304% higher YoY.
➤ Investment funds	<ul style="list-style-type: none"> Government bond sub-funds and corporate bond sub-funds were the most popular funds among Santander Bank Polska S.A. customers in Q1 2019. As at 31 March 2019, the total net assets of investment funds managed by Santander Bank Polska S.A. were PLN 15.4bn, up 2.1% QoQ and down 6.4% YoY. The highest YoY increase in net assets was reported by the following sub-funds: Santander Prestiż Government Bonds, Santander Prestiż Corporate Bonds and Santander Government Bonds.
Bancassurance	<ul style="list-style-type: none"> In Q1 2019, the value of premiums written hit an all-time high (+32% YoY). Sales of insurance linked to banking products grew by 29% YoY, while sales of non-linked insurance products went up by 51% YoY. This was attributed to higher sales of cash loans and increased focus on sales of non-linked insurance in all distribution channels. The bank took further measures to launch additional distribution channels acquired as part of the retail business of Deutsche Bank Polska S.A. Training and certification of branch advisors was completed and the same process was started for external agents. Since 18 February 2019, the bank has been cooperating with its business partners (insurance companies) as part of the Bancassurance Tribe, which was set up in accordance with the Agile methodology to speed up the project work and increase sales of insurance products.
Wealth Management	<ul style="list-style-type: none"> In Q1 2019, the range of products and services offered by Santander Bank Polska S.A. to Private Banking customers was expanded to include: <ul style="list-style-type: none"> ✓ structured certificates which were first issued in the form of private placement; ✓ prestigious black Mastercard World Elite credit card.

1.2. Business and Corporate Banking Division

Key development directions

- In Q1 2019, as in the previous periods, the Business and Corporate Banking Division focused on improving comprehensive customer service, particularly in the areas which build competitive advantage in the Division's value chain:
 - ✓ trade finance;
 - ✓ offer for the selected sectors;
 - ✓ digitalisation of processes and products for the corporate segment;
 - ✓ effectiveness of risk management processes;
 - ✓ development of electronic banking channels.

Development of selected business areas

The table below presents the activities of the Business and Corporate Banking Segment in Q1 2019 according to the selected development directions.

Development direction	Activities in Q1 2019
Support for foreign expansion of Polish exporters	<ul style="list-style-type: none"> • The 8th edition of the Exports Development Programme was launched. This initiative has been an important element of the Division's strategy for years and includes a series of conferences, meetings and seminars as well as trade missions for Polish companies which are already active in foreign markets or plan to expand their business abroad. <ul style="list-style-type: none"> ✓ During the first meeting, the attendees were provided with useful information on how to do business in the UK. • The Division leveraged the global presence of Santander Group to offer exporters and importers a range of opportunities to share their knowledge and experience and establish relationships with new business partners: <ul style="list-style-type: none"> ✓ A trade mission was organised in cooperation with the Polish-German Chamber of Commerce (AHK) for furniture sector companies interested in entering the German market. ✓ A trade mission to the North Carolina (March 2019) was organised in cooperation with the Polish Investment and Trade Agency (PAIH) as part of the bank's strategy to strengthen its position in the US market where Santander Group operates via Santander Bank N.A.
Foreign trade development strategy	<ul style="list-style-type: none"> • The Division created value for customers by providing expertise, facilitating B2B networking and offering tools and products to support delivery of business plans. • Customers were granted access to SantanderTrade.com portal with reports on 180 markets. • Customers were also offered an option to make blockchain-based Santander One Pay FX payments and manage accounts with other banks via electronic banking services.
Cross-segment expertise-based sector approach	<ul style="list-style-type: none"> • The representatives of the Division actively participated in sector conferences, fairs and events held in Poland and abroad. • Meetings were organised for corporate customers, such as business meetings for transport companies held in cooperation with the Transport and Logistics Poland to discuss industry trends, business relations and opportunities. • Further focus was placed on cross-selling, leveraging the potential of the bank and Santander Group.
Focus on development of iBiznes24 platform	<ul style="list-style-type: none"> • iBiznes24 internet: <ul style="list-style-type: none"> ✓ new features added to the card module to improve card and operation data browsing capabilities ✓ extension of the glossary to include a new identifier (NIP payers) which is directly uploaded to a transfer order to the Tax Office. • iBiznes24 mobile: <ul style="list-style-type: none"> ✓ 3DTouch, a pop-up menu for logging, mobile signature, currencies and transaction registration ✓ a security mechanism requiring the user to enter a friendly name (different than the user's NIK) ✓ an option to view requests submitted via iBiznes24 internet ✓ registration forms for: (a) SWIFT FX transactions (transfers to the accounts of pre-defined beneficiaries); (b) transfers to the Tax Office with edit and clone options.
Lease business	<ul style="list-style-type: none"> • Santander Leasing S.A. continued to develop its product range and enhance the quality of lease services. In particular, it: <ul style="list-style-type: none"> ✓ established a vendor finance scheme with a manufacturer and distributor of plant cultivation equipment ✓ streamlined the contract execution process by extending the group of customers handled under the fast-track procedure ✓ extended the promotion for 100% lease of electric cars. • During the first three months of 2019, Santander Leasing S.A. financed fixed assets of more than PLN 1.1bn, including PLN 550m worth of machines and equipment.

1.3. Corporate and Investment Banking Division

Key development directions

- In Q1 2019, the Corporate and Investment Banking Division (CIB) continued to provide an end-to-end support to the largest corporate customers of Santander Bank Polska S.A. The Division also rendered services to corporations within the international Santander Corporate and Investment Banking structures and cooperated with several Santander Group units with regard to the sale of Polish bonds to foreign investors and trade in Latin American bonds in Poland.
- The bank is one of the leaders in the banking sector in such areas as: public offerings, bond issue, arrangement of finance and supply chain finance.
- In Q1 2019, the Division took further measures to enhance customer experience such as:
 - ✓ implementation of the Agile methodology in the respective areas of the Division;
 - ✓ development of distribution channels dedicated to treasury products;
 - ✓ extension of the range of products based on securities and derivatives;
 - ✓ development of transactional banking features, particularly in the area of cash management and solutions for financial institutions.
- The Division optimised the structure of the income statement and the balance sheet by growing the fee-generating business and selling selected credit exposures.

Development of selected business areas

In Q1 2019, individual units of the Corporate and Investment Banking Segment focused on the following initiatives:

Unit	Focus areas in Q1 2019
Credit Markets Department	<ul style="list-style-type: none"> • The Department provided funding towards medium- and long-term investments delivered by CIB customers, through loans and corporate bonds issues, both single-handedly and in cooperation with other units. • It completed two issues of green bonds for a public sector entity and an issue of covered bonds for a customer from the financial sector. • It participated in syndicated lending for customers from the chemical and telecommunications sectors. • It optimised its balance sheet position through the sale of the selected credit exposures and offered rating advice.
Capital Markets Department	<ul style="list-style-type: none"> • The Department provided analytical and advisory services to customers and was engaged as a financial/transactional advisor in relation to the acquisition of companies from the industry and hotels sectors.
Global Transactional Banking Department	<ul style="list-style-type: none"> • The Department closed a number of deals in relation to financing, guarantees and supply chain finance with companies from the chemical, retail, wholesale, automotive and railway sectors. • It provided comprehensive transaction and currency exchange services for a company from the automotive sector and offered a GTB Connect service for a mining company to facilitate cash flow management.
Treasury Services Department	<ul style="list-style-type: none"> • The Department continued a number of projects aimed at ensuring excellent customer service, including further development of distribution channels. • It cooperated with Continental Europe bankers as part of Santander Group structures to gain access to new markets. • It focused on development of investment products for business, corporate and retail customers in cooperation with the Private Banking segment.

Unit	Focus areas in Q1 2019
Financial Market Transactions Department	<ul style="list-style-type: none"> The Department took measures to set up a new trading platform used by Banco Santander S.A. to acquire new liquidity providers in the currency market. It continued to build the portfolio of global business customers in cooperation with a London branch of Santander Corporate and Investment Banking. It acted as an intermediary in relation to the sale of products and services offered by the bank and Santander Group in Poland (including government bonds issued by peripheral eurozone states and South American countries).
Institutional Sales Department	<ul style="list-style-type: none"> The Department focused on further development of systems to automate processes connected with brokerage services offered to business customers. It continued to work on a new product which will offer new investment opportunities both in Poland and abroad. It launched the cooperation with the Central Securities Depository of Poland (KDPW) in terms of an innovative technological solution to facilitate voting at the General Meetings of Shareholders.
Stock Market Analysis Department	<ul style="list-style-type: none"> The Department made more than 50 recommendations regarding listed companies, several of which were prepared for the first time (e.g. for Gedeon Richter and Polski Bank Komórek Macierzystych). It published the Portfolio Strategy Monthly, a report presenting changes to stock indexes and summary of strategies. It organised an industry conference "Santander Investor's Open Day".
Santander Factoring Sp. z o.o.	<ul style="list-style-type: none"> During the first quarters of 2019, the receivables purchased by Santander Factoring sp. z o.o. came in at PLN 7bn, up 14.9% YoY. This gave the company a market share of 11.2% and fourth position in the ranking of members of the Polish Association of Factoring Companies. At the end of March 2018, the company's credit exposure was PLN 5.1bn, higher by 30.4% YoY.

1.4. Selected HR Initiatives

Support for employees selected for collective redundancies

- On 10 January 2019, the Management Board of Santander Bank Polska S.A. adopted a resolution on the intended collective redundancies. On 31 January 2019, it signed an agreement with all trade unions operating at the bank setting out the terms and conditions of collective redundancies. The employment level is to be reduced by a maximum of 1,400 employees between February and 31 December 2019 (approx. 11% of all the staff employed at the bank as at 31 December 2018). The costs of collective redundancies are estimated at PLN 82m.
- In connection with the above process, Santander Bank Polska S.A. prepared a comprehensive support programme for the employees who are to be made redundant. A special online platform was launched to provide such employees with:
 - information aimed at helping employees re-enter the labour market (e.g. how to build their brand, present experience and skills, use the latest recruitment channels, prepare documents)
 - personal development advice (career aptitude tests to help employees make informed choices, training to build up skills most wanted in the local labour market)
 - psychological support
 - active job search opportunities.

The platform will be available until the end of 2019.

Development and digitalisation of HR processes

All HR processes delivered by the Business Partnership Division are now being reviewed to identify opportunities for development and digitalisation. The focus is placed on designing processes and technological solutions which will be simple, reduce turnaround times and ensure positive employee experience.

2. Business Development of Santander Consumer Bank Group

Key development directions

- In Q1 2019, Santander Consumer Bank Group focused on:
 - ✓ stable growth of loans and leases financing new and used cars, ensuring balance between the scale and profitability of business;
 - ✓ maintaining the leadership position in the hire purchase market, with a stable share in traditional sales and a growing share in online sales, as well as identifying new sales growth opportunities and maintaining the profitability of collaboration with trade partners;
 - ✓ acquiring customers based on installment loans and credit cards and maximising sales opportunities by cross-selling and up-selling.

Development of selected business areas

Loans and advances to customers

- As at 31 March 2019, net loans and advances granted by Santander Consumer Bank Group amounted to PLN 16.0bn and were 1.6% higher QoQ, largely due to growth in cash loans and lease facilities.
- In Q1 2019, the Group's lease portfolio continued to increase thanks to the focus on distribution of products for companies which are now the main buyers of new cars. The stable balance of car loans is attributed to the low share of retail customers among purchasers of passenger cars.
- The first three months of 2019 saw a steady growth in the cash loan portfolio, supported by the quality of product offering (higher limits and lending periods) and sales in remote channels. At the same time, the balance of credit cards and instalment loans was broadly stable, with an increasing share of remote sales.

Deposits from customers

- In Q1 2019, a drop in the balance of retail deposits was recorded, driven by a significant share of 24-month and 36-month deposits maturing in that period and a sufficient level of funding from other sources. In March, an interest rate on long-term deposits was raised in accordance with the bank's strategy to offer attractive interest rates on deposits with tenors longer than 12 months.
- As at 31 March 2019, deposits from customers of Santander Consumer Bank Group totalled PLN 8.9bn and increased by 0.6% QoQ.

Other significant events

- In the analysed period, Santander Consumer Bank Group continued to diversify its funding sources:
 - ✓ In March, the bank started the amortisation of securitisation bonds of SC Poland Consumer 16-1 Sp. z o.o., with the amortisation of the second active securitisation of SC Poland Consumer 15-1 Sp. z o.o. due to begin in April 2019.
 - ✓ Santander Consumer Multirent Sp. z o.o., the bank's subsidiary, signed an annex to a loan agreement to increase the level of funds raised in the Polish financial sector and extend the maturity by 1.5 years (to August 2020).
- In March 2019, Santander Consumer Bank S.A. sold the written-off portfolio of cash loans and instalment loans of PLN 103.6m, with a P&L impact of PLN 10.2m gross (PLN 8.3m net).

IV. Organisational and Infrastructure Development

Implementation of the Agile methodology

- In order to achieve a long-term success in a dynamically developing environment (notably in terms of technology) Santander Bank Polska S.A. steadily implements the new work model in accordance with the Agile methodology.
- One of the objectives of the Agile transformation is to move away from complex hierarchical structures towards small interdisciplinary teams that are capable of quick and effective implementation of new solutions in accordance with customer needs.
- The Agile methodology is being implemented in three waves. The second and third one was started in H2 2018.
- In Q1 2019, new business tribes were set up: Wealth Management, Bancassurance, SME, Corporate Products and Processes, Corporate Lending Processes and e-Channels as well as Tribes providing solutions for a number of segments: Clients Data Platform and Payments.
- Other tribes which provide shared components are about to start operations.

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

Branch network

- In Q1 2019, the next three branches were adapted to the new, innovative format in accordance with the New Distribution Model. At the same time, the sales network continued to be optimised.
- During the first three months of 2019, the number of branches (locations) decreased by 41 to 571 (up 6 YoY), while the number of partner outlets increased by 1 (up 13 YoY).

Remote channels

Mobile and internet banking

- Along with the modernisation of the brick-and-mortar network, Santander Bank Polska S.A. developed its digital channels in line with the strategy of increasing their share in acquisition and sales over the next few years.
 - ✓ In Q1 2019, a new channel was set up for distribution of the bank's strategic products such as personal and business accounts and cash loans, based on active cooperation with affiliate networks in Poland and the largest online platforms. Sale of credit cards is about to be launched in the new channel over the next months.
 - ✓ The internet banking platform (Santander internet) was further upgraded to enhance user experience (including simpler tax transfers and more ergonomic layout).
 - ✓ Santander mobile users were provided with an option to change the language of the application (without changing the language of the phone) and log in faster via Android using a fingerprint.
 - ✓ The bank continued to develop its iBiznes24 platform for business customers. The features implemented in Q1 2019 are presented in Section 1.2. "Business and Corporate Banking Division".

ATM network

- As part of development of self-service channels, in Q1 2019 the bank continued branch network rationalisation and installed new cash recyclers (devices enabling withdrawal of cash that is previously deposited in a recycler by other customers), which helped to reduce costs associated with cash services and increase accessibility of cash deposits and withdrawals.
- In Q1 2019, the number of cash recyclers increased by 9 to 353, whereas the number of dual machines decreased by 3 to 533. The number of ATMs and CDMs was reduced by 22 to 836.

Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	31.03.2019	31.12.2018	31.03.2018
Branches (location)	571	612	565
Partner Outlets	124	123	111
Business Banking Centres	18	12	12
ATMs	836	858	947
CDMs	4	4	13
Dual Function Machines	906	900	784
Santander24 - registered customers (in thousands)	4 126	4 019	3 452
Santander24 - digital customers (in thousands) ¹⁾	2 401	2 345	2 111
Santander mobile - mobile customers (in thousands) ²⁾	1 396	1 338	1 139
iBiznes24 - registered companies ³⁾ (in thousands)	17	17	15

1) Number of active users of Santander24 (digital customers) who at least once used the system in the last month of the reporting period.

2) Number of active users of the Santander mobile service.

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

CRM solutions

- At the start of 2019, the bank completed the integration of remote channels with the central campaign system. As a result, the following solutions were implemented business-wise:
 - ✓ online communication with an SMS gate, a solution which automates communication activities and is a prerequisite for the implementation of solutions enabling two-way communication with customers in this channel in late Q2/early Q3 of 2019;
 - ✓ online communication with the internet banking system, a solution which automates campaign processes and reporting on effectiveness of the activities.
- A process is underway to migrate CRM initiatives in remote channels to the new solutions.
- In accordance with the strategy for the personal customers segment, in March 2019 the bank started to implement the behavioural segmentation based on six segments characterised by different lifestyles and banking preferences.
- Work was started to develop new solutions to optimise the portfolio of CRM initiatives by aggregating all information about customers' preferences, behaviours and contact points in a single repository.

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

- Santander Consumer Bank S.A. sells its products through:
 - ✓ an own network of branches and franchise outlets which offer cash loans, credit cards and retail deposits;
 - ✓ a structure for mobile sales of car loans and lease facilities;
 - ✓ a structure for mobile sales of corporate deposits;
 - ✓ remote channels, including a call centre and the internet used to sell cash loans, credit cards and instalment loans;
 - ✓ a network of partners offering the bank's car loans and lease facilities (car dealers, second-hand car dealers and intermediaries) as well as instalment loans and credit cards (retail networks and stores);
 - ✓ a remote channel for car loans.

Basic Statistics on Distribution Channels

Santander Consumer Bank	31.03.2019	31.12.2018	31.03.2018
Branches	152	152	155
Partner Outlets	173	170	165
Auto Loan lending Partners	738	707	676
Installment Loan Lending Partners	7 164	7 504	10 285
Registered Electronic Banking Users (in thousands) ¹⁾	150	209	111

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

Awards and recognitions for Santander Bank Polska Group

Award	Santander Bank Polska S.A.
Golden Bank	<ul style="list-style-type: none"> The bank won the Golden Bank title for the best multichannel services in a survey carried out by Obserwatorium.biz and Kantar Polska on behalf of Bankier.pl and <i>Puls Biznesu</i>. The bank was assessed against six categories: helpline service, messaging platform service, branch service, online account opening and user-friendliness of internet banking platform and mobile application. The Account As I Want It (Konto Jakiej Chceć) and the cash loan offered by Santander Bank Polska S.A. were rated as the best products in the market.
Main accolade for Santander mobile application at Mobile Trends Awards	<ul style="list-style-type: none"> The Santander mobile application received the most votes from internet users during this year's Mobile Trends Awards held in March 2019. Furthermore, the eAccounting service offered by the bank as part of the Mini Firma electronic banking took the third position in the ranking. The service is addressed to small companies which use simplified accounting.
Institution of the Year 2018	<ul style="list-style-type: none"> The bank was named the Institution of the Year 2018 by experts of <i>Mojebankowanie.pl</i>. The bank won in five categories: "Best remote channel services", "Best business customer service", "Best bank in business lending", "Best bank in leasing" and "Socially Responsible Bank".
Capital Market Leader	<ul style="list-style-type: none"> Santander Brokerage Poland won the Capital Market Leader award for the fifth time in recognition of the highest share in the volume of trading in index options without market making transactions.
5 stars for Mastercard World Elite credit card	<ul style="list-style-type: none"> The black Mastercard World Elite credit card for high net worth customers scored 5 stars in the 8th edition of the Private Banking rating held by <i>Forbes</i> monthly.
Award	Santander TFI S.A.
Alfa Awards	<ul style="list-style-type: none"> In March 2019, four sub-funds managed by Santander TFI S.A. were granted the following awards by <i>Analyze Online</i> in recognition of above-average risk-adjusted returns compared to peers: <ul style="list-style-type: none"> ✓ Alfa award in the category of the Best Stable Growth Fund for Credit Agricole Stable Growth ✓ Accolade in the category of the Best Stable Growth Fund for Santander Stable Growth ✓ Accolade in the category of the Best Polish Equity Fund for Santander Polish Equity ✓ Accolade in the category of the Best Selling Fund for Santander Prestiż Short Duration.
Golden Wallet for Santander Platinum Conservative	<ul style="list-style-type: none"> Santander Platinum Conservative fund won the Golden Wallet award (March 2019) for the best performance among mixed funds based on the sub-fund strategy.
Award	Santander Consumer Bank S.A.
Award for a cash loan	<ul style="list-style-type: none"> Master Cash Loan (Mistrzowski Kredyt Gotówkowy) named the best cash loan in the ranking published by <i>Bankier.pl</i> (January 2019).
Awards for a car loan	<ul style="list-style-type: none"> Car loan offered by Santander Consumer Bank S.A. ranked top in the ranking by <i>TotalMoney.pl</i> (January 2019). Super Brand 2019 accolade granted by <i>Biznes Trendy</i> for the sixth year in a row.
Top Employer 2019	<ul style="list-style-type: none"> Top Employer Poland 2019 awarded by Top Employers Institute on the basis of an audit and independent survey.
Sollers Award	<ul style="list-style-type: none"> Sollers Award for Transformation into a Digital Leader granted at an international conference "Innovation in Insurance".
Customer Friendly Company 2019	<ul style="list-style-type: none"> Santander Consumer Bank S.A. named Customer Friendly Company in recognition of strong results in the four categories: customer satisfaction, satisfactory relationship, service quality and likelihood of recommendation. The accolade is awarded as a result of an independent customer satisfaction survey coordinated by <i>Obserwatorium Zarządzania</i>.

V. Financial Performance of Santander Bank Polska Group in Q1 2019

1. Income Statement

Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1 2019	Q1 2018	YoY Change
Total income	2 245,1	1 985,4	13,1%
- Net interest income	1 608,6	1 389,8	15,7%
- Net fee & commission income	520,1	515,1	1,0%
- Other income ¹⁾	116,4	80,5	44,6%
Total costs	(1 238,8)	(971,1)	27,6%
- Staff, general and administrative expenses	(1 056,8)	(862,4)	22,5%
- Depreciation/amortisation ²⁾	(152,6)	(82,5)	85,0%
- Other operating expenses	(29,4)	(26,2)	12,2%
Impairment losses on loans and advances	(262,7)	(203,4)	29,2%
Profit/loss attributable to the entities accounted for using the equity method	14,3	11,0	30,0%
Tax on financial institutions	(142,0)	(106,5)	33,3%
Consolidated profit before tax	615,9	715,4	-13,9%
Tax charges	(191,7)	(181,0)	5,9%
Net profit for the period	424,2	534,4	-20,6%
- Net profit attributable to Santander Bank Polska shareholders	350,7	440,9	-20,5%
- Net profit attributable to non-controlling shareholders	73,5	93,5	-21,4%

1) Other income represents total non-interest and non-fee income of the Group. It comprises the following items of the full income statement: dividend income, net gains/losses on shares in subordinate entities, net trading income and revaluation, gains/losses on other financial instruments and other operating income.

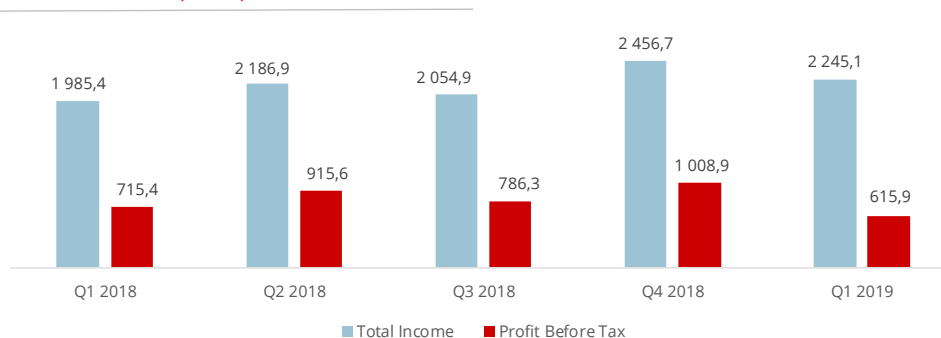
2) Amortisation/depreciation includes depreciation of property, plant and equipment, amortisation of intangible assets and depreciation of the right-of-use asset in accordance with IFRS 16 effective as of 1 January 2019.

Determinants of the Group's profit (summary)

- In the three month period ended on 31 March 2019, Santander Bank Polska Group reported an increase of 13.1% YoY in total income, driven by dynamic growth in:
 - ✓ net interest income (+15.7% YoY), supported by organic growth in business volumes and acquisition of an organised part of Deutsche Bank Polska S.A. in November 2018;
 - ✓ other income (+44.6% YoY), mainly on account of net trading income and revaluation (+PLN 49.5m) and gains on other financial instruments (+PLN 28.9m).
- Net fee and commission income was broadly stable (+1.0% YoY), as the substantial growth in the Group's FX and credit fee income was offset by a decline in fees from distribution and asset management, eBusiness and payments, and insurance.

- In the reporting period, significant charges were made to the Group's income statement as part of staff and administrative expenses (+22.5% YoY) due to:
 - ✓ expansion of business scale resulting from the organic growth and business acquisition;
 - ✓ restructuring provision of PLN 81.6m for collective redundancies in Santander Bank Polska S.A. started in March 2019;
 - ✓ increase in the total contribution to the bank guarantee fund and the bank resolution fund managed by the Bank Guarantee Fund (+PLN 60.3m).
- Concurrently there was a significant rise in total amortisation/depreciation (+85.0% YoY), including right-of-use depreciation recognised in the amount of PLN 53m. A YoY growth was also noted in impairment allowances (+29.2% YoY) and tax on financial institutions (33.3% YoY) driven by the value of taxable assets.
- As a result, in Q1 2019 Santander Bank Polska Group posted a profit before tax of PLN 615.9m, down 13.9% YoY. Profit attributable to the shareholders of Santander Bank Polska S.A. decreased by 20.5% YoY to PLN 350.7m.
- On a comparable basis, i.e. assuming the stable YoY level of obligatory contributions to the Bank Guarantee Fund and excluding the restructuring provision, the underlying profit before tax increased by 5.9% YoY while the profit attributable to the shareholders of Santander Bank Polska S.A. improved by 8.2% YoY.

THE GROUP'S TOTAL INCOME AND PROFIT BEFORE TAX BY QUARTER IN 2018 AND 2019 (PLN M)



Comparability of periods

Impact of the new standard on financial reporting

IFRS 16 Leases

- The implementation of IFRS 16 "Leases" (applicable for periods starting from 1 January 2019) required modification of the lease accounting rules and extension of the scope of disclosures in financial statements and notes.
 - ✓ A unitary accounting model for the lessees was launched (no finance or operating lease distinction);
 - ✓ No significant changes in the accounting treatment of leases by lessors were implemented.
- For the purpose of the initial application of the standard, Santander Bank Polska S.A. used a modified retrospective approach and measured right-of-use assets at the amount of lease liabilities. This approach did not impact the Group's equity.
- The prior periods have not been restated.

Selected items of the income statement

Q1 2019

Q1 2018

Contributions to the Bank Guarantee Fund by Santander Bank Polska S.A. and Santander Consumer Bank S.A. (general and administrative expenses)

- PLN 220.6m, including a contribution of PLN 21.3m to the bank guarantee fund and a contribution of PLN 199.3m to the bank resolution fund

- PLN 160.3m, including a contribution of PLN 27.9m to the bank guarantee fund and a contribution of PLN 132.3m to the bank resolution fund

Restructuring provision (staff expenses)

- PLN 81.6m for severance pay for employees selected for collective redundancies

- No such provision

Selected items of the income statement	Q1 2019	Q1 2018
Profit before tax on the sale of credit receivables (other operating income)	<ul style="list-style-type: none"> • PLN 10.4m on account of the sale of credit receivables of Santander Bank Polska S.A. and Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • PLN 19.7m on account of the sale of credit receivables of Santander Bank Polska S.A. and Santander Consumer Bank S.A.
Gains/losses on the sale or liquidation of fixed assets and assets held for sale (other operating income)	<ul style="list-style-type: none"> • PLN 7.0m, including PLN 6.4m from the sale of real estate of Santander Bank Polska S.A. 	<ul style="list-style-type: none"> • PLN 44.3m due to the sale of real estate of Santander Bank Polska S.A.

Profit before tax by contributing entities

Components of Santander Bank Polska Group Profit Before Tax in PLN m (by contributing entities)	Q1 2019	Q1 2018	YoY Change
Santander Bank Polska S.A.	688,0	405,7	69,6%
Subsidiary undertakings:	248,7	298,7	-16,7%
Santander Consumer Bank S.A. and its subsidiaries ¹⁾	172,6	216,0	-20,1%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	51,4	61,3	-16,2%
Santander Finanse Sp. z o.o. and its subsidiaries (Santander Leasing S.A., Santander Leasing Poland Securitization 01 Designated Activity Company, Santander Factoring Sp. z o.o., Santander F24 S.A.)	26,2	21,4	22,4%
Other companies ²⁾	(1,5)	-	-
Equity method valuation	14,3	11,0	30,0%
Elimination of dividends received by Santander Bank Polska S.A. and consolidation adjustments ³⁾	(335,1)	-	-
Profit before tax	615,9	715,4	-13,9%

1) As at 31 March 2019, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o., SC Poland Consumer 15-1 Sp. z o.o., SC Poland Consumer 16-1 Sp. z o.o., PSA Finance Polska Sp. z o.o. and PSA Consumer Finance Polska Sp. z o.o. The amounts provided above represent profit before tax (after intercompany and consolidation adjustments) of SCB Group for the periods indicated.

2) Santander Inwestycje Sp. z o.o. and Santander Securities S.A.

3) Dividend of PLN 335.1m from SCB S.A. reported by Santander Bank Polska S.A. in Q1 2019.

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

- The unconsolidated profit before tax of Santander Bank Polska S.A. for Q1 2019 totalled PLN 688.0m and increased by 69,6% YoY due to the recognition of a dividend of PLN 335.1m from 2018 profit distribution of Santander Consumer Bank S.A. in March 2019. In 2018, the corresponding dividend totalled PLN 259.9m and was recognised in April. Adjusting for dividend income, the underlying profit before tax of Santander Bank Polska S.A. totalled PLN 352.6m and was down 13.1% YoY.
- In Q1 2019, the bank posted solid income from the core business, including an increase in:
 - ✓ net interest income (up 18.7% to PLN 1,171.3m), fuelled by a dynamic YoY credit portfolio growth, both organic and non-organic (resulting from the acquisition of a demerged part of Deutsche Bank Polska S.A.);
 - ✓ net fee and commission income (up 5.9% YoY to PLN 416.3m), largely due to FX and credit fees.
- Noteworthy are also the following items:
 - ✓ relatively stable level of impairment allowances (up 2.9% YoY to PLN 179.6m) given the annual growth rate of credit receivables;
 - ✓ higher net trading income and revaluation (up 300.1% YoY to PLN 49.1m) and gains on other financial instruments (up 596.4% YoY to PLN 32.4m).
- Other operating income decreased by 72.3% to PLN 17.3m as a high base effect caused by the gain on the sale of the real estate in Wrocław in 2018.

- In the same period, significantly higher charges to the profit and loss account occurred due to:
 - ✓ total depreciation/amortisation (+84.5% to PLN 129.7m), including PLN 40.3m of depreciation of right-of-use assets;
 - ✓ higher staff and general expenses (up 26.1% YoY to PLN 877.2m) resulting from expansion of the business scale following the acquisition of an organised part of Deutsche Bank Polska S.A. (including an increase of 6% YoY in average employment), restructuring provision of PLN 81.6m and higher mandatory contributions to the Bank Guarantee Fund (up PLN 54,3m);
 - ✓ increase in the tax on financial institutions (up 36.2% YoY to PLN 131.6m), reflecting significant growth in the value of taxable assets.

Subsidiaries

- The subsidiaries consolidated by Santander Bank Polska S.A. reported a decrease of 16.7% YoY in their total profit before tax as a result of lower profitability of Santander Consumer Bank S.A. and Santander TFI S.A. compared with the same period last year.

SCB Group

- The contribution of SCB Group to the consolidated profit before tax of Santander Bank Polska Group for the first quarter of 2019 was PLN 172.6m (after intercompany transactions and consolidation adjustments) and decreased by 20.1% YoY due to the following factors:
 - ✓ An increase of 7.9% YoY in net interest income to PLN 391.8m, driven by steady growth of the credit portfolio and favourable changes in its structure (e.g. a bigger share of high-margin products such as cash loans, credit cards and leases);
 - ✓ A decrease of 23.2% YoY in net fee and commission income to PLN 33.5m caused by lower insurance income (resulting from reduction of a premium to make insurance products more attractive) and one-off fees for partners in relation to sales network development.
 - ✓ A rise of PLN 39.9m YoY in impairment allowances on financial assets totalling PLN 76.9m, arising from lower volume of sales of overdue receivables with a positive impact on the income statement and higher percentage share of cash loans in total sales.
 - ✓ An increase of 14.3% YoY in total operating expenses to PLN 180.7m driven by higher contributions to the Bank Guarantee Fund, different timing of general and administrative expense recognition compared with 2018 and first time recognition of a depreciation charge for right-of-use assets in the amount of PLN 10.4m.

Other subsidiaries

- Profit before tax of Santander TFI S.A. for the first three months of 2019 declined by 16.2% YoY on account of lower income from asset management fees caused by a decrease in the average value of net assets invested in mutual funds and private portfolios managed by the company as well as a drop in the average margin resulting from the asset structure shift towards a higher share of low-margin sub-funds (e.g. government bonds).
- Total profit before tax posted by the companies controlled by Santander Finanse Sp. z o.o. increased by 22.4% YoY due to higher profitability of the leasing companies (+40.3% YoY) driven by net interest and fee income based on growing volumes of lease receivables (15% YoY increase in the performing part of the portfolio) and expanding insurance business. The leasing subsidiaries also reported lower impairment allowances and steadily high quality of the lease portfolio.

Structure of Santander Bank Polska Group's profit before tax

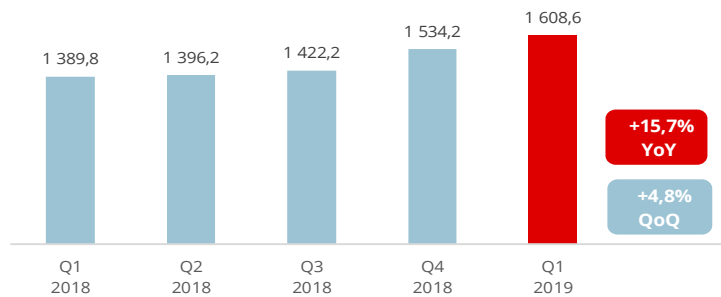
Total income

- Total income of Santander Bank Polska Group for the first quarter of 2019 increased by 13.1% YoY to PLN 2,245.1m.

Net interest income

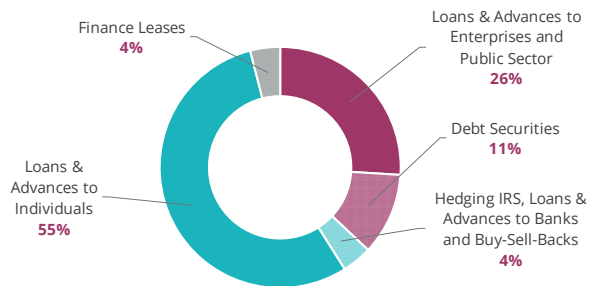
- Net interest income for the first three months of 2019 amounted to PLN 1,608.6m and was up 15.7% YoY due to higher net earning assets, favourable developments in the Group's balance sheet structure (increase in cash loans and balances of personal current accounts) and flexible pricing management.

Net Interest Income by Quarter in 2018 and 2019 (PLN m)

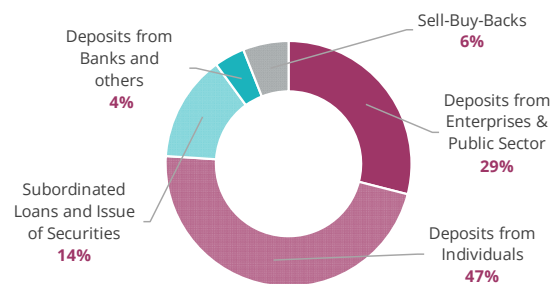


- Interest income increased by 23.3% YoY to PLN 2,081.7m in the analysed period, driven by higher credit receivables (resulting from the organic growth and the acquisition of a demerged part of Deutsche Bank Polska S.A.) and higher value of debt securities portfolio.
- Interest expense grew by 58.4% YoY to PLN 473.1m as a result of the incorporation of a retail deposit portfolio of Deutsche Bank Polska S.A., successful acquisition of term deposits, growth of savings balances and increased issue of own debt securities throughout 2018 aimed at strengthening the Group's liquidity position before the intended acquisition.

STRUCTURE OF INTEREST REVENUES IN Q1 2019

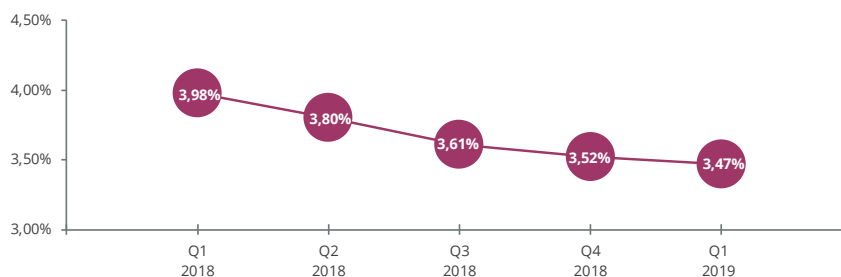


STRUCTURE OF INTEREST EXPENSE IN Q1 2019



- In Q1 2019, the annualised quarterly net interest margin declined by 5b.p. QoQ to 3.47%. The change in the margin in Q1 2019 occurred alongside a continued increase in interest income supported primarily by lending to individuals (as reflected in dynamic sales of high-margin cash loans). The growth in interest expense was triggered by personal deposits which increased in the analysed period and changed their structure, with a higher share of savings account balances. Interest expense on business deposits was broadly stable QoQ, despite a lower value of the relevant portfolio compared with the end of 2018.

NET INTEREST MARGIN BY QUARTER IN THE YEARS 2018-2019 (INCLUDING SWAP POINTS*)



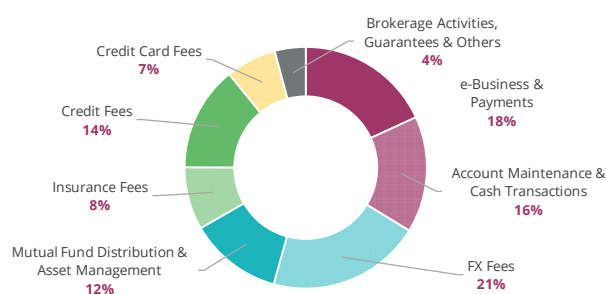
* The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt instruments held for trading.

Net fee and commission income

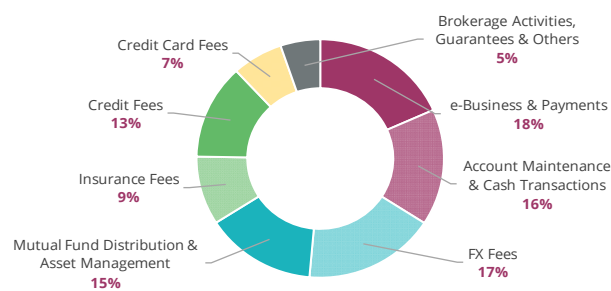
Net Fee and Commission Income (in PLN m)	Q1 2019	Q1 2018	YoY Change
FX fees	106,9	89,1	20,0%
E-Business and payments ¹⁾	94,5	94,4	0,1%
Account maintenance and cash transactions ²⁾	80,8	81,3	-0,6%
Credit fees ³⁾	73,1	66,3	10,3%
Asset management and distribution	64,5	74,9	-13,9%
Insurance fees	43,6	47,9	-9,0%
Credit cards	35,3	34,4	2,6%
Guarantees and sureties	17,4	14,8	17,6%
Brokerage activities	16,2	15,4	5,2%
Other ⁴⁾	(12,2)	(3,4)	258,8%
Total	520,1	515,1	1,0%

- 1) Fees for foreign and mass payments, Western Union transfers, trade finance, debit cards, services for third party institutions as well as other electronic and telecommunications services.
 2) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Condensed Consolidated Financial Statement of Santander Bank Polska Group for the 3-month period ended 31 March 2019 are included in the line item "Other" (PLN 0.2m for Q1 2019 vs. PLN 0.2m for Q1 2018).
 3) Net fee and commission income from lending, factoring and lease activities which is not amortised to net interest income. This line item includes, inter alia, the cost of credit agency.
 4) Issue arrangement fees and others.

NET COMMISSION INCOME STRUCTURE FOR Q1 2019



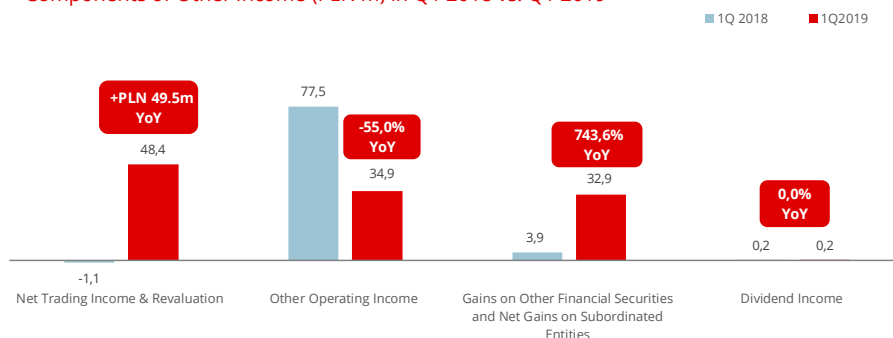
NET COMMISSION INCOME STRUCTURE FOR Q1 2018



- Net fee and commission income earned in the three month period ended on 31 March 2019 amounted to PLN 520.1m and increased by 1.0% YoY as a combined effect of the bank's and its subsidiaries' performance in a number of business lines. The key changes were as follows:
 - ✓ An improvement in net FX fee income (up 20.0% YoY) is attributed to the positive impact of exchange rates and the Group's comprehensive measures taken to support foreign trade and develop e-FX services in iBiznes24 and Kantor Santander currency exchange platform available in Santander online and Santander mobile.
 - ✓ The Group's net fee and commission income from the lending business grew by 10.3% YoY on account of higher volume of credit receivables from business customers. This was partly offset by higher agency costs arising from the acquisition and adaptation of the operating model of the former Deutsche Bank Polska S.A.
 - ✓ Brokerage fees went up by 5.2% YoY along with an increase in trading in the secondary market amid improved investor sentiment observed in Q1 2019.
 - ✓ A 13.9% YoY drop in net fee income from distribution and asset management was due to lower income from management fees on investment fund assets and individual portfolios resulting from a decrease in the average value of net assets managed by Santander TFI S.A. (outflow of assets caused by stock market downturn in 2018) and changes in their structure in favour of low-margin sub-funds (e.g. government bond funds).
 - ✓ A decrease of 9.0% YoY in net fee and commission income from insurance business is attributed mainly to higher costs generated by products acquired from former Kredyt Bank S.A. and retail part of Deutsche Bank Polska S.A. A slight decline in income earned by Santander Consumer Bank S.A. is a result of reduction of an insurance premium to increase the competitiveness of the bank's offer. In the same period, Santander Bank Polska S.A. posted stable net insurance income (amid growing sales of cash loan insurance and non-linked insurance), whereas Santander Leasing S.A. improved its net insurance income by 30% YoY.
 - ✓ Net income from guarantees and sureties rose by 17.6% YoY as a result of measures taken by the bank to grow trade finance and support exports.

Other income

Components of Other Income (PLN m) in Q1 2018 vs. Q1 2019



- The Group's other income, which represents non-interest income and non-fee income, was up 44.6% YoY to PLN 116.4m.
 - Net trading income reported by Santander Bank Polska Group for Q1 2019 was PLN 48.4m versus a loss of PLN 1.1m in Q1 2018. This figure improved due to:
 - Total gain of PLN 43.5m (up 91.7% YoY) from transactions in the derivative market and in the interbank FX market. This line item excludes net interest income from the CIRS and IRS transactions designated as hedging instruments under the cash flow hedge accounting (PLN 45.1m for Q1 2019 vs. PLN 52.7m for Q1 2018), which is disclosed under "Interest income".
 - Positive change in the fair value of credit receivables measured at fair value through profit or loss totalling PLN 21.5m versus a loss of PLN 19.6m in the corresponding period last year.

In both analysed periods, trading in debt and equity securities measured at fair value through profit or loss brought in a loss of PLN 16.6m in the current period (mainly from treasury bond trading) and of PLN 4.2m in the corresponding period last year.

- Gains on other financial instruments and shares in subordinate entities totalled PLN 32.9m vs. PLN 3.9m in the same period last year, and comprised mainly profit of PLN 8.5m from the sale of debt securities (PLN 0.2m in Q1 2018) and a positive change in the fair value of shares in Visa Inc. amounting to PLN 24.6m (PLN 4.1m in Q1 2018).
- Other operating income totalled PLN 34.9m and decreased by 55.0% YoY due to a high base effect resulting from the sale of the bank's real estate in Wrocław at a profit of PLN 44.3m.

Impairment allowances

Impairment losses on loans and advances measured at amortised cost (in PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Charge on loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Charge on loans and advances to customers	(16,6)	(3,0)	(47,5)	26,8	(244,5)	(252,1)	28,5	9,5	(280,1)	(218,8)
Recoveries of loans previously written off	-	-	-	-	7,4	17,7	-	-	7,4	17,7
Off-balance sheet credit related facilities	2,5	(2,5)	2,9	2,1	4,6	(1,9)	-	-	10,0	(2,3)
Total	(14,1)	(5,5)	(44,6)	28,9	(232,5)	(236,3)	28,5	9,5	(262,7)	(203,4)

- In Q1 2019, the credit impairment charge to the income statement of Santander Bank Polska Group was PLN 262.7m vs. PLN 203.4m in the corresponding period last year. Impairment allowances of Santander Consumer Bank Group totalled PLN 76.9m vs. PLN 36.9m in Q1 2018.
- The increase in impairment allowances on loans and advances to the Group's customers (from PLN 218.8m for Q1 2018 to PLN 280.1m for Q1 2019) reflects the dynamic growth in the Group's credit portfolio supported by lending to personal and business customers and acquisition of a retail loan portfolio of Deutsche Bank Polska S.A. In addition, in Q1 2019 the Group posted lower YoY gains on the sale of credit receivables.

- During the first three months of 2019, Santander Bank Polska S.A. sold non-performing receivables of PLN 0.6m, which had a marginal impact on the profit before tax of the current period, i.e. PLN 0.2m (PLN 0.1m in the corresponding period last year).
- Santander Consumer Bank S.A. sold the written-off portfolios of cash loans and instalment loans totalling PLN 103.6m, which brought in a profit before tax of PLN 10.2m. Last year, the company sold written-off cash loans, instalment loans, credit cards and car loans in the total amount of PLN 232.6m, generating a profit before tax of PLN 19.6m.
- The NPL ratio of Santander Bank Polska Group was 4.3% (4.9% at the end of March 2018 on a comparable basis) in compliance with a modified calculation approach (see part 2 "Statement of financial position, section "Credit portfolio" for more details). The cost of credit risk increased from 0.66% for Q1 2018 to 0.81% for Q1 2019. A lower level of respective ratio in the base year reflects a strong positive impact of matured loan sales (effected in 2017) on impairment allowance for the twelve month period ended 31 March 2018.

Total costs

Total costs of (in PLN m)	Q1 2019	Q1 2018	YoY Change
Staff, general and administrative expenses, of which:	(1 056,8)	(862,4)	22,5%
- Staff expenses	(524,6)	(396,0)	32,5%
- General and administrative expenses	(532,2)	(466,4)	14,1%
Depreciation/amortisation	(152,6)	(82,5)	85,0%
- Depreciation/amortisation of PP&E and intangible assets	(99,6)	(82,5)	20,7%
- Amortisation of right-of-use of an asset	(53,0)	-	-
Other operating expenses	(29,4)	(26,2)	12,2%
Total costs	(1 238,8)	(971,1)	27,6%

- The total costs of Santander Bank Polska Group for the first three months of 2019 amounted to PLN 1,238.8m, and were 27.6% higher YoY due to provision for collective redundancies in Santander Bank Polska S.A. started in March 2019 (PLN 81.6m) and higher total contributions to the Bank Guarantee Fund (+PLN 60.3m YoY).
- Adjusting for the above items, the Group's underlying operating expenses increased by 12.9% YoY along with the expansion of operations and business volumes resulting from the organic growth and the acquisition of the demerged part of Deutsche Bank Polska S.A. and 100% of shares in DB Securities S.A. in November 2018.
- Along with the total cost base, the Group's cost to income ratio grew from 48.9% for Q1 2018 to 55.2% for Q1 2019. On a comparable basis (adjusting for the cost items mentioned above), this measure was 48,9% and stable YoY.

Staff expenses

- Staff expenses of Santander Bank Polska Group for three months of 2019 totalled PLN 524.6m and increased by 32.5% YoY. Excluding the restructuring provision for severance pay for employees selected for collective redundancies, the underlying staff expenses amounted to PLN 443.0m and were up 11.9% YoY on account of a 4.0% YoY increase in average employment as well as salary review and implementation of new bonus schemes in 2018. Santander Consumer Bank Group's contribution to the above figure was PLN 65.7m and up 4.8% YoY.

General and administrative expenses

- In Q1 2019, general and administrative expenses of Santander Bank Polska Group went up by 14.1% YoY to PLN 532.2m. Costs incurred by Santander Consumer Bank Group totalled PLN 85.3m and were 9.1% higher YoY.
- The consolidated general and administrative expenses increased on account of:
 - ✓ higher fees payable to market regulators (+39.3% YoY) by the banks from Santander Bank Polska Group mainly due to the 2019 annual contribution of PLN 199.3m to the resolution fund managed by the Bank Guarantee Fund, which together with the quarterly contribution of PLN 21.3m to the bank guarantee fund, was taken to the Q1 2019 profit and loss account and exceeded the charge reported last year by PLN 60.3m;
 - ✓ growing costs of IT usage (+28.5% YoY) including expenses related to cyber security projects delivered by Santander Group as well as maintenance of IT hardware and software as part of steadily developed IT environments;
 - ✓ cost of marketing and entertainment (+36.3% YoY) in view of higher costs connected with image actions and sponsorship projects in Q1 2018;
 - ✓ an increase in other taxes and charges (+111.9% YoY) in relation to the implementation of IFRS 16 (recognition of non-tax deductible VAT which was previously disclosed under costs of maintenance of premises) and the acquisition of the demerged part of Deutsche Bank Polska S.A. (higher spend on car insurance and property tax).

- At the same time, a decrease was reported in:
 - ✓ costs of maintenance of premises (-41.0% YoY) as a result of disclosure of lease expenses under depreciation and costs of short-term leases under a separate line item of general and administrative expenses;
 - ✓ consultancy and advisory fees (-23.0% YoY) because of lower costs connected with the acquisition of the part of Deutsche Bank Polska S.A.

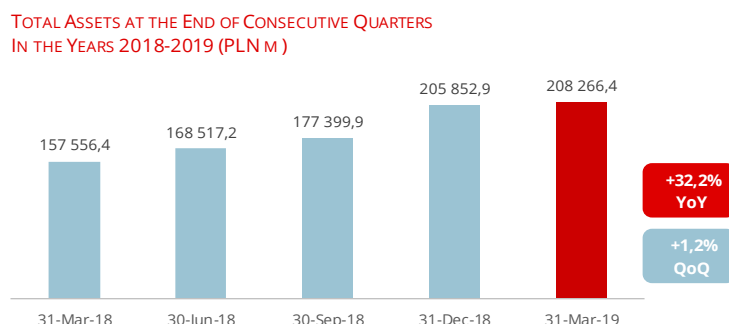
Effective tax rate

- The consolidated effective tax rate after Q1 2019 was 31.1% vs. 25.3% in the corresponding period due to higher contributions to the Bank Guarantee Fund and tax on financial institutions which are non-tax deductible.

2. Statement of Financial Position

Consolidated assets

- As at 31 March 2019, the total assets of Santander Bank Polska Group were PLN 208,266.4m, an increase of 1.2% QoQ and 32.2% YoY. The value and structure of the Group's financial position was determined by the parent entity, which held 89.1% of the consolidated total assets vs. 88.9% as at the end of December 2018.



Structure of consolidated assets

Assets in PLN m (condensed presentation for analytical purposes)	31.03.2019	Structure 31.03.2019	31.12.2018	Structure 31.12.2018	31.03.2018	Structure 31.03.2018	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers ¹⁾	138 667,1	66,6%	137 460,4	66,8%	109 077,8	69,2%	0,9%	27,1%
Investment financial assets	39 306,9	18,9%	39 179,1	19,0%	29 001,0	18,4%	0,3%	35,5%
Financial assets held for trading and hedging derivatives	13 166,6	6,3%	9 843,1	4,8%	5 965,3	3,8%	33,8%	120,7%
Cash and operations with Central Banks	7 201,6	3,5%	8 907,6	4,3%	5 202,8	3,3%	-19,2%	38,4%
Fixed assets, intangibles, goodwill and right-of-use assets	4 222,1	2,0%	3 517,8	1,7%	3 097,0	2,0%	20,0%	36,3%
Loans and advances to banks	1 700,6	0,8%	2 936,2	1,4%	1 810,6	1,1%	-42,1%	-6,1%
Other assets ²⁾	4 001,5	1,9%	4 008,7	2,0%	3 401,9	2,2%	-0,2%	17,6%
Total	208 266,4	100,0%	205 852,9	100,0%	157 556,4	100,0%	1,2%	32,2%

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

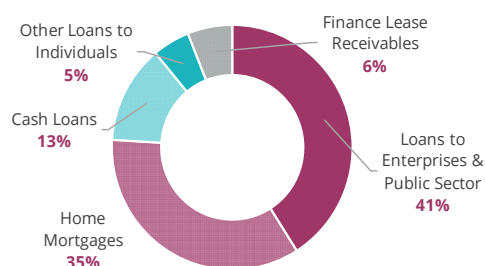
2) Other assets include the following items of the full version of financial statements: receivables from repurchase transactions, investments in associates, net deferred tax assets, assets classified as held for sale and other assets.

- In the above condensed statement of financial position as at 31 March 2019, net loans and advances to customers of PLN 138,667.1m were the key item of consolidated assets and higher by 0.9% Ytd on account of strong credit delivery to retail customers.
- In Q1 2019, the value of the portfolio of bonds increased as part of ongoing liquidity management, which translated into significant growth in financial assets held for trading and hedging derivatives (+33.8% Ytd). At the same time, the value of loans and advances to banks declined (-42.1% Ytd), as did the value of cash and balances with central banks (-19.2% Ytd).
- In accordance with IFRS 16 "Lease" (effective as of 1 January 2019), the Group identified and recognised right-of-use assets of PLN 984.6m, which resulted in an increase of 20.0% Ytd in the aggregate line item encompassing the above assets along with property, plant and equipment, intangible assets and goodwill.

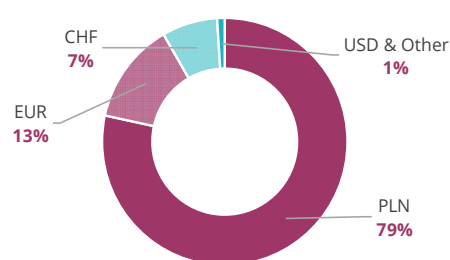
Credit portfolio

Gross Loans and Advances to Customers (in PLN m)	31.03.2019	31.12.2018	31.03.2018	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Loans and advances to individuals	75 908,3	74 696,4	59 094,0	1,6%	28,5%
Loans and advances to enterprises and public sector customers	58 969,3	58 928,8	48 215,5	0,1%	22,3%
Finance lease receivables	8 431,2	8 204,3	7 086,8	2,8%	19,0%
Other	22,9	15,2	9,7	50,7%	136,1%
Total	143 331,7	141 844,7	114 406,0	1,0%	25,3%

PRODUCT STRUCTURE OF CONSOLIDATED LOANS & ADVANCES TO CUSTOMERS AS AT 31.03.2019

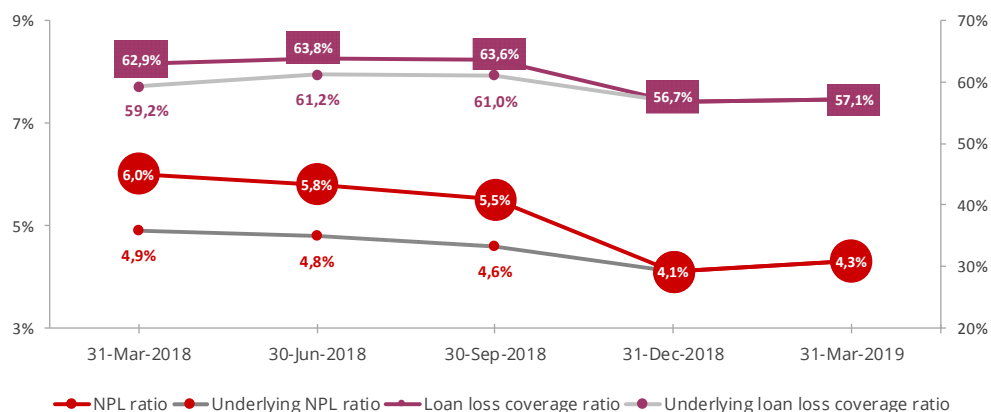


FX STRUCTURE OF CONSOLIDATED LOANS AND ADVANCES TO CUSTOMERS AS AT 31.03.2019



- As at 31 March 2019, consolidated gross loans and advances to customers were PLN 143,331.7m and increased by 1.0% on 31 December 2018. The portfolio includes loans and advances to customers measured at fair value through profit or loss, totalling PLN 1,342.3m, and loans and advances to customers measured at fair value through other comprehensive income, totalling PLN 392.3m.
 - ✓ Loans and advances to individuals increased by 1.6% Ytd to PLN 75,908.3m. Home loans, the largest constituent item, increased by 1.1% Ytd to PLN 49,758.1m. The second significant constituent item, i.e. cash loans, went up by 3.6% Ytd to PLN 18,563.4m.
 - ✓ Loans and advances to enterprises and public sector entities were PLN 58,969.3m and were stable Ytd. Finance leases, which include the portfolios of Santander Leasing S.A., Santander Consumer Multirent Sp. z o.o. and PSA Finance Polska Sp. z o.o., increased by 2.8% Ytd to PLN 8,431.2m on account of growth in the sales of machines and equipment and of vehicles. Loans granted by Santander Leasing S.A. to finance machines and vehicles for business customers, which totalled PLN 2,614.1m at the end of March 2019 (vs. PLN 2,320.0m at the end of December 2018), were disclosed as loans and advances to enterprises.

CREDIT QUALITY RATIOS BY QUARTER IN 2018 AND 2019



* As of 31 December 2018, the calculation of credit quality indicators excludes POCI exposures.

As at 31 March 2019, non-performing loans to customers accounted for 4.3% of the gross portfolio of Santander Bank Polska Group vs. 4.1% three months before and 6.0% twelve months before (4.9% on a comparable basis). The provision coverage ratio for impaired loans was 57.1% as at 31 March 2019 compared with 56.7% as at 31 December 2018 and 62.9% as at 31 March 2018 (59.2% on a comparable basis). As of 31 December 2018 the calculation of credit quality indicators disregards purchased or originated credit impaired (POCI) loans. The basis of computation is the portfolio of credit receivables measured at amortised cost (as of 30 June 2018).

Structure of consolidated equity and liabilities

Liabilities & Equity in PLN m (condensed presentation for analytical purposes)	31.03.2019	Structure 31.03.2019	31.12.2018	Structure 31.12.2018	31.03.2018	Structure 31.03.2018	Ytd Change	YoY Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	147 745,9	71,0%	149 616,7	72,7%	113 576,6	72,1%	-1,3%	30,1%
Subordinated liabilities and debt securities in issue	11 950,8	5,7%	12 013,0	5,8%	6 665,6	4,2%	-0,5%	79,3%
Sell-buy-back transactions	12 070,2	5,8%	9 340,8	4,5%	5 378,7	3,4%	29,2%	124,4%
Deposits from banks	3 000,0	1,4%	2 832,9	1,4%	3 838,1	2,4%	5,9%	-21,8%
Financial liabilities held for trading and hedging derivatives	2 243,7	1,1%	2 146,2	1,0%	1 597,2	1,0%	4,5%	40,5%
Other liabilities ¹⁾	4 381,1	2,1%	3 235,1	1,6%	2 734,6	1,8%	35,4%	60,2%
Total equity	26 874,7	12,9%	26 668,2	13,0%	23 765,6	15,1%	0,8%	13,1%
Total	208 266,4	100,0%	205 852,9	100,0%	157 556,4	100,0%	1,2%	32,2%

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

- The total liabilities of the consolidated statement of financial position of Santander Bank Polska Group as at 31 March 2019 show a major increase compared with 31 December 2018 resulting from liabilities due to repurchase transactions (+29.2% Ytd) made with banks and other institutions from the financial market.
- Compared with the end of 2018, an upward trend was also observed for deposits from banks (+5.9% Ytd) as well as financial liabilities held for trading and hedging derivatives (+4.5% Ytd). A Ytd increase of 35.4% in other liabilities is attributed to lease liabilities of PLN 829.3m which were recognised for the first time in accordance with the new accounting model for lease contracts introduced by IFRS 16 "Lease".

Deposit base

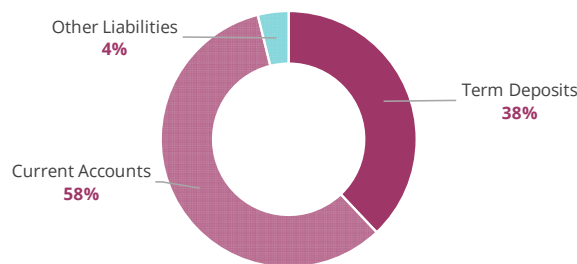
Deposits by entities

	31.03.2019	31.12.2018	31.03.2018	Ytd Change	YoY Change
	1	2	3	1/2	1/3
Deposits from Customers					
Deposits from individuals	89 183,3	88 211,4	66 073,7	1,1%	35,0%
Deposits from enterprises and public sector customers	58 562,6	61 405,3	47 502,9	-4,6%	23,3%
Total	147 745,9	149 616,7	113 576,6	-1,3%	30,1%

- During the first three months of 2019, consolidated deposits from customers decreased by 1.3% to PLN 147,745.9m as at 31 March 2019.
 - ✓ The retail deposit base was up 1.1% Ytd to PLN 89,183.3m, driven by current and savings accounts (+3.1% Ytd), mainly balances of the Regular Savings Accounts promoted by Santander Bank Polska S.A. to encourage customers to save their money and make more transactions. A portion of balances was transferred from term deposits, whose value dropped by 2.3% on 31 December 2018.
 - ✓ Compared with the end of 2018, deposits from enterprises and the public sector dropped by 4.6% to PLN 58,562.6m, due to a decrease of 7.3% in term deposits and of 3.2% in current and savings account balances.

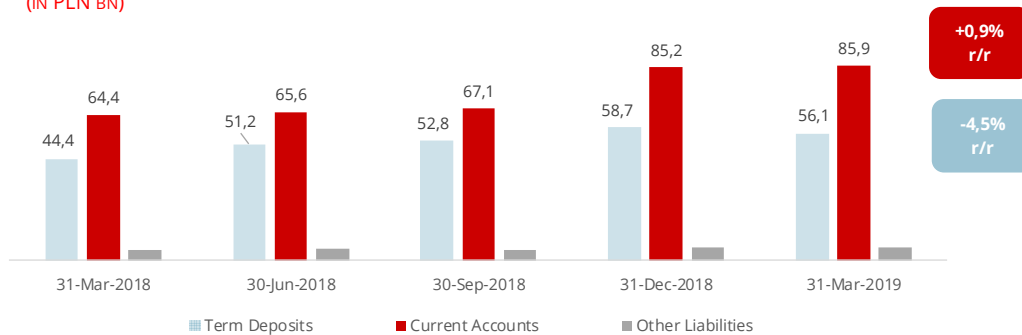
Deposits by tenors

STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.03.2019



- The Group's total term deposits from customers amounted to PLN 56,056.8m and decreased by 4.5% Ytd. Current and savings account balances rose by 0.9% to PLN 85,946.9m, and other liabilities were PLN 5,742.2m, up 0.4% Ytd.
- Loans and advances (PLN 4,693.3m vs. PLN 4,751.9m as at 31 December 2018) were the largest constituent item of other liabilities disclosed under deposits from enterprises. This line comprises loans granted by international financial organisations (the European Investment Bank, the European Bank for Reconstruction and Development and the Council of Europe Development Bank) to finance the bank's credit delivery and the lease business of the bank's subsidiaries.

TERM DEPOSITS AND CURRENT ACCOUNTS * AT QUARTER-ENDS OF 2018 AND 2019 (IN PLN BN)



3. Selected ratios

Selected Financial Ratios of Santander Bank Polska Group	Q1 2019	Q1 2018
Total costs/Total income	55,2%	48,9%
Net interest income/Total income	71,7%	70,0%
Net interest margin ¹⁾	3,47%	3,98%
Net commission income/Total income	23,2%	25,9%
Customer net loans/Customer deposits	93,9%	96,0%
NPL ratio ²⁾	4,3%	4,9%
NPL coverage ratio ³⁾	57,1%	59,2%
Credit risk ratio ⁴⁾	0,81%	0,66%
ROE ⁵⁾	10,4%	11,4%
ROTE ⁶⁾	12,4%	13,4%
ROA ⁷⁾	1,1%	1,4%
Capital ratio ⁸⁾	16,47%	16,67%
Tier I ratio ⁹⁾	14,63%	15,31%
Book value per share (in PLN)	263,25	239,25
Earnings per share (in PLN) ¹⁰⁾	3,44	4,42

- 1) Net interest income annualised on a year-to-date basis (excluding interest income from the portfolio of debt securities held for trading) to average net earning assets as at the end of subsequent quarters after the end of 2018 (excluding financial assets held for trading, hedging derivatives and other loans and advances to customers).
- 2) Gross loans and advances to customers classified to stage 3 to the portfolio of gross loans and advances to customers measured at amortised cost at the end of the current reporting period.
- 3) Impairment allowances for loans and advances to customers classified to stage 3 and measured at amortised cost to gross value of such loans and advances at the end of the current reporting period.
- 4) Impairment allowances (for four consecutive quarters) to average gross loans and advances to customers (as at the end of the last year and the end of the current reporting period).
- 5) Profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the last year and the end of the current reporting period), net of non-controlling interests, current period profit and the undistributed portion of the profit.
- 6) Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the last year and the end of the current reporting period) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, dividend, undistributed portion of the profit, intangible assets and goodwill.
- 7) Profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the last accounting year and the end of the current reporting period).
- 8) The capital adequacy ratio was calculated on the basis of own funds and the total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package.
- 9) Tier 1 ratio is Tier 1 capital expressed as a percentage of risk weighted assets for credit, market and operational risk.
- 10) Net profit for the period attributable to shareholders of the parent entity divided by the average weighted number of ordinary shares.

Capital ratios

The table below presents calculation of the total capital ratio and Tier 1 ratio of Santander Bank Polska Group as at 31 March 2019 and 31 December 2018.

Capital Ratios of Santander Bank Polska Group	31.03.2019	31.12.2018
I Total capital requirement	11 655,6	11 434,2
II Own funds after reductions	23 994,9	22 839,8
Total Capital Ratio [II/(I*12.5)]	16,47%	15,98%
Tier I Ratio	14,63%	14,11%

The table below shows the total capital ratio and Tier 1 ratio of Santander Bank Polska S.A. and Santander Consumer Bank S.A. as at 31 March 2019 and 31 December 2018.

Santander Bank Polska Capital Ratios	31.03.2019	31.12.2018
Total Capital Ratio	18,78%	18,04%
Tier I Ratio	16,62%	15,85%

SCB Capital Ratios	31.03.2019	31.12.2018
Total Capital Ratio	19,19%	19,12%
Tier I Ratio	17,78%	17,70%

4. Factors Affecting the Financial Performance in the Next Quarter

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

- ✓ Gradual economic slowdown in Poland coupled with a growing inflation rate.
- ✓ Significant increase in cost of energy and operation costs of companies.
- ✓ Growth in real disposable income of households on account of the continued employment and wage growth.
- ✓ Growing labour market tension due to the continued shortage of qualified workforce.
- ✓ Low financing costs for households and businesses should stimulate demand for bank loans. At the same time, low interest on deposits may encourage bank customers to seek alternative savings/investment options.
- ✓ Further developments in the global equity markets and their impact on demand for investment fund units or, alternatively, safe bank deposits.
- ✓ Changes in asset funding costs dependent on the pace and degree of changes in base rates, movements in the PLN exchange rate, liquidity position of the banking sector and the degree of price competition between banks seeking to attract customer deposits.
- ✓ A possible increase in volatility in financial markets amid continuously negative outlook for global economic growth, expectations for monetary policy tightening by the Federal Reserve and intensification of trade wars.
- ✓ Possible changes in the monetary policy of the NBP, the ECB and the Federal Reserve.
- ✓ Regulatory changes, including launch of Employee Capital Plans in mid-2019.
- ✓ Outcome of negotiations regarding Britain's exit from the European Union.
- ✓ Price changes in commodity markets.
- ✓ Increased protectionism in the global trade.

VI. Other Information

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

- As at the release dates of the Report of Santander Bank Polska Group for Q1 2019 and the Annual Report of Santander Bank Polska Group for 2018, none of the members of the Supervisory Board held any shares or conditional rights to shares of Santander Bank Polska S.A.
- The table below shows shares and attached conditional rights to shares of Santander Bank Polska S.A. held by Management Board members as at the release dates of the above-mentioned reports in relation to the periods ended 31 March 2019 and 31 December 2018.

Management Board Members	30.04.2019		22.02.2019	
	No. of Santander Bank Polska shares	Rights (6th Incentive Scheme)	No. of Santander Bank Polska shares	Rights (6th Incentive Scheme)
Michał Gajewski	-	5 420	-	5 420
Andrzej Burliga	1 389	2 820	4 389	2 820
Michael McCarthy	1 528	3 250	1 528	3 250
Carlos Polaino Izquierdo	631	2 820	631	2 820
Juan de Porras Aguirre	1 397	2 240	1 397	2 240
Arkadiusz Przybył	-	3 390	-	3 390
Maciej Reluga	505	2 030	505	2 030
Dorota Strojowska	635	2 370	635	2 370
Feliks Szyszkowiak	1 621	2 880	1 621	2 880
Total	7 706	27 220	10 706	27 220

Condensed Interim Consolidated
Financial Statement of
Santander Bank Polska Group
for the 3-month period
ended 31 March 2019

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I. Condensed consolidated income statement

for reporting period:		1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Interest income and similar to income		2 081 699	1 688 501
Interest income on financial assets measured at amortised cost		1 821 282	1 487 943
Interest income on financial assets measured at fair value through other comprehensive income		209 674	163 239
Income similar to interest on financial assets measured at fair value through profit or loss		50 743	37 319
Interest expense		(473 099)	(298 675)
Net interest income	Note 4	1 608 600	1 389 826
Fee and commission income		629 803	603 973
Fee and commission expense		(109 741)	(88 859)
Net fee and commission income	Note 5	520 062	515 114
Dividend income		247	185
Net gains/(losses) on subordinated entities		-	(65)
Net trading income and revaluation	Note 6	48 432	(1 083)
Gains (losses) from other financial securities	Note 7	32 855	3 927
Other operating income	Note 8	34 870	77 448
Impairment losses on loans and advances	Note 9	(262 688)	(203 364)
Operating expenses incl.:		(1 238 833)	(971 151)
-Staff, operating expenses and management costs	Note 10 and 11	(1 056 859)	(862 454)
-Depreciation/amortisation		(99 583)	(82 536)
-Amortisation of right of use asset		(52 998)	-
-Other operating expenses	Note 12	(29 393)	(26 161)
Share in net profits (loss) of entities accounted for by the equity method		14 338	10 998
Tax on financial institutions		(142 013)	(106 478)
Profit before tax		615 870	715 357
Corporate income tax	Note 13	(191 634)	(180 987)
Consolidated profit for the period		424 236	534 370
of which:			
-attributable to owners of Santander Bank Polska SA		350 687	440 899
-attributable to non-controlling interests		73 549	93 471
Net earnings per share			
Basic earnings per share (PLN/share)		3,44	4,42
Diluted earnings per share (PLN/share)		3,43	4,41

Notes presented on pages 16 – 65 constitute an integral part of this Financial Statement.

II. Condensed consolidated statement of comprehensive income

	for reporting period:	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Consolidated profit for the period		424 236	534 370
Other comprehensive income which can be transferred to the profit and loss account:		4 909	138 236
Valuation of debt securities measured at fair value through other comprehensive income gross		(63 443)	181 965
Deferred tax		12 054	(34 573)
Valuation of cash flow hedging instruments gross		69 504	(11 304)
Deferred tax		(13 206)	2 148
Other comprehensive income which can't be transferred to the profit and loss account:		(3 085)	(700)
Valuation of equity securities measured at fair value through other comprehensive income gross		(3 809)	(949)
Deferred tax		724	180
Profit on sale of equity securities measured at fair value through other comprehensive income gross		-	86
Current tax		-	(17)
Other comprehensive income for the period net of income tax		1 824	137 536
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		426 060	671 906
Total comprehensive income attributable to:			
Owners of Santander Bank Polska SA		356 364	577 623
Non-controlling interests		69 696	94 283

Notes presented on pages 16 – 65 constitute an integral part of this Financial Statement.

III. Condensed consolidated statement of financial position

	as at:	31.03.2019	31.12.2018
ASSETS			
Cash and balances with central banks	Note 14	7 201 578	8 907 552
Loans and advances to banks	Note 15	1 700 577	2 936 214
Financial assets held for trading	Note 16	13 090 208	9 769 851
Hedging derivatives		76 382	73 221
Loans and advances to customers incl.:	Note 17	138 667 143	137 460 378
- measured at amortised cost		136 932 592	135 643 297
- measured at fair value through other comprehensive income		392 279	366 751
- measured at fair value through profit or loss		1 342 272	1 450 330
Buy-sell-back transactions		180 203	177 482
Investment securities incl.:	Note 18	39 306 881	39 179 100
- debt securities measured at fair value through other comprehensive income		38 325 286	38 221 051
- debt securities measured at fair value through profit and loss		163 878	136 511
- equity securities measured at fair value through other comprehensive income		817 717	821 538
Investments in associates	Note 19	906 884	891 952
Intangible assets		773 264	819 409
Goodwill		1 712 056	1 712 056
Property, plant and equipment		752 271	986 384
Right of use asset		984 553	-
Net deferred tax assets		1 750 550	1 760 121
Assets classified as held for sale		10 993	12 145
Other assets		1 152 820	1 166 995
Total assets		208 266 363	205 852 860
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	2 999 969	2 832 928
Hedging derivatives		910 434	912 482
Financial liabilities held for trading	Note 16	1 333 265	1 233 713
Deposits from customers	Note 21	147 745 854	149 616 658
Sell-buy-back transactions		12 070 220	9 340 788
Subordinated liabilities	Note 22	2 652 866	2 644 341
Debt securities in issue	Note 23	9 297 910	9 368 617
Lease liability		829 328	-
Current income tax liabilities		244 386	288 300
Provisions for off balance sheet credit facilities	Note 24	71 081	81 048
Other provisions	Note 25	199 142	132 881
Other liabilities	Note 26	3 037 203	2 732 893
Total liabilities		181 391 658	179 184 649
Equity			
Equity attributable to owners of Santander Bank Polska S.A.		25 464 252	25 104 027
Share capital		1 020 883	1 020 883
Other reserve capital		18 972 254	18 969 482
Revaluation reserve		1 025 050	1 019 373
Retained earnings		4 095 378	1 729 067
Profit for the current period		350 687	2 365 222
Non-controlling interests in equity		1 410 453	1 564 184
Total equity		26 874 705	26 668 211
Total liabilities and equity		208 266 363	205 852 860

Notes presented on pages 16 – 65 constitute an integral part of this Financial Statement.

IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period		interests	Total equity
Equity as at 1.01.2019	1 020 883	18 969 482	1 019 373	4 094 289	25 104 027	1 564 184	26 668 211
Total comprehensive income	-	-	5 677	350 687	356 364	69 696	426 060
<i>Consolidated profit for the period</i>	-	-	-	350 687	350 687	73 549	424 236
<i>Other comprehensive income</i>	-	-	5 677	-	5 677	(3 853)	1 824
Profit allocation to dividends	-	-	-	-	-	(223 427)	(223 427)
Share scheme charge	-	2 772	-	-	2 772	-	2 772
Other	-	-	-	1 089	1 089	-	1 089
Equity as at 31.03.2019	1 020 883	18 972 254	1 025 050	4 446 065	25 464 252	1 410 453	26 874 705

Revaluation reserve in the amount of PLN 1,025,050 k comprises valuation of debt securities and valuation of equity securities of PLN 506,766 k and PLN 516,950 k respectively and additionally valuation of cash flow hedge activities of PLN (9,503) k and accumulated actuarial gains - provision for retirement allowances of PLN 10,837 k.

Consolidated statement of changes in equity	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period		interests	Total equity
Equity as at 31.12.2017	993 335	16 920 129	714 466	3 279 290	21 907 220	1 436 409	23 343 629
Impact of the implementation of IFRS 9	-	-	(44 047)	(210 407)	(254 454)	-	(254 454)
Equity as at 1.01.2018 (restated)	993 335	16 920 129	670 419	3 068 883	21 652 766	1 436 409	23 089 175
Total comprehensive income	-	-	136 724	440 899	577 623	94 283	671 906
<i>Consolidated profit for the period</i>	-	-	-	440 899	440 899	93 471	534 370
<i>Other comprehensive income</i>	-	-	136 724	-	136 724	812	137 536
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	(69)	69	-	-	-
Share scheme charge	-	3 201	-	-	3 201	-	3 201
Equity adjustment due to merger and liquidation of subsidiaries and controlling stake at the subsidiaries	-	(234)	802	746	1 314	-	1 314
Equity as at 31.03.2018	993 335	16 923 096	807 876	3 510 597	22 234 904	1 530 692	23 765 596

Revaluation reserve in the amount of PLN 807,876 k comprises valuation of debt securities and valuation of equity securities of PLN 391,482 k and PLN 513,445 k respectively and additionally valuation of cash flow hedge activities of PLN (97,488) k and accumulated actuarial gains - provision for retirement allowances of PLN 437 k.

V. Condensed consolidated statement of cash flows

	for reporting period:	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Profit before tax		615 870	715 357
Total adjustments:			
Share in net profits of entities accounted for by the equity method		(14 338)	(10 998)
Depreciation/amortisation		152 581	82 536
Profit from investing activities		(15 480)	(44 418)
Impairment losses (reversal)		(10)	(10)
		738 623	742 467
Changes in:			
Provisions		56 294	7 982
Trading portfolio financial instruments		(3 220 805)	(2 645 490)
Hedging derivatives		(5 209)	95 125
Loans and advances to banks		(66 704)	(26)
Loans and advances to customers		(1 206 765)	(1 462 220)
Deposits from banks		156 937	1 281 887
Deposits from customers		(1 808 401)	1 947 958
Buy-sell/ Sell-buy-back transactions		2 729 432	2 727 809
Other assets and liabilities		359 302	(520 716)
		(3 005 919)	1 432 309
Interest accrued excluded from operating activities		(119 035)	(100 884)
Dividends		(246)	(185)
Paid income tax		(225 975)	(231 059)
Net cash flows from operating activities		(2 612 552)	1 842 648
Inflows		1 439 917	688 051
Sale/maturity of investment securities		1 274 716	517 241
Sale of intangible assets and property, plant and equipment		16 804	58 606
Dividends received		246	6
Interest received		148 151	112 198
Outflows		(4 142 833)	(2 222 031)
Purchase of investment securities		(4 107 597)	(2 146 814)
Purchase of intangible assets and property, plant and equipment		(35 236)	(75 217)
Net cash flows from investing activities		(2 702 916)	(1 533 980)
Inflows		264 360	367 720
Debt securities in issue		-	160 000
Drawing of loans		264 360	207 720
Outflows		(739 069)	(1 241 319)
Debt securities buy out		(83 775)	(890 000)
Repayment of loans		(316 184)	(283 495)
Repayment of lease liability		(39 755)	-
Dividends and other payments to shareholders		(223 427)	-
Interest paid		(75 928)	(67 824)
Net cash flows from financing activities		(474 709)	(873 599)
Total net cash flows		(5 790 177)	(564 931)
Cash and cash equivalents at the beginning of the accounting period		18 012 307	7 662 368
Cash and cash equivalents at the end of the accounting period		12 222 130	7 097 437

Notes presented on pages 16 – 65 constitute an integral part of this Financial Statement.

VI. Condensed income statement of Santander Bank Polska SA

	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Interest income and similar to interest	1 546 549	1 201 338
Interest income on financial assets measured at amortised cost	1 309 238	1 023 625
Interest income on financial assets measured at fair value through other comprehensive income	196 976	151 976
Income similar to interest - financial assets measured at fair value through profit or loss	40 335	25 737
Interest expenses	(375 293)	(214 374)
Net interest income	1 171 256	986 964
Fee and commission income	482 330	446 040
Fee and commission expenses	(66 038)	(52 771)
Net fee and commission income	416 292	393 269
Dividend income	335 383	179
Net gains/(losses) on subordinated entities	-	(65)
Net trading income and revaluation	49 127	12 280
Gains (losses) from other financial securities	32 424	4 656
Other operating income	17 274	62 437
Impairment losses on loans and advances	(179 629)	(174 515)
Operating expenses incl.:	(1 022 520)	(782 838)
-Staff, Operating expenses and management costs	(877 218)	(695 534)
-Depreciation/amortisation	(89 388)	(70 301)
-Amortisation of right of use asset	(40 339)	-
-Other operating expenses	(15 574)	(17 003)
Tax on financial institutions	(131 643)	(96 681)
Profit before tax	687 964	405 686
Corporate income tax	(128 915)	(122 730)
Profit for the period	559 049	282 956
Net earnings per share (PLN/share)		
Basic earnings per share	5,47	2,83
Diluted earnings per share	5,48	2,83

Notes presented on pages 16 – 65 constitute an integral part of this Financial Statement.

VII. Condensed statement of comprehensive income of Santander Bank Polska SA

	for reporting period:	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Profit for the period		559 049	282 956
Other comprehensive income which can be transferred to the profit and loss account:		11 912	136 309
Valuation of debt securities measured at fair value through other comprehensive income gross		(49 822)	178 840
Deferred tax		9 466	(33 979)
Valuation of cash flow hedging instruments gross		64 528	(10 558)
Deferred tax		(12 260)	2 006
Other comprehensive income which can't be transferred to the profit and loss account:		2	31
Valuation of equity securities measured at fair value through other comprehensive income gross		2	(47)
Deferred tax		-	9
Profit on sale of equity securities measured at fair value through other comprehensive income gross		-	86
Current tax		-	(17)
Other comprehensive income for the period net of income tax		11 914	136 340
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		570 963	419 296

Notes presented on pages 16 – 65 constitute an integral part of this Financial Statement.

VIII. Condensed statement of financial position of Santander Bank Polska SA

	31.03.2019	31.12.2018
ASSETS		
Cash and balances with central banks	7 140 003	8 841 902
Loans and advances to banks	1 547 009	2 859 479
Financial assets held for trading	13 098 445	9 776 705
Hedging derivatives	59 836	52 554
Loans and advances to customers incl.:	118 659 463	117 492 490
- measured at amortised cost	117 286 348	116 056 599
- measured at fair value through other comprehensive income	392 279	366 751
- measured at fair value through profit or loss	980 836	1 069 140
Buy-sell-back transactions	180 203	177 482
Investment securities incl.:	36 512 823	36 372 113
- debt securities measured at fair value through other comprehensive income	35 554 047	35 439 836
- debt securities measured at fair value through profit and loss	157 503	131 005
- equity securities measured at fair value through other comprehensive income	801 273	801 272
Investments in subsidiaries and associates	2 396 937	2 396 937
Intangible assets	728 862	775 908
Goodwill	1 688 516	1 688 516
Property, plant and equipment	640 537	870 686
Right of use asset	864 226	-
Net deferred tax assets	951 415	950 886
Assets classified as held for sale	10 572	11 123
Other assets	1 076 742	771 783
Total assets	185 555 589	183 038 564
LIABILITIES AND EQUITY		
Deposits from banks	1 222 821	1 039 979
Hedging derivatives	901 269	903 170
Financial liabilities held for trading	1 336 964	1 238 002
Deposits from customers	137 494 102	139 469 776
Sell-buy-back transactions	10 952 854	8 233 994
Subordinated liabilities	2 551 576	2 543 940
Debt securities in issue	3 322 619	3 311 969
Lease liability	905 008	-
Current income tax liabilities	195 544	186 769
Provisions for off balance sheet credit facilities	50 135	58 143
Other provisions	148 205	83 644
Other liabilities	2 040 400	2 108 821
Total liabilities	161 121 497	159 178 207
Equity		
Share capital	1 020 883	1 020 883
Other reserve capital	18 153 770	18 150 998
Revaluation reserve	1 042 575	1 030 661
Retained earnings	3 657 815	1 490 654
Profit for the current period	559 049	2 167 161
Total equity	24 434 092	23 860 357
Total liabilities and equity	185 555 589	183 038 564

Notes presented on pages 16 – 65 constitute an integral part of this Financial Statement.

IX. Condensed statement of changes in equity of Santander Bank Polska SA

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Equity as at 1.01.2019	1 020 883	18 150 998	1 030 661	3 657 815	23 860 357
Total comprehensive income	-	-	11 914	559 049	570 963
<i>Profit for the period</i>	-	-	-	559 049	559 049
<i>Other comprehensive income</i>	-	-	11 914	-	11 914
Share scheme charge	-	2 772	-	-	2 772
Equity as at 31.03.2019	1 020 883	18 153 770	1 042 575	4 216 864	24 434 092

Revaluation reserve in the amount of PLN 1,042,575 k comprises valuation of debt securities and valuation of equity securities of PLN 504,038 k and PLN 542,292 k respectively and additionally valuation of cash flow hedge activities of PLN (14,638) k and accumulated actuarial gains - provision for retirement allowances of PLN 10,883 k.

Statement of changes in equity	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Equity as at 31.12.2017	993 335	16 176 183	712 303	2 957 016	20 838 837
Impact of the implementation of IFRS 9	-	-	(32 278)	(200 527)	(232 805)
Equity as at 1.01.2018 (restated)	993 335	16 176 183	680 025	2 756 489	20 606 032
Total comprehensive income	-	-	136 340	282 956	419 296
<i>Profit for the period</i>	-	-	-	282 956	282 956
<i>Other comprehensive income</i>	-	-	136 340	-	136 340
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	(69)	69	-
Share scheme charge	-	3 201	-	-	3 201
Equity as at 31.03.2018	993 335	16 179 384	816 296	3 039 514	21 028 529

Revaluation reserve in the amount of PLN 816,296 k comprises valuation of debt securities and valuation of equity securities of PLN 382,135 k and PLN 533,819 k respectively and additionally valuation of cash flow hedge activities of PLN (99,980) k and accumulated actuarial gains - provision for retirement allowances of PLN 322 k.

X. Condensed statement of cash flows of Santander Bank Polska SA

	for reporting period:	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Profit before tax		687 964	405 686
Total adjustments:			
Depreciation/amortisation		129 727	70 301
Profit from investing activities		(14 203)	(44 590)
		803 488	431 397
Changes in:			
Provisions		56 553	(2 477)
Trading portfolio financial instruments		(3 222 778)	(2 650 950)
Hedging derivatives		(9 183)	85 926
Loans and advances to banks		(823)	(16)
Loans and advances to customers		(1 166 973)	(1 104 677)
Deposits from banks		182 842	1 282 437
Deposits from customers		(1 827 167)	2 007 471
Buy-sell/ Sell-buy-back transactions		2 718 860	2 860 012
Other assets and liabilities		195 563	(495 625)
		(3 073 106)	1 982 101
Interest accrued excluded from operating activities		(157 910)	(132 539)
Dividends		(335 382)	(179)
Paid income tax		(123 463)	(130 807)
Net cash flows from operating activities		(2 886 373)	2 149 973
Inflows		1 020 619	246 697
Sale of investments in subsidiaries		-	35
Sale/maturity of investment securities		874 944	94 630
Sale of intangible assets and property, plant and equipment		7 632	53 514
Dividends received		241	-
Interest received		137 802	98 518
Outflows		(3 721 975)	(1 897 896)
Purchase of investment securities		(3 707 597)	(1 841 612)
Purchase of intangible assets and property, plant and equipment		(14 378)	(56 284)
Net cash flows from investing activities		(2 701 356)	(1 651 199)
Outflows		(209 325)	(1 010 881)
Debt securities buy out		-	(750 000)
Repayment of loans		(149 189)	(238 300)
Repayment of lease liability		(34 756)	-
Interest paid		(25 380)	(22 581)
Net cash flows from financing activities		(209 325)	(1 010 881)
Total net cash flows		(5 797 054)	(512 107)
Cash and cash equivalents at the beginning of the accounting period		17 777 727	7 506 027
Cash and cash equivalents at the end of the accounting period		11 980 673	6 993 920

Notes presented on pages 16 – 65 constitute an integral part of this Financial Statement.

XI. Additional notes to condensed interim consolidated financial statement

1. General information about issuer

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

On 7.09.2018, the District Court for Wrocław-Fabryczna in Wrocław, VI Economic Unit of the National Court Register, entered into the register of entrepreneurs changes in the Bank's statute resulting in, among others, the change of the Bank's name from the Bank Zachodni WBK SA to Santander Bank Polska SA.

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 3-month period ended 31.03.2019 includes Bank's financial information as well as information from its subsidiaries and shares in associated entities (all together called Group).

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

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

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

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

Subsidiaries	Registered office	[%] of votes on AGM at 31.03.2019	[%] of votes on AGM at 31.12.2018
1. Santander Finanse sp. z o.o. (formerly BZ WBK Finanse sp. z o.o.)	Poznań	100%	100%
2. Santander Factoring sp. z o.o. (formerly BZ WBK Faktor 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. (formerly BZ WBK Leasing S.A.)	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4. Santander Leasing Poland Securitization 01 ¹⁾	Dublin	subsidiary of Santander Leasing S.A.	subsidiary of Santander Leasing S.A.
5. Santander Inwestycje sp. z o.o. (formerly BZ WBK Inwestycje sp. z o.o.)	Warszawa	100%	100%
6. Gieldokracja sp.z o.o. ²⁾	Poznań	-	0%
7. Santander F24 S.A. (formerly BZ WBK F24 S.A.)/ BZ WBK Nieruchomości S.A. ³⁾	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.
8. Santander Securities S.A. ⁴⁾	Warszawa	100%	100%
9. Santander Towarzystwo Funduszy Inwestycyjnych S.A. (formerly BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.) ⁵⁾	Poznań	50%	50%
10. Santander Consumer Bank S.A.	Wrocław	60%	60%
11. Santander Consumer Finanse sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
12. PSA Finance Polska sp. z o.o. ⁶⁾	Warszawa	Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.	Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.
13. PSA Consumer Finance Polska sp. z o.o. ⁶⁾	Warszawa	100% of AGM votes are held by PSA Finance Polska sp. z.o.o.	100% of AGM votes are held by PSA Finance Polska sp. z.o.o.
14. Santander Consumer Multirent sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
15. S.C. Poland Consumer 15-1 sp.z o.o. ⁷⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.
16. S.C. Poland Consumer 16-1 sp.z o.o. ⁷⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

- 1) Foundation of Santander Leasing Poland Securitization 01 as part of securitisation transaction. Details in note 31.
- 2) Gieldokracja sp. z o.o. was liquidated. Details in note 31.
- 3) On 18.10.2017, BZ WBK Nieruchomości SA with its registered office in Zakrzewo changed name to Santander F24 SA (formerly BZ WBK F24 SA) with its registered office in Poznań. On 24.11.2017, Santander Bank Polska SA made contribution in kind of Santander F24 SA (formerly BZ WBK Nieruchomości SA) shares to Santander Finanse sp. z o.o. to cover the acquisition of Santander Finanse sp. z o.o. shares by Santander Bank Polska SA On 12.01.2018 in the Nation Court Register was registered increase of share capital Santander Finanse sp. z o.o. to PLN 1,630 k. Share capital was fully paid.
- 4) Acquisition of Santander Securities S.A. Details in note 31.
- 5) As at 31.03.2019, Santander Bank Polska was a co-owner of Santander Towarzystwo Funduszy Inwestycyjnych SA, together with Banco Santander SA Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska exercises control over the subsidiary Santander Towarzystwo Funduszy Inwestycyjnych SA because through it, Banco Santander implements its policy in Poland. Consequently, the company is treated as a subsidiary.
- 6) According to Santander Bank Polska Group Management Board, investing in PSA Finance Polska Sp. z o.o., a subsidiary company, resulted from the need to prepare consolidated financial statements due to the fact that Santander Consumer Bank S.A has a direct control and Santander Bank Polska SA has indirect control over the investment.
- 7) SC Poland Consumer 15-1 sp. z o.o. SC Poland Consumer 16-1 sp. z o.o. set up for the purpose of securitisation of a part of the loan portfolio; its shareholder is polish legal entity who has no ties with the Group; the company is controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7.

Associates:

Associates	Registered office	[%] of votes on AGM at 31.03.2019	[%] of votes on AGM at 31.12.2018
1. POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2. Santander - Aviva Towarzystwo Ubezpieczeń S.A.	Poznań	49%	49%
3. Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	Poznań	49%	49%

2. Basis of preparation of condensed interim consolidated financial statements

2.1 Statement of compliance

This consolidated condensed interim financial statement of Santander Bank Polska S.A. Group was prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, which are applied on a consistent basis, as at 31 March 2019 and, in the case of matters not governed by the above Standards, in accordance with the provisions of the Accounting Act of 29 September 1994 (consolidated text: Journal of Law 2018, item 395) 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.

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

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Conceptual Framework for Financial Reporting	<p>The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.</p> <p>The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:</p> <ul style="list-style-type: none"> • Chapter 1 – The objective of financial reporting • Chapter 2 – Qualitative characteristics of useful financial information • Chapter 3 – Financial statements and the reporting entity • Chapter 4 – The elements of financial statements • Chapter 5 – Recognition and derecognition • Chapter 6 – Measurement • Chapter 7 – Presentation and disclosure • Chapter 8 – Concepts of capital and capital maintenance <p>The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 Business Combinations and for those applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p>	Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.	The amendment will not have a significant impact on financial statement.
IAS 1 Presentation of financial statements and IAS 8 Accounting principles (policy), changes in estimates and correction of errors	The IASB has published a new definition of 'material'. Amendments to IAS 1 and IAS 8 clarify the definition and increase consistency across standards	1 January 2020	The standard will not have a significant impact on financial statement.
IFRS 17 Insurance Contracts*	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of the entity. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: aggregation levels at which the calculations are made, methods for the valuation of insurance liabilities, recognition a profit or loss over the period the entity provides insurance coverage, reinsurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2021	The standard will not have a significant impact on financial statement.
Amendments to IFRS 3 Business combinations	As a result of the amendments to IFRS 3, the definition of a "business" has been modified. The definition has been narrowed down and is likely to result in more acquisitions being classified as a purchase of assets.	1 January 2020	The standard will not have a significant impact on financial statement.
Improvements to IFRS 10 and IAS 28 *	<p>Improvements to IFRS 10 and IAS 28 cover sales or contributions of assets between an investor and its associate/joint venture. The improvements eliminate the inconsistencies between IFRS 10 and IAS 28. The accounting treatment hinges on whether the non-monetary assets sold or contributed to an associate/joint venture constitute a business.</p> <p>Should the assets constitute a business, the investor shall recognize the profit or loss in full. Should the assets not constitute a business, the profit or loss shall be recognised only to the extent of unrelated investors' interests in the associate or joint venture.</p> <p>The improvements were published on 11 September 2014.</p>	The International Accounting Standards Board has not established the validity date of the amended regulations.	The amendment will not have a significant impact on financial statement.

*New standards and amendments to the existing standards issued by the IASB, but not yet authorized for use in the EU.

2.3 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2019

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
IFRS 16 Leases	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions results in the lessee's right to use the assets and the obligation to make a payment. Accordingly, the classification of leases into operating lease and finance lease as per IAS 17 no longer applies under IFRS 16, as the new standard introduces a single model for accounting for leases by the lessee. The lessee will be required to present the following: (a) assets and liabilities in respect of all leases executed for more than 12 months, except where an asset is of low quality; and (b) depreciation charge for the leased asset separately from the interest expense on the lease liability in the statement of profit or loss and other comprehensive income.</p> <p>The principles of accounting for leases by the lessee established in IFRS 16 are largely the same as in IAS 17. As a consequence, the lessee continues to use the classification into operating lease and finance lease and accounts for them accordingly.</p>	1 January 2019	Standard's implementation impact is described in annual consolidated financial statement for 2018
IAS 19, Plan Amendment, Curtailment or Settlement*	<p>Amendments to IAS 19 specifies how an entity determines pension expenses when changes to a defined benefit pension plan occur. IAS 19 'Employee Benefits' specifies how an entity accounts for a defined benefit plan. When a change to a plan – an amendment, curtailment or settlement- takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.</p>	1 January 2019	The amendment does not have a significant impact on financial statement.
Amendment to IFRS 9 Financial Instruments Prepayment right with negative compensation	<p>Amendments to IFRS 9 introduce the statements with reference to contractual prepayment feature, when the lender could be forced to accept the prepayment amount that is substantially less than unpaid amounts of principal and interest. Such a prepayment amount would be a payment to the borrower from the lender, instead of compensation from the borrower to the lender. Such a financial asset would be eligible to be measured at amortized cost or fair value through other comprehensive income (subject to an assessment of the business model in which they are held), however, the negative compensation must be reasonable compensation for early termination of the contract.</p>	1 January 2019	The amendment does not have a significant impact on financial statement.
IFRIC 23 Uncertainty over Income Tax Treatments*	<p>Interpretation clarifies how the recognition and measurement requirements of IAS 12 "Income taxes" are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied where there is uncertainty over whether that treatment will be accepted by the tax authority.</p> <p>IFRIC Interpretation 23 addresses, in particular, when there is uncertainty over income tax treatments, whether an entity considers uncertain tax treatments separately, what assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, tax rates and how an entity considers changes in facts and circumstances.</p> <p>The impact of the uncertainty should be measured using the method that best predicts the resolution of the uncertainty - either the most likely amount method or the expected value method when measuring an uncertainty.</p>	1 January 2019	The amendment does not have a significant impact on financial statement.

2015-2017 Cycle	<p>Following is a summary of the amendments from the 2015-2017 annual improvements cycle: IFRS 3 Business Combinations - Previously held Interests in a joint operation</p> <ul style="list-style-type: none"> • The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. • In doing so, the acquirer remeasures its entire previously held interest in the joint operation. • An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. <p>IFRS 11 Joint Arrangements - Previously held Interests in a joint operation</p> <ul style="list-style-type: none"> • A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. • An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. 	1 January 2019	The amendment does not have a significant impact on financial statement.
2015-2017 Cycle	<p>Following is a summary of the amendments from the 2015-2017 annual improvements cycle: IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity</p> <ul style="list-style-type: none"> • The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. • An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. <p>IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation</p> <ul style="list-style-type: none"> • The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. • An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. • An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. 	1 January 2019	The amendment does not have a significant impact on financial statement.

*New standards and amendments to the existing standards issued by the IASB, but not yet authorized for use in the EU.

2.4 Basis of preparation of financial statement

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

The condensed interim consolidated financial statements of Santander Bank Polska Group were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" adopted by the European Union. Santander Bank Polska S.A has produced condensed interim financial statements in accordance with the historical cost principle, except for the items below:

Item	Balance sheet valuation rules
Held-for-trading financial instruments	Fair value through profit or loss
Loans and advances to customers which do not meet the contractual cash flows test (since 01.01.2018)	Fair value through profit or loss
Financial instruments measured at fair value through other comprehensive income (since 01.01.2018)	Fair value through other comprehensive income
Financial assets available for sale (until 31.12.2017)	Fair value through other comprehensive income
Share-based payment transactions	According to IFRS 2 "Share-based payment" requirements
Equity investment securities (since 01.01.2018)	Fair value through other comprehensive income – an option
Other investment securities (units) (since 01.01.2018)	Fair value through profit or loss
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 policies have been applied consistently by Santander Bank Polska Group entities. The same accounting principles were applied as in the case of the consolidated financial statements for the period ending 31 December 2018, except for changes arising from the implementation of IFRS 16 Leases as of 1 January 2019 (described in the later part of this document) and income tax charged under IAS 34.30c.

2.5 Use of estimates

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

Below is the description of estimates arising from the implementation of IFRS 16 Lease as of 1 January 2019.

Main estimates made by Santander Bank Polska Group

Measurement of right-of-use assets and lease liabilities

Pursuant to IFRS 16 Santander Bank Polska Group makes estimates which affect the value of right-of-use assets and lease liabilities. The estimates relate to the lease term and the discount rate used to calculate the initial value of right-of-use assets and lease liabilities.

The lease term is determined taking into account the extension and termination options, if they are likely to be exercised.

The present value of lease payments is determined using an interest rate implicit in the lease. If such a rate cannot be determined, an incremental borrowing rate is used.

Changes in estimates

Due to the implementation of IFRS 16 Leases, the scope of data covered by estimates in 2019 changed in comparison with Santander Bank Polska Group's consolidated financial statements in terms of how the lease term is determined.

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

In the process of applying the accounting policies, the management of Santander Bank Polska Group makes various subjective judgements, apart from those involving estimates, that can significantly affect the amounts it recognises in the financial statements.

Assessment of a contract to determine if it is a lease contract

At inception of a contract, Santander Bank Polska Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, Santander Bank Polska Group assesses whether, throughout the period of use, it has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer. Even if an asset is specified, Santander Bank Polska Group does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.

To control the use of an identified asset, Santander Bank Polska Group is required to have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.

Santander Bank Polska Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

2.7 Changes to accounting principles

Except for the changes presented below, Santander Bank Polska Group applied the accounting policies consistently both to the reporting period and to the comparable period.

Below is the description of changes to accounting policies arising from the implementation of IFRS 16 Lease as of 1 January 2019.

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

Separating components of a lease contract

Lessee

Santander Bank Polska 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 possible and where the share of non-lease components is not significant compared to total net lease payments. The Group (the lessee) does not apply this practical expedient to embedded derivatives.

Lessor

For a contract that contains a lease component and one or more additional lease or non-lease components, Santander Bank Polska 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 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 Group (the lessee) is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Group (the lessee) is reasonably certain not to exercise that option.

The lease term is updated at least once a year or 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.

Measurement

Initial measurement

Initial measurement of the right-of-use asset

At the commencement date, Santander Bank Polska Group (the lessee) measures the right-of-use asset at cost.

The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Santander Bank Polska Group (the lessee); and
- an estimate of costs to be incurred by Santander Bank Polska Group (the lessee) in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Initial measurement of the lease liability

At the commencement date, Santander Bank Polska Group (the lessee) measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- net fixed payments (including in-substance fixed payments), less any lease incentives;
- net variable lease payments that depend on an index or a rate;
- net amounts expected to be payable by the lessee under residual value guarantees;
- net exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of net penalties for terminating the lease, if the lease term reflects that Santander Bank Polska Group (the lessee) may exercise an option to terminate the lease.

Lease modifications

Santander Bank Polska Group (the lessee) accounts for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification Santander Bank Polska Group (the lessee):

- does not allocate the consideration in the modified contract;
- determines the lease term of the modified lease; and
- remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

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.

Finance lease

Recognition and measurement

At the commencement date, Santander Bank Polska Group (the lessor) recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

Initial measurement

Santander Bank Polska Group (the lessor) uses the interest rate implicit in the lease to measure the net investment in the lease.

Initial direct costs are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term.

Initial measurement of the lease payments included in the net investment in the lease

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- net fixed payments less any lease incentives payable;
- net variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- net exercise price of a purchase option if Santander Bank Polska Group (the lessee) is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects that Santander Bank Polska Group (the lessee) may exercise an option to terminate the lease.

Subsequent measurement

Finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Santander Bank Polska Group (the lessor) allocates finance income over the lease term on a systematic and rational basis. The lease payments relating to the period are allocated against the gross investment in the lease.

Santander Bank Polska Group (the lessor) applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Operating lease

Recognition and measurement

Santander Bank Polska Group (the lessor) recognises lease payments from operating leases as income on a straight-line basis.

The Group recognises costs, including depreciation, incurred in earning the lease income as an expense.

The Group, as the lessor, adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognises those costs as an expense over the lease term on the same basis as the lease income.

Recognition exemptions

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

- short-term leases; 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 Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2.8 Comparability with the results from the previous periods

1. The implementation of IFRS 16 Leases required modification of the lease recognition rules and extension of the scope of the disclosures in additional information, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, which gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of Santander Bank Polska Group as a lessor and lessee.

For the purpose of the initial application of the standard, Santander Bank Polska Group used a modified retrospective approach and measured right-of-use assets at the amount of lease liabilities. This approach did not impact the Group's equity.

Santander Bank Polska Group did not restate comparative information.

2. As a result of the analysis in 2018, on 1 January 2018, the bank changed the method of presentation of discounts or reduction connected with electronic services, in relation to fee and commission income and costs. These changes were applied by the Bank to the data for 2017 to make them comparable.

These items were previously presented as fee and commission income in "eBusiness and payments" and as fee and commission expenses in "eBusiness and payments", "Insurance fees" and "Other fees".

Since 1 January 2017, these items have been netted and presented as fee and commission income in "eBusiness and payments".

The table below shows the impact of the presentation change on comparative data.

	31.03.2018 before conversion	Change of presentation method	31.03.2018 converted
Fee and commission income	147 009	13 752	133 257
eBusiness & payments	147 009	13 752	133 257
Fee and commission expenses	(65 220)	13 752	(51 468)
eBusiness & payments	(45 208)	6 356	(38 852)
Insurance commissions	(2 718)	509	(2 209)
Other	(17 294)	6 887	(10 407)

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 (In 2nd quarter of 2018 the name of Global Corporate Banking was changed to Corporate & Investment Banking, the criteria of customers assignment to this business segment was maintained unchanged), 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 Santander Bank Polska Group 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 Santander Bank Polska Group 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 2019 introduced the following changes:

- customer resegmentation between business segments; Once a year, Santander Bank Polska Group carry out the resegmentation / migration of customers between operating segments which results from the fact that customer meet 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.

On 9.11.2018 acquisition of organized part of Deutsche Bank Polska took place. Results, assets and liabilities of customers of acquired organized part of Deutsche Bank Polska were presented in Retail Banking segment and Business and Corporate Banking segment, according to the principles of segmentation and income and cost identification in Santander Bank Polska Group. Gain on acquisition of organized part of Deutsche Bank Polska and acquisition related costs were presented in ALM and Center segment.

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 wholesale market, Corporate & Investment Banking 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

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

Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
01.01.2019-31.03.2019						
Net interest income	760 778	211 863	76 483	165 922	393 554	1 608 600
incl. internal transactions	(800)	(542)	1 350	760	(768)	-
Net fee and commission income	327 864	105 877	51 746	1 026	33 549	520 062
incl. internal transactions	34 585	21 991	(56 675)	809	(710)	-
Other income	13 464	21 607	14 788	52 415	13 883	116 157
incl. internal transactions	3 134	8 110	(10 146)	203	(1 301)	-
Dividend income	-	-	1	241	5	247
Operating costs	(478 164)	(111 566)	(65 102)	(271 065)	(160 355)	(1 086 252)
incl. internal transactions	-	-	-	315	(315)	-
Depreciation/amortisation	(86 459)	(13 878)	(5 790)	(27 701)	(18 753)	(152 581)
Impairment losses on loans and advances	(172 377)	(16 052)	6 942	(4 426)	(76 775)	(262 688)
Share in net profits (loss) of entities accounted for by the equity	-	-	-	14 338	-	14 338
Tax on financial institutions	-	-	-	(131 643)	(10 370)	(142 013)
Profit before tax	365 106	197 851	79 068	(200 893)	174 738	615 870
Corporate income tax						(191 634)
Consolidated profit for the period						424 236
of which:						
attributable to owners of Santander Bank Polska SA						350 687
attributable to non-controlling interests						73 549

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

Consolidated statement of financial position by business segment

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
31.03.2019						
Loans and advances to customers	73 597 231	35 778 734	13 258 768	-	16 032 410	138 667 143
Investments in associates	-	-	-	906 884	-	906 884
Other assets	8 533 546	2 080 315	13 663 336	40 246 688	4 168 451	68 692 336
Total assets	82 130 777	37 859 049	26 922 104	41 153 572	20 200 861	208 266 363
Deposits from customers	95 743 480	26 623 408	10 519 351	5 927 700	8 931 915	147 745 854
Other liabilities and equity	5 820 160	4 457 596	15 363 389	23 610 418	11 268 946	60 520 509
Total equity and liabilities	101 563 640	31 081 004	25 882 740	29 538 118	20 200 861	208 266 363

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

Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
01.01.2018-31.03.2018						
Net interest income	629 881	157 730	53 608	183 862	364 745	1 389 826
incl. internal transactions	(298)	(645)	978	(69)	34	-
Net fee and commission income	330 032	87 695	47 936	6 075	43 376	515 114
incl. internal transactions	28 236	18 882	(47 151)	733	(700)	-
Other income	(672)	8 825	23 833	35 462	12 779	80 227
incl. internal transactions	3 828	7 402	(10 969)	187	(448)	-
Dividend income	-	-	-	179	6	185
Operating costs	(456 366)	(99 069)	(53 234)	(131 721)	(148 225)	(888 615)
incl. internal transactions	-	-	-	280	(280)	-
Depreciation/amortisation	(53 534)	(9 160)	(3 974)	(5 933)	(9 935)	(82 536)
Impairment losses on loans and advances	(126 122)	(32 660)	(5 519)	(2 195)	(36 868)	(203 364)
Share in net profits (loss) of entities accounted for by the equity	-	-	-	10 998	-	10 998
Tax on financial institutions	-	-	-	(96 681)	(9 797)	(106 478)
Profit before tax	323 219	113 361	62 650	46	216 081	715 357
Corporate income tax						(180 987)
Consolidated profit for the period						534 370
of which:						
attributable to owners of Santander Bank Polska SA						440 899
attributable to non-controlling interests						93 471

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

Consolidated statement of financial position (by business segment)

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
31.12.2018						
Loans and advances to customers	71 976 209	35 749 032	13 954 107	-	15 781 030	137 460 378
Investments in associates	-	-	-	891 952	-	891 952
Other assets	9 085 642	2 424 584	10 358 452	41 567 164	4 064 688	67 500 530
Total assets	81 061 851	38 173 616	24 312 559	42 459 116	19 845 718	205 852 860
Deposits from customers	95 030 447	28 054 285	11 962 221	5 694 541	8 875 164	149 616 658
Other liabilities and equity	5 937 846	4 583 633	13 016 027	21 728 142	10 970 554	56 236 202
Total equity and liabilities	100 968 293	32 637 918	24 978 248	27 422 683	19 845 718	205 852 860

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

4. Net interest income

1.01.2019-31.03.2019

Interest income and similar to interest	Interest income			Total
	Interest income on financial assets measured at amortised cost	Interest income on financial assets measured at fair value through other comprehensive income	Income similar to interest - financial assets measured at fair value through profit or loss	
Loans and advances to enterprises	531 081	4 538	501	536 120
Loans and advances to individuals, of which:	1 129 340	-	27 342	1 156 682
<i>Home mortgage loans</i>	396 264	-	-	396 264
Debt securities incl.:	-	205 136	22 900	228 036
<i>Investment securities</i>	-	205 136	-	205 136
<i>Trading portfolio</i>	-	-	22 900	22 900
Leasing agreements	76 396	-	-	76 396
Loans and advances to banks	12 821	-	-	12 821
Loans and advances to public sector	2 762	-	-	2 762
Reverse repo transactions	24 615	-	-	24 615
Interest recorded on hedging IRS	44 267	-	-	44 267
Total	1 821 282	209 674	50 743	2 081 699

1.01.2019-31.03.2019

Interest expenses	Interest expenses on			Total
	Interest expenses on financial liabilities measured at amortised cost	Interest expenses on financial liabilities measured at fair value through other comprehensive income	Expenses similar to interest - financial liabilities measured at fair value through profit or loss	
Deposits from individuals	(223 733)	-	-	(223 733)
Deposits from enterprises	(120 991)	-	-	(120 991)
Repo transactions	(29 378)	-	-	(29 378)
Deposits from public sector	(12 924)	-	-	(12 924)
Deposits from banks	(14 066)	-	-	(14 066)
Lease liability	(4 480)	-	-	(4 480)
Subordinated liabilities and issue of securities	(67 527)	-	-	(67 527)
Total	(473 099)	-	-	(473 099)
Net interest income	1 348 183	209 674	50 743	1 608 600

1.01.2018-31.03.2018

Interest income and similar to interest	Interest income			Total
	Interest income on financial assets measured at amortised cost	Interest income on financial assets measured at fair value through other comprehensive income	Income similar to interest - financial assets measured at fair value through profit or loss	
Loans and advances to enterprises	425 003	-	501	425 504
Loans and advances to individuals, of which:	916 790	-	30 956	947 746
<i>Home mortgage loans</i>	280 304	-	-	280 304
Debt securities incl.:	-	163 239	5 862	169 101
<i>Investment securities</i>	-	163 239	-	163 239
<i>Trading portfolio</i>	-	-	5 862	5 862
Leasing agreements	70 712	-	-	70 712
Loans and advances to banks	7 691	-	-	7 691
Loans and advances to public sector	1 974	-	-	1 974
Reverse repo transactions	13 653	-	-	13 653
Interest recorded on hedging IRS	52 121	-	-	52 121
Total	1 487 943	163 239	37 319	1 688 501

1.01.2018-31.03.2018

Interest expenses	Interest expenses on			Total
	Interest expenses on financial liabilities measured at amortised cost	Interest expenses on financial liabilities measured at fair value through other comprehensive income	Expenses similar to interest - financial liabilities measured at fair value through profit or loss	
Deposits from individuals	(118 894)	-	-	(118 894)
Deposits from enterprises	(84 594)	-	-	(84 594)
Repo transactions	(17 746)	-	-	(17 746)
Deposits from public sector	(13 305)	-	-	(13 305)
Deposits from banks	(13 262)	-	-	(13 262)
Subordinated liabilities and issue of securities	(50 873)	-	-	(50 873)
Total	(298 675)	-	-	(298 675)
Net interest income	1 189 268	163 239	37 319	1 389 826

5. Net fee and commission income

	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Fee and commission income		
eBusiness & payments	135 129	133 257
Current accounts and money transfer	81 089	81 499
Asset management fees	67 785	81 201
Foreign exchange commissions	106 851	89 091
Credit commissions	96 816	80 683
Insurance commissions	48 711	50 144
Commissions from brokerage activities	18 716	18 132
Credit cards	44 401	43 118
Off-balance sheet guarantee commissions	17 391	14 822
Finance lease commissions	6 277	4 372
Issue arrangement fees	1 034	3 058
Distribution fees	1 713	863
Other commissions	3 890	3 733
Total	629 803	603 973
Fee and commission expenses		
eBusiness & payments	(40 656)	(38 852)
Distribution fees	(2 826)	(5 308)
Commissions from brokerage activities	(2 503)	(2 731)
Credit cards	(9 122)	(8 706)
Credit commissions paid	(22 419)	(11 773)
Insurance commissions	(5 138)	(2 209)
Finance lease commissions	(7 564)	(7 044)
Asset management fees and other costs	(2 139)	(1 829)
Other	(17 374)	(10 407)
Total	(109 741)	(88 859)
Net fee and commission income	520 062	515 114

6. Net trading income and revaluation

	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Net trading income and revaluation		
Derivative instruments and interbank fx transactions	43 486	22 681
Profit on equity securities measured at fair value through profit or loss	969	(3 002)
Profit on debt securities measured at fair value through profit or loss	(17 521)	(1 161)
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	21 498	(19 601)
Total	48 432	(1 083)

Net trading income and revaluation includes the change of the value of derivative instruments in the amount of PLN (1,349) k for 1Q 2019 and PLN (3,473) k for 1Q 2018.

The amounts included CVA and DVA adjustments which in 1Q 2019 and 1Q 2018 totaled PLN (1,341) k and PLN (3,087) k respectively.

7. Gains (losses) from other financial securities

	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Gains (losses) from other financial securities		
Profit on sale of debt securities measured at fair value through other comprehensive income	8 486	210
Profit on sale of debt securities mandatorily measured at fair value through profit or loss	-	(4)
Change in fair value of debt securities mandatorily measured at fair value through profit or loss	24 673	4 118
Total profit (losses) on financial instruments	33 159	4 324
Change in fair value of hedging instruments	(4 108)	(9 332)
Change in fair value of underlying hedged positions	3 804	8 935
Total profit (losses) on hedging and hedged instruments	(304)	(397)
Total	32 855	3 927

8. Other operating income

	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Other operating income		
Income on sale of services	5 655	11 115
Release of provision for legal cases and other assets	4 329	1 922
Settlements of leasing agreements	958	965
Recovery of other receivables (expired, cancelled and uncollectable)	788	2 305
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	7 036	44 277
Received compensations, penalties and fines	395	1 413
Profit on lease modifications	2 601	-
Other	13 108	15 451
Total	34 870	77 448

9. Impairment losses on loans and advances

Impairment losses on loans and advances measured at amortised cost for reporting period: 01.01.2019-31.03.2019

	Stage 1	Stage 2	Stage 3	POCI	Total
Charge for loans and advances to banks	-	-	-	-	-
Charge for loans and advances to customers	(16 561)	(47 557)	(244 530)	28 530	(280 118)
Recoveries of loans previously written off	-	-	7 442	-	7 442
Off-balance sheet credit related facilities	2 495	2 942	4 551	-	9 988
Total	(14 066)	(44 615)	(232 537)	28 530	(262 688)

**Impairment losses on loans and advances
measured at amortised cost for reporting
period: 01.01.2018-31.03.2018**

	Stage 1	Stage 2	Stage 3	POCI	Total
Charge for loans and advances to banks	-	-	-	-	-
Charge for loans and advances to customers	(3 021)	26 764	(252 063)	9 562	(218 758)
Recoveries of loans previously written off	-	-	17 680	-	17 680
Off-balance sheet credit related facilities	(2 540)	2 111	(1 857)	-	(2 286)
Total	(5 561)	28 875	(236 240)	9 562	(203 364)

10. Employee costs

Employee costs	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Salaries and bonuses	(363 505)	(324 869)
Salary related costs	(68 093)	(59 367)
Staff benefits costs	(8 896)	(8 299)
Professional trainings	(2 527)	(2 877)
Retirement fund, holiday provisions and other employee costs	(5)	(579)
Restructuring provision*	(81 594)	-
Total	(524 620)	(395 991)

*The Management Board of Santander Bank Polska SA informed that on 10 January 2019, as per the Act of 13 March 2003 on special rules of terminating employment contracts for reasons not attributable to the employees, they adopted a resolution on the intended collective redundancies and the start of the consultation procedure for collective redundancies.

The intention of the Management Board of the Bank is to make up to 1,400 employees of the Bank redundant, between February and 31 December 2019, and due to this the restructuring provision was created in the Bank's accounting books. Details on charge and utilization of restructuring provision are disclosed in Note 25.

11. General and administrative expenses

General and administrative expenses	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Maintenance of premises	(49 625)	(84 167)
Short-term lease costs	(1 520)	-
Low-value assets lease costs	(215)	-
Costs of variable lease payments not included in the measurement of the lease liability	(216)	-
Marketing and representation	(34 702)	(25 464)
IT systems costs	(77 507)	(60 331)
Cost of BFG, KNF and KDPW	(227 995)	(163 630)
Postal and telecommunication costs	(15 747)	(12 855)
Consulting fees	(14 522)	(18 862)
Cars, transport expenses, carriage of cash	(19 188)	(15 241)
Other external services	(40 571)	(36 102)
Stationery, cards, cheques etc.	(7 921)	(6 192)
Sundry taxes and charges	(18 024)	(8 507)
Data transmission	(3 320)	(3 562)
KIR, SWIFT settlements	(8 888)	(7 172)
Security costs	(7 380)	(7 083)
Costs of repairs	(958)	(10 808)
Other	(3 940)	(6 487)
Total	(532 239)	(466 463)

12. Other operating expenses

Other operating expenses	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Charge of provisions for legal cases and other assets	(13 687)	(9 834)
Costs of purchased services	(498)	(5 605)
Other membership fees	(182)	(181)
Paid compensations, penalties and fines	(300)	(3 339)
Donations paid	(2 233)	(39)
Costs of lease modifications	(2 650)	-
Other	(9 843)	(7 163)
Total	(29 393)	(26 161)

13. Corporate income tax

	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Corporate income tax		
Current tax charge in the income statement	(180 450)	(188 095)
Deferred tax	(9 572)	4 825
Adjustments from previous years	(1 612)	2 283
Total tax on gross profit	(191 634)	(180 987)

	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Corporate total tax charge information		
Profit before tax	615 870	715 357
Tax rate	19%	19%
Tax calculated at the tax rate	(117 015)	(135 918)
Non-tax-deductible expenses	(6 304)	(1 919)
The fee to the Bank Guarantee Fund	(41 915)	(30 448)
Tax on financial institutions	(26 982)	(20 230)
Adjustment of prior year tax	(1 612)	2 283
Tax effect of consolidation adjustments	-	6 793
Other	2 194	(1 548)
Total tax on gross profit	(191 634)	(180 987)

	31.03.2019	31.12.2018
Deferred tax recognised in other comprehensive income		
Relating to valuation of debt investments measured at fair value through other comprehensive income	(118 538)	(130 592)
Relating to valuation of equity investments measured at fair value through other comprehensive income	(121 168)	(121 892)
Relating to cash flow hedging activity	1 604	14 810
Relating to valuation of defined benefit plans	(2 536)	(2 536)
Total	(240 638)	(240 210)

14. Cash and balances with central banks

	31.03.2019	31.12.2018
Cash and balances with central banks		
Cash	1 866 359	2 452 636
Current accounts in central banks	5 301 919	6 454 916
Term deposits	33 300	-
Total	7 201 578	8 907 552

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 the monthly average balance of the customers' deposits, which in all the covered periods was 3.5%. In accordance with the applicable regulations, the amount of the calculated provision is reduced by the equivalent of EUR 500 k.

15. Loans and advances to banks

Loans and advances to banks	31.03.2019	31.12.2018
Loans and advances	107 319	1 159 923
Current accounts	1 593 325	1 776 358
Gross receivables	1 700 644	2 936 281
Allowance for impairment	(67)	(67)
Total	1 700 577	2 936 214

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	1 249 671	1 166 394	1 081 227	1 058 024
Interest rate operations	661 157	620 795	553 999	545 393
Transactions on equity instruments	2 844	2 844	3 279	3 279
FX operations	585 670	542 755	523 949	509 352
Debt and equity securities	11 840 537	-	8 688 624	-
Debt securities	11 819 088	-	8 671 723	-
Government securities:	11 814 453	-	8 667 540	-
- bonds	11 814 453	-	8 667 540	-
Commercial securities:	4 635	-	4 183	-
- bonds	4 635	-	4 183	-
Equity securities:	21 449	-	16 901	-
Short sale	-	166 871	-	175 689
Total financial assets/liabilities	13 090 208	1 333 265	9 769 851	1 233 713

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (2,296) k as at 31.03.2019 and PLN (946) k as at 31.12.2018.

17. Loans and advances to customers

Loans and advances to customers	31.03.2019			Total
	Measured at amortised cost	Measured at fair value through other comprehen- sive income	Measured at fair value through profit or loss	
Loans and advances to enterprises	58 122 212	392 273	127 629	58 642 114
Loans and advances to individuals, of which:	74 693 688	-	1 214 643	75 908 331
<i>Home mortgage loans</i>	49 758 145	-	-	49 758 145
Finance lease receivables	8 431 224	-	-	8 431 224
Loans and advances to public sector	327 138	-	-	327 138
Other receivables	22 840	6	-	22 846
Gross receivables	141 597 102	392 279	1 342 272	143 331 653
Allowance for impairment	(4 664 510)	-	-	(4 664 510)
Total	136 932 592	392 279	1 342 272	138 667 143

Loans and advances to customers	31.12.2018			Total
	Measured at amortised cost	Measured at fair value through other comprehen- sive income	Measured at fair value through profit or loss	
Loans and advances to enterprises	58 129 890	366 751	106 344	58 602 985
Loans and advances to individuals, of which:	73 352 431	-	1 343 986	74 696 417
<i>Home mortgage loans</i>	49 210 998	-	-	49 210 998
Finance lease receivables	8 204 296	-	-	8 204 296
Loans and advances to public sector	325 773	-	-	325 773
Other receivables	15 229	-	-	15 229
Gross receivables	140 027 619	366 751	1 450 330	141 844 700
Allowance for impairment	(4 384 322)	-	-	(4 384 322)
Total	135 643 297	366 751	1 450 330	137 460 378

Movements on impairment losses on loans and advances to customers measured at amortised cost for

reporting period 01.01.2019 - 31.03.2019	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	(564 639)	(530 275)	(3 236 293)	(53 115)	(4 384 322)
Charge/write back of current period	(16 482)	(47 557)	(244 531)	(20 774)	(329 344)
Write off/Sale of receivables	-	-	46 739	-	46 739
Transfer	23 776	25 537	(44 453)	(398)	4 462
F/X differences	(127)	(431)	(1 477)	(10)	(2 045)
Balance at the end of the period	(557 472)	(552 726)	(3 480 015)	(74 297)	(4 664 510)

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period 01.01.2018 - 31.03.2018

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the period	(444 870)	(531 570)	(3 085 299)	-	(4 061 739)
Charge/write back of current period	(15 099)	24 260	(250 892)	(20 535)	(262 266)
Write off/Sale of receivables	106	-	21 475	-	21 581
Transfer	(345)	(276)	10 253	-	9 632
F/X differences	(235)	(184)	(1 807)	15	(2 211)
Balance at the end of the period	(460 443)	(507 770)	(3 306 270)	(20 520)	(4 295 003)

18. Investment securities

Investment securities	31.03.2019	31.12.2018
Debt securities measured at fair value through other comprehensive income	38 325 286	38 221 051
Government securities:	33 107 610	30 403 130
- bonds	33 107 610	30 403 130
Central Bank securities:	3 214 666	5 999 249
- bills	3 214 666	5 999 249
Other securities:	2 003 010	1 818 672
-bonds	2 003 010	1 818 672
Debt securities measured at fair value through profit and loss	163 878	136 511
Equity securities measured at fair value through other comprehensive income	817 717	821 538
- listed	12 897	16 720
- unlisted	804 820	804 818
Total	39 306 881	39 179 100

19. Investments in associates

Balance sheet value of associates	31.03.2019	31.12.2018
Polfund - Fundusz Poręczeń Kredytowych S.A.	44 515	44 703
Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	862 369	847 249
Total	906 884	891 952

Movements on investments in associates	01.01.2019- 31.03.2019	01.01.2018- 31.12.2018
As at the beginning of the period	891 952	889 372
Share of profits/(losses)	14 338	62 667
Dividends	-	(60 695)
Other	594	608
As at the end of the period	906 884	891 952

20. Deposits from banks

Deposits from banks	31.03.2019	31.12.2018
Term deposits	173 553	144 906
Loans received from banks	1 743 771	1 733 724
Current accounts	1 082 645	954 298
Total	2 999 969	2 832 928

21. Deposits from customers

Deposits from customers	31.03.2019	31.12.2018
Deposits from individuals	89 183 307	88 211 366
Term deposits	31 969 865	32 715 078
Current accounts	57 018 431	55 308 995
Other	195 011	187 293
Deposits from enterprises	54 023 921	57 493 542
Term deposits	22 830 997	24 690 631
Current accounts	25 645 926	27 274 603
Loans	4 693 277	4 751 949
Other	853 721	776 359
Deposits from public sector	4 538 626	3 911 750
Term deposits	1 255 923	1 290 086
Current accounts	3 282 514	2 617 635
Other	189	4 029
Total	147 745 854	149 616 658

22. Subordinated liabilities

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

Movements in subordinated liabilities	31.03.2019	31.03.2018
As at the beginning of the period	2 644 341	1 488 602
Additions from:	21 543	24 962
- interest on subordinated loans	20 825	11 613
- FX differences	718	13 349
Disposals from:	(13 018)	(12 663)
- interest repayment	(13 018)	(12 663)
As at the end of the period	2 652 866	1 500 901
Short-term	24 651	6 555
Long-term (over 1 year)	2 628 215	1 494 346

23. Debt securities in issue

In 1Q 2019 there were no issues of debt securities.

Issuance of debt securities in 2018 (non-matured securities)	Nominal value	Currency	Redemption date
Series G bank securities	500 000	PLN	26.04.2019
Series H bank securities	500 000	PLN	27.09.2019
Series I bank securities	150 000	PLN	21.06.2019
Santander Bank Polska bonds 09/2018	500 000	EUR	20.09.2021
Series C bonds of Santander Factoring	850 000	PLN	18.04.2019
Senior bonds of Santander Leasing Poland Securitization 01	230 000	EUR	30.12.2034
SCB00042	100 000	PLN	05.03.2021
SCB00043	60 000	PLN	29.03.2022
SCB00044	156 000	PLN	14.05.2021
SCB00045	90 000	PLN	18.05.2021
SCB00046	45 000	PLN	18.05.2021

Movements in debt securities in issue	31.03.2019	31.03.2018
As at the beginning of the period	9 368 617	5 895 814
Increase (due to):	47 489	199 160
- debt securities in issue	-	160 000
- interest on debt securities in issue	46 308	39 160
- FX differences	948	-
- other changes	233	-
Decrease (due to):	(118 196)	(930 255)
- debt securities redemption	(83 775)	(890 000)
- interest repayment	(34 421)	(40 255)
As at the end of the period	9 297 910	5 164 719

24. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	31.03.2019	31.12.2018
Provisions for financial liabilities to grant loans	57 602	67 044
Provisions for financial guarantees	12 931	13 514
Other provisions	548	490
Total	71 081	81 048

Change in provisions for off balance sheet credit facilities	31.03.2019
As at the beginning of the period	81 048
Provision charge	34 722
Utilization	21
Write back	(44 710)
As at the end of the period	71 081
Short-term	51 476
Long-term	19 605

Change in provisions for off balance sheet credit facilities	31.03.2018
As at 31.12.2017	50 652
Impact of the implementation of IFRS 9	15 034
As at 1.01.2018 (restated)	65 686
Provision charge	45 310
Utilization	69
Write back	(43 024)
Other changes	(5)
As at the end of the period	68 036
Short-term	52 635
Long-term	15 401

25. Other provisions

Other provisions	31.03.2019	31.12.2018
Provisions for legal claims	138 394	132 382
Provisions for restructuring*	60 748	499
Total	199 142	132 881

*Details on restructuring provision are disclosed in Note 10.

Change in other provisions on 31.03.2019	Provisions for legal claims	Provisions for restructuring	Total
As at the beginning of the period	132 382	499	132 881
Provision charge	6 343	80 128	86 471
Utilization	(291)	(19 441)	(19 732)
Write back	(40)	(438)	(478)
As at the end of the period	138 394	60 748	199 142

Change in other provisions on 31.03.2018	Provisions for legal claims	Provisions for restructuring	Total
As at the beginning of the period	99 463	3 019	102 482
Provision charge	9 669	-	9 669
Utilization	(2 733)	-	(2 733)
Write back	(487)	(817)	(1 304)
As at the end of the period	105 912	2 202	108 114

26. Other liabilities

Other liabilities	31.03.2019	31.12.2018
Settlements of stock exchange transactions	26 743	17 039
Interbank settlements	597 390	267 844
Employee provisions	238 652	404 342
Other provisions	3 300	3 300
Sundry creditors	945 264	978 115
Other deferred and suspended income	228 223	240 637
Public and law settlements	172 472	109 853
Accrued liabilities	725 830	567 220
Finance lease related settlements	92 161	139 232
Other	7 168	5 311
Total	3 037 203	2 732 893
of which financial liabilities *	2 629 340	2 377 092

*Financial liabilities include all items of 'Other liabilities' with the exception of Public and law settlements, Other deferred and suspended income and Other.

Change in provisions on 31.03.2019	Employee provisions			Total
		Provisions for retirement allowances	Other provisions	
As at the beginning of the period	404 342	40 858	3 300	407 642
Provision charge	72 282	517	-	72 282
Utilization	(216 185)	-	-	(216 185)
Write back	(21 841)	(5)	-	(21 841)
Other changes	54	-	-	54
Balance at the end of the period	238 652	41 370	3 300	241 952
Short-term	197 283	-	3 300	200 583
Long-term	41 369	41 370	-	41 369

Change in provisions on 31.03.2018	Employee provisions			Total
		of which: Provisions for retirement allowances	Other provisions	
As at the beginning of the period	407 722	72 726	3 300	411 022
Provision charge	69 085	1 154	-	69 085
Utilization	(170 014)	-	-	(170 014)
Write back	(23 718)	(2)	-	(23 718)
Balance at the end of the period	283 075	73 878	3 300	286 375
Short-term	209 197	-	3 300	212 497
Long-term	73 878	73 878	-	73 878

27. Fair value

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

Below is a summary of the book values and fair values of the individual groups of assets and liabilities.

ASSETS	31.03.2019		31.12.2018	
	Book Value	Fair value	Book Value	Fair value
Cash and balances with central banks	7 201 578	7 201 578	8 907 552	8 907 552
Loans and advances to banks	1 700 577	1 700 577	2 963 214	2 963 214
Financial assets held for trading	13 090 208	13 090 208	9 769 851	9 769 851
Hedging derivatives	76 382	76 382	73 221	73 221
Loans and advances to customers	138 667 143	139 391 431	137 460 378	138 231 719
- measured at amortised cost	136 932 592	137 656 880	135 643 297	136 414 638
- measured at fair value through other comprehensive income	392 279	392 279	366 751	366 751
- measured at fair value through profit or loss	1 342 272	1 342 272	1 450 330	1 450 330
Investment securities incl.:	39 306 881	39 306 881	39 179 100	39 179 100
- debt securities measured at fair value through other comprehensive income	38 325 286	38 325 286	38 221 051	38 221 051
- debt securities measured at fair value through profit and loss	163 878	163 878	136 511	136 511
- equity securities measured at fair value through other comprehensive income	817 717	817 717	821 538	821 538
LIABILITIES				
Deposits from banks	2 999 969	2 999 969	2 832 928	2 832 928
Hedging derivatives	910 434	910 434	912 482	912 482
Financial liabilities held for trading	1 333 265	1 333 265	1 233 713	1 233 713
Deposits from customers	147 745 854	147 734 591	149 616 658	149 607 250
Subordinated liabilities	2 652 866	2 631 693	2 644 341	2 653 397

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 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.

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.

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.

Apart from assets that are not measured at fair value, all the other fair values fulfil conditions for classification to Level III of fair value.

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

As at 31.03.2019 and in the comparable periods the Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

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

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

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

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

Valuation of major capital investments classified to Level III:

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

are made semi-annually by specialized units of the Bank using income methods based on discounted cash flows, where the most important variables of the model are the level of forecasted dividends and the risk free rate.

As at 31.03.2019 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.03.2019	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	11 840 537	1 249 671	-	13 090 208
Hedging derivatives	-	76 382	-	76 382
Loans and advances to customers measured at fair value through other comprehensive income	-	-	392 279	392 279
Loans and advances to customers measured at fair value through profit or loss	-	90 327	1 251 945	1 342 272
Debt securities measured at fair value through other comprehensive income	38 298 016	-	27 270	38 325 286
Debt securities measured at fair value through profit and loss	-	-	163 878	163 878
Equity securities measured at fair value through other comprehensive income	12 897	-	804 820	817 717
Total	50 151 450	1 416 380	2 640 192	54 208 022
Financial liabilities				
Financial liabilities held for trading	166 871	1 166 394	-	1 333 265
Hedging derivatives	-	910 434	-	910 434
Total	166 871	2 076 828	-	2 243 699

31.12.2018	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	8 688 624	1 081 227	-	9 769 851
Hedging derivatives	-	73 221	-	73 221
Loans and advances to customers measured at fair value through other comprehensive income	-	-	366 751	366 751
Loans and advances to customers measured at fair value through profit or loss	-	90 300	1 360 030	1 450 330
Debt securities measured at fair value through other comprehensive income	38 193 781	-	27 270	38 221 051
Debt securities measured at fair value through profit and loss	-	-	136 511	136 511
Equity securities measured at fair value through other comprehensive income	16 720	-	804 818	821 538
Total	46 899 125	1 244 748	2 695 380	50 839 253
Financial liabilities				
Financial liabilities held for trading	175 689	1 058 024	-	1 233 713
Hedging derivatives	-	912 482	-	912 482
Total	175 689	1 970 506	-	2 146 195

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

Level III	Financial assets					
	Financial assets held 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
31.03.2019						
As at the beginning of the period	-	1 360 030	366 751	136 511	27 270	804 818
Profit or losses						
<i>recognised in income statement</i>	-	39 121	-	27 367	-	-
<i>recognised in equity (OCI)</i>	-	-	-	-	-	2
Purchase	-	131 136	-	-	-	-
Sale	-	-	-	-	-	-
Matured	-	(276 802)	-	-	-	-
Transfer	-	-	-	-	-	-
Other	-	(1 540)	25 528	-	-	-
As at the end of the period	-	1 251 945	392 279	163 878	27 270	804 820

Level III	Financial assets					
	Financial assets held 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
31.12.2018						
As at the beginning of the period	447	-	-	-	32 532	901 551
Impact of the implementation of IFRS 9	-	1 530 800	-	93 165	-	(15 094)
Profit or losses						
<i>recognised in income statement</i>	(26)	33 539	-	12 573	-	-
<i>recognised in equity (OCI)</i>	-	-	-	-	-	41 393
Purchase	-	17 294	366 751	20 013	-	2 604
Sale	(421)	-	-	-	-	(316)
Matured	-	(169 229)	-	-	(5 262)	-
Transfer	-	(90 300)	-	1 770	-	(125 320)
Other	-	37 926	-	8 990	-	-
As at the end of the period	-	1 360 030	366 751	136 511	27 270	804 818

28. Contingent liabilities

Significant court proceedings

As at 31.03.2019 no proceedings were instituted by court or by state administration agencies with relation to any claims made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 1,297,414 k, which is 4.82% of the Group's equity. This amount includes PLN 674,382 k claimed by the Group, PLN 574,614 k in claims against the Group and PLN 48,418 k of the Group's receivables due to bankruptcy or arrangement cases.

On 20.10.2017, Santander Bank Polska SA received a notice of a class action instituted by the borrowers who had loans indexed to the CHF, originated by the former Kredyt Bank. The total value of the claim, estimated as at 31.12.2017, was PLN 32.3 m. On 27.02.2018, Bank received a notice to broaden a class action by next groups of borrowers and the total value of the claim increased to PLN 47.0 m. The Bank responded to the claim. At the date of preparing the Financial Statements, we were waiting for the court to decide if the case can be heard as a class action.

As at 31.03.2019 the amount of significant court proceedings which had been completed amounted to PLN 164,025 k.

As at 31.03.2019, the value of provisions for legal claims was PLN 138,394 k. In 36 cases against the Bank, where the claim value was high, a provision of PLN 36,400 k was raised and in 1 case claimed by the Bank, a provision of PLN 26,245 k was raised.

As at 31.12.2018 no proceedings were instituted by court or by state administration agencies with relation to liabilities or receivables made by or against the Bank or its subsidiaries amounting to a minimum of 10% of the Group's equity.

The value of all litigation amounts to PLN 1,328,055 k, which is 4.98% of the Group's equity. This amount includes PLN 730,097 k claimed by the Group, PLN 550,808 k in claims against the Group and PLN 47,150 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2018 the amount of significant court proceedings which had been completed amounted to PLN 565,324 k.

As at 31.12.2018, the value of provisions for legal claims was PLN 132,382 k. In 37 cases against Santander Bank Polska SA, where the claim value was high, a provision of PLN 37,340 k was raised and in 1 case claimed by the Bank, a provision of PLN 26,245 k was raised.

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

Off-balance sheet liabilities

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

Contingent liabilities - sanctioned	31.03.2019			Total
	Stage 1	Stage 2	Stage 3	
Liabilities sanctioned				
- financial	28 599 336	458 170	58 635	29 116 141
- credit lines	23 665 564	378 981	46 388	24 090 933
- credit cards debits	4 129 238	59 250	12 247	4 200 735
- import letters of credit	729 534	19 939	-	749 473
- term deposits with future commencement term	75 000	-	-	75 000
- guarantees	5 492 540	152 715	26 600	5 671 855
Provision for off-balance sheet liabilities	(31 182)	(9 198)	(30 701)	(71 081)
Total	34 060 694	601 687	54 534	34 716 915

31.12.2018

Contingent liabilities - sanctioned	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned				
- financial	27 932 101	461 631	83 414	28 477 146
- credit lines	23 100 430	392 403	70 976	23 563 809
- credit cards debits	4 035 243	57 473	12 438	4 105 154
- import letters of credit	788 817	11 755	-	800 572
- term deposits with future commencement term	7 611	-	-	7 611
- guarantees	5 438 168	141 102	27 530	5 606 800
Provision for off-balance sheet liabilities	(33 235)	(12 343)	(35 470)	(81 048)
Total	33 337 034	590 390	75 474	34 002 898

29. Shareholders with min. 5% voting power

According to the information held by the Bank's Management Board, the shareholder with a min. 5% of the total number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 1Q 2019 /30.04.2019/ is Banco Santander SA

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	30.04.2019	28.02.2019	30.04.2019	28.02.2019	30.04.2019	28.02.2019	30.04.2019	28.02.2019
Banco Santander S.A.	68 880 774	68 880 774	67,47%	67,47%	68 880 774	68 880 774	67,47%	67,47%
Other	33 207 531	33 207 531	32,53%	32,53%	33 207 531	33 207 531	32,53%	32,53%
Total	102 088 305	102 088 305	100%	100%	102 088 305	102 088 305	100%	100%

30. Related parties

The tables below present intercompany transactions. They are effected between associates and related entities. Most of the transactions are banking transactions made as part of ordinary business activities and mainly include loans, deposits, guarantees and leases. Intercompany transactions effected by the bank and its subsidiaries have been eliminated during the consolidation process. In the case of internal Group transactions, a documentation is prepared in accordance with requirements of tax regulations for transfer pricing.

Transactions with associates	31.03.2019	31.12.2018
Assets	76	85
Other assets	76	85
Liabilities	142 320	105 680
Deposits from customers	142 179	105 519
Other liabilities	141	161

Transactions with associates	1.01.2019- 31.03.2019	01.01.2018- 31.03.2018
Income	9 191	6 582
Fee and commission income	9 191	6 582
Expenses	961	1 321
Interest expense	427	336
Fee and commission expense	300	487
Operating expenses incl.:	234	498
<i>General and administrative expenses</i>	234	498

Transactions with Santander Group	with the parent company		with other entities	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Assets	755 380	1 364 172	3 835	6 416
Loans and advances to banks, incl:	219 418	955 508	3 835	6 398
<i>Loans and advances</i>	25 000	583 784	-	-
<i>Current accounts</i>	194 418	371 724	3 835	6 398
Financial assets held for trading	535 962	407 364	-	-
Hedging derivatives	-	1 085	-	-
Other assets	-	215	-	18
Liabilities	706 459	784 526	122 477	127 328
Deposits from banks incl.:	144 516	294 866	7 398	10 721
<i>Current accounts</i>	144 516	294 866	7 398	10 721
Hedging derivatives	3 969	8 634	-	-
Financial liabilities held for trading	544 846	477 638	-	-
Deposits from customers	-	-	86 174	100 130
Lease liability	-	-	1 256	-
Other liabilities	13 128	3 388	27 649	16 477
Contingent liabilities	75 000	-	2 479	-
Sanctioned:	75 000	-	2 479	-
<i>financial</i>	75 000	-	-	-
<i>guarantees</i>	-	-	2 479	-

Transactions with Santander Group	with the parent company		with other entities	
	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018	1.01.2019- 31.03.2019	1.01.2018- 31.03.2018
Income	123 090	2 915	794	59
Interest income	2 095	2 425	9	12
Fee and commission income	453	490	67	47
Other operating income	-	-	2	-
Net trading income and revaluation	120 542	-	716	-
Expenses	10 562	120 073	12 653	9 769
Interest expense	427	507	304	112
Fee and commission expense	362	321	25	96
Net trading income and revaluation	-	115 440	-	146
Operating expenses incl.:	9 773	3 805	12 324	9 415
<i>Staff, Operating expenses and management costs</i>	9 773	3 804	12 324	9 413
<i>Other operating expenses</i>	-	1	-	2

31. Acquisition of an organized part of the enterprise and acquisitions and disposals of investments in subsidiaries and associates

ACQUISITION OF AN ORGANIZED PART OF THE ENTERPRISE

Summary of acquisition

On 09 November 2018 the Santander Bank Polska (the Bank) acquired an organized part of business of Deutsche Bank Polska S.A. (DBPL) consisting of DBPL's retail and SME banking, private banking, business banking, as well as 100% of shares in DB Securities S.A. a brokerage house of DBPL group. Pursuant to the Transaction Agreement, the branch network along with the external sales channels - vendors and agents of DBPL has been integrated with Santander Bank's current network. Apart from that investment product distribution and asset management businesses were transferred along with the Acquired Business. Transaction excluded corporate and investment banking business and retail FX mortgages that will remain in DBPL.

Business rationales of the transaction

The acquisition of organized part of enterprise Deutsche Bank Polska S.A. enables Santander Bank Polska SA to improve its position in the Polish banking sector throughout of acquisition of attractive, low risk customer base and by increasing its presence in affluent customers, private banking, and SME segments. Provides also reinforcement of Bank's sales network in regions of strategic significance (e.g. Silesia). Moreover, in the opinion of the management, the business combination will effects in significant cost and income synergies mostly resulting from potential upside from cheaper funding and cross-selling opportunities.

After the acquisition Santander Bank Polska Group increased its loan market share to 12.0% (unaudited information) to PLN 137 bn of net loans and advances to customers. From the segmentation point of view, transaction provided inflow of attractive client base and highly complementary business franchise. It significantly improved the Bank's position in the growing Private Banking, Select and Mid Market segments (+95k clients), and also in the mass segment with new 226k clients. In addition, new 35k SME clients have been acquired.

Preliminary purchase price

According to the terms and conditions of the agreement signed on the 14th of December 2017, parties established the preliminary purchase price of PLN 1,289,799,000, which can be broken down into:

1. Transferred BD Business Preliminary Purchase Price of PLN 1,269,799,000; and
2. DB Securities Preliminary Purchase Price of PLN 20,000,000.

Transferred BD Business Preliminary Purchase Price of organized part of DB Polska S.A. has been calculated based on its initial level of risk weighted assets multiplied by 13.875% and discounted by the agreed multiple of 0.60x.

The DB Securities S.A. Preliminary Purchase Price of PLN 20,000,000 has been determined by the Parties on the basis of the DB Securities Financials and an agreed discount to the Base Equity.

Preliminary Purchase Price was paid in cash in the amount of PLN 257,959,800 representing 20% of total established price whereas the rest of consideration has been transferred in form of 2,754,824 Demerger Shares of Acquirer. The number of the shares issued as part of the consideration was based on their fair value, being an arithmetical average of daily prices weighted by trade volume of Acquiring Bank's shares which were traded on the Warsaw Stock Exchange during the period between 14 November 2017 and 13 December 2017, and totaled PLN 374.56.

Details of the purchase consideration are as follows:

Purchase consideration

Cash paid	257 960
Ordinary shares issued	1 031 839
Total purchase consideration	1 289 799

Final Purchase Price

Due to the fact that the date of the initial price determination was significantly distant from the date of transfer of balances being the subject of the contract, the parties agreed that the final payment price will be equal to the preliminary purchase price, adjusted by the final level of the RWA price component as well as the impact of changes in significant business volumes such as loans, customer deposits and customer funds under management. The final settlement of the price paid is not finished yet.

Analysis of acquired assets and liabilities on a merger day

As at the date of issuance of the report, the Group of Santander Bank Polska S.A. performed valuation process related to the acquisition of an organized part of Deutsche Bank Polska S.A. and Deutsche Bank Securities S.A. The valuation included review of balance sheet items (such as loans and advances to customers, non-current assets, deposits from customers and banks) and contingent liabilities. Apart from that, during the acquisition Bank recognized additional assets that meet the conditions for recognition as intangible assets. These assets resulted from the revaluation of customer relationships created in DBPL on deposit products (PLN 142.2m) and investment and insurance products (PLN 50.4m).

Details of approach used to calculate above mentioned balances are described in the section "Significant judgements and valuation assumptions".

The depreciation of the intangible assets shall be allocated to the profit and loss accounts on a non-linear basis over their useful lives, directly linked to life of underlying products.

The following table shows the fair value of acquired assets and liabilities.

	as at: 09.11.2018	Organized part of the DB	DB Securities
ASSETS			
Cash and balances with central banks		51 073	-
Loans and advances to banks		405	159 690
Financial assets held for trading		24 049	-
Loans and advances to customers measured at amortised cost		18 781 513	-
- Mortgage loans		8 442 540	-
- Consumer loans		3 092 067	-
- Business loans		7 246 906	-
Investment securities incl.:		83 090	271
- debt securities measured at fair value through other comprehensive income		63 077	-
- debt securities measured at fair value through profit and loss		20 013	-
- equity securities measured at fair value through other comprehensive income		-	271
Intangible assets		195 977	1 041
Property, plant and equipment		19 043	125
Net deferred tax assets		52 972	940
Other assets		37 017	17 896
Total assets		19 245 139	179 963
LIABILITIES			
Deposits from banks		4 430 226	74
Financial liabilities held for trading		12 122	-
Deposits from customers		13 041 354	130 095
Provisions for off balance sheet credit risk		7 945	-
Other provisions		5 230	-
Other liabilities		113 698	6 826
Total liabilities		17 610 575	136 995
Net assets acquired		1 634 564	42 968

Significant judgements and valuation assumptions

1. Recognized intangible assets

As a result of performed valuation process Santander Bank Polska recognized following acquisition intangible assets.

Core Deposit Intangible (CDI)

CDI is defined as a current value of the difference between the current account's cost of financing and the alternative cost of financing that a bank would have had to bear if it did not own such portfolio of accounts. The fair value of the CDI was estimated with income approach. Calculated cash flows reflecting the cost savings were based on the difference between the forecasted costs of the acquired accounts and the costs of alternative market funds during the average life period of acquired accounts. The cost of alternative funds was estimated on the basis of interest rates market benchmarks for PLN and EUR funding. Computed cash flows for subsequent years were discounted with the appropriate discount rate as of the acquisition date.

Customer relationships intangible - insurance & investments products

The value of customer relationships result from by the fact that such relationships provide Santander Bank Polska with numerous benefits such as potentially reduced selling and marketing costs, enhanced logistic capabilities between the Bank and the customer, and a working rapport between the bank and the customer. The fair value of the intangible asset was estimated with income approach. The value was determined on the basis of discounted future cash flows, resulting from the surplus revenue, generated by the Bank holding the given intangible asset. The contributory amount of general expenses (including depreciation) and other charges is deducted from such defined cash flows for each year of expected relationship. The received cash flows for each year are then discounted at the cost of equity increased by an appropriate premium to constitute the fair the value of intangible asset.

2. Acquired loans and advances from customers

Fair value estimation as of the acquisition date was based on data of acquired portfolio transferred to Santander Bank Polska in the process of migration. Valuation of loans and advances to customers was conducted taking into account the risk characteristics of acquired portfolios.

Fair value adjustment on performing loans

As regards fair value adjustment on performing loans, it was calculated also based on discounted cash flows (DCF). Majority of adjustment resulted mainly from acquired Mortgage and SME portfolio, where contractual interest rate margins are lower than interest rates currently observed on the market. Newly acquired performing loans has been classified as Stage 1 portfolio.

Fair value adjustment on non-performing loans

The measurement of the fair value of non-performing loans covered by portfolio and individual provisions takes place in accordance with the discounted cash flow method (DCF). For non-performing exposures assessed individually Santander Bank Polska estimated expected future cash flows on a case by case basis. In case of portfolio provisions, future value of recoveries resulting from nonperforming exposures subject to collective valuation were based on recovery rate curves. Expected cash flows for non-performing exposures have been discounted using appropriate discount rates. Acquired NPL loans have been classified as POCL portfolio.

On the transaction date, the amount of estimated contractual cash flows relating to the acquired credit receivables was PLN 19,549,631 k, while the estimated, non-discounted value of irrecoverable cash flows was PLN 602,584 k.

3. Significant acquisition related liabilities

Onerous lease contracts

Bank acquired rent agreements with conditions worse than the market rates as of the acquisition date, therefore additional liability resulting from such onerous contract had been recognized. Estimation of the fair value of rent agreements for properties (branches) rented by Demerged Bank has been conducted with an income approach based on differences between market rent fees per squared meter for particular locations and actual rent fees from agreements signed by Demerged Bank. Differences were then discounted by risk free rate to the acquisition date during the remaining rental contract period.

Other liabilities recognized

Apart from the adjustment above Bank recognized a number of minor provisions or cost accruals connected with expected litigations, debt enforcement proceedings or differences in accounting estimates related to employee provisions and accruals. Value of liabilities was estimated on the basis of future expected outflow of funds. As recognized liabilities are short term in its nature, no discounting of cash flows were implied.

Non-controlling interest

Due to the fact that the business combination considered acquisition of an organized part of business, no non-controlling interests were recognized in the consolidated financial statements of Santander Bank Polska Group.

Calculation of the preliminary gain of the acquisition

As at the date of issuance of the report, the Group of Santander Bank Polska performed preliminary settlement of the acquisition of an organized part of business of Deutsche Bank Polska S.A. and DB Securities S.A. Table below presents calculation of the preliminary gain from acquisition, which is disclosed in the 'Gain on acquisition of enterprise' in the consolidated profit and loss accounts for the year ended 2018.

Preliminary gain from acquisition	
Consideration paid	1 289 799
less: fair value of identifiable net assets	(1 677 532)
Total	(387 733)

As part of the settlement of the transaction, the Bank identified a gain on acquisition of enterprise. In accordance with the requirements of IFRS 3, before recognizing the profit, the Bank again assessed the correctness of the identification of acquired assets and liabilities assumed. As a result of this analysis, it was found that all assets and liabilities that were identified at an earlier stage are complete and correctly identified. Then, the correctness of the procedures applied to the valuation of the possible for identification acquired assets and assumed liabilities as well as the consideration were re-assessed. Additionally Bank re-assessed the material parameters used in the fair value models, in particular the reference margins for the acquired credit base and the discount rates used in the models. As a result of the work carried out, in the opinion of the Management Board, the valuation appropriately reflects all information available as at the acquisition date, and as a result it is reasonable to recognize the gain on acquisition of enterprise.

Revenue and profit contribution

As a consequence of the purchase agreement for the organized part of Deutsche Bank Polska SA:

- Neither the opening balance data as at 01.01.2018, nor financial results of the separated part for the period ended 09.11.2018 were not available for the Buyer,
- It was not possible to prepare material accounting estimates affecting the results of the operation of a separated part of the enterprise for the period preceding the acquisition,
- There were significant differences in costs of funding allocated to Transferred DB business by the Seller, and potentially provided by Santander Bank Polska S.A.
- It was impossible to assess influence of significant operational aspects on the separate part of the enterprise,
- The relatively short time between the transaction date and the end of 2018, does not give reliable basis to use extrapolate this financial results on pre-acquisition period of 2018.

In view of the above restrictions, Santander Bank Polska SA was not able to determine and disclose the impact of the acquired operations on the pre-acquisition results of the current reporting period.

Purchase consideration – impact cash flow statement

Outflow of cash to acquired assets and liabilities, net of cash acquired

Cash consideration	(257 960)
less: Balances acquired	51 488
Cash	51 073
Current accounts	415
Other cash equivalents	-
Net outflow of cash, investing activities	(206 472)

As at the date of publication of this report the Santander Bank Polska S.A. incurred cumulated acquisition-related costs of PLN 122,731 k.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Registration of Santander Leasing Poland Securitization 01

On 30.08.2018, a subsidiary of Santander Leasing Poland Securitization 01 Designated Company seated in Dublin was registered under Irish law. This is a special-purpose vehicle formed for the purpose of securitisation of the leasing and loans receivables. As the control criteria set out in IFRS 10.4 are met, the company is considered as an entity controlled by Santander Leasing SA.

Liquidation of Giełdokracja sp. z o.o.

On 5.03.2018 Giełdokracja sp. z o.o. was liquidated. Final settlement of the company's assets and liabilities was made, the loss on the liquidation of the company is PLN 65 k.

Contribution in kind of Santander F24 SA (formerly BZ WBK Nieruchomości SA) shares to Santander Finanse sp. z o.o.

On 24.11.2017, Santander Bank Polska SA made contribution in kind of Santander F24 SA (formerly BZ WBK Nieruchomości SA) shares to Santander Finanse sp. z o.o. to cover the acquisition of Santander Finanse sp. z o.o. shares by Santander Bank Polska SA.

In the second half of 2017, Santander F24 SA changed its business model. The main profile of the business activity focused around financing of consumer car purchase – the company was registered by the Polish Financial Supervision Authority (KNF) as a lending institution.

The changed ownership structure will allow to limit the cost of business management and it is consistent with the strategy of extending the business activity of Santander Bank Polska Group whereby Santander F24 SA will offer financial products addressed to personal customers (consumers) on the market of so-called "light vehicles".

On 12.01.2018, in the Nation Court Register (KRS) was registered increase of share capital Santander Finanse sp. z o.o. to PLN 1,630 k. Share capital was fully paid.

32. Capital Adequacy

The capital requirements of Santander Bank Polska Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), which was the official legal basis as at 31.03.2019.

The above-mentioned capital ratios include a conservation buffer, buffer for an additional capital requirement due to risk attaching to foreign currency home mortgages and buffer for other systemically important institution (OSII). The capital ratios of Santander Bank Polska Group calculated in accordance with the CRR requirements and an individual capital decision of the supervisory body are above the minimum requirements.

The table below presents a details of own funds, adjustments and capital adequacy ratios as at 31.03.2019.

	31.03.2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments	23 701 925
Common Equity Tier 1 (CET1) capital	21 319 141
Additional Tier 1 (AT1) capital before regulatory adjustments	-
Additional Tier 1 (AT1) capital	-
Tier 1 capital	21 319 141
Tier 2 (T2) capital before regulatory adjustment	2 675 808
Tier 2 (T2) capital	2 675 808
Total capital	23 994 949
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2 382 784)
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
Total regulatory adjustments to Tier 2 (T2) capital	-
Common Equity Tier 1 (as a percentage of total risk exposure amount)	14,63%
Tier 1 (as a percentage of total risk exposure amount)	14,63%
Total capital (as a percentage of total risk exposure amount)	16,47%

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

	RWAs		Minimum capital requirements
	31.03.2019	31.12.2018	31.03.2019
1. Credit risk (excluding CCR)	120 542 100	119 002 252	9 643 368
Article 438(c)(d) 2. Of which the standardised approach	120 542 100	119 002 252	9 643 368
Article 107 Article 438(c)(d) 6. CCR	2 087 674	1 947 963	167 014
Article 438(c)(d) 7. Of which mark to market	1 756 975	1 635 349	140 558
Article 438(c)(d) 11. Of which risk exposure amount for contributions to the default fund of a CCP	1 762	1 141	141
Article 438(c)(d) 12. Of which CVA	328 937	311 473	26 315
Article 438 (e) 19. Market risk	1 167 900	1 039 187	93 432
20. Of which the standardised approach	1 167 900	1 039 187	93 432
Article 438(f) 23. Operational risk	14 980 731	14 046 307	1 198 458
25. Of which standardised approach	14 980 731	14 046 307	1 198 458
Article 437(2), Article 48 and Article 60 27. Amounts below the thresholds for deduction (subject to 250% risk weight)	6 916 519	6 892 151	553 322
29. Total	145 694 924	142 927 860	11 655 594

33. Leverage ratio

In December 2010, the BCBS published guidelines (Basel III: A global regulatory framework for more resilient banks and banking system) defining the methodology for calculating the leverage ratio. The BCBS guidelines also provide for disclosure of the leverage ratio and its components starting from 1.01.2015.

The leverage ratio of Santander Bank Polska Group is set in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR") and Commission delegated Regulation (EU) 2015/62 of 10.10.2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

The leverage ratio (LR) shall be calculated as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage.

Leverage ratio	31.03.2019
Tier I capital	21 319 141
Leverage ratio total exposure	221 096 601
Leverage ratio	9,64%
Choice on transitional arrangements for the definition of the capital measure	phase in

34. Impact of IFRS 9 on capital adequacy and leverage ratio

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

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

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

Available capital (amounts)		31.03.2019	31.12.2018	30.09.2018	30.06.2018
1	Common Equity Tier 1 (CET1) capital	21 319 141	20 166 059	19 657 685	19 660 476
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21 162 089	19 984 622	19 476 357	19 518 903
3	Tier 1 capital	21 319 141	20 166 059	19 657 685	19 660 476
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21 162 089	19 984 622	19 476 357	19 518 903
5	Total capital	23 994 949	22 839 754	22 323 263	22 357 159
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23 837 572	22 658 089	22 141 723	22 215 395
Risk-weighted assets (amounts)				-	-
7	Total risk-weighted assets	145 694 924	142 927 860	126 770 298	125 769 908
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	145 626 494	142 852 541	126 704 428	125 718 206
Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14,63%	14,11%	15,51%	15,63%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,53%	13,99%	15,37%	15,53%
11	Tier 1 (as a percentage of risk exposure amount)	14,63%	14,11%	15,51%	15,63%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,53%	13,99%	15,37%	15,53%
13	Total capital (as a percentage of risk exposure amount)	16,47%	15,98%	17,61%	17,78%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,37%	15,86%	17,48%	17,67%
Leverage ratio					
15	Leverage ratio total exposure measure	221 096 601	212 258 409	186 417 103	177 260 235
16	Leverage ratio	9,64%	9,50%	10,55%	11,09%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,58%	9,42%	10,46%	11,02%

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

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

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

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

37. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments

Details about the fair value hierarchy are presented in Note 27.

38. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets

In the reporting period no such changes were made

39. Comments concerning the seasonal or cyclical character of the interim activity

The business activity of Santander Bank Polska SA and its subsidiary undertakings has no material seasonal character.

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

- Liquidation of Giełdokracja sp. z o.o. (details in Note 31).
- Acquisition of a carve-out of Deutsche Bank Polska SA (details in Note 31).

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

As at 31.03.2019 and 31.12.2018 Santander Bank Polska SA and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

As at 31.03.2019 and 31.12.2018 either Santander Bank Polska SA or its subsidiaries did not create or reverse any material impairment charges for financial assets, tangible fixed assets, intangible fixed assets or other assets.

Details in Notes 8 and 12.

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

In February 2018, real estate located in Wrocław was sold. Profit on disposal amount of PLN 44.300 k.

44. Dividend per share

The proposal regarding dividend from the Bank's net profit for 2018 and the Bank's undivided net profit for 2017 and 2016. Dividend pay – out date for 14 .06.2019.

The Management Board of Santander Bank Polska S.A. informed that, acting in full compliance with the individual recommendation issued by the Polish Financial Supervision Authority on 25th February 2019 to increase the Bank's own funds, it had adopted a resolution with recommendation to allocate 25% of net profit for 2018 to dividend. The recommendation was approved by the Supervisory Board. At the same time, taking into account a good capital position of the Bank and Group, the Bank's Management Board decided to propose to allocate to the dividend for shareholders:

- PLN 514.026 364,32 from the Bank's undivided net profit for 2016,
- PLN 957 588 300,90 from the Bank's undivided net profit for 2017,
- PLN 541 068 016,50 from the Bank's net profit for 2018

which means that the proposed dividend:

- per one: A, B, C, D, E, F, G, H, I, J, K, L and N series share will be PLN 19,72,
- per one: M series share will be PLN 14,68.

The Management Board of the Bank proposed to set the dividend registration date for 30th May 2019 and the dividend pay-out date for 14th June 2019. The Management Board and the Supervisory Board submitted the above proposal along with the recommendation to the Annual General Meeting of the Bank.

The proposal regarding dividend 2016. Dividend pay – out date for 14 .06.2018.

On 17.04.2018 The Management Board of Santander Bank Polska SA informed that, acting in full compliance with the individual recommendation issued by the Polish Financial Supervision Authority on 16.03.2018, it had adopted a resolution recommending not to allocate to dividend any part of the net profit for 2017. The recommendation was approved by the Supervisory Board. At the same time, taking into account a good capital position of the Bank and the Group, the Bank's Management Board tabled the proposal (approved by the Supervisory Board) to allocate PLN 307,627k from the Bank's undivided net profit for 2016 to dividend for shareholders, which translated into a dividend per share of PLN 3.10.

45. Events which occurred subsequently to the end of the interim period

Convening the Annual General Meeting of Santander Bank Polska S.A., providing the draft resolutions that will be considered by this Meeting, the intention to amend the Bank's Statutes

On 18.04.2019 the Management Board of Santander Bank Polska S.A. provided the information contained in the notice of the Annual General Meeting of Santander Bank Polska S.A. at 16.05.2019 in Warsaw, the draft resolutions with their appendices that will be considered by this Meeting.

Agenda of the annual general meeting:

1. Opening of the General Meeting.
2. Electing the Chairman of the General Meeting.
3. Establishing whether the General Meeting has been duly convened and has the capacity to adopt resolutions.
4. Adopting the agenda for the General Meeting.
5. Reviewing and approving the Santander Bank Polska S.A. financial statements for 2018.
6. Reviewing and approving the consolidated financial statements of the Santander Bank Polska S.A. Group for 2018.
7. Reviewing and approving the Management Board's report on the Santander Bank Polska S.A. activities in 2018 and the Management Board's report on the Santander Bank Polska S.A. Group activities in 2018.
8. Adopting resolutions on distribution of profit, the dividend day and dividend payment date.
9. Giving discharge to the members of Santander Bank Polska S.A. Management Board.
10. Approval for the Santander Bank Polska S.A. Supervisory Board's report on its activities in the 2018, report on the examination of: Santander Bank Polska S.A. financial statements for 2018; consolidated financial statements of the

Santander Bank Polska S.A. Group for 2018; report on the Santander Bank Polska S.A. Group performance in 2018 including report on Santander Bank Polska S.A. performance; the Management Board's motion concerning distribution of profit earned in 2016, 2017 and 2018; the Santander Bank Polska Supervisory Board's assessment of the Santander Bank Polska S.A. Group's performance in 2018; adoption of the Supervisory Board assessment of Santander Bank Polska S.A. manner of fulfilling disclosure requirements and outcome of the Supervisory Board's evaluation of the Corporate Governance Rules for Supervised Institutions and applicable remuneration policy assessment; and adoption of suitability assessment of Supervisory Board.

11. Giving discharge to the members of the Santander Bank Polska S.A. Supervisory Board.
12. Amendments to the Bank's Statute.
13. Changes of remuneration of the members of Santander Bank Polska S.A. Supervisory Board.
14. Approval of Supervisory Board Members of Santander Bank Polska S.A. Suitability Assessment Policy and Supervisory Board Members of Santander Bank Polska S.A. Appointing and Succession Policy.
15. Closing the General Meeting.

The resolution of Bank Guarantee Fund's Council determining the amount of contribution to the compulsory restructuring fund

On 16.04.2019 Management Board of Santander Bank Polska S.A. informed that it received a resolution of the Council of the Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny) specifying the amount of PLN 173,074 k as payable to the resolution fund. On consolidated basis (including SCB) the amount of contribution to the compulsory restructuring fund is PLN 199.303 k.

The above decision was reflected in this report.

Issue of deposit certificates of Santander Bank Polska S.A. - certificates of deposit series J

Management Board of Santander Bank Polska S.A informed that on 10.04.2019, it decided to issue J-series certificates of deposit. The total nominal value will be up to PLN 550.000 k. Settlement of the issue will take place on 26.04.2019 (issue date). Certificates of deposit will be redeemed on 27.04.2020.

Signatures of the persons representing the entity

Date	Name	Function	Signature
29.04.2019	Carlos Polaino Izquierdo	Member of the Management Board	
29.04.2019	Wojciech Skalski	Financial Accounting Area Director	